



City Council STAFF REPORT

City of Glenwood Springs October 15, 2020

Agenda Item: City of Glenwood Springs Water Rate Study Discussion/Review

Action Requested: Discussion on the water and sewer rate study completed by GovRates and City Staff.

Department: Public Works

Presented By: Matthew Langhorst, Public Works Director
Steve Boyd, COO

Background Info: The City of Glenwood Springs Water and Wastewater Departments initiated an updated rate study in 2020. The last rate study that was completed for water and sewer rates was in 2014 and a small rate adjustment was made by resolution in 2015. The 2014 rate study recommended that rates should increase between 4% and 6% each year for up to 5 years. If the City had continued to follow that recommendation it would have increased water and sewer rates by 35% and 43% over that duration of time.

The 2014 report noted that an increase of 15.8% would need to be implemented to even meet adequate cash flow for the departments to cover O&M and debt services. In 2015 a rate increase of 7% for wastewater and 10% for water was implemented to help cover a portion of the 15.8% needed per department by 2018, but the following years the rates were not increased as recommended.

Thus since 2018 the two funds have been running partly on reserves to cover basic costs. While the 2014 rate study looked at capital improvements, they were not the main driver for the rate increase since the City was transferring \$80,000 in Capital Projects funds a year into the water/wastewater utilities for capital projects costs. This Capital Projects fund transfer of \$800,000 was then planned to be reduced over the following 5 years by \$160,000 a year until reaching to a \$0 amount in 2019. This ended early in 2018, but funds rates were not raised to capture the dwindling revenue.

Current staff was not aware of this report nor its original recommendations, which were only implemented in 2015. Raising water and wastewater rates are never easy on the public. Staff and the Financial Advisory Board recommend raising rates but understands that this is a very difficult decision for the City Council and has impacts on our residents and businesses.

These numbers show that the city's Water and Wastewater departments have been supplementing the cost of water and sewer to the citizens for the past 5 years. With the large number of capital improvement projects that the City must complete to ensure properly functioning water and wastewater systems, up to \$38 million dollars' worth of work must be funded and were the basis of the new rate study included in this agenda item.

GovRates was selected as the rate study consultant through an RFP process in 2019 and work began on the study in 2020. As Council knows in March 2020 COVID-19 hit the world, which caused a slow down for not only society, but the rate study process. Working through the difficult times, Staff and GovRates has completed what we are calling an Interim rate increase solution. We call it interim, due to the fact that staff would like to keep GovRates working in 2020 and 2021 on a meter size/volume of water usage driven rate system instead of the proposed commercial/residential rate volume of water system we have in place. The overall effects of the rates increased will be seen in 2021, if Council approves the recommendations below, A switch to a meter size driven system is not anticipated to adjust those new rates significantly in the future, but will make the pricing system easier for people to understand and for staff to control. Please see recommendation below and the full report attached.

Water Rates:

- Increase of the base rate from \$13.83 to \$32 per month. This will help balance out O&M costs and be a reliable income to cover debt services and put us where other communities are.
- Provide more volumetric steps within the water rate system.
- Increase the cost of water by 57% in 2021.

Wastewater Rates:

- Increase the rates and base fee by 36%.

The current water rate structure has three volumetric steps for fees. 0 to 5,500 gallons; 5,500 to 17,500 gallons

and over 17,500 gallons. What these small steps and low upper limits does is push the large users of water into the highest cost range for water per 1,000 gallons used quickly. The steps that we are recommending are 0 to 3,000 gallons, 3,000 to 11,000 gallons, 11,000, to 22,000 gallons, 22,000 to 33,000 gallons and over 33,000 gallons. The first step from 0 to 3,000 gallons, provides the lower water user essential indoor water use they need and the ability to control their bills. The second step at 11,000 gallons matches with the City's EQR calculation of 350 gallons of use per day per single family household or (350 gallons x 3.42 days = 10,752 gallons per month). The next three steps are based on multipliers of the EQR calculation up to 33,000 gallons per month which would be considered the high user instead of the current 17,500 a month volume.

These rates as you can see per the report move the average water/sewer bill in the City of Glenwood Springs from \$107.96 a month to \$152.85 a month, an average increase of 42%. As noted in the chart on page 17 of the report, the proposed rates would produce bills that are competitive with those of neighboring communities. Many of these communities around us are currently looking at their existing pricing structure that we are comparing ourselves to so that they can move their pricing up to meet their O&M, debt and capital improvement needs as well. Other communities such as Minturn and Rifle have recently made rates changes to meet their needs, thus their current pricing.

Issues: None at this time

Staff Recommendation: Staff is recommending moving forward with the Rate Study price increase recommendations as presented. To be formally presented at the next Council meeting as a resolution with a start date of January 1st, 2021 or as recommended by Council.