

# Water Supply Requirements, Excess Water Use Surcharges, and Pre-1984 Non-Residential Water Allotments

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**Jill Oropeza**

Utilities Interim One Water Director

**Jen Dial**

Utilities Water Resources Manager

**Heather Young**

Utilities Senior Community Engagement  
Manager



## **April 9 Council Work Session general agreement:**

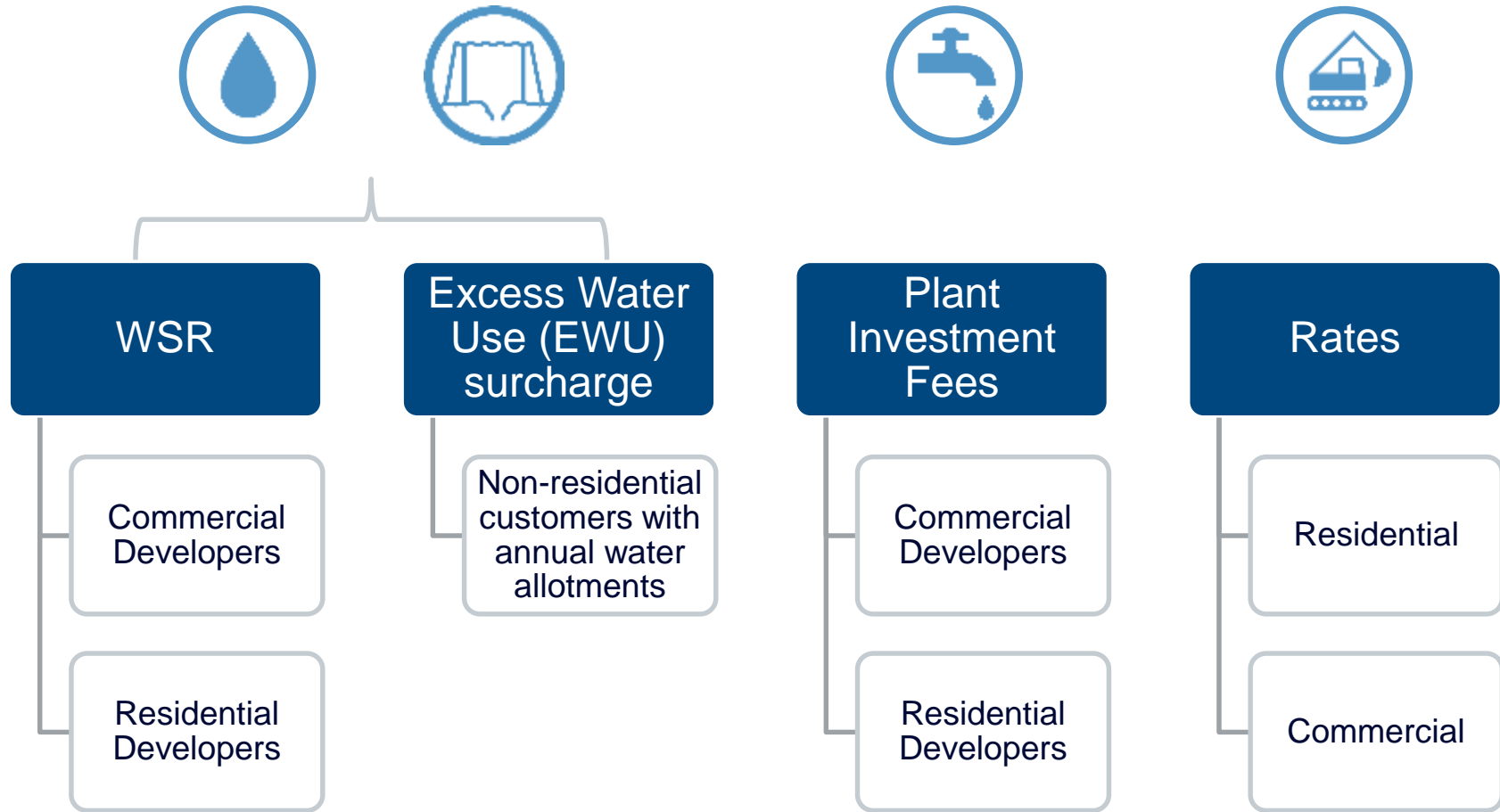
- Utilizing a proposed hybrid, cost-based approach for Water Supply Requirement (WSR) fee.
- Assigning allotments to non-residential customers using a hybrid methodology that calculates an allotment based on the greater of the 1989 tap credit or 5-year historical average water use.

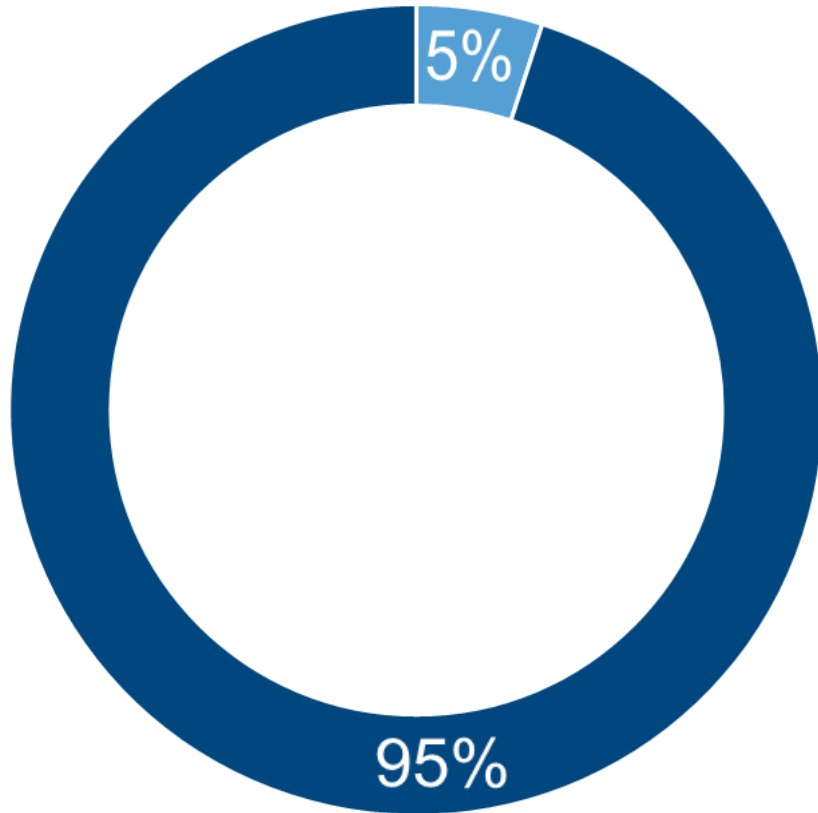
## **Today**

- Update on the proposed methodologies.
- Update on customer engagement to date.
- Answer outstanding questions from the work session.



# Water Rates and Fees





### **Water Utility Rates**

Rates paid by existing customers make up approximately 95% of the water fund revenue.

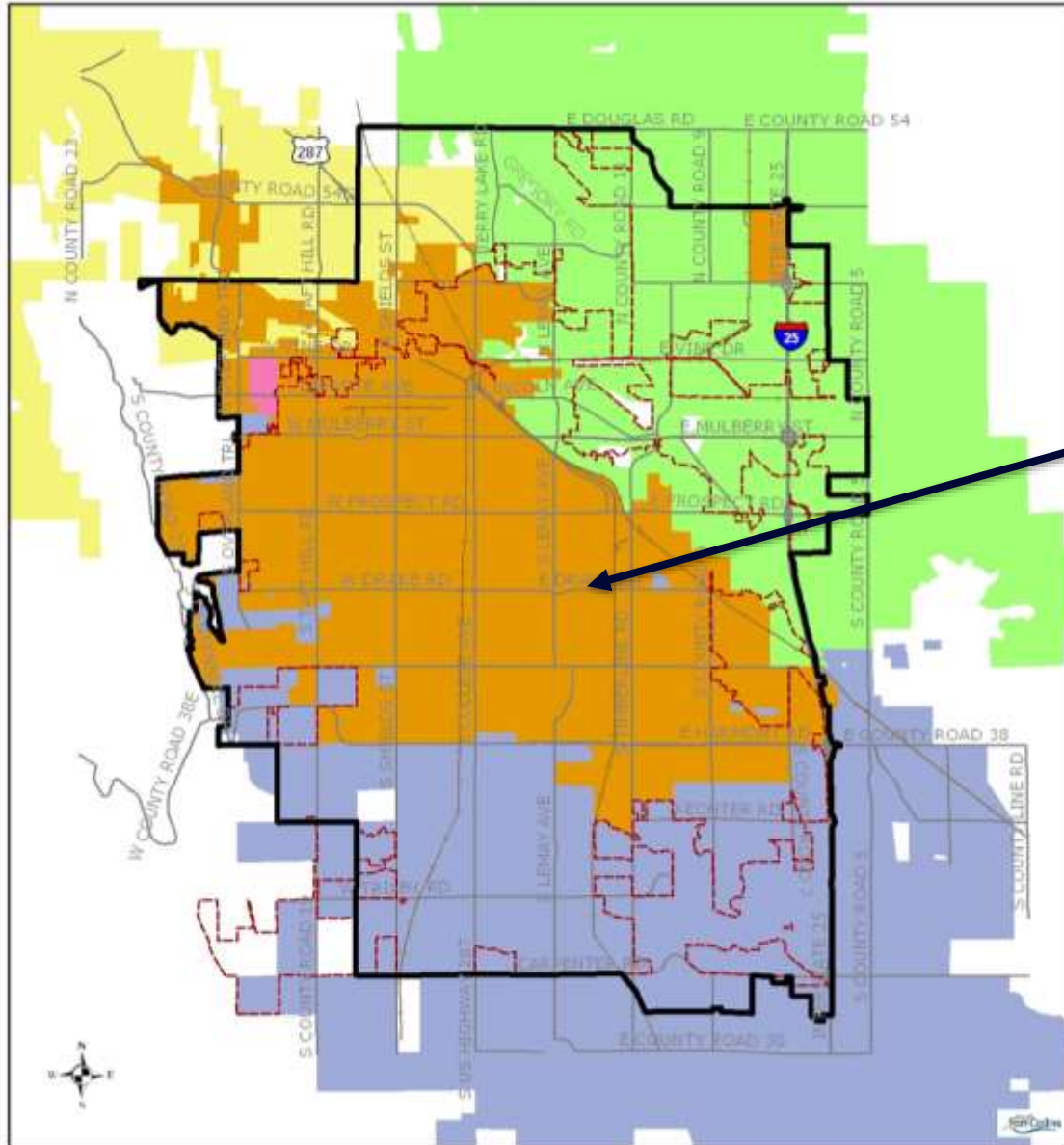
### **Development/Redevelopment Fees**

New development and redevelopment within the water service area make up approximately 5%.

# Fort Collins Area Water Districts Map

~36,000 water taps (32,000 customers)  
~3,000 are commercial (1,900 customers)

## Utilities Water Service Area



- GMA
- Major Streets
- City Limits
- Railroad

### Water Districts

- ELCO Water District
- Fort Collins-Loveland Water District
- Fort Collins Utilities (Water)
- Sunset Water District
- West Fort Collins Water District

# Questions for Councilmembers

1. What questions do Councilmembers have on the updated proposed WSR fee and related impacts?
2. What questions do Councilmembers have on assigning water allotments to non-residential accounts without allotments under the hybrid method?

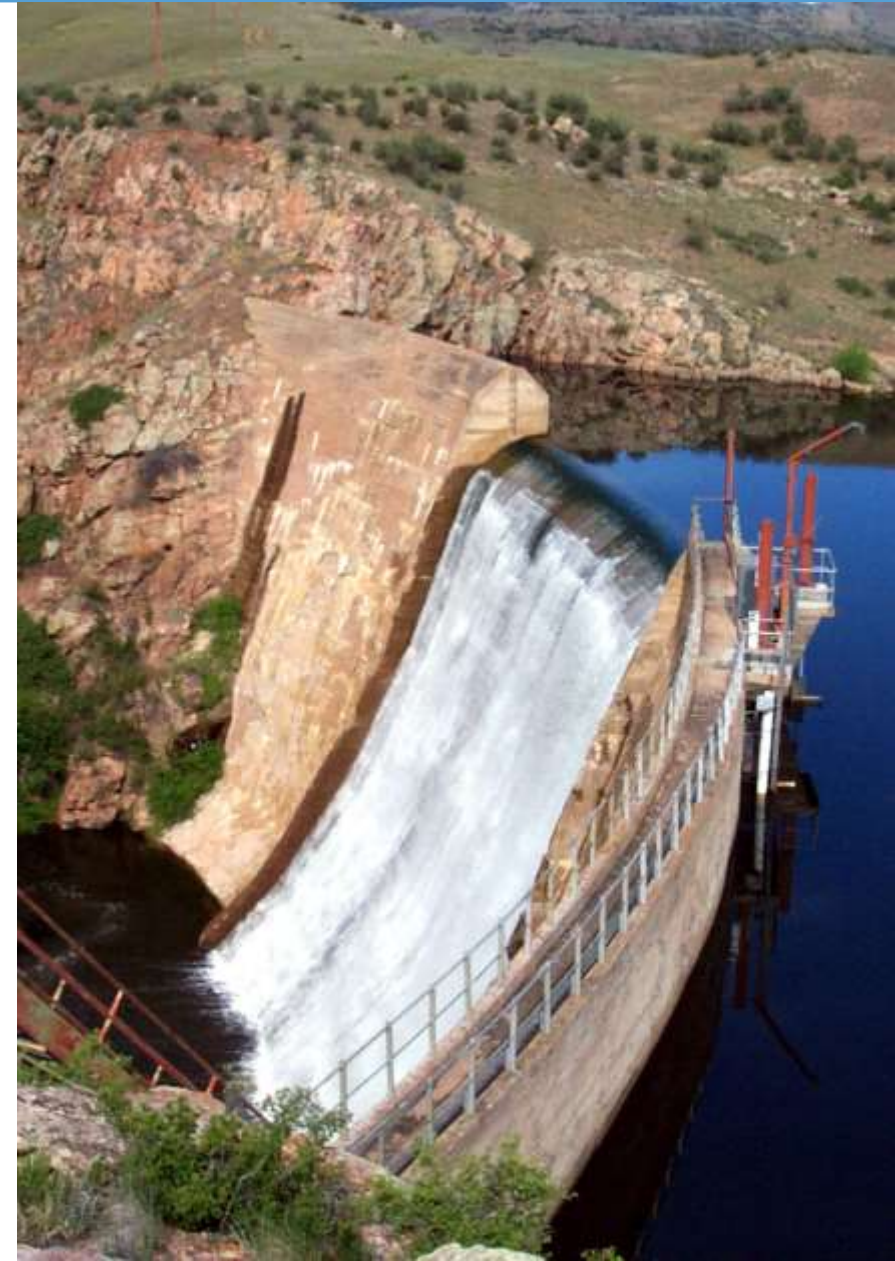
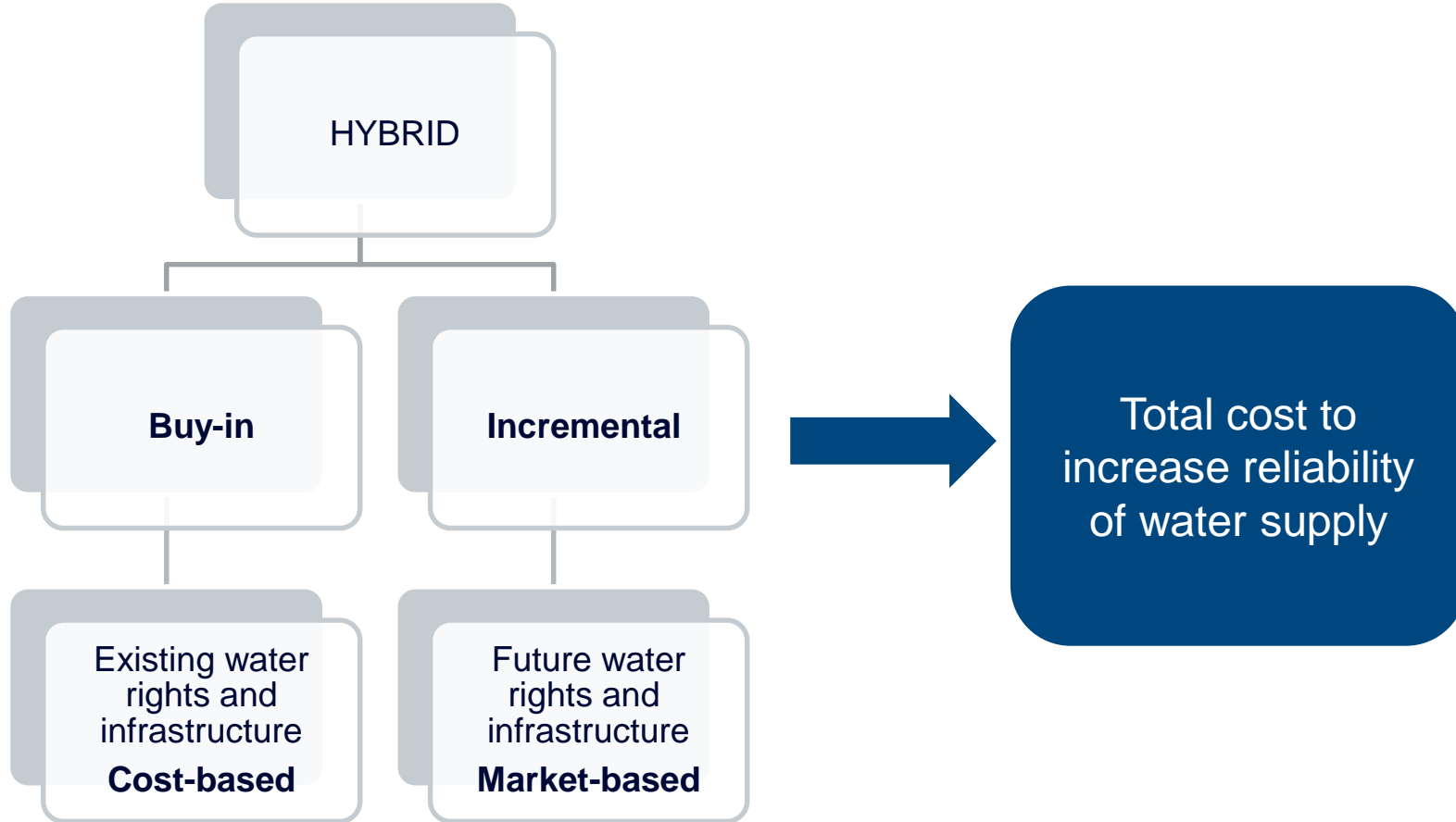




# WSR Pricing Methodologies

Jen Dial, Water Resources Manager

# Proposed WSR Methodology Overview





**WSR = Existing water + future water rights & infrastructure**

## **Buy-in**

Existing water rights

*Can determine past purchase prices and costs.*

Options on how to value:

- Market price in today's dollars
- Cost of what was paid plus Consumer Price Index
- Safety factor

## **Incremental**

Future water rights and infrastructure

*Requires modeling and predicting costs of future water supply needs.*

Cost considerations:

- Market-based
- Contingency
- Safety factor

# Hybrid Method Pricing Options

Method	Draft Cost	Considerations
Cost-based 30% contingency 20% safety factor	\$63,800/AF	<ul style="list-style-type: none"><li>• Increased by Consumer Price Index over time</li><li>• Added infrastructure to buy-in component</li><li>• Higher rate impact to existing customers</li></ul>
Market-based 30% contingency* 20% safety factor**	\$110,700/acre-foot (AF)	<ul style="list-style-type: none"><li>• Current approach with updated costs</li><li>• Higher impact to developers</li><li>• Lower rate impact to existing customers</li></ul>

\*Contingency: Captures uncertainties in future costs

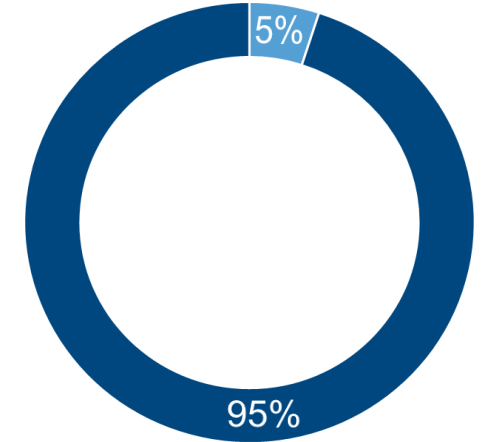
\*\*Safety Factor: Captures uncertainties in future demand and supplies (e.g., climate change, development types, etc.)



- Estimate 1,024 or 2,000 acre-feet of water dedication remaining
  - 25 acre-feet/year on average
  - Recently less



- Proposed method at \$63,800/acre-foot
  - \$4.5 million less revenue
  - 0.5% rate increase over 40 years
- At current fee (\$68,200) expect 7-10% rate increase from 2025-2033 assuming five-year average of revenue from WSR and surcharges



- ~5% of total water fund

# Comparison of Dedication Requirements

- Varies widely amongst water providers
- Average historical use of varying time periods
- Historical use with a percentage increase for losses (delivery, evaporation, fire prevention)
- Peak demand (tap size)





# Methodology for Assigning Remaining Non-Residential Water Allotments

Jen Dial, Water Resources Manager

Customers would be assigned an allotment based on one of these methods, **whichever value is greater.**



## Tap Credit

Assigns a volume based on meter size determined by the 1989 tap credit value.

## Average Historical Use

Assigns a volume based on average five-year historical water use per tap.

In the last five years, number of new allotment taps lower than three inches that would have:	
Been charged an EWU surcharge	154 (15%; 50-75 each year)
Exceeded allotment three or more years	41
Paid an annual surcharge more than \$20,000	6
<i>Total EWU surcharges collected in each of the last five years would have been \$135,000 - \$250,000 at the 2024 EWU rate.</i>	

# Example Customer Impacts



Top three business types most likely impacted	Number of accounts paying EWU in max year	Estimated sum of EWU in max year
Irrigation	31	\$169,545
Mixed use (strip malls)	22	\$62,474
Restaurants	38	\$111,508



**Under this methodology, most customers would not be significantly affected**

## Courses of Action

- Recommend a one-year grace period where surcharges would not be assessed.
- Engage with customers one-on-one over the coming months.
- Explore exception process.
- Encourage conservation projects as appropriate.

## Considerations

- Large accounts
- HOAs
- City Parks accounts





# Customer Outreach

Heather Young, Senior Community Engagement Manager

# Desired Outcomes

- Build relationships.
- Help customers understand their unique circumstances.
- Seek feedback to improve project decision.
- Deliver feedback to core team to incorporate into decision making.



## Project update through email and mail

- Developers and interested parties
- Customers who have exceeded their allotment

## Notified potential new allotment customers in person, email, and mail

- Included information on proposed allotment size

## Our City page

- Questionnaire

## Webinar

- Education for potential new allotment customers

## Lunch and Learn

- Internal staff

## Ongoing

- One-on-one office hours



Home / Water Supply Requirements and Non-Residential Water Allotments

### Water Supply Requirements and Non-Residential Water Allotments



Fort Collins Utilities is determining the [Water Supply Requirement \(WSR\)](#) fee and [Excess Water Use \(EWU\)](#) surcharge for 2025. During this process, Utilities is also planning to issue water allotments to non-residential customers who do not have them to administer water fairly across our service area. Ultimately, closer to the end of the year, City Council is expected to hear staff proposals on fee and surcharge updates, in addition to water allotments, and decide whether to adopt them.

During the process to update the fees and assign allotments, Utilities would like to hear from you. To learn more, review the information below. We are also collecting feedback through the questionnaire button on this page.

#### FAQs

- What's a WSR?
- What's an allotment?
- What's an EWU surcharge?
- How do I know if I have an allotment?



# Feedback We Have Heard

- Minimal concerns with assigning allotments.
- Questions from customers to help them understand how they will be impacted by changes.
- Considerations for affordable housing providers.





# Next Steps and Questions

Jen Dial, Water Resources Manager

August

October



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