

# Water Supply Requirements and Excess Water Use Fee Updates

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- Purpose
- Water Supply Requirements (WSR) and Excess Water Use (EWU) fees
- Evaluation
- Frequently Asked Questions
- Outreach
- Options and Considerations
- Recommendation
- Discussion



- Share with City Council the need for WSR and EWU fee increases.
- Does Council have any questions regarding the need and evaluation of WSR and EWU fees?
- Does Council have any specific direction for outreach and implementation of the WSR and EWU fees?

- Utilities has been developing and maintaining a high-quality water system for nearly 150 years.
- Our innovative and forward-thinking approach has provided reliable water for our community.
- Currently we are focused on:
  - Taking care of our existing system
  - Water quality and conservation
  - Regulations
  - Climate resiliency (drought, water scarcity, historic weather events)





- The market cost of water continues to significantly increase:
  - Scarcity of water in the West
  - Competition for limited water resources
- Storage project costs continue to increase:
  - Permitting process
  - Construction costs
- Development pays its own way which prevents impacts to existing customers

# What is an Acre-Foot (AF)?

- An AF of water equals about **326,000 gallons**, or enough water to cover a football field 1-foot deep.
- One acre-foot can supply water to **3-4 single-family homes** in Fort Collins per year.





## WSR Fee

- New development and re-development
- One-time fee per AF
- Buys into the current value of Utilities' water portfolio, in exchange for water service in perpetuity

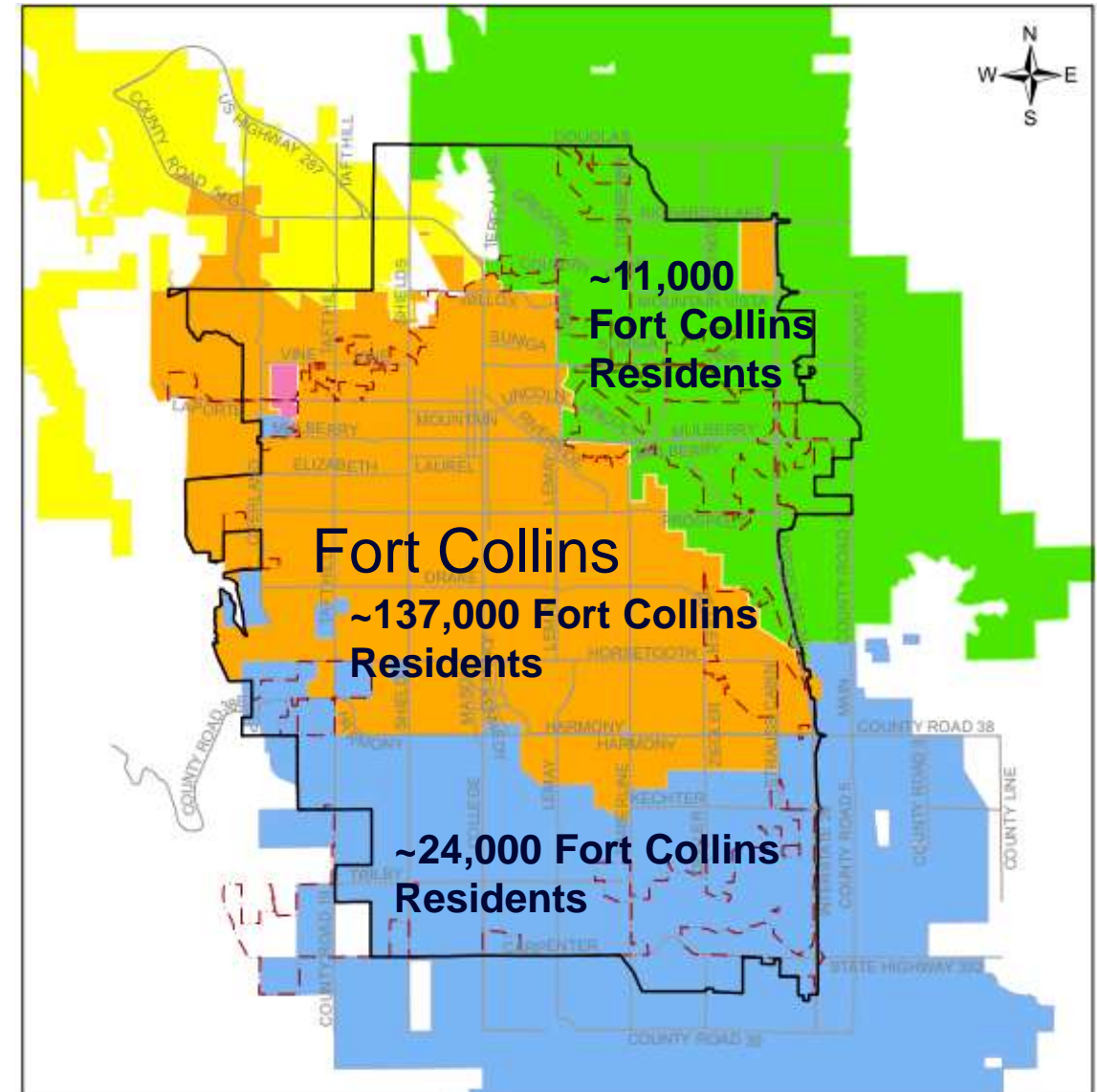


## EWU Fee

- Annual fee for commercial allotment customers
- Fee per 1,000 gallons over assigned allotment

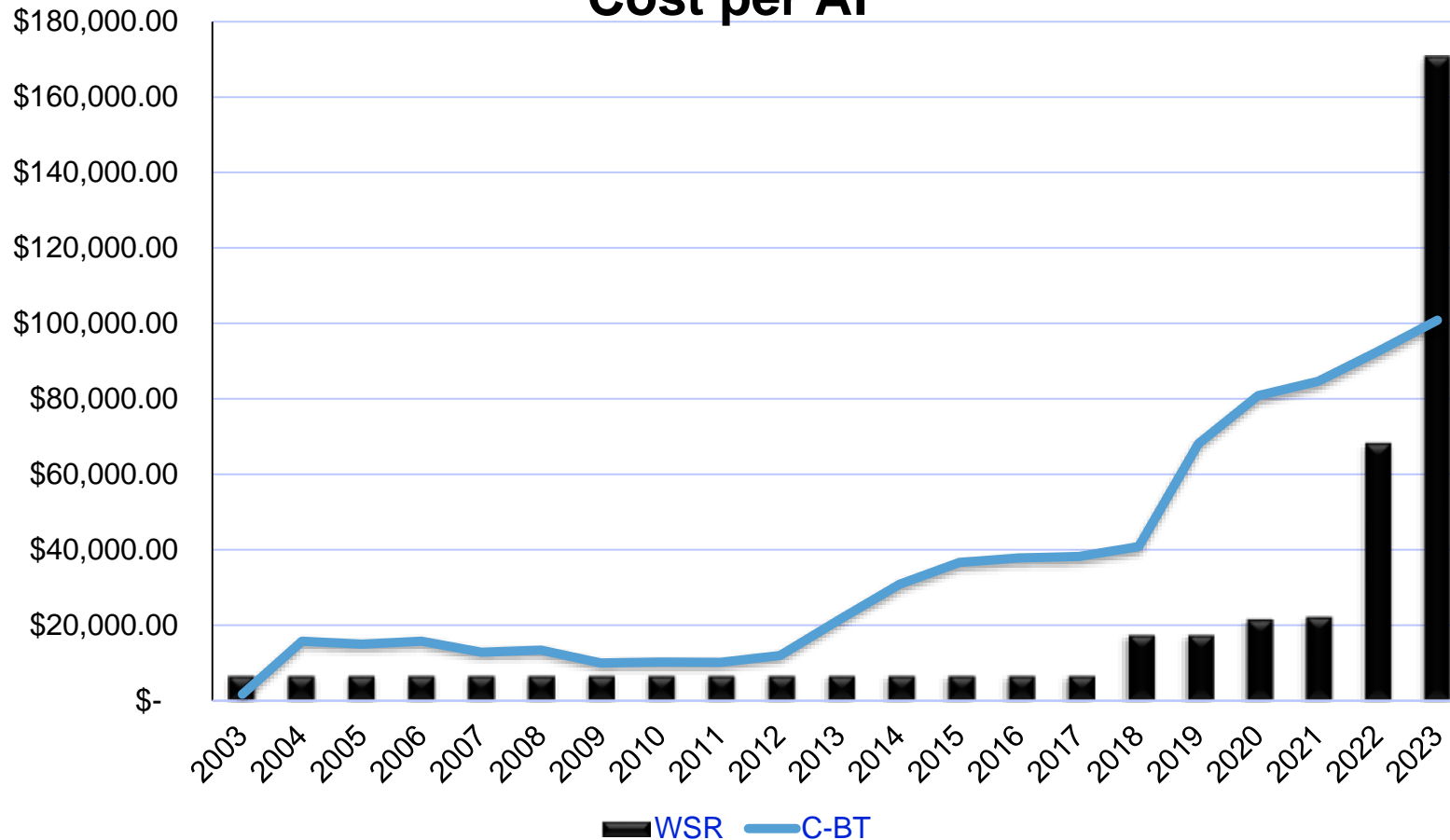
# WSR and EWU Applicability

- Growth Management Area (GMA)
- Fort Collins Utilities
- ELCO Water District
- Fort Collins-Loveland Water District
- West Fort Collins Water District

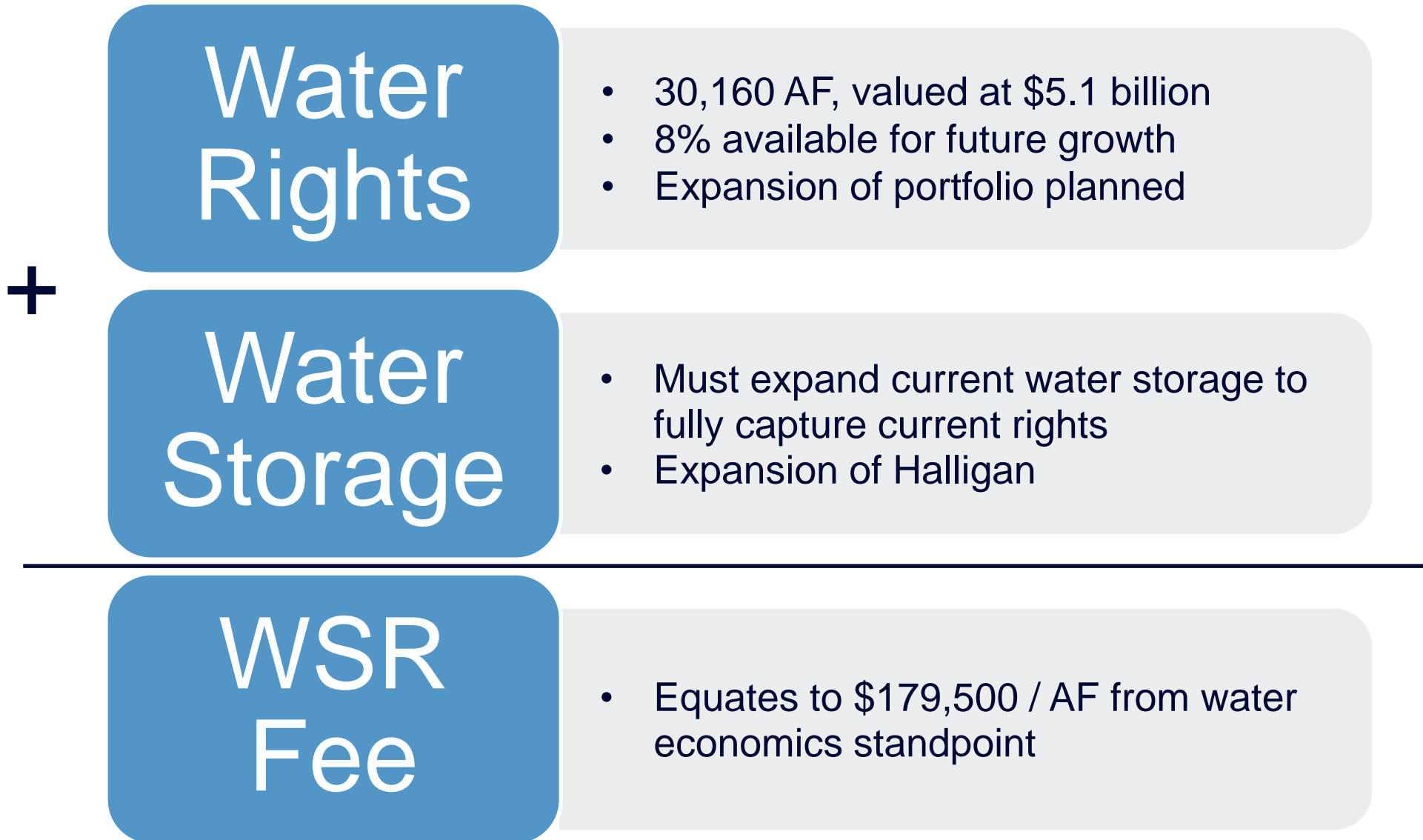




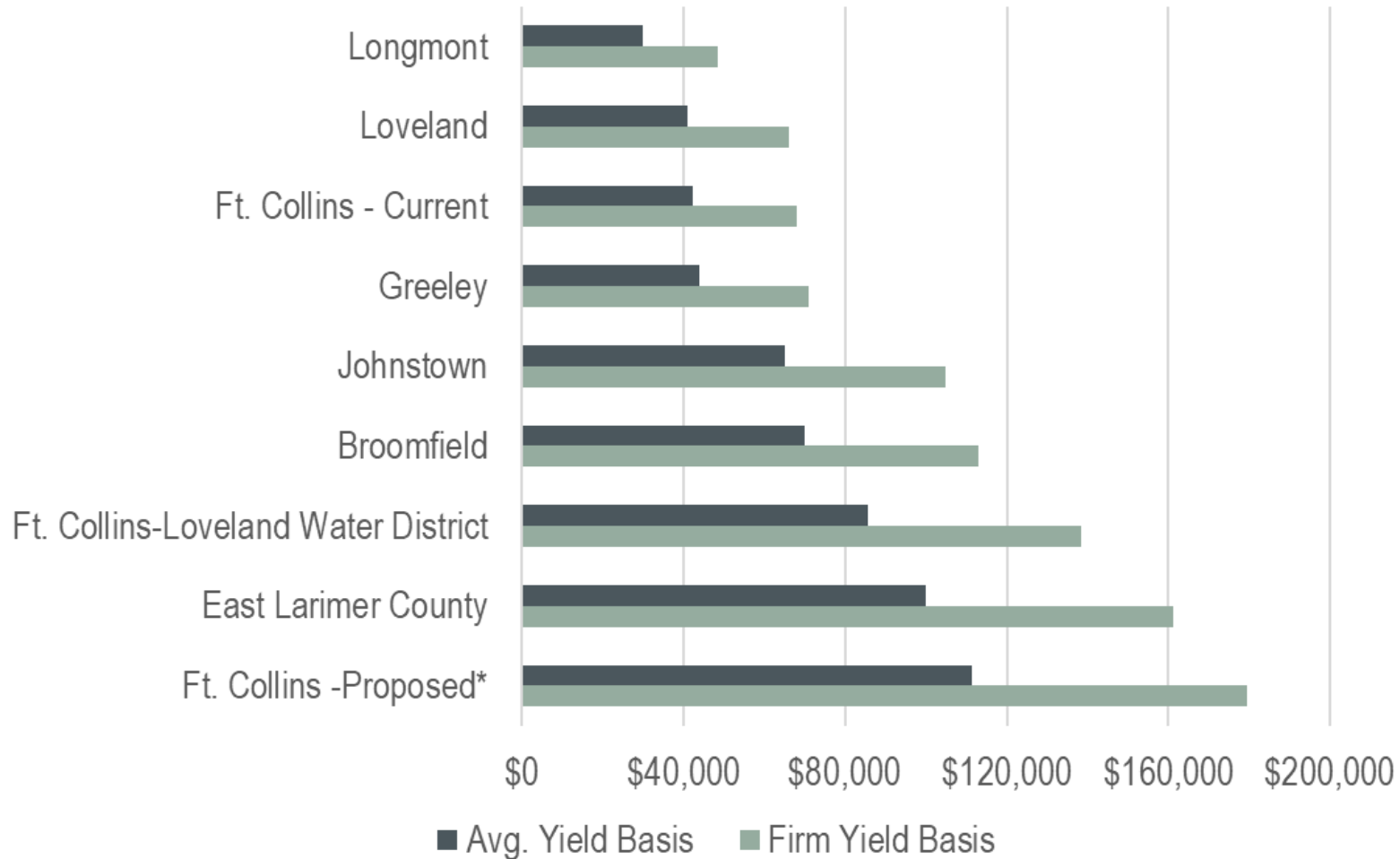
## Fort Collins WSR vs. C-BT Cost per AF



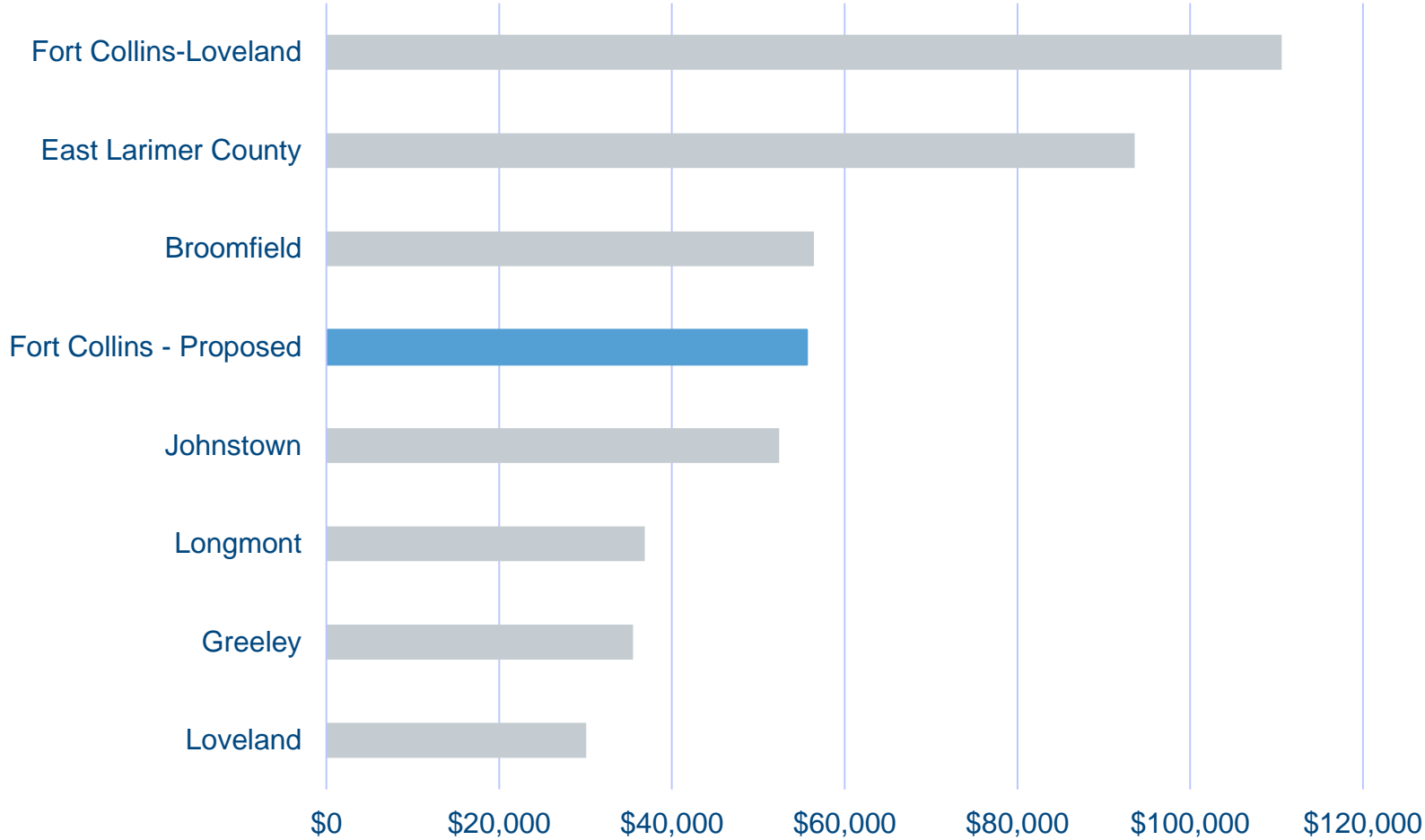
- Hired FCS Group and West Water Consultants to evaluate
- Colorado-Big Thompson Project (C-BT) prices increased 52x in 30 years while inflation increased 2x.
- Non-C-BT water rights costs have increased as well ~143,000 AF
- Last significant increase was 2021 (\$22,145 to \$68,200)
- Halligan Reservoir expansion costs have **almost doubled** since 2019
- Should evaluate a minimum of every two years



### Cost per AF at Avg. Yield vs. Firm Yield Basis



## Residential Property Fees



4 BR Single-Family  
7,300 SF Lot

Provider	Dedication Required (AF)
Fort Collins-Loveland	0.80
ELCO	0.58
Broomfield	0.50
<b>Fort Collins</b>	<b>0.31</b>
Johnstown	0.50
Longmont	0.76
Greeley	0.50
Loveland	0.45



4BR Single-Family Home  
7,300 SF Lot Size  
5,200 SF Outdoor Area

**\$670,000**

Est. Median Home Price  
(Zillow as of 5/5/23)

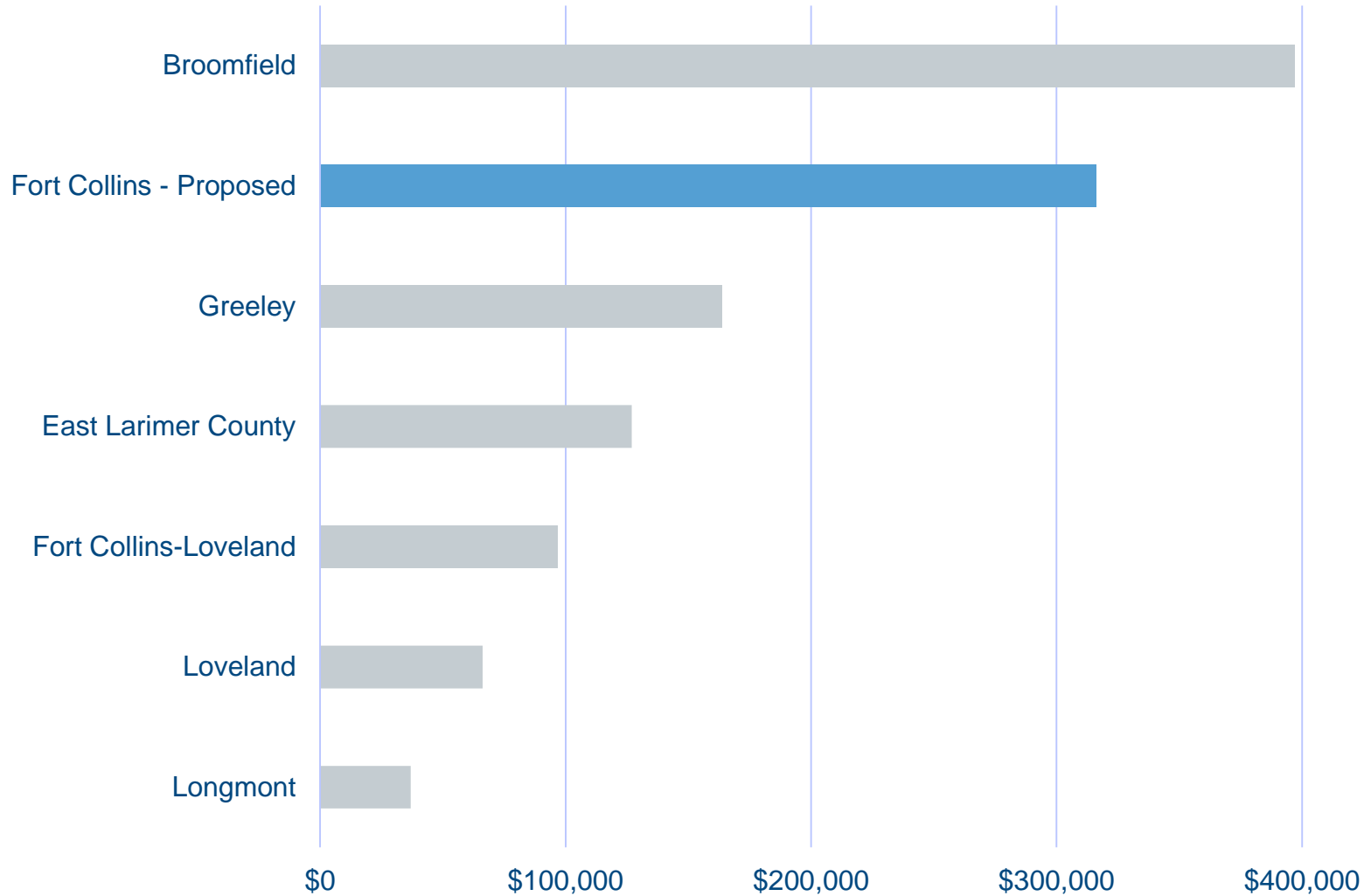
**3.2%**

Current Fee of \$21,168  
as % of Median Price

**8.3%**

Proposed Fee of \$55,645  
as % of Median Price

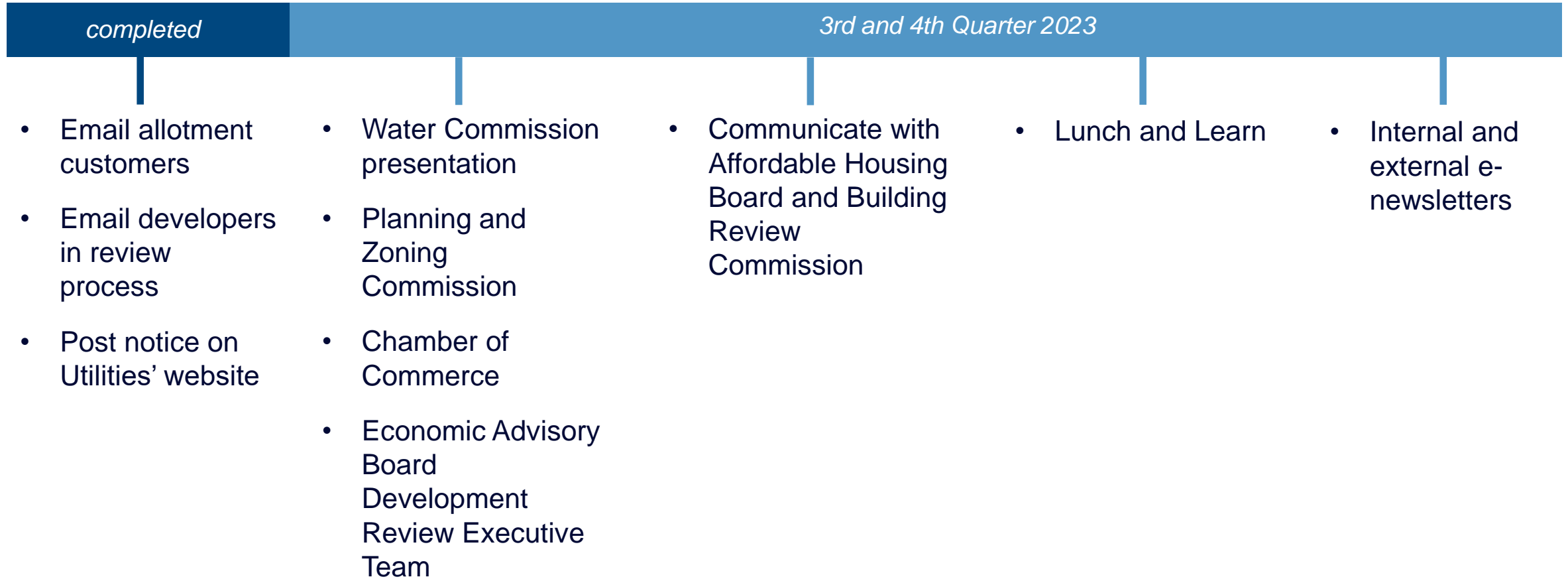
## Commercial Property Fees - Restaurants



Restaurant Business  
4,000 SF  
¾" Meter Tap

Provider	Dedication Required (AF)
Broomfield	3.52
<b>Fort Collins</b>	<b>1.76</b>
Greeley	2.31
ELCO	0.79
Ft. Collins – Loveland	0.70
Loveland	1.00
Longmont	0.76

- **Does the City plan to purchase more water rights?**
  - Yes, the City is always evaluating potential water rights purchases to expand our portfolio for growth.
- **Are the fees increasing to pay for the Halligan Water Supply Project?**
  - No, the need to increase the fees exists regardless of Halligan. Halligan is only ~8% of our total water portfolio value.
- **What do we expect for future water costs?**
  - We expect water rates to continue to go up.
- **What have you heard from stakeholders?**
  - Internal stakeholders and existing customers have expressed concerns with the rapid increase in cost impacting their ability to do business, especially for affordable housing and small businesses.
- **How is this related to the water adequacy code updates?**
  - WSR relates to our water rights and storage for customers in Utilities' service area. Water adequacy determination ensures a water provider can deliver reliable and safe water to their customers.





- Increase **WSR** fees from **\$68,200** to **\$179,500** per AF starting January 1, 2024.
- Increase **EWU** fees from **\$16.67** to **\$43.87** per 1,000 gallons starting January 1, 2024.

1. Move forward with staff recommendation at projected pace and implement fees January 1, 2024.
2. Evaluate different payment options for:
  - Current development review customers
  - Small businesses
  - Most marginalized customers
  - Affordable housing development
3. Enhance conservation programs to help offset the price of water.

- Does Council have any questions regarding the need and evaluation of WSR and EWU fees?
- Does Council have any specific direction for outreach and implementation of the WSR and EWU fees?

**End of presentation-start of back slides**

- **New Development**

- ~25% will occur in the Utilities service area
- Developers currently in the development review process that would be affected

- **Re-development**

- Infill and redevelopment with an increase in water service
- Expected, but exact amount unknown

- **Existing Customers with Allotments**

- Up to 260 customers/year have paid EWU fees since 2016
  - \$500,000 to \$1.7 million annual collection
- Could purchase additional WSR to avoid

- Discuss developing a program or rate structure to address impacts to most marginalized customers, such as affordable housing and small businesses
- Expand or modify existing water conservation programs such as:
  - Allotment Management Program (AMP) which provides eligible customers with a temporary EWU waiver if they meet certain qualifications
  - Xeriscape Incentive Program (XIP) which assists customers in removing grass for more native plants that decrease water demand in the long term

## 19<sup>th</sup> Century

Settlement in  
Northern Colorado

Ditches, streams,  
canals – water and  
wastewater

Fires lead to first  
Municipal Water Works

## 20<sup>th</sup> Century

Regulations  
Water resources and  
infrastructure  
acquisition  
Federal funding



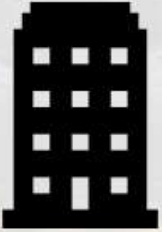

Michigan Ditch, Joe  
Wright Reservoir  
Horsetooth and C-BT  
Treatment Facilities

## 21<sup>st</sup> Century

Asset management  
Water quality and  
conservation  
Regulations  
Climate resiliency

Regional partnerships  
One Water  
Federal funding

# Proposed Fee

	4BR, single-family detached home 5,200 square-feet of outdoor area 101,000 gallons per year	<b>\$21,140</b> CURRENT FEE	<b>\$55,645</b> PROPOSED FEE
	<b>RETAIL</b> 3/4" water meter 15,000 SF 0.3 AF Dedication Required	<b>\$20,460</b> CURRENT FEE	<b>\$53,850</b> PROPOSED FEE
	<b>OFFICE</b> 3/4" water meter 15,000 SF 0.3 AF Dedication Required	<b>\$20,460</b> CURRENT FEE	<b>\$53,850</b> PROPOSED FEE
	<b>RESTAURANT</b> 3/4" water meter 4,000 SF 1.76 AF Dedication Required	<b>\$120,030</b> CURRENT FEE	<b>\$315,916</b> PROPOSED FEE