




FINANCE MEMORANDUM
#14-04

DATE: March 10, 2014

TO: Honorable Mayor Joyce Downing and City Council Members

FROM: John R. Pick, City Manager 
Jason Loveland, Director of Finance 
David Willett, Director of Public Works 

SUBJECT: CB – 1819 Water & Wastewater Rate Increase

BACKGROUND:

The City of Northglenn provides water and wastewater services to approximately 10,250 customer accounts. The services are primarily funded via water and wastewater charges collected from utility customers. To ensure that future water and wastewater charges would meet the future costs of providing such services (e.g. water rights, operations, maintenance, capital etc.), the City, in 2005, contracted with Red Oak Consulting to develop a water and wastewater rate study.

The study determined that, in order to meet the funding and service requirements of the water and wastewater functions, revenue collections would need to increase approximately 7.5% to 8% annually in each of the subsequent five years beginning in 2009. Based on the information presented in the study, the City has increased its water and wastewater rates in 2009, 2010, and 2011. The proposed increase will be the fourth of the five-year rate increase recommendations. As a result of the three years of increases, revenue collections have increased an average of 2.12% annually since 2008, despite average water consumption falling by nearly 10%. Reductions in water consumption have been attributed to above normal precipitation, conservation efforts, the recent economic recession, and increasing water rates.

UPDATE:

At the March 3rd Study Session, City Council discussed the proposed water and wastewater rate increase.

In accordance with the rate study recommendations, staff has created and attached a worksheet which details the proposed 2014 rate increases by category. A water and wastewater rate comparison with other local municipalities has also been provided using the proposed 2014 rates. The proposed rates were gathered directly from the rate study provided by Red Oak Consulting and are anticipated to increase water and wastewater revenue collections by \$696,298 or 7.61% (given similar water consumption rates as those experienced throughout an average precipitation year).

Listed below are future capital improvement projects, and their estimated costs, needed at the wastewater treatment plant to address regulatory, operational, and capacity requirements:

- 2015 – 2016
 - Headworks and Secondary Clarifier - \$7,310,000
 - Decommission Intake Lagoons - \$1,440,000

- 2019 – 2021
 - Bull Reservoir Effluent Pumping, pH control - \$368,000
 - Lift Station “A” (second phase improvements) - \$660,000
 - Expanded Lab and Operations Space - \$600,000
 - Pave Access Roads - \$565,000
 - Force Main “A” Redundant Pipeline - \$12,000,000

- 2024 – 2026
 - Primary Clarifier, Biosolids Handling System, Decommission Sludge Lagoons - \$21,200,000

- Future Needs
 - Expand BNR Capacity, Develop Alternative for Class A Biosolids - \$8,700,000

These projects, along with water rights acquisitions, general maintenance projects, and maintaining adequate operating and capital reserves are the drivers for the rate increase.

The monthly bill for the average residential customer will change as shown below:

Avg. Monthly Winter Consumption – 5,000 Gallons →	2013 = \$40.69
	2014 = \$44.95

Avg. Monthly Summer Consumption – 15,000 Gallons →	2013 = \$81.89
	2014 = \$89.70

Should the City Council approve the rate increase set forth by the Red Oak study, the proposed rates would become effective April 1st. The Public Hearing for the rate increase will be held on March 24th.

PROS/CONS:

The additional revenue generated will help fund the replacement and repair of the City’s aging water and sewer infrastructure along with operating expenditures.

Rate increases reinforce conservation efforts among consumers.

The proposed increases will place an additional financial burden on all utility customers regardless of income or ability.

STAFF REFERENCE:

If Councilmembers have any comments or questions, you may contact Jason Loveland at jloveland@northglenn.org or 303-450-8817.

Proposed Rate Changes By Category

Monthly Water Service Charge

Meter Size	Percentage of all Accounts	2013	2014	Change
5/8"	95.30%	\$ 9.75	\$ 9.85	\$ 0.10
3/4"	0.80%	11.20	11.80	0.60
1"	1.30%	13.80	15.60	1.80
1 1/2"	1.10%	21.00	25.20	4.20
2"	1.20%	29.40	36.70	7.30
3"	0.20%	53.00	67.50	14.50
4"	0.10%	78.80	103.00	24.20
6"	<0.10%	152.00	201.00	49.00

Residential Water Use Charge

Usage Block	Percentage of all Accounts	2013 Per 1,000 gallons	2014 Per 1,000 gallons	Change Per 1,000 gallons
0 - 3,000	30%	\$ 1.90	\$ 2.65	\$ 0.75
4,000 - 10,000	39%	3.72	4.00	0.28
11,000 - 20,000	19%	4.52	4.95	0.43
21,000 and greater	12%	6.70	7.36	0.66

Commercial Water Use Charge

Usage Block	Percentage of all Accounts	2013 Per 1,000 gallons	2014 Per 1,000 gallons	Change Per 1,000 gallons
0% - 100% EQR	72%	\$ 3.25	\$ 3.25	\$ -
Over 100% EQR	28%	5.26	5.45	0.19
Domestic Use		3.25	3.25	-
Irrigation Use		5.26	5.45	0.19

Wastewater Charge

Usage Block	2013 Per 1,000 gallons	2014 Per 1,000 gallons	Change Per 1,000 gallons
Flat Rate - 3,000 gallon minimum	\$ 3.56	\$ 3.83	\$ 0.27

Water & Wastewater Monthly Charges Comparison

Municipality	Gallons										
	3,000	5,000	10,000	15,000	20,000	25,000	30,000	35,000	40,000	45,000	
Aurora	\$ 40.72	\$ 57.48	\$ 68.28	\$ 94.63	\$ 120.98	\$ 150.98	\$ 180.98	\$ 210.98	\$ 240.98	\$ 308.48	
Arvada	27.60	43.24	60.54	77.84	95.14	112.44	129.74	151.44	173.14	194.84	
Brighton	48.23	65.63	66.73	89.03	111.33	133.63	169.43	202.38	245.73	294.38	
Broomfield	30.83	36.83	51.83	66.83	81.83	96.83	111.83	126.83	141.83	156.83	
Commerce City	56.42	64.60	85.05	108.80	130.35	176.40	202.85	229.30	362.55	402.35	
Federal Heights	26.53	47.27	69.85	97.00	124.15	181.55	214.75	247.95	281.15	314.35	
Louisville	28.37	28.37	45.77	63.17	80.57	123.92	167.27	214.07	264.07	314.07	
Northglenn - 2011	26.13	40.69	59.29	81.89	104.49	137.99	171.49	204.99	238.49	271.99	
Northglenn - 2014	29.29	44.95	64.95	89.70	114.45	151.25	188.05	224.85	261.65	298.45	
Thornton	27.47	39.89	57.29	74.69	100.79	126.89	179.09	231.29	283.49	335.69	
Westminster	31.90	53.93	70.25	86.57	102.89	133.14	163.39	193.64	223.89	254.14	
Mean	33.95	47.53	63.62	84.56	106.09	138.64	170.81	203.43	247.00	285.96	
Median	30.06	46.11	65.84	87.80	107.91	135.81	175.29	212.53	253.69	303.47	
Ranking (1 = Low, 11 = High):											
Northglenn 2011 Rank	1.00	4.00	3.00	5.00	6.00	7.00	6.00	5.00	4.00	4.00	
Northglenn 2014 Rank	5.00	6.00	6.00	7.00	8.00	9.00	9.00	8.00	7.00	6.00	

Assumptions:

- All residential customers utilize a 5/8" meter.
- Average Winter Consumption (AWC) figured at 5,000 gallons per month
- Outdoor use was estimated at 10,000 gallons

SPONSORED BY: MAYOR DOWNING

COUNCILMAN'S BILL

ORDINANCE NO.

No. CB-1819
Series of 2014

Series of 2014

A BILL FOR AN ORDINANCE APPROVING A WATER AND WASTEWATER RATE CHANGE FOR THE CITY OF NORTHGLENN

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

Section 1. The City Council determines that it is appropriate to change the water rates for the City of Northglenn for consumption beginning June 1, 2014 as follows:

Current Rates:

Residential Individually Metered
Tier Rate

Tier 1 \$1.90 per 1,000 gallons
Tier 2 \$3.72 per 1,000 gallons
Tier 3 \$4.52 per 1,000 gallons
Tier 4 \$6.70 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

\$5.26 per 1,000 gallons

Domestic Use
\$3.25 per 1,000 gallons

Irrigation Use
\$5.26 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

Monthly Service Charges

Meter Size	Per Bill
5/8	\$9.75
3/4	\$11.20
1	\$13.80
1 ½	\$21.00
2	\$29.40
3	\$53.00
4	\$78.80
6	\$152.00

New Rates:

Residential Individually Metered
Tier Rate

Tier 1	\$2.65 per 1,000 gallons
Tier 2	\$4.00 per 1,000 gallons
Tier 3	\$4.95 per 1,000 gallons
Tier 4	\$7.36 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

Consumption Range

Mixed Use
\$3.25 per 1,000 gallons

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

\$5.45 per 1,000 gallons

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

Domestic Use
\$3.25 per 1,000 gallons

Irrigation Use
\$5.45 per 1,000 gallons

Residential Drought Surcharge

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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

Monthly Service Charges

Meter Size	Per Bill
5/8	\$9.85
3/4	\$11.80
1	\$15.60
1 ½	\$25.20
2	\$36.70
3	\$67.50
4	\$103.00
6	\$201.00

Section 2. The City Clerk is hereby directed to insert the revised water rates set forth above into Section 16-10-14(c) of the Northglenn Municipal Code.

Section 3. The City Council determines that it is appropriate to change the wastewater rates for the City of Northglenn effective as of June 1, 2014 at the first full billing cycle as follows.

Current Rates:

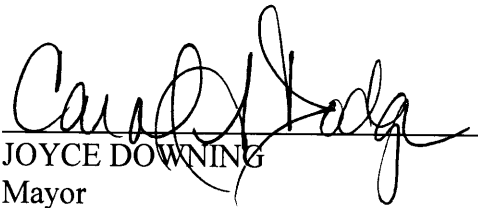
\$3.56 per 1,000 gallons (3,000 gallon minimum)

New Rates:

\$3.83 per 1,000 gallons (3,000 gallon minimum)

Section 4. The City Clerk is hereby directed to insert the revised wastewater rates set forth above into Section 16-10-5(f) of the Northglenn Municipal Code.

INTRODUCED, READ AND ORDERED POSTED this 10th day of March, 2014.

for 
JOYCE DOWNING
Mayor

ATTEST:


JOHANNA SMALL, CMC
City Clerk

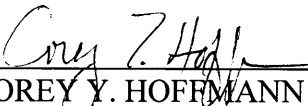
PASSED ON SECOND AND FINAL READING this _____ day of _____,
2014.

JOYCE DOWNING
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:



COREY Y. HOFFMANN
City Attorney