

Partial Draft
for Board Review
October 16, 2006



Board of Directors Meeting
 October 18, 2006

- A. Refined Levels of Service, Rates, and Rate Structures
- B. Rate System Policies
- C. Technical Information for Public Outreach

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Today's Presentation

- **Refined Levels of Service and Supporting Rates**
- **Refined Rate Structure Options**
 - Single Family Residential (detached)
 - Commercial, Government, and other non-single family
- **Pending Rate System Policies**
 - Appeals / Customer Service
 - Credits
 - System Development Charges
 - Exemptions
- **Technical Information for Public Outreach**
 - Level of Service
 - Rates and Rate Structure
 - Billing Implementation



Proposed Level of Service

Recommended Level of Service (refined)

Three Categories- now aligned with budget

1. Program Costs- *same as last meeting*
2. Maintenance Costs- *refined from last meeting*
3. Capital Costs- *same as last meeting*



Proposed Level of Service

Recommended Level of Service and Inflation Increases (refined)

1. Program (salaries, benefits, building, services and administration)- *same as last meeting*

- *Five Year NPDES Permit Terms Drive Program*
- Salaries and Benefits increase: *15% once every 5 years*
- Services and Admin. increase: *5% once every 5 years*
- Building and related increase: *20% every 7 years*
- Inflation increases: *5% per year*

2. Maintenance- *refined from last meeting*

- Increase: *100% in 8 Years*
(from low level to medium level)
- Inflation increases: *4% per year*



Proposed Level of Service

Recommended Level of Service Increases

3. Capital- **same as last meeting**

- Increase: *None- Steady State program*
- Inflation increases *3% per year*

- Critical CIP: \$30 Million Constructed in Years 1 - 10
- Medium CIP: \$20 Million Constructed in Years 11 – 20
- Emerging Needs: \$0.75 Million per year for yet to be identified needs for emergencies and new master plans
- 3% inflation increases annually



Level of Service Categories Revised to Match 2006 and 2007 Budget

1. Program Costs portion of 2006 and 2007 Budget:

	2006	2007
<i>Operating Expenses</i>		
Salaries and Benefits (maintenance portion in 2007 (\$267,000) moved to maintenance, below)	\$44,481	\$1,770,880
Building and Related	\$130,500	\$223,692
Field Operations (moved to Maintenance, below)	-	-
Services and Administration	\$243,025	\$479,792
Consultant Services	\$440,000	\$260,000
<i>Non-operating Expenditures</i>		
Bank Loan Payments (Principle)	\$102,269	\$633,057
Bank Loan Payments (Interest)	\$30,923	\$166,094
Repayment of City and County Loans	-	\$700,000
TOTAL PROGRAM COSTS	\$991,558	\$4,233,515

Level of Service Categories Revised to Match 2006 and 2007 Budget

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2. Maintenance Costs portion of 2006 and 2007 Budget:

	2006	2007
<i>Operating Expenses</i>		
Salaries and Benefits (maintenance portion)		\$267,000
Field Operations	\$409,750	\$740,865
<i>Non-operating Expenditures</i>		
None		
TOTAL MAINTENANCE COSTS	\$409,750	\$1,007,865

Level of Service Categories Revised to Match 2006 and 2007 Budget

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3. Capital Costs portion of 2006 and 2007 Budget:

	2006	2007
<i>Operating Expenses</i>		
None	-	-
<i>Non-operating Expenditures</i>		
Capital Projects – Unrestricted	-	\$4,676,000
Capital Projects - Restricted	-	-
TOTAL CAPITAL COSTS	-	\$4,676,000

Review of Handouts
Showing Refined 20 Year Budget and Rates

To be completed

Refined Rate Structure Options
Single Family Residential (detached)
Commercial, Government, and other non-single family

To be completed

Pending Rate System Policies
*Potential Policies Under Development
to Complement Basic Rate Structure*

- ✓ **Appeals and Customer Service**
- ✓ **Credits**
- ✓ **System Development Charges**
- ✓ **Exemptions**



Pending Rate System Policies
*Potential Policies Under Development
to Complement Basic Rate Structure*

- ✓ **Appeals and Customer Service**

To be completed



Pending Rate System Policies

Potential Policies Under Development to Complement Basic Rate Structure

✓ Credits

- **Economic incentive for large property owners to modify system for mutual benefit**
- **Based on estimate of actual program cost reduction accruing to the local program and usually requires**
 - Formal application by property owner to SEMSWA Board providing rationale for credit on form approved by board
 - Assurance of long-term effectiveness of basis for credit
 - Board approval
 - Renewal or cancellation of credit based on review of effectiveness of measures by property owner via a credit renewal process (i.e. once every 5 years)
- **Examples**
 - Peak flow reduction via special detention or disconnection of impervious areas from SEMSWA system
 - Pollution reduction via low impact or "green" site design that goes beyond standards adopted by SEMSWA
 - Provision of public education services for NPDES permit program,



Pending Rate System Policies

Potential Policies Under Development to Complement Basic Rate Structure

✓ System Development Charges

- **Capital contributions to pay for special burdens placed on system by new developments**
- **Consistent fee structure levels the playing field for all developments within the service area**
- **Fees can be applied by SEMSWA to highest priority projects on an interim basis to maximize the effectiveness of the collected fees**



Pending Rate System Policies

Potential Policies Under Development to Complement Basic Rate Structure

✓ Exemptions

- Could be considered only if property owner provides full mitigation of service demands
- Exemptions for any other purpose (community service, financial hardship, etc) are inconsistent with “user pays” philosophy of utilities, tend to undermine the viability of a rate structure, and are usually not provided



Technical Information for Public Outreach

SEMSWA Rate System

Current Program (\$2- \$3 Million per year)

- ✓ **Program**
 - Unfunded federal mandate throughout service area (NPDFES Permits)
 - Special needs of Cherry Creek watershed
- ✓ **CIP**
 - Ad hoc
 - Supported from General Funds of Centennial and Arapahoe County
 - Supported by system development charges in East Cherry Creek Valley and Arapahoe County Water and Wastewater Authority
 - Limited support from Denver Urban Drainage and Flood Control District (\$500,000 per year)
 - Current critical backlog \$30 Million
- ✓ **Maintenance**
 - Low Level of Service
 - Deferred maintenance has created a \$12 Million backlog of remedial repairs



Technical Information for Public Outreach

SEMSWA Rate System

Program Needs (\$7.4 Million per year)

- ✓ **Program**
 - Unfunded federal mandate throughout service area (NPDFES Permits)
 - Special needs of Cherry Creek watershed

- ✓ **Maintenance**
 - Low Level for the first 2 years
 - Low Level to Medium Level in 8 years

- ✓ **CIP**
 - Critical CIP: \$30 Million Constructed in Years 1 – 10
 - Medium CIP: \$20 Million Constructed in Years 11 – 20
 - Emerging Needs: \$0.75 Million per year for yet to be identified needs for emergencies and new master plans



Technical Information for Public Outreach

SEMSWA Rate System

Rate System Design

- ✓ **Who pays ?**
 - All users of the system
 - Users include all property owners who use the stormwater management system including tax exempt properties
 - Developers also contribute capital in the form of system development charges to pay for capital improvements needed to accommodate the additional burdens new developments place on the system

- ✓ **What do they pay for ?**
 - Program (water quality and other)
 - Maintenance and repairs to the system
 - Capital improvements

- ✓ **How is everyone's share calculated ?**
 - Proportional to the service demands and costs they create for the service provider
 - Single Family Detached Residential: Impervious area (pending Board decision)
 - Other Properties: Percent Impervious area (pending Board decision)



Summary

- **Refined Levels of Service and Supporting Rates**
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 - Billing Implementation