

**PUBLIC WORKS AND UTILITIES
MEMORANDUM # 09-24**

DATE: May 14, 2009

TO: Honorable Mayor Kathleen M. Novak and City Council Members

FROM: William A. Simmons, City Manager *WAS*
Raymond Reling, Acting Director of Utilities *RR*

SUBJECT: CR-61, 2009 proposed rate using Red Oak Alternative 4 Uniform Rate

DESCRIPTION:

The Red Oak Alternative 4 is a uniform rate structure, which was presented to Council at the March 9th Study Session. A uniform rate structure is design so that all usage is charged the same rate per thousand gallons. Under this alternative low usage will experience higher increases.

Pros

Uniform rates for customers
Easily understood
Does not impose higher rates for irrigation consumption

Cons

Does not promote water conservation.
Low consumption users will see a significant cost increase.
Higher water usage (15,000 gallons or more per month) results in significant cost savings for 15.3% of Northglenn residential customers.
Does not take into consideration the burden imposed on the City's water supply and infrastructure by heavy users

BACKGROUND:

Staff has been working in conjunction with Red Oak Consulting to update the City's water and sewer rate structure by providing a Water and Wastewater Fund Financial Analysis. This Analysis was presented to City Council on February 5, 2009 and March 19, 2009. As part of this process, a single rate structure, or a flat rate, was asked to be included as Alternative 4.

It should be noted that a variety of concerns have been raised regarding the use of a single tier rate structure. The majority of these concerns have focused on ongoing water conservation efforts. As conservation is a key component in our long term water resources planning, there is a risk that if conservation goals are not met, we might face severe and potentially devastating challenges in meeting future demands. As opposed to the flat rate structure established in Alternative 4, a tiered rate structure provides an economic "disincentive" that often results in a tendency for customers to use less water. This strategy has proven to be an effective conservation method throughout the Western United States and used by a wide range of municipalities that include the Cities of: Thornton, Westminster, Denver, Arvada, Longmont, Boulder, Colorado Springs, Fort Collins, and Aurora.

The benefits of straying away from a single rate structure like that in Alternative 4, and adopting a more conservation oriented approach, would include the following: (1) a savings to the city from not having to develop additional water supplies; (2) a savings in electrical costs due to less pumping; (3) lower operating and maintenance costs with reduced demand on infrastructure; and (4) adherence to The City's Conservation Plan (approved on July 12, 2007), which identified a tiered rate structure as one of the actions necessary to reach the established target savings of 600 acre-feet at build out.

An additional concern with the single rate structure is a potential loss of equity. While a single rate structure does charge customers for exactly what they use, it does not take into consideration the burden imposed on the City's water supply and infrastructure by heavy users. An increasing block, or tiered, structure may be more likely to establish equity by addressing both water use and the infrastructural and supply overload caused by increased demand. In other words, greater usage by an individual residence results in greater stress on the overall system, which should be represented in the specific residence's bill. Lastly, with this rate increase the highest 10% of users will receive discounts in their monthly water bills while the lower 70% of users will see 3 to 4 times higher increases versus the four tier structure purposed as Alternative 1.

RECOMMENDATION:

Attached to this memorandum is a Consideration Resolution which, if approved, would increase the water and sewer usage rates for the Water and Sewer fund. Staff does not recommend approval of a uniform rate structure.

POTENTIAL OBJECTION:

City Staff is not aware of any specific opposition to the proposed Ordinance.

BUDGET/TIME IMPLICATIONS:

There is no impact to the General Fund.

STAFF REFERENCE:

Please contact Raymond Reling, Acting Director of Utilities at rreling@northglenn.org, or (303) 450-4049.

**PUBLIC WORKS AND UTILITIES
MEMORANDUM # 09-22**

DATE: May 14, 2009

TO: Honorable Mayor Kathleen M. Novak and City Council Members

FROM: William A. Simmons, City Manager *WAS*
Raymond Reling, Acting Director of Utilities *RR*

SUBJECT: Supplemental information for CR-60 and CR-61, 2009 proposed water and wastewater rate.

BACKGROUND:

At the April 23, 2009 Council Meeting, Council approved moving forward with a public hearing for both Alternative 1, the 4-tier rate structure, and Alternative 4, the uniform rate structure. Attached to this memorandum are a table and two graphs illustrating the difference in alternatives comparing water usage by the corresponding rate or change in rate for the given usage.

RECOMMENDATION:

Staff recommends approval of the proposed Alternative 1, the 4-tier rate structure.

POTENTIAL OBJECTION:

City Staff is not aware of any specific opposition to the proposed Ordinance.

BUDGET/TIME IMPLICATIONS:

There is no impact to the General Fund.

STAFF REFERENCE:

Please contact Raymond Reling, Acting Director of Utilities at rreling@northglenn.org, or (303) 450-4049.

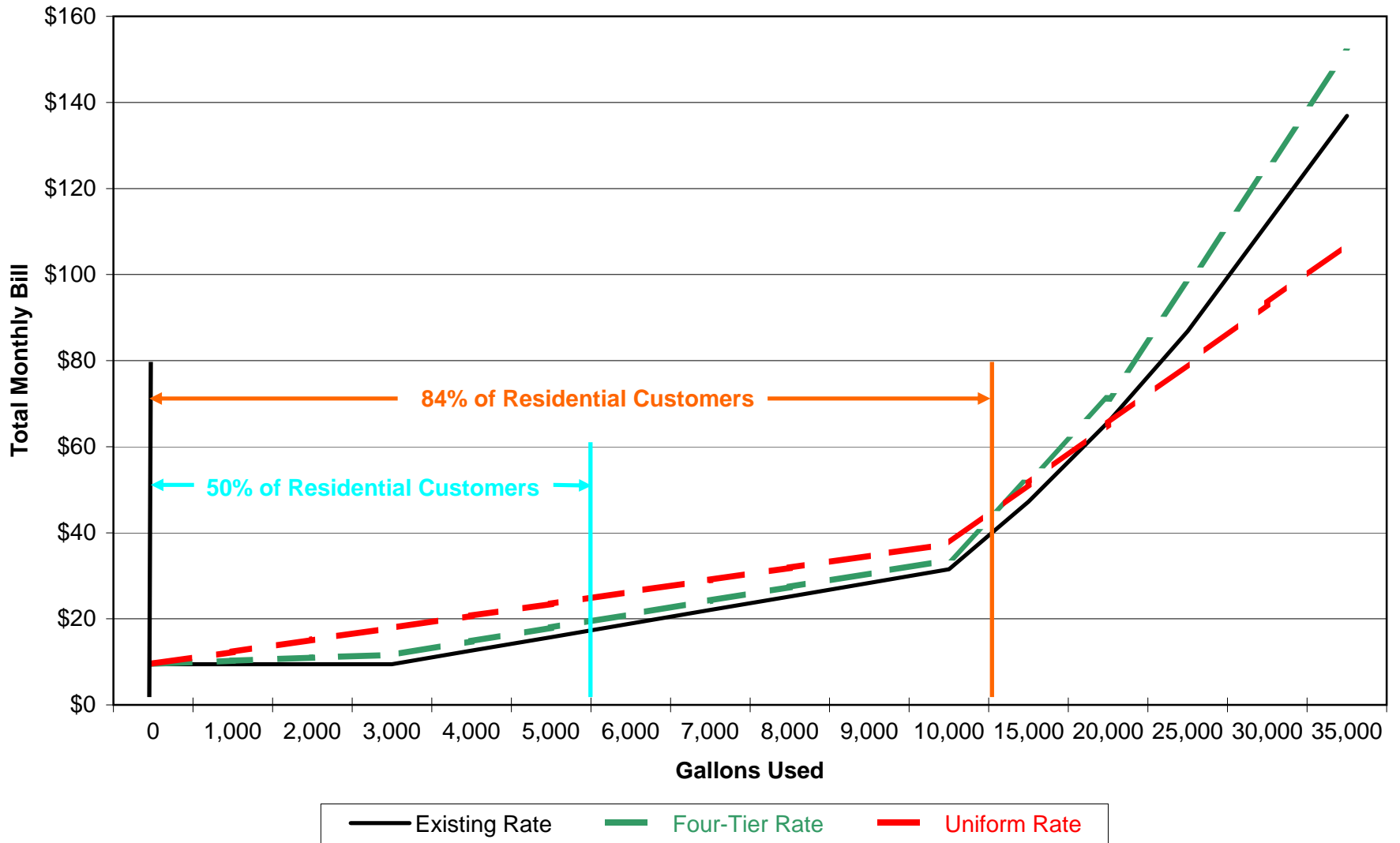
**Comparison of Residential Monthly Water Bills
Under Existing and Alternative 2009 Rates**

Monthly Usage (gallons)	% of Res Customers	Cum. % of Bills	Existing Rates	Alternative 1: Four-Tier		Alternative 4: Uniform Rate		Alternative 1: Four-Tier Rate % Increase	Alternative 4: Uniform Rate % Increase
				Amount (\$)	Change (\$)	Amount (\$)	Change (\$)		
0	3.5%	3.5%	9.45	9.55	0.10	9.55	0.10	1%	1%
1,000	3.6%	7.1%	9.45	10.25	0.80	12.34	2.89	8%	31%
2,000	6.9%	14.0%	9.45	10.95	1.50	15.13	5.68	16%	60%
3,000	9.5%	23.5%	9.45	11.65	2.20	17.92	8.47	23%	90%
4,000	10.5%	34.0%	12.60	14.80	2.20	20.71	8.11	17%	64%
5,000	9.9%	43.9%	15.75	17.95	2.20	23.50	7.75	14%	49%
6,000	8.3%	52.2%	18.90	21.10	2.20	26.29	7.39	12%	39%
7,000	6.9%	59.1%	22.05	24.25	2.20	29.08	7.03	10%	32%
8,000	5.5%	64.6%	25.20	27.40	2.20	31.87	6.67	9%	26%
9,000	4.5%	69.1%	28.35	30.55	2.20	34.66	6.31	8%	22%
10,000	3.7%	72.8%	31.50	33.70	2.20	37.45	5.95	7%	19%
15,000	11.9%	84.7%	47.25	52.45	5.20	51.40	4.15	11%	9%
20,000	6.4%	91.1%	65.75	71.20	5.45	65.35	-0.40	8%	-1%
25,000	3.7%	94.8%	86.85	98.05	11.20	79.30	-7.55	13%	-9%
30,000	1.9%	96.7%	111.85	124.90	13.05	93.25	-18.60	12%	-17%
35,000	1.1%	97.8%	136.85	151.75	14.90	107.20	-29.65	11%	-22%
>35,000	2.2%	100.0%							

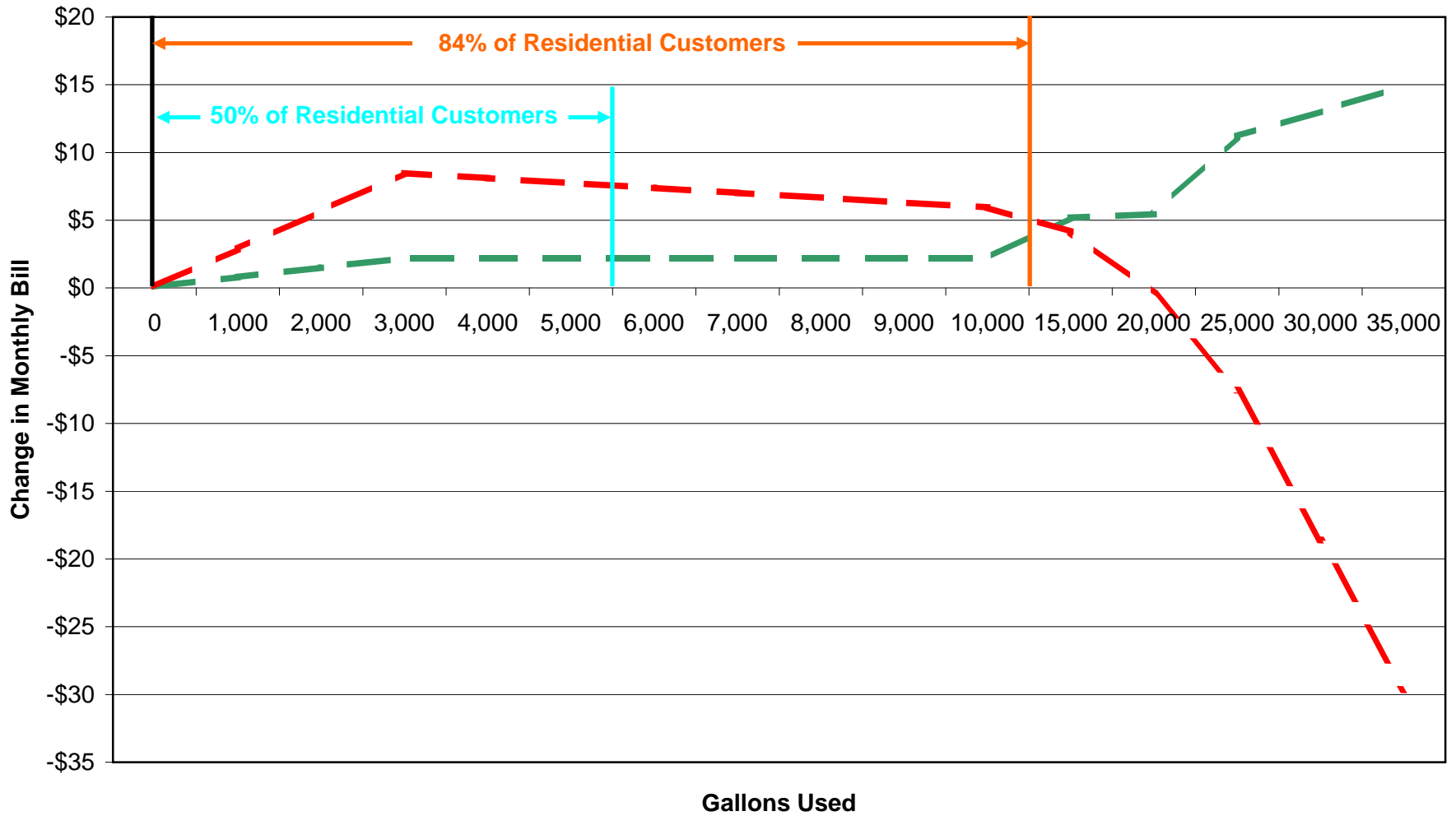
52.2% (Median) of NG customers use 6,000 gallons or less

84.7% of NG customers use 15,000 gallons or less

Comparison of Residential Monthly Water Bills Under Existing, Alternative Four-Tier Rate, and Alternative Uniform Rate



Comparison Of Change in Residential Monthly Water Bills Using Four-Tier and Uniform Rate



SPONSORED BY: MAYOR NOVAK

COUNCILMAN'S RESOLUTION

RESOLUTION NO.

No. CR-61
Series of 2009

Series of 2009

A RESOLUTION APPROVING A WATER RATE CHANGE FOR THE CITY OF NORTHGLENN

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

Section 1. A Consideration Resolution was approved by a majority of City Council on Thursday, April 23, 2009, and a Public Hearing on the proposed changes for water rates was held Thursday, May 14, 2009 pursuant to the requirements set forth in the Municipal Code at Section 16-10-4(b); and

Section 2. The City Council has determined that it is appropriate to change the water rates for the City of Northglenn effective as of _____ at the first full billing cycle.

Current Rates:

Residential Individually Metered
Tier Rate

Tier 1 \$3.15 per 1,000 gallons
Tier 2 \$3.70 per 1,000 gallons
Tier 3 \$5.00 per 1,000 gallons

Consumption Range

First 15,000 gallons (3,000 gallon Minimum)
Over 15,000 to 23,000 gallons
Over 23,000 gallons

All Other Consumers

Tier 1 \$3.25
Tier 3 \$3.70
Tier 3 \$4.75

Consumption Range

Up to 70% of the EQR as defined in Section 16-10-2 (f)
Over 70% up to 80% of the EQR assigned as defined in Section 16-10-2 (f)
Over 80% of the EQR as defined in Section 16-10-2 (f)

Residential Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 18,000 gallons	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Commercial Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 100% EQR	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Wastewater

\$2.85 per 1,000 gallons (3,000 gallon Minimum)

New Rates:

Residential Individually Metered Rate

100% of total Usage \$2.79 per 1,000 gallons

Commercial Water Volume Charges

Consumption Range

Mixed Use

\$3.25 per 1,000 gallons

\$4.97 per 1,000 gallons

Domestic Use

\$3.25 per 1,000 gallons

Irrigation Use

\$4.97 per 1,000 gallons

Up to 100% of the EQR as defined in
Section 16-10-2 (f)

Over 100% of the EQR as defined in Section
16-10-2 (f)

Residential Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 18,000 gallons	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Commercial Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 100% EQR	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Wastewater

Monthly Service Charge per bill

Residential \$1.50

Commercial \$1.50

Volume Charge per 1,000 gallons
Residential \$3.08

Commercial \$3.08

Industrial Charges, \$ per pound for concentrations over 250 mg/L
BOD, per pound \$0.24
TSS, Per Pound \$0.24

Monthly Service Charges

Meter Size	Per Bill
5/8	\$9.55
3/4	\$10.00
1	\$11.00
1 ½	\$13.20
2	\$16.30
3	\$23.90
4	\$32.70
6	\$56.90

DATED at Northglenn, Colorado, this ____ day of _____, 2009.

KATHLEEN M. NOVAK
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney