

MEMO

To: Anne Beierle, Deputy Director of Public Works
From: Melissa Elliott, Director of Strategic Communication Services
Date: June 6, 2019
Re: Utility Rate Citizens Committee Meeting Summary for May 21, 2019

The fourth meeting of the City of Golden Utility Rate Citizens Committee was held on May 21, 2019.

Attendees included:

City of Golden Staff:

Anne Beierle – Deputy Director of Public Works
Stephanie Novello – Assistant Finance Director
Terry Sanchez – Public Works

Citizens:

*Peter Luptovic – Citizens Budget Advisory Committee
*Karen Oxman – Citizens Budget Advisory Committee
*Don Cameron – Planning Commission
*Adam Schiche – Golden Resident
*Steven Smith – Golden Resident
*Tanja Rauch-Williams – Sustainability Board
Bob Slavic – Colorado School of Mines
*Denotes member of the Ad Hoc Utilities Rate Citizens Committee

Consultants:

Todd Cristiano, Raftelis
Melissa Elliott, Raftelis
Hannah Palmer-Dwore, Raftelis

The meeting began with a summary of the April 16, 2019 meeting. The Committee had reviewed the written summary of this meeting and agreed that it was accurate.

Slides from the presentations for this meeting were provided to each participant and will be available on the city's website.

The committee discussed that there were two meetings left to accomplish their work, and that at this meeting they would be focused on narrowing down the options for water, wastewater and drainage (stormwater) rate structures so that a final determination and recommendation to city council could be made. Some members of the committee expressed that they wished there was more time available to hold additional discussions. The facilitator reminded the committee that their role is to provide a recommendation only, not a decision, and that if consensus could not be reached that their recommendation could include a minority report.

The URCC heard presentations on conservation and how the City assists customers who have delinquent utilities bills

In previous meetings the committee had discussed two pricing objectives for water rate structures extensively: conservation and affordability. The committee discussed that these pricing objectives can sometimes conflict with each other when determining what rate structure best meets the preferred pricing objectives. City of Golden staff provided an overview of the city's water conservation efforts and water demand usage patterns to provide a set of facts that the committee could work from. The City has several conservation programs in place and has seen a significant drop in water demand over the last 10 years due to the efforts of residents, businesses, and public agencies to become more efficient in their water use. In addition, City staff shared that water use in the winter is at such a low level that if it is reduced much further it may cause operational challenges. This means the City focuses on conservation programs that help reduce outdoor water use and does not see a need for programs that further reduce indoor water usage. City staff said customers have reduced their indoor water use on their own through behavior change and the installation of more efficient fixtures.

Similarly, City staff provided an overview of how the City works with customers that are struggling to pay their bills. Although the City does not have a formal assistance program, if customers let the City know they need help they can get a payment arrangement to help ease this concern. City staff stressed that very few customers are seeking this help and that since the City went to monthly billing (previously bills went out quarterly) that they have seen a significant drop in the number of delinquent bills.

The Committee asked several questions and suggested that one recommendation that they could make in their report to City Council would be to ask the City to seek out ways to enhance outdoor conservation programming and to look into more formal assistance programs to address the needs of customers who may need help with their water bills. They also said they felt the City could promote its paperless billing and online water usage tracking tool more.

The URCC reviewed the assumptions and initial cost-of-service analysis that went into the development of alternative rate structures for drainage and wastewater

Consultant Todd Cristiano reviewed the assumptions that went into developing the wastewater rate structure and drainage (stormwater) alternatives. He stressed that all results are illustrative and are not the final rates that will be developed. All scenarios the URCC will see are based on 2020 projected

expenditures and were developed as “revenue neutral” alternatives, meaning that each rate alternative will recover the same amount of revenue as the existing rate structure does.

The URCC asked if future capital costs were taken into account. They were assured that they were and reminded that the role of the URCC was to recommend revenue-neutral rate structures that best met the pricing objectives and that future financial needs for capital and operations and maintenance were outside the scope of the URCC’s activities.

2020 Drainage Revenue Requirement

The consultant demonstrated that in 2020, the City of Golden’s drainage revenue requirement is \$1.4 million. Of that requirement, \$1.2 million will come from rates (the balance comes from reserves and other income). The rate structures the committee reviewed were all designed to get \$1.4 million in revenue.

Cost of Service for Drainage

The consultant reviewed the results of the study to determine the cost to provide service to drainage customers and showed that the Residential class would increase by 38.4% and revenue from the commercial/multifamily class would decrease by 10% if Golden changes its current rates to charge what it costs to serve these customer classes.

Drainage rate structure alternatives

Currently drainage is charged based on impervious area for commercial and multifamily accounts with more than four units, while residential customers and multifamily units with less than four units pay a flat rate on each bill. The URCC was shown an alternative structure that charges residential customers based on impervious area on their properties, like how commercial/multifamily customers are charged now.

2020 Wastewater Revenue Requirement

The consultant demonstrated that in 2020, the City of Golden’s wastewater revenue requirement is \$2.9 million. Of that requirement, \$2.4 million will come from rates (the balance comes from other income). The rate structures the committee reviewed were all designed to get \$2.4 million in revenue.

Cost of Service for Wastewater

The consultant reviewed the results of the study to determine the cost to provide service to wastewater customers and showed that the Residential class would decrease by 28.7% and revenue from the commercial/multifamily class would increase by 22.4% if Golden changes its current rates to charge what it costs to serve these customer classes.

Wastewater Service Charge

The existing service charge is the same for all customer classes and meter sizes and recovers 33.6% of total rate revenue. This is high by industry standards, and to promote revenue stability while still acknowledging an interest in affordability by the committee, the service charge for the alternatives shown recovered a lower percentage of total rate revenue. The committee was shown that if the service charge is decreased, the volumetric charge is increased to ensure the changes are revenue neutral.

URCC narrows down choices for drainage and wastewater rate structures

After an in-depth conversation about each committee member's constituencies that they represent and the effect of the rate structures on pricing objectives, the committee narrowed down the alternatives by determining where they had consensus. The committee agreed to have the consultant move forward with the following rate structures:

Drainage (stormwater): The URCC showed a slight preference for a rate structure that charged both residential and commercial customers on a per square foot of impervious basis. The committee felt this was the most equitable rate structure, but also expressed that they recognized that this structure will require some upfront work from the City to determine the impervious area of residential properties and maintenance of that data over time.

Wastewater: The URCC discussed used the pricing objectives they had determined at the outset of their work and ranked each of the alternatives based on how they stacked up against the pricing objectives of affordability, equity between classes, equity within classes and revenue stability. There was a preference for moving toward Alternative 2 Fixed Charge Recovery, which would recover 20% of the revenue through the fixed charge instead of the current 33.6%. The committee felt this was a "middle of the road" approach that would help accomplish their affordability goals while still ensuring revenue stability.

Water Rate Structure Refinement

At the last meeting the committee determined that they would like to see further refinement of the following water rate structures:

- Residential – AWC + Fixed and Seasonal
- Commercial/Multifamily – Uniform and Seasonal
- Irrigation – Uniform and Fixed Inclining Block

The consultant brought these rate structures back to the committee for discussion and to narrow down their selections. The URCC used the pricing objectives they had determined at the outset of their work and ranked each of the alternatives based on how they stacked up against the pricing objectives of affordability, conservation, equity between classes, and revenue stability. Some committee members expressed that they would like to see rate structures that encouraged even more water conservation, especially for indoor water usage, while other committee members were not concerned with the need

for indoor water conservation. Although not unanimous in strong support, there was a preference for moving forward with the following:

- Residential – AWC + Fixed
- Commercial/Multifamily – Uniform

For Irrigation, City staff said that they would like the URCC to see another structure alternative that was not developed previously—a water budget rate structure. The committee agreed to review that structure and the Uniform structure at their next meeting for the irrigation customer class only.

Next meeting – July 16, 6 to 8 pm

Topics to be discussed include:

- Determine final recommendation for Golden’s City Council and discuss the City’s plans to communicate potential changes to utility customers.