

SOUTHEAST METRO STORMWATER AUTHORITY
acting by and through
SEMSWA WATER ACTIVITY ENTERPRISE

RESOLUTION 24-25

Authorization to Enter into an On-Call Contract with Jacobs Engineering Group, Inc. for
Professional Services to Perform a Cost of Service Study

WHEREAS, the Southeast Metro Stormwater Authority (SEMSWA) was formed by an Intergovernmental Agreement to plan, fund, construct, acquire, operate, and maintain drainage and flood control facilities as well as to manage stormwater quality and comply with the requirements of the National Pollutant Discharge Elimination System (NPDES) within its boundaries (Purposes); and

WHEREAS, SEMSWA established the SEMSWA Water Activity Enterprise to carry out these Purposes; and

WHEREAS, SEMSWA assesses fees to fund these Purposes through three primary sources; Annual Stormwater Fees, Review and Permit Fees, and System Development Fees; and

WHEREAS, the Annual Stormwater Fees were adopted in 2006, the Review and Permit Fees were adopted in 2010, with minor revisions to these fees in 2013 and 2018, and the System Development Fees were adopted in 2009, and the methodology was amended in 2010 and again in 2013, hereinafter (“Fees”); and

WHEREAS, though the Annual Stormwater Fees and System Development Fees have been revised yearly based on the currently methodology, the Review and Permit fees have not been reevaluated since their adoption, therefore a comprehensive look at the Review and Permit fees has not been done since the formation of SEMSWA; and

WHEREAS, revenues from SEMSWA Fees have not kept up with program costs for a variety of reasons, including increasing construction costs, changes in development patterns, changes in level of service requirements, and potentially expanding responsibilities; and

WHEREAS, SEMSWA has been coordinating with Jacobs Engineering Group, Inc (Jacobs) to develop a scope of work (Exhibit A) to reevaluate SEMSWA’s Fees to better align with current construction and maintenance costs, and develop a method to keep costs aligned with future cost increases while maintaining a sustainable level of service; and

WHEREAS, SEMSWA desires to enter into an On-Call Contract with Jacobs to perform a cost of service study and to provide recommendations on SEMSWA Fees and level of service adjustments; and

WHEREAS, SEMSWA has adopted a budget for calendar year 2024, which includes funds for the Professional Services and approval of additional funds will be needed in the calendar year 2025 budget.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board authorizes funding in an amount not to exceed \$300,000.00.
2. The Executive Director is authorized to execute an On-Call contract and scope with Jacobs Engineering Group, Inc. for the project.

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Date: September 18, 2024

ATTEST:

Secretary

Chairperson

APPROVED AS TO FORM:
Attorney for
Southeast Metro Stormwater Authority

By _____
Edward J. Krisor

Exhibit A

SEMSWA Cost of Service Study – Scope of Work

Purpose

The purpose of this project is for Jacobs Engineering Group Inc. (Jacobs) to reevaluate SEMSWA's fees to better align with current construction and maintenance costs, and develop a method to keep costs aligned with future cost increases while maintaining a sustainable level of service.

Background

The Southeast Metro Stormwater Authority (SEMSWA) was formed by an Intergovernmental Agreement (IGA) in September 2006 between Arapahoe County, City of Centennial, Arapahoe County Water and Wastewater Authority, East Cherry Creek Valley Water and Sanitation District, and Inverness Water and Sanitation District (Partners) to provide stormwater related services in Arapahoe County, Colorado. SEMSWA funds stormwater services through three primary sources: Annual Stormwater Fees, Review and Permit Fees, and System Development Fees. Revenues have not kept up with program costs for a variety of reasons, including increasing construction costs, changes in development patterns, changes in level of service requirements, and potentially expanding responsibilities for maintenance. Therefore, SEMSWA has requested a comprehensive review of its current fee structures, cost of service and associated revenue requirements, and options for modifications to the current fee structures. The following scope of work identifies tasks that are structured to meet these objectives.

Task 1: Project Management

This task includes management of the scope, schedule, budget, and team.

Assumptions: Assumes a 12 month project duration.

Deliverables: Invoices will be prepared monthly and provided to SEMSWA.

Task 2: Meetings and Coordination

This task assumes that progress meetings will be held every two weeks for 12 months and are one hour long. Kyle Hamilton will attend in-person or virtually as needed, and Laurens Van der Tak and Keith Bishton will attend virtually.

Assumptions: Assumes a 12 month project duration.

Deliverables: A meeting agenda and email summary of key discussion items and action items will be provided for each progress meeting.

Task 3: Data Collection and Review of Current Fee Structure

The purpose of this task is to collect data necessary to complete a baseline assessment of SEMSWA's current fee structure, including cost of service, revenue requirements, and stormwater operations and capital infrastructure considerations.

The following data will be requested, catalogued, and reviewed:

- **Original and Current Fee Schedules:** Information related to the Annual Stormwater Fees, Review and Permit Fees, and System Development Fees will be collected. Historical fee schedules will also be requested to help identify trends.
- **GIS Data:** Service area, impervious area, developed and undeveloped areas, and property boundaries.
- **Capital Improvement Program:** Planned capital projects, Master Plans, and estimated project costs.
- **Stormwater Operations:** Level of service and work-order data for maintenance, as applicable. Jacobs and SEMSWA will work together to define the terminology used for existing and desired levels of service. SEMSWA will also identify "pain points" to be assessed as part of the level of service discussions.
- **Building and Development:** Comprehensive Plans, historic building permit activity, and anticipated future building permit activity to inform anticipated growth rate estimates and timing for full buildout.
- **Stormwater Fixed Asset Inventory:** Type of facility, installation date, original value, accumulated depreciation, and asset management plans. This inventory will include assets that may become the responsibility of SEMSWA, such as box culverts.
- **Financial Information:** Annual Comprehensive Financial Reports (ACFR), Budgets, and Accounting / Debt Management Policies.
- **Customer Information:** Billing register (account type, impervious area, billed amounts), Accounts Receivable, and aging reports.
- **Growth Rate Estimates:** Historical growth rates, anticipated growth rates, and maximum impervious area at build-out, to support assessments of annual fee potential for future System Development Fees.

This task will also include analysis of what SEMSWA's fees would currently be valued at if the original fee increase intent was followed (5% each year).

Deliverables:

- Jacobs will provide data collection templates or examples to SEMSWA to illustrate the typical data collection format. It is assumed that SEMSWA will provide the data in an Excel format when possible.
- Information from this task will be included in the Summary Report (Task 9).

Task 4: Comparison of Fees and Programs to Other Jurisdictions

The purpose of this task is to review SEMSWA's existing stormwater fees, programs, and financial performance (i.e., expenditures and revenues) and compare those to other jurisdictions.

This task will begin by summarizing SEMSWA's current programs and fees, including the following:

- Review SEMSWA's stormwater programs and current level of service. Identify current level of service activities, frequency of events, crew size, speed of implementation of CIP, etc.
- Review program costs, including, but not limited to, operations and maintenance, MS4 permit inspection, capital (renewal and replacement), labor, and debt service (principal and interest).
- Estimate baseline revenue requirements based on an evaluation of financial statements and budgets (based on the existing level of service estimates).
- Evaluate baseline revenues and bill collection rates (accounts receivable aging reports).

The comparison to other jurisdictions will include the following:

- Compare Annual Fees, System Development Fees, and Land Development/Permit/Compliance Fees to other jurisdictions to identify significant differences and make recommendations if the fees shall remain, if the current fee increase methodology is acceptable, or if changes should be considered.
- We will coordinate with SEMSWA to determine which jurisdictions are used for the comparison, and if SEMSWA has already obtained their information. The following information is anticipated to be used in the comparison:
 - Review and summarize program types and fees charged by other stormwater jurisdictions.
 - Review the age of the data from each jurisdiction and the basis for each of their programs and fees.
 - Review how other stormwater jurisdictions manage culverts/bridges, curb and gutter, etc.
 - Review national studies as applicable (e.g. the B&V study and the Western Kentucky study) for input into this assessment.
 - A survey could be developed to request information from the jurisdictions to answer any specific questions from SEMSWA.

Assumptions:

- Up to six jurisdictions will be used in the comparison.
- SEMSWA will provide reports or other data from the Partners, as applicable.
- The needed support will be coordinated with SEMSWA, and may vary based on the amount of data to review and the level of detail needed for the comparisons.

Deliverables: Information from this task will be included in the Summary Report (Task 9).

Task 5: Evaluate Target Level of Service and Potential Fee Structure Changes

This task includes a qualitative assessment of the fee structures and potential changes. Detailed financial analysis and modeling is included in Task 6. This Task 5 includes the following:

- Coordinate with SEMSWA regarding the desired level of service changes, and define the desired level of service (e.g., maintenance activities, maintenance frequency, crew size, speed at which CIP projects can be implemented, etc.).
- Review statutory and regulatory requirements as applicable to SEMSWA (e.g. MS4, regulatory floodplains, etc.). If there are new statutory or regulatory requirements, define the incremental changes needed beyond the current level of service.
- Assess the following potential fee changes, as initially identified by SEMSWA:
 - Annual Fees
 - If the current fee structure is not comparable to surrounding communities, reevaluate the fee structure and methodology.
 - System Development Fees
 - Assess restructuring, simplification, and consolidation of basin area/groups.
 - Assess the practical minimum and maximum fee values.
 - Land Development Review/Permit/Compliance Fees
 - Assess simplification
 - Assess modifications and evaluation per SEMSWA's redlined notes of the current fee document.

Deliverables: Information from this task will be included in the Summary Report (Task 9).

Task 6: Cost of Service Rate Study

This task includes the following:

- Financial analysis and modeling, as determined to be needed.
- If the current fee structure is not comparable to surrounding communities, reevaluate the fee structure and methodology.
- Recommend methodologies for updating the fees on an annual basis to keep current with increasing costs, without the need for a large study.
- Review the results from the above tasks and coordinate with SEMSWA to develop the projected revenue requirements for the desired future level of services.
- Coordinate with SEMSWA to develop appropriate and reasonable allocation factors to distribute the revenue requirements to the appropriate program function and demographic. The allocation factors will take into consideration customer type, basin area, new growth, and other factors as needed.
- Based on the defined allocation factors, allocate the revenue requirements to support the evaluation of SEMSWA's rate structures. For example, CIP costs may need to be distributed to both projects that support existing customers and new facilities to accommodate growth.
- Allocate revenue requirements based on function (flooding, water quality, MS4 controls, General Administration, etc.) and demographics (basin, customer type, etc.) to facilitate the evaluation of Annual Fees, Review and Permit Fees, and System Development Fees. The cost allocation process will help identify if the existing rate structures are adequate and have longevity, or if a new rate structure is needed to address fair and equitable allocation of costs.

- Develop rate scenarios for the existing rate structures to evaluate levels of service, funding sources (cash vs. debt), phase-in of programs, and grant funding (state, federal, CDOT, etc.). Based on input from SEMSWA regarding the selected rate scenario(s), a new rate structure will be evaluated to compare rate impacts to customers.
- If rate increases are needed, reasonable assumptions about billing delinquencies will be made.

Assumptions: The effort could vary depending on the number of level of services scenarios, planning horizons, financial scenarios, if Jacobs or SEMSWA performs the GIS analysis, etc.

Deliverables: Information from this task will be included in the Summary Report (Task 9).

Task 7: Assessment of New Fees or New Program Costs

This task includes the following:

- Confirm with SEMSWA the potential new program areas that may become SEMSWA's responsibility (e.g. culvert inspection/repair/replacement, street sweeping, etc.). Confirm which culverts and/or bridges may become SEMSWA's responsibility.
- Review data from Arapahoe County related to their past responsibilities, program elements, and historic costs that may inform SEMSWA's future costs.
- Estimate the annual costs associated with each new program area. It is noted that additional data will likely need to be developed to estimate these costs.
- Evaluate and define operating and capital cost items. For capital cost items, identify both projects and costs that support existing development, and future growth related capital projects and costs.
- This assessment will consider the following items:
 - Investigate the development of a Redevelopment Stormwater Fee, and if this has been done elsewhere.
 - Consider fee reductions for affordable housing (even though the impact to the stormwater system remains the same).
 - Consider Highline Canal maintenance requirements and costs.
 - Consider culvert/bridge inspection, maintenance, repair, and replacement requirements and costs.
 - Consider an Operation and Maintenance Inspection Fee (or Reinspection Fee) and how to collect.
 - Analysis of replacement costs for existing infrastructure.
 - Consider a Utility Intrusion Fee (e.g. a utility penetration through SEMSWA's infrastructure) and how this could be assessed and collected. This may include an initial damage fee plus the costs of the actual repairs. SEMSWA will provide available historical data.

Assumptions: The effort required for this task will vary depending on the level of detail needed to assess new programs and costs. Jacobs will coordinate with SEMSWA to confirm the assessment needs, level of detail, and budget to allocate to this task. Jacobs will provide examples of the GIS analysis (from a similar representative project) for SEMSWA to review and consider performing in-house.

Deliverables: Information from this task will be incorporated into the Task 6 financial analysis and modeling, as needed, and included in the Summary Report (Task 9).

Task 8: Miscellaneous and As-Needed Support

This task includes an allowance budget for miscellaneous and as-needed support. The following items have been discussed with SEMSWA and may merit assessment and coordination:

- Support SEMSWA regarding fee changes with partners.
- Regarding the County and Centennial culverts and transfer of responsibility, determine if ownership of that infrastructure would also be transferred. Review the associated implications, such as risks, safety, liability, etc.
- Consider upcoming property tax increases, and how those may impact the timing for implementation of SEMSWA's revised fee structures.
- Determine if there are Partner Open Space items to consider, such as pedestrian bridge culverts, pedestrian bridges, etc.).
- Supplemental GIS support as needed.
- Review /analysis of original IGA and AMEC report to determine intent of SEMSWA responsibility & basin approach or other approaches.

Deliverables: Updates to the Summary Report, as needed.

Task 9: Summary Report

This task includes development of a summary report to capture the assessments and results of the above tasks. A PowerPoint summary presentation will also be developed for coordination with the SEMSWA board.

Assumptions and Deliverables: It is assumed that a draft report will be provided, a workshop will be held to review and discuss comments, one round of SEMSWA comments will be addressed, and a final report will be provided. It is also assumed that two SEMSWA board meeting presentations will be conducted by SEMSWA staff and Jacobs.

Task 10: Public Outreach Support

This task includes public outreach support related to potential fee changes, as needed. This task will be coordinated with SEMSWA, and may include the following:

- Public outreach support, if needed, which will be dependent on the extent of the fee changes.
- Support SEMSWA's in-house public outreach if there are no changes to Annual Fees.
- Support public outreach if there are changes to the Annual Fees.
- Support coordination with a SEMSWA board subcommittee, if one is established.

Assumptions: This effort could vary depending on the outreach needed, number of community events or meetings, number and type of outreach materials, etc.

Deliverables: This support could include preparation of presentations, flyers, board meeting presentations, community meeting support, website content, or others as needed.

General Assumptions

- Jacobs will reasonably rely upon the accuracy, timeliness, and completeness of information provided by others.
- In providing opinions of cost, financial analyses, economic feasibility projections, and schedules for the Project, Jacobs has no control over cost or price of labor and materials; unknown or latent conditions of existing equipment or structures that may affect operation or maintenance costs; competitive bidding procedures and market conditions; time or quality of performance by operating personnel or third parties; and other economic and operational factors that may materially affect the ultimate Project cost or schedule. Therefore, Jacobs makes no warranty that the actual Project costs, financial aspects, economic feasibility, or schedules will not vary from Jacobs's opinions, analyses, projections, or estimates.

Schedule

It is assumed that the project will occur over 12 months (October 2024 to October 2025). The work would be completed to support implementation during the 2026 budget cycle, if possible. It is anticipated that changes to the fees or structures would need to be agreed upon by early September 2025. Extension of the schedule or a phased approach to implementation may be needed.

Fee Estimate

As coordinated with SEMSWA, the level of effort required for this study is difficult to estimate, and could vary based on the level of detail needed. If additional support is needed, an amendment will be coordinated with SEMSWA.

Compensation will be on a time and expenses basis. Hourly rates are based on the rates provided in Exhibit B. Direct costs will be billed at cost and mileage will be billed at the current IRS rate. It is assumed that these services will be managed to the total contract amount, and underruns or overruns at the task and subtask level are acceptable. Labor rates are effective through December 31, 2025. Please refer to Exhibit B for a detailed breakdown of the fee estimate.

Task Description	Principal Project Manager	Program Manager	Project Engineer 4	Project Assistant	Labor Hours	Labor Cost	Expense Cost	Total Cost
Staff:	Hamilton	Van der Tak	Bishton	Hoffman				
2024 Rate, \$/Hr	\$230.00	\$245.00	\$185.00	\$105.00				
Task 1: Project Management	110			24	134	\$ 27,820.00		\$ 27,820.00
Task 2: Meetings and Coordination	58	48	48		154	\$ 33,980.00	\$ 2,000.00	\$ 35,980.00
Task 3: Data Collection and Review of Current Fee Structure	16	16	40		72	\$ 15,000.00		\$ 15,000.00
Task 4: Comparison of Fees and Programs to Other Jurisdictions	30	46	90		166	\$ 34,820.00		\$ 34,820.00
Task 5: Evaluate Target Level of Service and Potential Fee Structure Changes	24	40	80		144	\$ 30,120.00		\$ 30,120.00
Task 6: Cost of Service Rate Study	50	100	180		330	\$ 69,300.00		\$ 69,300.00
Task 7: Assessment of New Fees or New Program Costs	40	50	100		190	\$ 39,950.00		\$ 39,950.00
Task 8: Miscellaneous and As-Needed Support	25	25	30	24	104	\$ 19,945.00		\$ 19,945.00
Task 9: Summary Report	30	30	80		140	\$ 29,050.00		\$ 29,050.00
Task 10: Public Outreach Support	50	45	40		135	\$ 29,925.00	\$ 1,090.00	\$ 31,015.00
Total	433	400	688	48	1569	\$ 329,910.00	\$ 3,090.00	\$ 333,000.00