

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2011

Board Item: VI-B-3

## Proposed 2012 System Development Charges

Action by Consent

Action

Information

This information item serves as the notice for proposed changes in system development charges (SDCs) for 2012. Approval of these proposed changes will be requested at the October 12, 2012 Board meeting.

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.

### Proposed Alternatives for 2012 SDC

Staff proposes two alternatives for the 2012 SDC which are described below. Each alternative includes an inflationary increase for infrastructure-related costs using a composite of the ENR<sup>1</sup> and Handy-Whitman<sup>2</sup> construction cost indices however, water rights are valued differently.

- **Alternative 1:** Increases the existing SDC's infrastructure-related costs using a composite of the construction cost indices. Water rights increase by \$500 per acre-foot from \$9,500 to \$10,000 per acre-foot. This alternative represents an increase of approximately 3.4% over the 2011 SDCs.
- **Alternative 2:** Includes the same inflationary increase applied to infrastructure costs as alternative one, however, the water rights component increases from \$9,500 to \$11,500 per acre-foot. This would result in an increase of approximately 8.5% over the 2011 SDCs. The \$11,500 represents the full price of our water rights detailed in a valuation study conducted in 2008.

The fee structure remains unchanged from 2011 and the outside city SDC retains the differential of 1.4 times the inside city SDC.

Denver Water sent an SDC Advance Notification letter to approximately 50 organizations on August 1, 2011. These organizations include developers, HOAs, and distributors. The Advance Notification provided an estimate of an increase up to 10% based on current available information.

Respectfully submitted,



 James S. Lochhead  
CEO/Manager

Approvals:



Angela Bricmont  
Director of Finance

<sup>1</sup> Engineering News Record Construction Cost Index (ENR-CCI).

<sup>2</sup> Handy-Whitman Construction Cost Index for Public Utilities.