




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## MEMORANDUM

CWS File #11-280

To: Ben Wade, CWCB

From: Steve Nguyen, P.E. 

cc: AJ Euckert, Kelly Stroh, Jon Rabas

Date: July 20, 2012

Subject: 50% Progress Report for City of Dacono Rate Study

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Clear Water Solutions has been working with the City of Dacono to develop a water rate study. Dacono currently has an existing three-tier rate structure which was last evaluated in 2005. The City includes 7,000 gallons in the first tier's base rate. The City would like to develop a rate structure that will work collaboratively with its Water Conservation Plan, encouraging water conservation while meeting the City's long-term project needs.

Two meetings have been completed to date. The first kick-off meeting was held in May to solicit information and staff input regarding the 2012 Water Fund Budget and the City's Five-Year Capital Improvement Plan. The second meeting held in July included a presentation of a draft cash flow projection. The cash flow projection includes annual revenue requirements for the City based on various growth assumptions, projected revenues and expenses. We reviewed major project costs and discuss potential rate impacts from those projects.

We have determined that estimated revenues for 2012 -2016 are approximately 35% short from meeting anticipated expenditures. An increase in customer water rates is necessary to meet forecasted expenditures.

The next steps for the City will include a review of current customer classes and water use characteristics. We will complete a cost allocation to those customer classes based upon water use characteristics and impact to the City's water system. Rate design will be completed once the cost allocation is completed. We will evaluate rates that encourage users to conserve water.

The City desires to have a rate structure that is equitable, easy to understand and administer, and that will provide strong steps toward conservation. Based upon the input from the City, a rate model will be customized for the City of Dacono. This model will include actual and budgeted expenditures for the upcoming five years. We will propose rate structure options that will encourage conservation while ensuring revenue

requirements will be met. Proposed rate structures will be presented to City Council at a future work session.

We are on schedule to produce a 75% progress report by August 24, 2012. Preliminarily, we are anticipating a draft report will be completed for staff review by September 24, 2012, and we will present the draft rate study to City Council on October 8, 2012.