

AGENDA ITEM # 8

CITY COUNCIL COMMUNICATION FORM

FROM: Philo Shelton, Public Works Director

THROUGH: Jon Roberts, City Manager (Ext. 228)

DATE: September 21, 2010

RE: AN ORDINANCE REVISING REVISED MUNICIPAL CODE SECTIONS 25-201, 25-203, 25-216, 25-218, 25-219, 25-220, RELATING TO CITY WATER AND SEWER TAP INVESTMENT FEES, SERVICE RATES AS IT APPLIES TO THE CITY AND IT'S WHOLESALE CUSTOMERS, MT. WERNER WATER AND SANITATION DISTRICT, TREE HAUS WATER AND SANITATION DISTRICT, AND STEAMBOAT II METROPOLITAN DISTRICT. PROVIDING AN EFFECTIVE DATE AND REPEALING ALL CONFLICTING ORDINANCES.

NEXT STEP: Notices sent to rate payers of new rates.

DIRECTION
 INFORMATION
 ORDINANCE
 MOTION
 RESOLUTION

I. REQUEST OR ISSUE:

Approve the second reading of an ordinance.

II. RECOMMENDED ACTION:

Accept the 2010 Water and Wastewater Rate Study prepared by Red Oak Consulting, a Division of Malcolm Pirnie, and approve the second reading of the ordinance that uses alternative one.

III. FISCAL IMPACTS:

The 2010 Water and Wastewater Rate Study gets the City's water and wastewater utility on a stable budget footing and transitions to a cost of service approach by 2013. The rate study and the ordinance recommend an update in 2013 for the 2014 fiscal year.

IV. BACKGROUND INFORMATION:

On September 7th, City Council approved using Alternative 1 in establishing water rates, tap fee calculations, wastewater rates and presentation by Red Oak Consulting. There have been two City Council meetings in August and September that presented the proposed rates and presented the findings of the water and wastewater rate study. Public comments and direction by City Council was given at these meetings and used in preparing and developing the final ordinance that is attached.

City Council asked a question on how much the interest rate reduction from 6% to 4.25% had on reducing costs and the answer is as follows. Based on the debt proceeds for 2011 (end of 2010) within the current financial plans for water and wastewater, the reduction of the interest rate from 6.00% to 4.25% reduces the interest payments over the 20-year life of the bonds as follows:

Water - \$2.7 million
WW - \$0.7 million

The combined reduction in the annual debt service payments of the annual P&I payments with the reduced interest are:

Water - \$122,000
WW - \$35,000

V. LEGAL ISSUES:

Once the rate ordinance is adopted, then the Special Connector Terms and Conditions that expires December 31, 2010 will need to be renewed before the end of this year.

VI. CONFLICTS OR ENVIRONMENTAL ISSUES:

Mt. Werner has requested the new rates be implemented on April 1, 2011. However, the City's budget and the Special Connector Terms and Conditions, and the rate study calculations and recommendations are consistent with the calendar year. Staff recommends the new rates be implemented on January 1, 2011. Completing the second reading of the new rates in September still allows three months for the districts to hold their public hearings to establish their user rates for 2011 before the end of this year.

Steamboat II Metropolitan District has asked for annual review of wastewater rates since their wastewater rate has a large portion attributed to high infiltration and inflow (I&I) and they would like to mitigate this I&I on an annual bases. I&I is its greatest at spring runoff season and this is the best time to determine if I&I prevention and correction measures are effective. The proposed ordinance recommends review of all customers in 2013 in establishing new rates in 2014.

VII. SUMMARY AND ALTERNATIVES:

City Council approved using the water rate Alternative 1 that uses a cost of service approach.

Attachments:

Attachment 1.	Presentation.
Attachment 2.	2010 Water and Wastewater Rate Study.

Attachment 1

Presentation

This presentation was given to Council on 9/7/2010 and is available for review with the City Clerk's Office upon request.

For a limited time only, you can also view it here:

http://files.steamboatsprings.net/cgi-bin/FileManager/Manager.pl?file=WaterWastewaterRates_Presentation.pdf&link=529c96a2c1ed203e447bd0844ff91335&a=10

Attachment 2

2010 Water and Wastewater Rate Study

This study was given to Council on 9/7/2010 and is available for review with the City Clerk's Office upon request.

For a limited time only, you can also view it here:

http://files.steamboatsprings.net/cgi-bin/FileManager/Manager.pl?file=WaterWastewaterRates_Study.pdf&link=70d21b21c9ffdccfe41bd2e577aa3e2b&a=10

CITY OF STEAMBOAT SPRINGS, COLORADO

ORDINANCE NO. _____

AN ORDINANCE REVISING REVISED MUNICIPAL CODE SECTIONS 25-201, 25-203, 25-216, 25-218, 25-219, 25-220, RELATING TO CITY WATER AND SEWER TAP INVESTMENT FEES, SERVICE RATES AS IT APPLIES TO THE CITY AND ITS WHOLESALE CUSTOMERS, MT. WERNER WATER AND SANITATION DISTRICT, TREE HAUS WATER AND SANITATION DISTRICT, AND STEAMBOAT II METROPOLITAN DISTRICT. PROVIDING AN EFFECTIVE DATE AND REPEALING ALL CONFLICTING ORDINANCES.

WHEREAS, the City Council has reviewed and accepted the recommendations of the "2010 Water and Wastewater Rate Study" dated August, 2010, prepared by Red Oak Consulting, a Division of Malcom Pirnie; and

WHEREAS, the City Council has accepted the cost of service approach in establishing new rates and needs to adjust both water and wastewater tap investment fees and service rates over the next three years to achieve this goal.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF STEAMBOAT SPRINGS, COLORADO:

Section 1. Subsections 25-201, 25-203, 25-216, 25-218, 25-219 and 25-220 of the City of Steamboat Springs Revised Municipal Code is hereby revised to read as follows:

Sec. 25-201. Calculation of water tap investment fee.

(a) The water plant investment fee for new construction, remodels entailing installation of additional fixtures, and additions to existing structures has separate water system and water rights components and shall be determined by counting the various fixtures and other determining factors set forth in subsection (b) of this section; multiplying the counted items times the fixture value set forth in subsection (b) of this section to determine the number of water points for each factor; adding all of the calculated water points for each factor; adding all of the calculated water points to determine the total number of water points applicable to the proposed construction; and, multiplying the total water points times the sum of twenty-five dollars and fifty five cents (\$25.55) for the water system component and thirty-seven dollars and thirty one cents (\$37.31) for the water rights component or a total of sixty two dollars and eighty-six cents (\$62.86) for 2011 and adjusted annually by the Engineering News Record Construction Cost Index (ENR-CCI), Denver index each calendar year thereafter when published to adjust for the cost of inflation. Steamboat II Metropolitan District ("SIIMD") and the City of Steamboat Springs ("City") have agreed pursuant to a Settlement Agreement executed

May 7, 2003 and subsequently approved by the district court, that SIIMD will pay to the City an amount equal to ½ of the total water system and water rights plant investment fee that would have been paid to the City if the property connecting to the District's system had been in the corporate limits of Steamboat Springs at the time of connection.

Sec. 25-203. Calculation of wastewater tap investment fee.

(a) Within the municipal water utility service area and within the corporate boundaries of the city, the wastewater plant investment fee for new construction, remodels entailing additional fixtures, and additions to existing structures shall be determined by counting the various fixtures and other determining factors set forth in subsection (b); multiplying the counted items times the factor weight set forth in subsection (b) to determine the number of wastewater points applicable to the proposed construction; and, multiplying the total wastewater points times the sum of thirty seven dollars and eighty eight cents (\$37.88) for 2011 and adjusted annually by the Engineering News Record Construction Cost Index (ENR-CCI), Denver index each calendar year thereafter when published to adjust for the cost of inflation. Within the boundaries of the Mt. Werner Water and Sanitation District and the Tree Haus Water and Sanitation District, the wastewater plant investment fee for new construction, remodels entailing additional fixtures, and additions to existing structures shall be determined by counting the various fixtures and other determining factors set forth in subsection (b); multiplying the counted items times the factor weight set forth in subsection (b) to determine the number of wastewater points applicable to the proposed construction; and, multiplying the total wastewater points times the sum of thirty three dollars and thirty-four cents (\$33.34) for 2011 and then and adjusted annually by the Engineering News Record Construction Cost Index (ENR-CCI), Denver index each calendar year thereafter when published to adjust for the cost of inflation. SIIMD and the City have agreed pursuant to a Settlement Agreement executed May 7, 2003 and subsequently approved by the district court, that SIIMD will pay to the City a wastewater tap investment fee equal to 86.85% of the wastewater tap investment fee charged for similar development in the City limits at the time of connection.

Sec. 25-216. Water service charges.

(a) Each water consumer shall be billed for water service on a monthly basis for water usage on the premises.

(b) Charges for water service shall consist of a monthly service charge, as provided in subsection (c), and a quantity charge, as provided in subsection (d). Additionally, charges for water service may consist of additional surcharges as set forth in section 25-219.

(c) Each water consumer, for solely residential water usage, shall pay a monthly service charge of seventeen dollars and twelve cents (\$17.12) for 2011, nineteen dollars and forty three cents (\$19.43) for 2012 and twenty one dollars and ninety six cents (\$21.96) for 2013 and each water consumer, for solely commercial water usage, shall pay a monthly service charge of twenty dollars and fifty cents (\$20.50) for 2011, twenty one dollars and fifty nine cents (\$21.59) for 2012, and twenty two dollars and seventy eight cents (\$22.78) for 2013. For combined or mixed use residential and commercial water usage, the customer shall pay the greater of a monthly service charge of twenty dollars and fifty cents (\$20.50) for 2011, twenty one dollars and fifty nine cents (\$21.59) for 2012, and

twenty two dollars and seventy eight cents (\$22.78) for 2013 times the number of commercial and residential units or the monthly quantity fee described in section (d).

(d) Each water consumer, for solely residential water usage, shall pay a monthly quantity charge calculated per dwelling unit as follows: one dollar and eighty cents (\$1.80) for 2011, two dollars and four cents (\$2.04) for 2012, and two dollars and thirty cents (\$2.30) for 2013 per one thousand (1,000) gallons for the number of gallons used from one thousand (1,000) to four thousand (4,000) gallons ("block 1"); two dollars and seventy cents (\$2.70) for 2011, three dollars and six cents (\$3.06) for 2012, and three dollars and forty five cents (\$3.45) for 2013 per one thousand (1,000) gallons for the number of gallons used from five thousand (5,000) to twelve thousand (12,000) gallons ("block 2"); and four dollars and fourteen cents (\$4.14) for 2011, four dollars and sixty nine cents (\$4.69) for 2012, and five dollars and twenty eight cents (\$5.28) for 2013 per one thousand (1,000) gallons for the number of gallons used from thirteen thousand (13,000) gallons to twenty thousand (20,000) gallons ("block 3"); and five dollars and thirty nine cents (\$5.39) for 2011, six dollars and eleven cents (\$6.11) for 2012, and six dollars and eighty nine cents (\$6.89) for 2013 per one thousand (1,000) gallons for the number of gallons used from twenty-one thousand (21,000) gallons to twenty-eight thousand (28,000) gallons ("block 4"); and eight dollars and nine cents (\$8.09) for 2011, nine dollars and seventeen cents (\$9.17) for 2012, and ten dollars and thirty four cents (\$10.34) for 2013 per one thousand (1,000) gallons for the number of gallons used in excess of twenty-nine thousand (29,000) gallons ("block 5"). Each water consumer, for solely commercial water usage or mixed use residential and commercial water usage, shall pay a monthly quantity charge calculated as follows: four dollars and seventeen cents (\$4.17) per one thousand (1,000) gallons. Where meters cannot be read, account billings may be estimated. Regarding bulk water charges by the City to SIIMD, nothing in this ordinance purports to change the terms and provisions of the 1993 Agreement for Sale and Purchase of water, recorded in Book 687 at Page 1477 of the records of the Routt County Clerk & Recorder ("1993 Agreement), except as they may have been modified by the Settlement Agreement executed May 7, 2003 and subsequently approved by the district court.

Sec. 25-218. Sewer service charges--Generally.

(a) Wastewater rates shall be set to generate sufficient revenue to pay all costs for the operation and maintenance of the complete wastewater system and to pay all capital costs for the complete wastewater system if required. The costs shall be distributed to all users of the wastewater system in proportion to each user's contribution to the total loading of the wastewater facility. Factors such as strength (BOD and SS), volume average volume and delivery flow rate characteristics shall be considered and included as the basis for the user's contribution to ensure a proportional distribution of costs to each user or user class.

(b) Each sewage works user shall pay a monthly service fee determined as follows:

(1) *Residential*. The owner of each dwelling unit within the city service area (all areas outside of special district boundaries) using the sewage works shall pay a monthly service charge of twenty nine dollars and twenty five cents (\$29.25) for 2011, thirty one dollars and twenty six cents (\$31.26) for 2012, and thirty three dollars and ten cents (\$33.10) for 2013. In the case of premises containing more than one dwelling unit, the owner of the

premises may instead be billed a total monthly fee determined by aggregating the fees that would otherwise be owed by the owners of each dwelling unit in the premises.

(2) *Commercial use.* The owner of each commercial unit within the city service area (all areas outside of special district boundaries) using the sewage works shall pay, for solely commercial water usage, a monthly service charge of twenty four dollars and sixty five cents (\$24.65) for 2011, twenty five dollars and fifty three (\$25.53) for 2012, and twenty six dollars and thirty five cents (\$26.35) for 2013 plus a quantity fee of four dollars and ninety eight cents (\$4.98) for 2011, four dollars and ninety nine cents (\$4.99) for 2012 and five dollars and no cents (\$5.00) for 2013 per one thousand (1,000) gallons of water used per month, provided, however, that for the months of April through September the monthly quantity fee for each commercial user shall be based on the average monthly quantity fee for the months of October through March of the preceding year. In the case of premises containing more than one commercial unit, the owner of the premises may instead be billed a total monthly fee determined by aggregating the fees that would otherwise be owed by the owners of each commercial unit in the premises.

(3) *Commercial and residential uses combined.* The owner of premises containing dwelling units and commercial units or containing a unit or units that are both a commercial unit and a dwelling unit shall pay the greater of a monthly service charge of twenty four dollars and sixty five cents (\$24.65) for 2011, twenty five dollars and fifty three (\$25.53) for 2012, and twenty six dollars and thirty five cents (\$26.35) for 2013 per unit or the monthly quantity fee described in subsection (2).

(c) The Mount Werner Water and Sanitation District (district) shall pay wastewater services charges as follows:

(1) The district shall pay for each residential wastewater user within their respective special district boundary a monthly service charge of ten dollars and eighty four cents (\$10.84) for 2011, eleven dollars and five cents (\$11.05) for 2012, and eleven dollars and twenty five cents (\$11.25) for 2013 per dwelling unit.

(2) The districts shall pay for each commercial and combined wastewater user within their respective special district boundary a monthly service charge in the amount of three dollars and forty eight cents (\$3.48) for 2011, four dollars and sixteen cents (\$4.16) for 2012, and four dollars and seventy nine cents (\$4.79) for 2013 per thousand gallons of water used per month, provided, however that for the months of April through September the districts shall pay a monthly charge for each commercial customer in the amount of three dollars and forty eight cents (\$3.48) for 2011, four dollars and sixteen cents (\$4.16) for 2012, and four dollars and seventy nine cents (\$4.79) for 2013 per thousand gallons of the customer's average monthly water use for the months of October through March of the preceding year.

(3) For each commercial wastewater user that also contains residential units within the same structure, the districts shall pay the greater of:

a. An amount equal to the sum of total commercial units and residential dwelling units times a monthly service charge of ten dollars and eighty four cents (\$10.84) for 2011, eleven dollars and five cents (\$11.05) for 2012, and eleven dollars and twenty five cents (\$11.25) for 2013 per dwelling unit; or

b. Three dollars and forty eight cents (\$3.48) for 2011, four dollars and sixteen cents (\$4.16) for 2012, and four dollars and seventy nine cents (\$4.79) for 2013 per thousand

gallons of water used. The greater amount per user shall be determined and remitted to the city monthly.

(d) Tree Haus Water and Sanitation District (Tree Haus) shall pay wastewater services charges as follows:

(1) Tree Haus shall pay for each residential wastewater user within their respective special district boundary a monthly service charge of fifteen dollars and eighty seven cents (\$15.87) for 2011, twenty dollars and thirty five cents (\$20.35) for 2012, and twenty four dollars and forty five cents (\$24.45) for 2013 per dwelling unit.

(e) The Steamboat II Metropolitan District (SIIMD) shall pay wastewater services charges as follows:

(1) SIIMD shall pay for each residential wastewater user within their respective special district boundary a monthly service charge of sixteen dollars and twenty two cents (\$16.22) for 2011, twenty three dollars and ninety eight cents (\$23.98) for 2012, and thirty one dollars and ten cents (\$31.10) for 2013 per dwelling unit.

(2) SIIMD shall pay for each commercial wastewater user within its special district boundary a monthly service charge in the amount of three dollars and forty one cents (\$3.41) for 2011, four dollars and three cents (\$4.03) for 2012, and four dollars and sixty cents (\$4.60) for 2013 per thousand gallons of water used per month, provided, however, that for the amounts of April through September SIIMD shall pay a monthly charge for each commercial customer in the amount of three dollars and forty one cents (\$3.41) for 2011, four dollars and three cents (\$4.03) for 2012, and four dollars and sixty cents (\$4.60) for 2013 times the customer's average water use per thousand gallons for the months of October through March of the preceding year.

(3) For each commercial wastewater user that also contains residential units within the same structure, SIIMD shall pay the greater of:

a. An amount equal to the sum of total commercial units and residential dwelling units times sixteen dollars and twenty two cents (\$16.22) for 2011, twenty three dollars and ninety eight cents (\$23.98) for 2012, and thirty one dollars and ten cents (\$31.10) for 2013 per dwelling unit or:

b. Three dollars and forty one cents (\$3.41) for 2011, four dollars and three cents (\$4.03) for 2012, and four dollars and sixty cents (\$4.60) for 2013 per thousand gallons of water used. The greater amount per user shall be determined and remitted to the city monthly.

(f) Additionally, charges for wastewater service may consist of additional surcharges as set forth in sections 25-219.

(g) New accounts or summer only accounts shall have charges estimated based on first month readings and other information available to the finance director. Commercial wastewater users may appeal to the finance director for application of average winter consumption or, an average summer consumption, or other suitable estimate if the user can show that billing based on current water use will result in unfair treatment a gross injustice. In all cases in which users of said wastewater system are not supplied with

water from the city water system, the charge for use of the wastewater system shall be determined by the city manager.

(Ord. No. 2016, § 1(Exh. A), 10-11-05; Ord. No. 2216, § 1, 11-18-08; Ord. No. 2229, §§ 1, 2, 2-3-09)

Sec. 25-219. Septage Haulers and Surcharge for above-normal-strength wastes.

(a) Septage haulers base rate shall be two point six cents (\$0.026) for 2011, three point one cents (\$0.031) for 2012, and three point five cents (\$0.035) for 2013 per gallon.

(b) For Surcharge for above-normal-strength wastes, the city engineer will determine the average total suspended solids and five-day biochemical oxygen demand daily loadings for the average residential user or, in lieu of such a determination, will consider the average residential strength wastes to be two hundred (200) milligrams per liter BOD and two hundred fifty (250) milligrams per liter soluble solids. The city engineer will assess a surcharge rate for all nonresidential users discharging wastes with BOD and soluble solids strengths greater than the average residential user. The surcharge will be sufficient to cover the costs of treating such users' above-normal-strength wastes. Such users will pay an additional service charge of ten cents (\$0.10) per one thousand (1,000) gallons for each twenty-five (25) milligrams per liter over two hundred (200) milligrams per liter of BOD and nine cents (\$0.09) per one thousand (1,000) gallons for each twenty-five (25) milligrams per liter over two hundred fifty (250) milligrams per liter of soluble solids.

Sec. 25-220. Review of water and wastewater service charges.

The city shall review the total annual cost of operation and maintenance of both the water and wastewater system as well as each user's water and wastewater cost of service in 2013 in preparing the next rate schedule for 2014 and forward, and will revise the cost of service approach as necessary to ensure that sufficient funds are obtained to adequately operate and maintain the water and wastewater works.

Section 2. The City Council hereby finds, determines and declares that this ordinance is necessary for the immediate preservation of the public peace, health, and safety.

Section 3. That pursuant to Section 7-11 of the Charter of the City of Steamboat Springs, Colorado, the second publication of this ordinance may be by reference, utilizing the ordinance title.

Section 4. This ordinance shall take effect on January 1, 2011.

Section 5. All ordinances heretofore passed and adopted by the City Council of the City of Steamboat Springs, Colorado, are hereby repealed to the extent that said ordinances, or parts thereof, are in conflict herewith.

INTRODUCED, READ AND ORDERED PUBLISHED, as provided by law, by the City Council of the City of Steamboat Springs, at its regular meeting held on the _____ day of _____, 2010.

ATTEST:

**Cari Hermacinski, President
Steamboat Springs City Council**

**Julie Franklin, CMC
City Clerk**

FINALLY READ, PASSED AND APPROVED this _____ day of _____, 2010.

ATTEST:

**Cari Hermacinski, President
Steamboat Springs City Council**

**Julie Franklin, CMC
City Clerk**