

STORMWATER UTILITY RATE SETTING

The SWU study completed in 2016 assumed a program cost of \$40 million that would be implemented over a 20-year construction schedule. These assumptions led to the SWU fee to be set at a recommended level of \$11 per Equivalent Residential Unit (ERU). When the City Council agreed upon the 100-year level of protection for overland flooding projects during the SMP process, it was recognized that the program costs would well exceed the original \$40 million assumption. However, Council gave guidance that the ERU fee rate should assume consecutive 20-year implementation plans for a total duration of 40 years.

The financial analyst for the SWU study was consulted about setting the rate recommendation based upon the new parameters (\$106 million, 40-year period). Their recommendation was that because the financial projection involves assumptions such as interest rates, cost escalation, etc, a projection over a 40-year period is not particularly reliable. In reviewing the original financial analysis, they noted that the \$11/ERU fee was calculated to pay for the peak anticipated spending. In time, as bonds were retired, either the fee could have been reduced or the payoff time shortened. Alternately, if the fee was held constant, a substantial balance would have accumulated with which new projects could be constructed. In other words the original \$11/ERU recommendation could fund more than \$40 million in projects, depending on the payoff time.

In the opinion of the financial analyst, the previously recommended funding rate of \$11/ERU remains a valid and reasonable starting point for funding the SWU program. It will allow for construction of major projects in the near term, and allow the City to assess the longer term stormwater funding needs in future years. The ERU can be adjusted in future years based upon the projects that are ultimately constructed and the desired payoff schedule. ***We continue to recommend setting the ERU rate at \$11/ERU.***

STORMWATER ADMINISTRATION

As part of the SMP an evaluation of stormwater administrative components have been reviewed and recommendations made for current and future City practices. Items such as the City's stormwater regulations and policies, operations and maintenance program, water quality program, staffing capacity, and establishment of a stormwater commission were reviewed. Current stormwater regulations and policies the City implement were deemed to be reasonable, including a fee-in-lieu of detention for smaller non-residential developments or redevelopments. The operations and maintenance program of the City was reviewed and found to be very proactive. The City's water quality program was evaluated and it is recommended that the program should focus its resources on projects that will reduce the frequency of combined sewer overflow (CSO) events by implementing the Capital Improvement Plan, continuing the current sewer lining program, utilizing green infrastructure, and educating residents on steps they can take to better manage their properties to improve water quality. As part of the SMP, a review of the current and future staffing needed to manage the City's stormwater program was completed. There is currently no need for additional staff to manage stormwater issues within the City; however, depending on if the projects proposed in the SMP are to all be constructed additional staff may be warranted and should be considered. Issues and benefits related to the potential creation of a stormwater commission for the City were also evaluated. In-depth discussion of these issues is provided in this report.