

Denver Board of Water Commissioners

Title:

ADOPTION OF PROPOSED SYSTEM DEVELOPMENT CHARGES FOR 2009

Meeting Date: 2/11/2009

Contract/Proposal

 Action by Consent Action Information

Staff is recommending adjustments to existing system development charge (SDC) pricing for taps sold on or after April 13, 2009.

Background: The Board has received several presentations on the SDC Comprehensive Review process and Staff's proposed 2009 SDC pricing (11/12/08 workshop, 1/14/09 regular meeting and 1/28/09 workshop). Staff's proposed 2009 SDC pricing features revised customer demand and system capacity inputs that differ from those used in the current SDC pricing model. Although Staff's recommended pricing results in lower bill impacts for *most* new taps as compared to 2008, it will result in bill increases for some new customers - most notably customers purchasing new single family residential taps.

At the workshop of 1/28/09, the Board requested alternative 2009 SDC pricing options based on: 1) the demand and capacity inputs used in the current SDC pricing model; and 2) the updated demand and capacity inputs recommended by Staff. The Board requested these alternatives be presented under three different water right valuation scenarios of \$8,000, \$9,600 and \$11,200 per AF.

2009 SDC Pricing Alternatives: Attachment 1 summarizes and compares the bill impacts of the 2009 pricing alternatives requested by the Board. In general, across all three water right valuation scenarios, Staff's recommended customer demand and system capacity updates result in *lower* 2009 bill impacts than the current SDC pricing model.

Attachment 1 also displays bill impacts for a seventh alternative not specifically requested by the Board. Alternative 7 features new customer demand and system capacity inputs with water rights valued at \$8,000 per AF for single family residential taps and \$11,200 per AF for all other types of new taps. This compromise alternative has the positive benefits of using updated customer demand and reserve capacity inputs while resulting in lower 2009 single family residential bill impacts as compared to 2008. If the Board elects to approve Alternative 7, we recommend a maximum two-year phase-in to a water right valuation of \$11,200 per AF for single family residential SDCs.

2009 SDC pricing schedules for each of the seven separate alternatives reflected in Attachment 1 are also included with this action item. They are:

Alternative 1: New inputs with water rights valued at \$8,000 per AF

Alternative 2: New inputs with water rights valued at \$9,600 per AF

Alternative 3: New inputs with water rights valued at \$11,200 per AF (original Staff proposal)

Alternative 4: Current inputs with water rights valued at \$8,000 per AF

Alternative 5: Current inputs with water rights valued at \$9,600 per AF

Alternative 6: Current inputs with water rights valued at \$11,200 per AF

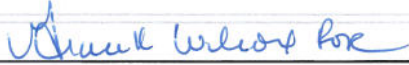
Alternative 7: New Inputs puts with water rights valued at \$8,000 per AF for single family residential taps and \$11,200 for all other new taps.

If the Board does not wish to adopt any of the attached 2009 SDC price schedules labeled as Alternatives 1 - 7, you can take no action and allow existing 2008 SDCs to remain effective during 2009.

RECOMMENDATION:

It is recommended the Board approve one of the attached 2009 SDC pricing schedules labeled as Alternatives 1 - 7, effective for all new taps sold on or after April 13, 2009.

Approvals:



David LaFrance, Director Finance


Manager Approval

Documents Attached:

 File Attachment