

Stormwater Utility Report #2

April 5, 2016

Introduction

In 2015, the Village Council identified *Consider Changes to the Stormwater Utility* as a Top Priority Action Item. While the fundamental policy question to be addressed relates to the type and amount of revenue that should be used to pay for stormwater related expenses (utility fees or property taxes), many other policy issues could be addressed as part of this project including but not limited to:

- What level of stormwater management service should the Village provide and how does this compare to the level of service currently being provided?
 - What maintenance activities should be completed and how often should they be completed?
 - What capital improvements should be made to the stormwater system? When should they be made? How should they be prioritized?
- What is the financial and operating plan to move from the current level of service to the recommended level of service?
- How should revenue be generated? Fees, property taxes or a combination of both? Who should pay for these costs and in what amounts?

The project is scheduled to be completed by September 30, 2016. The work plan calls for the Council to host a series of public meetings on this topic from February through September. Public participation in this project is welcomed and encouraged.

The policy direction provided by the Council with this project will begin to be implemented in 2017 and will be reflected in the FY17 Municipal Budget.

Recent Actions

On January 29, 2016, the Village published the Stormwater Utility Report which provides a thorough explanation of the stormwater management system and the utility. The report can be found by clicking here:

http://www.downers.us/public/docs/Stormwater_Management/Stormwater%20Utility%20Review%20-%202016%20-%20Google%20Docs.pdf

The Village Council discussed potential changes to the Stormwater Utility at the March 8, 2016 Village Council meeting. The Council directed staff to prepare multiple options for changes to revenue sources used to pay for stormwater management operations & maintenance and to

increase revenue available to accelerate the amount of operations & maintenance activities performed beginning in 2017. The Council also discussed the importance of stormwater management regulations.

Based on the Village Council direction, staff prepared four options for changes to the stormwater utility for review and discussion. Further, staff is preparing proposed amendments to stormwater regulations designed to reduce the negative impacts of construction activities on neighboring properties and the Village's stormwater management system.

Proposed Amendments to Stormwater Regulations

Staff is currently preparing proposed amendments to stormwater regulations. The amendments would reduce the amount of stormwater runoff generated by construction activities. The amendments may include the following:

- Establish maximum impervious area regulations for residential zoning districts
- Require on-site stormwater detention for the construction of new houses and residential additions
- Increase side yard setbacks in residential zoning districts
- Eliminate maximum lot coverage bonuses for qualifying detached garages in residential zoning districts

The proposed amendments will be scheduled for review and consideration by the Stormwater and Floodplain Oversight Committee and the Plan Commission as soon as possible.

Key Concepts

The typical house is in Tier 2 for the stormwater fees (1 ERU) and has a taxable property value (EAV) of \$100,000.

Each \$1 million in revenue generated by stormwater fees costs the typical house \$31.92 per year.

Each \$1 million in revenue generated by the property tax levy costs the typical house about \$49.48 per year.

Each \$10 million bond issuance costs the Village about \$750,000 per year in debt service payments.

The annual debt service payments on the 2008 stormwater bonds is about \$1.1 million.

Cost Burden Comparison by Land Use Category

Land Use Category	Stormwater Utility Fee	Property Tax Levy
Residential	52%	76%
Commercial	39%	21%
Industrial	9%	3%
Property Tax Exempt	--	--

Capital Expenses

- New stormwater storage (such as a detention area)
- Streambank stabilization
- Storm sewer replacement
- New storm sewer construction
- Major refurbishment or repairs to existing assets
- Property acquisition
- Debt service payments

Operations & Maintenance Expenses

- In-house operations (such as engineering and customer service)
- Street sweeping
- Ditch maintenance
- Stream cleaning and maintenance
- Storm sewer inspection and maintenance
- Detention basin cleaning and vegetation maintenance
- Activities to comply with National Pollution Discharge Elimination System (NPDES) permit

Options for Changes to the Stormwater Utility

Based on Village Council discussion and direction provided at the March 8, 2016 meeting, staff has prepared options for changes to the stormwater utility.

The first option identified is to continue with the current stormwater utility structure and plan.

The second set of options (2A and 2B) generally follow the current capital projects and operations & maintenance work plan and shift the cost of capital projects and bond issuance debt service payments to the property tax levy.

The third set of options (3A and 3B) generally follow the current capital projects plan, accelerate the operations & maintenance work plan and shift the cost of capital projects and bond issuance debt service payments to the property tax levy. The options are summarized below.

Overall Options Summary for 2017

	Option 1 Current Structure & Plan	Option 2A Property Taxes Used for Debt Service	Option 2B Property Taxes Used for All Capital	Option 3A Accelerated O&M, Property Taxes Used for Debt Service	Option 3B, Accelerated O&M, Property Taxes Used for All Capital
Fee Rev (millions)	3.9	2.8	2.1	3.9	3.9
Tax Rev (millions)	0	1.1	1.8	1.1	1.8
Total Rev (millions)	3.9	3.9	3.9	5.0	5.7
ERU	10.53	7.56	5.67	10.53	10.53
Typical House Pays (\$/year)					
Fee	126	91	68	126	126
Tax	0	54	89	54	89
Total	126	145	157	180	215

Option 1 Current Structure and Plan

The current stormwater utility structure and plan is explained in detail in the Stormwater Utility Report on pages 32 to 43. Revenue used to pay for all stormwater management expenses is generated by charging property owners a monthly stormwater fee. Identified and prioritized capital improvement projects would be completed as shown in the Community Investment Program (CIP) and summarized on page 39 of the Stormwater Utility Report. Approximately 50% of the recommended operations & maintenance activities would be completed in 2017 and would increase gradually each year reaching about 85% in 2026 and 100% of the recommended activities by approximately 2029.

Option 1 Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fee Rev (millions)	3.9	4.2	4.6	5.0	5.4	5.9	6.4	7.0	7.6	8.3
Tax Rev (millions)	0	0	0	0	0	0	0	0	0	0
Total Rev (millions)	3.9	4.2	4.6	5.0	5.4	5.9	6.4	7.0	7.6	8.3
ERU	10.53	11.45	12.45	13.53	14.71	15.99	17.38	18.89	20.53	22.32
Typical House Pays (\$/Year)										
Fee	126	138	150	163	177	192	209	227	247	269
Tax	0	0	0	0	0	0	0	0	0	0
Total	126	138	150	163	177	192	209	227	247	269

Taxes Pay For:	Stormwater Fees Pay For:	
NA	<ul style="list-style-type: none"> • New stormwater storage • Streambank stabilization • Storm sewer replacement • New storm sewer construction • Major refurbishment or repairs to existing assets • Debt service payments 	<ul style="list-style-type: none"> • Property acquisition • In-house operations • Street sweeping • Ditch maintenance • Stream cleaning and maintenance • Storm sewer inspection and maintenance • Detention basin cleaning and vegetation maintenance

Option 2A
Current Work Plan, Use Property Taxes to Pay for Debt Service

The current work plan would generally be followed. Identified and prioritized capital improvement projects would be completed as shown in the Community Investment Program (CIP) and summarized on page 39 of the Stormwater Utility Report. Approximately 50% of the recommended operations & maintenance activities would be completed in 2017 and would increase gradually each year reaching 85% by 2026 and 100% of the recommended activities by approximately 2029. Property taxes would be used to pay only for the annual debt service payments on bond issuances supporting capital projects. All other stormwater expenses would continue to be funded by stormwater fees.

Option 2A Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fee Rev (millions)	2.8	3.1	3.2	3.4	3.5	3.6	3.8	4.4	5.0	5.7
Tax Rev (millions)	1.1	1.1	1.8	1.8	1.8	2.6	2.6	2.6	2.6	2.6
Total Rev (millions)	3.9	4.2	5.0	5.2	5.3	6.2	6.4	7.0	7.6	8.3
ERU	7.56	8.37	8.64	9.18	9.45	9.72	10.26	11.89	13.51	15.40
Typical House Pays (\$/Year)										
Fee	91	100	104	110	113	117	123	143	162	185
Tax	54	54	92	92	92	129	129	129	129	129
Total	145	154	196	202	205	246	252	272	291	314

Taxes Pay For:	Stormwater Fees Pay For:	
<ul style="list-style-type: none"> • Debt service payments 	<ul style="list-style-type: none"> • New stormwater storage • Streambank stabilization • Storm sewer replacement • New storm sewer construction • Major refurbishment or repairs to existing assets 	<ul style="list-style-type: none"> • Property acquisition • In-house operations • Street sweeping • Ditch maintenance • Stream cleaning and maintenance • Storm sewer inspection and maintenance • Detention basin cleaning and vegetation maintenance

Option 2B
Current Work Plan, Use Property Taxes to Pay for All Capital Expenses

The current work plan would generally be followed. Identified and prioritized capital improvement projects would be completed as shown in the Community Investment Program (CIP) and summarized on page 39 of the Stormwater Utility Report. Approximately 50% of the recommended operations & maintenance activities would be completed in 2017 and would increase gradually each year reaching about 85% in 2026 and 100% of the recommended activities by approximately 2029. Property taxes would be used to pay for all capital expenses (see the text box on page 3 for the list of capital expenses). Revenue from stormwater fees would be used only for operations & maintenance activities.

Option 2B Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fee Rev (millions)	2.1	2.3	2.5	2.7	2.9	3.1	3.3	3.6	3.9	4.2
Tax Rev (millions)	1.8	2.0	2.2	2.4	2.6	2.8	3.1	3.4	3.7	4.1
Total Rev (millions)	3.9	4.3	4.7	5.1	5.5	5.9	6.4	7.0	7.6	8.3
ERU	5.67	6.21	6.75	7.29	7.83	8.37	8.91	9.72	10.53	11.35
Typical House Pays (\$/Year)										
Fee	68	75	81	88	94	100	107	117	126	136
Tax	89	99	109	119	129	139	153	168	183	203
Total	157	174	190	207	223	239	260	285	309	339

Taxes Pay For:		Stormwater Fees Pay For:
<ul style="list-style-type: none"> • Debt service payments 	<ul style="list-style-type: none"> • New stormwater storage • Streambank stabilization • Storm sewer replacement • New storm sewer construction • Major refurbishment or repairs to existing assets 	<ul style="list-style-type: none"> • Property acquisition • In-house operations • Street sweeping • Ditch maintenance • Stream cleaning and maintenance • Storm sewer inspection and maintenance • Detention basin cleaning and vegetation maintenance

Option 3A

Accelerated Operations & Maintenance Activities, Use Property Taxes to Pay for Debt Service

The current work plan for capital project construction would generally be followed. The plan for completing operations & maintenance activities would be accelerated. Approximately 80% of the recommended O&M activities would be completed in 2017 and would increase gradually each year reaching 100% of the recommended activities by about 2026. Property taxes would be used to pay for the annual debt service payments on bond issuances supporting capital projects. All other expenses would continue to be funded by stormwater fees.

Option 3A Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fee Rev (millions)	3.9	4.1	4.2	4.4	4.6	4.8	5.0	5.2	5.5	5.7
Tax Rev (millions)	1.1	1.1	1.8	1.8	1.8	2.6	2.6	2.6	2.6	2.6
Total Rev (millions)	5.0	5.2	6.0	6.2	6.4	7.4	7.6	7.8	8.1	8.3
ERU	10.53	10.97	11.41	11.89	12.44	12.95	13.49	14.13	14.72	15.34
Typical House Pays (\$/Year)										
Fee	126	132	137	142	149	155	162	170	177	184
Tax	54	54	92	92	92	129	129	129	129	129
Total	180	186	229	234	241	284	291	299	306	313

Taxes Pay For:	Stormwater Fees Pay For:	
<ul style="list-style-type: none"> • Debt service payments 	<ul style="list-style-type: none"> • New stormwater storage • Streambank stabilization • Storm sewer replacement • New storm sewer construction • Major refurbishment or repairs to existing assets 	<ul style="list-style-type: none"> • Property acquisition • In-house operations • Street sweeping • Ditch maintenance • Stream cleaning and maintenance • Storm sewer inspection and maintenance • Detention basin cleaning and vegetation maintenance

Option 3B

Accelerated Operations & Maintenance Activities, Use Property Taxes to Pay for All Capital Expenses

The current work plan for capital project construction would generally be followed. The plan for completing operations & maintenance activities would be accelerated. Nearly all (about 98%) of the recommended O&M activities would be completed in 2017 and each following year.

Property taxes would be used to pay for all capital expenses including debt service payments.

Revenue from stormwater fees would be used only for operations & maintenance activities.

Option 3B Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fee Rev (millions)	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.7	4.8	5.0
Tax Rev (millions)	1.8	1.8	2.6	2.6	2.6	3.3	3.3	3.3	3.3	3.3
Total Rev (millions)	5.7	5.8	6.7	6.8	6.9	7.7	7.8	8.0	8.1	8.3
ERU	10.53	10.80	11.08	11.37	11.67	11.97	12.28	12.61	12.95	13.40
Typical House Pays (\$/Year)										
Fee	126	130	133	136	140	144	147	151	155	160
Tax	89	89	126	126	126	163	163	163	163	163
Total	215	219	259	262	266	307	310	314	318	323

Taxes Pay For:		Stormwater Fees Pay For:
<ul style="list-style-type: none"> • Debt service payments 	<ul style="list-style-type: none"> • New stormwater storage • Streambank stabilization • Storm sewer replacement • New storm sewer construction • Major refurbishment or repairs to existing assets 	<ul style="list-style-type: none"> • Property acquisition • In-house operations • Street sweeping • Ditch maintenance • Stream cleaning and maintenance • Storm sewer inspection and maintenance • Detention basin cleaning and vegetation maintenance