DETERMINING FUNDING NEEDS

Stormwater Utility Funding
COSTS THAT CAN BE FUNDED WITH A UTILITY

- Capital Costs
- Operation and Maintenance Costs
- Administrative Costs
CAPITAL COSTS

- Storm sewers
- Storm water detention / retention ponds
- Curb and gutter
- Catch basins
- Culverts
- Vehicles and Equipment
OPERATION AND MAINTENANCE COSTS

Permit fees
Public education and information
Illicit discharge program
Street sweeping
Leaf collection
Detention pond cleaning
Ditch mowing
Culvert cleaning
Catch basin cleaning
Vehicle and equipment maintenance
ADMINISTRATIVE COSTS

City / Village administrative salaries and benefits
City/Village Hall facilities
Public Works administrative salaries and benefits
Public Works facilities
Utilities
Billing services
Accounting/Legal
Office supplies
Insurance
APPROACHES TO DETERMINING FUNDING NEEDS

‘Back into it’
Capital costs
Direct O&M costs
Full utility mode
Funding for higher level of service in specific area
Phased-in utility fees
‘BACK INTO’ UTILITY FUNDING NEEDS

Determine an acceptable level of charges

Multiply the charges by the estimated units served to determine estimated revenues

Identify costs that can be funded by the estimated revenues

Example: $5.00 per equivalent runoff unit (ERU) per month x 10,000 ERUs = $600,000 per year

$200,000 per year for capital expenses

$300,000 per year for O&M expenses

Generate additional revenues to fund part of stormwater expenses
CAPITAL COSTS

Used for:

Funding an increased program of replacement

Funding new facilities needed to address flooding or water quality issues

Implementing a stormwater master plan

Debt service or pay-as-you-go capital expenses
DIRECT O&M COSTS

Used For:

Paying for O&M costs where developer contributions or special assessments fund most capital costs

Funding for increased regulatory requirements

Funding for an increased program of maintenance
FULL UTILITY MODE

Treating stormwater as an enterprise funded entirely by user fees

Full accounting of direct O&M costs related to stormwater

Allocation of administrative expenses

Allocation of general public works salaries, benefits, and expenses

Capital costs, including annual capital outlay plus debt service, or depreciation expense

Similar to a Sewer or Water Utility
### Example — Village of Sussex, WI

#### Village of Sussex, Wisconsin

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**

For the Year Ended December 31, 2016

<table>
<thead>
<tr>
<th>Business Type Activities - Enterprise Funds</th>
<th>Water Utility</th>
<th>Sewer Utility</th>
<th>Stormwater Utility</th>
<th>Community Development Authority</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of water</td>
<td>$1,908,599</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,908,599</td>
</tr>
<tr>
<td>Sewage collection charges</td>
<td>-</td>
<td>$1,896,297</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,896,297</td>
</tr>
<tr>
<td>Stormwater charges</td>
<td>-</td>
<td>-</td>
<td>$433,700</td>
<td>$ -</td>
<td>$433,700</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>$96,838</td>
<td>$95,324</td>
<td>$14,357</td>
<td>$ -</td>
<td>$206,519</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>$2,005,437</td>
<td>$1,991,621</td>
<td>$448,057</td>
<td>$ -</td>
<td>$4,445,115</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance</td>
<td>$893,220</td>
<td>$1,312,013</td>
<td>$315,834</td>
<td>$1,987</td>
<td>$2,523,054</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$552,272</td>
<td>$850,443</td>
<td>$137,126</td>
<td>$ -</td>
<td>$1,489,841</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$1,445,492</td>
<td>$2,162,456</td>
<td>$452,960</td>
<td>$1,987</td>
<td>$4,012,895</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$559,945</td>
<td>(120,835)</td>
<td>(4,903)</td>
<td>($1,987)</td>
<td>$432,220</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$8,079</td>
<td>$95,813</td>
<td>$2,794</td>
<td>$717</td>
<td>$107,403</td>
</tr>
<tr>
<td>Interest expense</td>
<td>($154,477)</td>
<td>($152,970)</td>
<td>$337,456</td>
<td>$-</td>
<td>$337,456</td>
</tr>
<tr>
<td>Disposal of assets</td>
<td>$ -</td>
<td>$30,834</td>
<td>$ -</td>
<td>$-</td>
<td>$30,834</td>
</tr>
<tr>
<td>Total nonoperating revenues (expense)</td>
<td>($146,398)</td>
<td>($87,166)</td>
<td>($28,040)</td>
<td>$717</td>
<td>($260,865)</td>
</tr>
<tr>
<td><strong>Income (loss) before contributions and transfers</strong></td>
<td>$413,547</td>
<td>($208,001)</td>
<td>($32,943)</td>
<td>($1,270)</td>
<td>$171,333</td>
</tr>
<tr>
<td><strong>Capital Contributions</strong></td>
<td>$638,912</td>
<td>$1,121,319</td>
<td>$623,956</td>
<td>$ -</td>
<td>$3,841,587</td>
</tr>
<tr>
<td><strong>Transfers Out</strong></td>
<td>($358,859)</td>
<td>($38,609)</td>
<td>$ -</td>
<td>$ -</td>
<td>($395,468)</td>
</tr>
<tr>
<td>Change in net position</td>
<td>$695,600</td>
<td>$874,708</td>
<td>$591,013</td>
<td>($1,270)</td>
<td>$2,160,052</td>
</tr>
<tr>
<td><strong>Total Net Position - Beginning of Year</strong></td>
<td>$16,780,463</td>
<td>$26,693,742</td>
<td>$10,779,269</td>
<td>$517,385</td>
<td>$54,770,859</td>
</tr>
<tr>
<td><strong>Total Net Position - End of Year</strong></td>
<td>$17,476,083</td>
<td>$27,568,451</td>
<td>$11,370,282</td>
<td>$516,115</td>
<td>$56,930,911</td>
</tr>
</tbody>
</table>
FUNDING FOR A HIGHER LEVEL OF SERVICE IN A SPECIFIC AREA

Used For:

O&M for facilities in a specific area that are not publicly maintained in other areas

Urban service area in a community that has urban densities and rural densities
CITY OF FITCHBURG, WI
CITY OF FITCHBURG, WI

- MS4 permit requirements
- Facility and structure inspection and maintenance
- Streetsweeping
- Retrofits of infrastructure

- Ditch mowing
- Cleaning and replacement of culverts
- Ditch cleaning as necessary
Watertown, WI

Implemented nominal fees of $15 per year per ERU in 2005 to cover basic services like storm sewer maintenance, street sweeping, and leaf collection. Fees gradually increased in 2007, 2009, and 2011 to cover additional costs such as engineering, vehicle maintenance, streetsweeper replacement, and debt service for major capital projects.

Oak Creek, WI

Fees of $24 per year per ERU adopted in 2003. In 2011, a full cost of service study analyzed total costs to provide stormwater service. Fees were increased to $27.50 per ERU in 2011. Fees have been gradually increased since 2011 and are $35 per ERU in 2018.
## COMPARISON OF FUNDING APPROACHES

<table>
<thead>
<tr>
<th>Approach</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Back Into”</td>
<td>Set fees at an affordable level</td>
<td>May not generate enough revenues</td>
</tr>
<tr>
<td>Capital Costs</td>
<td>Useful to pay for increased capital program</td>
<td>No tax levy relief for O&amp;M costs</td>
</tr>
<tr>
<td>O&amp;M Costs</td>
<td>Useful to cover increasing regulatory costs</td>
<td>No dedicated funding for capital costs</td>
</tr>
<tr>
<td>Full Utility Mode</td>
<td>Fully funds stormwater costs, current and long-term</td>
<td>Higher fees, more effort to determine funding needs</td>
</tr>
<tr>
<td>Funding for Specific Service Area</td>
<td>Isolates costs to areas served</td>
<td>More effort to calculate, administer</td>
</tr>
<tr>
<td>Phased-In</td>
<td>Ease the transition</td>
<td>Takes longer to reach full funding</td>
</tr>
</tbody>
</table>