

Exhibit B



DATE: October 8th, 2024

TO: City/County Drainage Board

FROM: Erin Powers, Compliance Program Manager, Stormwater Enterprise

SUBJECT: 2025 FEE STUDY

Following is a summary of research on drainage construction costs with a recommendation regarding the annual review of the Drainage, Bridge and Detention Pond fees in 2024 to adjust for inflationary costs for fees to be collected in 2025.

Background. The City's Drainage Code includes the following paragraph about annual fee adjustments:

City Code:

7.4.702: DRAINAGE BASIN FEE PROGRAM:

C.1.d: Prior to January 1 of each year the unit drainage fee and the unit pond land fees shall be reviewed by the Drainage Board, which shall make a recommendation to the City Council as to any adjustment to the fees. In the absence of additional studies, the unit pond land fees are intended to be raised or lowered by the same percentage as the City's park land dedication fee. Upon such recommendation the City Council shall establish by resolution the unit drainage, bridge, pond facility, pond land, and surcharge fees in each drainage basin to be effective January 1 of each year. The fees shall be reestablished in accord with changes in construction and other costs or revisions suggested by additional studies or other information obtained.

Drainage Basin fees shall be reviewed and adjusted annually in order to comply with City Code and to stay current with reimbursement costs. The purpose is to ensure consistent, fair, and equitable reimbursements for the costs of constructing public stormwater infrastructure.

Fee Increase History

The drainage basin fees were increased by 7.0% in January of 2022, 9.2% in January of 2023, and 7.6% effective January 1, 2024, with the adoption by City Council at the recommendation of the City/County Drainage Board. There was no adjustment based upon a forecast for 2024.

A table with the drainage fee increases from the past 15 years is included below.

<u>Year</u>	<u>Fee Increase</u>
2010	0.0%
2011	0.0%
2012	0.0%
2013	0.0%
2014	4.3%
2015	0.0%
2016	4.8%
2017	3.5%
2018	5.7%
2019	6.7%
2020	4.0%
2021	3.5%
2022	7.0%
2023	9.2%
2024	7.6%

Data Sources:

As was done in past years, this analysis looks back at actual construction cost increases for the past year.

The research for this year's survey includes data from:

- Colorado Department of Transportation (CDOT) Colorado Construction Cost Index data;
- Denver-Aurora-Lakewood Consumer Price Index (CPI-U);
- Cost data from Engineering News Record (ENR);
- UCCS Economic Form data; and
- Local developers, contractors, consultants, and providers of construction materials.

Colorado Department of Transportation (CDOT) Colorado Construction Index Report ("CCI"):

For specific construction items (Earthwork, Structural Concrete, and Reinforcing Steel) the average cost increased by 8.02% from the first quarter of 2023 to the first quarter of 2024. The CCI is difficult to rely on as the projects that CDOT completes vary widely in location, size, scope, and CDOT's own materials availability. As is evidenced below, the costs of earthwork indicate the highest increase.

<u>Item</u>	<u>1st Quarter. 2023 Index</u>	<u>1st Quarter. 2024 Index</u>	<u>% Change (averaged over year)</u>
Earthwork Price (\$/CY)	25.47	31.88	25.17%
Structural Concrete Price (\$/CY)	1,020.16	1,150.53	12.78%
Reinforcing Steel Price (\$/LB)	2.16	1.86	-13.89%
Average Cost Increase			8.02%

Consumer Price Index (CPI-U): The nationwide CPI-U information provided in the UCCS Economic Forum data for July 2024 indicates all items less food and energy index advanced 3.3%. The Denver-Aurora-Lakewood CPI-U indicates all items less food and energy index advanced 2.4%.

Engineering News Record (ENR):

Calculations were based upon the following commodities for the Denver area: Concrete, 4000 psi; Reinforced Concrete Pipe (average of 24", 36" and 48"); Rebar, Grade 60, #4; and Common Labor and Skilled Labor, comparing July 2023 to July 2024.

<u>Item</u>	<u>July 2023 Index</u>	<u>July 2024 Index</u>	<u>% Change (averaged over year)</u>
Concrete, 4000psi	140	185	32.14%
Pipe (avg. of 3 sizes)	128.67	127.15	-1.18%
Rebar, Grade 60, #4	80.22	80.99	0.96%
Common Labor	818.18	818.18	0.00%
Skilled Labor	943.19	972.24	3.08%
Average Cost Increase			7.00%

Based on these ENR statistics for the Denver area of a normal mix of labor and materials, a typical drainage project likely saw an average increase of approximately 7.00%.

Local Construction Costs (compiled by contacting local drainage construction contractors and materials providers):

City staff surveyed the local development community regarding project costs. The survey included questions regarding concrete, rock, pipe and labor from 2023 to 2024, and reported an average increase of approximately 12.8% in industries that support drainage projects.

Summary:

2024 Overall: Using weighted averages based on the impact of local contractor and supplier data for the past year, CCI, CDOT, ENR (Denver), the CPI-U, and UCCS Economic Forum data for the same time period, it is estimated that overall drainage construction costs have increased an average of 7.5% from the second quarter of 2023 to the second quarter of 2024.

2025 Forecast: The Governor’s Office of State Planning and Budgeting has forecast an increase to the Consumer Price Index of 2.5% for 2024 and an increase of 2.9% for 2025 for the Colorado Denver-Aurora-Lakewood area. An increase based on the 2025 forecast is not recommended at this time.

Recommendation:

Staff recommends an increase of 7.5% over the 2024 drainage, bridge and detention pond facility fees, to include the Miscellaneous Basin fee, and approval of the attached fee schedule effective upon City Council approval.

There has been no adjustment to the Park Land Dedication Fee (\$98,010 per acre); therefore the Detention Pond Land fee will remain the same as in 2024.

A recommended motion would be:

I move to approve a recommendation to City Council for an increase of 7.5% over the 2024 drainage, bridge and detention pond facility fees, to include the Miscellaneous Basin fee, and approval of the attached fee schedule effective January 1, 2025.

Attachments:

- Exhibit A – 2025 Proposed Fee Schedule
- Exhibit B – 2024 Pending Fee Schedule