

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: *3% 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
<b>TOTAL PROGRAM COSTS</b>	<b>\$991,558</b>	<b>\$4,233,515</b>

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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		
<b>TOTAL MAINTENANCE COSTS</b>	<b>\$409,750</b>	<b>\$1,007,865</b>

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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	-	-
<b>TOTAL CAPITAL COSTS</b>	<b>-</b>	<b>\$4,676,000</b>

**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 (NPDES 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
- Refined Rate Structure Options
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