

FINANCE MEMORANDUM
#17-11

DATE: September 25, 2017

TO: Honorable Mayor Joyce Downing and City Council Members

FROM: James A. Hayes, AICP, City Manager *JH*
Jason Loveland, Director of Finance *JL*

SUBJECT: CB-1897 Water & Wastewater Rate Increase

PURPOSE:

City Council is considering an ordinance for water and wastewater rate increases needed to fund capital projects to the utility system using a combination of cash and multi-year financing.

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 2017, contracted with Stantec Consulting to develop a water and wastewater rate study. The study results were presented April 17. Additional discussions of the proposed rate changes were discussed May 15 and Aug. 7.

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 3.6% to 6.7% annually in each of the subsequent ten years beginning in 2018. The proposed increase in 2018 will be the first of the five-year rate increase recommendation and become effective January 1.

UPDATE:

The proposed rates were gathered directly from the rate study completed by Stantec Consulting in April 2017 and are anticipated to increase water and wastewater revenue collections by 6.7% (given similar water consumption rates as those experienced throughout an average precipitation year).

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

Avg. Monthly Winter Consumption – 5,000 Gallons →	2017 = \$ 49.52
	2018 = \$ 52.80

Avg. Monthly Summer Consumption – 15,000 Gallons →	2017 = \$ 97.92
	2018 = \$104.48

The proposed ordinance sets forth rate increases for the next five years as identified in the study that will go into effect Jan. 1 beginning in 2018 through 2022. Increases beyond the 2018 increase are subject to change if consumption or construction costs are volatile causing estimates to become unsound. Staff is not expecting this to occur, however, if changes need to be made the Council will be presented an ordinance to modify the rates.

Listed below are future capital improvement projects, and their estimated costs, needed at the water and wastewater treatment plants to address regulatory, operational, and capacity requirements as identified in the Water and Wastewater Master Plan completed in 2009:

- 2018 – 2021
 - Wastewater - Force Main "A" Pipeline & Lift Station "A" - \$28,500,000
 - Water – Waste Handling Improvements - \$3,000,000

- 2025 – 2027
 - Primary Clarifier, Biosolids Handling System, Decommission Sludge Lagoons - \$31,000,000

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

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

PROS/CONS:

The additional revenue generated will help fund the replacement and repair of the City's aging water and sewer infrastructure.

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.

RECOMMENDATION:

Staff recommends Council approval, which will set the public hearing for Oct. 23, 2017.

STAFF REFERENCE:

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

SPONSORED BY: MAYOR DOWNING

COUNCILMAN'S BILL

ORDINANCE NO.

No. CB-1897
Series of 2017

Series of 2017

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 January 1, 2018, with a rate schedule applicable through 2022 as follows:

Current Rates:

Residential Individually Metered
Tier Rate

Tier 1 \$3.44 per 1,000 gallons
Tier 2 \$4.30 per 1,000 gallons
Tier 3 \$5.38 per 1,000 gallons
Tier 4 \$8.06 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

\$5.66 per 1,000 gallons

Domestic Use
\$3.25 per 1,000 gallons

Irrigation Use
\$5.66 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	\$10.00
3/4	\$12.40
1	\$17.10
1 ½	\$29.00
2	\$43.20
3	\$81.10
4	\$124.00
6	\$242.00

New Rates commencing January 1, 2018 with annual increases on January 1 of each year through and including January 1, 2022:

Residential Individually Metered Tier Rate

Consumption Range	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
First 3,000 gallons	\$ 3.59	\$ 3.76	\$ 3.93	\$ 4.04	\$ 4.16
Over 3,000 to 10,000 gallons	\$ 4.49	\$ 4.70	\$ 4.91	\$ 5.05	\$ 5.21
Over 10,000 to 20,000 gallons	\$ 5.62	\$ 5.88	\$ 6.14	\$ 6.32	\$ 6.51
Over 20,000 gallons	\$ 8.42	\$ 8.80	\$ 9.20	\$ 9.47	\$ 9.76

Commercial Water Volume Charges

Consumption Range	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
0% - 100% EQR	\$ 3.40	\$ 3.55	\$ 3.71	\$ 3.82	\$ 3.93
Over 100% EQR	\$ 5.91	\$ 6.18	\$ 6.46	\$ 6.65	\$ 6.85
Domestic Use	\$ 3.40	\$ 3.55	\$ 3.71	\$ 3.82	\$ 3.93
Irrigation Use	\$ 5.91	\$ 6.18	\$ 6.46	\$ 6.65	\$ 6.85

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	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
5/8"	\$ 10.45	\$ 10.92	\$ 11.41	\$ 11.75	\$ 12.11
3/4"	\$ 12.96	\$ 13.54	\$ 14.15	\$ 14.57	\$ 15.01
1"	\$ 17.87	\$ 18.67	\$ 19.51	\$ 20.10	\$ 20.70
1 1/2"	\$ 30.31	\$ 31.67	\$ 33.09	\$ 34.09	\$ 35.11
2"	\$ 45.14	\$ 47.18	\$ 49.30	\$ 50.78	\$ 52.30
3"	\$ 84.75	\$ 88.56	\$ 92.55	\$ 95.33	\$ 98.18
4"	\$ 129.58	\$ 135.41	\$ 141.50	\$ 145.75	\$ 150.12
6"	\$ 252.89	\$ 264.27	\$ 276.16	\$ 284.45	\$ 292.98

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 January 1, 2018, with a rate schedule applicable through 2022, at the first full billing cycle of each year as follows.

Current Rates:

\$4.12 per 1,000 gallons (3,000 gallon minimum)

New Rates commencing January 1, 2018 with annual increases on January 1 of each year through and including January 1, 2022:

Consumption Range	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
Per 1,000 gallons (3,000 gallon minimum)	\$ 4.52	\$ 4.96	\$ 5.45	\$ 5.88	\$ 6.35

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 _____ day of _____, 2017.

JOYCE DOWNING
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

PASSED ON SECOND AND FINAL READING this _____ day of _____,
2017.

JOYCE DOWNING
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney