

# STORMWATER FEES



**Stormwater fees** are typically paid by each property owner within a jurisdiction. The collected fees go into a dedicated fund that is used to cover stormwater system operations, maintenance and infrastructure.

## WHY CHARGE A STORMWATER FEE?

Funding stormwater infrastructure and meeting regulatory requirements can be a difficult task. Meeting EPA's six minimum control measures (MCMs) for municipal separate storm sewer systems requires planning, staff time and infrastructure investment. When a dedicated stormwater fund is not available, stormwater discharge requirements can put a strain on a municipal government's general fund. Many communities are beginning to implement stormwater fees to avoid general fund stress, and adequately fund stormwater requirements and infrastructure.

Stormwater fees come in a variety of shapes and sizes to meet the needs of each community. Flat rates, variable rates and intensity of development rates are among the most common. There are pros and cons to each fee type:

	Flat Rate	Variable Rates	Intensity of Development Rates
<b>Correlated to Impervious Surfaces</b>	No	Yes	Yes
<b>Equitability</b>	Low	Medium	High
<b>Ongoing Administration Effort</b>	Low	High	High
<b>Rate Implementation Effort</b>	Low	High	High



*There are a few options for how to structure stormwater fees. Each community should consider their unique situation before deciding on which fee structure to implement in their community.*

## POTENTIAL STORMWATER FEE IMPACTS

<p><b>FINANCIAL</b></p>	<p>Stormwater fees can greatly impact a municipality's financial health. By implementing stormwater fees, municipalities are able to save general fund dollars while meeting stormwater regulatory requirements more equitably by assigning costs to users.</p> <p>In the 2018 Stormwater Utility Survey, of 1,681 stormwater utilities surveyed in the United States, 643 reported median revenues of \$614,975, \$31.30 per capita per year.<sup>1</sup></p> <p>Each community has different needs. Performing a feasibility study to better understand costs can lead to more accurate fees for your community and increased financial security.</p>
<p><b>ECONOMIC</b></p>	<p>Stormwater fees can impact a community's economic development. Stormwater fees may cause lower development percentages, inadvertently increasing urban sprawl, as developers look to expand outside of the jurisdiction to avoid fees and regulations.<sup>2</sup></p> <p>Stormwater utilities often require retention and detention onsite. This leads to decreased demand on the stormwater system, but less land available for development. Stormwater utilities can lead to increases in property values in areas that see a reduction in flooding.</p>
<p><b>INFRASTRUCTURE</b></p>	<p>Establishing a stormwater utility helps a community track flood volume and strain on existing infrastructure. Reduced flooding and increased capacity of existing infrastructure can lead to higher property values, reduced health and safety risk, lower flood insurance premiums and more resilient infrastructure.</p>
<p><b>ENVIRONMENTAL</b></p>	<p>Meeting stormwater regulatory requirements will lead to improved water quality in local streams, rivers and lakes due to the reduced number of pollutants running off during rain events. Lakes downstream from a community with a highly functioning stormwater utility will see benefits in water quality. This leads to recreational benefits, and benefits to drinking water treatment, as less treatment may be needed as water quality is improved.</p>

<sup>1</sup> Campbell, C. Warren (2018). "The Western Kentucky University Stormwater Utility Survey 2018," Stormwater Utility Surveys, Bowling Green, Kentucky.

<sup>2</sup> Fedorchak, A., Dymond R. & Campbell, W. (2017). "The Financial Impact of Different Stormwater Fee Types: A Case Study of Two Municipalities in Virginia. Journal of the American Water Resources Association," American Water Resources Association.

## STORMWATER RATE STRUCTURE OPTIONS

Rate Type	Advantages	Disadvantages
<p><b>Flat Fee</b></p> <p><i>All classes and customers pay the same fixed rate. Fee is determined by dividing the total funding needed by the number of customers/property owners.</i></p>	<ul style="list-style-type: none"> <li>➔ Easy to administer</li> <li>➔ Can be charged as an additional line on existing water bills</li> <li>➔ Could be charged separately, quarterly or annually</li> <li>➔ Can be tiered if a community has diverse residential or non-residential properties</li> </ul>	<ul style="list-style-type: none"> <li>➔ Typically seen as the most inequitable stormwater fee structure</li> <li>➔ Does not correlate stormwater contribution to the fee charged - a big box store with 450,000 square feet of impervious surface will pay the same fee as a small residence</li> </ul>
<p><b>Variable Fee</b></p> <p><i>Creates units based on impervious surface area. The number of units assigned to each property determines fee. Also known as "equivalency unit rates."</i></p>	<ul style="list-style-type: none"> <li>➔ Fee is easy to explain</li> <li>➔ Fee is tied directly to the amount of impervious surface</li> <li>➔ Typically accepted as equitable as impervious surface area is closely tied to runoff contribution - <i>You pave, you pay.</i></li> </ul>	<ul style="list-style-type: none"> <li>➔ Labor intensive to develop - requires surface mapping and calculations for each property</li> <li>➔ Pervious areas of the property are not taken into consideration - large and small properties with the same impervious area pay the same fee</li> <li>➔ Undeveloped properties, do not pay a stormwater fee - despite benefit, at least in marketable value, from the municipal storm sewer's existence</li> <li>➔ Undeveloped properties, particularly if surrounded by infrastructure, drive up total infrastructure costs</li> </ul>
<p><b>Intensity of Development Fee</b></p> <p><i>Fees are allocated by calculating the total impervious surface area of each property and then dividing by the total parcel area. That percentage places the property into a development classification that is assigned a fee.</i></p>	<ul style="list-style-type: none"> <li>➔ Generally accepted by the public - they understand that both pervious and impervious surfaces contribute stormwater</li> <li>➔ Typically accepted as the most equitable - it takes into account the entire property (impervious and pervious surfaces)</li> <li>➔ Undeveloped and heavily developed properties will all pay under this system</li> </ul>	<ul style="list-style-type: none"> <li>➔ Labor intensive to develop - requires surface mapping and calculations for each property</li> <li>➔ If too many development categories are created, fees become complex to manage</li> <li>➔ High fees could encourage development or relocation outside of jurisdictional boundaries</li> </ul>