

City staff would handle the SWU billing. The SWU monthly fee would be a new line item on the sewer and water bill (Figure 42). An ERU database will be provided to the City for upkeep and periodic updating.

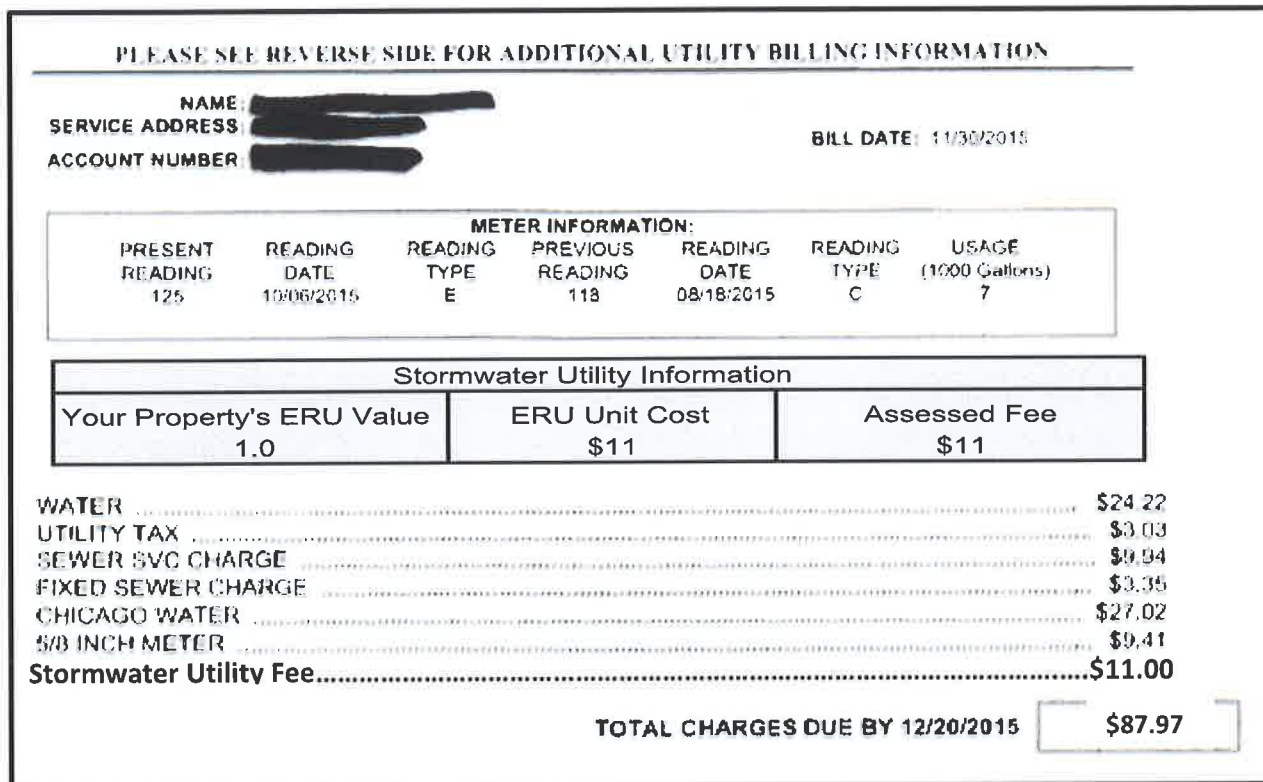


Figure 42. Sample SWU Bill

As part of the SMP study, a number of projects were developed to alleviate flooding throughout the City. It was decided at a June 12, 2017 presentation to City Council that the SMP should focus on overland flooding projects and should not include projects designed to reduce basement backups, which were shown to be addressed most cost effectively through private flood control systems. The recommended overland flooding projects were presented at a September 11, 2017 City Council presentation. At that meeting, it was decided that the design criteria should be the 100-year event; the estimated cost of the 100-year overland flooding projects was \$106 million. Direction was given by the City Council that the final SMP document should consider the rate setting implications of funding these projects over two consecutive 20-year programs.

Setting the rate for the ERU is based upon a financial projection of the anticipated funding needs and estimated timing of the construction projects. During the SWU study, as described previously, it was assumed that \$40 million in projects would be constructed over a 20-year period. It was assumed that the larger projects would be constructed early in the program, and smaller projects would continue throughout the 20-year program. Based upon this schedule, a financial projection was completed. At the recommended funding level of \$11 per ERU, the SWU fee would generate approximately \$2.4 million annually in stormwater funding (18,000 ERU x \$11/month). The funds received from the SWU would not pay for the projects directly unless the City waited several years between projects. Instead, it was assumed that City would issue bonds and pay the debt service on the bonds with the funds generated by

the SWU. A bonding schedule was developed which would allow funding of the assumed construction schedule. The bonding schedule assumed a series of 6 bonds to be issued over 15 years, with each bond being repaid over 25 years. Based on this projection, the total program would construct \$40 million in projects over 20 years and pay for them over 40 years. However, because the debt service obligations change over time and are reduced as the initial bonds are retired, the financial projection showed that at the end of the 40 years there would be a significant balance in the fund. The balance begins to grow after 25 years or so; at that point, the bonds could be paid off more quickly, or additional projects could be constructed.

Based upon the recommendation of \$106 million in projects and the direction to assume that they would be constructed over a 40-year period, the funding rate for the ERU was reconsidered. Per the advice of the financial consultant, making an accurate projection over a 40-year period is challenging. Inherent to the financial projections are assumptions on interest rates, escalation of project costs, etc. Since many of the proposed SMP projects require property or easement acquisition, some of which may not be obtainable, the total project costs and certainly the project schedule are unknowable at this time. In short, there are too many variables and unknowns at this time to reasonably project the costs over a 40-year period and calculate a new ERU rate based upon the recommended SMP projects. However, we do know that the previously recommended \$11/ERU rate could fund construction of \$40 million in projects over 20 years, and start to generate a significant fund balance after 25 years. This would put the City well on the way to accomplishing the SMP goals. With the assumption of a 40-year construction period, the \$11/ERU rate could reasonably provide funding of the entire SMP program. Periodic financial projections would of course be required to evaluate the tradeoff between the ERU rate charged to residents and the desired construction schedule and payoff duration to ensure that the City's financial needs are met.

In our opinion, 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.**