



**STAFF REPORT**

**To:** Honorable Mayor and Members of Town Council

**From:** Mark Marlowe, P.E., Director of Castle Rock Water  
 Nichol Bussey, Business Solutions Manager  
 Paul Rementer, Enterprise Fund Analyst

**Date:** August 26, 2024

**Title:** An Ordinance Approving the 2025 Rates and Fees

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**Executive Summary**

A primary goal of the annual rates and fees study is to evaluate the long-term financial plan for Castle Rock Water (CRW) to ensure that future rates and fees will cover future costs of service.

Table 1 summarizes the recommended 2025 residential rates from this year’s study (2024 Study) compared to the 2024 adopted rates and projected 2024 rates from last year’s study (2023 Study) for a typical single-family equivalent (SFE).

**Table 1: Summary of Recommended Residential Rates**

	<b>2024 Adopted Rates</b>	<b>"2024 Study" Proposed 2025 Rates</b>	<b>\$ Change</b>	<b>% Change</b>	<b>"2023 Study" Proposed 2025 Rates</b>
Water, Fixed	\$10.42	\$10.94	\$0.52	5.0%	\$10.89
Water, Tier 1, Volumetric	\$3.08	\$3.23	\$0.15	5.0%	\$3.22
Water, Tier 2, Volumetric	\$6.27	\$6.58	\$0.31	5.0%	\$6.55
Water, Tier 3, Volumetric	\$9.35	\$9.82	\$0.47	5.0%	\$9.77
Water, Surcharge, Volumetric	\$9.35	\$9.82	\$0.47	5.0%	\$9.77
Water Resources, Fixed	\$31.12	\$33.61	\$2.49	8.0%	\$33.45
Wastewater, Fixed	\$8.57	\$8.61	\$0.04	0.5%	\$8.57
Wastewater, Volumetric	\$6.07	\$6.10	\$0.03	0.5%	\$6.07
Stormwater, Fixed	\$7.97	\$8.37	\$0.40	5.0%	\$8.33

Key factors driving the recommended rate increases include increases to regulatory costs, labor costs and capital costs. Regulatory cost increases are primarily associated

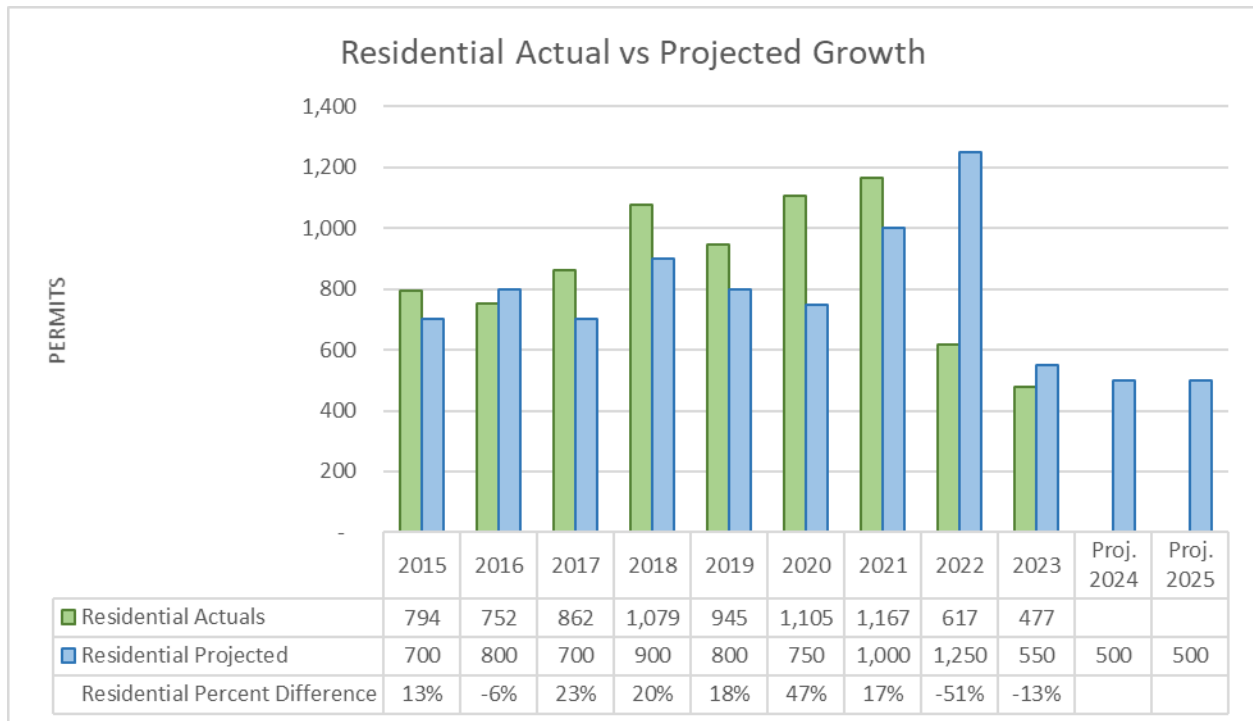
with meeting new regulatory requirements associated with per-and polyfluoroalkyl substances (PFAS also commonly called forever chemicals). Some additional regulatory costs are projected to meet future discharge permit requirements at the Plum Creek Water Reclamation Authority (PCWRA) wastewater plant. Finally, regulatory changes to how Denver Basin groundwater is regulated by the State are anticipated to change the timing requirements for Castle Rock Water's transition to renewable water supplies which can impact near term needed rates.

Labor costs for operational personnel have increased significantly over the last several years due primarily to increased competition for qualified personnel. This is being driven by a lack of younger people entering the labor force for the trades and the water industry operational career paths and increased competition for those operational labor resources already present in the water industry. Other contributing factors include a lack of interest by staff generally in overtime and on-call work, something that started during the pandemic and has accelerated. The increasing technical requirements for operating advanced treatment facilities like the one operated by Castle Rock Water puts additional pressure on wages for more experienced and technically trained staff. Finally, turnover due to wage competition across the Front Range for qualified operational staff has increased the cost of hiring and training staff on an annual basis.

Capital costs continue to increase especially for renewable water rights and infrastructure. Competition for renewable water is increasing across the Front Range as a result of pressures on the Colorado River, climate impacts, and continued population growth in Colorado communities.

Key assumptions for growth projections, customer characteristics, capital improvement plans, fund balances, and revenue and expenditures forecasts were reviewed and updated by staff to determine the impact they each have on the recommended rates. The water supply and demand model was also evaluated taking the growth projections in Chart 1 below in mind to make sure that the capital plan was keeping pace with growth and that the timing of capital projects continues to be appropriately scheduled.

### **Chart 1: Residential Actual Growth Compared to Projected Growth**



Note: Actual Annual Average 2015 to 2023: 866 Residential Permits

There were no major changes to customer characteristics affecting this year’s recommendations. With respect to capital plans, there were some significant changes to the five-year capital plans, but there were also several major changes to the long term (>5 years out) capital plan which were made for this study year. Additional requirements for desalination related to the Water Infrastructure Supply Efficiency (WISE) project as well as increases in the Plum Creek Water Purification Facility (PCWPF) expansion were incorporated into the capital plan and account for a large increase in near term spending. Long term planning continues to incorporate the impacts of the turf restrictions put in place at the beginning of 2023. Significant changes to the five-year capital plan by enterprise are summarized in Table 2 and in more detail below.

**Table 2: 5 Year CIP and Long Term CIP Differences**

Fund	2024 Study CIP 2025-2029	2023 Study CIP 2024-2028	Variance	2024 Study CIP thru 2065	2023 Study CIP thru 2065
Water	\$65,646,305	\$61,172,800	\$4,473,505	\$448,356,305	\$416,820,800
Water Resources	\$148,616,478	\$174,100,635	(\$25,484,157)	\$503,017,538	\$461,099,874
Stormwater	\$15,765,795	\$12,827,896	\$2,937,899	\$146,256,588	\$148,122,727
Wastewater	\$36,035,404	\$20,687,900	\$15,347,504	\$200,852,438	\$214,911,731
<b>Total All Funds</b>	<b>\$266,063,982</b>	<b>\$268,789,231</b>	<b>(\$2,725,249)</b>	<b>\$1,298,482,870</b>	<b>\$1,240,955,132</b>

Water Fund:

- Added \$5.0 million for Ray Waterman pumping upgrades
- Added \$4.8 million for Tank 8B in the Meadows
- Added \$3.5 million for Liggett Road upsize
- Added \$3.0 million for South Well Field Pipeline to PCWPF
- Added \$1.5 million for Bell Mountain Raw Water Pipeline

Water Resources Fund:

- Added \$15.0 million for the Box Elder Project
- Added \$6.5 million for the Plum Creek Diversion
- Added \$2.5 million for SCADA
- Added \$1.0 million for the ColoradoScape Demonstration Garden

Stormwater Fund:

- Added \$116 thousand for Tributary C

Wastewater Fund:

- Added \$13.7 million for the Highway 85 Regional Wastewater Project\*
- Added \$2.2 million for SCADA
- Added \$1.4 million for the PCWRA reuse pond project

\*This is a net zero increase due to American Rescue Plan Act (ARPA) funding from Douglas County.

The primary factors affecting revenue and expenditure forecasts in the rate models are as follows:

- 1) Included in the staffing plan for 2025 is one new full time equivalents (FTEs) which is a Water Plant Operator Supervisor. There are three total FTEs added through 2029. Additional anticipated grade changes for six positions are also a part of the staffing plan through 2029.
- 2) Added approximately \$560,000 per year in staffing costs to make needed wage adjustments to continue to be competitive for operational staffing (Field Services, Plant Operations, Plant Maintenance, and Metering).
- 3) Included costs to take full WISE water allotment which results in total annual costs for WISE water of \$X.
- 4) Changed timing of many capital projects consistent with water supply and demand model as well as availability of capital reserves.
- 5) Updated capital plan costs consistent with current capital project cost estimates and changes to the Engineering News Record Construction Cost Index.
- 6) Added new long term capital projects to meet needs of growth, provide for improvements to the system where necessary to meet upcoming regulatory changes, and make sure rehabilitation and replacement of existing infrastructure was covered.

- 7) Incorporated debt issuances of up to \$55 million to cover shortages of capital reserves into the models for the Water Resources Fund in 2025.
- 8) Budgeted approximately \$14 million in interfund loans from Wastewater to Water from 2025 to 2029 to support capital projects in Water.

Table 3 provides context for the recommended rate action by providing the history of rate action over the last five years as well as a comparison to the Consumer Price Index (CPI) and the Engineering News Record (ENR) Construction Cost Index (CCI).

**Table 3: 5 Year Rate Increase History, CPI and ENR CCI**

<b>Rate Increase History</b>					
<b>Fund</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Water	0%	0%	0%	4.5%	4.5%
Water Resources	0%	0%	3.0%	7.5%	7.5%
Stormwater	0%	0%	2.5%	4.5%	4.5%
Wastewater	(3.0%)	0%	(5.0%)	0%	0%
<b>Consumer Price Index (CPI) History</b>					
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
CPI	2.3%	1.4%	7.0%	6.5%	3.4%
<b>Engineering News Record Construction Cost Index (ENR CCI) History</b>					
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
ENR CCI	1.7%	2.1%	7.4%	5.6%	2.6%

Table 4 summarizes the proposed system development fees (SDFs) for 2024 per SFE.

**Table 4: Summary of Recommended System Development Fees (SDFs)**

	<b>2024 Adopted SDFs</b>	<b>"2024 Study" Proposed 2025 SDFs</b>	<b>\$ Change</b>	<b>% Change</b>	<b>"2023 Study" Proposed 2025 SDFs</b>
Water	\$6,897	\$8,276	\$1,379	20%	\$7,587
Water Resources	\$31,294	\$33,485	\$2,191	7%	\$32,233
Wastewater	\$5,562	\$5,729	\$167	3%	\$5,729
Stormwater, Plum Creek	\$2,575	\$2,704	\$129	5%	\$2,833
<b>TOTAL Plum Creek</b>	<b>\$46,328</b>	<b>\$50,194</b>	<b>\$3,866</b>	<b>8%</b>	<b>\$48,381</b>
Stormwater, Cherry Creek	\$1,265	\$1,265	\$0	0%	\$1,303
<b>TOTAL Cherry Creek</b>	<b>\$45,018</b>	<b>\$48,755</b>	<b>\$3,737</b>	<b>8%</b>	<b>\$46,852</b>

For SDFs related to new development, Castle Rock Water recommends an increase of \$3,866 per SFE in the Plum Creek Basin and an increase of \$3,737 per SFE in the Cherry Creek Basin, about an 8% increase for each basin. This recommendation is consistent with Town Council’s policy on SDFs that growth pays for growth.

Several factors are driving the recommended increases in SDFs identified in the SDF model and financial model including regulatory and capital costs as noted above and further discussed below. Project costs continue to rise year over year as shown in the ENR CCI. Another huge driver of the increased SDFs is that the cost and challenge of new renewable water projects has gone up significantly over the course of the last year in response to water scarcity across the western United States. The continued crisis in the Colorado River has driven increases in competition for limited renewable water supplies in Colorado. Changing weather patterns impacting the future of the Colorado River will impact these costs for many years to come. Permitting and infrastructure associated with renewable water projects will also become more difficult and costly as a result. Further, the State is pushing to limit total volumetric withdrawals from nonrenewable wells for which Castle Rock has large investments in place. If successful, the State’s action will mean that Castle Rock needs to get to 100% renewable water sooner than previously anticipated which again impacts the needs for financial resources.

Finally, the details and needs of some of our longer term projects are becoming more defined as implementation occurs and estimated costs are higher than previously estimated. The proposed SDF changes keep Castle Rock competitive with other surrounding South Metro water providers who also need to fund investments in long-term renewable water supply as shown in Table 5 below:

**Table 5: Comparison of System Development Fees (SDFs)**

<b>Community</b>	<b>2024 Adopted Fees w/CRW 2025 Proposed</b>
Denver Water	\$8,960
Colorado Springs Utilities	\$11,811
City of Loveland	\$12,561
Inverness Water and Sanitation District	\$14,456
Centennial Water and Sanitation District (5 units/acre)	\$14,901
Centennial Water and Sanitation District (3 units/acre)	\$19,709
City of Fort Lupton	\$20,964
City of Greeley	\$21,246
City of Fort Collins	\$ 21,463
City of Fountain	\$22,971
Meridian Service Metropolitan District	\$ 23,150
East Larimer County Water District	\$26,748
Evans	\$28,289
<b>Castle Rock Water (Cherry Creek Basin Area) with maximum builder incentive*</b>	<b>\$29,253</b>
Cottonwood Water and Sanitation District	\$29,767
<b>Castle Rock Water (Plum Creek Basin Area) with maximum builder incentive*</b>	<b>\$30,116</b>
Aurora Water	\$38,010
Thornton Water	\$39,484
East Cherry Creek Valley Water and Sanitation District (Piney Creek Storm Drainage)	\$39,850

Basin)	
East Cherry Creek Valley Water and Sanitation District (West Toll Gate Creek Storm Drainage Basin)	\$40,320
Arapahoe County Water and Wastewater Authority	\$40,851
East Cherry Creek Valley Water and Sanitation District (No Name Creek Storm Drainage Basin)	\$43,100
Stonegate Village Metropolitan District	\$44,778
<b>Castle Rock Water (Cherry Creek Basin Area) – no incentive*</b>	<b>\$48,755</b>
Parker Water and Sanitation District	\$50,160
<b>Castle Rock Water (Plum Creek Basin Area) – no incentive*</b>	<b>\$50,194</b>
Pinery Water and Sanitation District	\$50,270
Castle Pines North Metropolitan District	\$51,242
Sterling Ranch CAB	\$52,100
Roxborough Water and Sanitation District	\$56,678
City of Brighton (Metro Wastewater Reclamation District area)	\$59,230

\*Incentive involves home builder installing both front and back yards with ColoradoScape. Then SDF is calculated based off of value for fixture units for the house and will be something between the low and high number.

Staff recommends moving forward with these proposed rates and fees, finalizing the “2024 Study” report and all of the associated data, bringing the appropriate ordinances to Town Council for approval on September 3, 2024, and September 17, 2024 and incorporating the proposed rates and fees into the 2025 proposed budget. Concurrent with the preparation of the proposed rates and fees for 2025, staff has updated the Financial Management Plan (FMP), to ensure the study is consistent with the goals of the FMP, which are:

- To minimize debt carrying costs at or below industry standards. *CRW continues to stay in the top 25% in the industry with the lowest debt. This is positive, but the current rates and fees study indicates that we will need to take out \$55M in additional debt in 2025. This debt issuance could move us into the median category.*
- To minimize risk by keeping fixed versus variable revenues and expenses equal to or matching where possible. *CRW focuses on keeping these matched to the extent possible while still sending a conservation oriented message with a variable rate. CRW’s success with balancing the revenues and expenses for fixed and variable components is shown in Chart 7 below.*
- To keep costs at or under budget for capital and operational budgets each year by fund and to continuously strive towards more efficient operations. *As shown in Table 6 below, CRW is keeping annual costs under budget.*
- To keep our rates and fees competitive with surrounding communities. *CRW rates and fees compare somewhere in the middle of the benchmarking as seen in the rates comparisons in Charts 2-3 and the system development fees in Chart 5.*
- To keep adequate reserves and maintain fund balances between minimums and maximums. *CRW continues to maintain adequate reserve balances in all funds*

*for operating, catastrophic event, rate revenue stabilization and capital reserve all though we have made some reductions to catastrophic failure reserves in several enterprises to support near term capital expenditures. The level of reserves still meets industry standards.*

- *To keep rates and fees affordable within various national affordability indices. Last year CRW had Stantec's help in looking at two affordability methods created by Teodoro. The first of these shown below in Figure 1 is the Affordability at the 20<sup>th</sup> Income Percentile (AR20). This method measures the affordability of the average water and wastewater bill to the 20<sup>th</sup> percentile income. This indicates that of the monthly disposable income for this group, 3.64% is spent on essential water and wastewater usage for CRW assuming the recommended 2025 rates are approved. The average for large cities is 12.4%, which puts CRW well below average, a positive result.*

*The second method, shown in Figure 2 below is the Basic Household Water and Sewer Cost Expressed in Terms of Hours of Labor at Minimum Wage (HM). This metric shows the number of hours required for one to work at minimum wage to pay the monthly water bill. For CRW, the proposed 2025 rates result in an HM value of 7.44 hours. The average for large cities is at 10.1, which puts CRW slightly below average, again a positive result.*



**Figure 1: Affordability at the 20<sup>th</sup> Income Percentile (AR20)**

Affordability At The 20th Income Percentile (AR <sub>20</sub> )		
		Source
People Per Household	4	Journal AWWA January 2018 (values from Teodoro article)
Essential Water Volume*	50	Journal AWWA January 2018 (values from Teodoro article)
Typical Monthly Household Essential Volume	6,000	
Water Monthly Consumption		
Tier 1	4,000	
Tier 2	2,000	
Water 3/4" Residential Base Charge	\$ 10.42	
Wastewater Monthly Consumption		
Tier 1	4,000	
Wastewater 3/4" Residential Base Charge	\$ 8.57	
Monthly Household Cost Of Essential Water Services	\$ 35.28	FY 2024 CRW Water Rates
Monthly Household Cost Of Essential Wastewater Services**	\$ 32.85	FY 2024 CRW Wastewater Rates
Monthly Household Cost Of Essential Renewable Water Services	\$ 31.12	FY 2024 CRW Renewal Water Rates
Monthly Household Cost Of Essential Stormwater Services	\$ 7.97	FY 2024 CRW Stormwater Rates
<b>Total Cost of Essential Water and Sewer Services</b>	<b>\$ 107.22</b>	
Annual Household Income (20th Percentile)***	\$ 65,546	<a href="#">B19080: Household Income Quintile Upper Limits</a>
Annual Essential Household Expenses****	\$ 30,219	Consumer Expenditure Survey - Table 3134 West Region
Annual Disposable Income	\$ 35,327	
<b>Monthly Disposable Income</b>	<b>\$ 2,944</b>	
	<b>AR<sub>20</sub></b>	<b>3.64%</b> Teodoro Study average of 12.4% for 25 largest US cities.

\* Essential water volume in gallons per capita per day based upon *Water and Sewer Affordability in the United States*, M.P. Teodoro, 2019.  
 \*\* Wastewater services charged based on average winter monthly consumption of 4,000 gallons.  
 \*\*\* "This focus on the 20th percentile household aligns the analysis of water and sewer affordability with mainstream assessments of welfare economics, which typically identify the 20th percentile as the lower boundary of the middle class." - Teodoro  
 \*\*\*\* Does not include water and sewer services. Reflects expenses at an income level between \$50,000 and \$69,999 in the western region.

**Figure 2: Basic Household Water and Sewer Cost Expressed in Terms of Hours of Labor at Minimum Wage (HM)**

Basic Household Water And Sewer Cost Expressed In Terms Of Hours Of Labor At Minimum Wage (HM)		
		Source
People Per Household	4	Journal AWWA January 2018 (values from Teodoro article)
Essential Water Volume*	50	Journal AWWA January 2018 (values from Teodoro article)
Typical Monthly Household Essential Volume	6,000	
Monthly Household Cost Of Essential Water Services	\$ 35.28	FY 2024 CRW Water Rates
Monthly Household Cost Of Essential Wastewater Services**	\$ 32.85	FY 2024 CRW Wastewater Rates
Monthly Household Cost Of Essential Renewable Water Services	\$ 31.12	FY 2024 CRW Renewal Water Rates
Monthly Household Cost Of Essential Stormwater Services	\$ 7.97	FY 2024 CRW Stormwater Rates
<b>Total Cost of Essential Water and Sewer Services</b>	<b>\$ 107.22</b>	
<b>Minimum Wage</b>	<b>\$ 14.42</b>	<a href="#">Minimum Wage   Department of Labor &amp; Employment (colorado.gov)</a>
	<b>HM</b>	<b>7.44</b> Teodoro Study average of 10.1 for 25 largest US cities.

\* Essential water volume in gallons per capita per day based upon *Water and Sewer Affordability in the United States*, M.P. Teodoro, 2019.  
 \*\* Wastewater services charged based on average winter monthly consumption of 4,000 gallons.

- To develop regional partnerships to provide economies of scale to reduce total costs of infrastructure to our customers. *CRW has formed many partnerships with individual water providers like Dominion and Parker and regional organizations such as South Metro Water Supply Authority, WISE Authority, Plum Creek Water Reclamation Authority (PCWRA), and Cherry Creek Project Water Authority, just to name a few. Our latest partnership is with Central Water Conservancy District, an agricultural water provider located near our Box Elder Project and which shares capacity in Chatfield Reservoir.*
- To be an industry leader in the application of financial management benchmarking ourselves against others locally and nationally. *Castle Rock Water has thirty different key performance objectives and indicators (KPIs) with measurable outcomes. Many of which are benchmarked against other water providers nationally, regionally and locally. More information and results for these KPIs are available in our strategic plan.*

## **History of Past Town Council, Boards & Commissions, or Other Discussions**

Castle Rock Water (CRW) Commission reviewed at least one aspect or component of the annual rates and fees study process and the 2024 rates and fees studies at each of their meetings from October 2023 to August 2024 to provide staff with input. For a complete list of topics, please see the CRW Commission agendas.

On May 22, 2024, CRW Commission reviewed the Customer Characteristics Analysis for the 2024 rates and fees study with staff.

On August 20, 2024, CRW introduced the proposed rates and fees for 2025 to Town Council. This was a presentation only, and Town Council did not take any action on rates and fees at this meeting.

On August 28, 2024, the results of the 2024 annual rates and fees study were presented to CRW Commission by staff for discussion and direction. CRW Commission was supportive of staff recommendations at this time.

## **Notification and Outreach Efforts**

The proposed SDFs have been sent to the Economic Development Council (EDC) for distribution to the home builders, developers and other interested parties among the development community.

## **Discussion**

For common understanding, "rates" refers to the collective monthly fixed charges and volumetric rates billed to existing customers. "System Development Fees" is a general term used for Water, Water Resources and Wastewater System Development Fees (SDFs) and Stormwater Development Impact Fees (DIFs). Water, Water Resources and Wastewater SDFs are calculated and assessed at the time of permitting for the right to access existing system capacity and for payment of a proportionate share of the capital cost required for new capacity to meet the potential demand the new customer is expected to place on the system. SDFs ensure that growth pays for the cost of growth. Also paid at the time of permitting, Stormwater DIFs are a proportionate share of the cost to add stormwater capital facilities to manage the runoff created by the impervious surfaces of new construction in the Plum Creek or Cherry Creek Basin.

For the seventh year in a row, Castle Rock Water has engaged Stantec Consulting Services, Inc. to assist with preparation of the Study. To reduce costs, Castle Rock Water staff continued to prepare the Customer Characteristics Analysis in-house for the 2024 Study. However, Stantec prepared the System Development Fees Models, Financial Rate Models, and the Cost of Service Models for the 2024 Study.

## **The “2024 Study”**

The steps for completing this year’s study, as in previous studies, are grounded in industry standards for cost-of-service ratemaking as summarized in the American Water Works Association’s AWWA Manual M1. As in prior years, work products include the following:

1. Growth Forecast
2. Customer Characteristics Analysis
3. Capital Improvement Projects Forecast Updates
4. Revenue and Expenditures Forecast Updates (in conjunction with budgeting)
5. Rates & Fees Modeling
6. Cost of Service Modeling
7. Community Engagement

### **Growth Forecast**

The growth forecast for customers in Town continues to be developed in conjunction with Development Services based on both historical performance, discussions with developers and home builders, and anticipated changes to economic conditions in the coming year. Customers that may be served through extraterritorial agreements are evaluated by Castle Rock Water and added to the totals within the Town boundaries as appropriate. Growth forecasts include all customer classes converted to single family equivalents. For the 2024 rates and fees study, the growth forecast for the next five years was estimated as follows:

2025	524 single family equivalents
2026	544 single family equivalents
2027	538 single family equivalents
2028	538 single family equivalents
2029	538 single family equivalents

For years beyond the five-year window, Castle Rock Water used an average value of 725 single family equivalents for future growth of the customer base in the financial models. Based on these growth projections build-out in the community and service to extraterritorial areas could occur by 2044, assuming current maximum estimated build-out of 150,000 people in CRW’s service area including extraterritorial areas is reached.

New customers provide revenues through SDFs to fund growth-related capital projects and the monthly revenues to fund the remaining costs as an existing rate customer. Actual growth slowed significantly in the second half of 2022 and continued to remain lower than recent years through 2023. Through July 2024, there have been 232 single family permits issued, which is up 1% to the 229 permits issued through July 2023. Budgets have been adjusted to reflect a lower growth figure, however, if growth falls short of this forecast, revenues are at risk with the severity and service delivery impacts dependent upon the depth of the shortfall. Growth in 2025 and beyond is difficult to predict. As a result, Castle Rock Water uses a conservative approach to estimating future growth. If growth falls short of current forecasts, revenues in 2025 and beyond could fall short of requirements for the current capital plans requiring a delay on some

of these projects. Similarly, if growth significantly exceeds current forecasts, capital projects will need to be moved forward, potentially more quickly than planned. Castle Rock Water uses our water supply and demand model to evaluate the pace of growth as it relates to our capital improvement plans to ensure that we have the ability to react to changes in actual growth relative to the projected growth.

### **Customer Characteristics Analysis**

The Customer Characteristics Analysis was reviewed with the CRW Commission in May of this year. The topics discussed included growth projections and how they are considered in long-range planning, residential consumption trends, and the various ways that CRW is continuing to promote conservation in the Town. In general, we have seen some favorable trends in regards to average residential consumption in recent years and will likely see additional improvements into 2025 as the 2023 changes to Castle Rock's landscape and irrigation criteria manual (i.e. new limits on turf grass for new development) continue to be implemented. A complete copy of the report is available from Castle Rock Water. There were no major changes to customer characteristics affecting this year's rates and fees recommendations as noted in the Executive Summary.

### **Capital Improvement Projects Forecast Updates**

A complete discussion of the capital improvement project forecast updates was provided in the Executive Summary. As noted in this summary, significant additions were made to the long term capital plan. Costs for renewal and rehabilitation of existing infrastructure, improvements to existing infrastructure to meet upcoming regulatory requirements, infrastructure additions driven by the renewable water program, capital investment adjustments and revenue forecast changes based on the proposed changes to Castle Rock's landscape and irrigation criteria manual (i.e. the limits established in 2023 on turf grass for new development), and an updated growth forecast are incorporated into the study. Capital costs are escalated by 3.00% per year in future years consistent with the latest ENRCCI in the financial model.

### **Revenues and Expenditures Forecast Updates**

As in previous years, complete revenue and expenditure forecast updates were prepared along with the budgeting process. Table 6 outlines the comparison of the 2024 Budget and 2024 YE Estimates to the 2025 Proposed Budget.

**Table 6: 2024-2025 Budget Comparison**

Account Type	Category	2024 Budget	2024 YE Estimates	2025 Budget	2024 YE Estimates to 2025 Budget % Change
<b>Revenues</b>	Charges for Service	\$50,069,182	\$51,110,767	\$54,046,279	5.7%
	Contributions & Donations	\$938,725	\$1,437,825	\$31,825	(97.8%)
	Fines & Forfeitures	\$503,385	\$504,335	\$508,335	0.8%
	Intergovernmental Revenue	\$300,700	\$300,700	\$7,000,700	2228.1%
	Investment Earnings	\$2,267,012	\$2,268,055	\$2,244,350	(1.0%)
	Licenses & Permits	\$7,000	\$5,000	\$5,000	0.0%
	Other Revenue	\$7,817,848	\$8,208,030	\$58,125,261	608.2%
	System Development Fees	\$21,243,301	\$22,758,408	\$23,636,176	3.9%
	Transfers In	\$15,577,718	\$5,077,718	\$1,436,912	(71.7%)
	<b>Total Revenues</b>		<b>\$98,724,871<sup>(1)</sup></b>	<b>\$91,670,838</b>	<b>\$147,034,838</b>
<b>Expenses</b>	Capital	\$107,854,350	\$80,996,997	\$116,370,907	43.7%
	Debt & Financing	\$7,557,150	\$7,557,150	\$10,814,773	43.1%
	Personnel	\$13,587,339	\$13,838,733	\$14,314,442	3.4%
	Services & Other	\$23,574,251	\$23,285,474	\$26,591,047	14.2%
	Supplies	\$3,434,702	\$3,335,298	\$3,518,532	5.5%
	Transfers Out	\$16,720,776	\$6,220,775	\$830,937	(86.6%)
<b>Total Expenses</b>		<b>\$172,728,568<sup>(1)</sup></b>	<b>\$135,234,427</b>	<b>\$172,440,638</b>	<b>27.5%</b>

(1) 2024 Budget includes \$10.5 million in both Transfers In and Transfers out to fund the Crystal Valley Interchange. This transfer is not reflected in the YE Estimate.

Assuming the recommended rates are approved, the combined 2025 revenue budget for the department is \$147 million and represents a 49% increase to the 2024 amended budget, and a 60% increase to the 2024 year-end estimates. These variances are largely driven by the anticipated 2025 \$55 million revenue bond in Water Resources as well as the 2024 \$5 million interfund loan from Wastewater to Water. When comparing 2025 to 2024 without these revenues, the 2025 budget is up 5% to the 2024 amended budget and up 6% to the 2024 year-end estimates. 2025 revenues also include \$7 million in ARPA funding for the Highway 85 Regional Wastewater Project.

The combined 2025 expenditure budget associated with the major functions for the various Castle Rock Water enterprises is approximately \$172 million, which is flat to the 2024 amended budget and an increase of 28% to the 2024 year-end estimate. These changes are primarily due to proposed timing of capital projects. Capital budgeting is variable based on long-term project planning and opportunity.

With respect to the operational budgets, the total combined budget for 2025 is approximately \$44 million. This is a 9% increase to the 2024 Amended Budget and a 10% increase to the 2024 year-end estimate. The operational budget accounts for the costs of personnel, services and supplies. The increase in the operational budget over the year-end estimate is largely driven by increases in WISE water and deliveries from Parker Water and Sanitation District. Personnel is projected to be 3% higher than the year-end estimate driven by merit increases as well as the requested addition of a Water Plant Operator Supervisor and wage adjustments for operational teams needed to maintain competitiveness.

The 2025 capital budget across the Castle Rock Water Enterprises is approximately \$116 million, an 8% increase over the 2024 Amended Budget and a 43% increase over the 2024 year-end estimates. Revenue and expense forecasts were completed through 2029 and then escalated in the models for years past 2029.

### Fund Balances

Based on the revenue and expense forecasts, fund balances are reviewed through 2029 closely and more generally through the entire modeling period out to 2065. Savings in actual costs and the timing of spending on capital costs versus budgets each year have helped to keep fund balances stable throughout the years and projections through 2029 continue this trend except that in 2025 a significant debt issuance is predicted in the Water Resources Enterprise to keep fund balances above minimum levels. Fund balances need to be built up with capital reserves ahead of large capital projects to ensure the money is available to proceed on the projects when the projects are needed to meet growth and other service goals. Fund balances are then drawn down significantly as capital reserves are spent on these projects. Keeping close tabs on the fund balances ensures that there are no negative impacts on the long-term financial plan when large projects must be funded.

Fund balance for the Water Fund is projected to average \$8.9 million through 2029. In the Water Resources Fund, fund balance is projected to average \$17.6 million through 2029. Fund balance at the end of 2025 will be about \$31.7 million due largely to the anticipated \$55 million bond issuance that year which will provide funding for critical near-term projects. By 2029, ending fund balance will be around \$18.6 million. Stormwater Fund balance is projected to be \$5.4 million at the beginning of 2025 and is anticipated to be around \$2.4 million at the end of 2029. Wastewater Fund balance is projected to be \$22.7 million at the beginning of 2025 and will decrease to about \$11.1 million at the end of 2029.

### Rate Revenue

While fixed revenues in the four enterprise fund models are set to generally trend up with the projected growth, variable revenues can be difficult to predict. These variable revenues are subject to two primary drivers, 1) weather and 2) national, state and local pressure to conserve water or at least use it more efficiently. For the 5-year planning period, CRW is forecasting annual increases of about 4.5% per year through 2029. For new houses and new development, rate revenue is projected to be less than previous estimates due to the changes to landscape and irrigation criteria implemented in 2023. As always, Castle Rock Water is aware of the need to be cautious when projecting rate revenues due to the unpredictability of weather, conservation efforts and sustainable growth.

### Non-Rate Revenues

Non-rate revenues are generated through charges and fees for miscellaneous or ancillary services not accessed or used by the broader customer base. 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. In these cases, Castle Rock Water may set a special charge above the cost of service. Two examples of this include the Residential Landscape and Irrigation Inspection Fee and Meter Set Inspection Fees. Castle Rock Water was having issues with home builders failing these inspections multiple times which created resource issues for the department. As such, these fees were set to escalate after each failed inspection starting in 2022. Other special charges include late charges, disconnection charges, service transfer charges and administrative related fees, just to name a few. The full list of proposed special charges for 2025 is shown in Table 7 below.

**Table 7: Special Charges/Fees**

Special Charge (Fee)	Cost of Service	Adopted 2024 Fee Amounts	Proposed 2025 Fee Amounts	Benchmark Range	Benchmark Average
Returned Payment Charge	\$29.20	\$30.00	\$30.00	\$15.00-\$75.00	\$28.57
Water Service Transfer Fee	\$41.08	\$41.00	\$41.00	\$5.00-\$100.00	\$40.00
Administrative Lien & Recording Fee	\$73.22	\$73.00	\$73.00	\$2.00-\$100.00	\$48.40
Bulk Water Read Fee – Via Phone	\$13.57	\$14.00	\$14.00	\$50.00	\$50.00
Bulk Water Read Fee – Via On Site	\$76.54	\$77.00	\$77.00	\$25.00-\$250.00	\$106.25
Bulk Hydrant Meter & Backflow Inspection	\$94.08	\$94.00	\$94.00	\$25.00-\$95.00	\$54.33
Bulk Hydrant Inspection No Show Trip Charge	\$54.12	\$54.00	\$54.00	Not Available	Not Available
Bulk Hydrant Meter Calibration	\$200.42	\$150.00	\$150.00	\$75.00-\$350.00	\$173.33
Customer Requested Meter Bench Test (Passing Meter)	\$146.17	\$50.00	\$50.00	\$25-\$350.00	\$108.33
Delinquency Disconnection/Reconnection	\$47.74	\$48.00	\$48.00	\$15.00-\$350.00	\$82.75
Customer Requested Service Disconnection/Reconnection	\$92.25	\$92.00	\$92.00	\$20.00-\$100.00	\$58.89
Canyons South Meter Lockout	\$102.14	\$102.00	\$102.00	Not Available	Not Available
Meter Set Re-inspection (1 <sup>st</sup> inspection included in meter set fees) <sup>(1)</sup>	\$53.42	\$53.00	\$53.00	\$0.00-\$1,500.00	\$210.27
Irrigation Permit	\$676.00	\$676.00	\$676.00	Not Available	Not Available
Landscape Contractor Registration	\$72.19	\$72.00	\$82.00	Not Available	Not Available
Residential Landscape & Irrigation Inspection <sup>(2)</sup>	\$46.28	\$46.00	\$46.00	Not Available	Not Available
Irrigation Permit Re-inspection	\$113.96	\$114.00	\$114.00	Not Available	Not Available
Irrigation Disconnection/Reconnection (due to non-compliance)	\$92.25	\$92.00	\$92.00	Not Available	Not Available
Temporary Sod Exemption	\$9.68	\$10.00	\$11.00	Not Available	Not Available

<sup>(1)</sup> The proposed fee doubles after each failed inspection for the reinspection, e.g. after the second failed inspection, the reinspection fee will go to \$106, after the third it will go to \$212, and so on.

<sup>(2)</sup> The proposed fee doubles after each failed inspection for the reinspection, e.g. the second inspection will cost \$92, the third inspection \$184, and so on.

**Personnel**

The 2025 budget includes one new full time equivalent (FTEs), a Water Plant Operator Supervisor. The 2025 budget also includes a wage adjustment of approximately \$560,000 for operational personnel in order to maintain market competitiveness with other utilities on the Front Range. This cost is carried forward for the remainder of the five year period to 2029 and then escalated beyond 2029. From 2026 to 2029, Castle

Rock Water is projecting to add two FTEs, an Advanced Metering Infrastructure (AMI) Coordinator and a Water Quality Technician in 2026. The personnel budget also includes increases associated with grade changes for several positions. The budget includes increasing two Water Plant Operator Supervisors from grade 18 to grade 20 and two Water Plant Operators from grades 10-16 to grade 18 in 2025 and two Water Plant Operators from grades 10-16 to grade 18 in 2026. The Study reflects updated personnel cost allocations across the four enterprises to capture cost-of-service impacts on personnel resources, as well as Town-wide changes to the pay and benefits plans. After 2029, costs for personnel are escalated by 1.55% which is consistent with the long-term historical average CPI.

### Electricity

The third largest operating cost, electricity, reflects full operation of the Plum Creek Water Purification Facility and other treatment plants, alluvial and groundwater well operations and pumping associated with water and wastewater service. Castle Rock Water has implemented an energy management and system optimization plan to maximize the efficiency of electrical usage. Electricity costs have been budgeted at a 3% annual increase for each year of the five-year period. After 2029, electricity costs are escalated by 1.55% consistent with the long-term historical average CPI.

### Operations & Maintenance

Cost projections include operating and maintenance costs for CRW. Items impacting operating costs during the five-year planning period include:

- Meter costs under supplies are going up significantly as we transition to advanced metering infrastructure
- Operating costs for WISE will continue to increase as the full quota of Castle Rock's WISE water is delivered with that occurring in 2029.
- Personnel costs have risen significantly in response to staffing shortages and competition for labor across the region with Castle Rock Water proposing a \$5 per hour increase for all front line operational personnel for 2025 to maintain competitiveness.
- The addition of three new positions during the planning period as well as anticipated grade changes for six positions have impacted costs.

This results in increases of 32% over the five-year period. To ensure only costs needed are included in the budget, line item details are reviewed. After 2029, operations and maintenance costs in the model are increased by 1.55% consistent with the long-term historical average CPI.

### **Rates and Fees and Cost of Service Modeling**

Once the first four steps are completed, the capital plan is put into the system development fee models along with the projected new single family equivalents that this capital will support. Proposed system development fees from these models are then put into time based financial models otherwise known as the rates and fees



models, one for each enterprise. These models look at financial data through 2065. Castle Rock Water then works to ensure that over the modeling period (out to 2065):

- there are no large rate increases forecasted (greater than 8%) to be needed
- fund balances are maintained within reasonable limits according to upcoming capital needs through 2065
- Minimum reserves are maintained for all enterprises throughout the study period
- Debt needed is reasonable with respect to Castle Rock Water’s borrowing capacity

If these conditions are not met, adjustments are made to the capital plan and operating expenses where changes can be made without impacting levels of service to balance these items. Revenue requirements for each enterprise are then determined from the models based on the change in revenue needs for each enterprise according to the forecast capital and operational expenses. Once the total revenue requirements are identified in each enterprise, cost of service models are used to spread those revenue requirements over the different customer classes. The end results are the rates and fees recommendations.

**Proposed Rates and Fees for 2025 through 2029**

Based on impacts of the revised capital plan and projected system growth by fund as well as the other key changes, the “2024 Study” has resulted in projected required rate revenue increases as shown in Table 8 below.

**Table 8: Rate Required Revenue Increases by Enterprise – “2024 Study”**

	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Water Fund	5.0%	5.0%	5.0%	5.0%	5.0%
Water Resources	8.0%	8.0%	8.0%	8.0%	8.0%
Stormwater	5.0%	5.0%	5.0%	5.0%	5.0%
Wastewater	0.5%	0.5%	0.5%	0.5%	0.5%

After careful planning and review of operating costs and capital plans in this year’s study, the overall impact will be a 5.0% increase in Water, an 8.0% increase in Water Resources, a 5.0% increase in Stormwater, and a 0.5% increase in Wastewater.

For the “2024 Study”, there is an increase in the average annual bill for the typical residential customer due to the rate changes being recommended in 2025. Other customer classes will also see varying increases to their annual bill depending on customer usage patterns. Table 9 summarizes these impacts to typical annual utility bills for various customer classes.

**Table 9: 2025 Rate Adjustment Recommendations and Total Typical Annual Utility Bills**

<b>Customer Class</b>	<b>2024 Actual Typical Annual Bill</b>	<b>“2024 Study” Proposed 2025 Typical Annual Bill</b>	<b>\$ Change</b>	<b>% Change</b>	<b>“2023 Study” Proposed 2025 Typical</b>

					<b>Annual Bill</b>
Residential ¾" Meter	\$1,437.16	\$1,500.24	\$63.08	4.39%	\$1,495.43
Commercial Indoor ¾" Meter	\$2,572.36	\$2,681.33	\$108.97	4.24%	\$2,668.47
Commercial Indoor 1½" Meter	\$9,814.69	\$10,263.64	\$448.95	4.57%	\$10,214.57
Commercial w/Irrigation ¾" Meter	\$2,096.67	\$2,185.13	\$88.46	4.22%	\$2,274.65
Commercial w/Irrigation 2" Meter	\$20,441.22	\$21,365.90	\$924.67	4.52%	\$21,263.69
Multi-family Indoor ¾" Meter	\$963.90	\$1,012.12	\$48.22	5.00%	\$1,007.30
Multi-family w/Irrigation 1½" Meter	\$10,402.25	\$10,854.36	\$452.11	4.35%	\$10,802.35
Irrigation ¾" Meter	\$3,484.13	\$3,669.54	\$185.41	5.32%	\$3,652.12
Irrigation 2" Meter	\$19,593.02	\$20,707.02	\$1,114.01	5.69%	\$20,609.06

As a part of the presentation of the proposed rates and fees for 2025, Castle Rock Water compared the 2025 proposed rates and fees with other similar water providers in the South Metro area. Many of the water providers do not provide stormwater services, so we show these separately for accurate comparison purposes. The benchmarking comparisons include all fees related to water, water resources, and wastewater services. These fees have different names across the various water providers including for example water and sewer service fixed and volumetric fees, water resource fees, renewable water fees, capital improvement fees, sewer system replacement fund fees, and groundwater protection fees.

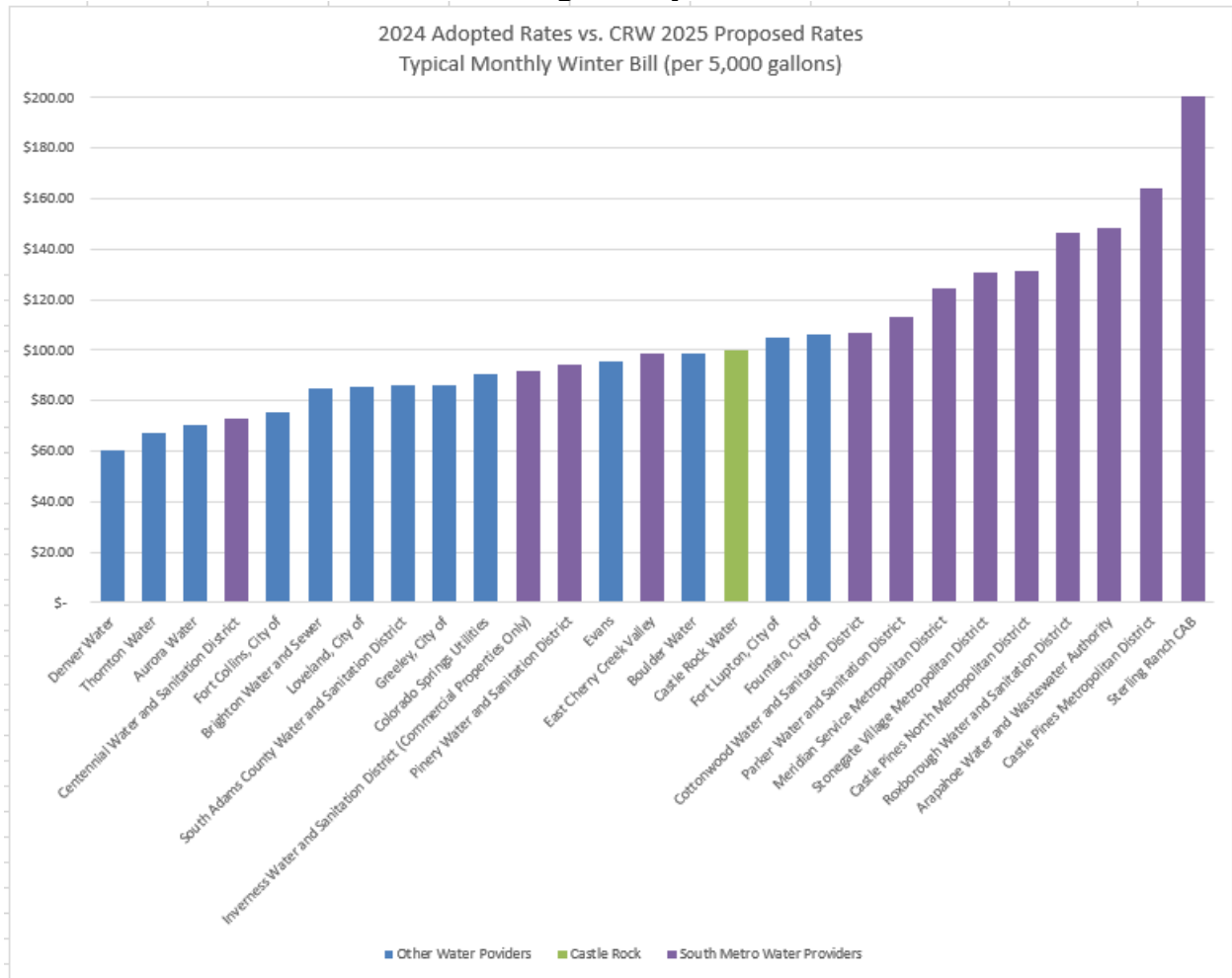
Staff compared rates to other South Metro water providers for a typical winter usage of 5,000 gallons and a typical summer usage of 15,000 gallons. While we did compare the proposed rates and fees to other providers in Colorado, these comparisons are less relevant due to the local challenges faced by South Metro water providers. In summary, the South Metro water providers are generally currently operating on deep groundwater and are in the midst of building renewable surface water systems. A number of the systems have implemented monthly fees similar to Castle Rock's water resources fee including Castle Pines Metro, Meridian, Pinery, Stonegate, East Cherry Creek and Roxborough. Others have incorporated these fees into their standard water rates or utilized tax mill levies.

The comparison results to other South Metro water providers are shown in Charts 2 and 3 below. As indicated above, it is important to note that a number of the South Metro water providers have their revenues supplemented by tax mill levies to help with renewable water investments. The charts below show the approximate impact this has on the cost of service for a typical residential customer based on the average median price of a home in Douglas County of \$743,000

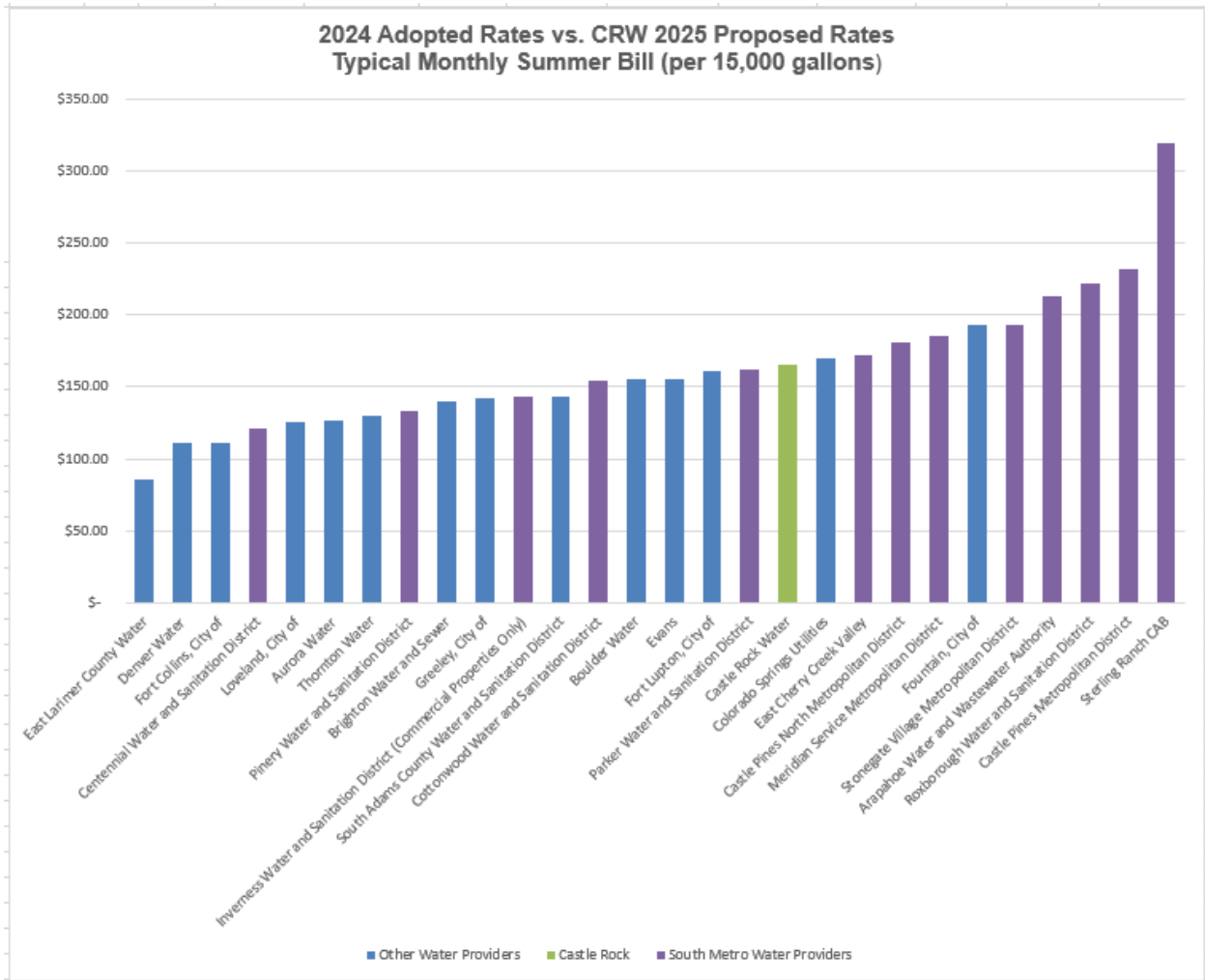
<http://www.douglas.co.us/δοχουμεντοσ/δουγλασ-χουντη-δεμογραπτηχσ-συμμαρη.πδφ>). This mill levy was distributed across twelve equal payments for comparison sake even though this will typically be paid in fewer installments. The results of this comparison

of proposed 2025 rates and fees for Castle Rock to 2024 current rates and fees for other providers indicate that Castle Rock's rates and fees are comparable to other area providers even before those providers make changes for 2025. Once 2025 rates and fees are available for the other area providers, CRW will update these charts and ensure they are available on our website.

**Chart 2: Typical Monthly Winter Bill (per 5,000 gallons)**

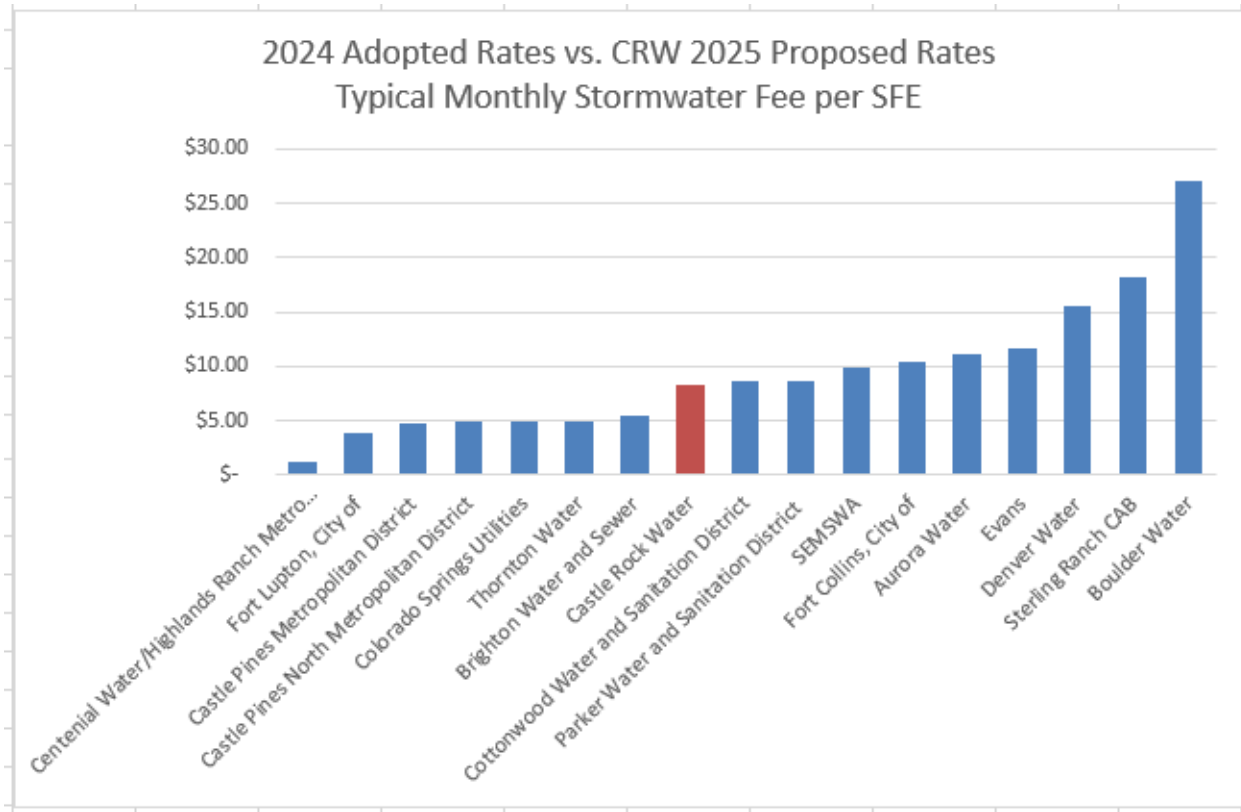


**Chart 3: Typical Monthly Summer Bill (15,000 gallons)**



Similar comparisons for stormwater fees are in Chart 4 below. While this is not a comprehensive list of all providers, it shows some of the key stormwater providers in our area. The data indicates that Castle Rock’s proposed fees are consistent with many of the other local providers. It is important to note that some jurisdictions handle stormwater through general taxes instead of having a stormwater utility. The results of the comparisons are as follows:

**Chart 4: Typical Monthly Stormwater Fee per Single Family Equivalent**



Note: SEMSWA, stands for Southeast Metro Stormwater Authority and includes East Cherry Creek Valley Water and Sanitation District, Arapahoe County Water and Wastewater Authority, and Inverness. The rate shown for Parker Water and Sanitation District is through the Town of Parker and is the 2024 rate.

Table 10 summarizes proposed fixed charges for 2025 from this year’s study.

**Table 10: Single Family Residential Fixed Charges**

	<b>2024 Actual Typical Bill</b>	<b>"2024 Study" Proposed 2025 Typical Bill</b>	<b>\$ Change</b>	<b>% Change</b>	<b>"2023 Study" Proposed 2025 Typical Bill</b>
Water	\$10.42	\$10.94	\$0.52	5.0%	\$10.89
Water Resources	\$31.12	\$33.61	\$2.49	8.0%	\$33.45
Wastewater	\$8.57	\$8.61	\$0.04	0.5%	\$8.57
Stormwater	\$7.97	\$8.37	\$0.40	5.0%	\$8.33
<b>TOTAL</b>	<b>\$58.08</b>	<b>\$61.53</b>	<b>\$3.45</b>	<b>5.94%</b>	<b>\$61.24</b>

**System Development Fees**

System development fees (SDFs) are a function of year-end 2023 fixed assets, 2024 year-end estimates of capital improvement project costs, 2025 through 2065 capital improvement project plans, and system capacity for water, water resources, and wastewater and developable acres for stormwater.

Growth forecasts and increases to the capital plans in the “2024 Study” indicate that total SDFs for a typical SFE will need to increase from the 2024 adopted fees. The “2024 Study” indicates fees will need to increase in 2025. The recommended increase this year is approximately 8% as shown in Table 11.

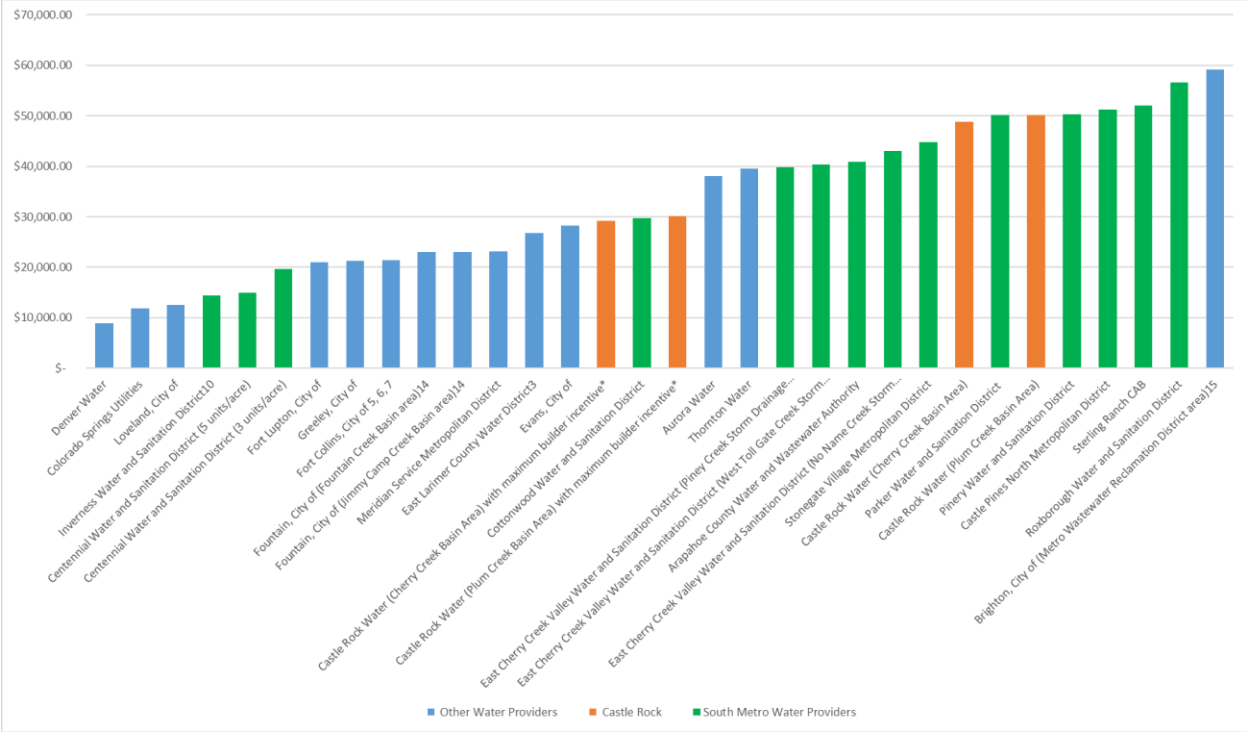
**Table 11: Single Family Equivalent System Development Fee Comparison**

<b>PLUM CREEK BASIN</b>					
	<b>2024 Actual Fees</b>	<b>“2024 Study” Proposed 2025 Fees</b>	<b>\$ Increase (Decrease)</b>	<b>% Change</b>	<b>“2023 Study” Proposed 2025 Fees</b>
Water	\$6,897	\$8,276	\$1,379	20%	\$7,587
Water Resources	\$31,294	\$33,485	\$2,191	7%	\$32,233
Wastewater	\$5,562	\$5,729	\$167	3%	\$5,729
Stormwater	\$2,575	\$2,704	\$129	5%	\$2,833
<b>TOTAL</b>	<b>\$46,329</b>	<b>\$50,194</b>	<b>\$3,866</b>	<b>8%</b>	<b>\$48,381</b>

<b>CHERRY CREEK BASIN</b>					
	<b>2024 Actual Fees</b>	<b>“2024 Study” Proposed 2025 Fees</b>	<b>\$ Increase (Decrease)</b>	<b>% Change</b>	<b>“2023 Study” Proposed 2025 Fees</b>
Water	\$6,897	\$8,276	\$1,379	20%	\$7,587
Water Resources	\$31,294	\$33,485	\$2,191	7%	\$32,233
Wastewater	\$5,562	\$5,729	\$167	3%	\$5,729
Stormwater	\$1,265	\$1,265	\$0	0%	\$1,303
<b>TOTAL</b>	<b>\$45,018</b>	<b>\$48,755</b>	<b>\$3,737</b>	<b>8%</b>	<b>\$46,852</b>

As part of the review of proposed fees, Castle Rock Water reviewed system development fees compared to other providers in our area and Colorado. Stormwater development impact fees were not included in the evaluation since many providers do not provide this service. System development fees include water and sewer tap fees, water development fees, outfall development fees (for reservoirs), metro sewer charges, construction water charges, renewable water fees, and water resource fees. See results of the benchmarking comparisons for SDFs in the following chart.

**Chart 5: SDF Rate Comparison with Surrounding Communities  
2024 Adopted System Development Fees w/ Castle Rock 2025 Proposed Fees**

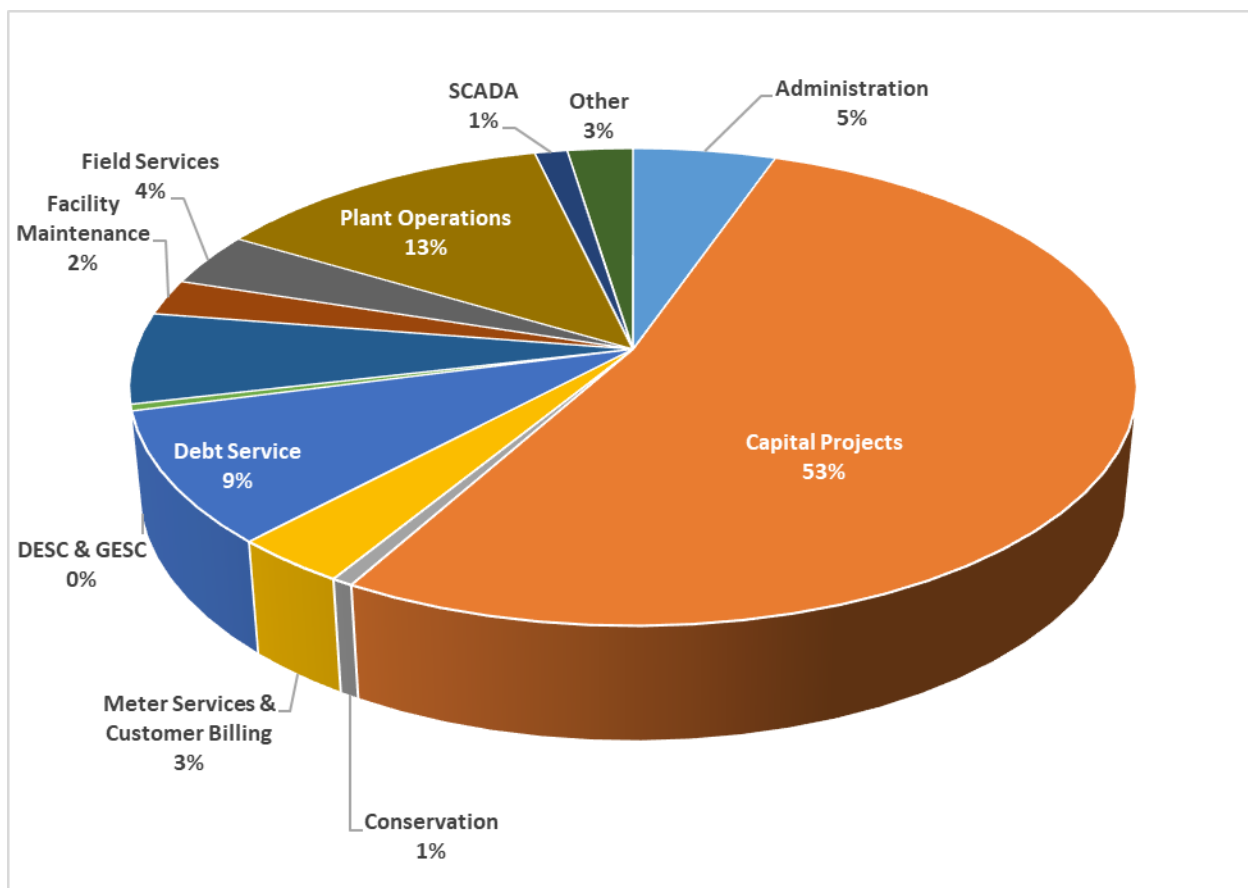


*\*The Parker Water SDF includes a \$5,000 Water Resource's Toll, for a ¾" meter, in the above calculation, which may not apply to all customers.*

## Utilization of Rates and Fees

Chart 6 summarizes how revenues were used by Castle Rock Water in 2023.

**Chart 6: 2023 Costs by Function**

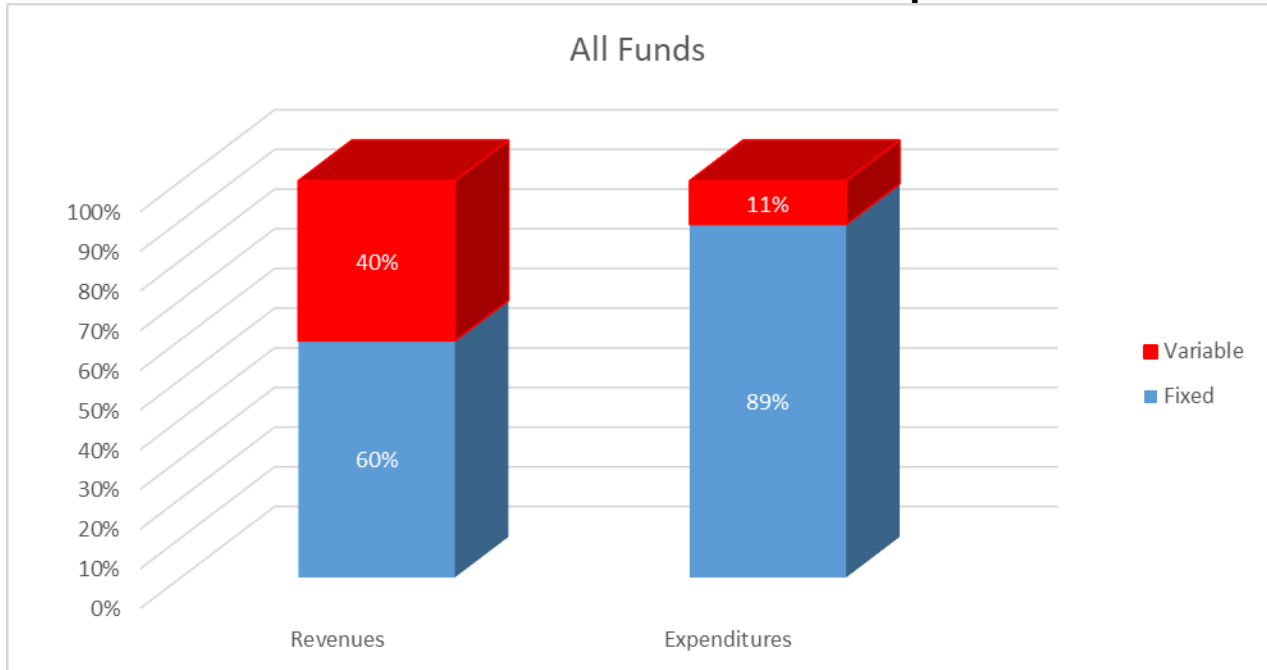


From this chart, it is clear that the Capital Project Plan is a very significant portion of the rates and fees needed for operation of the funds. The infrastructure intensive nature of the business results in significant fixed costs. Castle Rock Water wants to continue to implement a strategy, to the extent possible within our cost-of-service model, which matches fixed revenues with fixed costs to ensure revenue stability thereby minimizing the potential for future rate shocks. This strategy also takes into account the need to incentivize water conservation and efficiency through variable rates for water use.

Chart 7 shows the breakdown between fixed and variable revenues and expenses for the fiscal year ending 2023. Variable revenues account for 40% of total revenue, with metered water sales being the largest component. The majority of expenditures for CRW are fixed in nature with the largest operational cost being personnel costs.



**Chart 7: Fixed Versus Variable Revenues & Expenditures**



**Bulk Water Program**

Castle Rock Water provides customers with two options for bulk water. These customers include not only typical customers that live within Castle Rock Water’s service area, but also customers from Douglas County. For the larger users typically (5,000+ gallons a day) a bulk water hydrant meter and permit are an option. These are typically development projects needing bulk water for dust control, grading, etc. The second option is access to the bulk water station. This is for the smaller users, typically less than 5,000 gallons a day, however there is not a minimum requirement.

Monthly consumption averages for bulk hydrant customers put a similar demand and usage on the system as a 1.5-inch meter. Therefore, the monthly service charges for water and water resources are the same for this customer class as other 1.5-inch meter customers. Table 12 shows changes to the bulk hydrant rates for 2025 that are in line with increases applicable to all customers.

**Table 12: Bulk Hydrant Meter Rate Comparison**

	<b>Adopted 2024 Rates</b>	<b>Proposed 2025 Rates</b>	<b>\$ Change</b>	<b>Benchmark Range</b>	<b>Benchmark Average</b>
Monthly Water Fixed Service Charge	\$20.51	\$21.54	\$1.03	Not Available	Not Available
Water Volumetric Rate (per 1,000 gallons)	\$8.58	\$9.01	\$0.43	\$5.20-\$18.58	\$10.65
Monthly Renewable Water Fixed Service Charge	\$223.18	\$241.03	\$17.85	Not Available	Not Available
Monthly Permit Fee	\$300.00	\$300.00	\$0	\$2.08-\$450.00	\$163.26
Refundable Deposit-Hydrant Meters	\$5,000.00	\$5,000.00	\$0	\$750-\$6,000	\$2,268.56

Monthly consumption averages for bulk station customers put a similar demand and usage on the system as a ¾" meter. Therefore, the monthly service charges for water and water resources are the same for this customer class as other ¾" customers. Even though bulk station applicants are asked where the water will be used, there is no guarantee that they are not taking the water out of Castle Rock and the basin. To account for this, bulk station customers are charged 125% of the maximum outdoor Tier 2 irrigation rate. The 125% is in line with what CRW is allowed to charge for extraterritorial agreements according to municipal code.

**Table 13: Bulk Station Rate Comparison**

	<b>Adopted 2024 Rates</b>	<b>Proposed 2025 Rates</b>	<b>\$ Change</b>	<b>Benchmark Range</b>	<b>Benchmark Average</b>
Monthly Water Fixed Service Charge	\$10.42	\$10.94	\$0.52	\$10.00-\$42.61	\$26.31
Water Volumetric Rate (per 1,000 gallons)	\$10.72	\$11.26	\$0.54	\$4.61-\$17.37	\$10.29
Monthly Renewable Water Fixed Service Charge	\$31.12	\$33.61	\$2.49	Not Available	Not Available
Bulk Station Refundable Deposit	\$255.00	\$255.00	\$0	Not Available	Not Available

**Schedule**

The current schedule for the 2024 Rates and Fees Study targets the following milestones.

- Town Council 1st Reading 9/3/2024
- Town Council 2nd Reading 9/17/2024
- Implementation 1/01/2025

**Staff Recommendation**

Based on the "2024 Study" staff recommends the following changes to the 2025 rates and system development fees for a single-family equivalent (SFE).

**Water Fund**

1. Fixed Monthly Charge – 5% Increase
2. Volumetric Rates – 5% Increase
3. System Development Fee – 20% Increase

**Water Resources Fund**

1. Fixed Monthly Charge – 8% Increase
2. System Development Fee – 7% Increase

**Stormwater Fund**

1. Fixed Monthly Charge – 5% Increase
2. Development Impact Fee – 5% Increase Plum Creek Basin and 0%

## Increase Cherry Creek Basin

### **Wastewater Fund**

1. Fixed Monthly Charge – 0.5% Increase
2. Volumetric Rate – 0.5% Increase
3. System Development Fee – 3% Increase

Staff recommends moving forward with these recommended rates and fees, finalizing the “2024 Study” report and all of the associated data, and bringing the appropriate ordinances to Town Council for approval in accordance with the proposed schedule.

### **Proposed Motion**

*“I move to approve the Ordinance as introduced by title.”*

### **Alternative Motions**

*“I move to approve the resolution as introduced by title, with the following conditions: (list conditions).”*

*“I move to continue this item to the Town Council meeting on \_\_\_\_\_ date to allow additional time to (list information needed).”*

### **Attachments**

Attachment A: Ordinance

Attachment B: Volume 1

Attachment C: Volume 2