

**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



Board of Directors Meeting October 18, 2006 Levels of Service, Rate Structures and Rates



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,



Board of Directors Meeting October 18, 2006 Levels of Service, Rate Structures and Rates



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**



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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 (NPDES 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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