

PUBLIC WORKS AND UTILITIES
MEMORANDUM # 09-19

DATE: April 23, 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-52, 2009 proposed rate using Red Oak Alternative 1 Four-Tier Increasing rate.

DESCRIPTION:

The Red Oak Alternative 1 is the increasing four-tier volume structure presented to Council at the February 5th Study Session.

Pros

Tiered structure is familiar to our customers and is the standard practice throughout the Western United States.

Water conservation is promoted by establishing higher rates for high consumption users.

Provides two tiers for irrigation

Cons

Large volumes of irrigation consumption more expensive.

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 tiered or block rate structure was included as Alternative 1.

The tiered rate structure would qualify as a conservation-oriented approach. 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.

In addition, the benefits of using this type of structure 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.

It should also be noted that the tiered rate structure has proven effective throughout the Western United States and for a wide range of local municipalities, both for addressing financial demand and water conservation, and is currently in use by the Cities of: Thornton, Westminster, Denver, Arvada, Longmont, Boulder, Colorado Springs, Fort Collins and Aurora.

Lastly, the tiered rate structure addresses the need for equity in distributing water costs to the residents of a municipality. 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 addresses 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 is in turn represented in the specific residence's bill.

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 recommends approval of the proposed 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.

SPONSORED BY: MAYOR NOVAK

COUNCILMAN'S RESOLUTION

RESOLUTION NO.

No. CR-52
Series of 2009

Series of 2009

A CONSIDERATION RESOLUTION PURSUANT TO THE REQUIREMENTS OF SECTION 16-10-4(b) OF THE NORTHGLENN MUNICIPAL CODE DIRECTING THE SETTING OF A PUBLIC HEARING FOR THE PURPOSE OF OBTAINING PUBLIC INPUT ON THE ISSUE OF PROPOSED WATER USAGE CHARGE RATE INCREASES

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

Section 1. The City Clerk is hereby directed to set a Public Hearing on May 14, 2009 to be held at 7:00 p.m., or as soon thereafter as the matter may be heard, at the City Hall Council Chambers, 11701 Community Center Drive, Northglenn, Colorado for the purpose of obtaining public input regarding water usage charge rate increases proposed to be effective for utility billings issued subsequent to _____, 2009. Current and proposed water usage rates are as follows:

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 2 \$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>
Over 18,000 gallons	None

<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
\$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
Tier Rate

Tier 1 \$0.70 per 1,000 gallons
Tier 2 \$3.15 per 1,000 gallons
Tier 3 \$3.75 per 1,000 gallons
Tier 4 \$5.37 per 1,000 gallons

Consumption Range

First 3,000 gallons
Over 3,000 to 10,000 gallons
Over 10,000 gallons to 20,000 gallons
Over 20,000 gallons

Commercial Water Volume Charges

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

Consumption Range

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