

STAFF MEMO

DATE OF MEETING: AUGUST 11, 2025 / AGENDA ITEM NO. 5C

To: Mayor and City Council
From: Maria D'Andrea, Director of Public Works
Subject: **Stormwater Service Charge Adjustment**

SUMMARY STATEMENT: The attached resolution would establish certain stormwater utility service charges for residents of the City of Lakewood. Public Works recommends City Council approval of the resolution updating the Stormwater utility service charge.

BACKGROUND INFORMATION: Flooding can affect everyone in a community, and Lakewood's Stormwater Utility works to maintain and improve the stormwater drainage system to provide these benefits across the city:

- Increase the community's safety by reducing the possibility of injury and death from flooding.
- Improve the quality of life for residents, businesses and community members by providing peace of mind that flooding has been reduced or eliminated.
- Reduce the frequency and severity of property damage from flooding.

Much of the existing stormwater infrastructure in Lakewood is at or beyond its design life. Corrugated metal pipes were a common material used for stormwater pipes around 50 years ago and are now showing significant signs of deterioration. While Public Works has worked diligently to maintain the system under the current funding constraints, the utility is often limited to reacting to failures – many of which have resulted in sinkholes and emergency repairs. To better protect public safety and reduce costly emergency work, it is important to proactively line or replace deteriorating pipes before they fail. However, current funding levels do not support a comprehensive rehabilitation or replacement program. Increasing the stormwater utility service charge would enable the utility to shift from a reactive approach to a more strategic, preventive maintenance program for aging infrastructure.

All Lakewood property owners pay an annual service charge to the city's Stormwater Management Utility to maintain, repair and improve the stormwater drainage system. Customers are billed once annually. As of 2025, all single-family and duplex homeowners will receive an annual bill of \$59.88. This is based on an equitable average of 2,250 square feet of impervious area (the area that directly contributes to stormwater runoff). All other property owners in Lakewood, including townhomes, city and other government buildings and nonprofit organizations, are billed for every 2,250 square feet of impervious area on the property.

The Stormwater Utility is an enterprise fund and does not receive revenue through sales tax or property tax. Revenue is obtained through service charges paid by property owners. Revenue collected is dedicated solely to supporting the Stormwater Utility. Increases are necessary to cover the cost of providing services. The last increase adopted by City Council was in 2016, when Council approved a one-time \$1.72 increase along with annual CPI-based adjustments. Since then, the service charge has increased yearly based on CPI, resulting in a cumulative increase of \$1.29 from 2016 through 2024 (approximately 3% per year).

The Stormwater Enterprise Fund also supports improvements to Lakewood's existing stormwater infrastructure, including both Major Drainageway and Local Drainage projects. Major Drainageway projects are identified through master plan studies along the 18 gulches that run west to east through Lakewood. These locations are areas with FEMA-mapped floodplains. These projects are prioritized based on risk to residents and buildings. Maintaining stable major drainageways and reducing flood risk is critical for community safety and resilience. These efforts typically involve costly, multi-year projects. The Mile High Flood District partners with Lakewood and contributes funding to these projects. Since 2009, Lakewood has been saving money for the construction of the North Dry Gulch project that will remove 150 properties from the floodplain. This project is expected to be completed in 2028. Current funding levels support the completion of this important project.

Local drainage projects arise primarily from resident requests about deficiencies in the existing stormwater infrastructure. Many neighborhoods lack adequate systems to collect and convey stormwater safely away from roadways and residences. Over 100 locations have been reported and are ranked according to frequency of flooding and severity of damage to properties. The assessment form for Local Drainage Projects is included in this memo. While the City is able to make gradual progress on local drainage needs, current funding levels are not sufficient to address the full backlog of issues in a timely manner.

To address these needs, an increase in the service charge is proposed for 2026. The current monthly charge of \$4.99 (or \$59.88 annually) would increase to \$7.49 per month (or \$89.82 annually) — an increase of \$2.50 per month. This adjustment represents the first of two planned steps to create funding to allow the Stormwater Utility to address the needs in the community to fix flooding issues. A second adjustment will be brought to the City Council in 2026 to set the service charge for 2027. That resolution is also expected to include consideration of pre-authorized annual CPI-based adjustments for subsequent years. Together, these adjustments are intended to support the replacement of aging infrastructure and enable the City to complete both major and local drainage projects on a more proactive and reasonable timeline.

The City of Lakewood currently maintains a comparatively low stormwater utility service charge relative to neighboring municipalities. With the proposed increases in 2026 and 2027, Lakewood's Stormwater Utility service charge would align more closely with regional averages.

BUDGETARY IMPACTS: Revenues from service charge changes are expected to cover future anticipated costs.

STAFF RECOMMENDATIONS: Public Works recommends modifying the 2026 Stormwater Utility annual service charge to those set forth in the attached resolution. A comparison of current and proposed service charge is also attached.

ALTERNATIVES: The City Council may consider the following alternatives to the proposed service charge adjustments:

- Delay the service charge increases to a future year;
- Modify the proposed 2026 service charge from the amount presented in the resolution; or
- Decline to adopt a service charge increase at this time.

Each of these alternatives would affect the Stormwater Utility's ability to implement its planned capital improvement and infrastructure maintenance efforts.

PUBLIC OUTREACH: Notification of the City Council's consideration of the proposed stormwater service charge adjustment was provided through the normal channels of LakewoodSpeaks.org and the City Council Update section of Lakewood's Friday Report prior to tonight's meeting.

Notice to the public of this City Council meeting occurred through the normal channels for a City Council meeting.

NEXT STEPS: After the City Council's decision, information on Lakewood.org/Flow will be updated with new 2026 service charges and responses to frequently asked questions. In September, a video for social media will be posted regarding the service charge adjustment and the funding will be applied to maintain our waterways and alleviate flooding. In October, a Stormwater article will be included in Looking@Lakewood. In January 2026, the Stormwater Management Utility customers will receive an insert in their yearly Stormwater bill about the reasons for the increase.

ATTACHMENTS:

1. Resolution R-2025-47
2. Local Drainage Assessment Rating Form - Rev 01.2023
3. 2026 Stormwater Management Utility (SMU) Service Charge
4. Stormwater Rates Comparison - Current vs. Proposed 2026

REVIEWED BY: Kathleen E. Hodgson, City Manager
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