



STAFF REPORT

To: Honorable Mayor and Members of Town Council

From: Mark Marlowe, P.E., Director of Castle Rock Water
Anne Glassman, Business Solutions Manager

Title: 2021 Rates and Fees Discussion / Direction

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 2021 rates from this year's study (2020 Study) compared to the 2020 adopted rates and projected 2021 rates from last year's study (2019 Study) for a typical single-family equivalent (SFE). It can be noted that no increases in customer rates are being recommended this year for all four enterprise funds. Growth of the customer base helps offset increased operational costs projected in the financial model and savings being captured due to cost cutting measures and delay of capital projects during 2020 due in part to the response to COVID-19 put CRW in a strong financial position for 2021. Given the economic hardships customers may be enduring in 2020, the ability for CRW to keep rates flat is particularly timely.

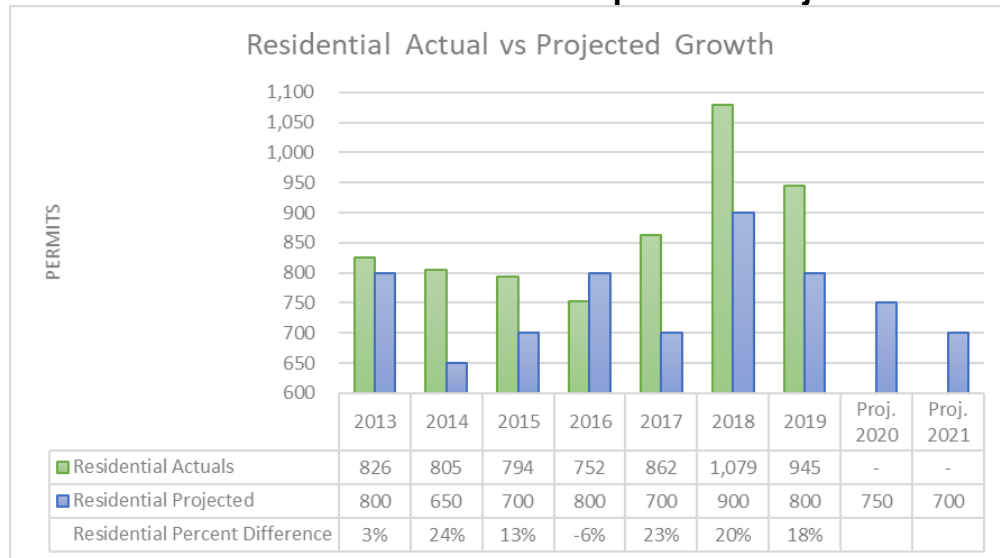
Table 1: Summary of Recommended Residential Rates

| | 2020 Adopted Rates | "2020 Study" Proposed 2021 Rates | \$ Change | % Change | "2019 Study" Proposed 2021 Rates |
|---------------------------------|-----------------------------------|---|----------------------|---------------------|---|
| Water, Fixed | \$9.54 | \$9.54 | \$0.00 | 0.0% | \$9.83 |
| Water, Tier 1, Volumetric | \$2.82 | \$2.82 | \$0.00 | 0.0% | \$2.90 |
| Water, Tier 2, Volumetric | \$5.74 | \$5.74 | \$0.00 | 0.0% | \$5.91 |
| Water, Tier 3, Volumetric | \$8.56 | \$8.56 | \$0.00 | 0.0% | \$8.82 |
| Water, Surcharge, Volumetric | \$8.56 | \$8.56 | \$0.00 | 0.0% | \$8.82 |
| Water Resources, Fixed | \$26.15 | \$26.15 | \$0.00 | 0.0% | \$26.93 |
| Wastewater, Fixed | \$9.02 | \$9.02 | \$0.00 | 0.0% | \$9.02 |
| Wastewater, Volumetric | \$6.39 | \$6.39 | \$0.00 | 0.0% | \$6.39 |
| Stormwater, Fixed | \$7.12 | \$7.12 | \$0.00 | 0.0% | \$7.12 |
| Total Fixed | \$51.83 | \$51.83 | \$0.00 | 0.0% | \$52.90 |

CRW staff is recommending that the water resources fee for 0.67 SFE customers be increased from \$17.52 to \$26.15 for new 0.67 SFE customers. Existing 0.67 SFE customers are proposed to be grandfathered until the property is transferred to a new owner at which time the fee would be converted to the new fee. This new fee is equivalent to the water resources fee for a typical standard SFE. The reasoning for this change was discussed at the CRW Commission meeting on January 22, 2020. Essentially, there is no way to ensure 0.67 SFE customers use less water than typical single SFE customers. As such, the discount cannot be justified, nor is it equitable across the customer base.

Key assumptions for growth projections, customer characteristics, capital improvement plans and revenue and expenditures forecasts were reviewed and updated by staff to determine the impact they each have on the recommended rates. Growth projections have been set at levels from 2021-2025 ranging from 13% to 20% below the actual average seen over the last six years in an effort to continue to be conservative with revenue forecasts for customer rates and system development fees (SDFs) (see Chart 1). The larger than projected growth has contributed to economies of scale offsetting increased operational costs and allowing customer rates to be maintained flat. The water supply and demand model was evaluated with the larger growth projections in mind to make sure that the capital plan was keeping pace with growth and that the timing of capital projects continues to be appropriate.

Chart 1: Residential Actual Growth Compared to Projected Growth



Note: Actual Average 2013 to 2019: 866 Residential Permits

There were no major changes to customer characteristics affecting this year's recommendations. With respect to capital plans, there were some changes to the five-year capital plan, but there were many major changes to the long term capital plan which were made for this study year. The window for the capital plan was extended from 2055 to 2060 in this year's study and upcoming regulatory changes were incorporated into the project planning. Significant changes to the 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 | 2020 Study CIP 2021-2025 | 2019 Study CIP 2020-2024 | Variance | 2020 Study CIP thru 2060 | 2019 Study CIP thru 2055 | Variance |
|------------------------|---------------------------------|---------------------------------|-----------------------|---------------------------------|---------------------------------|----------------------|
| Water | \$36,766,344 | \$35,194,344 | \$1,572,000 | \$272,182,344 | \$221,504,344 | \$50,678,000 |
| Water Resources | \$59,199,312 | \$76,579,986 | \$(17,380,674) | \$484,129,023 | \$470,669,323 | \$13,459,700 |
| Stormwater | \$15,315,609 | \$21,969,741 | \$(6,654,132) | \$149,922,040 | \$116,450,567 | \$33,471,473 |
| Wastewater | \$27,673,508 | \$26,816,879 | \$856,629 | \$180,819,360 | \$164,575,674 | \$16,243,686 |
| Total All Funds | \$138,954,773 | \$160,560,950 | \$(21,606,177) | \$1,087,052,767 | \$973,199,908 | \$113,852,859 |

Water Fund:

- Added \$7.5M for Supervisory Control And Data Acquisition (SCADA) system improvements over the 5-year period for a total of \$10.5 over the long term
- Increased budget on Glovers waterline replacement by \$900K
- Added \$1.1M for green zone pumping phase 1 upgrades and \$1.5M in the long term for phase 2
- Increased tank and waterline rehab by \$1.4M over the 5-year period and \$8.5M through 2060
- Added an additional \$2.5M for well re-drills for 2021-2025 and \$7.5M through 2060
- Added \$9.0M for Southern area water treatment plant in 2029
- Added \$9.5M for tank piping and tank replacement in the long term plan
- Added an additional \$5.0M for multiple transmission line projects

Water Resources Fund:

- Increased costs for Castle Rock reservoirs #1 and 2 by \$3.3M
- Added \$7.0M for Newlin Gulch pipeline and pump station
- Added \$19.6M for Chatfield West project to eventually bring water directly back from Chatfield Reservoir to Castle Rock
- Added \$1.1M for SCADA system improvements
- Added \$10.0M for pipeline from Lost Creek wells to Prospect reservoir as part of the Box Elder Project
- \$15.8M added for Parker Water and Sanitation District (PWSD) water treatment plant investments
- Increased cost by \$18.6M for WISE local infrastructure
- Increased the costs by \$6.7M for water pipeline from Box Elder Creek property to East Cherry Creek Valley (ECCV) Water and Sanitation District North Water Treatment Plant

Stormwater Fund:

- Increased 6400 S. tributary, South Dawson, and other tributary costs in the 5 year planning period by \$4.0M
- Increased Village North costs by \$700K
- Increased East Plum Creek costs by \$1.1M
- Increased McMurdo Gulch costs by \$1.2M

Wastewater Fund:

- Increased sewer line rehabilitation and replacement to \$2.4M a year starting in 2021, for an increase of \$11.5M over the five-year period
- Added SCADA improvement costs for \$1.4M in the 5-year plan and \$2.0M in the long-term plan
- Added Woodlands phase 2 manhole replacements for \$550K
- Added \$1.4M to Plum Creek Water Reclamation Authority (PCWRA) rehabilitation and replacement
- Added about \$1.0M for variable frequency drive (VFD) replacement
- Added \$1.1M for lift station projects

The primary issues affecting revenue and expenditure forecasts are as follows:

- 1) Changed the staffing plan to include the addition of three new full time equivalents (FTEs) in 2021, which include an Electrician, a Field Services Supervisor and a Network Systems Engineer, but overall reduced the total planned staffing for the five-year planning window compared to last year's study.
- 2) Increased stormwater capital spending for use of loan proceeds.
- 3) Changed timing of many capital projects consistent with water supply and demand model as well as availability of capital reserves.
- 4) Updated capital plan costs consistent with current capital project cost estimates and changes to the Engineering News Record Construction Cost Index
- 5) 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.

Assuming the recommended rates are approved, the rates will continue to be lower than projected when compared to the 2013 hybrid (Box Elder / WISE alternate source of supply projects) long-term renewable water plan approved by Council in 2013 as shown in Chart 2 below. These results have been achieved by keeping operating expenditures and needed capital investments under budget, successful implementation of regional partnerships and creative approaches to optimize Castle Rock Water's financial plan.

Chart 2: Comparison of 2020 Proposed Rates to 2013 Hybrid

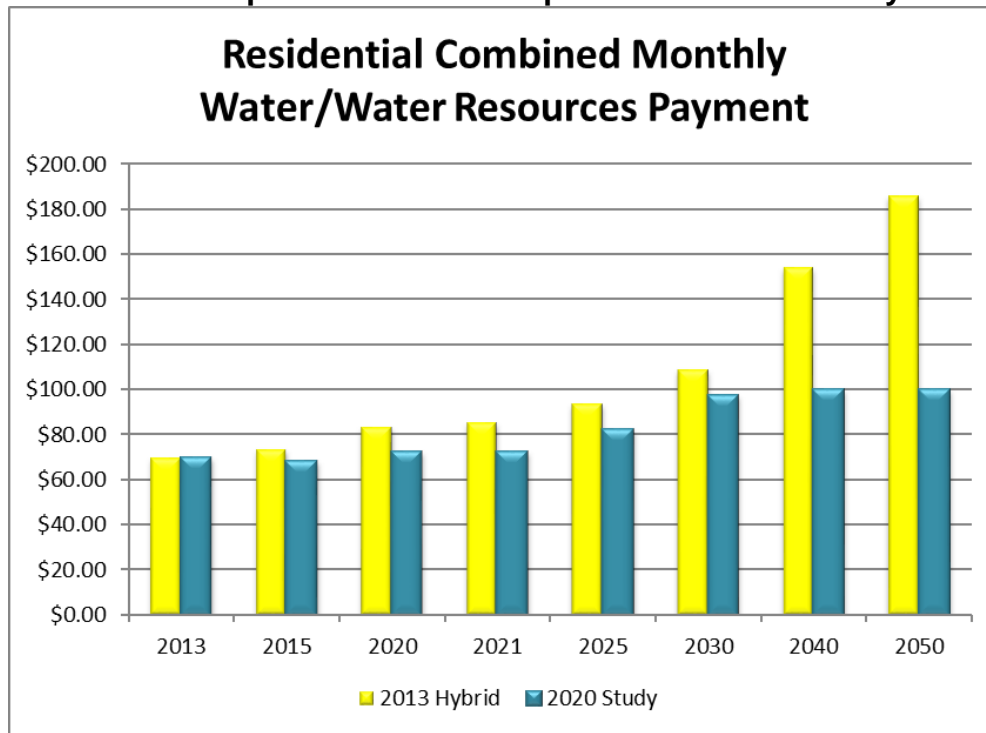


Table 3 provides context for the recommended rate action by providing the history of rate action over the last five years as well as a comparison to the Consumer Price Index (CPI) and the Engineering News Record (ENR) Construction Cost Index (CCI).

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

| Rate Increase History | | | | | |
|---|------|------|------|------|------|
| Fund | 2016 | 2017 | 2018 | 2019 | 2020 |
| Water | 0% | 0% | 0% | 0% | 0% |
| Water Resources | 3% | 3% | 0% | 3% | 0% |
| Stormwater | 0% | 4% | 0% | 0% | 0% |
| Wastewater | 0% | 0% | 0% | 0% | (3%) |
| Consumer Price Index (CPI) History | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| CCI | 1.2% | 2.8% | 3.4% | 2.7% | 1.6% |
| Engineering News Record Construction Cost Index (ENR CCI) History | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| ENR | 2.3% | 2.5% | 3.3% | 3.2% | 2.8% |

Table 4 summarizes the proposed system development fees (SDFs) for 2021 per SFE. The 2021 proposed SDFs are very similar to the projected 2013 Hybrid SDFs as shown in Chart 3 below.

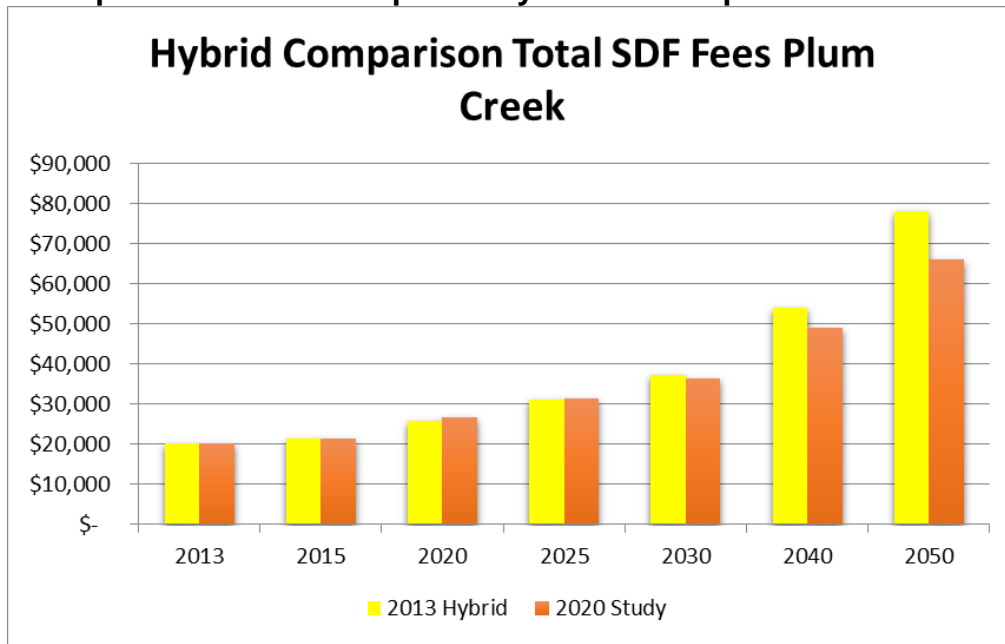
Table 4: Summary of Recommended System Development Fees (SDFs)

| | 2020 Adopted SDFs | “2020 Study” Proposed 2021 SDFs | \$ Change | % Change | “2019 Study” Proposed 2021 SDFs |
|---------------------------|----------------------------------|--|----------------------|---------------------|--|
| Water | \$3,664 | \$4,030 | \$366 | 10.0% | \$3,779 |
| Water Resources | \$17,542 | \$18,504 | \$881 | 5.0% | \$18,175 |
| Wastewater | \$4,023 | \$4,023 | \$0 | 0.0% | \$4,149 |
| Stormwater, Plum Creek | \$1,357 | \$1,425 | \$68 | 5.0% | \$1,399 |
| TOTAL Plum Creek | \$26,667 | \$27,982 | \$1,315 | 4.9% | \$27,502 |
| Stormwater, Cherry Creek | \$868 | \$911 | \$43 | 5.0% | \$895 |
| TOTAL Cherry Creek | \$26,178 | \$27,468 | \$1,290 | 4.9% | \$26,998 |

The SDF model shows that Castle Rock Water could increase SDFs by 20 to 60 percent depending on the enterprise fund. The financial model shows that these increases can be implemented over time to provide the funding for projects needed to serve the ongoing growth. For SDFs related to new development, Castle Rock Water recommends an increase of \$1,315 per SFE in the Plum Creek Basin and an increase of \$1,290 per SFE in the Cherry Creek Basin, about a 4.9% percent increase for each basin. This recommendation is consistent with Town Council’s policy on SDFs that growth helps pay for growth.

Several factors are driving the recommended increases in SDFs identified in the SDF model and financial model. First, Castle Rock continues to see strong growth in both residential and non-residential customers from existing entitlements in Town. There are also a number of extraterritorial commitments coming online and future annexations under consideration. To keep pace with this population increase, additional projects have been added to the long term plan over the last several years and the infrastructure and capital costs for these projects are now better defined. Additional infrastructure and the costs for that infrastructure have also been identified to meet the increased peak demands from a larger customer base. Next, the pace of growth has exceeded projections as show in Chart 1. This drives the need to build projects to meet annual water supply needs sooner creating the need to generate more revenue sooner. It also requires building peak demand capacity sooner than expected. For example, recent growth has driven the need for additional water SDFs for new wells to help fill the supply needs until longer term renewable water projects can be completed. If growth was occurring more slowly, these wells might not have been needed. Project costs continue to rise year over year as shown in the ENR CCI. Finally, the details and needs of some of our longer term projects are becoming more defined as implementation occurs.

Chart 3: Comparison of 2021 Proposed System Development Fees to 2013 Hybrid



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) – Plum Creek Basin

| Community | 2020 Adopted Fees w/CRW 2021 Proposed |
|--|--|
| Denver Water | \$7,710.00 |
| Colorado Springs Utilities | \$8,401.00 |
| Inverness Water and Sanitation District | \$9,174.00 |
| City of Loveland | \$9,487.00 |
| City of Fort Lupton | \$9,655.00 |
| Centennial Water and Sanitation District (5 units/acre) | \$14,901.00 |
| City of Greeley | \$16,902.00 |
| Meridian Service Metropolitan District | \$17,000.00 |
| City of Fountain (Fountain Creek Basin area) | \$19,449.00 |
| Centennial Water and Sanitation District (3 units/acre) | \$19,709.00 |
| City of Fountain (Jimmy Camp Creek Basin area) | \$23,314.00 |
| Cottonwood Water and Sanitation District | \$24,073.00 |
| East Larimer County Water District | \$24,815.00 |
| Castle Rock Water (Plum Creek Basin) | \$27,982.00 |
| Thornton Water | \$30,632.00 |
| Thornton Water (within Big Dry Creek Basin Area) | \$31,290.00 |
| City of Fort Collins | \$33,504.09 |
| City of Brighton (Metro Wastewater Reclamation District area) | \$34,111.00 |
| City of Brighton (South Beebe Draw Metro District area) | \$34,496.00 |
| Parker Water and Sanitation District | \$34,670.00 |
| Stonegate Village Metropolitan District | \$36,052.88 |
| East Cherry Creek Valley Water and Sanitation District (West Toll Gate Creek Storm Drainage Basin) | \$37,020.00 |
| East Cherry Creek Valley Water and Sanitation District (Piney Creek Storm Drainage Basin) | \$37,070.00 |
| Arapahoe County Water and Wastewater Authority† | \$38,130.20 |
| East Cherry Creek Valley Water and Sanitation District | \$39,045.00 |
| Pinery Water and Sanitation District | \$42,688.00 |
| Sterling Ranch CAB | \$42,700.00 |
| Castle Pines North Metropolitan District | \$46,242.00 |
| Roxborough Water and Sanitation District | \$46,711.00 |

Staff recommends moving forward with these proposed rates and fees, finalizing the “2020 Study” report and all of the associated data, bringing the appropriate ordinances to Town Council for approval on September 1, 2020, and September 15, 2020 and incorporating the proposed rates and fees into the 2021 proposed budget. Concurrent with the preparation of the proposed rates and fees for 2021, staff has updated the Financial Management Plan (FMP), to ensure the study is consistent with the goals of the FMP, which are:

- To minimize future rates at or below the 2013 Hybrid Model levels. *This has been successful with past results and future rate increases projected at or below the 2013 Hybrid as shown in Chart 2 above.*
- 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.*

- 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 10 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 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 5-7 and the system development fees in Chart 8.*
- 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.*
- To keep rates and fees affordable within various national affordability indices. *This 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 20th Income Percentile (AR20). This method measures the affordability of the average water and wastewater bill to the 20th percentile income. This indicates that of the monthly disposable income for this group, 4.57% is spent on essential water and wastewater usage for CRW. The average for large cities is 11.4%, 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 this has come in at 8.36 hours. The average for large cities is at 9.0, which puts CRW slightly below average, again a positive result.

Figure 1: Affordability at the 20th Income Percentile (AR20)

| Affordability At The 20th Income Percentile (AR ₂₀) | | |
|---|-----------------|---|
| | | 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 | 4,300 | |
| Tier 2 | 1,700 | |
| Water 3/4" Residential Base Charge | \$ 9.54 | |
| Wastewater Monthly Consumption | | |
| Tier 1 | 4,300 | |
| Wastewater 3/4" Residential Base Charge | \$ 9.02 | |
| Monthly Household Cost Of Essential Water Services | \$ 31.42 | FY 2020 CRW Water Rates |
| Monthly Household Cost Of Essential Wastewater Services** | \$ 36.51 | FY 2020 CRW Wastewater Rates |
| Monthly Household Cost Of Essential Renewable Water Services | \$ 17.52 | FY 2020 CRW Renewal Water Rates |
| Monthly Household Cost Of Essential Stormwater Services | \$ 7.12 | FY 2020 CRW Stormwater Rates |
| Total Cost of Essential Water and Sewer Services | \$ 92.57 | |
| Annual Household Income (20th Percentile)*** | \$ 51,953 | American FactFinder: American Community Survey (Castle Rock Town) |
| Annual Essential Household Expenses**** | \$ 26,475 | Consumer Expenditure Survey - Table 3134 West Region |
| Annual Disposable Income | \$ 25,478 | |
| Monthly Disposable Income | \$ 2,123 | |
| AR₂₀ | 4.36% | 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 4,300 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 | \$ 31.42 | FY 2020 CRW Water Rates |
| Monthly Household Cost Of Essential Wastewater Services** | \$ 36.51 | FY 2020 CRW Wastewater Rates |
| Monthly Household Cost Of Essential Renewable Water Services | \$ 17.52 | FY 2020 CRW Renewal Water Rates |
| Monthly Household Cost Of Essential Stormwater Services | \$ 7.12 | FY 2020 CRW Stormwater Rates |
| Total Cost of Essential Water and Sewer Services | \$ 92.57 | |
| Minimum Wage | \$ 12.00 | https://www.colorado.gov/pacific/cdle/minimumwage |
| HM | 7.71 | 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 4,300 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, PCWRA, Chatfield Watershed Authority and Cherry Creek Basin Water Quality Authority, just to name a few.*
- 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 2019 and 2020 rates and fees studies at each of their meetings from October 2019 to June 2020 to provide staff with input. For a complete list of topics, please see the CRW Commission agendas.

On May 27, 2020, CRW Commission reviewed the Customer Characteristics Analysis for the 2020 rates and fees study with staff.

On July 22, 2020, the results of the 2020 annual rates and fees study were presented to CRW Commission by staff for discussion and direction. Generally, the CRW Commission was supportive of staff recommendations although there was a feeling that SDFs could be increased more in accordance with the modeling results.

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.

Castle Rock Water presented the proposed SDFs to the EDC Water Subcommittee on August 14, 2020.

Castle Rock Water will also present the proposed SDFs at the Developer's Roundtable on August 19, 2020.

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 or 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 fourth 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 continue to prepare the Customer Characteristics Analysis in-house as well as maintain the inputs/outputs to the System Development Fees models, Financial Rate Models, and the Cost of Service Models. This helps staff to understand the rates and fees implications of updated financial plans. It also provides CRW Commission, Town Council and the community information regarding the potential rate changes that may be necessary over the five-year planning window.

The "2020 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

The growth forecast 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. For the 2021 rates and fees study the growth forecast for the next five years was estimated as follows:

For years beyond the five-year window, Castle Rock Water used an average value of 709 for future growth in the financial models. Based on these growth projections build-out in the community could occur by 2060, assuming maximum estimated build-out of 155,000 people is reached.

The Customer Characteristics Analysis was reviewed with the CRW Commission in May of this year. 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.

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. Additionally, the timeframe for the capital plan was extended from 2055 to 2060 in this year's rate study.

As in previous years, complete revenue and expenditure forecast updates were prepared along with the budgeting process. Table 6 outlines the comparison of the 2020 Budget and 2020 YE Estimates to the 2021 proposed budget. The decrease in developer contributions is due to less projected to come in from developers in 2021. The reduction in investment earnings is due to a constantly moving percent gain and amount that is being held in those accounts. The 63% reduction in the other revenue comes from previously having the stormwater loan included in the 2020 numbers. The increase in the transfers in and transfers out include the projected Interfund loan from wastewater to water for \$3.85M. The increase in fines and forfeitures comes from projected increases in the future years for charges for disconnection letters and late charges which are projected less in 2020 year-end estimates due to COVID. The reduction in capital comes from less projects being projected to be completed in 2021.

Table 6: 2020-2021 Budget Comparison

| Account Type | Category | 2020 Budget | 2020 YE Estimates | 2021 Budget | 2020 YE Estimates to 2021 Budget % Change |
|-----------------------|---------------------------|----------------------|----------------------|---------------------|---|
| Revenues | Charges for Service | \$41,308,996 | \$40,963,716 | \$43,018,705 | 5% |
| | Contributions & Donations | \$281,825 | \$281,825 | \$31,825 | (89%) |
| | Fines & Forfeitures | \$447,450 | \$288,726 | \$394,450 | 37% |
| | Intergovernmental Revenue | \$350,000 | \$350,000 | \$350,000 | 0% |
| | Investment Earnings | \$463,842 | \$1,353,773 | \$532,975 | (-61%) |
| | Licenses & Permits | \$12,000 | \$12,000 | \$12,000 | 0% |
| | Other Revenue | \$6,840,826 | \$8,152,715 | \$2,990,655 | (-63%) |
| | System Development Fees | \$25,756,786 | \$22,763,691 | \$23,660,371 | 4% |
| | Transfers In | \$6,317,850 | \$2,415,625 | \$6,323,582 | 162% |
| Total Revenues | | \$81,779,575 | \$76,582,071 | \$77,314,563 | 1% |
| Expenses | Capital | \$93,843,523 | \$79,202,003 | \$41,102,493 | -48% |
| | Debt & Financing | \$5,794,725 | \$5,898,905 | \$6,004,265 | 2% |
| | Personnel | \$9,684,004 | \$9,075,490 | \$9,898,690 | 9% |
| | Services & Other | \$24,934,666 | \$23,617,052 | \$22,021,236 | -7% |
| | Supplies | \$2,671,842 | \$2,455,109 | \$2,593,525 | 6% |
| | Transfers Out | \$6,878,324 | \$2,898,841 | \$7,008,718 | 142% |
| Total Expenses | | \$143,807,084 | \$123,147,400 | \$88,628,927 | (28%) |

For rates and fees and cost of service modeling and to frame the context within which the “2020 Study” was conducted, Table 7 provides a synopsis of key changes from last year’s study (2019 Study).

Table 7: Five Year Planning Period 2021-2025

| Category | 2020 R&F Study | 2019 R&F Study | Change | % Change |
|---|----------------|----------------|---------------|----------|
| New Customers | 3,567 | 4,105 | (538) | (13.10%) |
| Rate Revenue | \$ 230,762,502 | \$235,133,697 | \$(4,371,195) | (1.86%) |
| System Development Fees Revenue (SDFs) | \$ 118,323,524 | \$119,939,010 | \$(1,615,486) | (1.35%) |
| Non-Rate Revenue | \$2,140,250 | \$2,237,250 | \$(97,000) | (4.34%) |
| Capital Plans ⁽¹⁾ | \$138,954,774 | \$140,589,616 | \$(1,634,842) | (1.16%) |
| Personnel | \$54,222,010 | \$59,407,058 | \$(5,185,048) | (8.73%) |
| Electricity | \$19,850,507 | \$20,001,576 | \$(151,069) | (0.76%) |
| Operations & Maintenance (w/o electricity & Personnel) | \$101,827,837 | \$99,959,310 | \$1,868,527 | 1.87% |

(1) Much of the Capital Plan consists of preliminary estimates that are refined each year as better information becomes available particularly within the long-term water projects.

Actual growth in 2019 was strong with a continuation into 2020. Growth in 2021 and beyond is difficult to predict. If growth falls short of current forecasts, revenues in 2021 and beyond could fall short of requirements without additional rate action. The estimated difference in growth related funds, if we were to return to 2012 growth rates, could be over \$55 million during the five-year study period. Additional information on the

impact of key changes in the “2020 Study” that impact the rates and fees and cost of service modeling are in the following sections.

Fund Balances

Savings in actual costs and the timing of spending on capital costs versus budgets each year have helped to increase fund balances throughout the years. This allows for some drawdown of fund balances to cover large capital costs in the near term without having a negative impact on the long-term financial plan.

New Customers

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. The Town’s latest growth forecast continues the 2019 momentum in development. So far, 2020 is matching expectations with 477 (as of June 2020) new customer meter sets year to date compared to 520 as of June 2019.

The forecast used for 2021 through 2025 shows slightly less than the numbers seen in the 2019 study. Achieving this growth forecast provides an opportunity to pursue economies of scale and reduce upward pressure on both rates and fees. 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.

Rate Revenue

These revenues are subject to two primary drivers, weather and national, state and local pressure to conserve water or at least use it more efficiently. For the 5-year planning period, CRW is forecasting a 1.9% decrease in rate revenue for this study over the previous study. Lower growth projections and rate increases projected lower than last year’s study appear to be the driving factors in lower rate revenues. 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. Special charges include late charges, disconnection charges, service transfer charges and administrative related fees, just to name a few. Proposed special charges are shown in Table 8 below.

One change proposed for this year is the process of establishing a sewer average winter monthly consumption (AWMC) for new customers. Currently a new customer gets the flat rate of \$36 which is the customer class average for a residential customer. However, that is not equitable for non-residential customer classes, so the proposed change is to move from a flat rate sewer charge for new customers to a customer class average for all customers. This is then consistent with the way the AWMC is set for water.

Minor changes are being proposed based on increases in cost of service for administrative lien fees, customer requested disconnections, obtaining bulk water meter reads if a technician has to go on site rather than the customer submitting via text and landscape irrigation inspection processes.

Currently new customers are charged a monthly flat rate of \$36.00/SFE for sewer since as a new customer they do not have an established average AWMC yet. AWMC is calculated and reset annually on the April statement.

Staff is proposing changing the monthly AWMC sewer charge for new customers from a flat rate of \$36.00 per SFE to the customer class average. While the current rate is based on the class average for a ¾” residential customer, it is not a good representation of the customer class average for any other customer class or meter size. This brings equity across the different customer classes and meter sizes.

Table 8: Special Charges/Fees

| Special Charge (Fee) | Cost of Service | Adopted 2020 Fee Amounts | Proposed 2021 Fee Amounts | Benchmark Range | Benchmark Average |
|---|-----------------|--------------------------|--|--------------------|-------------------|
| Returned Payment Charge | \$30.40 | \$30.00 | \$30.00 | \$15.00-\$75.00 | \$29.37 |
| Monthly Sewer AWMC for New Customers | \$34.58 | \$36.00 | Based on Sewer AWMC Customer Class Average | Not Available | Not Available |
| Water Service Transfer Fee | \$36.69 | \$40.00 | \$40.00 | \$12.00-\$100.00 | \$38.00 |
| Administrative Lien & Recording Fee | \$91.84 | \$90.00 | \$92.00 | \$13.00-\$90.00 | \$51.60 |
| Bulk Water Read Fee – Via Phone | \$11.95 | \$12.00 | \$12.00 | \$50.00 | \$50.00 |
| Bulk Water Read Fee – Via On Site | \$67.07 | \$65.00 | \$67.00 | \$25.00-\$250.00 | \$90.00 |
| Bulk Hydrant Meter & Backflow Inspection | \$75.97 | \$75.00 | \$75.00 | \$25.00-\$75.00 | \$49.50 |
| Bulk Hydrant Inspection No Show Trip Charge | \$42.64 | \$0.00 | \$43.00 | Not Available | Not Available |
| Bulk Hydrant Meter Calibration | \$150.22 | \$150.00 | \$150.00 | \$75.00-\$350.00 | \$212.50 |
| Customer Requested Meter Bench Test (Passing Meter) | \$121.24 | \$42.00 | \$47.00 | \$0-\$165.00 | \$82.33 |
| Delinquency Disconnection/Reconnection | \$44.85 | \$45.00 | \$45.00 | \$15.00-\$300.00 | \$81.18 |
| Customer Requested Service Disconnection/Reconnection | \$79.92 | \$75.00 | \$80.00 | \$20.00-\$100.00 | \$60.16 |
| Canyons South Meter Lockout | \$94.21 | \$90.00 | \$95.00 | Not Available | Not Available |
| Meter Set Re-inspection (1 st inspection included in meter set fees) | \$46.18 | \$50.00 | \$50.00 | \$25.00-\$1,500.00 | \$209.18 |
| Irrigation Permit | \$660.85 | \$545.00 | \$555.00 | Not Available | Not Available |
| Landscape Contractor Registration | \$52.95 | \$65.00 | \$65.00 | Not Available | Not Available |
| Residential Landscape & Irrigation Inspection | \$36.64 | \$35.00 | \$37.00 | Not Available | Not Available |
| Irrigation Permit Re-inspection | \$105.13 | \$90.00 | \$105.00 | Not Available | Not Available |
| Irrigation Disconnection/Reconnection (due to non-compliance) | \$79.92 | \$75.00 | \$80.00 | Not Available | Not Available |
| Temporary Sod Exemption | \$8.17 | \$8.00 | \$8.00 | Not Available | Not Available |
| Waterline Connection | \$225.00 | \$200.00 | \$211.00 | Not Available | Not Available |

Capital Improvement Projects (CIP)

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 and an updated growth forecast are incorporated into

the study. Capital costs are escalated by 2.85% per year in future years consistent with the latest ENRCCI in the financial model.

Personnel

The 2021 budget includes three new full time equivalents (FTEs). These include an Electrician, a Field Services Supervisor and a Network Systems Engineer. 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. The study also reflects the staffing needs and a revised staffing plan from the 2019 study that projects fewer FTEs for the rest of the study period from 2022-2025 based upon growth forecasts within the Town and the personnel needed to maintain customer service levels. This accounts for the decrease in personnel costs over the 2019 study five-year planning window. After 2025, costs for personnel are escalated by 1.55% which is the current 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. This plan and an increase in renewable water usage account for the reduction in electricity costs over the five-year period. After 2021, electricity costs are escalated by 1.55% consistent with the current CPI.

Operations & Maintenance

Cost projections include operating and maintenance costs for CRW. These costs are mostly steady over the five-year planning period. To ensure only costs needed are included in the budget, line item details are required. With the construction of new wells, PCWRA expansion, PCWPF expansion and other various projects being completed operating costs increase each year as our infrastructure and assets grow. After 2021, operations and maintenance costs are increased by 1.55% consistent with the 2019 CPI.

Proposed Rates and Fees for 2021 through 2025

Based on impacts of the revised capital plan and projected system growth by fund as well as the other key changes, the “2020 Study” has resulted in projected required rate revenue increases as shown in Table 9 below.

Table 9: Rate Required Revenue Increases by Enterprise – “2020 Study”

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Water Fund | 0.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Water Resources | 0.0% | 3.0% | 3.0% | 3.5% | 3.5% |
| Stormwater | 0.0% | 3.0% | 3.0% | 3.0% | 3.5% |
| Wastewater | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Note: The current model indicates rate increases may not be required if O&M costs stay flat.

After careful planning and review of operating costs and capital plans in this year’s study, the overall impact to the rates will be no increase for 2021. Projected rate required revenue for the funds in the 2021 to 2025 planning period is consistent with the financial planning done when the Town adopted the hybrid approach to renewable

water. However, rates must ramp up slowly over time in order to ensure we can fund the large capital needs associated with these projects over the next 10 years.

For the “2020 Study”, there is no change in the typical bills due to no rate increase being recommended in 2021. Table 10 summarizes the impact on a typical annual utility bill. Note that the rates and fees projected for 2021 in the 2019 study are shown for reference with the results of the 2020 study better than those for the 2019 study.

Table 10: 2021 Rate Adjustment Recommendations and Total Typical Annual Utility Bills

| Customer Class | 2020 Actual Typical Annual Bill | “2020 Study” Proposed 2021 Typical Annual Bill | \$ Change | % Change | “2019 Study” Proposed 2021 Typical Annual Bill |
|-------------------------------------|--|---|------------------|-----------------|---|
| Residential ¾” Meter | \$1,285.17 | \$1,285.17 | \$0.00 | 0.0% | \$1,308.72 |
| Commercial Indoor ¾” Meter | \$2,153.99 | \$2,153.99 | \$0.00 | 0.0% | \$2,177.36 |
| Commercial Indoor 1½ ” Meter | \$9,015.34 | \$9,015.34 | \$0.00 | 0.0% | \$9,133.00 |
| Commercial w/Irrigation ¾” Meter | \$2,656.75 | \$2,656.75 | \$0.00 | 0.0% | \$2,683.01 |
| Commercial w/Irrigation 2” Meter | \$16,244.05 | \$16,244.05 | \$0.00 | 0.0% | \$16,549.95 |
| Multi-family Indoor ¾” Meter | \$1,026.10 | \$1,026.10 | \$0.00 | 0.0% | \$1,042.09 |
| Multi-family w/Irrigation 1½” Meter | \$10,545.88 | \$10,545.88 | \$0.00 | 0.0% | \$10,706.77 |
| Irrigation ¾” Meter | \$2,373.55 | \$2,373.55 | \$0.00 | 0.0% | \$2,444.76 |
| Irrigation 2” Meter | \$16,255.57 | \$16,255.57 | \$0.00 | 0.0% | \$16,743.24 |

As a part of the presentation of the proposed rates and fees for 2021, Castle Rock Water compared the 2021 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.

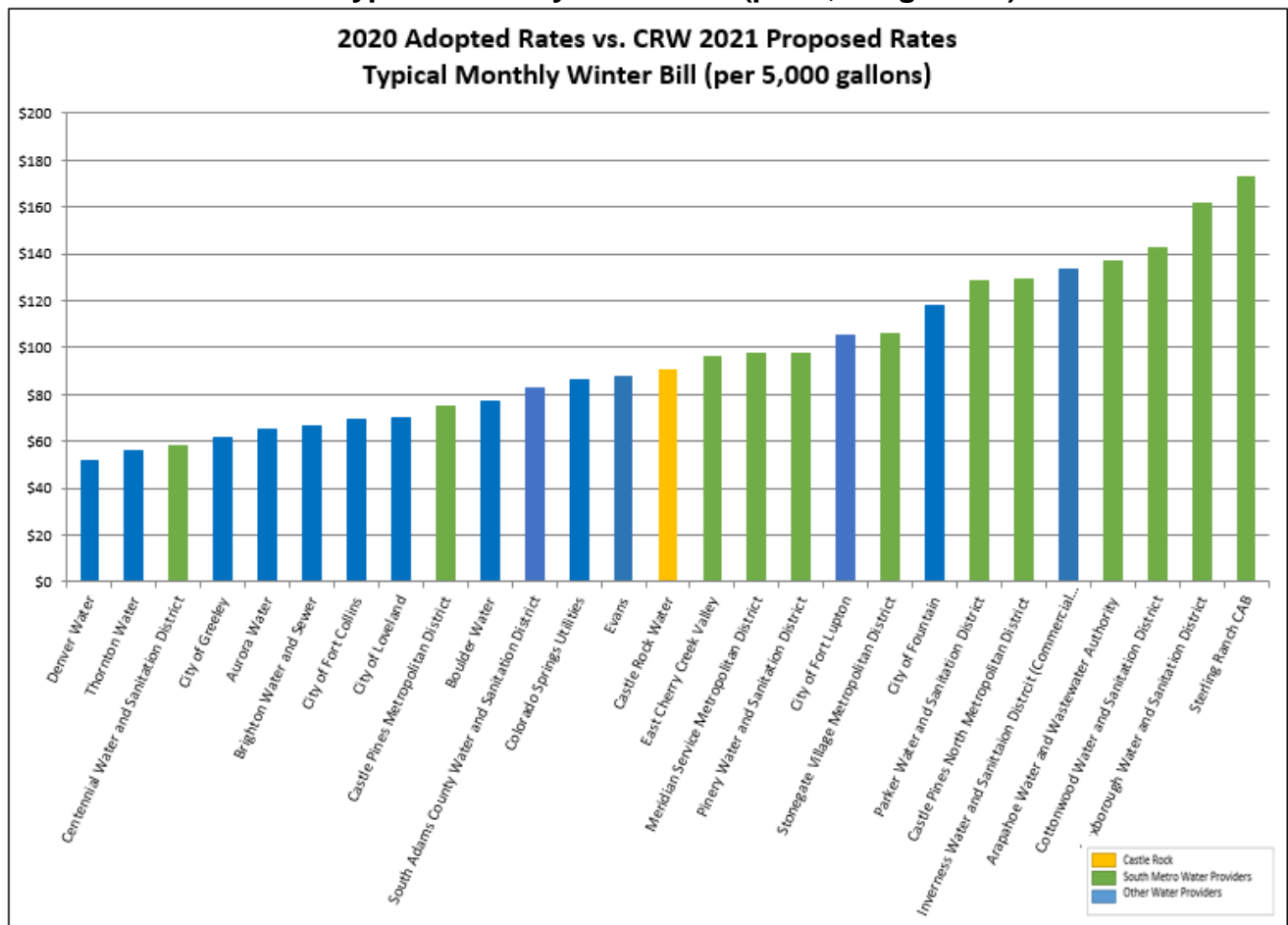
Staff compared rates to other South Metro water providers for a typical winter usage of 5,000 gallons and a typical summer usage of 15,000 gallons. While we did compare the proposed rates and fees to other providers in Colorado, these comparisons are not apples to apples comparisons due to the local 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 5 and 6 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 \$495,000

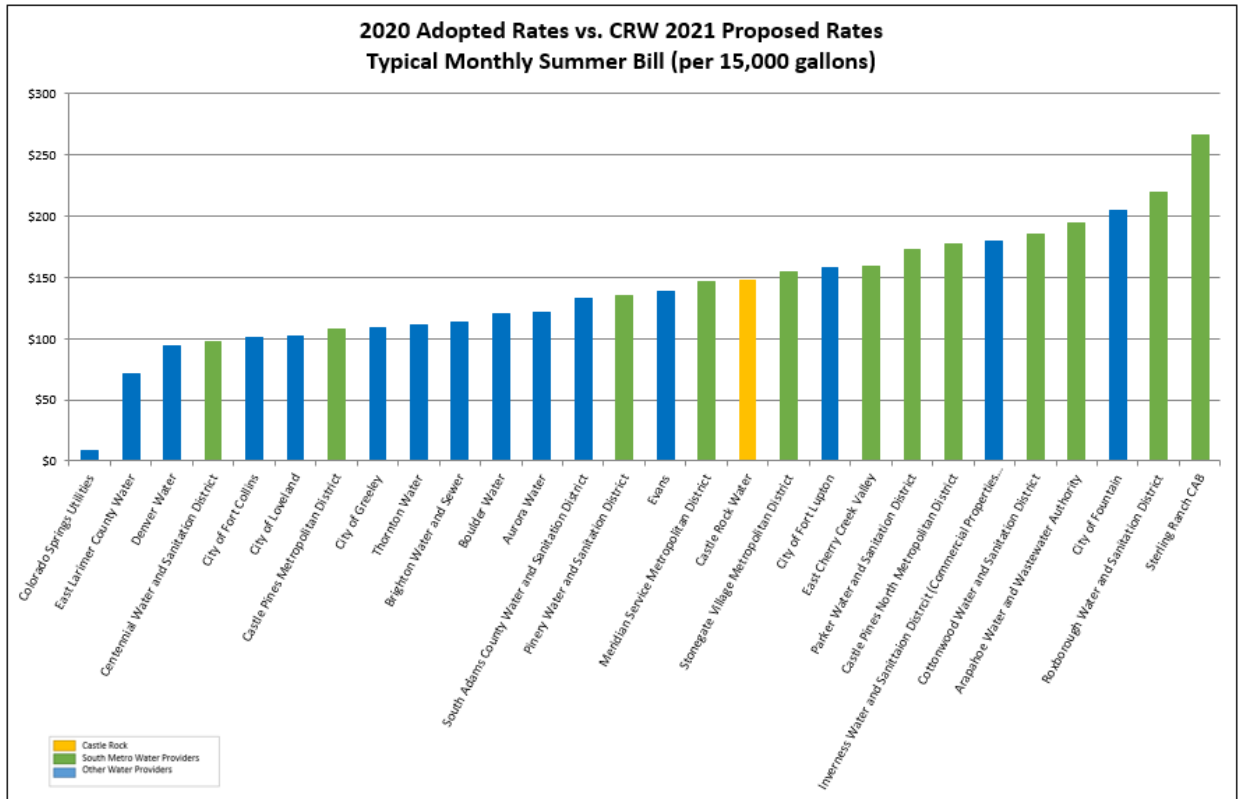
<http://www.douglas.co.us/documents/douglas-county-demographics-summary.pdf>). This mill levy was distributed across twelve equal payments for comparison sake even though this will typically be paid in fewer installments. The results of this comparison indicate that Castle Rock's rates and fees are comparable to other area providers. Once 2021 rates and fees are available for the other area providers, CRW will update these charts and ensure they are available on our website.

Chart 4: Typical Monthly Winter Bill (per 5,000 gallons)



*Includes tax mill levy based on median home price distributed equally over 12 months.

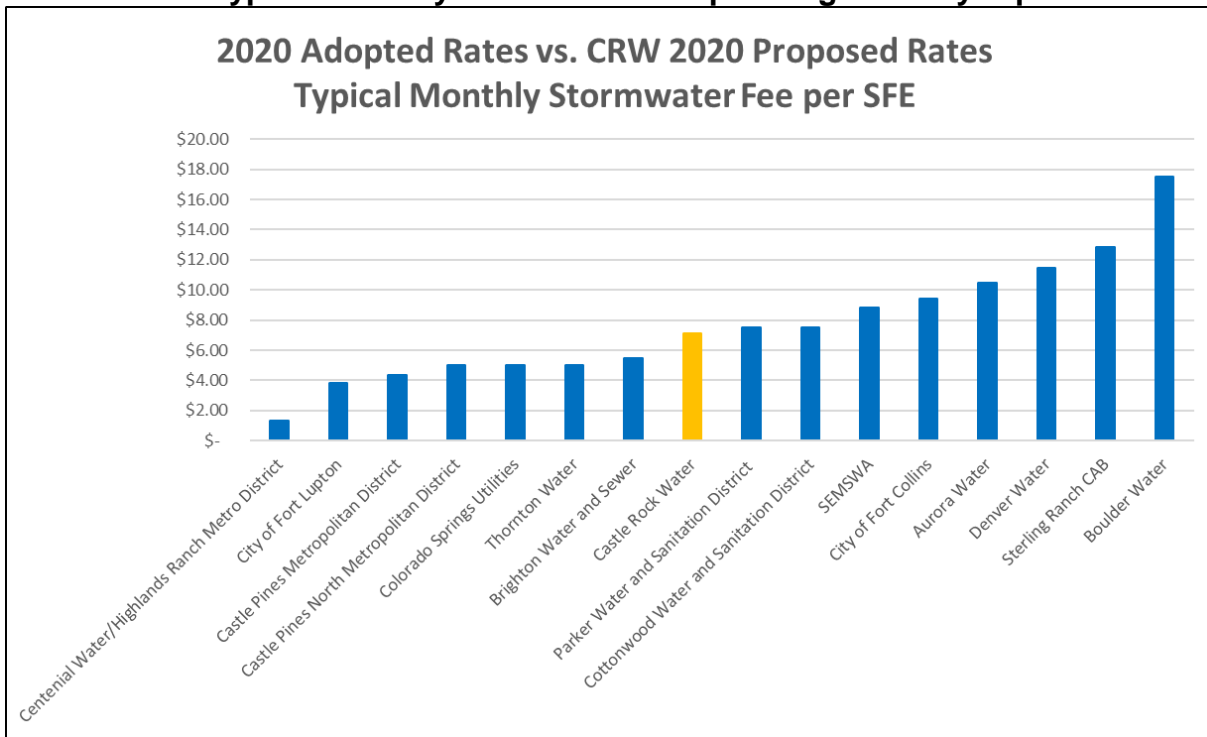
Chart 5: Typical Monthly Summer Bill (15,000 gallons)



**Includes tax mill levy based on median home price distributed equally over 12 months.*

Similar comparisons for stormwater fees are in Chart 6 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 6: 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 2019 rate.

Table 11 summarizes proposed fixed charges for 2021 from this year’s study.

Table 11: Single Family Residential Fixed Charges

| | 2020 Actual Typical Bill | “2020 Study” Proposed 2021 Typical Bill | \$ Change | % Change | “2019 Study” Proposed 2021 Typical Bill |
|-----------------|--------------------------|---|---------------|-------------|---|
| Water | \$9.54 | \$9.54 | \$0.00 | 0.0% | \$9.83 |
| Water Resources | \$26.15 | \$26.15 | \$0.00 | 0.0% | \$26.93 |
| Wastewater | \$9.02 | \$9.02 | \$0.00 | 0.0% | \$9.02 |
| Stormwater | \$7.12 | \$7.12 | \$0.00 | 0.0% | \$7.12 |
| TOTAL | \$51.83 | \$51.83 | \$0.00 | 0.0% | \$52.90 |

System Development Fees

System development fees (SDFs) are a function of year-end 2019 fixed assets, 2020 year-end estimates of capital improvement project costs, 2021 through 2060 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 “2020 Study” indicate that total SDFs for a typical SFE will need to increase from the 2020 adopted fees. The “2020 Study” indicates fees will need to increase in 2021. The recommended increase this year is 4.9% percent as shown in Table 12. While the fee models indicate a much

larger increase could be applied, the financial plan and fund balances over time show that these fees can be increased slowly over time to meet the long term needs.

Table 12: Single Family Equivalent System Development Fee Comparison

PLUM CREEK BASIN

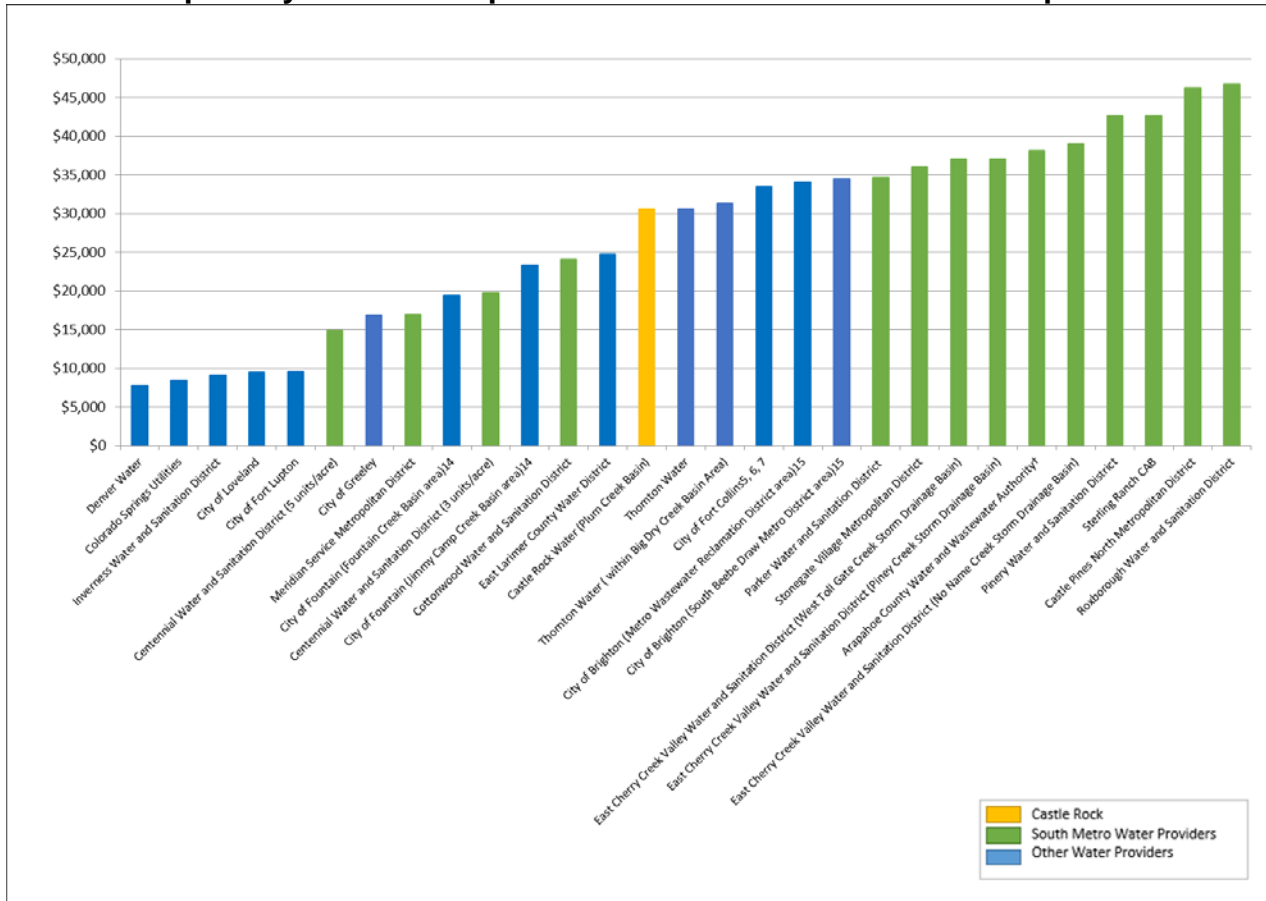
| | 2020 Actual Fees | “2020 Study” Proposed 2021 Fees | \$ Increase (Decrease) | % Change | “2019 Study” Proposed 2021 Fees |
|-----------------|-------------------------|--|-------------------------------|-----------------|--|
| Water | \$3,664 | \$4,030 | \$366 | 10.0% | \$3,779 |
| Water Resources | \$17,542 | \$18,504 | \$881 | 5.0% | \$18,175 |
| Wastewater | \$4,023 | \$4,023 | \$0 | 0.0% | \$4,149 |
| Stormwater | \$1,357 | \$1,425 | \$68 | 5.0% | \$1,399 |
| TOTAL | \$26,667 | \$27,982 | \$1,315 | 4.9% | \$27,502 |

CHERRY CREEK BASIN

| | 2020 Actual Fees | “2020 Study” Proposed 2021 Fees | \$ Increase (Decrease) | % Change | “2019 Study” Proposed 2021 Fees |
|-----------------|-------------------------|--|-------------------------------|-----------------|--|
| Water | \$3,664 | \$4,030 | \$366 | 10.0% | \$3,779 |
| Water Resources | \$17,542 | \$18,504 | \$881 | 5.0% | \$18,175 |
| Wastewater | \$4,023 | \$4,023 | \$0 | 0.0% | \$4,149 |
| Stormwater | \$868 | \$911 | \$43 | 5.0% | \$895 |
| TOTAL | \$26,178 | \$27,468 | \$1,290 | 4.9% | \$26,998 |

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 7: SDF Rate Comparison with Surrounding Communities
2019 Adopted System Development Fees w/ Castle Rock 2021 Proposed Fees**

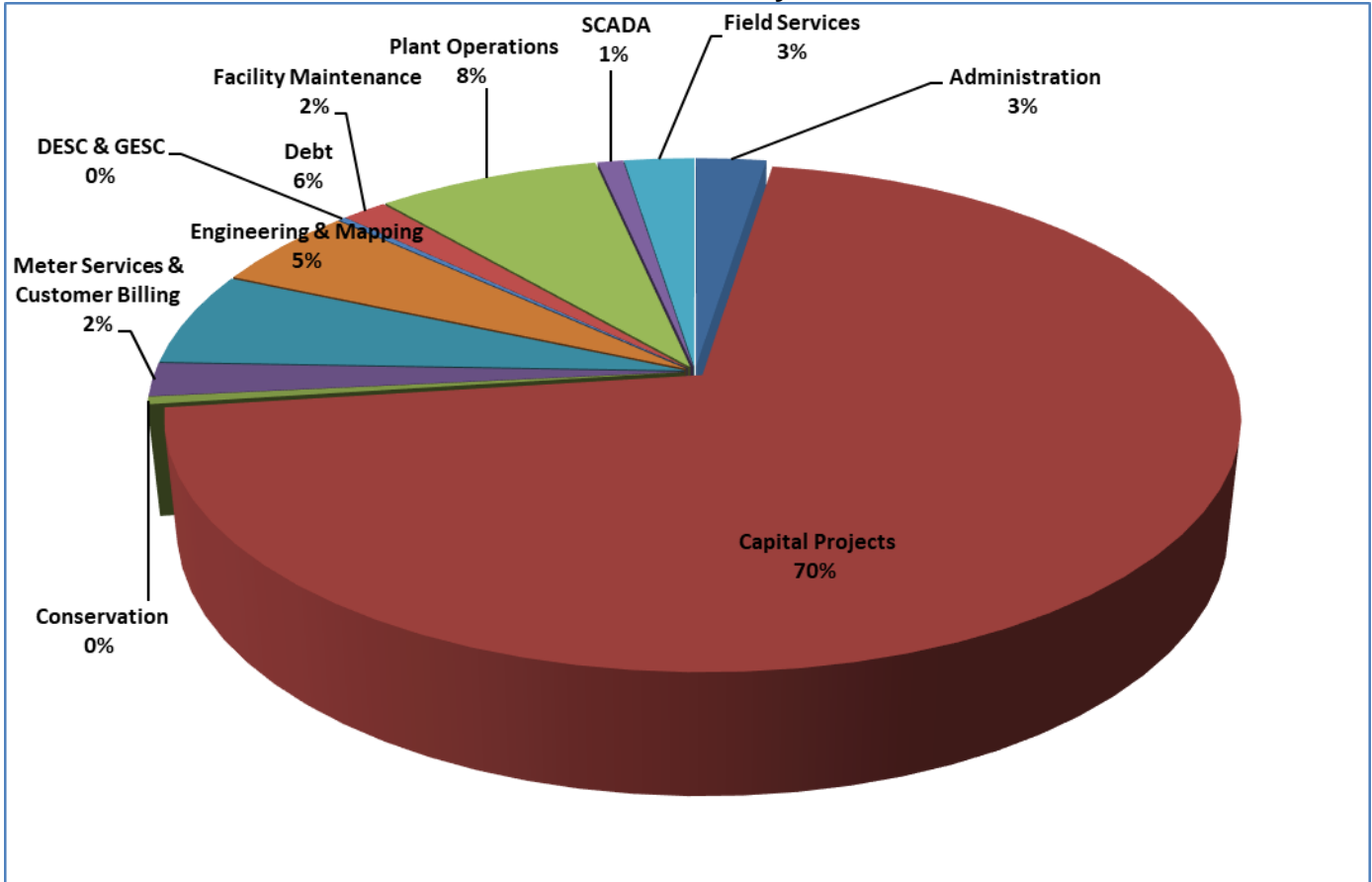


*The Parker Water SDF includes a \$5,000 Water Resource's Toll, for a ¾" meter, in the above calculation, which may not apply to all customers.

Utilization of Rates and Fees

Chart 8 summarizes how revenues are used by Castle Rock Water.

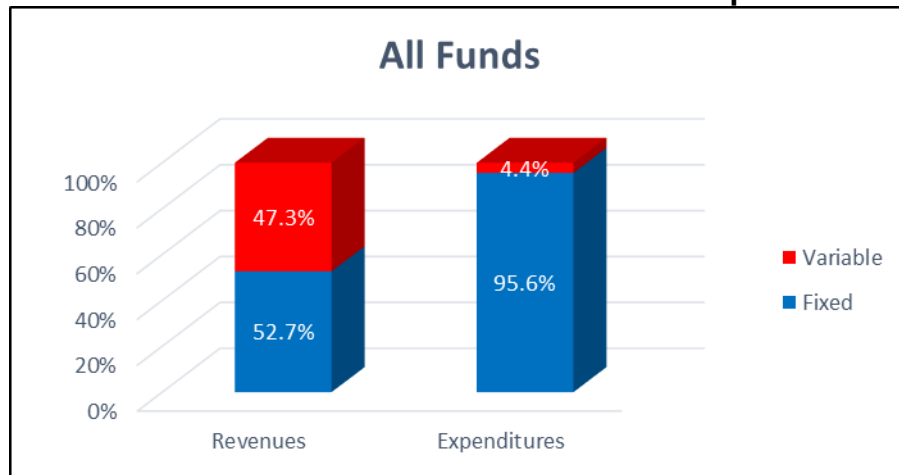
Chart 8: 2019 Costs by Function



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 9 shows the breakdown between fixed and variable revenues and expenses for the fiscal year ending 2019. The split between fixed and variable revenues are equal with the largest variable revenue being metered water sales. The majority of expenditures for CRW are fixed in nature with the largest being personnel costs.

Chart 9: Fixed Versus Variable Revenues & Expenditures



Bulk Water Program

Castle Rock Water provides customers with two options for bulk water. 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” meter. Therefore, the monthly service charges for water and water resources are the same for this customer class as other 1.5” meter customers. Table 13 shows no proposed changes to the bulk hydrant rates for 2021 except for an increase in the bulk water hydrant meter refundable deposit as the costs of the meter dolly setup parts and equipment has increased.

Table 13: Bulk Hydrant Meter Rate Comparison

| | Adopted 2020 Rates | Proposed 2021 Rates | \$ Change | Benchmark Range | Benchmark Average |
|--|--------------------|---------------------|-----------|-----------------|-------------------|
| Monthly Water Fixed Service Charge | \$18.78 | \$18.78 | \$0.00 | Not Available | Not Available |
| Water Volumetric Rate (per 1,000 gallons) | \$7.86 | \$7.86 | \$0.00 | Not Available | Not Available |
| Monthly Renewable Water Fixed Service Charge | \$187.50 | \$187.50 | \$0.00 | Not Available | Not Available |
| Monthly Permit Fee | \$300.00 | \$300.00 | \$0.00 | \$0-\$325.00 | \$170.88 |
| Refundable Deposit-Hydrant Meters | \$2,300.00 | \$2,600.00 | \$300.00 | \$0-\$6,000 | \$1,801.41 |

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 extra territorial agreements according to code.

Table 14 shows a proposed change to the bulk station program for 2021 to increase the refundable bulk water station deposit to cover three months of average base charges and usage to reduce bad debt collection timing.

Table 14: Bulk Station Rate Comparison

| | Adopted 2020 Rates | Proposed 2021 Rates | \$ Change | Benchmark Range | Benchmark Average |
|--|-------------------------------|--------------------------------|------------------|------------------------|------------------------------|
| Monthly Water Fixed Service Charge | \$9.54 | \$9.54 | \$0.00 | Not Available | Not Available |
| Water Volumetric Rate (per 1,000 gallons) | \$9.82 | \$9.82 | \$0.00 | Not Available | Not Available |
| Monthly Renewable Water Fixed Service Charge | \$26.15 | \$26.15 | \$0.00 | Not Available | Not Available |
| Bulk Station Refundable Deposit | \$150.00 | \$225.00 | \$75.00 | Not Available | Not Available |

Schedule

The current schedule for the 2020 Rates and Fees Study targets the following milestones.

- July 22 – Castle Rock Water Commission update/discussion
- August 18 – Town Council discussion/direction
- August 26 – Castle Rock Water Commission recommendation
- September 1 – Town Council Rates and Fees recommendation, 1st Reading
- September 15 – Town Council Rates and Fees recommendation, 2nd Reading
- January 2021 – Rates and Fees Implementation

Staff Recommendation

Based on the “2020 Study” staff recommends the following changes to the 2021 rates and system development fees for a single-family equivalent.

Water Fund

1. Fixed Monthly Charge – no change
2. Volumetric Rates – no change
3. System Development Fee – 10.0% increase

Water Resources Fund

1. Fixed Monthly Charge – no change
2. System Development Fee – 5.0% increase

Stormwater Fund

1. Fixed Monthly Charge – no change
2. Development Impact Fee – 5.0% Increase Plum Creek Basin and 5.0% Increase Cherry Creek Basin

Wastewater Fund

1. Fixed Monthly Charge – no change
2. Volumetric Rate – no change
3. System Development Fee – no change

Staff recommends moving forward with these recommended rates and fees, finalizing the “2020 Study” report and all of the associated data, and bringing the appropriate ordinances to Town Council for approval in accordance with the proposed schedule.