



## REPORT TO CITY COUNCIL

**FROM:** Steven C. Carter, City Manager

**DATE:** March 19, 2010

**SUBJECT:** STORMWATER UTILITY FEE SS 2010-022

**A. Introduction:** The purpose of this report is twofold;

- to provide Council with information on stormwater utility fees,
- to obtain Council input on whether staff should proceed with the next implementation step for the stormwater utility fee. This would involve establishing a stormwater utility fee advisory committee and developing a preliminary expenditure, revenue, and billing plan for a City of Champaign stormwater utility fee.

**B. Recommended Action:** Direct staff to proceed with the next implementation step for the stormwater utility fee. Specifically, this would involve establishing a stormwater utility fee advisory committee and developing a preliminary expenditure, revenue, and billing plan for a City of Champaign stormwater utility fee.

**C. Prior Council Action:** The first part of the Background Section below titled "Previous Efforts" summarizes prior Council action on a stormwater utility fee.

**D. Summary:**

- The City has discussed and considered a stormwater utility fee before. Prior efforts took place between 1992 and 2002. Previous considerations centered around providing additional revenue to fund a storm sewer preventative maintenance program.
- The City's Stormwater Management Fund provides resources for stormwater improvement projects, operation, maintenance and rehabilitation activities, plus support for water quality improvements required by the City's National Pollutant Discharge Elimination System permit.
- All current revenues in the Stormwater Management Fund have been committed. The City has over \$80 million of unfunded stormwater capital needs.
- Stormwater runoff can be managed as a utility and billed as a fee. The fee is based on the concept that every property in a watershed contributes runoff. The fee amount is based on the amount of runoff the property contributes to the stormwater drainage system.
- The typical implementation steps for a stormwater utility fee are: 1) appoint a stormwater utility fee advisory committee, 2) complete a feasibility study, 3) adopt a stormwater utility fee ordinance and credit manual, 4) developing a billing system including a database of properties' contributions to rainwater runoff, and 5) provide community outreach.

- The benefits for a stormwater utility fee are: 1) the fee could provide more resources for stormwater management, 2) the fee is considered an equitable means to paying for stormwater management because charges are relative to each property's contribution to runoff, and 3) the fee is a more stable revenue source for stormwater management than many other sources including most taxes.
- Staff recommends the following next steps: 1) establish a stormwater utility fee advisory committee and 2) develop an expenditure, revenue and billing plan for a City of Champaign stormwater utility fee.
- To develop the stormwater utility fee expenditure, revenue and billing plan, staff would need the help of a consultant. The cost of the consultant is estimated in the range of \$105,000 to \$125,000.
- Staff estimates the work to complete the next step in the development of a stormwater utility fee could take ten to twelve months.

## **E. Background:**

**1. Previous Efforts.** The City has discussed and considered a stormwater utility fee before. Prior efforts took place between 1992 and 2002. Previous considerations have centered around providing additional revenue to fund a storm sewer preventative maintenance program.

**a. March 1992** – Due to concerns about drainage and flooding, the City Council established a Stormwater Management Task Force. The purpose of the task force was to develop a comprehensive surface drainage strategy. Development of this strategy was a top priority Council goal.

**b. July 1996** – The task force finished its work and summarized its findings in a report titled Stormwater Management Plan. A copy of the plan is on the City's website. The plan contains 6 objectives and 32 strategies for stormwater management. Strategy E1 of the Stormwater Management Plan states, "Establish a utility fee to be applied to all properties within the City for the purpose of funding all ongoing or annually recurring drainage system maintenance and management expenses." Since 1996, strategies listed in the Stormwater Management Plan have been accomplished. The strategies have been the basis for future City stormwater efforts.

**c. November 1996** – Staff presented to Council a Stormwater Facility Maintenance and Rehabilitation Plan. At that time, the City did not have a complete inventory of its storm sewer system, i.e. the City did not know exactly how many miles of storm sewer pipe or number of inlets or manholes were in the system. At the time, the City's stormwater maintenance was reactive in nature, i.e. storm sewers were not cleaned until they were plugged and a citizen called about the surface flooding, and storm sewers were not repaired until sink holes appeared on the ground surface.

The Stormwater Facility Maintenance and Rehabilitation Plan outlined several alternatives for inventorying the storm sewer system and providing a comprehensive storm sewer preventive maintenance program. Staff also provided information on a stormwater utility fee (Exhibit A). The revenues from the fee could be used to fund the additional cost for storm sewer maintenance.

No decision was made on the stormwater utility fee at that time. Staff was directed to inventory the storm sewer system and complete pilot storm sewer maintenance projects in order to develop better cost estimates for maintenance activities.

**d. March 1998** – Staff presented to Council an updated Stormwater Facility Maintenance and Rehabilitation Plan. The Plan incorporated the completed inventory of the City’s storm sewer system and updated cost estimates for alternatives to provide a storm sewer preventive maintenance program. Generally, Council supported a plan to clean and televise storm sewers on a 10-year cycle and fund rehabilitation needs discovered during the televising process. Council did express concerns regarding how to fund expanded storm sewer maintenance activities.

**e. November 1998** – Staff presented two methods for funding an expanded storm sewer preventive maintenance program. One method would involve funding additional maintenance activities with a stormwater utility fee. The other method scaled back the storm sewer maintenance program and funded the additional maintenance expenses by eliminating the property tax subsidy in the sanitary sewer fund, increasing sanitary sewer fees to fund all sanitary sewer costs and using the property tax revenues for storm sewer maintenance. Council generally supported the parameters of method two.

**f. April 2001** – As part of the FY02 budget preparation process, staff prepared a budget memorandum for stormwater management. The memorandum recommended a storm sewer preventive maintenance program that would clean and televise storm sewers on a 5-year cycle and provide additional funds to repair the storm sewers, inlets, and manholes that were identified with deficiencies. The memorandum also recommended funding this enhanced storm sewer maintenance program with a stormwater utility fee. Council voted against the fee and directed staff to scale back the storm sewer maintenance program.

**g. April 2002** – In a FY03 Budget Memorandum pertaining to the FY02/03 proposed budget, staff recommended providing \$988,000 annually for stormwater management. Specifically, \$125,000 of that total was dedicated for expenses associated with stormwater quality as part of the City’s National Pollutant Discharge Elimination System (NPDES) permit. The balance, \$863,000, would be used for storm sewer cleaning, televising, and repairs. The funding would be provided by eliminating the property tax subsidy in the sanitary sewer fund, increasing sanitary sewer fees and using the property tax revenue for storm sewer maintenance. Council adopted this recommendation. Increased sanitary sewer fees were phased in over a five-year period and the new stormwater funding was fully implemented in FY2006/2007.

**2. Current Stormwater Funding.** The City’s Stormwater Management Fund provides resources for stormwater improvement projects, operation, maintenance and rehabilitation activities, plus support for water quality improvements required by the City’s NPDES permit.

Table 1 provides an overview of the fund’s revenues and expenditure categories for a typical year.

Revenues		
.25 % Sales Tax		\$ 3,000,000
Property Tax		\$ 1,300,000
General Fund Transfer		\$ 600,000
Other		<u>\$ 200,000</u>
	Total	\$ 5,100,000
Expenditures		
Operating Budget		\$ 1,100,000
Recurring Projects		\$ 1,500,000
Debt Service		<u>\$ 2,500,000</u>
	Total	\$ 5,100,000

The major revenue source for the Stormwater Management Fund is the one-quarter percent sales tax that the City levies under its Home-Rule Authority. Additionally, in accordance with Council policy a portion of the City’s property tax levy and general fund dollars are transferred to the fund.

The Stormwater Management Fund expenditures provide resources for the following activities:

- Operating Budget includes all the day-to-day expenditures associated with maintaining the City’s storm sewer system. Examples are: responding to service requests, repairing an inlet or storm sewer pipe, helping a citizen solve a basement flooding or backup problem. This category includes the cost to locate City storm sewers for JULIE, expenses for the encephalitis program, and the City’s annual cost share for United States Geological Survey stream and rain gauges. All annual costs for the review, issuance, and inspection of drainage and erosion control permits are also included in this expenditure category. These permits implement City and Federal regulations that ensure appropriate drainage elevations and limit the amount of runoff into drainage creeks and the downstream waterways that they feed into.
- Recurring projects include the annual expenditures for stormwater programs. This includes all stormwater quality activities the City must complete in order to comply with its stormwater NPDES permit. It includes the annual cost to clean and televise portions of the City’s storm sewer system. The goal is to clean and televise the entire City storm sewer system on a 10-year cycle. This is currently being done entirely with contractual forces. This expenditure category also includes the annual contractual cost to repair storm sewer inlets, manholes, and pipes. When the City’s storm sewer system is being cleaned and televised, structural deficiencies are found. This annual contract hires a contractor to repair those deficiencies.

- Debt service includes the annual payments on the bonds that were sold for the Boneyard Creek channel improvements that were completed in the 1990s through Campustown (First to Sixth Streets). Debt service also includes the future annual payments for bonds sold to finance all three phases of the Boneyard Creek Second Street Reach (Scott Park, Second Street channel/detention improvements, and viaduct storm sewers), plus the storm sewer projects for John Street and Washington Street East.

**3. Unfunded Stormwater Capital Projects.** All current revenues in the Stormwater Management Fund have been committed.

The need for stormwater capital funding is significant. Stormwater master plans have been completed for the Boneyard Creek, Phinney Branch, Copper Slough, and Beaver Lake watersheds. The master plans have identified many drainage improvement needs. The capital drainage projects that were recommended in the master plans and currently unfunded are listed in Table 2.

Table 2 Watershed Master Plans Recommended Capital Projects - Unfunded		<u>Cost Estimate</u> <u>2010 Dollars</u>
Boneyard Creek Master Plan		
Phase 3 – Upper Second Street (Oak-Ash to University Ave.)		\$ 3,500,000
Phase 4 – Oak-Ash Detention Basin		\$ 2,600,000
Phase 5 – North Branch (Oak-Ash to Neil St.)		\$ 3,000,000
Phase 6 – West Fork		\$ 2,500,000
Phase 7 – Relief Storm Sewers		<u>\$ 2,000,000</u>
	Subtotal	\$ 13,600,000
Phinney Branch Master Plan		
Channel Improvements		\$ 5,000,000
Copper Slough Master Plan		
Phase 1 – channel stabilization/reconstruction, detention		\$ 10,000,000
Phase 2 – channel stabilization/reconst., sewer improvements		\$ 11,300,000
Phase 3 – channel stabilization/reconst., water quality ponds		<u>\$ 6,600,000</u>
	Subtotal	\$ 27,600,000
	TOTAL	\$ 46,200,000

The Phinney Branch Master Plan is currently being updated so Table 2 does not reflect any changes in the recommended drainage needs. Staff has also assumed the cost for the recommended drainage project for Washington Street West will reduce the Copper Slough Master Plan needs by an equivalent amount.

In addition to the recommendations in the master plans, staff is also aware of other drainage needs in the City. The existing storm sewers on White Street (Prospect to Randolph), Healey Street (Prospect to Lynn to White), Lincolnshire Drive, Mayfair Road, and Maywood Drive all need to be replaced and upgraded. These projects will be very similar to size, scope and cost of the John and the Washington Street East projects. There are also needs for stormwater outlet improvements and storm sewers in the Garden Hills, Green Street between Mattis and Russell and the Balboa Road/Dover Place area. Cost estimates have not been prepared for these drainage needs. However, it is very conceivable these storm sewer projects in total could exceed \$40 million.

**4. Stormwater Utility Fee.** Stormwater runoff can be managed as a utility and billed as a fee. The fee is based on the concept that every property in a watershed contributes runoff. If there is a public drainage system in the watershed, then the properties that contribute runoff to the drainage system should support the operation, maintenance, and rehabilitation of the system. The amount of support is based on the amount of runoff the property contributes to the stormwater drainage system.

**a. Impervious Surfaces.** Water, electric, and gas meters are used to measure the level of demand that a user places on the utility. Likewise, for a stormwater utility fee, the total amount of impervious area on a property is a measure of demand a property places on a stormwater drainage system. The larger the impervious area, the more runoff produced and the more demand this property places on the stormwater drainage system.

Impervious surfaces consist of roofs, sidewalks, driveways, parking lots, and any other surface that does not allow rainfall to soak into the ground. The impervious area on a property is directly proportional to the amount of runoff a property will produce.

Figures 1 and 2 illustrate impervious areas and runoff.



Figure 1  
Residential Property  
The roof and driveway equals approximately 3,600 square feet of impervious area. Total lot area is approximately 11,000 square feet.



Figure 2  
Commercial Property  
The roof and parking equal 156,000 square feet of impervious area. Total lot area is approximately 167,000 square feet. Demand on the stormwater drainage system would be equal to 43 residential properties.

Figure 1 is a typical residential lot with a house and driveway. Impervious surface area for this residential lot calculates to 3,600 square feet. (Normal used 3,200 square feet. Rock Island used 2,800 feet.) Figure 2 is a developed commercial property with a large building and parking lot. Impervious surface for the commercial property calculates to 156,000 square feet. The commercial property would produce 43 times more runoff than the residential property, it places 43 times more demand on the stormwater drainage system and its stormwater utility fee should be 43 times higher than the residential property.

**b. Billing Methods.** Table 3 was taken from the Town of Normal, July 2005 Stormwater Utility Feasibility Study. The table lists typical billing methods for stormwater utility fees along with a description of each method plus the methods pros and cons.

**Table 3**  
**Stormwater Utility Billing Methods**

<b>Billing Method</b>	<b>Description</b>	<b>Pros</b>	<b>Cons</b>
Customer Classifications <i>Also known as: Intensity Development Factors (IDFs)</i>	Customers are billed based on the type of property they own (i.e. residential / commercial / industrial). Parcel size is often considered in determining fee.	Simplifies billing process. Zoning class often dictates how the user fees are calculated.	Large properties can be unfairly undercharged or overcharged if their impervious area varies significantly from other properties within their zoning class.
Impervious Plus Gross Area	Non-residential customers are billed for impervious surfaces <u>and</u> gross parcel area, recognizing that pervious (unpaved) areas do generate some stormwater runoff.	Fairly represents the true runoff potential for large parcels, as impervious surfaces are not the only source of stormwater runoff.	Adds complexity to the billing system – two variables (impervious area <u>and</u> gross area) required to establish fee for each parcel.
Runoff Factor / Runoff Coefficient <i>Also known as: Effective Hydraulic Area Method</i>	Runoff coefficients are calculated for individual properties to determine appropriate user fees.	Provides accurate representation of runoff potential for individual parcels.	Very labor intensive. The cost to calculate runoff coefficients for individual properties may outweigh benefits of accurate billing system.
Billing Unit (ERU)	Equivalent Residential Unit. Customers are charged a fee based on their impact on stormwater runoff relative to that of a typical residential parcel.	Equitable distribution of fees to those who impact the stormwater infrastructure. Non-residential customers charged based on actual impervious surface.	Requires measurement of impervious areas for individual non-residential parcels. Single residential rate (if chosen) may not be representative of smallest or largest residential properties.
Flat Fee	Parcel owners are charged a single fee, based on land use classification, regardless of land area or impervious surface area.	Simplest of all billing methods. Lower cost to facilitate billing process.	Low billing equity. Many property owners are significantly undercharged or overcharged relative to actual impact on stormwater runoff.

The most common billing methods are based on impervious areas. Specifically, a billing method utilizing Equivalent Residential Unit (ERU) is the type used most often.

**c. Equivalent Residential Unit (ERU).** With ERU, the impervious area for a typical residential property is determined and becomes the standard for the stormwater utility fee. The impervious area for an individual property is calculated by using the aerial photographs that have been incorporated into a municipal GIS mapping system.

The residential ERU is determined by evaluating several hundred properties. If there are significant impervious area differences among residential properties, the properties are broken down into categories and the largest group is used to determine the standard ERU.

The impervious area for each individual non-residential property is then measured. This calculated impervious area is divided by the residential impervious area standard, and this determines the ERUs for the individual non-residential property. In the example above, if a stormwater utility fee established the ERU residential standard at 3,600 square feet of impervious area than a commercial property with 156,000 square feet of impervious area would be considered to have 43 ERUs.

**d. Credits.** Typically, a stormwater utility fee will incorporate a credit program. The credit program is designed to encourage property owners to construct and maintain improvements to their properties to reduce and treat the stormwater from their property. These credits result in a percentage reduction in the stormwater utility fee. Improvements eligible for credits could include stormwater detention provided in the subdivision, on-site stormwater detention, pervious pavement, rain gardens, plantings that filter stormwater prior to it entering the drainage system, and rain barrels.

**e. Exemptions.** Most stormwater utility fees exempt the streets and sidewalks in the public right-of-way. These are impervious surfaces that are used by all property owners. Additionally, the streets are part of the stormwater drainage system, conveying stormwater downstream when the underground stormwater system is at capacity. Exemptions are also typically applied to undeveloped parcels because these parcels have no impervious surfaces.

**f. Tax Exempt Properties.** These property owners pay other utility fees (gas, water, electricity, etc.), contribute stormwater to the drainage system, and have been included in stormwater utility billing systems by other municipalities. Municipal facilities (parking lots, fire stations, public works facilities, etc.) have also been billed stormwater utility fees. With respect to the City's Sanitary Sewer Fee, the policy has been to treat tax-exempt properties (including other governmental entities) the same as taxable properties.

**g. Other Illinois Communities.** There are several communities in Illinois with stormwater utility fees. Table 4 lists the municipality, population, and annual revenues generated by the fee.

<u>Municipality</u>	<u>Population</u>	<u>Revenues</u>	<u>Per Capita</u>
Aurora	170,900	\$ 3,025,000	\$18
Bloomington	75,000	\$ 2,600,000	\$35
Highland Park	31,500	\$ 650,000	\$21
Moline	43,000	\$ 1,800,000	\$42
Morton	16,600	\$ 900,000	\$54
Normal	52,500	\$ 1,700,000	\$32
Rock Island	40,000	\$ 1,400,000	\$35
Rolling Meadows	23,300	\$ 540,000	\$23
Total	452,800	\$ 12,615,000	\$28

Evaluation of the table indicates the average annual amount per capita collected by the fee is \$28 (ranging from approximately \$54 to \$18).

The table above does not include Rantoul. Rantoul also has a stormwater utility, but it is a tax. Rantoul’s population is 12,400 and the tax generates \$542,000 (approximately \$44 per capita annually).

The City of Urbana staff has also provided information to its Council concerning a stormwater utility fee. The Urbana Council has requested more information from staff to learn more about the fee. Both Champaign and Urbana staff are sharing information and are considering options for working together if stormwater utility fees are pursued by both entities.

**5. Implementation Steps.** Summarized below are typical implementation steps for a stormwater utility fee. The steps are just a guideline. The steps can be re-ordered as needed or they can be modified, added, or deleted to meet the needs of the community.

**a. Appoint a Stormwater Utility Fee Advisory Committee.** The purpose of the group is to review and provide input on the development of the stormwater utility fee. The group would consist of nine to twelve members and would meet five to six times over a seven to nine month period of time. The goal would be to appoint an individual from each major land use. For the City of Champaign, this could mean representation from the University of Illinois/Parkland College, School District, Park District, industry, commercial, Downtown/Campustown, non-profit organizations, apartment owners, and neighborhood groups.

**b. Complete a Feasibility Study.** The objective of the study is to estimate the amount of revenue a stormwater utility fee could generate and to determine what stormwater improvement expenditures are needed in the community. Usually, the feasibility study also

evaluates how the stormwater utility fee would be billed and estimates the staff and costs that would be needed to manage the stormwater utility fee billing structure.

**c. Adopt a Stormwater Utility Fee Ordinance and Credit Manual.** This step involves all the work required to develop the billing policies, fee structure, and rate for the stormwater utility fee. It also includes identifying what property owner activities associated with reducing stormwater runoff or improving stormwater quality would be eligible for stormwater fee credits. Also, how fee credits would be calculated and applied would be determined at this implementation stage.

**d. Complete the Billing Database.** This step would be completed after Council adopts the stormwater utility fee ordinance and credit manual. This step is a major effort and a significant cost, using GIS to calculate from aerial photographs the impervious area of each parcel. To reduce the effort and associated cost, the impervious area for single family homes is calculated by using a statistically valid sampling of 100 to 200 single family properties. However, for non-single family parcels, impervious area for each parcel is calculated. For Champaign, this would mean measuring the impervious area of an estimated 5,300 parcels.

**e. Provide Community Outreach.** Even though this step is listed last, it is completed throughout the implementation process. It involves providing information to the public and educating the public on the stormwater utility fee. Specifically, how the stormwater utility fee would work, its purpose, benefits, and cost to each individual property owner. Community outreach also includes collecting public input on the stormwater utility fee during each implementation stage and incorporating that input into products that are produced.

A community would usually contract with a consultant to help with the implementation of a stormwater utility fee. The consultant would have experience with stormwater utility fees and would provide professional advice on all stages of the implementation process.

The typical time frame for implementing a stormwater utility fee is 12 to 18 months. The typical cost for a consultant ranges from \$400,000 to \$500,000.

**6. Benefits.** A stormwater utility fee could provide several benefits.

**a. Improve Stormwater Management.** The stormwater utility fee could be structured to provide additional resources for stormwater management. Table 5 provides a summary of the average cost per parcel per land use for approximately \$1,000,000 of stormwater utility fees.

Table 5  
City of Champaign  
Stormwater Utility Fee

Land Use Type	Total Acreage	“C” Factor	ERU’s	Fee Per Land Use Type	Parcels	Average Fee Per Parcel
Parks	607.82	0.05	389.63	\$6,401.59	192.00	\$33.34
Industrial/ Commercial	2,595.74	0.70	23,295.10	\$382,738.54	1,896.00	\$201.87
In-Town	273.22	0.45	1,576.27	\$25,898.10	735.00	\$35.24
Single-Family Residence	5,112.56	0.40	26,218.26	\$430,765.95	16,777.00	\$25.68
Multi-Family Residence	1,629.93	0.45	9,403.44	\$154,498.56	2,528.00	\$61.11
<b>Total</b>			<b>60,882.70</b>	<b>\$1,000,302.74</b>	<b>22,128.00</b>	
Fee per ERU based on approximately \$1,000,000 target = \$16.43						

Additional resources could mean more dollars to complete unfunded capital projects. Staff estimates there are over \$80 million of unfunded stormwater capital projects. Additional revenue could also provide a means to reduce the backlog of rehabilitation needs. When the City cleans and televises the existing storm sewer system, structural deficiencies are found that require rehabilitation. The City currently has resources budgeted for rehabilitation. However, rehabilitation needs far exceed by several million dollars available resources. Additional resources could fix existing problems in the storm sewer system sooner.

Additional resources could also allow new stormwater management programs to be started. For example, over 100 detention basins are privately maintained by homeowner or lake owner associations. Unfortunately, most of these associations are not providing adequate resources for current or future maintenance needs. A stormwater utility fee could provide resources for a program to allow the City to become more actively involved in the maintenance of these detention basins.

Another example of a new program could be a stormwater overhead sewer cost share program. This would be very similar to the sanitary sewer cost share program. The City has hundreds of homes connected by gravity to the City’s storm sewer system. These

connections were made long ago. Current City code does not allow gravity connections. When the City's storm sewer surcharges, stormwater backs up these gravity connections and flood basements. A cost share program could be implemented to help property owners disconnect the storm sewer gravity connection, install a sump pump and piping, and eliminate the backup.

**b. Equitable Means to Pay for Stormwater Management.** A stormwater utility fee is an equitable means to pay for stormwater management. The fee is based on the burden a property places on the stormwater transport system. The more burden (runoff), the higher the property owner's utility fee. The amount of burden (runoff) is directly related to the amount of impervious area on the property.

A stormwater utility fee is also equitable because it provides a means for a property owner to reduce his or her fee. If a property owner is willing to install facilities on the property to reduce runoff or improve stormwater quality, thereby reducing their burden on the stormwater system, a credit is given, lowering the property owner's stormwater utility fee.

**c. Stable Revenue Source.** Approximately 60% of the Stormwater Management Fund's current resources come from the 0.25% sales tax. Sales tax revenue fluctuates with the economy. However, some expenditures in the fund such as debt retirement for capital projects or stormwater quality expenditures required by the City's NPDES permit are fixed. When sales tax revenue in the fund is flat or down, the fund is balanced by reducing rehabilitation expenditures. This reduction causes the several million dollar backlog to grow even larger.

A stormwater utility fee would be a more stable revenue source. Once the fee is established there would be very little fluctuations in the annual revenue. A stable revenue source will become even more critical in the future if more capital projects are completed with bonding and the annual debt retirement is funded from revenues in the Stormwater Management Fund.

**7. Next Steps.** Most of the background information provided in this report on a stormwater utility fee is very generic and not specific to the City of Champaign. Staff feels before any decisions can be made, more information needs to be developed on a stormwater utility fee specific to the City of Champaign. The many options concerning a fee would need to be explored as discussed below. Additionally, more public involvement and education concerning a City stormwater utility fee is needed. Staff recommends as the next step is to appoint a citizen advisory group and develop a preliminary expenditure, revenue and billing plan for the stormwater utility fee.

**a. Stormwater Utility Fee Advisory Committee.** The group would be appointed by the City Council and consist of eight to twelve members. The goal would be to have representation on the committee from the different land use types in the City such as;

- University of Illinois
- School District
- Park District
- Non-profit organizations
- Single Family
- Multi-family/Apartments
- Commercial
- Industrial

There could be multiple representatives from a single land use. The committee's mission would be review and provide input on the stormwater utility fee. The group would be established for a 12-18 month period. It would probably meet six to nine times during that period.

**b. Expenditure, Revenue, & Bill Plan.** This plan would provide information on the feasibility of a stormwater utility fee for the City of Champaign. The advisory committee would help develop the plan by providing input and review.

There would also be a public outreach component to the plan's development. The goal would be to provide the public with information and education on the stormwater utility fee and to obtain their input on the fee. This would be accomplished with public and neighborhood meetings.

Developing this plan would require several Council Study Sessions. Council would need to provide staff with direction on numerous stormwater expenditure and revenue policy issues. Staff has not identified all policy issues at this time but some questions would be:

- What revenue sources would fund stormwater management in the future? Would it be funded solely by a stormwater utility fee or would current revenue sources (property taxes, general fund transfers, and sales taxes) still be a part of the equation?
- What role should traditional stormwater funding mechanisms such as cost share and special assessment play in future stormwater funding, if any?
- Which current stormwater expenditures should be funded by a stormwater utility fee?
- Should future stormwater expenditures be increased to include additional capital improvements and/or other needs? If so, should this expansion be funded with the stormwater utility fee?
- What incentive and/or credits would be incorporated into a stormwater utility fee?
- What type of land uses would be exempt from a stormwater utility fee?
- What rate structure would be used for a stormwater utility fee?

Staff would need a consultant to assist in the preparation of the plan. Staff has limited expertise on stormwater utility fees; a consultant can help bridge that gap and provide the resources to complete the plan in a timely fashion. Furthermore, developing a plan is an extensive effort that would be difficult for staff to accomplish along with other projects, particularly considering the "learning curve" required.

Staff estimates consultant cost for this phase of work at \$105,000 to \$125,000. It is also estimated this phase of the work would take ten to twelve months to complete once the advisory committee is appointed and the consultant is under contract.

The scope of work for the expenditure, revenue and billing plan would include the following specific items:

- **Expenditure.** A multi-year stormwater expenditure plan would be developed. The plan would identify the stormwater expenditures that would be funded by the stormwater utility fee. This could include all or a portion of the existing stormwater expenditures associated with operation, maintenance, rehabilitation and debt retirement on capital improvements. The plan would also need to include any new stormwater expenditures.
- **Revenue.** This component of the plan would calculate the impervious surface areas of different land use types in order to determine the number of billing units within the City limits. Additionally, a rate model would be developed that could estimate the revenue generation potential for varying rate scenarios. The proposed stormwater utility fees would be calculated for five to six properties in different land use categories to illustrate the fees impact.
- **Billing.** Four billing options would be evaluated:
  - contracting with organizations that currently send bills to most or all properties in Champaign, such as Illinois American Water or the Urbana-Champaign Sanitary District,
  - establishing a billing & collection system in cooperation with the City of Urbana, should it adopt a stormwater utility fee,
  - outsource billing to a private firm, and
  - setting up an in-house billing operation.

The pros and cons for each option would be identified plus the cost to implement the option. This would include an estimate of all significant one-time and recurring costs, including staffing needs for billing, customer service, collections and other staff related functions.

## **F. Alternatives:**

1. Direct staff to proceed with the next implementation step for the stormwater utility fee. This would involve establishing a stormwater utility fee advisory committee and proceeding with the development of a preliminary expenditure, revenue and billing plan for a City of Champaign stormwater utility fee.
2. Do not direct staff to proceed with the next step for the stormwater utility fee and provide further direction to staff.

## **G. Discussion of Alternatives:**

**Alternative 1** directs staff to proceed with the next implementation step for the stormwater utility fee. This would involve establishing a stormwater utility fee advisory committee and proceeding with the development of a preliminary expenditure, revenue and billing plan for a City of Champaign stormwater utility fee.

### **a. Advantages**

- Could provide additional resources so more stormwater maintenance, rehabilitation and improvement activities could be completed.
- Could provide a more equitable means to pay for stormwater management expenses.
- Could provide a stable revenue source for stormwater management activities.

### **b. Disadvantages**

- Could shift more of the cost for stormwater management to property owners who are currently paying less.
- An additional fee that property owners will have to pay could be unpopular with some property owners.
- Implementation of a stormwater utility fee has a significant implementation cost. Recommended Alternative 1 has an estimated cost of \$105,000 to \$125,000. The cost to implement a complete stormwater utility fee is estimated at \$400,000 to \$500,000.

**Alternative 2** does not direct staff to proceed with the next step for the stormwater utility fee and provide further direction to staff.

### **a. Advantages**

- Does not require the expenditure of \$105,000 to \$125,000 and those resources could be used of other stormwater management activities.
- Provides an opportunity for Council input.
- Depending on Council action, there could be other advantages.

### **b. Disadvantages**

- Difficult to identify disadvantages without knowing what Council direction could be.

**H. Community Input:** There have been several study sessions addressing drainage issues. Citizens at several of these meetings have voiced support for enacting a stormwater utility fee to help pay for needed drainage projects.

Additionally, there have been numerous neighborhood and steering committee meetings to discuss local flooding and drainage problems. Questions about a stormwater utility fee have been asked at several of the meetings. Public Works staff has discussed and provided steering committee members with stormwater utility fee information.

The John Street, Washington Street East and West Steering Committees were provided with a copy of this report. The public will have an opportunity to provide input on this issue when the report is presented to Council at the Study Session.

If Council directs staff to proceed with the recommended alternative, there would be significant public input. A stormwater utility fee advisory committee would be appointed to review and provide input on a fee. A public outreach program would be developed and implemented to provide information and to obtain input from the public on the stormwater utility fee. Also there would be several Council Study Sessions to discuss policy issues pertaining to the stormwater utility fee. The public would have an opportunity to provide input at the Study Sessions.

**I. Budget Impact:** Preparation of the Report had no budget impact. The recommended alternative would require the City to hire a consultant. Staff estimates the cost for the consultant to range from \$105,000 to \$125,000. Currently, no funds are budgeted for this effort. A budget amendment would be required prior to the approval of the consultant's contract. Staff believes that adequate resources in the Stormwater Management Fund are available to fund the recommended alternative.

**J. Staffing Impact:** It took approximately 150 staff hours to prepare this report. Staff estimates it will take approximately 1,200 hours to implement recommended Alternative 1. The staffing impact of Alternative 1 would be lessened by the use of a consultant. It is estimated the consultant would provide approximately 600 of the 1,200 hours needed for Alternative 1. Staff will need to re-prioritize projects to provide the balance of staff hours to accomplish recommended Alternative 1.

Prepared by:

Reviewed by:

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Richard Schnuer  
Finance Director

Attachments: Exhibit A – “The Drainage Utility Fee: An Approach to Funding Champaign’s Stormwater Management Program” – October 9, 1996