

**AGENDA ITEM SUMMARY**  
**FORT COLLINS CITY COUNCIL**

**ITEM NUMBER: 27**

**DATE: March 21, 2006**

**STAFF: Michael Smith  
Terri Bryant**

**SUBJECT**

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Second Reading of Ordinance No. 043, 2006 Amending Chapter 26, Article III, Division 4 of the City Code Relating to Water Fees.

**RECOMMENDATION**

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Staff recommends adoption of the Ordinance on Second Reading.

**EXECUTIVE SUMMARY**

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Ordinance No. 043, 2006 was adopted on First Reading on March 7, 2006 with a vote of 5-2 (Nays: Brown, Kastein). It revises single family and duplex water rates effective May 1, 2006. The Ordinance reduces the fixed monthly fee from \$12.72 to \$9.54 (including 6% payments in lieu of taxes) for single family customers. It also enacts a three-tier rate with 15% between the steps, a change from the current four-tier rate which has 20% increases between tiers. Customers using less than 8,000 gallons or more than 50,000 gallons per month will have moderate reductions in costs. Customers using between 8,000 and 50,000 gallons per month will have moderate increases in costs.

**AGENDA ITEM SUMMARY**  
**FORT COLLINS CITY COUNCIL**

**ITEM NUMBER: 32**

**DATE: March 7, 2006**

**STAFF: Michael B. Smith  
Terri Bryant**

**SUBJECT**

First Reading of Ordinance No. 043, 2006 Amending Chapter 26, Article III, Division 4 of the City Code Relating to Water Fees.

**RECOMMENDATION**

Staff recommends adoption of the Ordinance on First Reading.

**FINANCIAL IMPACT**

The proposed water rates are projected to be revenue neutral, that is, total operating revenues will neither increase nor decrease in the Water Fund as a result of the rate change. Individual single family and duplex customers will see an increase or decrease in their water costs based on their monthly use.

**EXECUTIVE SUMMARY**

Based on Council direction at the February 14, 2006, Work Session, this Ordinance revises single family and duplex water rates effective May 1, 2006. The Ordinance reduces the fixed monthly fee from \$12.72 to \$9.54 (including 6% payments in lieu of taxes) for single family customers. It also enacts a three-tier rate with 15% between the steps, a change from the current four-tier rate which has 20% increases between tiers. Customers using less than 8,000 gallons or more than 50,000 gallons per month will have moderate reductions in costs. Customers using between 8,000 and 50,000 gallons per month will have moderate increases in costs.

With the proposed rate, a typical single family residential customer's monthly bill will change from \$21.63 to \$20.67 in the winter months, a 4% reduction. During the peak summer watering season, a typical bill would increase 9% from \$57.99 to \$60.79. These calculations are based on a typical use of 5,000 gallons per month in the winter and 20,000 gallons per month during the few peak summer months.

The Ordinance also revises duplex rates by reducing the fixed charge from \$15.51 to \$11.66 and changing to a similar three-tier rate structure as described above.

**BACKGROUND**

Prior to the 2003 drought, the City's residential water rates were uniform with a fixed charge of \$15.57. In response to the drought, Council adopted a five-tier water rate with a fixed charge of \$12.72 and five tiers that increased between 20% and 33% between each tier. The rate was adopted, along with watering restrictions and an education and public awareness program to assure that adequate resources could be maintained. In May 2004, the water rate was modified in response to the community's reduction in use and to ease the cost for the larger users. The rate adopted in 2004 retained the fixed charge of \$12.72 and consisted of four tiers with a 20% increase between tiers. The 2004 rate remained in place through 2005 and into 2006.

During the 2006-2007 budget discussions, Council requested that staff present additional alternatives to the current four-tier water rate. Staff presented eight rate options at the January 24, 2006, Council Work Session and an additional six water rate options at the February 14, 2006, Council Work Session. Council reviewed the options based on the four criteria:

- Fair and equitable
- Simple and understandable
- Encourage conservation
- Stable and predictable

In the course of Council's discussion at the February 14th Work Session, there appeared to be general support for modification of the rates described in the Ordinance. If approved, the Ordinance would adopt the following rates, effective for all meter reading on or after May 1, 2006.

<b>Single Family Water Rate:</b>	
Fixed charge per month	\$ 9.54
0-7000 gallons, per 1000 gallons	\$ 2.226
7001-13000 gallons, per 1000 gallons	\$ 2.544
Greater than 13000 gallons, per 1000 gallons	\$ 2.915
<b>Duplex Water Rate:</b>	
Fixed charge per month	\$ 11.66
0-9000 gallons, per 1000 gallons	\$ 2.226
9001-13000 gallons, per 1000 gallons	\$ 2.544
Greater than 13000 gallons, per 1000 gallons	\$ 2.915

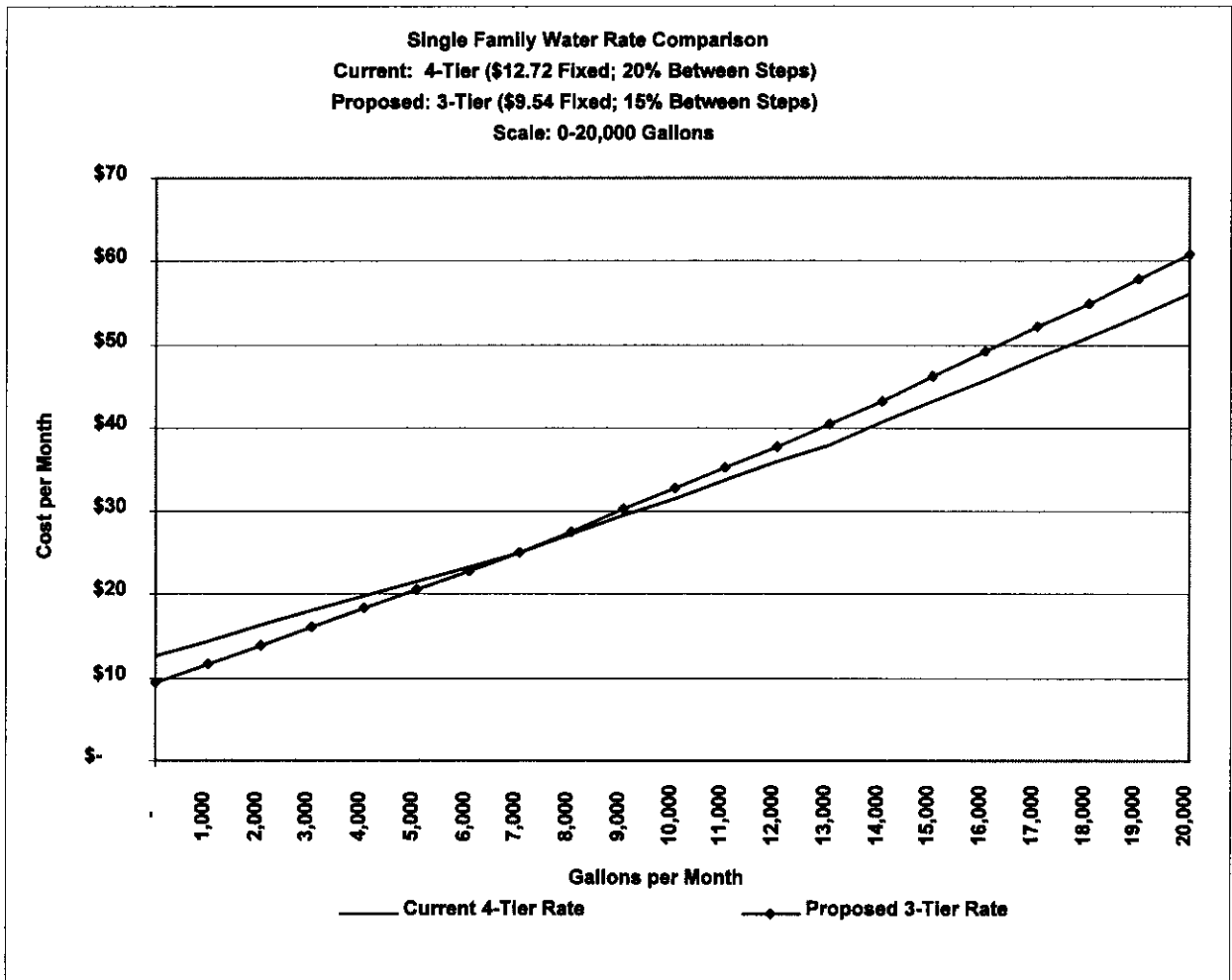
All rates include 6% PILOTS.

The following table and graphs compare the proposed single family residential water rate to the current rate:

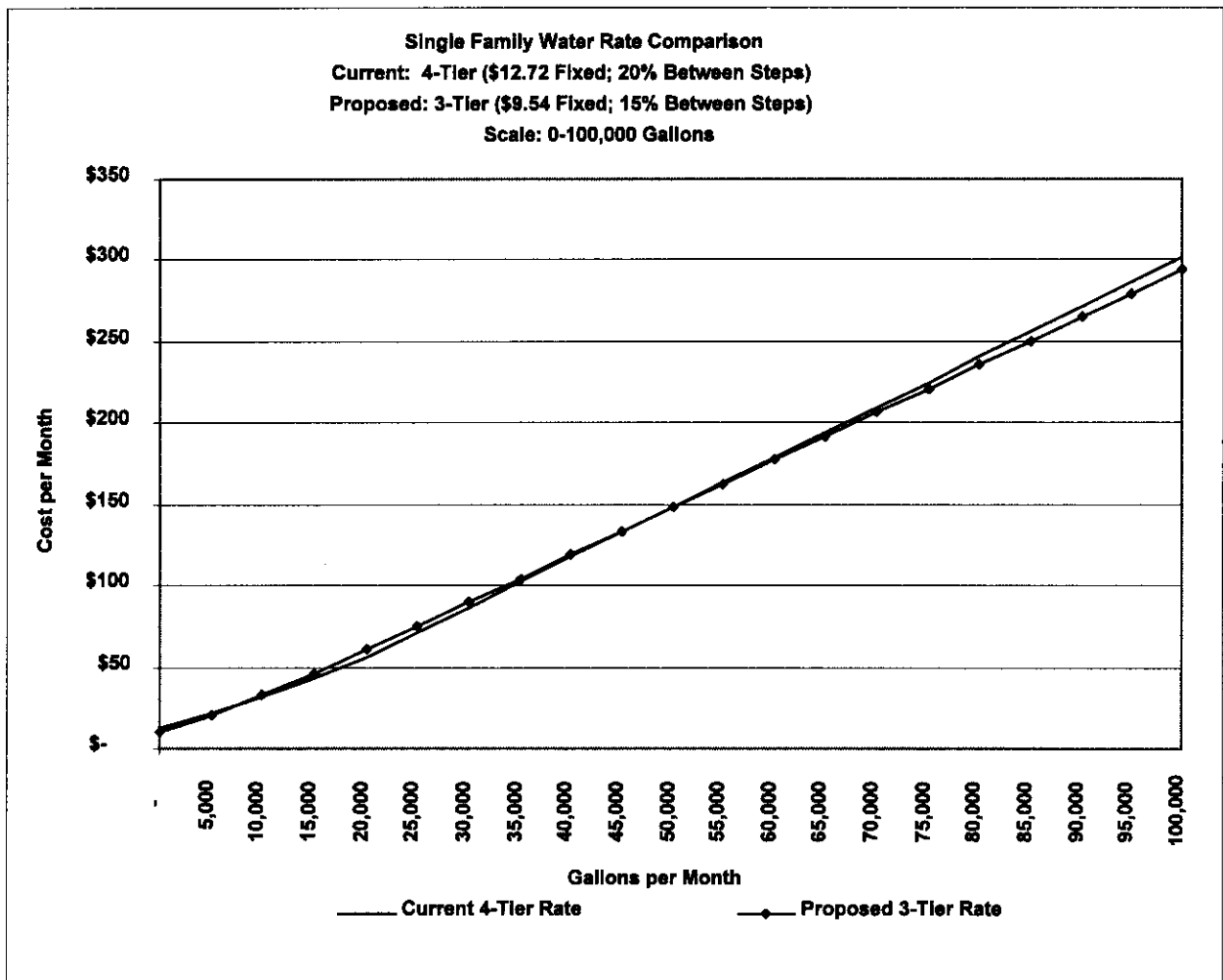
Gallons Use	Current 4-Tier Rate (Inc PILOTS)	Proposed 3-Tier Rate (Inc PILOTS)	\$ Increase (Decrease)	% Increase (Decrease)
0	\$ 12.72	\$ 9.54	\$ (3.18)	-25%
1,000	\$ 14.50	\$ 11.77	\$ (2.74)	-19%
2,000	\$ 16.28	\$ 13.99	\$ (2.29)	-14%
3,000	\$ 18.06	\$ 16.22	\$ (1.85)	-10%
4,000	\$ 19.84	\$ 18.44	\$ (1.40)	-7%
5,000	\$ 21.63	\$ 20.67	\$ (0.96)	-4%
6,000	\$ 23.41	\$ 22.90	\$ (0.51)	-2%
7,000	\$ 25.19	\$ 25.12	\$ (0.06)	0%
10,000	\$ 31.61	\$ 32.75	\$ 1.14	4%
13,000	\$ 38.03	\$ 40.39	\$ 2.35	6%
16,000	\$ 45.73	\$ 49.13	\$ 3.40	7%
20,000	\$ 55.99	\$ 60.79	\$ 4.80	9%
25,000	\$ 71.36	\$ 75.37	\$ 4.01	6%
30,000	\$ 86.73	\$ 89.94	\$ 3.21	4%
35,000	\$ 102.10	\$ 104.52	\$ 2.42	2%
40,000	\$ 117.47	\$ 119.09	\$ 1.62	1%
50,000	\$ 148.21	\$ 148.24	\$ 0.03	0%
75,000	\$ 225.06	\$ 221.12	\$ (3.94)	-2%
100,000	\$ 301.91	\$ 293.99	\$ (7.92)	-3%
150,000	\$ 455.61	\$ 439.74	\$ (15.87)	-3%
200,000	\$ 609.31	\$ 585.49	\$ (23.82)	-4%

Note: Shaded cells reflect a decrease from current 4-tier rate.

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**ATTACHMENTS**

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1. Powerpoint slides

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ORDINANCE NO. 043, 2006  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
AMENDING CHAPTER 26, ARTICLE III, DIVISION 4  
OF THE CODE OF THE CITY OF FORT COLLINS  
RELATING TO USER RATES AND CHARGES FOR WATER

WHEREAS, the City Council is empowered and directed by Article XII, Section 6, of the Charter of the City of Fort Collins, Colorado, to by ordinance from time to time fix, establish, maintain and provide for the collection of such rates, fees or charges for utility services furnished by the City as will produce revenues sufficient to pay the costs, expenses and other obligations of the water utility, as set forth therein; and

WHEREAS, the City Council studied many alternative rate options for residential and duplex customers at its January 24, 2006, and February 14, 2006, study sessions; and

WHEREAS, the City Councilmembers reviewed each rate option using four criteria: 1) whether it is *fair and equitable*, 2) whether it would *encourage conservation*, 3) whether it is *simple and understandable*, and 4) whether it is *stable and predictable*; and

WHEREAS, on February 14, 2006 based on these criteria, Councilmembers expressed support for a three-tier water rate with a \$9.00 fixed charge; and

WHEREAS, at that time City Council requested that the City Manager develop a rate ordinance for Council consideration at its meeting on March 7, 2006; and

WHEREAS, the City Manager has recommended the following rate modifications for single family and duplex customers and that the modifications go into effect for billings based on meter readings taken on or after May 1, 2006.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That Subsections (a) (1) and (a) (2) of Section 26-127 of the Code of the City of Fort Collins are hereby amended to read as follows:

**Sec. 26-127. Schedule B, meter rates.**

(a) *Residential Rates.*

(1) *Residential customers with one (1) dwelling unit.*

a. *Base Charge.* Residential customers with one (1) dwelling unit shall pay a base monthly charge of nine dollars (\$9).



- b. *Quantity Charge.* Residential customers with one (1) dwelling unit shall pay a monthly quantity charge as follows:

For the first seven thousand (7,000) gallons used per month, a charge of two dollars and ten cents (\$2.10) per one thousand (1,000) gallons.

For the next six thousand (6,000) gallons used per month, a charge of two dollars and forty cents (\$2.40) per one thousand (1,000) gallons.

For all additional gallons used per month, a charge of two dollars and seventy-five cents (\$2.75) per one thousand (1,000) gallons.

(2) *Residential customers with two (2) dwelling units.*

- a. *Base Charge.* Residential customers with two (2) dwelling units shall pay a base monthly charge of eleven dollars (\$11.00).

- b. *Quantity Charge.* Residential customers with two (2) dwelling units shall pay a monthly quantity charge as follows:

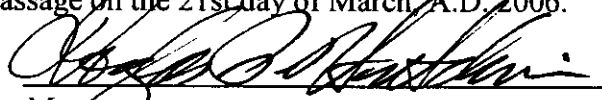
For the first nine thousand (9,000) gallons used per month, a charge of two dollars and ten cents (\$2.10) per one thousand (1,000) gallons.

For the next four thousand (4,000) gallons used per month, a charge of two dollars and forty cents (\$2.40) per one thousand (1,000) gallons.

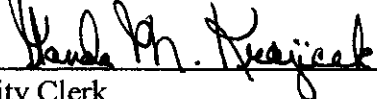
For all additional gallons used per month, a charge of two dollars and seventy-five cents (\$2.75) per one thousand (1,000) gallons.

Section 2. That the amendments to Chapter 26 of the City Code contained herein shall go into effect on May 1, 2006 and will be effective on all utility bills based on meter readings made on or after May 1, 2006.

Introduced and considered favorably on first reading, and ordered published this 7th day of March, A.D. 2006, and to be presented for final passage on the 21st day of March, A.D. 2006.

  
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Mayor

ATTEST:

  
\_\_\_\_\_  
City Clerk

Passed and adopted on final reading this 21st day of March, A.D. 2006.

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Mayor

ATTEST:

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City Clerk