



# WORKSHOP Key Topics in Funding Local Government Stormwater Management Programs

*Keith Readling, PE*

*Vice President and Director of Stormwater Management Consulting*

*Raftelis Financial Consultants*

# Introductions

- Reading and other hosts/facilitators
- Attendees
  - mostly or entirely a manager
  - mostly or entirely a technical service provider
  - mostly or entirely a regulator
  - consultant or other

# Agenda

- Stormwater program planning
- Stormwater costs and funding
- Stormwater ratemaking
- Data, systems, processes to support a fee
- Legal and policy issues
- Communications
- Facilitated breakouts during / after lunch

# Answers Sought

- What is it?
- How much will it cost?
- Where will we get the money?
- How will we administer?
- What do we need to be sure about?
- How do we talk about it?

# Details

- Breaks planned at about 10:40am (15 minutes) and 12 noon (10 minutes)
  - Stormwater program planning
  - Stormwater costs and funding
  - Stormwater ratemaking
  - Data, systems, processes to support a fee
  - Legal and policy issues
  - Communications
  - Facilitated breakouts during / after lunch
- Communications session will include a handout and a chance to develop an individualized communications plan framework

# Details

- Please ask questions as they arise (*really good* questions may be deferred to breakouts)
- Facilitated breakout sessions during lunch:
  - Communications (Aubrey & Matt)
  - Financial planning (Dave)
  - Program planning, costs, rates (Keith)
  - Data, systems, processes (Jennifer)

# Examples We Will Use

- Tega Cay, SC
- Mt Lebanon, PA
- Peoria, AZ
- Upper Falls, NC (5)
- NEORSD, OH (63)
- Adams County, CO
- Mooresville, NC
- St Louis, MO
- Morristown, TN
- New Orleans, LA
- Kernersville, NC
- Baltimore, MD
- Beaufort County, SC (5)

# 1. Fleshing Out the Stormwater Program and Services

- Program planning, known issues
- Integrating regulatory compliance into the plan
- Integrating broader community issues and initiatives into the plan
- Prioritizing



# Program Planning and Known Issues

- Operation and maintenance
- Capital
- Staffing
- Data
- Equipment
- Compliance

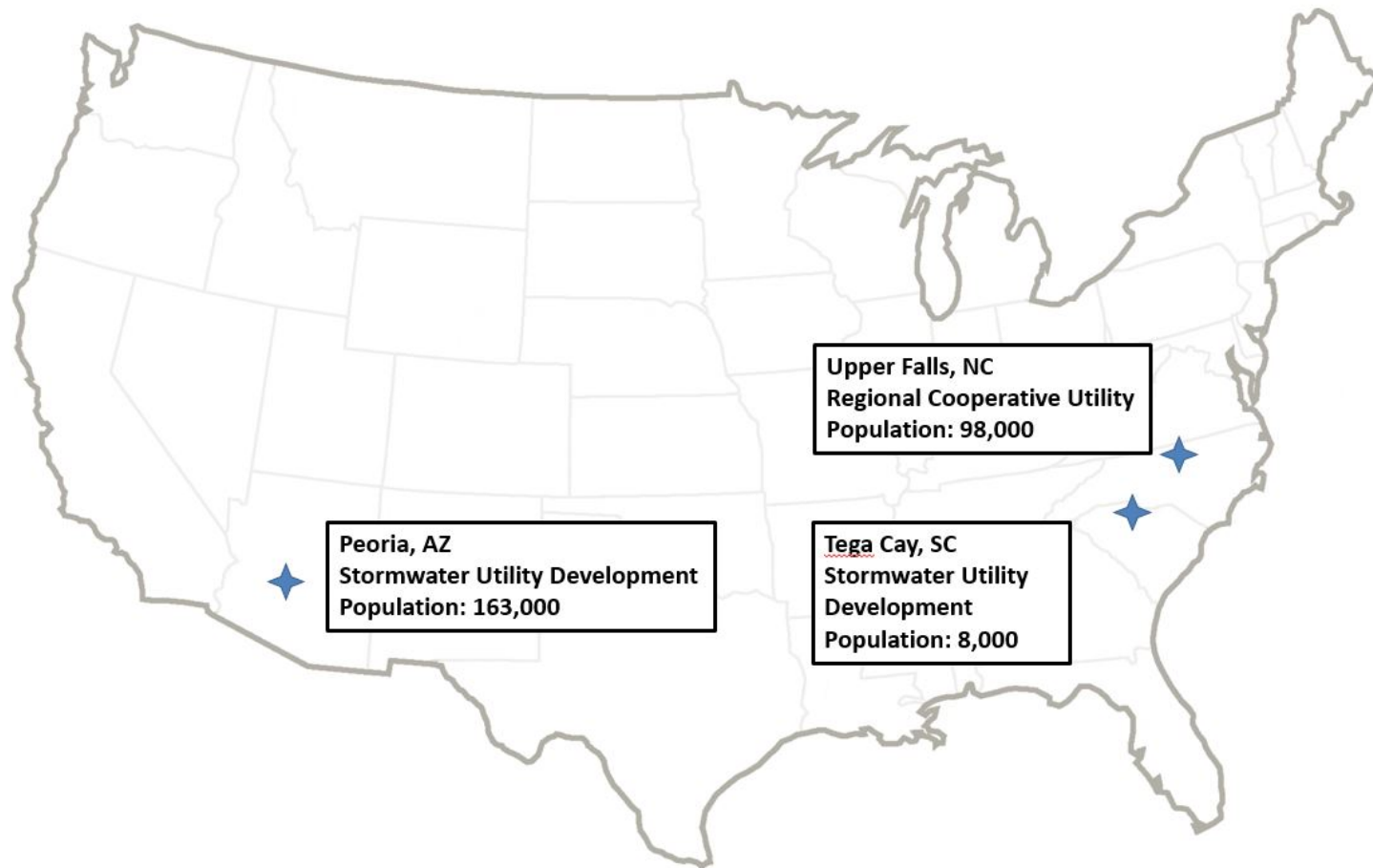
# Regulatory Compliance Integration and Relationship to Other Issues

- Timing of the ramp up
- How the six MCMs vary in cost and complexity
- Relationships to other issues and policies
- Drivers for change – opportunity

# Setting Priorities

- What do the citizens want?
- How long will it take us to accomplish things?
- How do we balance the need to act with the lack of data?
- Can we accomplish any broader goals if we are thoughtful?

# Program Planning Examples



## 2. Program Costs and Funding Approaches

- Estimating future service delivery costs
- Estimating capital costs
- Cost causation and allocability models
- Taxes, fees, fees-in-lieu, hybrids for funding

# Estimating Future Service Delivery Costs

- Inflation can vary a lot depending on the economic cycle
- Unmet O&M needs from newly taken infrastructure or pent up need may be substantial, and BMP O&M may be guesswork
- It is harder to spend money than most citizens would think

# Estimating Capital Costs

- Capital need may be vague at best due to a lack of data
- Some high visibility improvements may be required even if they have to be fast tracked
- Debt vs. PAYGO matters a lot (**more later on this**)

# Cost Causation and Allocability

- What makes our costs increase?
- How do ratepayers place a demand on our organization for service?
- Can I tie these demands to things I can measure?
- How do I balance technical excellence with simplicity and data maintenance cost? (more during later sessions on this)



# Program Cost & Funding Examples



# 3. Stormwater Ratemaking

- Pricing objectives
- Fixed and variable charges, various independent variables and their advisability in ratemaking
- The enormous implications of debt financing
- Credits, discounts, caps, collection rates

# Pricing Objectives

- Do we want to encourage or discourage any particular behaviors or patterns?
- How do we fall out on the fairness vs. simplicity of rates scale?
- Do we need to hold the line for any particular amount of time or plan for frequent smaller increases?

# Fixed and Variable Charges

- Account or parcel
- Impervious area
- Gross area
- Other variables
- Simplified charges for some classes

# Debt Financing for Capital

- Why and when?
- Why and when not?
- How to model and discuss?
- How does this debt relate to other debts in my jurisdiction?

# Credits, Discounts, Caps, Etc.

- What and why?
- How to model the revenue impacts
- Defensibility
- Collection rates and their relationship to billing approaches (**more during a later session**)

# Ratemaking Examples



## 4. Data, Systems, and Processes to Support Fee Funding

- Brief overview of the mechanics of billing for stormwater
- Data maintenance needs and tools
- Customer service needs and tools
- Costs associated with fee funding



# The Mechanics of Billing

- Three main ways, one of which is not too good
- Pros and cons
  - Simplicity
  - Collection rates
  - Ratepayer treatment
- Frequently no choice is really reasonable but to use what you have

# Data Maintenance Needs / Tools

- Depending on rate structure and policy choices that are made:
  - Detect changes to inputs
  - Update data to cause a bill to be updated
  - Communicate between parcel world and account world – often the most difficult data process

# Customer Service Needs / Tools

- Observation: consumer expectations for service have increased
- Customers may need to see “proof”
- Customer service workload variability and choices that can be made to even it out to some extent

# New or Changed Costs Associated with Fee Funding

- Fee computation, ratemaking, billing, collections, database maintenance, customer service all cost more than for a tax increase
- KR Guess: Delta is 2% if a big program; 5% or more if a small program. Shared savings are possible.

# Data Management Examples



## 5. Legal and Policy Issues

- Consult counsel early and as needed
- You will likely need a new or amended rate ordinance
- “Data facts” should guide the ordinance; do not allow it to be written without regard to what the data will give you

# Legal and Policy Issues

- Start clean
- Typical challenges and responses
  - Tax not fee
  - Authority
  - Arbitrary and capricious

## 6. Communications and the Public Process

- The normal flow of logic about stormwater needs and money
- Tools and approaches for working with the community
- Approaches for working with elected officials
- Individual framework development exercise



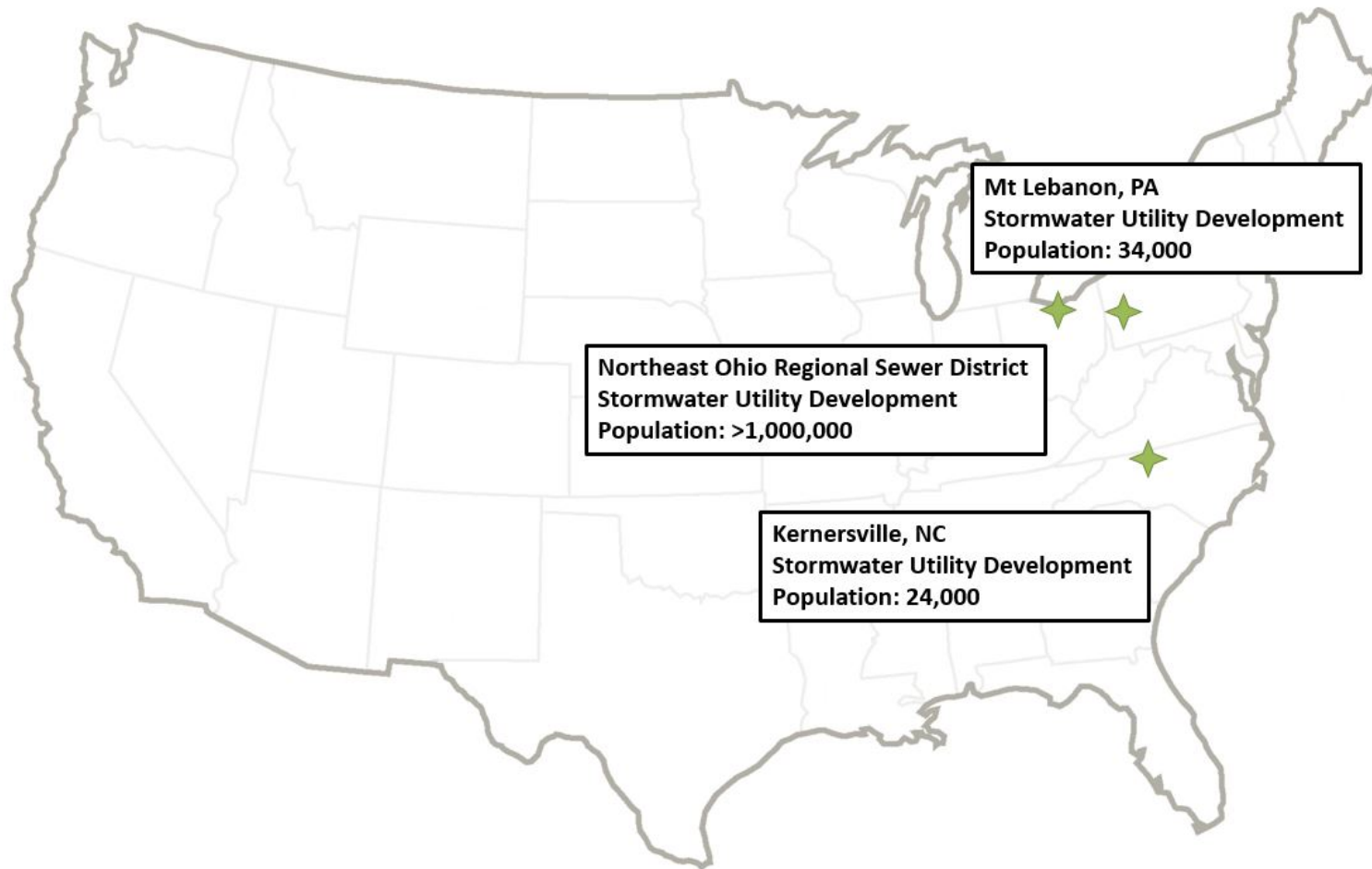
# The Logic Flow

- Business for long time; early and main focus safety and real property; streets focused; new kid is water quality; aging infrastructure; never funded like other utilities or infrastructure; quality of life issue; everyone part of problem; everyone part of solution; did not get this way overnight; won't get better overnight; money

# Working With the Leadership

- Help leaders govern well
- What is important? Growth, preservation, quality of life, jobs, etc. How to match the program to the important things
- What's the timing of decisions and the process?
- How to think about fees vs. taxes

# Communication and Outreach Examples



# **Exercise – Develop a Communications Plan Framework**

# Breakout Groups

- Communications (Aubrey & Matt)
- Financial planning (Dave)
- Program planning, costs, rates (Keith)
- Data, systems, processes (Jennifer)

# Breakout Groups

- 30 minutes to discuss your subject, take notes, nominate a speaker and develop answers to a few questions
- Four brief reports of <4 minutes each, then a bit of discussion if time allows
  - › Communications (Aubrey & Matt)
  - › Financial planning (Dave)
  - › Program planning, costs, rates (Keith)
  - › Data, systems, processes (Jennifer)

# Contact

Keith Reading, PE  
Raftelis Financial Consultants  
919.780.9151  
[kreading@raftelis.com](mailto:kreading@raftelis.com)