

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 8, 2010

Board Item: V-D-1

Proposed 2011 System Development Charges

Action by Consent

Action

Information

This Action Item summarizes the proposal to increase SDCs for 2011. Staff proposes that the Board approve the 2011 SDCs detailed at the end of this Action Item. These SDCs were also presented at the November 10, 2010 Board meeting.

SDCs are assessed to new connections and existing connections requiring additional capacity. SDCs recover cost to serve new capacity requirements.

The proposed 2011 SDCs will increase approximately 11.4% over the 2010 SDCs. The increase for each customer class varies slightly based on demand requirements¹. The fee structure remains unchanged from 2010 and the outside City SDC retains the differential of 1.4 times the inside City SDC. The schedule following this memorandum summarizes the proposed 2011 SDCs.

Denver Water Staff met with Kim Calomino and Jeff Willis of the Home Builders Association (HBA) on August 17, 2010 to discuss the SDC process for 2011. Denver Water also sent an SDC Advance Notification letter to 51 organizations on August 31, 2010. These organizations include developers, HOAs, and suburban distributors. The Advance Notification provided an estimate of a 12% to 17% increase based on current available information.

Denver Water Staff spoke with Kim Calomino of the HBA and Pat Fitzgerald of Platte Canyon Water and Sanitation District regarding the 2011 SDCs presented at the November 10, 2010 Board meeting.

Proposed 2011 SDC Findings

The process for calculating SDCs includes:

- Valuation of available system capacity infrastructure and the Part 1 ten-year capital plan for the period 2011 through 2020².
- Estimate remaining and projected capacity (gallons per day)
- Calculate unit cost of capacity as the quotient of system value by system capacity
- Multiply unit cost of capacity by new connector demand requirements³

The Board has increased the water rights replacement value by \$500 annually since 2008, transitioning to a market value of \$11,500 by 2015. Water rights for 2011 are valued at a replacement cost of \$9,500 per acre-foot. The addition of assets booked-in-service and changes in the Handy-Whitman Cost Index used to estimate replacement costs of existing assets accounts for approximately seven percentage points of the 11.4% increase. The remainder of the 11.4% is attributed to additional projects and costs in the 10-year capital plan.

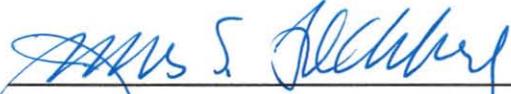
¹ Average increase per class: SFR 12%;MF 11%; Nonresidential 11%; Non-potable Nonresidential 10%

² System infrastructure consists of source of supply, water rights, pumping, treatment, distribution, and storage facilities.

³ The demand profile for single family, multifamily, and all other nonresidential customers remain unchanged from the 2010 study.

An inside City single family residential SDC with a lot size of 7,682 square feet will increase \$817 from \$6,545 to \$7,362. An outside City single family residential SDC with a lot of 7,682 square feet will increase \$1,081 from \$9,178 to \$10,259.

Respectfully submitted,



James S. Lochhead, Manager

Approvals:



Angela Bricmont, Director of Finance