



MEMORANDUM

To: Utilities Commission

From: Anne Glassman, Business Solutions Manager
Nichol Bussey, Customer Billing and Support Supervisor

Date: September 23, 2015

Title: Utilities Department Special Charges

Executive Summary

The purpose of this memorandum is to provide Utilities Commission with an update to the special charges project that was introduced in last year's rates and fees study. As a 2015 objective, we have completed an in-depth review of these special charges and in this document have provided staff recommendations for proposed changes.

Non-rate revenues are generated through charges and fees for miscellaneous or ancillary services that are not accessed or used by the broader customer base. Unbundling the special charges for these services increases the non-rate revenue and helps to reduce upward pressure on billing rates. These special charges should recover the actual cost of service delivery consistent with cost-of-service principles and Town financial policies. Recovering costs directly from customers that access those services also enhances equity. These charges can also help manage demand for those services as well as address customer behavior patterns. Special charges include delinquency and collections charges, administrative fees and meter services related service charges, just to name a few.

In some cases, Castle Rock Water is not charging enough to cover the cost of service and in others the cost of service is being captured. Since Castle Rock Water has a cost of service based rate structure, customers who do not use or incur these special services are paying for those that are if we are not recovering the full cost of the service in the special charge. The estimated budget impact of updating the special charges to reflect the cost of service is \$350k annually.

Discussion

In order to operate on a true cost of service model and provide equitable service to all customers, staff recommends adding or modifying the following charges effective January 1, 2016:

Special Charge (Fee)	Cost of Service	Current Charge Amount	Recommended Charge Amount	Benchmark Range	Benchmark Average
Returned Check Charge (NSF)	\$30.39	\$25.00	\$30.00	\$20.00-\$50.00	\$29.64
Sewer 3/4" Residential (New Customer)	\$35.66	\$30.00	\$36.00	Not Available	Not Available
Transfers of Service	\$38.34	\$0.00	\$40.00	\$10.00-\$150.00	\$39.30
Bulk Water Read Fee - Phone	\$11.84	\$0.00	\$10.00	Not Available	Not Available
Bulk Water Read Fee - On Site	\$59.73	\$0.00	\$60.00	\$50.00	\$50.00
Bulk Hydrant Meter & Backflow Inspection	\$45.67	\$0.00	\$45.00	\$25.00-\$435.00	\$166.00
Bulk Hydrant Calibration Fee	\$123.41	\$105.00	\$125.00	Not Available	Not Available
Bulk Hydrant Meter Deposit	\$1,878.20	\$1,625.00	\$1,875.00	\$1,300-\$3,200	\$1,912.50
Delinquency Disconnection/Reconnection	\$43.20	\$25.00	\$45.00	\$20.00-\$150.00	\$78.18
Customer Requested Service Disconnection/Reconnection	\$59.92	\$0.00	\$60.00	\$40.00-\$100.00	\$62.86
Meter Set Inspection/Re-inspection	\$47.64	\$30.00	\$50.00	Not Available	Not Available
Landscape Contractor Registration	\$64.18	\$35.00	\$65.00	Not Available	Not Available

When calculating the cost of service for each charge, the models used considered total staff time that was dedicated to the service and specific pay grade levels; staff benefits including health and workers compensation insurance; vehicle use, depreciation, fuel and maintenance; and all related materials and applicable postage costs. Once the cost of service was calculated, the current charge was compared to the cost of service in order to recommend new charges. Eighteen Front Range Area water providers were then contacted to provide their lists of rates, fees and special charges in order to benchmark the new staff recommendations. While not every water provider assesses fees for every charge proposed, the benchmark range and average for each charge was determined using as many available comparisons as possible. In every case, the Castle Rock Water staff recommended special charge was virtually at or below the benchmark average.

Some of the recommended charges will require minor Town Municipal Code revisions. Staff proposes to recommend these Code changes to Town Council at the same time that the annual Rates and Fees study is presented.

Customer outreach will be needed prior to the implementation of any new charges effective January 2016. Because several of these charges are new to Castle Rock Water, current customers will need to be informed of the changes and the reason for the changes. Staff will work with the Utilities Customer Relations Program Manager and the Town of Castle Rock Community Relations Department to develop an appropriate customer outreach program.

Budget Impact

The estimated budget impact of the proposed fees is approximately \$350,000 of revenue which is offset by the cost of providing the services. After approval and implementation, these special charges will be incorporated into the 2016 Rates and Fees study and future rates and fees studies and could potentially have a beneficial impact to all Castle Rock Water customers.

Recommendation

Staff recommends moving forward with these recommended changes to the special charges and bringing the appropriate ordinances to Town Council for approval in accordance with the proposed schedule.