Creating a Successful Stormwater User Fee: PA Case Studies

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Overview

- Stormwater Challenges
- Stormwater “Utilities” in PA
- Stormwater as a “Business”
- Funding Options
- Lessons Learned
- The Keys to Success
- PA Examples
- Is it Right for You?
Stormwater Management Challenges
- A Perfect Storm

- Aging infrastructure
- New regulations focusing on water quality
- More intense and frequent storm events
- Higher expectations from the public
- Desire for more transparency
- Fewer resources available
- No dedicated funding
The Premise

Local Stormwater Budget

Regulation, Maintenance, Capital, Flood Mitigation

Time
TOWNSHIP WIDE STORMWATER ACTIVITIES

FOCUS AREAS
1 - Flood Mitigation
2 - Infrastructure Replacement & Flood Mitigation
3 - BMP Installation and Infrastructure Stabilization
4 - Culvert Replacement
5 - Dam Assessment and Infrastructure Replacement
6 - Skunk Hollow Facility
7 - BMP Installation and Infrastructure Replacement
Radnor Township – Stormwater Issues

- Flood Mitigation – no dedicated funding for capital projects
  - $10M in backlog identified
  - Preliminary estimate for buy-out/acquisition of properties with re-occurring flooding problems - $40M
- Operation and Maintenance activities are reactive. Majority of repair/replacement activities occur after a failure or on an emergency basis.
- No dedicated equipment replacement funding.
- EPA/PADEP regulatory requirements driving compliance reporting – focus on water quality, system mapping, inventory of best management practices (BMPs), inspections, performance tracking.
- Additional resources are needed to more effectively and efficiently deliver services.
Learn from wastewater circa 1980

- New regulations forced investment
- Stakeholders demanded accountability
- Environmental lawsuits led to consent decrees
- Result: New management structures (authorities or regional commissions with new charters)
  - *Defined public services provided*
  - *Established dedicated, sustainable funding sources*
  - *Performed public outreach and education*
What is a stormwater user fee?

A funding method (user fee)
A program of services
An organizational entity

Otherwise known as a Stormwater User Fee or Authority
Which one depends on your community
Pennsylvania Examples
How do we get there?
Use a Business Plan Approach for Stormwater

- Shared Vision
- Program Priorities
- Defined Services
- Sustainable Compliant Program
- Funding Options
- Stakeholder Engagement
- Metrics/Tracking

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What are your Stormwater Challenges?

Flooding Related Challenges
What are your Stormwater Challenges?

Maintenance Related Challenges
# Identifying the Problem: Typical Gaps Analysis

<table>
<thead>
<tr>
<th>Existing</th>
<th>Desired</th>
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</table>
| Minimal capital program – 
Millions ($$) in backlog | **Funded capital program** (stable funding source) that reduces backlog in a reasonable timeframe |
| Reactive maintenance – no asset management plan | **Proactive, prioritized, scheduled,** effective, maintenance program |
| Incomplete inventory – of system condition, BMPs, outfalls | **Complete inventory and inspection schedule** for all applicable assets |
| Planning – Limited studies focused only on water quantity issues | **Comprehensive master planning** - Setting priorities with cost-effective solutions (including water quality issues) |
| Outdated equipment/technology | **Up-to-date** hardware, software, and field equipment |
| Public Education limited to water quality issues (NPDES) | Effective education/outreach on **all aspects of stormwater issues** |
## Radnor Program Plan - Average Annual Costs

<table>
<thead>
<tr>
<th>COST CENTER</th>
<th>CURRENT 2013 SNAPSHOT</th>
<th>ENHANCED AVERAGE YEAR</th>
<th>TOTAL PROGRAM AVERAGE ANNUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPITAL IMPROVEMENTS</td>
<td>$0</td>
<td>$567,325</td>
<td>$567,325</td>
</tr>
<tr>
<td>OPERATIONS &amp; MAINTENANCE&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$930,711</td>
<td>$254,000</td>
<td>$1,184,711</td>
</tr>
<tr>
<td>ENGINEERING, ENFORCEMENT &amp; REGULATORY COMPLIANCE</td>
<td>$134,807</td>
<td>$33,600</td>
<td>$168,407</td>
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<tr>
<td>EMERGENCY PREPAREDNESS AND RESPONSE&lt;sup&gt;2&lt;/sup&gt;</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>PROGRAM MANAGEMENT&lt;sup&gt;3&lt;/sup&gt;</td>
<td>$45,519</td>
<td>$117,200</td>
<td>$162,719</td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL COST</strong></td>
<td><strong>$1,111,037</strong></td>
<td><strong>$972,125</strong></td>
<td><strong>$2,083,162</strong></td>
</tr>
</tbody>
</table>

<sup>1</sup>Current Operation & Maintenance includes minor system clearing, street sweeping, leaf collection and composting, vehicle maintenance, pre-storm activities.

<sup>2</sup>No budgeted amount – handled via operating reserve if a fee is enacted.

<sup>3</sup>Expanded costs would cover increased construction management, asset management and mapping, support tools, aerial imagery, rate structure updates, fee support and billing.
Developing a Business Plan – Funding Options

- Evaluate and maximize existing resources
  - Plan review fees, inspection fees, tapping fees, environmental impacts fees, etc. - Are they covering actual costs?
- Determine funds needed by function to target potential sources
  - Bond sales for capital needs
  - Cost share with neighbors; partner when possible
  - State and Federal grants and loans – stream restoration, green infrastructure, public education
- Is there a compelling reason to seek new revenue sources?
  - What is the cost of the “do nothing” option?
How are costs distributed?

- Typically fees are based on amount of impervious area not on the assessed value of the property.
- Like water and wastewater, everyone pays (including tax-exempt properties).
- Because residences often have less impervious cover, they typically pay less than large commercial lots.
What are the advantages of a user fee?

- Costs can be distributed across all users, including non-taxed properties.
- Credit can be provided for reducing stormwater impacts.
- Fee structures can be flexible and adjusted to reflect community priorities.
- Once in place, user fees provide a stable, sustainable revenue source.
Rate Structure

- Initial Approach – Flat Rate (aka ERU) for Single Family Residential
  - Feedback: Doesn’t work for Radnor, how about a tiered structure?
- Adopted Rate Structure – Single Family Residential

<table>
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<tr>
<th>Tier</th>
<th>Lot Square Footage</th>
<th># of Billing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0 to 7,000 SF</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>7,000 to 20,000 SF</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>20,000 to 43,560 SF</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Greater Than 43,560 SF</td>
<td>4</td>
</tr>
</tbody>
</table>

- All “Other Developed Properties” - 1 Billing Unit per 1,500 SF
- 25% of total billing units are from tax exempt properties

Future Rate Structure - Impervious area-based billing for all properties
Estimated Rate

To fund the enhanced program of services using the proposed rate structure:

- All cash – “Pay as you go” – fee per billing unit:

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Annual</th>
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<tbody>
<tr>
<td>$2.42</td>
<td>$29.00</td>
</tr>
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</table>
Success or failure is all in the process…. 

- Help your elected officials make the “compelling case.”
- The **program** must drive the rate.
- The technical basis for **assessing costs** must be sound and defensible.
- **Rates** must be equitable and **bills** easy to understand.
Developing a Business Plan – Stakeholder Buy-in (Internal and External)

- Bring me in early, I’m a **partner**; bring me in late and I’m a **critic**!
- **Internal** and **External** stakeholder engagement –
  - **When:**
    - Establishing goals and priorities
    - Balancing the program services
    - Identifying the best funding strategy
    - Reporting on progress
  - Engagement supports the **political challenges** of raising stormwater management to a higher level
Lessons Learned

- Follow an effective, proven process
- Build your business plan - the cost and resultant impacts need to be clearly communicated
- Involve the community early and in the right ways – Build Public Support
- Make your program and user fee easy to understand
- Prepare your elected officials for potential negative feedback – give them solutions
- Think of the long-term benefits and recognize the effort will be worth the gain

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The Keys to Success

- Build off existing knowledge to refine the program of services through establishment of goals, priorities, and desired levels of service
- Establish data-supported policies on equitable rate methodologies and structure
- Recommend credit or incentive programs
- Look at the funding needs over the several years
- Determine appropriate mix of funding methods using rate and cash-flow models
- Develop community support - Work in partnership with “internal” and “external” stakeholders
### Pennsylvania Examples

<table>
<thead>
<tr>
<th>Community</th>
<th>Population</th>
<th>Original Stormwater Program Budget</th>
<th>Estimated Annual from Revenue from User fee</th>
<th>User Fee Rate ($/SF Impervious Area)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mt Lebanon (Allegheny Co.)</td>
<td>33,137</td>
<td>$590K</td>
<td>$1.5M</td>
<td>$96/ 2,400 SF</td>
</tr>
<tr>
<td>Meadville (Crawford Co.)</td>
<td>13,616</td>
<td>$370K</td>
<td>$873K</td>
<td>$90/ 2,660 SF</td>
</tr>
<tr>
<td>Radnor * (Delaware Co.)</td>
<td>31,531</td>
<td>$1.1M</td>
<td>$946K</td>
<td>$29/ 1,500 SF</td>
</tr>
</tbody>
</table>

* Ordinance adopted October 14, 2013
Where is funding being directed?

Program activities funded by the respective stormwater fees for first 5 years of expanded stormwater program

<table>
<thead>
<tr>
<th>Community</th>
<th>Capital Improvements</th>
<th>Operations &amp; Maintenance</th>
<th>Regulatory Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mt Lebanon (Allegheny Co.)</td>
<td>27%</td>
<td>66%</td>
<td>1%</td>
</tr>
<tr>
<td>Meadville (Crawford Co.)</td>
<td>26%</td>
<td>49%</td>
<td>7%</td>
</tr>
<tr>
<td>Radnor (Delaware Co.)</td>
<td>56%</td>
<td>26%</td>
<td>3%</td>
</tr>
</tbody>
</table>
A Self-Assessment

✓ Why change funding policy? Do you have a compelling case?
✓ Do you have a committed leader to work through the process?
✓ Have you set a realistic schedule to allow time to build support?
Contact Information

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