

**TOWN OF ERIE**  
**BOARD OF TRUSTEE AGENDA ITEM**  
**Board Meeting Date: November 11, 2014**

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**SUBJECT:**                           **ORDINANCE**  
Consideration of Ordinance No. 36-2014: An Ordinance Of The Town Of Erie, Colorado, Amending Title 2, "Revenue And Finance," Chapter 10, "Fee Schedule," Section 4, "Public Works Fees," And Section 6, "Building Permit And Other Fees," Of The Erie Municipal Code; Adopting New Water, Wastewater And Storm Drainage Rates And Fees In Conformance With The Water, Wastewater and Storm Drainage Rate Studies Commissioned And Adopted By The Town; And, Setting Forth Details In Relation Thereto.

**DEPARTMENT:**                   Finance

**PRESENTER:**                   **Steve Felten, Finance Director**

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**FISCAL**                            Cost as  
Recommended:                N/A  
**INFORMATION:**               Balance Available:  
Budget Line Item  
Number:                        000 . 00 . 000 . 000000 . 000000  
New Appropriation  
Required:                     Yes    No

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**STAFF**                            **Approval of Ordinance 36-2014**

**RECOMMENDATION:**

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**SUMMARY AND BACKGROUND OF SUBJECT MATTER:**

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The Town of Erie Financial Policies requires the Town to have a formal rate study performed on the Water and Wastewater Enterprise Funds at least every five years. The last formal rate study for these funds was conducted in 2008. In 2008, the Board reviewed and adopted the results of those rate studies, setting rates and fees for the period 2009-2013.

During 2013, the Town contracted with Willdan Financial Services/Red Oak Consulting ("Willdan") to perform the formal rate study for the Water and Wastewater Funds pursuant to policy. In 2014 staff recommended that the rate study be expanded to include the Storm Drainage Operating Fund, which has not had a rate increase since 2004. The results of the studies were presented to the Board by Willdan and staff and discussed with the Board at study sessions on August 26, 2014 and September 30, 2014. As a result of these study sessions, the Board asked staff to present the results in the form of an ordinance at the October 28, 2014 meeting for the Board's consideration.

The assumptions and results of the Water, Wastewater and Storm Drainage Rate Studies are discussed below.

**Water Enterprise Fund Rate Study**

The goals of the rate study are to determine the revenue needed to cover annual operations and maintenance costs and capital improvement projects, meet debt service requirements, provide for sufficient operating reserves and maintain the utility's self-sufficiency over a 5-year period.

The rate study for the Water Enterprise Fund included the following assumptions:

Residential growth: 400 taps per year

Target Reserves: 90 days of operations

Debt Service Coverage: 1.1x (net revenues divided by annual debt service payment)

The Water Rate Study provides recommendations for changes in the tap fee, the fee in lieu of water dedication (sometimes referred to as the water rights fee) and user rates in order to meet the goals of the study.

**Water Tap Fee and Fee in Lieu of Water Dedication:** These fees are collected on all new residential and non-residential construction that requires connection to the water system. These fees are a one-time charge to the customer for their proportional share of capacity of the system infrastructure in the case of the water tap fee and annual water requirements in the case of the fee in lieu of water dedication. These fees are used to defray the capital costs of expanding the system facilities and to recover the cost of growth to the system. Below is a schedule of current and proposed water tap fee and fee in lieu of water dedication.

Meter Size	Water Tap Fee		Fee in Lieu of Water Dedication	
	Current	Proposed	Current	Proposed
3/4 inch	\$ 8,680	\$ 10,416	\$ 12,850	\$ 15,300
1 inch	14,470	17,360	(a)	(a)
1 1/2 inch	28,930	34,720	(a)	(a)
2 inch	46,290	55,552	(a)	(a)
3 inch	86,800	104,160	(a)	(a)
4 inch	144,670	173,600	(a)	(a)
6 inch	289,330	347,200	(a)	(a)

(a) Section 8-1-9 of the code defines the manner in which the Town determines the amount of fee in lieu of water dedication

The rate study further recommended that the water tap fee have annual increases for 2016-2019, as follows:

Meter Size	Water Tap Fee				
	2015	2016	2017	2018	2019
3/4 inch	\$ 10,416	\$ 11,582	\$ 12,748	\$ 13,914	\$ 15,080
1 inch	17,360	19,303	21,247	23,190	25,133
1 1/2 inch	34,720	38,607	42,493	46,380	50,267
2 inch	55,552	61,771	67,989	74,208	80,427
3 inch	104,160	115,820	127,480	139,140	150,800
4 inch	173,600	193,033	212,467	231,900	251,333
6 inch	347,200	386,067	424,933	463,800	502,667

**Water User Rates:** The rate study develops a financial plan and a cost of providing water service to its customers. The financial plan identifies the revenues and expenses over the study period and determines if the current rates generate the revenue necessary to cover operating costs, debt service payments, capital improvement projects, reserve requirements and provide the necessary revenue to

meet bond covenants.

The study also develops the cost of service by customer class (residential, commercial and irrigation) and it recognizes the differing service characteristics based on the meter size and service demands. Based on the cost of service information, the study recommends a revised rate structure for water service that includes a monthly service charge and volumetric charge. In addition, the rate study recommended the establishment of an additional customer class – multi-family.

Below are the current (2014) user rates and the proposed user rates for the next five years. No increase is being proposed for the residential monthly service charge for 2015 for customers with a ¾ inch meter size, which includes all but approximately 50 residential customers. The monthly service charge for all other meter sizes will be increased 5% in 2015. In subsequent years the monthly service charge for all meter sizes will increase in line with the overall revenue requirements as determined in the rate study – 2016 +5%, 2017 +5%, 2018 +4% and 2019 +3%. The new multi-family class will be charged the same monthly service charge as the residential class. Commercial and irrigation monthly service charges will increase as follows: 2015 +5%, 2016 +5%, 2017 +5%, 2018 +4% and 2019 +3%.

Meter Size	Water Monthly Service Charge - Residential & Multi-Family					
	Current	Proposed	Proposed	Proposed	Proposed	Proposed
	2014	2015	2016	2017	2018	2019
3/4 inch	\$ 25.41	\$ 25.41	\$ 26.68	\$ 28.01	\$ 29.13	\$ 30.00
1 inch	25.41	26.68	28.01	29.41	30.59	31.51
1 1/2 inch	34.78	36.52	38.35	40.27	41.88	43.14
2 inch	56.94	59.79	62.78	65.92	68.56	70.62
3 inch	68.20	71.61	75.19	78.95	82.11	84.57

Meter Size	Water Monthly Service Charge - Commercial & Irrigation					
	Current	Proposed	Proposed	Proposed	Proposed	Proposed
	2014	2015	2016	2017	2018	2019
3/4 inch	\$ 25.41	\$ 26.68	\$ 28.01	\$ 29.41	\$ 30.59	\$ 31.51
1 inch	25.41	26.68	28.01	29.41	30.59	31.51
1 1/2 inch	34.78	36.52	38.35	40.27	41.88	43.14
2 inch	56.94	59.79	62.78	65.92	68.56	70.62
3 inch	68.20	71.61	75.19	78.95	82.11	84.57
4 inch	68.20	71.61	75.19	78.95	82.11	84.57
6 inch	68.20	71.61	75.19	78.95	82.11	84.57

Monthly volume charges will increase as follows for residential and multi-family customers. 2015 Block 1 +2.7%, Block 2 +2.6%, Block 3 +23.3% and Block 4 +23.3%. Blocks 3 and 4 were increased to incent water conservation. In 2016-2019 each block will increase as follows: 2016 +5%, 2017 +5%, 2018 +4% and 2019 +3%. Commercial and irrigation volume rates increase by the same percentages as the monthly service charges.

Usage Block	Water Monthly Volume Charge per 1,000 Gallons - Residential & Multi-Family						
	Gallons Used	Current	Proposed	Proposed	Proposed	Proposed	Proposed
		2014	2015	2016	2017	2018	2019
Block 1	0 - 5,000	\$ 3.65	\$ 3.75	\$ 3.94	\$ 4.14	\$ 4.31	\$ 4.44
Block 2	5,001 - 15,000	4.56	4.68	4.91	5.16	5.37	5.53
Block 3	15,001 - 25,000	5.70	7.03	7.38	7.75	8.06	8.30
Block 4	Over 25,000	8.55	10.54	11.07	11.62	12.08	12.44

Customer Class	Water Monthly Volume Charge per 1,000 Gallons - Commercial & Irrigation						
	Gallons Used	Current	Proposed	Proposed	Proposed	Proposed	Proposed
		2014	2015	2016	2017	2018	2019
Commercial	All Usage	\$ 5.73	\$ 6.02	\$ 6.32	\$ 6.64	\$ 6.91	\$ 7.12
Irrigation	All Usage	6.03	6.33	6.65	6.98	7.26	7.48

The average residential customer uses about 8,500 gallons of water monthly on an annual basis, of which about 4,500 gallons represents irrigation consumption and 4,000 represents interior consumption. For this average customer, these rates represent an increase in 2015 of approximately \$1.50, or 2.7%, per month. For all customers, the average increase will be approximately \$2.02, or 4.0%, per month. Increases in 2016 through 2019 will be 5.0%, 5.0%, 4.0% and 3.0%, respectively.

### **Wastewater Enterprise Fund Rate Study**

The goals of the rate study are to determine the revenue needed to cover annual operations and maintenance costs and capital improvement projects, meet debt service requirements, provide for sufficient operating reserves and maintain the utility's self-sufficiency over a 5-year period.

The rate study for the Wastewater Enterprise Fund used the following assumptions:

Residential growth: 400 taps per year

Target Reserves: 90 days of operations

Debt Service Coverage: 1.1x (net revenues divided by annual debt service payment)

The Wastewater Rate Study provides recommendations for changes in the tap fee to meet the goals of the study. No change to monthly user rates is required.

**Wastewater Tap Fee:** The tap fee is collected on all new residential and non-residential construction that requires connection to the wastewater system. The fee is a one-time charge to the customer for their proportional share of capacity of the system infrastructure. The fee is used to defray the capital costs of expanding the system facilities and to recover the cost of growth to the system. Below is a schedule of current and proposed wastewater tap fees.

Meter Size	Wastewater Tap Fee	
	Current	Proposed
3/4 inch	\$ 4,290	\$ 5,200
1 inch	7,150	8,667
1 1/2 inch	14,300	17,333
2 inch	22,880	27,733
3 inch	42,900	52,000
4 inch	71,500	86,667
6 inch	143,000	173,333

### **Storm Drainage Operating Fund Rate Study**

The Town currently charges a monthly \$5.00 fee to all customer classes to support the operations of the Storm Drainage Operating Fund. This fee has not changed since 2004 and is not adequate to support operations and future capital needs. In addition, most municipalities assess storm drainage fees based on the amount of impervious square footage the customer has rather than charging a flat fee. As a result, the rate study recommended changing the rate structure to assess a monthly fee based on the impervious square footage.

The proposed monthly fee basis will be established at \$5.41 per Single Family Residential Equivalent (SFRE) for 2015. Based on analysis performed in the rate study it was determined that the average single family residence in Erie has approximately 5,300 square feet of impervious square footage (which includes the house, driveways, sidewalks and similar surfaces), defined as an SFRE. All single-family residences will be charged the same monthly fee - \$5.41 for 2015. Commercial customers will be charged on the basis of how many SFRE's their property has and billed on that basis. For example, if a commercial customer has 15,900 square feet of impervious area, they will be billed \$16.23 per month in 2015 (15,300 square feet divided by 5,300 square feet = 3 times \$5.41/SFRE = \$16.23). The average commercial customer will be charged approximately \$45.00 per month in 2015 as a result of the rate study recommendation. The proposed rate per SFRE is as follows:

	Storm Drainage Monthly Charge per Single Family Equivalent (SFRE)					
	Current (a)	2015	2016	2017	2018	2019
Rate per SFRE	\$ 5.00	\$ 5.41	\$ 6.60	\$ 8.05	\$ 9.82	\$ 11.98

(a) Current charge is a flat rate for all customer classes.

As a result of this proposed change, irrigation customers will no longer be charged a monthly storm drainage fee. Multi-family customers will be charged at the same rate as a single-family residence.

**Summary**

As a result of the above recommended changes, the “average” residential customer would see average water, wastewater and storm drainage monthly charges approximating the following:

	<b>Water</b>	<b>Wastewater</b>	<b>Storm</b>	<b>Total</b>	<b>\$ Change</b>	<b>% Change</b>
2014	\$ 56.50	\$ 48.48	\$ 5.00	\$ 109.98		
2015	58.00	48.48	5.41	111.89	1.91	1.7%
2016	60.90	48.48	6.60	115.98	4.09	3.7%
2017	63.95	48.48	8.05	120.48	4.50	3.9%
2018	66.51	48.48	9.82	124.81	4.33	3.6%
2019	68.51	48.48	11.98	128.97	4.16	3.3%

**Staff Review:**

\_\_\_\_ Town Attorney  
\_\_\_\_ Town Clerk  
\_\_\_\_ Community Development Director  
37 Finance Director  
\_\_\_\_ Police Chief  
\_\_\_\_ Parks and Recreation Director  
\_\_\_\_ Public Works Director

**Approved by:**



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**A.J. Krieger**  
**Town Administrator**

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**ATTACHMENTS:**

a. Ordinance 36-2014