

5. Funding Options

Revenue Requirement

Based on the recommended stormwater program the target for funds generation to support it is estimated to be \$1.2M plus additional costs for administration and non-big rocks items – perhaps \$1.3M. The current total spending level is about \$470,000. This means an increase of about \$800,000.

The sources of current revenue are:

- \$250,000 in Proposition S funding for capital improvements
- \$220,000 in General funds for support of maintenance and compliance

The increase in resources needed are:

- \$300,000 to \$400,000 in new capital improvement dollars depending on the planning year in question.
- non-capital funding of about \$400,000 to \$450,000 annually which consists of:
 - \$185,000 additional for maintenance support, providing a dedicated crew
 - \$150,000 in additional personnel costs for regulation and inspection of new development
 - Between \$40,000 and \$120,000 to support master planning and compliance with the NPDES stormwater quality permit.

Funding of Stormwater Overview

Municipalities employ a variety of funding methods, including service charges, several types of taxes, franchises and other fees, fines, and penalties to support their activities. In support of a local stormwater program, there is a difference between “money”, “revenue” and “resources”.

The following is a discussion of the differences:

- Resources consist of non-monetary support for the stormwater program including volunteer labor, non-profit group support programs, in-kind contributions, free media coverage, information from the Internet, etc.

Resources are used normally as an enhancer to a program or as “frosting on the cake”. It must be understood that you cannot count on it and it does involve some labor time for development and coordination.

- Money is one time funds that become available for use, often for special purposes. For an individual, “money” would be equivalent to a year end bonus, a royalty check, or an IRS refund. Money includes such things as grants, loans, bond proceeds, impact fees, penalties, gifts, tap fees, plans review fees, etc. The key is that they are one time and therefore cannot be counted on month to month or year to year.

Money is used to fund special projects, capital programs, defray the cost of special services (plan review or inspection for instance), and recover the cost of the impact of new developments.

- Revenue is like income. It is constant, normally changing only slightly year to year and month to month. It is dependable. With revenue, unlike with money, a long term comprehensive program can be planned with reasonable confidence it can be funded.

Revenue is used to fund all parts of the stormwater program with special emphasis on being able to fund ongoing operations and maintenance or engineering and planning where staff and equipment are involved.

The various funding methods have distinctive characteristics which separate them legally, technically, and in terms of public perceptions. Four major categories of municipal revenue generation methods are taxes, service charges, exactions, and assessments.

- Taxes are intended primarily as revenue generators, and with some exceptions (such as special local option sales or earmarked taxes) are without any particular association with the activities or improvements that they fund. They can be used for the general purposes of local government. These include property tax, income tax, sales tax, etc.
- Service charges are not established simply to generate revenue, but must be tied to the objectives of a specific program to which they are associated. For example, water and sewer service charges are structured to cover the cost of those programs, not to simply generate revenue which is used for other purposes as well. Thus the total revenue generated must be tied to the cost of providing services and facilities and the amount each rate payer is charged must be related to the impact or “use” of the system (rational nexus).
- Exactions are related to the extension of an approval or privilege to use. Franchise fees for the privilege of using the right-of-way for cable and phone companies limited to a certain percentage of revenue by Federal or state laws are an exaction. Licenses, tap fees, impact fees, fees in lieu of detention, capital recovery charges of all kinds and the mandatory dedication of infrastructure during development are also exactions.
- Assessments are geographically or otherwise limited fees levied for improvements or activities of direct and special benefit to those who are being charged. The benefit must be direct – tied to a specific and measurable or estimable property improvement. And it must be special - a benefit which is not realized generally in the community or area.

Most stormwater programs, especially as they mature, are funded through a variety of mechanisms matched to program needs, legally available, and acceptable to the community selected from the three basic types of support (money, revenue and resources). For example some programs will fund the bulk of their program with either tax or user fee based revenue, partially fund or undergird capital with sales tax and bonding, and fund portions of development related activities with fees and charges. They will use resources as they are available to handle public involvement and education under the stormwater quality permitting mandates.

Of the three basic types **only** “revenue” can be thought of as a “primary” source of support. Some of the others can be sizable, for example Prop S sales tax proceeds, but cannot sustain a long-term program which is comprehensive and flexible. Most of the larger non-revenue sources are focused on specific capital improvements.

In conclusion, municipal stormwater management programs have been funded using a number of mechanisms as the primary generator of funds including: property taxes, sales taxes, gas-tax

based road funding, gaming or other excise taxes, user fees and surcharges on other utility fees. By far the most common current funding method is property tax based. Infrastructure improvements are often funded through bonding and sales taxes which are renewable at the discretion of the voters.

Revenue and Money Options Snapshot

What are the options?

Generally speaking, the City has a combination of three options to provide resources for stormwater management. It could:

1. reallocate current resources to meet the increased stormwater need, thus reducing some other City budget amount and program;
2. increase those current sources that it controls and are unrestricted as to use; and/or
3. develop a new funding source.

Option 1 – Reallocation of Current Funding Sources

Option 1 is considered impractical in the sense that the amount of need is greater than could be handled through simple reallocation, and that many of the other demands and needs are of higher priority than stormwater. The point, and the reason for SWAC meetings, was the thought that stormwater management must begin to emerge as the third leg on the “water resources stool” along with drinking water and sewage. There are three publicly supported water resource systems in the City – and the third, stormwater, is the only one that is poorly funded and currently without focus.

Option 2 – Increase in Current Sources.

O’Fallon currently uses a myriad sources for money and revenue. Potentially available resources fall under General Fund resources and Proprietary Fund (water and sewer funds) resources.

Of all the things that go into the General Fund and that are both available and whose level is partially controllable by the City the leading potential sources include: property tax and development related fees.

Property Taxes

In favor of property taxation is that the complete system for assessment and collections is already in place, and such payments are tax deductible for the average homeowner. Thus there would not be a need to set up any additional collection mechanism. Also, in the case of sales tax, outside parties also contribute to the need, though sales taxes are also seen as regressive on the poor.

On the con side there are two major concerns: equity and stability.

The demands on the stormwater system that result in needs for operational programs and capital investment in systems and other assets have little relationship to property values or business sales activity levels. They are a function of the peak rate and total amount of

stormwater runoff that must be carried safely through the community. However, the revenue sources that support the General Fund are based on a “taxation” philosophy. The purpose of taxes is simply to raise revenue. It is not necessary that there be any association or relationship between the source of revenue and the purpose to which it is applied.

The greatest inequity in using General Fund appropriations for stormwater management is that many properties that place demands on the stormwater systems are exempt from property taxes. As a result they do not participate in funding stormwater management through the General Fund. Even some private properties, e.g. parking lots and storage warehouses that have large expanses of impervious coverage, do not pay property taxes commensurate with the demands they impose on the stormwater systems. Conversely, some properties that have little impact on stormwater runoff but pay high property taxes are paying more for stormwater management through the General Fund than they would through funding methods based on the demands placed on the stormwater program and systems.

General Fund appropriations for any specific purpose are also highly uncertain from year to year, as revenues are not legally dedicated to any specific purpose. Allocations shift with perceived priorities. Stormwater management needs are likely to receive better treatment in the budget in a year following severe storms and drainage problems than in a year following a drought. This makes it difficult to plan and consistently carry out a long-term program plan that depends on reliable funding year after year.

Residents of O’Fallon pay personal property taxes each year with the City receiving only 11% of the total property tax bill. O’Fallon schools receive the highest percentage of property tax dollars (64%). Figure 4 shows the distribution.

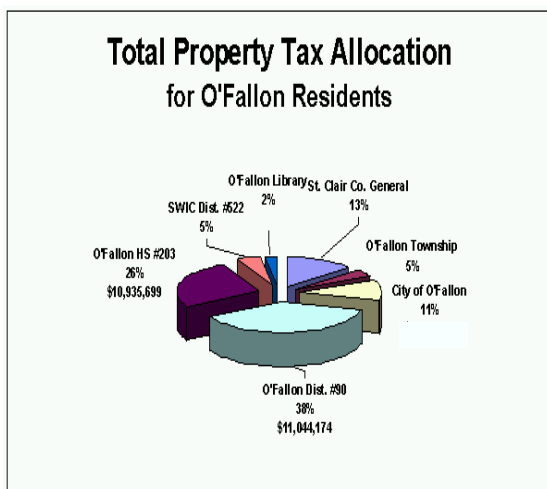


Figure 4. Property Tax

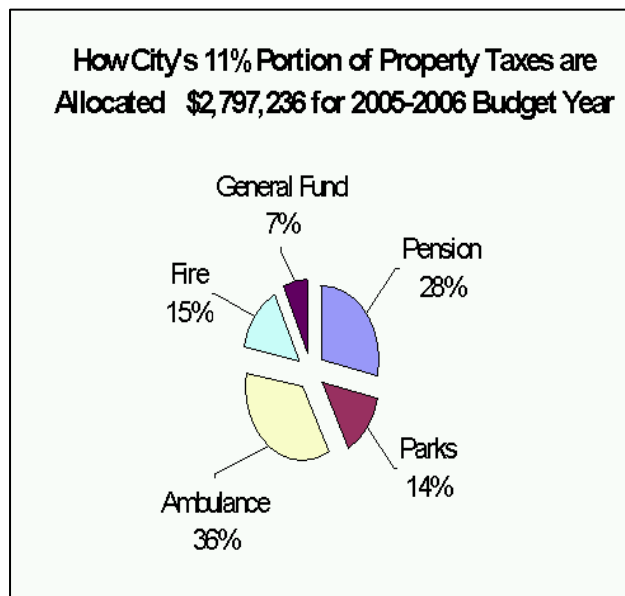


Figure 5. City Property Tax

In Budget Year 2005-2006 the City anticipates a total of \$2,797,236 in property tax revenue. Figure 5 shows how the City’s 11% portion of these taxes is allocated within the City budget.

Only 7% of the property tax revenue (\$192,000) goes into the General Fund and is therefore available for use. This amounts to a tax rate of about 4.6 cents per \$100 of assessed valuation on real property. While the City can legally assess up to 25 cents per \$100, there has been a long-term strongly held policy of not raising overall local property taxes.

If we assume for the moment that only the non-capital portion of the program increase is covered by property taxes this would mean an increase in the rate from 4.6 cents per \$100 to about 9.6 cents or more than a 200% increase.

From this we must conclude that there is insufficient revenue capacity and political will to increase property taxes to cover any significant portion of the stormwater program need.

Other General Fund Sources

The City also receives revenue into its General Fund from as many as seventy other sources ranging from A to Z (Annexation Fees - \$100,000 to Zoning Permits - \$15,000). See Figure 6 for a summary. These are expected to total about \$10.9M in 2005-2006. Sales tax is expected to generate 55% of General Fund income.

When all the sources are investigated only the ability to impose special fees or charges is both controllable and flexible enough to support stormwater management objectives. Within this budget there is the ability to impose fees for specific development related services. In fact, the new Subdivision Ordinance states:

SECTION 6.9 –FEES

The City Council may adopt by separate resolution appropriate fees for administration of applications for preliminary plats, final plats, site development and infrastructure permits, and other permits provided subject to this Ordinance, as well as subdivision inspection fees, utility service and tap fees, and any additional costs, studies and fees as may be required consistent with this Ordinance and the Development Manual. Such fees may be established in such amount so as may fully reimburse the City's costs in administering this Ordinance...

The City already imposes a 3% Subdivision infrastructure inspection fee on new developments that raises an estimated \$175,000 annually. The ability to increase or change this fee is problematic as most impact fees were originally based on a thorough assessment of the needs and require an adequate system to improve upon in the face of new development.

This opens the door for the imposition of stormwater specific fees, which might include: plans review, inspection, a stormwater “tap fee”, and other fees similar to water and sewer fees for recovery of previous City capital investment in the stormwater system. This all presupposes that the City will be tracking such investment and would develop the ability to allocate such fees to specific properties – as it currently does with its Water and Sewer enterprise funds.

There are several approaches that may hold some promise:

- One approach, used elsewhere, is to perform master planning for the purposes of preliminary design of major capital improvements in areas facing new development. Then, as new areas develop, the capital construction takes place and it is paid for by the developments requiring the new services. In

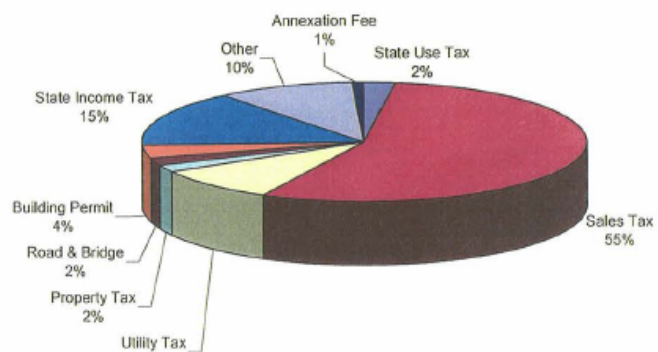


Figure 6. Components of the General Fund

this way new development pays for many of the stormwater capital improvements. Such planning was strongly recommended by each of the three SWAC program teams in SWAC meeting #2. This, however, does not address the current backlog of current capital needs estimated at about \$12M.

- The City also currently assesses special taxes for seven “maintenance districts” to fund the upkeep of certain infrastructure. Such an approach requires the calculation of “direct and special benefit” and works well for certain capital expenses that are neighborhood or site specific and that benefit only certain properties in exclusion of taxpayers generally.
- There are other innovative approaches for the use of fees and charges. For instance, inspections of new development sites could become self funding through the requirement that developers hire ‘certified’ inspectors and fully cover their cost for their site. Such a public-private approach has the advantage of being fully self funded, and has the disadvantage of needing more administration and coordination to maintain a highly trained inspection force with availability to support O’Fallon’s needs.

All of these approaches have the disadvantage in that they do not provide a steady stream of revenue, they are “money.” They do not provide sufficient revenue to support a stable city workforce without supplemental stable revenue. As such, in most communities, they are an adjunct funding source not a mainstay of the program.

One additional source is use of proceeds from the ½ cent sales tax under Proposition S. This program is viable through 2010. It raises about \$1.4 M annually of which stormwater was budgeted to receive \$250,000. While this source can supplement the capital construction program it cannot, in a reliable and stable fashion, meet the capital construction need.

In summary, it is clear that while there is certain flexibility in the use of fees and charges and in Proposition S funds, the revenue capacity of such a suite of fees and charges is insufficient to fully meet the projected needs for the stormwater program, only reduce them somewhat in a year to year basis. They are “money” not “revenue” and are effective in only a narrowly focused way, and especially in terms of development related expenses.

Water and Sewer Proprietary Funds

Another source of revenue is user fees and charges through both the Water and the Sewer fund. Currently the Water and Sewer fund revenues are \$6.85 M and \$3.13 M respectively.

While it has been done in other places, there are some issues with tapping Water and Sewer funds for stormwater support.

The City has broad latitude to structure the institutional arrangement underlying a stormwater service fee but does not have that latitude in structuring the logical connection (rational nexus) for the stormwater fee to be part of the Water and Sewer fee directly without the intervening step of a General Fund transfer.

It must be emphasized that the system demands, that result in stormwater and wastewater costs of service, do not have the same origin. Wastewater treatment costs are associated primarily with the quantity and strength of domestic and industrial sewage, while stormwater costs are related principally to the peak flow, volume increases and pollution aspects of surface runoff which are all influenced by land development practices and patterns. Simply increasing

the current wastewater rates to recover stormwater management costs would not be technically supportable.

A stormwater service fee probably could be established either independently under a stormwater utility or within the existing wastewater utility. Since O'Fallon does not have combined sanitary/stormwater sewers, it makes more sense to establish an independent stormwater utility fund. Also, the FPA boundaries for sewer service is not the same as the city limit boundaries. If stormwater was incorporated into the wastewater enterprise fund it would be necessary to have a separate fee, based on a stormwater rate methodology, supporting a separate cost center within the enterprise, essentially creating an accounting "firewall" between the two functions. It is almost certain that the covenants associated with wastewater bonds presently in force would dictate that an "arm's length relationship" be established and maintained between the stormwater and wastewater funds.

Conversely, there are several considerations that might make a combined service fee appropriate. Stormwater inflow and infiltration to the wastewater collection system may cause localized backups, overflows, and peak demands on the sanitary sewage interceptors and treatment works when flooding occurs. Watershed-based planning and programs are becoming the standard and would be responsive to the advisory committee's interest in more broadly based water resource management. Closer linkages between the stormwater and wastewater programs could be beneficial.

Thus, as has been done in several places, there may be an ability to place a small "stormwater" or "environmental" charge on each water utility bill, but such revenue would not be sufficient to support stormwater needs.

There may be great benefit in tapping billing and customer support resources of the current Water and Sewer assets should a stormwater billing system be established under a user fee. And there may be other resources that can be shared as well – though it would be expected that, under enterprise fund accounting, such services would be charged for.

On the practical side, both the Water and Sewer funds are tapped out to rehabilitate current infrastructure. Rate increases are already anticipated in these areas to support needed projects. A further rate increase for the purposes of stormwater management lacks the requisite rational nexus and would not be advised.

In summary, while there is a relationship between Water, Sewer and Stormwater programs (they are all part of water resources generally), there is little ability or legal basis for raising current water and sewer rates to support stormwater management.

Option 3 – New Funding Sources – a Stormwater User Fee.

A stormwater utility falls primarily under the second of the four funding categories discussed earlier: a service charge. It is based on the premise that the urban drainage system is a public system, similar to a waste water or water supply system. When a demand is placed on either of these two later systems the user pays. In the same way when a forested or grassy area is paved a greater flow of water is placed on the drainage system. This is the demand. The greater the demand (i.e. the more the parcel of land is paved), the greater the user fee should be.

A stormwater utility differs from the other two water-related utilities in several key ways. First of all, there is no way to remove or discontinue services for non-payment. Secondly the service is provided to all citizens without choice (though mandatory water and sewer service makes this difference less of a distinctive). Third, the demand placed on the system can only roughly be measured or approximated. Also, the actual service rendered to a particular property is often difficult to quantify. Despite these drawbacks, the utility concept for stormwater financing is a viable and growing funding method.

The user fee concept of a stormwater utility based funding method is fast growing. In the early 1970's there were only one or two true stormwater utilities in existence. In the early 1990's there were over 200. By 2000, the number had grown to 400. This number is expected to more than triple in the next decade as the financial impacts of stormwater quality legislation reach the many small municipalities.

There are currently five stormwater utilities in Illinois. The City of Rock Island stormwater utility was challenged and prevailed in court, setting two key precedents in the Illinois District and Appellate Courts; first that when properly established the service charges are a fee, not a tax, and second that setting up a stormwater user fee system is well within the authority of home rule cities in the state. Many other cities in Illinois are considering such a move and we anticipate that there will be twenty to thirty stormwater utilities among Illinois cities within the next five years.

This form of funding has several advantages over other competing forms of finance including its equitability, stability and adequacy. A stormwater utility is equitable because the cost is borne by the user on the basis of demand placed on the drainage system. It is stable because it is not as dependent on the vagaries of the annual budgetary process as taxes are. And it is adequate because a typical stormwater program can be financed with payments below the normal customer willingness to pay.

In most other communities, stormwater utility service fee rates have been based on property conditions that affect the peak rate of runoff, total volume discharged, and pollutant loadings on receiving waters. The most common stormwater service fee rate structures are based on the amount of impervious area (roofs, paved areas, etc.). Impervious coverage increases the proportion of rainfall that runs off the land. Impervious area service fee rate methodologies are used in more than two hundred cities and counties in the nation. Stormwater rates have also been based on the gross area of properties and a factor that reflects the intensity of development. A few cities and counties have incorporated both gross area and impervious area or the percentage of imperviousness into their rate calculation.

Simplified residential rates are common. Many stormwater service fee methodologies apply a flat-rate charge to all single-family residential properties. Service fee charges to non-residential properties are normally higher than residential charges, reflecting the greater runoff they typically generate. An "equivalent unit" approach is often used to equate service fees on non-residential properties to the rate applied to residences. Monthly charges under the stormwater user fee concept range from less than fifty cents to over \$14 per household per month – with scaled charges for non-residential properties based on how much impervious area they have. A summary of data from over 200 utilities in the United States shows that monthly residential rates typically range between \$3.50 and \$5.50. Their distribution can be seen in Figure 7.

One of the characteristics of a service fee that sets it apart from other funding methods is the ability to enact credits and offsets to the service fees. Adjustments can be made in a rate methodology to account for special circumstances. Credits can be given against stormwater service fees to encourage and reward responsible stormwater management, such as on-site detention of runoff, and to compensate for activities performed by the property owners that are beneficial to a City or County's stormwater management program.

Equity of funding can also be enhanced through the service fee rate design process. For example, stormwater service fees may be applied to non-taxable (public) as well as privately owned properties. Taxable (private) properties would thus be relieved of a portion of the cost of stormwater management.

The stability of revenue from a stormwater service fee ensures that long-range scheduling of capital improvements and operations can be done with reasonable assurance that funding will be available. This would overcome one of the major problems that currently exists. Dedicated funding that cannot be diverted to other uses also encourages stewardship of the resources.

Another potential advantage of a stormwater service fee would be to free up General Fund resources. Shifting financial responsibility for stormwater management to a stormwater utility and instituting a stormwater service fee to fund all or a portion of the stormwater management costs would make more General Fund resources available for other needs. The present level of spending on stormwater management from the General Fund is approximately \$435,000 annually (including Prop S).

The biggest potential disadvantages of a stormwater service fee are its high visibility and the cost of development and implementation. Regardless of technical distinctions between "taxes", "exaction", "assessments", and "service charges", any form of government funding will be

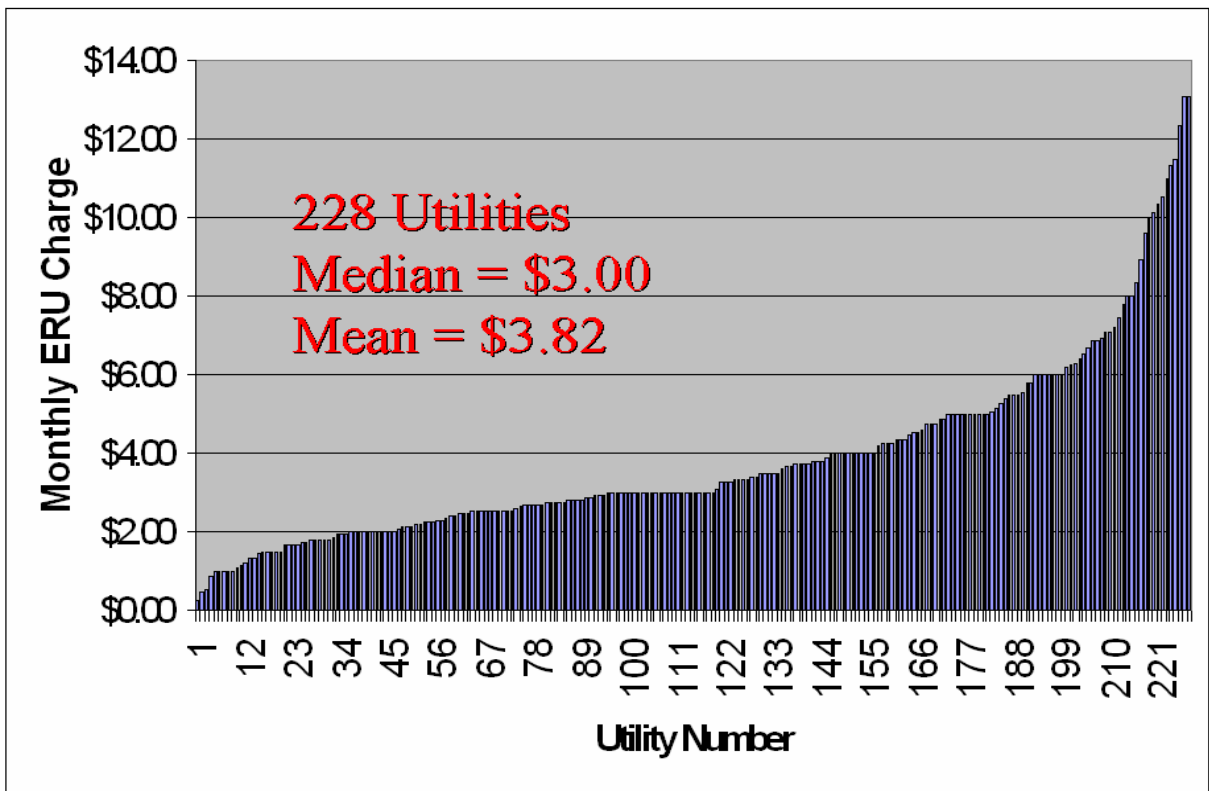


Figure 7. Utility Charges

viewed by a majority of citizens and property owners as a "tax" and will thus be potentially unpopular. The cost of utility implementation is estimated to be about \$125,000 for a City such as O'Fallon, assuming that the selected rate methodology is similar to those in use elsewhere.

It is estimated that such an approach could generate sufficient revenue to cover the bulk of the stormwater program – generating as much as \$1.2 M with a fee under \$5 per month per household and household equivalent amount of impervious area.

In summary, the stormwater user fee method is the only viable alternative for fully supporting the stormwater program's identified needs and revenue requirements. It has significant risk-based drawbacks which have been overcome in other places through a combination of building public and stakeholder support and appropriate due diligence.

SWAC Recommendations

During the third SWAC meeting the committee was given a gradual scale to select what they thought was the best mix of funding to support the stormwater program. Figure 8 represents these varying levels. In this Figure there are basically five levels of decision that form a continuum from all tax-based and current system funding to all user fee based funding. Each of these carries advantages and drawbacks. The options are described below:

1. Current Approaches – the City simply transfers funds from other accounts and programs to cover the stormwater program, thus reducing other programs.
2. Enhanced Current – the City seeks to increase all other funding sources to the maximum extent practical (Proposition S, fees, charges, water and sewer surcharge, etc.) and then makes up the difference with a lesser transfer of assets from other programs.
3. Mixed Funding – the City retains a mix of the current stormwater funding from the general fund and other sources and uses a stormwater user fee for only the supplemental funding required to bring the total to \$1.2 M – an additional \$756,000. Fee estimates would be in the \$3.50 range – though estimates are difficult to make given current data availability.
4. User Fee and Limited General Fund Support – The City generates most of its funding using a user fee but attempts to maximize the use of supplementary funding mechanisms through fees, charges, Proposition S funding, and other sources, and seeks to retain significant General fund contribution through rate structure policy decisions.
5. User Fee – The City generates almost all needed funding through a user fee approach and forms an enterprise fund similar to water and sewer. The level of the fee would be in the \$5 per month range – though estimates are difficult to make given current data availability. The general fund receives a return of its current investment in the stormwater program.

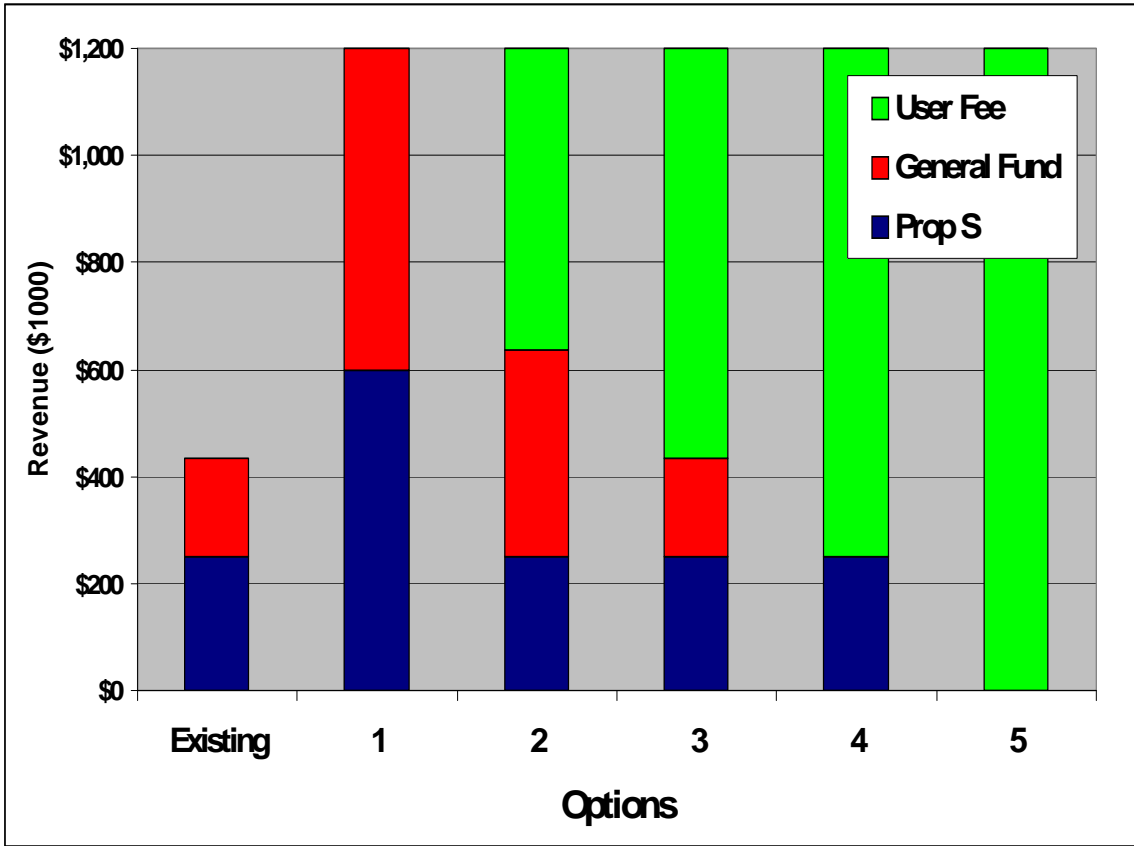


Figure 8. Funding Options

Key discussion among the SWAC included recommendations that the City carefully reconsider the use of prop S funds and seek to increase the proportion that goes to stormwater capital projects.

The committee was then asked to vote on what they felt was the best mix of funding for the recommended program. With 11 of the 13 members present, 5 voted for Option 3 and 6 voted for Option 4. Those who voted for Option #3 stated that they wanted to retain the General Fund portion of the stormwater program to insure the fee stayed low and that the City continued to pay its fair share. All agreed that the City should pay its share fairly, perhaps even including payment for roads.

Also, the committee voted that they felt that the community might be willing to pay up to \$5 per month for a typical residential home to pay for stormwater issues.

Based on the various recommendations from the SWAC, it is clear that a stormwater user fee is clearly the best option to make up the deficit of funding for the stormwater program.

6. Next Steps

Key Recommendations

The SWAC made several recommendations that will now be put before the City Council. These have to do with the program concept and the funding approach.

1. The program concept is that recommended in Section 4 of this report. The details are left to the program developers and staff, but the key priorities and level of expenditure have been described.
2. The funding approach has been recommended in Section 5 to consist of a user fee up to \$5 per month per equivalent billing unit, while retaining or increasing Prop S funding for capital construction, and potentially retaining part of the General Fund expenditures.

The following are the steps needed going forward pending Council approval of the recommendations:

1. Present the findings and recommendations of the SWAC to Council.
2. Develop a Council resolution adopting the program and funding concept and authorizing the staff to proceed with the next steps in establishing the stormwater utility.
3. Using staff and consultants as necessary, implement the stormwater utility,

Utility Implementation

The implementation of a successful user fee follows four “tracks” of activity. Figure 9 outlines these four tracks in an overall utility implementation flow chart. It is crucial that these four tracks are coordinated and timed to occur as shown. While there are almost infinite variations on this figure, the key activities within the figure are all important and should not be skipped.

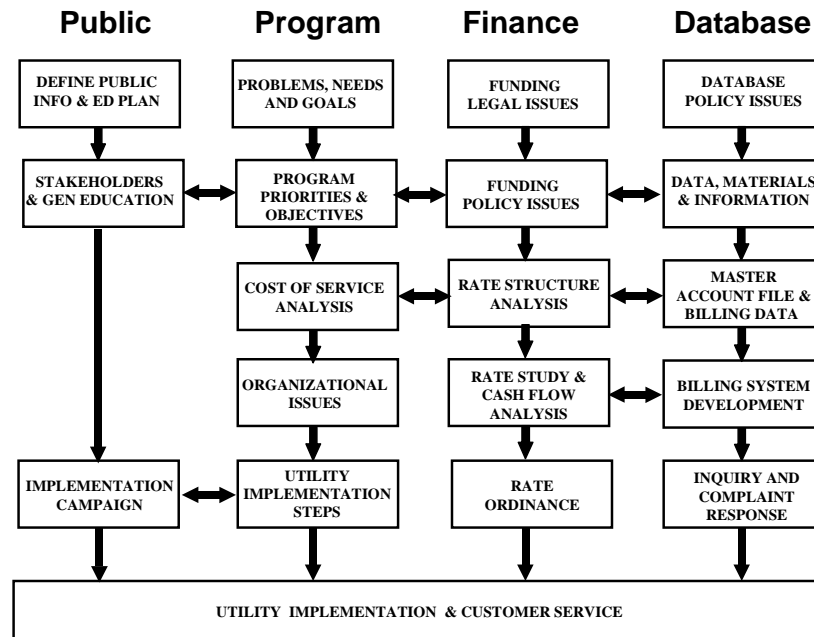


Figure 9. Utility Implementation

THE PUBLIC TRACK

Though not resulting in an “operational” part of the utility, this track serves the whole process. It involves four basic phases: planning the public involvement and information process; conducting the involvement and public education process; carrying out the implementation campaign; and monitoring utility implementation and customer service.

It is important to remember that there are many “publics” in O’Fallon, and that each has a stake or special interest in a stormwater utility with reasons to both support and oppose it. The following are examples:

<u>“Public”</u>	<u>“Special Interest”</u>
✓ Developers	Regulatory and Financial
✓ Environmentalists	Stormwater Quality, Habitat
✓ Neighborhoods	Flooding, Convenience, Property value
✓ Clubs	Participation, Voice
✓ Social, Ethnic, Economic Elements	Locations, Jobs, Costs
✓ Tax Exempt Entities	Utility vs. Tax
✓ Political Leaders	Timing, Message, Process
✓ Media	Is it “News”?
✓ Commercial/Industrial Entities	Costs, Credits, Service
✓ Technical Specialists	Standards, Criteria and Procedures

Early in the process a Public Information and Education Plan (PI&E Plan) which asks the following questions, should be developed. This plan serves as the roadmap for the work of the Public Track.

- ✓ Who is the public?
- ✓ What is the message?
- ✓ When do we send the message?
- ✓ How is the message sent?
- ✓ What is the emergency response when trouble occurs?

Well crafted information, strong media involvement, a speakers’ bureau, videos, citizen speakers, billboards, mailers, and public meetings, have all been used in effective public information programs. There is no one right approach as each community, and sub-element within the community, may obtain its information and make decisions differently. In one, key decisions are made by leading business leaders. In another the council may make the decisions with little input. In one community environmental interests prevail; while in another, solving flooding is key. In some places environmental justice and the economically disadvantaged are primary, while for others it is not.

THE PROGRAM TRACK

This track reviews the basic problems, needs and goals, program priorities, and then lays out a three to five year program, develops a costing of that program, and finally, sets up implementation steps. The program is the final determinant of the revenue plan, utility rate and rate structure, although due regard must be given to the customer’s willingness to pay for stormwater given other demands on citizens’ resources.

The program is also what sells the utility concept, and it is the Program Track process which addresses the most fundamental of questions. How do we convince citizens and stakeholders

of the need for an alternate funding source? Or, how do we craft a stormwater program that meets the needs of the local community without exceeding available funding?

The final assessment and planning step in the Program Track is the identification of the steps required to implement a utility. Those steps include a determination of the mix of revenue types to be used, the structure of the utility rate and the administrative functions which will implement and support the utility.

THE FINANCE TRACK

The Finance Track sets up the legal and financial basis for the stormwater funding program. In this track the planning process examines legal parameters of the revenue options, explores and establishes policies which will govern the revenue program, analyzes factors which will determine the structure of the rates to be levied, determines the revenue needed, and develops ordinances needed to implement revenue policies, rates, enforcement and equities.

It is in this track that fundamental questions concerning financing of the stormwater program are addressed. Who should pay for the stormwater program? What is the appropriate cost share to be borne by each benefited segment of the community? When or how frequently should payment occur; and what mix of revenue types or methods should be used to accomplish this payment such as fees, assessments, taxes, and/or utility?

In addition to these policy questions, the Finance Track also addresses legal questions. What revenue authority already exists? What legal authority is needed to implement the desired revenue mix; and what legal foundation is needed to support the levy of each of the individual revenue types (nexus, benefits, service)?

It is very important to have established a logical and rational nexus for each revenue policy decision, for the rates to be charged, and for ancillary charges, credits, and offsets. The Finance Track establishes the myriad of basic financing policies needed. Then, based on appropriate legal authorities and foundations, and on program input, it moves from development of a revenue structure to meet the program needs, to a rate structure study and cash flow analysis and finally to an ordinance.

It must be stressed that the Finance Track must work in support of the Program Track. The development and implementation of a stormwater funding program in general, and a utility in particular, must be intricately linked to the functions, goals and beneficiaries of the stormwater program to assure both equity and adequacy of the revenue levies. Revenue levies not consistent with benefits or services received; or not adequate to address identified needs, will quickly lose community support.

THE DATABASE TRACK

The Database Track has application to many stormwater revenue types, but is of foundational importance to the implementation of a stormwater utility. This track has five main purposes:

- ✓ to determine the appropriate database and fields,
- ✓ to develop the master account file,
- ✓ to develop a mechanism to deliver the bill to the customer,
- ✓ to determine database maintenance processes, and
- ✓ to monitor customer service.

The Database Track is that portion of the planning process in which the decisions made in the preceding tracks are used to create the administrative infrastructure which will compute the

revenue levy for each parcel, deliver the bill, record the payment, and monitor the results. The process involves policy assessment and development, evaluation of database options, design of the master account file and selection of a billing and record system. A database can also provide the means to track complaints and service deficiencies. During the Database Track, the revenue program policy decisions made in the Finance Track are given form and application, producing an actual revenue levy on real properties.

The master account file is a derivative of the rate methodology selected. For example, an impervious rate methodology requires the estimation of the impervious surfaces on each parcel. However, the availability of data could also influence the rate methodology decision. Should, for example, land use data be available then it might make sense to construct a rate methodology that uses development intensity factors to reflect the impervious fraction.