

2017 INAFSM ANNUAL CONFERENCE

**Stormwater Rates - Current Trends,
Recent Legislative Proposals, and Best Practices**

September 6, 2017

Presentation Outline

- Recent legislative proposal and court case
- Current trends in Stormwater rates
- Best practices to ensure rates remain adequate and proportionate
- Statewide Stormwater rate statistics

Recent Legislative Proposal And Court Case

- Senate Bill 502:
 - Stormwater fee exemptions
 - Provides that a municipality or county may not assess storm water fees with respect to: (1) property where religious services are held regularly; (2) property that belongs to a school corporation and is used for educational purposes; or (3) property that is assessed as agricultural land for property tax purposes.
- Did not make it out of committee
- Could likely come back next session

Recent Legislative Proposal And Court Case (Cont'd)

- Impacts of SB 502:
 - Grants preferential treatment to particular customer class
 - These customers are typically large ERU customers
 - Impair ability to meet costs?
 - Require rate increases?
 - Will shift cost burden to the other customers
 - Impair security on outstanding bonds?

Recent Legislative Proposal And Court Case (Cont'd)

- Mint Management LLC and J&MW Holdings, LLC v. City of Richmond, Indiana
 - Ordinance – properties “directly or indirectly” contribute to the storm water system
 - Property owners argued their run off did not drain directly or indirectly into the storm water systems, thus exempting them.
- Indiana Court of Appeals ruled the property owners were selectively reading the fee section of the ordinance and irrationally and disharmoniously interpreting the ordinance.
 - “Further, the city ordinance “ includes language encompassing all property owners within the city’s boundaries,” thus clarifying that the fee is meant for all property owners that benefit from the stormwater system and that all property owners are assumed to reap the benefit.”
 - “Additionally, the property owners could “contribute to” the stormwater system even if their runoff didn’t drain into the system”
 - “Accordingly, it appears that the system benefits everyone who utilizes any sanitary sewer infrastructure, in addition to stormwater management infrastructure.”

Current Trends In Stormwater Rates

- System Development Fees – One time fee
 - Concept of “Growth pays for Growth”
 - New development contributes to and benefits from the stormwater system
 - Can help reduce future borrowing costs
 - Can help reduce future rate increases

Current Trends In Stormwater Rates (Cont'd)

- Charging for ground water flows
 - Open loop geo-thermal or large sump pumps for groundwater that discharges directly into the stormwater lines
 - Rates based on impervious area– not capturing this flow
 - Monitoring program to measure the amount of discharge
 - Convert measured flow to an ERU
 - Customer would see an increase in their ERU and would be charged for this discharge.

Current Trends In Stormwater Rates (Cont'd)

- Stormwater rate based on geographical location (conceptual at this point)
 - Outside the watershed
 - Watershed
 - Floodplain
- “Cost of Service” Approach
- Different rate structures based on how much the customer is benefitting/contributing to the stormwater system
- Example:
 - Outside watershed - \$1.00 / mo.
 - Inside watershed - \$2.00 / mo.
 - Inside floodplain - \$5.00 / mo.

Current Trends In Stormwater Rates (Cont'd)

- Potential for appeal?
- Unintended consequences?
- Could create economic hardship for large ERU customers within the floodplain
- Could create an imbalance for two competing businesses
- Could promote the protection of floodplains from further development

Best Practices To Ensure Rates Remain Adequate And Proportionate

- Review and adjust non-residential ERUs annually
 - New construction, expansions
 - Demolitions
- Rate Study – Every 3-5 years
 - Ensure rates are keeping up with inflationary increases
 - Smaller more frequent rate increases
- Multi-year budgeting

Best Practices To Ensure Rates Remain Adequate And Proportionate

Why Budget?

- 1) Not required by State
- 2) Promotes proactive versus reactive decision making
- 3) Provides a roadmap for the future
- 4) Provides baseline for “benchmarking”
- 5) Helps ensure overall financial stability and rate management
- 6) Improved customer relations

Best Practices To Ensure Rates Remain Adequate And Proportionate

Key Management Questions

- 1) Can we afford equipment/facility upgrades?
- 2) Will our current rates support employee rais
- 3) Will our current rates support increases in health/benefit costs?
- 4) Do we need to increase rates?
- 5) Are we overspending?
- 6) Where can we reduce costs?
- 7) Are our fund balances sufficient?
 - What is “sufficient”?
- 8) What action do we need to take to meet goals we have set?

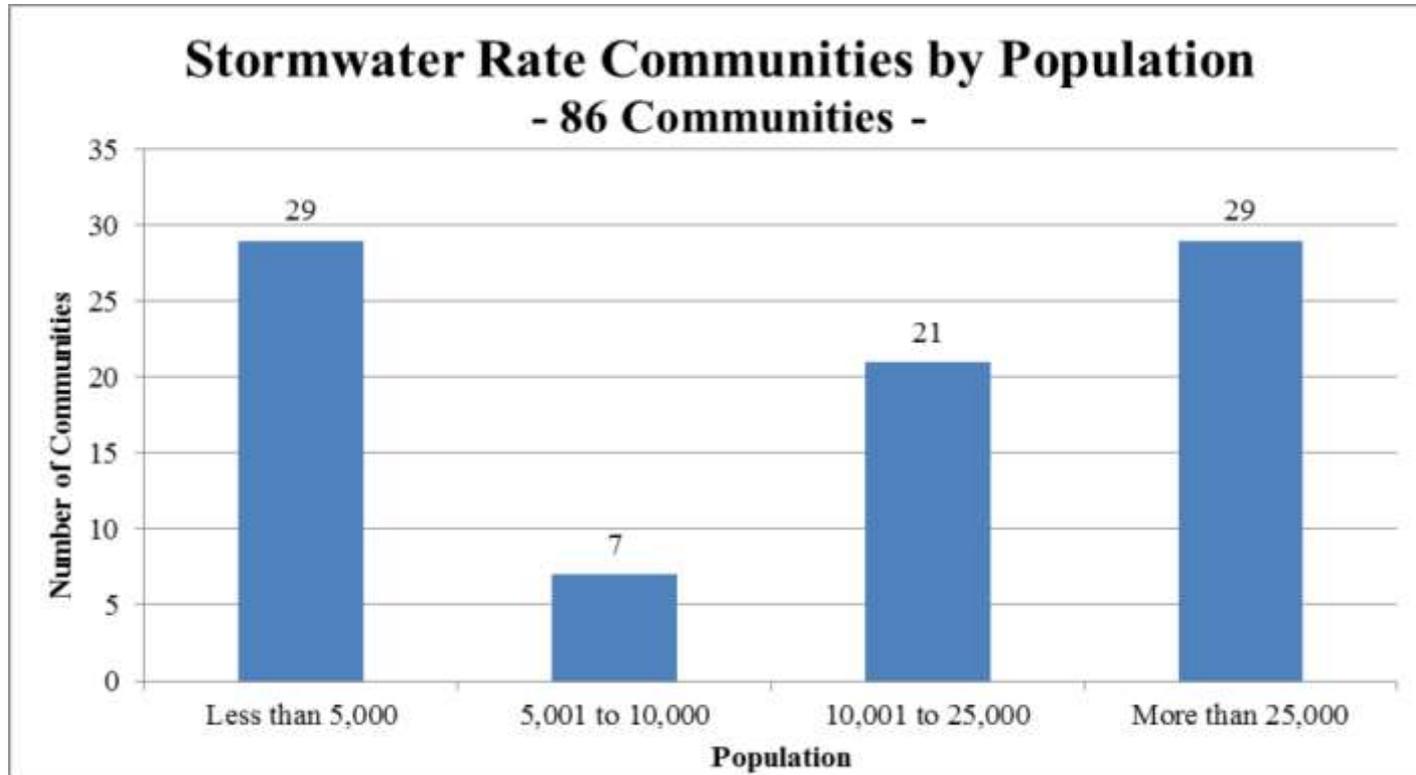


Best Practices To Ensure Rates Remain Adequate And Proportionate

Result: Financial Management Report



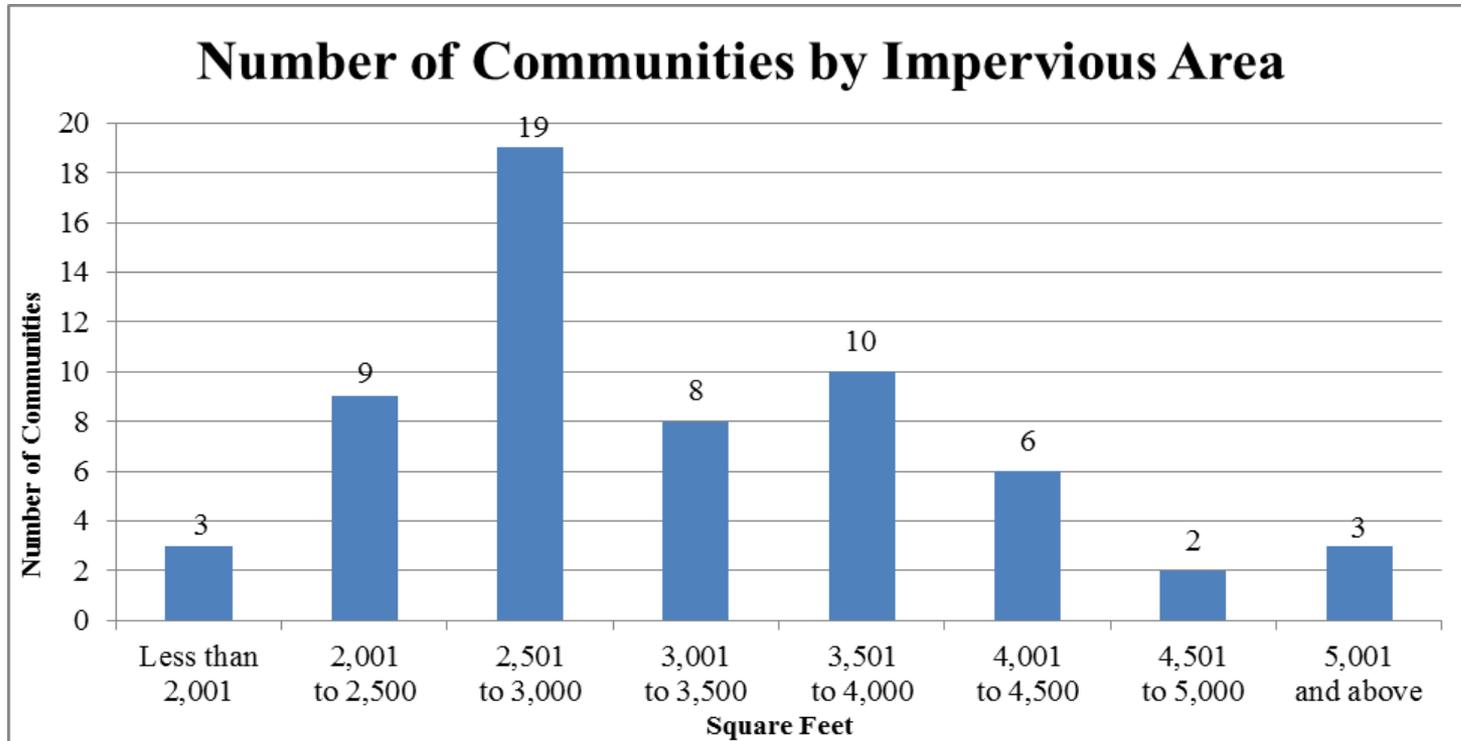
Statewide Stormwater Rate Statistics



How many communities have stormwater rates?

Our study includes 86 communities in Indiana with stormwater rates, which is up from the 63 in our last study, based on our client base and research. The chart above shows these communities categorized by population.

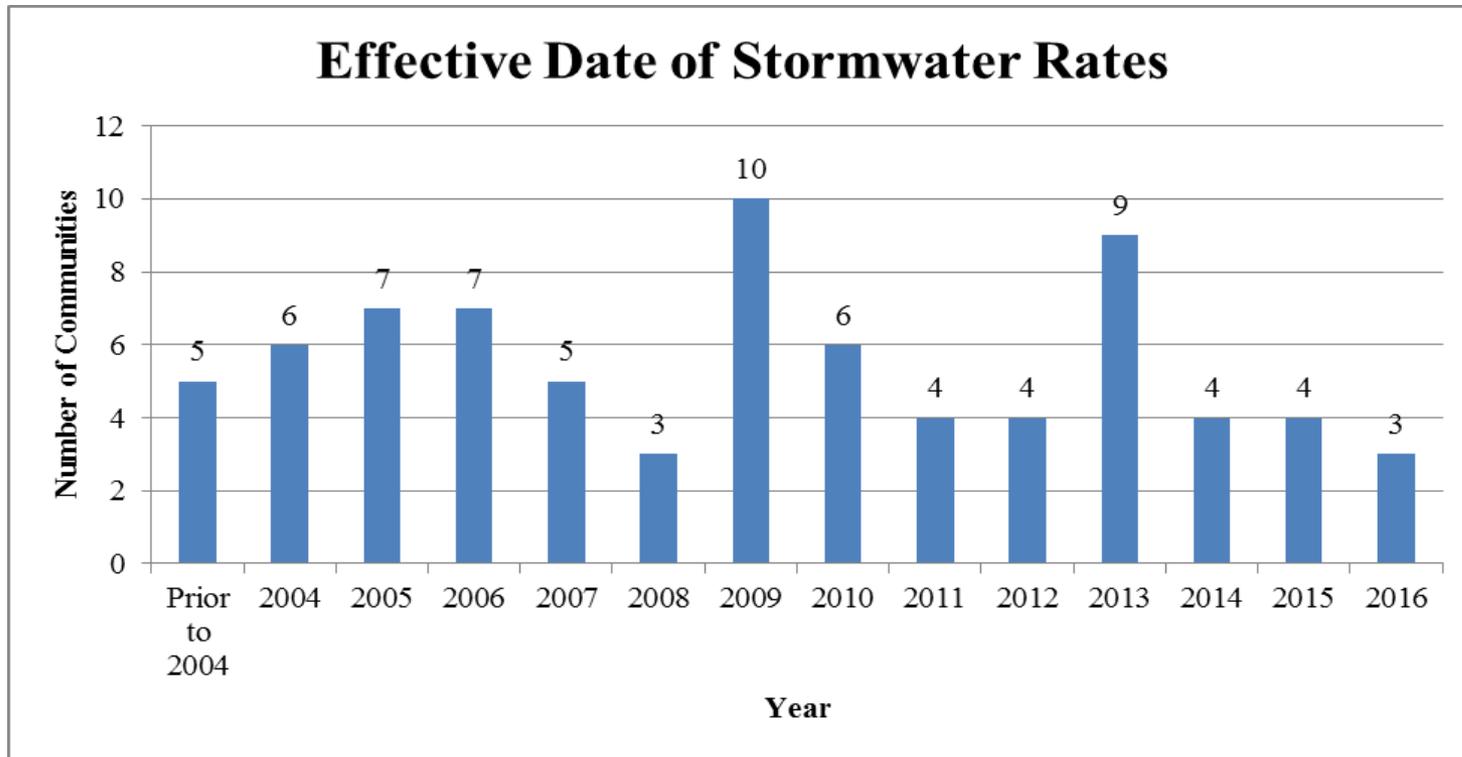
Statewide Stormwater Rate Statistics



Impervious Area

There are 60 communities in our study that have utilized impervious areas as a basis for determining stormwater rates. Residential impervious areas range from 1,650 square feet to 12,000 square feet. Based on this sample size, 32% of the communities have residential impervious area of 2,501 to 3,000 square feet.

Statewide Stormwater Rate Statistics



Effective Date of Stormwater Rates

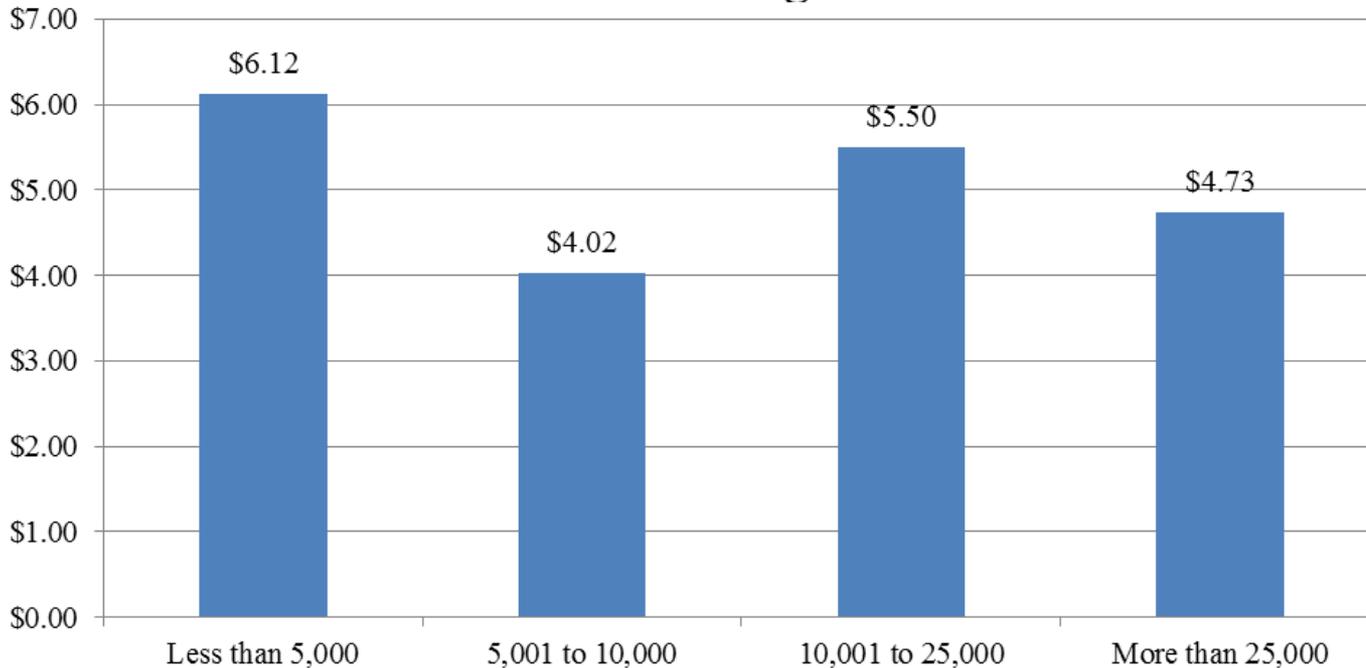
The chart above shows the effective dates of stormwater rates for 77 of the 86 communities included in our research.

Statewide Stormwater Rate Statistics

What's a reasonable rate?

It is good idea to benchmark your proposed stormwater rate to nearby communities and similar-size municipalities. Based on a sample size of 86 Indiana stormwater utilities, the average residential rate is \$5.36 per month, with residential rates ranging from \$1.25 to \$21.00 per month.

Average Monthly Residential Rate by Population - 2010
Statewide Average - \$5.36



Average residential rate:
2012 = \$5.00 per month
2016 = \$5.36 per month

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