



CITY OF CAÑON CITY

City Council

City Council Chambers
128 Main St., Cañon City, CO 81212
(719) 269-9011 • www.canoncity.org

VISION COMMITTEE MEETING
August 20, 2025
5:00 p.m.

AGENDA

- 1. CALL TO ORDER:** City Council Chambers, City Hall
- 2. ROLL CALL:** COUNCIL MEMBERS DENNEHY, MELONI, SCHMISSEUR, STEIN, TRACY, WORTHINGTON, MAYOR PRO TEM HAMRICK, MAYOR TROUTMAN.
- 3. DISCUSSION:**
 - A. Discussion on Water Rate Structure**
- 4. ADJOURN** The next scheduled meeting is September 17, 2025.

Posted pursuant to code on Thursday, August 14, 2025.
Cindy Foster Owens, City Clerk



CITY OF CAÑON CITY

City Administrator

P.O. Box 1460 • 128 Main Street
Cañon City, CO 81215-1460
(719) 269-9011 • www.canoncity.org

TO: Mayor and City Council

FROM: Ryan Stevens, City Administrator

PREPARED BY: Travis R. Payne

DATE: 08/20/2025

RE: Discussion on Water Rate Structure

SUMMARY:*

As City Council may remember, water rate structure was last discussed at the 2/5/2025 General Government meeting. Meeting link can be found here-<https://www.youtube.com/watch?v=FIYJ17DGh4A>

As requested by City Council, staff has prepared a three-year step to get to the Cost of Service option provided by the rate study. Attached is that breakdown. As this is a staff prepared three-year step analysis, it may not be as robust as a Raftelis analysis would be. Raftelis analysis was deemed cost prohibitive.

Staff also ran an analysis on anticipated costs to both the golf course and city accounts if the three-year cost of service option is selected. This analysis is based on 2024 consumption for both accounts. There is no guarantee that future consumption will match past consumption, but the numbers provide a good scope on what the impacts may be.

The City accounts, paid for by the Parks Department, would be year 1- \$56,435.84, year 2- \$112,871.68, and year 3- \$169,307.52, for a total impact of \$338,615.04 over the three years.

The golf course would be year 1- \$46,745.60, year 2- \$93,491.20, year 3- \$140,800. For a total impact of \$281,036.80.

The golf course has indicated it would be open to negotiations for keeping the water rate at current structure, subject to normal rate increases.

As a reminder, there is also the option of selecting the adjusted cost of service which would not lower any user group's rates. Those savings would then be used to offset other user group's rate increases.

Staff are looking for a clear direction from council on how to proceed with a rate structure ordinance. General fund budgets could have a large impact on them based on the direction chosen and staff will need to have an idea of how to budget going forward.

Option 1 would be no change to the water rate structure. Option two would be the three year phasing in of the full cost of service, this includes the pump zone surcharges. Option three would be to adopt the adjusted cost of service rate, to include the adjusted cost of service rates for the pump zone surcharges. Lastly, staff will need a yes or no on implementing the proposed private fire line rates.

REVIEWED BY

Yes No

LEGAL?**RECOMMENDED** Provide direction to staff on direction for Ordinance**ACTION:**

of attachments 2

		Option 1	Option 2			Option 3
User Group		2025 Rates	2028 Phased in Cost of Service			2026 Adjusted Cost of Service
Residential			2026	2027	2028	
Tier 1	1000-4000 Gallons	\$2.17	\$2.22	\$2.27	\$2.33	\$2.27
Tier 2	5,000-12,000 Gallons	\$4.32	\$4.42	\$4.53	\$4.64	\$4.52
Tier 3	13,000 or more Gallons	\$6.49	\$6.65	\$6.81	\$6.97	\$6.80
Non-Residential (Commercial)		\$3.52	\$3.42	\$3.32	\$3.20	\$3.52
Multi-Unit		\$5.81	\$4.96	\$4.11	\$3.25	\$8.81
City		\$2.76	\$3.40	\$4.04	\$4.68	\$2.77
Golf		\$2.76	\$3.44	\$4.12	\$4.82	\$2.76
Group User		\$4.80	\$4.82	\$4.84	\$4.86	\$4.80

		Option 1	Option 2			Option 3
User Group		2025 Rates	2028 Phased in Cost of Service With Anticipated 7% Increases			2026 Adjusted Cost of Service With Anticipated 7% Increase
Residential			2026	2027	2028	
Tier 1	1000-4000 Gallons	\$2.17	\$2.37	\$2.59	\$2.83	\$2.43
Tier 2	5,000-12,000 Gallons	\$4.32	\$4.72	\$5.16	\$5.63	\$4.84
Tier 3	13,000 or more Gallons	\$6.49	\$7.10	\$7.76	\$8.46	\$7.28
Non-Residential (Commercial)		\$3.52	\$3.67	\$3.82	\$3.97	\$3.77
Multi-Unit		\$5.81	\$5.37	\$4.89	\$4.37	\$9.43
City		\$2.76	\$3.59	\$4.48	\$5.44	\$2.96
Golf		\$2.76	\$3.63	\$4.12	\$5.59	\$2.95
Group User		\$4.80	\$5.16	\$4.84	\$5.94	\$5.14

		Option 1	Option 2			Option 3
User Group		2025 Rates	2028 Phased in Cost of Service			2026 Adjusted Cost of Service
Pump Zone 1A-Lower Dawson		\$0.82	\$0.98	\$1.14	\$1.30	\$0.82
Pump Zone 2-Mid Dawson		\$1.16	\$1.23	\$1.30	\$1.39	\$1.16
Pump Zone 3-Upper Dawson		\$1.79	\$2.25	\$2.71	\$3.17	\$1.79
Pump Zone 1B-N. 9th		\$0.57	\$1.07	\$1.57	\$2.06	\$0.76
Pump Zone 1C-Four Mile		\$0.57	\$0.72	\$0.87	\$1.01	\$0.57

Cañon City, CO

Water Cost of Service and Rates Results

January 29, 2025



Agenda



Study goals and objectives



Rate study process



Cost of service discussion

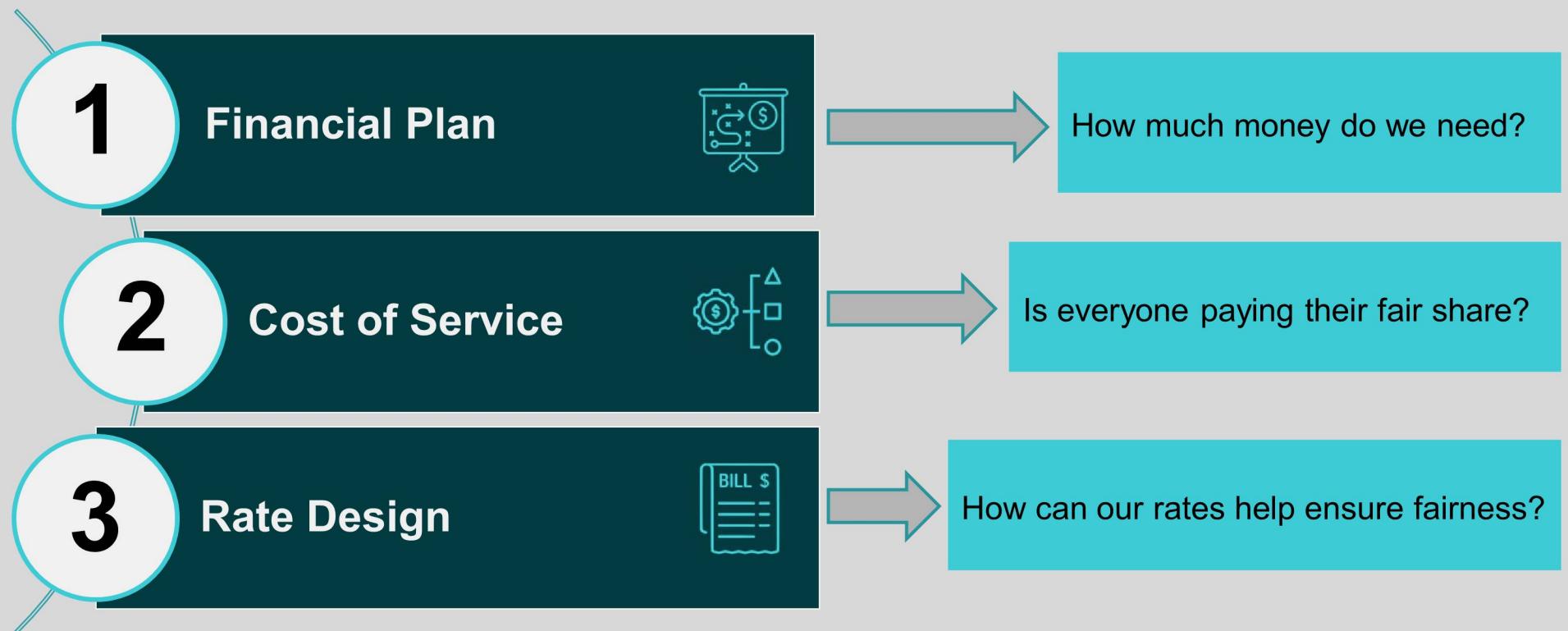


Proposed rates



Bill comparison and utility survey

The City's rate study process



Financial plan study recap



- Equal annual adjustments of 7% in 2025 - 2034



- SRF funding and main replacement and Galvanized Service Line Repl.



- Fund \$51.5 million in capital improvements



- Maintain debt service coverage and target reserves



- Tap fee analysis indicates no changes are required

Cost of Service





What is a cost of service analysis?



- Determines amount of revenue to be recovered from each customer class
- Considers the number of customers and usage demands they impose on the system



- Recognizes the different demand and customer characteristics of each class:
 - Average day demand
 - Peak demands
 - Number of customers
 - Number of meters by size



- Cost to provide service will vary by class



What is a cost of service analysis?



- Determine the revenue requirement



- Assign costs based on system facility or function in system which drives that expense



- Allocate functionalized costs based on how facilities are designed or are operated in the system



- Distribute allocated costs to customer classes based on their customer and demand characteristics



Cost of service – areas of focus



- Zone surcharge analysis



- Equitable allocation of Golf Course and City parks costs



- Private fire protection rates



- Combining Group User rate class with Municipal class



Cost of service – policy considerations



- Should cost of service rates be adopted for all classes (i.e. monthly service charges and volume rates)?



- Commercial and Commercial Multi-unit volume rates will decrease slightly.
- Monthly service charges 1"-6" and greater will decrease



Cost of service – policy considerations



- Should cost of service rates be adopted for all classes (i.e. monthly service charges and volume rates)?



No

- Option 1 – Cost of Service : Retain the greater of existing or cost of service rates
- Additional reserves used for future capital funding



No

- Option 2 – Adjusted Cost of Service: Retain the greater of existing or cost of service rates
- Additional recovery to mitigate cost of service impacts on other customer classes facing increases



Cost of service – policy considerations



- Should private fire protection line rates be adopted?
- Approximately 85 commercial accounts
- Total cost recovery: \$38,000
- Distributes cost to provide service otherwise allocated among all other classes



- Should cost of service pumping charges be adopted?
- Last changed over 5 years ago
- Realigns individual pumping zone costs to those customers who require service
- Cost recovery requirement will increase from \$154k to \$417k



Cost of service – policy considerations



- Should the Group Use class be combined with the Municipal class
- Group user class has very few customers – large diversity of demand
- Calculated cost of service shows a decrease in their costs
- Current rate is similar with the proposed municipal rate, \$4.68 per 1,000 gallons. Combined, this rate would reduce slightly.



Comparison of cost of service to revenue at 2025 rates

Class	2025 Cost of Service	2025 Revenue at Existing Rates	Change - \$	Change - %
Residential	\$4,821,701	\$4,762,104	\$59,597	1.3%
Commercial	\$2,361,250	\$2,562,932	(\$201,682)	-7.9%
Commercial - Multi-Unit	\$757,754	\$1,232,053	(\$474,299)	-38.5%
Cotter Water Diversion	\$33,189	\$33,189	\$0	0.0%
Municipal	\$479,021	\$303,791	\$175,230	57.7%
Group User Rate	\$60,219	\$65,570	(\$5,351)	-8.2%
Pumping	\$417,327	\$154,346	\$262,981	170.4%
Golf Course	\$349,062	\$203,507	\$145,555	71.5%
Private Fire Protection	\$37,970	N/A	\$37,970	N/A
Total	\$9,317,491	\$9,317,491	\$0	0%



Comparison of adjusted cost of service to revenue at 2025 rates

Class	2025 Adjusted Cost of Service	2025 Revenue at Existing Rates	Change - \$	Change - %
Residential	\$4,762,104	\$4,762,104	\$0	0%
Commercial	\$2,562,932	\$2,562,932	\$0	0%
Commercial - Multi-Unit	\$1,232,053	\$1,232,053	\$0	0%
Cotter Water Diversion	\$33,189	\$33,189	\$0	0%
Municipal	\$303,791	\$303,791	\$0	0%
Group User Rate	\$65,570	\$65,570	\$0	0%
Pumping	\$154,346	\$154,346	\$0	0%
Golf Course	\$203,507	\$203,507	\$0	0%
Private Fire Protection	\$37,970	N/A	\$37,970	N/A
Total	\$9,355,461	\$9,317,491	\$37,970	0.4%

Rate Design





Rate structure cost recovery

Service Charge
\$ per bill

- Meter maintenance and meter reading
- Customer service, billing, and collection (general admin)
- A component of capital costs = depreciation
- Total service charge revenue recovers ~30% of total rate revenue

Volume-Related Costs
\$ per Kgal

- Costs to collect, treat, and distribute water to customers
- Transmission and distribution system to move water
- Storage and pumping facilities
- Public fire protection costs



Comparison of existing and proposed service charges, \$ per bill

Meter Size	2025 Rates [1,2]	2025 Cost of Service	2025 Adjusted Cost of Service
5/8 - Inch	\$18.26	\$18.60	\$18.60
3/4 - Inch	\$18.26	\$18.60	\$18.60
1 - Inch	\$28.48	\$24.58	\$28.48
1 1/2 - Inch	\$54.21	\$44.50	\$54.21
2 - Inch	\$83.78	\$70.05	\$83.78
3 - Inch	\$155.68	\$133.87	\$155.68
4 - Inch	\$252.77	\$187.51	\$252.77
6 - Inch	\$501.35	\$346.23	\$501.35
8 - Inch	\$798.30	\$925.03	\$925.03
10 - Inch	\$1,149.99	\$1,372.45	\$1,372.45

[1] Outside City service charges are 1.5 times Inside City

[2] 2025 Ordinance 12, page 4 lists the 5/8" and 3/4" meter charge as \$18.26 while all other meter charge schedules list a fee of \$18.25 for inside City



Comparison of existing and proposed volume rates, \$ per 1,000 gallons

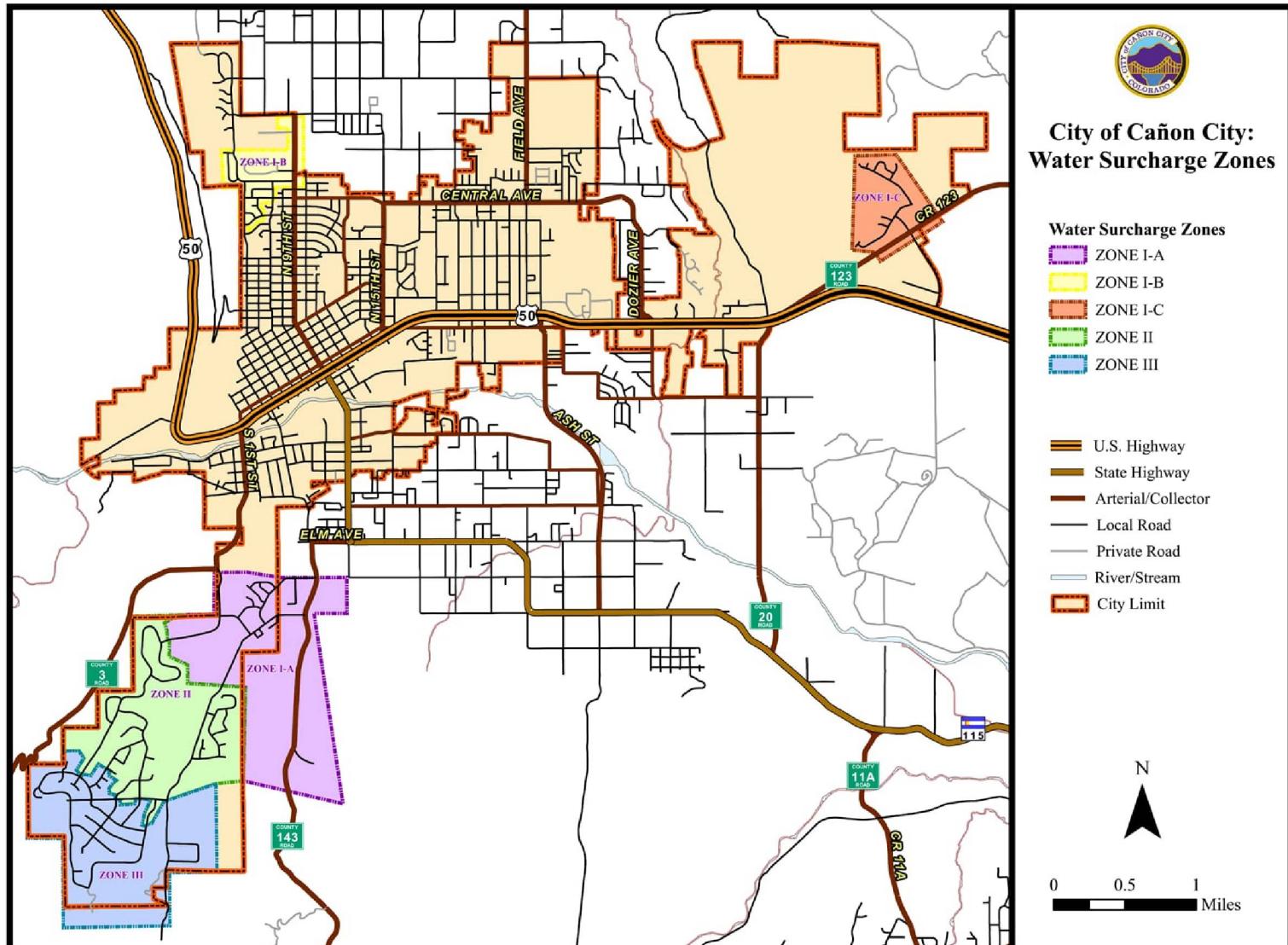
Meter Size	Threshold	2025 Rates	2025 Cost of Service	2025 Adjusted Cost of Service
Residential				
Tier 1	0 – 4,000 gal	\$2.17	\$2.33	\$2.27
Tier 2	5,000 – 12,000 gal	\$4.32	\$4.64	\$4.52
Tier 3	> 12,000 gal	\$6.49	\$6.97	\$6.80
Commercial, all usage		\$3.52	\$3.20	\$3.52
Comm Multi-Unit, all usage		\$5.81	\$3.25	\$5.81
Municipal, all usage		\$2.76	\$4.68	\$2.77
Golf Course, all usage		\$2.76	\$4.82	\$2.76
Group User, all usage		\$4.80	\$4.86	\$4.80

[1] Outside City volume rates are 1.5 times Inside City



Comparison of existing and proposed pumping rates, \$ per 1,000 gallons

Pumping Zone	2025 Rates	2025 Cost of Service	2025 Adjusted Cost of Service
PS 1A – Lower Dawson	\$0.82	\$1.30	\$0.82
PS 2 – Mid Dawson	\$1.16	\$1.39	\$1.16
PS 3 – Upper Dawson	\$1.79	\$3.17	\$1.79
PS 1B – North 9 th	\$0.57	\$2.06	\$0.76
PS 1C – Four Mile Ranch	\$0.57	\$1.01	\$0.57



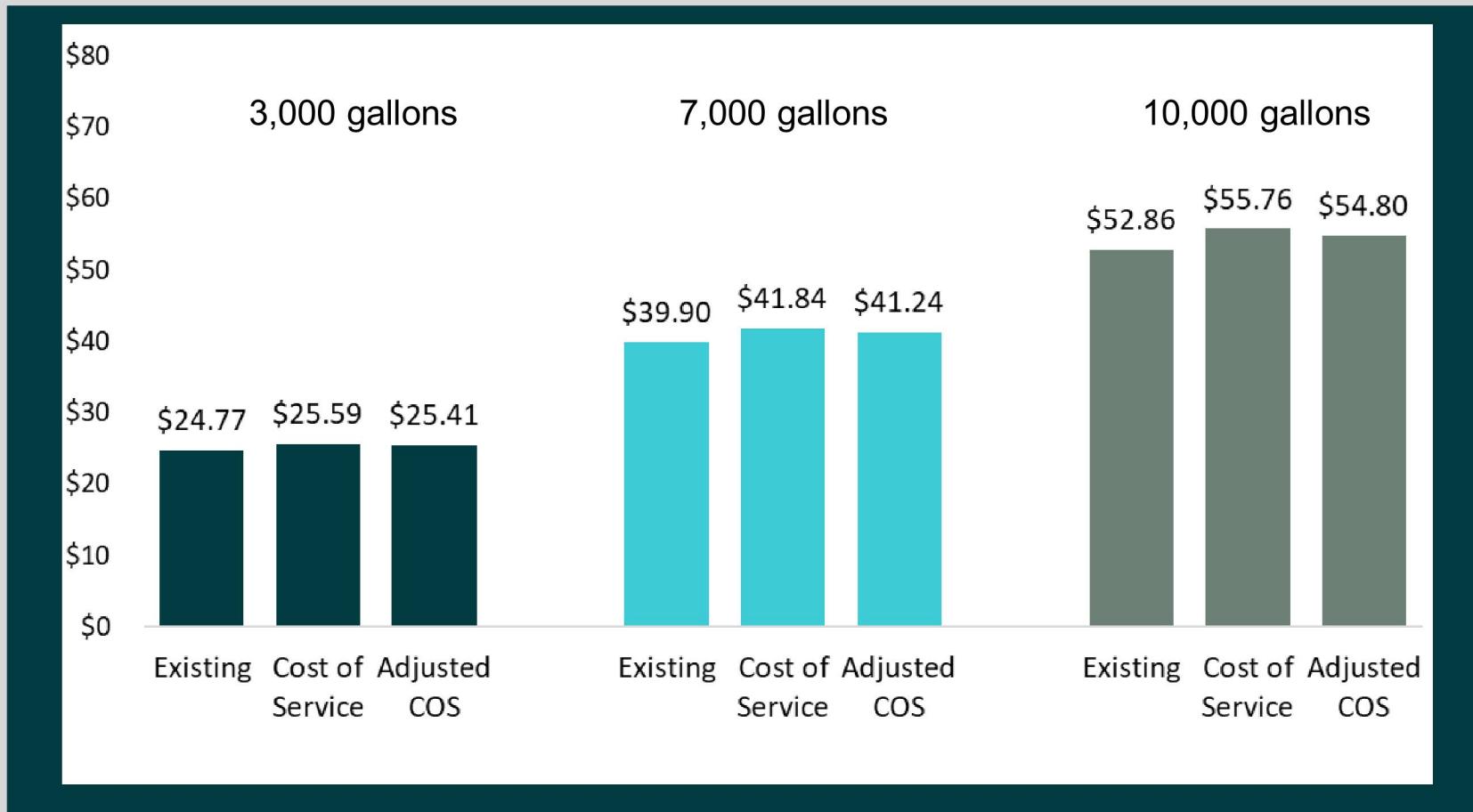


Proposed private fire line rates, \$ per bill, inside City only

Private Fireline Size	Proposed
1.5 inch	\$0.97
2 inch	\$2.07
3 inch	\$6.01
4 inch	\$12.82
6 inch	\$37.23
8 inch	\$79.33
10 inch	\$142.66
12 inch	\$230.43



Residential 3/4" meter bill impacts at various levels of consumption, inside City





Peer utility bill survey

Residential 3/4" meter, 10,000 gals/month, inside City





Thank you!

Contact: Todd Cristiano
303 305 1138 / tcristiano@raftelis.com