



To: Mayor and City Council
From: Jennifer Hoffman, City and County Manager
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Table with 2 columns: Meeting Date (September 13, 2022), Agenda Category (Consent Agenda), Agenda Item # (7(d))

First Reading for Ordinance No. 2176 Amending Broomfield Municipal Code Sections 13-12-010 and 13-02-020 to Change Monthly Water Service Charges and License Fees
First Reading for Ordinance No. 2177 Amending Broomfield Municipal Code Sections 13-12-020 and 13-08-020 to Change Monthly Sewer Service Charges and License Fees
First Reading for Ordinance No. 2203 Amending Broomfield Municipal Code Sections 13-32-060 and 13-32-070 to Change Monthly Reclaimed Wastewater Service Charges and License Fees

Summary

View Correspondence

The City and County of Broomfield (Broomfield) operates water and sewer utilities for its customers and charges a user fee for these services. User charges and fees are placed into a special enterprise fund associated with these utilities to provide the necessary revenues to cover their operating costs.

In 2021, the City Council authorized a rate and fee study to evaluate the adequacy of the charges in the enterprise funds and to understand the cost of service for both service charges and license fees pertaining to water, wastewater, (commonly known as sewer) and water reclamation (otherwise known as reuse) utilities.

Water and Wastewater Financial Model Update Recommendations

The 2022 Rate Study and review of the utility financial models, recommends shifting from a flat uniform rate structure to a tiered rate approach for its water customers. The model also indicates that a five percent (5%) revenue increase is required for both the water and wastewater revenue beginning and effective in 2023, with no change to reclaimed water revenue rates.

Water Customer Impacts

The shift to a tiered water rate structure resulted in a decrease of approximately 32.7% or a decrease of \$1.10 per 1,000 gallons in water usage charges for single family customers using 0 - 5,000 gallons, using a standard 3/4 inch meter.

In an effort to encourage conservation, those customers using greater than 5,000 gallons, but less than 20,000 gallons, will see a decrease of only \$0.03 per 1,000 gallons consumed over 5,000 gallons. Those customers exceeding 20,000 gallons will see an increase of \$1.16 per 1,000 gallons consumed over 20,000 gallons, or approximately 34.5%.

The fixed monthly water charges will also increase for a single family customer from the current \$10.47 to \$14.31 per month. An increase of \$3.84 or 36.7%. This fixed monthly cost is associated with providing service to the residence or place of business. Broomfield must maintain the meters, pipes, and wires, whether or not the services are used.

- Base charges (assessed every month, according to meter size, regardless of water usage)
Water usage charges (based on metered consumption, in addition to the base charges)

Wastewater Customer Impacts

The study recommends a 4.8% increase in the sewer utility service charges. Otherwise \$0.20 per Average Winter Consumption (AWC) or \$0.68 per Equivalent Residential Unit (ERU) for all customers. Most residents are charged on an AWC basis. To determine whether a customer is charged an AWC or ERU, please contact the [Utility Billing Division](#).

New Development Impacts

The study also recognized the revenue from license fees were not sufficient to meet the rising investment costs related to the technology and infrastructure associated with new development. As a result, the study and staff recommend increasing the license fee rates for all three utilities.

- Water license fee from \$24,756 to \$35,000
- Sewer license fee from \$12,559 to \$14,320
- Water Reclamation license fee from \$12,378 to \$13,240

License fees are one-time charges that reflect the demands and costs created by new development for additional water, sewer and reclaimed water capacity. More specifically license fees reflect the demands and costs created by new development for additional water, sewer and reclaimed water capacity. Generally, license fees are required to demonstrate a reasonable connection between the amount of the fee and the cost to serve new development.

When the service charge and license fee changes are taken in combination, they result in a 5.0% revenue increase for water and a 5.0% revenue increase for sewer for 2023. When compared to other water and sewer providers, Broomfield customers are in the lower third of the average monthly charges for water and in the middle for sewer customers as illustrated in **Table 5**.

It is important to caution the associated risk when making any comparison to other communities when setting rates and fees. There is a rather large unknown element and component of understanding what considerations were taken into account or not when the rates and fees were set by each community. The age of the infrastructure, planned development or improvements, timing, along with the ability to cash fund or finance projects are all important considerations that should be factored when making comparisons. Staff have included these comparisons for illustrative purposes only.

Financial Considerations

The service charge changes proposed are needed to continue funding operations. The license fee increases are needed to continue funding the cost of growth of the system. The rate adjustments are consistent with the utility long-range financial plan and capital improvements plan.

Prior Council or Other Entity Actions

- [June 5, 2001](#): Public hearing and approval of ordinance 1549 establishing policies and charges related to reclaimed wastewater.
- [December 10, 2020](#): Public Hearing and approval of ordinance Nos. 2140 & 2141 increasing water & sewer service fees beginning calendar year 2021.
- [July 19, 2022](#): Study Session of the Utility Rate Study Review
- July 21, 2022: Public Workshop reviewing the direct customer impacts of proposed utility rate changes

Boards & Commissions Prior Actions & Recommendations

- N/A

Council Priorities / Comprehensive Plan / Long Range Financial Plan

- | | | |
|---|---|---|
| <input type="checkbox"/> Affordable Housing | <input type="checkbox"/> Mental Health Strategic Plan | <input checked="" type="checkbox"/> Comp Plan Goal - Other |
| <input type="checkbox"/> Diversity, Equity, Access, and Inclusion | <input type="checkbox"/> Oil and Gas | <input checked="" type="checkbox"/> Long Range Financial Plan |
| <input checked="" type="checkbox"/> Economic Vitality | <input checked="" type="checkbox"/> Sustainability | |
| <input type="checkbox"/> Creative Economy | <input type="checkbox"/> Transportation | |
| | <input checked="" type="checkbox"/> Water | |

Proposed Actions/Recommendations

If Council desires to approve the changes to the Broomfield Municipal Code, it is recommended...

- That Ordinance No. 2176 be adopted on the first reading and ordered published in full.
- That Ordinance No. 2177 be adopted on the first reading and ordered published in full.
- That Ordinance No. 2203 be adopted on the first reading and ordered published in full.
- That a second reading on all three ordinances be held at 6:00 pm on October 25, 2022 as allowed by City Council Procedures and Rules of Order.
- That a second and final reading of all three ordinances be scheduled for October 25, 2022 following the public hearing.

Alternatives

- An alternative rate increase or no rate increase.

BACKGROUND

Broomfield’s Water Fund, Sewer Fund, and Water Reclamation Fund (collectively the “Utility Funds”) operate as enterprise funds; where rates and fees within each fund are set to cover the costs of providing respective services to customers. By law, enterprise funds are not supported by tax revenues, rather by service charges and fees. Enterprise funds must operate as a stand-alone business and generate the revenues necessary to provide services. In Broomfield, there are two separate components to the overall operation of each utility fund: an operating component and a capital component.

The operating component accounts for the day-to-day functions of running the utility for existing customers, recovering the cost of providing service, and maintaining the existing capital investment. The major revenue sources associated with the operating components are user service charges and fees.

The capital component takes into account any of the costs related to building or expanding the existing system, which may include new debt associated with constructing new infrastructure. The major revenue associated with the capital component is the license fee. License fees are impact fees or assessments designed to recover the costs of capital improvements or facility expansion attributable to growth paid when a new or expanding user ties into the system.

In 2022, the City and County of Broomfield retained Willdan Financial Services to conduct a utility rate study for Broomfield’s water, sewer and reclaimed water utilities. The recommendations from that study are shown in Tables 3 and 4 below.

Utility Rate Study

The main objectives of the 2022 rate study were to:

- Prepare ten-year financial plans in support of meeting ongoing expenses, while adhering to Broomfield and industry standard financial policies.
- Complete a cost-of-service analysis to identify the cost of providing utility service by customer class and adjust rates as appropriate.
- Update the water, sewer and reclaimed water license fees to reflect the cost of providing service to new or expanded development.

The above methodology compartmentalized the ongoing operational costs versus the new development costs. This explains why service charges went down, while license fees went up. The proposed license fee increases are supported by Willdan’s analysis of the cost of new development to the system. While the new license fees can be compared to other cities, it should be noted that each city has a unique utility system and architecture. Finally, while the proposed water license fee increase is comparatively high, it is possible the other municipalities are also facing license fee increases in the near term.

Through discussions with Broomfield staff, it was determined that improvements could be made to encourage conservation within the existing water rate structure. Rates have been adjusted such that all customer classes are assigned rates that are designed to recover their proportionate cost-of-service.

Developing an equitable tiered rate structure for multifamily customers is difficult due to the variance in the number of units associated with a given account. For example, a tiered rate structure that is based on a four (4) dwelling unit complex would penalize a complex with a twenty (20) dwelling units (assuming the same flows per dwelling unit), as the greater number of dwelling units would demand more water and the fees for water would be assessed at the highest tier.

This same principle holds for outside City single family customers, where a varying number of dwelling units are being served by a single (master) meter. As such, the multifamily class is recommended to continue to be assessed at a uniform rate for water use, however, class specific rates have been developed for the classes based on its proportionate cost-of-service.

Broomfield staff intends to update the cashflow portion of the 2022 Rate Study completed by Willdan each year to ensure projected revenue remains sufficient to fund projected expenses going forward as assumptions made during this analysis may change and have a material impact on the analysis.

Table 1 compares the annual increase proposed by the 2012 rate study with the actual increases through 2021.

Table 1: Utility Funds Historical Overview

Water Fund			Sewer Fund				
Year	2012 Rate Study Proposed Increases	Actual Rate Increases	Year	2012 Rate Study Proposed Increases	Actual Rate Increases	ECF Based on 2012 Rate Study	Actual ECF
2013	7.00%	7.00%	2013	13.00%	13.00%	-	\$2.00
2014	6.00%	0.00%	2014	13.00%	0.00%	-	\$2.00
2015	6.00%	0.00%	2015	13.00%	0.00%	-	\$2.00
2016	5.00%	1.50%	2016	12.00%	1.50%	-	\$2.00
2017	0.00%	1.50%	2017	12.00%	1.50%	-	\$2.00
2018	0.00%	2.00%	2018	11.00%	2.00%	-	\$2.00
2019	0.00%	2.00%	2019	11.00%	2.00%	\$2.00	\$2.00
2020	0.00%	2.00%	2020	0.00%	2.00%	\$4.00	\$4.00
2021	0.00%	2.50%	2021	2.00%	2.00%	-	\$4.00
2022	N/A	0.00%	2022	N/A	0.00%		\$4.00

Service Charges

Service charge revenues are fees designed to recover the costs of operations, provide for a two month operating reserve, and allow for the costs of routine capital improvements to the system, rather than growth related improvements. As noted in Table 1, the service charges have either remained constant or had a modest increase since 2014. Table 2 below provides Broomfield’s current rates for water and sewer services.

Water Fund

In the water fund, service charges have two components:

- Flat monthly charge (no usage included) per dwelling unit
- User charges for all water used per 1,000 gallons

Sewer Fund

In the sewer fund, service charges are based on:

- User charges per 1,000 gallons of the average winter consumption (AWC) with a minimum of 6,000 gallons

Table 2: Broomfield Current Rate for Water & Sewer Service

Average Monthly Charge for Single Family Residence	Current Rates	Proposed Rates
Monthly Flat Rate	\$10.47	\$14.31
Water Usage Charge	\$45.64	\$39.88
Total Water Service Charges*	\$56.11	\$54.19
Total Sewer Service Charge**	\$20.76	21.78
Total Water & Sewer Charges	\$76.87	\$75.97

**Water total based on annual usage of 163,000 gallons.*

***Sewer total based on average winter consumption of 6,000 gallons*

Table 3 demonstrates the projected revenue increases proposed from 2023 to 2027. This was the amount of revenue determined necessary to continue to support the increasing costs and demand of the utility systems in order to provide service. This table is not illustrative of the anticipated rate increases for customers. Staff will evaluate those potential adjustments on an annual basis.

Table 3: Projected Revenue Increases

Projected Revenue Increases			
Year	Water Revenue Increases	Sewer Revenue Increases	Reclaimed Water Revenue Increases
2023	5.0%	5.0%	0.0%
2024	3.0%	4.0%	0.0%
2025	2.0%	4.0%	0.0%
2026	2.0%	3.0%	0.0%
2027	2.0%	3.0%	0.0%

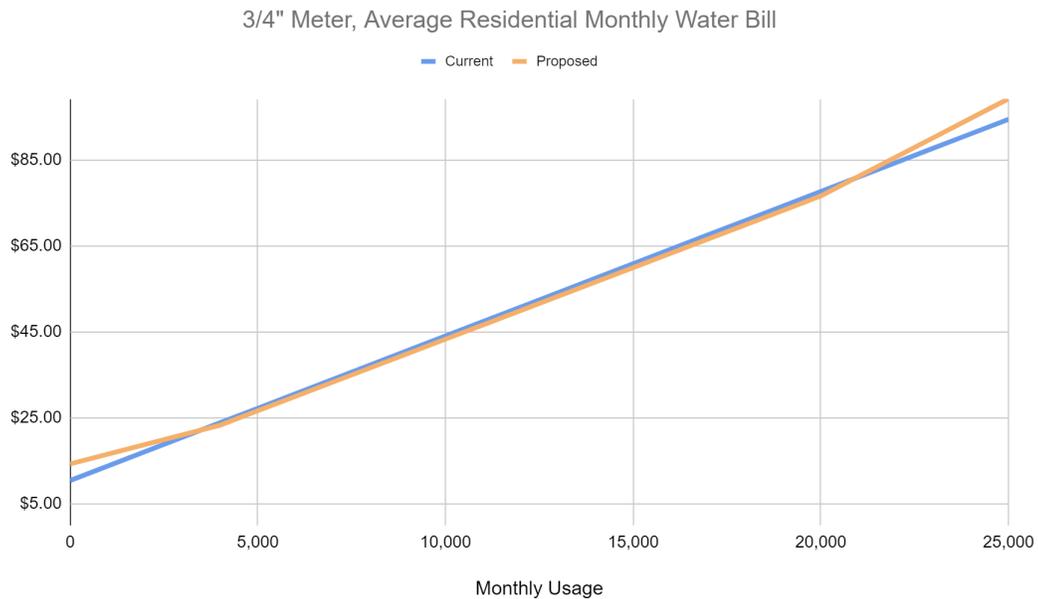
Customer Impacts and Bill Comparison

Staff has compiled a Frequently Asked Questions document to assist customers with their questions and can be found [here](#). This document will continue to be updated as questions arise.

In general, customers can expect to see adjustments related to their base and usage rates described below.

- **Base Rate:** All residents will see an increase in their monthly base charge of \$3.84 to address the administration and cover the costs for maintaining the existing infrastructure. The current base rates are \$10.47 and would increase to \$14.31 based on the analysis found in the study.
- **Usage Rate:** The average residential customer has a three-quarter ($\frac{3}{4}$) inch meter line, and those customers using 5,000 gallons of water or less per month will see a decrease of \$1.10 per 1,000 gallons of usage rate on their monthly water bill.

Higher volume customers, using greater than 20,000 gallons of water per month, will see an increase of \$1.16 per 1,000 gallons of usage over 20,000. The chart below shows a comparison of the total monthly bills under the current and proposed structures



From a wastewater (sewer) perspective, residential customers should experience a minimal increase in bills due to the current sewer structure effectively meeting Broomfield's goals and is consistent with market standards. The proposed increase for all residential customers related to wastewater (sewer) will be an increase of \$0.17 per the average winter consumption (AWC).

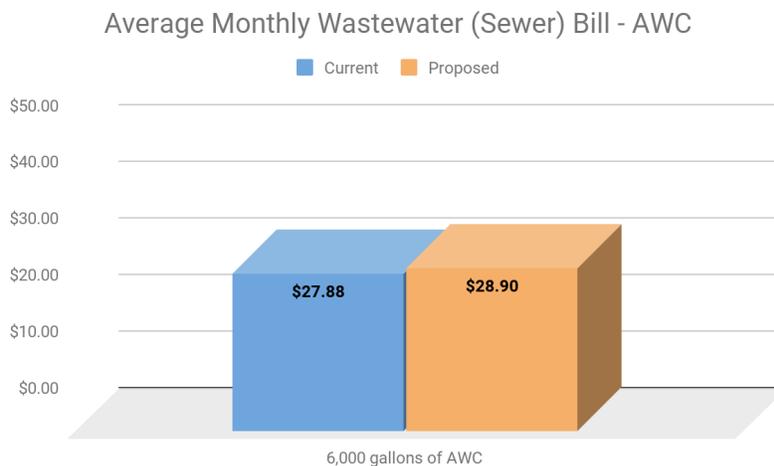


Table 4 illustrates the detailed water, sewer, and reclaimed water recommendations for existing and proposed rates through calendar year 2027.

Table 4: Utility Rates Existing and Proposed 2023 through 2027

Utility Rates Existing and Proposed 2023 through 2027						
Meter Size/Customer Class	Existing	2023	2024	2025	2026	2027
Monthly Water Fixed Charges						
Single-Family 3/4-inch	\$10.47	\$14.31	\$14.74	\$15.03	\$15.33	\$15.64
Single Family 1-inch	27.78	28.85	24.56	25.05	25.55	26.07
Multifamily (per dwelling unit)	10.47	14.31	14.31	15.03	15.33	15.64
Nonresidential						
3/4-inch	13.91	14.31	14.74	15.03	15.33	15.64
1-inch	27.78	23.85	24.56	25.05	25.55	26.07
1 1/2-inch	55.60	47.69	49.13	50.11	51.11	52.13
2-inch	111.18	76.31	78.60	80.17	81.78	83.41
3-inch	250.17	143.08	147.38	150.32	153.33	156.40
4-inch	500.34	238.47	245.63	250.54	255.55	260.66
6-inch	1,306.52	476.94	491.25	501.08	511.10	521.32
8-inch	2,779.76	763.11	786.00	801.72	817.76	834.11
Outside Broomfield						
3/4-inch	27.82	28.62	29.48	30.06	30.67	31.28
1-inch	55.56	47.69	49.13	50.11	51.11	52.13
1 1/2-inch	111.20	95.39	98.25	100.22	102.22	104.26
2-inch	222.36	152.62	157.20	160.34	163.55	166.82
3-inch	500.34	286.17	294.75	300.65	306.66	312.79
4-inch	1,000.68	476.94	491.25	501.08	511.10	521.32
6-inch	2,613.04	953.88	982.50	1,002.15	1,022.19	1,042.64
8-inch	5,559.52	1,526.21	1,572.00	1,603.44	1,635.51	1,668.22
Water Volume Rates (\$/1,000 gallons)						
Single Family – 0 – 5,000 gal	\$3.36	\$2.26	\$2.32	\$2.37	\$2.42	\$2.47
Single Family – 5,001 – 20,000 gal	3.36	3.33	3.43	3.50	3.57	3.64
Single Family – > 20,000 gal	3.36	4.52	4.66	4.75	4.85	4.94
Multifamily – All Use	3.36	2.44	2.51	2.56	2.61	2.66
Nonresidential – All Use	3.36	3.36	3.46	3.53	3.60	3.67
Outside Broomfield	6.72	6.72	6.92	7.06	7.20	7.35
Sewer						
All Customers ⁽¹⁾	\$3.46 x AWC or 13.84 x ERU	\$3.63 x AWC or 14.52 x ERU	\$3.78 x AWC or 15.12 x ERU	\$3.93 x AWC or 15.72 x ERU	\$4.05 x AWC or 16.20 x ERU	\$4.17 x AWC or 16.68 x ERU
Reclaimed Water Monthly Fixed Charges ⁽²⁾						
3/4-inch	(2)	\$11.45	\$11.45	\$11.45	\$11.45	\$11.45
1-inch	(2)	19.08	19.08	19.08	19.08	19.08
1 1/2-inch	(2)	38.15	38.15	38.15	38.15	38.15
2-inch	(2)	61.04	61.04	61.04	61.04	61.04
3-inch	(2)	114.45	114.45	114.45	114.45	114.45
4-inch	(2)	190.75	190.75	190.75	190.75	190.75
6-inch	(2)	381.50	381.50	381.50	381.50	381.50
8-inch	(2)	610.40	610.40	610.40	610.40	610.40
Reclaimed Volume Rates (\$/1,000 gallons)						
All Use	(2)	1.51	1.51	1.51	1.51	1.51

(1) Whichever is greater. Additional Federal Mandate Charge of \$0.52 per 1,000 gallons and Environmental Compliance Fee of \$4.00 per ERU also applies.

(2) Current rates 50% of potable monthly base charge and volume rate. Proposed rates reflect the projected cos of operating the reclaimed water system.

Comparison of Broomfield's Rates with Other Cities

The Colorado Division of Local Government (DLG) conducted a survey of local utility practices. The survey was open for responses for three weeks in September and early October 2021. Key findings of that survey reported the median drinking water rate based on typical consumption is \$52.68. This is about 7.1% higher than the median rate based on typical consumption from the prior year survey. While the reported median wastewater rate is \$35.56. Median wastewater rates showed a 4.8% median decrease for municipalities and no change for special districts.

Broomfield's current average annual and monthly water and sewer service fee charges compared to other local water and sewer providers are illustrated within Table 5. For an average utility customer, the amount paid by a Broomfield residential customer corresponds to the bottom third for water service and is in the middle for sewer service, as compared to other cities. Current methodology for calculating the rates are based on a Uniform Rate. This structure has a constant price per unit for all metered units of water consumed.

Table 5: Current Water and Sewer Rate Comparison

Water Rate Comparison					Sewer Rate Comparison		
Based on 163,000 Gallons per Year					Based on 6,000 Gallons per Month		
City	2022 Usage Charges	2022 Base Charges	2022 Total Annual	Average Monthly	City	2022 Flat Charges	2022 Average Monthly
Erie	\$5.53	\$19.36	\$1,404.56	\$117.05	Westminster	\$32.46	\$79.50
Westminster	\$3.57	\$19.33	\$231.96	\$96.09	Erie	\$10.30	\$64.88
Thornton	\$5.66	\$8.00	\$1,018.58	\$84.88	Boulder	\$11.67	\$47.67
Longmont	\$3.78	\$11.89	\$932.89	\$77.74	Loveland	\$15.47	\$46.25
Boulder	\$4.22	\$16.11	\$881.18	\$73.43	Longmont	\$11.50	\$43.78
Lafayette	\$3.28	\$16.43	\$839.60	\$69.97	Broomfield	\$20.76	\$20.76
Loveland	\$3.69	\$18.05	\$818.07	\$68.17	Louisville	\$9.72	\$39.84
Superior	\$3.51	\$17.94	\$813.48	\$67.79	Lafayette	\$23.94	\$39.51
Louisville	-	\$19.37	\$807.18	\$67.27	Superior	\$32.34	\$32.34
Arvada	\$4.48	\$5.83	\$800.20	\$66.68	Arvada	\$2.44	\$31.72
Broomfield	\$3.36	\$10.47	\$673.32	\$56.11	Thornton	\$6.87	\$25.35

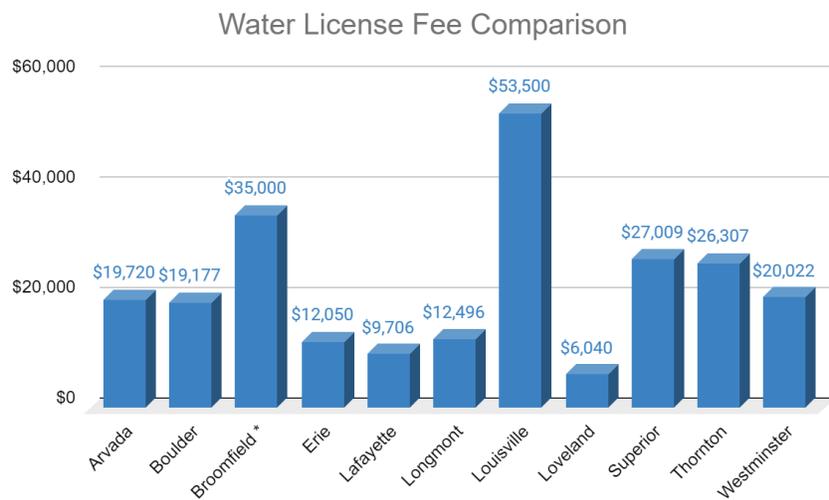
Approach for Consumption Rates

The rate study forecasted a recommended five percent (5%) water revenue adjustment beginning January 1, 2023 and a sliding scale thereafter, to ensure sufficient operating revenue to fund ongoing planned capital improvements. A fundamental shift of the study and approach for Broomfield will be methodology to adequately support the infrastructure and operations of the water utility.

Water is an integral part of everyday life and the water shortages facing Colorado have necessitated ensuring the supply will be able to meet Broomfield's current and future demands. Part of the collaboration between staff and the consultant was to determine best practices for working towards environmental sustainability to encourage water conservation. The end result is a recommended shift from the uniform rate charge to a tiered approach, which charges those customers who use more to pay more. This shift is intended to promote and encourage conservation around peak demand periods that may be associated with lawn watering and outside activities.

Another recommendation is to increase the license fees associated with the demands and costs created by new development. This change directly ties land development and the connection to those utility systems. The current analysis determined that the current fee structure for licenses are inadequate to meet the demands, therefore proposed increases for both the water, sewer, and water reclamation systems are listed below in Table 6. The results of the analysis determined that Broomfield had the ability to charge up to \$46,510 as the maximum supportable fee, which is the sum of the water system and water resource components. A lower recommended fee of \$35,000 is being proposed, as it was determined that this amount can still meet our current obligations and demand.

	Current Rate	Proposed Fee	Difference
Water License Fee	\$24,756	\$35,000	\$10,244
Sewer License Fee	\$12,559	\$14,320	\$1,761
Water Reclamation	\$12,378	\$13,240	\$862



***Proposed Rates for 2023 based on Study**

****Assumes Average Lot is 8,600 Sq. Ft**



Other Areas for Consideration

Staff asked the consultants to evaluate the possibility of separating out the stormwater utility as its own entity. After careful evaluation, it was determined that it should continue in its current state under the water utility and be evaluated as the system demands progress to determine if another utility is warranted. It is expected that a stormwater utility is a possibility in the next decade.

Table 5 below compares the surrounding communities based on the proposed tiered based approach for water and the modest increase for sewer.

Table 5: Proposed Water and Sewer Rate Comparison

Water Rate Comparison				Sewer Rate Comparison		
Based on 163,000 Gallons per Year				Based on 6,000 Gallons per Month		
City	Tier I Usage Charges (<5,000 gallons)	2022 Base Charges	Average Monthly	City	2022 Flat Charges	2022 Average Monthly
Erie	\$5.53	\$19.36	\$117.05	Westminster	\$32.46	\$79.50
Westminster	\$3.57	\$19.33	\$96.09	Erie	\$10.30	\$64.88
Aurora	\$5.63	\$13.00	\$92.05	Boulder	\$11.67	\$47.67
Northglenn	\$4.16	\$15.01	\$88.59	Loveland	\$15.47	\$46.25
Fort Collins	\$3.21	\$15.75	\$80.81	Longmont	\$11.50	\$43.78
Longmont	\$3.78	\$11.89	\$77.74	Broomfield*	\$21.78	\$21.78
Brighton	\$2.58	\$14.72	\$72.52	Louisville	\$9.72	\$39.84
Lafayette	\$3.28	\$16.43	\$69.97	Lafayette	\$23.94	\$39.51
Superior	\$3.51	\$17.94	\$67.79	Superior	\$32.34	\$32.34
Louisville	-	\$19.37	\$67.27	Arvada	\$2.44	\$31.72
Broomfield*	\$2.26	\$14.31	\$54.19	Thornton	\$6.87	\$25.35

**2023 Proposed Rates based on rate study recommendation*

Recommendation and Proposed Ordinances

If Council desires to approve the changes to the Broomfield Municipal Code, it is recommended...

- That Ordinance No. 2176 be adopted on the first reading and ordered published in full
- That Ordinance No. 2177 be adopted on the first reading and ordered published in full.
- That Ordinance No. 2203 be adopted on the first reading and ordered published in full.
- That a public hearing on the ordinances be held at 6:00 pm on October 25, 2022 as allowed by City Council Procedures and Rules of Order.
- That a second and final reading of the ordinances be scheduled for October 25, 2022 following the public hearing.

The proposed ordinances include the proposed future year revenue and rate increases. Council would have the opportunity to make changes each year during the budget development process based on the analysis and recommendation of staff.

Effective Date - January 1, 2023: If approved, changes to the Broomfield Municipal Code related to water, sewer, and water reclamation charges and fees as set forth in these ordinances would be effective January 1, 2023.