

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: February 27, 2013

Board Item: 2-A-2

Adoption of 2013 System Development Charges

Action by Consent

Action

Information

Staff requests approval of 2013 SDCs for an effective date of April 29, 2013. At the January 9, 2013 Board meeting, staff proposed SDCs with a water rights valuation of \$13,000 per acre-foot. It was also proposed that the water rights value be increased in equal increments in 2014 and 2015 to reach the full valuation of \$15,750 per acre-foot in 2015. The Commissioners requested a schedule of 2013 SDCs reflecting the full value of water rights at \$15,750 per acre-foot.

Two SDCs schedules are proposed; 2013 SDCs with a water rights valuation of \$13,000 per acre-foot and \$15,750 per acre-foot. The schedules are attached to this action item. A short presentation will accompany this action item.

Proposed Alternatives for 2013 SDC

SDCs are assessed to new connections and existing connections requiring additional capacity. SDCs recover cost to serve new capacity requirements. The SDC consists of two primary costs, infrastructure and water rights.

The proposed 2013 SDCs includes an inflationary increase for infrastructure-related costs using a composite of the *Engineering News Record* and *Handy-Whitman Construction Cost* indices as well as an increase in water rights value. The water right valuation is based on a water rights market value study conducted by an outside consultant in 2012. The study concluded that the average value for water rights is \$15,570 per acre-foot. The value used in the existing 2012 SDCs is \$10,250 per acre-foot. Other updates for the 2013 SDC include customer class demands, system capacity, and system annual yields.

Under a water rights valuation of \$13,000 per acre-foot, an inside-city single family residential development with a lot size of 7,000 square feet would *decrease* \$269 from \$7,219 to \$6,950. Under the \$15,750 water rights valuation, the same single family residential development would *increase* \$711 from \$7,219 to \$7,930.

Respectfully submitted,



James S. Lochhead
CEO/Manager

Approvals:



Angela Bricmont
Director of Finance