An Overview of
Storm Water Utility Creation

Miami Valley Regional
Planning Commission

presented by

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The Formation of a Stormwater Utility
Why Consider the Formation of a Stormwater Utility?

You Need Funding to Pay for Stormwater Management Related Programs

- MS4 permit compliance
- Flood mitigation
- Asset management
- TMDL’s
Define Your Stormwater Management Program

- Water Quantity (i.e., flooding)
- Water Quality (i.e., MS4, TMDL)
- Operation and Maintenance of the drainage system
- Repair and replace aging infrastructure
- Hydromodification (erosion)
How Much Funding Do You Need?
What is Your Cost of Service?

1. **WHERE** are you going to provide services?

2. **WHAT** services are you going to provide?

3. **HOW OFTEN** are you going to provide services?

WHERE?
- Area of Service

WHAT?
- Extent of Service

HOW OFTEN?
- Level of Service
Area of Service – (Where)
City Limits
Extent of Service (What)

Define Roles and Responsibilities

- System O&M
- Capital Improvement Program
- MS4 Permit Compliance
- Plan review and inspection
- Master planning
Public Versus Private System
Public Versus Private System
Level of Service (How Often)

- Cleaning and Inspecting Infrastructure
- Repair and Replace Infrastructure
- Design Storm
- Flood Mitigation Standards

<table>
<thead>
<tr>
<th>System Component</th>
<th>Maintenance Service Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipe</td>
<td>10 years</td>
</tr>
<tr>
<td>Culvert</td>
<td>10 years</td>
</tr>
<tr>
<td>Inlet</td>
<td>7 years</td>
</tr>
<tr>
<td>Outfall</td>
<td>10 years</td>
</tr>
<tr>
<td>Manhole/Junction Box</td>
<td>10 years</td>
</tr>
<tr>
<td>Rural Area Channel/Creek</td>
<td>40 years</td>
</tr>
<tr>
<td>Urban Area Channel/Creek</td>
<td>20 years</td>
</tr>
<tr>
<td>Pond/Lake</td>
<td>10 years</td>
</tr>
</tbody>
</table>
Cost of Service

Area → Extent → Level → Cost $$$
Options for Funding Stormwater Management Program

- General Fund
- Taxes
  - Property Taxes
  - Ad Valorem Taxes
  - Sales Tax
- Fees
  - Permitting and Fees
  - New Development Impact Fees
- Grants
  - **Stormwater Utility (User Fees)**
What is a Stormwater Utility?

“A utility established for the purpose of managing stormwater and imposing charges for the recovery of costs connected with such stormwater management”
Why Consider Stormwater Utility Formation?

- Fair and Equitable
- Dedicated and Sustainable Revenue Source
- Legally and Technically Defensible
- Publicly Acceptable
Fee vs. Tax

A charge is a fee and not a tax if it meets 3 criteria:

1. Serve regulatory purpose (not raise revenue)
2. Be proportionate to necessary cost of service
3. Be voluntary
   - Includes concept of credit programs to reduce costs

“A tax us universally defined as an enforced contribution to provide for the support of government, whereas a fee is a charge for a particular service.
– Dickson v. Jefferson County Board of Education (1950)
Basis of User Fee

1. Parcel Area Based
   1. Impervious Area
   2. Gross Area
   3. Gross Area with Runoff Factor
   4. Gross Area with Intensity of Development Factor

2. Land Use Class
   1. Residential vs. Non-Residential

3. Flat Fee for all Parcels

Keep it Simple!
National Survey - Rate Structure

- 96% are parcel based
- 92% use an impervious area based fee
- 84% of utilities used a uniform flat fee or a tiered structure for residential parcels
Keys to Successful Utility Implementation

Fee structure should be:

- Legally defensible
- Technically sound
- Understandable by the public
Importance of Funding

11. Please rank the importance of each of the issues listed below in enhancing your utility’s stormwater management. (1 = Least Important; 5 = Most Important)

- Funding or Availability of Capital: 4.6
- Public Awareness and Support for Stormwater Management Information Systems: 4.2
- Increasing or Expanding Regulations: 3.8
- Nutrient/TMDL Requirements: 3.7
- Green Infrastructure Needs: 3.6
- Aging Combined Sewer and Stormwater Infrastructure: 3.3
- Integrated Wet Weather Planning: 3.1
- Aging Workforce: 2.9
- Integrated Water Supply Planning that includes Stormwater Capture: 2.5
- Coastal Resiliency: 1.9

2018 Stormwater Utility Survey, A Black and Veatch Report
Adequacy of Funding is a Challenge

In our stormwater survey, we find a significant range in the magnitude of typical monthly residential stormwater charge, among the participating utilities. This is a continuing trend over the last several surveys. In analyzing the results, we find that the wide range in the charges is largely due to user fees not reflecting the full “cost of service,” and not necessarily due to significant cost of service differences among comparable utilities.
## Adequacy of Funding

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2016</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Adequate to Meet All Needs</td>
<td>15%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Adequate to Meet Most Needs</td>
<td>31%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Adequate to Meet Most Urgent Needs</td>
<td>45%</td>
<td>48%</td>
<td>45%</td>
</tr>
<tr>
<td>Not Adequate to Meet Urgent Needs</td>
<td>9%</td>
<td>8%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Establishing the Fee

Cost of Service

VS.

Willingness to Pay
Establishing the User Fee

1. Technical evaluation establishes the revenue needs

2. Rate methodology distributes the fee over the service area

3. Decision makers/elected officials approve the fee
Establishing the User Fee – Version 2

1. Technical evaluation establishes the revenue needs

2. Rate methodology distributes the fee over the service area

3. Community voices concerns over a new “tax”
   - school districts
   - churches
   - cemeteries
   - malls

4. Decision makers arbitrarily reduce the fee or stop advancement of the utility

Result: Needs are Not Addressed.
Be Careful!

- Comparison of utility fees is not an apples to apples comparison.
- Try to align fees with services
- Manage public expectations
- Try to coordinate with decision makers throughout the utility development process
- Try to gain consensus on the services/needs vs. the fee
Things to Consider: How Old is Your System?
Things to Consider: How Old is Your System?

Manufacturing brick by mixing clay using a mule driven mud-wheel during Works Progress Administration 1934-1942
Things to Consider: What don’t you know?
Be Prepared for Billing Questions
Summary

- **SIMPLE**
  - Keep it simple
  - Rate methodology
  - Billing policies (credits, exemptions, classes)
- **ADEQUATE** funding
  - You get one bite at the apple
  - A fee creates expectations
- **VISIBLE**
  - Implement highly visible Early Success Projects
- **EFFICIENT**
  - Minimize administrative burden
- **DEFENSIBLE**
  - Review legal issues for your organization
  - Minimize program administration costs
- **UNDERSTANDABLE**
  - Services and Fees should be understandable to the Public
Public Education is Important

The S.D. #1 will have to find some other way to steal my money. Because I refuse to pay storm water charge, it is unfair, unjust, and just plain stupid.

Pissed off, use to be loyal customer.

Dan Ollberman
Public Education is Important

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[Signature]
Questions/Discussion