

**FINANCE MEMORANDUM
#19-2022**

DATE: Nov. 14, 2022
TO: Honorable Mayor Meredith Leighty and City Council Members
THROUGH: Heather Geyer, City Manager *hmg*
FROM: Jason Loveland, Director of Finance *JL*
SUBJECT: CB-1996 – Water and Wastewater Rates

PURPOSE

To consider CB-1996, an ordinance on first reading to increase water and wastewater rates.

BACKGROUND

The City provides water and wastewater utility services to approximately 10,250 customer accounts. The services are funded through 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, the City contracted with Stantec Consulting in 2017 to complete a water and wastewater rate study. The study results were presented on April 17, 2017. Additional discussions of the proposed rate changes occurred on May 15 and Aug. 7, 2017.

The study determined that to meet the funding and service requirements of water and wastewater operations, revenue collections would need to increase approximately 3.6% to 6.7% annually in each of the subsequent 10 years beginning in 2018. In 2018, the first five years of the 10-year rate increase recommendations were implemented through Ordinance No. 1745 to fund over \$85 million in projects.

UPDATE

After five years, the data from the rate study completed by Stantec Consulting in April 2017 was verified to be sufficient for the second half of the rate study implementation. Increases to water and wastewater revenue collections by 3.6% over the next five years are needed to support significant capital investments to the water and wastewater treatment plants.

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

- 2025 to 2027
 - Lift Station B replacement – \$7M
 - Primary clarifier and digesters – \$30M

- 2028 to 2031
 - Aeration basins, secondary clarifiers – \$37M

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

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

Average Consumption	2022	2023	Change per month
Winter 5,000 gallons	\$66.76	\$69.09	\$2.33
Summer 15,000 gallons	\$125.36	\$128.84	\$3.48

The proposed ordinance sets forth rate increases for the next five years as identified in the study. New rates would go into effect each Jan. 1 from 2023 to 2027. Increases beyond 2023 are subject to change if consumption or capital construction costs change meaningfully.

BUDGET/TIME IMPLICATIONS

The 2017 rate study was completed with the intent to minimize significant rate increases in any single year over the period studied. This means consistent, smaller increases over the decade would allow the City to avoid double-digit percentage increases in any one period. Using this approach avoids shocking the ratepayers, which staff and City Council value.

Using the compounding effect strategy would allow the water and wastewater utilities to be well-positioned to finance the regulatory and maintenance requirements to operate over the next several years.

Delaying, or reducing, the proposed rate increases would reduce the effectiveness of the compounding strategy and lead to larger annual percentage increases in the future.

RECOMMENDATION:

Staff recommends approval of CB-1996 on first reading.

STAFF REFERENCE:

If Council members have questions, please contact Jason Loveland, Director of Finance, at 303.450.8817 or jloveland@northglenn.org.

SPONSORED BY: MAYOR LEIGHTY

COUNCIL MEMBER'S BILL

ORDINANCE NO.

No. CB-1996
Series of 2022

Series of 2022

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, 2023, with a rate schedule applicable through 2027 as follows:

Current Rates:

Residential Individually Metered
Tier Rate

Tier 1 \$4.16 per 1,000 gallons
Tier 2 \$5.21 per 1,000 gallons
Tier 3 \$6.51 per 1,000 gallons
Tier 4 \$9.76 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
\$3.93 per 1,000 gallons

\$6.85 per 1,000 gallons

Domestic Use
\$3.93 per 1,000 gallons

Irrigation Use
\$6.85 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	\$12.11
3/4	\$15.01
1	\$20.70
1 ½	\$35.11
2	\$52.30
3	\$98.18
4	\$150.12
6	\$292.98

New Rates commencing January 1, 2023 with annual increases on January 1 of each year through and including January 1, 2027:

Residential Individually Metered Tier Rate

Consumption Range	Jan. 1, 2023	Jan. 1, 2024	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027
First 3,000 gallons	\$ 4.24	\$ 4.33	\$ 4.41	\$ 4.50	\$ 4.59
Over 3,000 to 10,000 gallons	\$ 5.31	\$ 5.42	\$ 5.53	\$ 5.64	\$ 5.75
Over 10,000 to 20,000 gallons	\$ 6.64	\$ 6.77	\$ 6.91	\$ 7.05	\$ 7.19
Over 20,000 gallons	\$ 9.96	\$ 10.15	\$ 10.36	\$ 10.56	\$ 10.78

Commercial Water Volume Charges

Consumption Range	Jan. 1, 2023	Jan. 1, 2024	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027
0% - 100% EQR	\$ 4.01	\$ 4.09	\$ 4.17	\$ 4.25	\$ 4.34
Over 100% EQR	\$ 6.99	\$ 7.13	\$ 7.27	\$ 7.41	\$ 7.56
Domestic Use	\$ 4.01	\$ 4.09	\$ 4.17	\$ 4.25	\$ 4.34
Irrigation Use	\$ 6.99	\$ 7.13	\$ 7.27	\$ 7.41	\$ 7.56

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, 2023	Jan. 1, 2024	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027
5/8"	\$ 12.35	\$ 12.60	\$ 12.85	\$ 13.11	\$ 13.37
3/4"	\$ 15.31	\$ 15.62	\$ 15.93	\$ 16.25	\$ 16.57
1"	\$ 21.11	\$ 21.54	\$ 21.97	\$ 22.41	\$ 22.85
1 1/2"	\$ 35.81	\$ 36.53	\$ 37.26	\$ 38.00	\$ 38.76
2"	\$ 53.35	\$ 54.41	\$ 55.50	\$ 56.61	\$ 57.74
3"	\$ 100.14	\$ 102.15	\$ 104.19	\$ 106.27	\$ 108.40
4"	\$ 153.12	\$ 156.18	\$ 159.31	\$ 162.49	\$ 165.74
6"	\$ 298.84	\$ 304.82	\$ 310.91	\$ 317.13	\$ 323.47

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, 2023, with a rate schedule applicable through 2027, at the first full billing cycle of each year as follows.

Current Rates:

\$6.35 per 1,000 gallons (3,000 gallon minimum)

New Rates commencing January 1, 2023 with annual increases on January 1 of each year through and including January 1, 2027:

Consumption Range	Jan. 1, 2023	Jan. 1, 2024	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027
Per 1,000 gallons (3,000 gallon minimum)	\$ 6.68	\$ 7.03	\$ 7.40	\$ 7.79	\$ 8.20

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 _____, 2022.

MEREDITH LEIGHTY
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

PASSED ON SECOND AND FINAL READING this _____ day of _____,
2022.

MEREDITH LEIGHTY
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney