
Financing Stormwater Improvements through a Stormwater Utility

Winnetka Village Council Meeting
August 16, 2011

What is a Stormwater Utility?

A method of funding
infrastructure and operations
through the collection of fees
based on service provided

What would a Stormwater Utility do?

- Collect stormwater and runoff
 - Detain and transport stormwater at controlled rates of flow
 - Deposit stormwater into its natural outflows in the Skokie River and Lake Michigan
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What would a Stormwater Utility be?

- Infrastructure, *i.e.*, drains, pipes, pumps and detention
 - Owned by the Village
 - Governed by the Village Council
 - Administered by Village Professional Staff
 - Operated by Village line-level employees
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Doesn't Winnetka already have a Stormwater Utility?

- No – Not all characteristics are present
 - ☑ There is a stormwater infrastructure
 - ☑ There is an operational structure
(Village Engineer and Public Works Dept.)
 - ☐ Existing funding
 - ☑ Comes only from the General Fund
 - ☑ Only funds current operational costs
 - ☐ No service fees
 - ☐ Insufficient to pay for significant system improvements
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Why have a Stormwater Utility?

- Community need –
for improved stormwater mitigation
to protect property and
keep key roads accessible for safe travel
 - Operational need –
for enhanced infrastructure
 - Financial need for revenues –
to fund immediate and future
improvements and continuing operation
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Options for Financing Stormwater Improvements

- Pay as you go (Cash)
 - Available cash reserves
 - General fund revenues
 - Dedicated funds from user fees
 - Long term financing (Bonds)
 - General obligation bonds
 - Special service area bonds
 - Revenue bonds
 - Alternate revenue bonds
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Cash Financing: Pay As You Go

■ Cash reserves

- ❑ Limited funds available (no more than \$5 million) because of need to maintain 6-month reserves
- ❑ Spreads costs based on property values, rather than on use of system

■ General Fund revenues

- ❑ Primary revenue source for all Village operations
 - ❑ Limited amounts are available
 - ❑ Competes with other Village needs
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Cash Financing: Pay As You Go

- User fees
 - Provide identifiable revenue stream
 - Spread cost based on system use
 - Not practical for funding capital projects
 - Prohibitively high rates if used for immediate project funding
 - Project delays due to need to accumulate funds over time
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Bonds: Long-Term Financing

- Provides access to large amounts to pay up-front costs of large projects
 - Spreads costs over life of the improvements
 - Maintains cash reserves, allowing cash to be invested and generate returns
 - Takes advantage of Village's high bond rating
 - Takes advantage of current market's low interest rates
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Bonds: Long-Term Financing

- General Obligation Bonds
 - May increase property taxes
 - Spread costs based on taxable value of property, rather than on use of system
 - No funds collected from tax exempt properties
 - Alternative minimum tax rate may remove availability of income tax deduction
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Bonds: Long-Term Financing

- Special Service Area Bonds
 - ❑ No funds collected from tax exempt properties
 - ❑ Not suitable for broad-based system improvements
 - ❑ Back-door referendum process could delay or cancel projects
 - ❑ Adds a layer of property taxes to assessed areas
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Bonds: Long-Term Financing

- Revenue Bonds
 - Provide large amounts for up-front funding of capital projects
 - User fees provide identifiable revenue stream
 - Spread cost based on system use rather than on taxable value of property
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Benefits of using revenue bonds backed by user fees:

- Provides a reliable source of funding for
 - Stormwater projects
 - Maintenance
 - Equipment
 - Compliance
 - Staff
 - Each parcel is equitably assessed
 - Rates can be adjusted as needs rise/fall
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How would Winnetka establish a Stormwater Utility?

- Amend Village Code by Ordinance
 - State purpose
 - State Council's rate making authority
 - Define rate structure
 - Define billing and collection procedures
 - Other requirements
 - Adopt Rate Resolution
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How would the Stormwater Utility be financed?

- Recommended financing:
 - Revenue Bonds or Alternate Bonds to fund large capital projects
 - User fees pay debt service and ongoing operations, and no use of property taxes
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How would user fees be established?

- Same method as for Village's other utilities
 - Develop base rate (charge per billing unit)
 - Determine billing unit
 - Perform cost of service study to determine revenue requirement (annual amount needed for Operations, Maintenance, Capital Expenditures, Debt Service, etc.)
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Billing Units and Base Rates

- Base Rates for Village Utilities
 - Electric: \$/KWh
 - Water, Sewer: \$/1,000 cubic feet
 - Commercial Refuse: \$/cubic yard

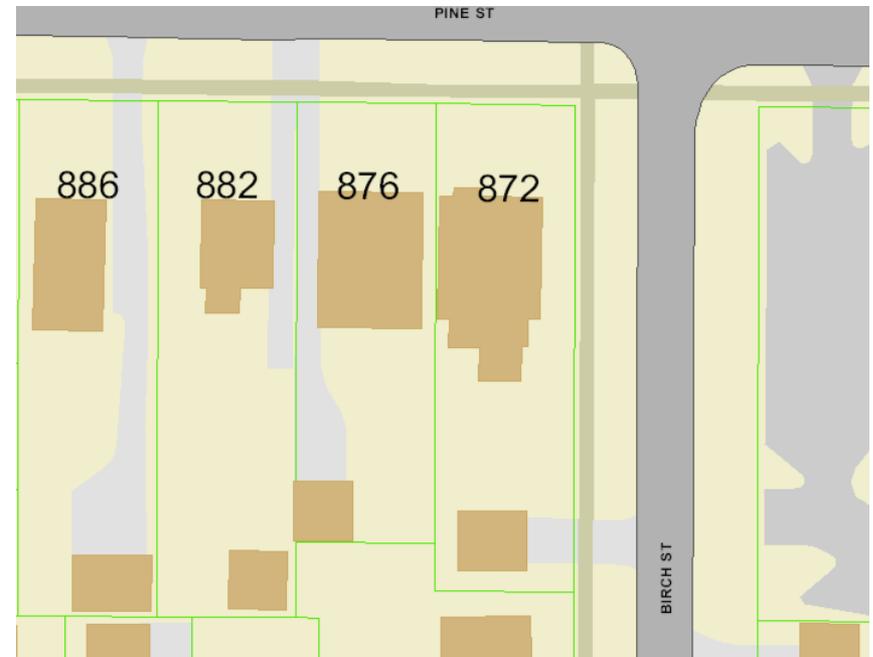
 - Stormwater
 - Billing units are based on runoff generated by impervious surface
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Stormwater Utility fees

- Rate Methodologies
 - Equivalent Residential Unit (ERU)
 - Equivalent Hydraulic Area (EHA)
 - Based on Impervious Area
 - Proportional to runoff
 - Correlates to stormwater system demand and “use”
 - Easily measured and verified via GIS
 - Includes tax-exempt properties
 - Method upheld by courts
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ERU Explained

- One ERU = the average amount of impervious surface from the typical single-family lot
- Calculated by statistically valid random sample of lots from residential districts
- ERU for Non-residential properties calculated individually
- Fee = Base Rate x number of ERUs



Stormwater Utilities in Illinois

| Municipality | Population | Billing Unit |
|---------------------|-------------------|---------------------|
| Morton | 15,400 | ERU |
| Rolling Meadows | 24,600 | ERU |
| Highland Park | 31,200 | ERU |
| Rock Island | 40,000 | ERU |
| Moline | 44,000 | ERU |
| Normal | 45,400 | ERU |
| Bloomington | 70,000 | ERU |
| Aurora | 168,200 | Flat fee* |

Indiana Stormwater Utilities

- Survey of communities and counties in Indiana
 - Billing Units
 - **75% ERU**
 - **23% Land Use/Runoff Coefficient**
 - **2% Flat Fee**
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Village of Winnetka

Stormwater Utility

- What will it look like?
 - To be determined
 - Depends on what improvements are made
 - What will it cost?
 - To be determined
 - Depends on what improvements are made
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Next Steps to form a Stormwater Utility

- Engineering and cost estimates
 - Define scope of improvements
 - Develop project schedule
 - Determine cost of proposed improvements.
 - Determine project financing methods and amounts to be financed through revenue bonds.
 - Perform cost of service study and develop rate structure
 - Determine scope of regulation needed to manage proposed improvements
 - Enact ordinance creating stormwater utility
 - Adopt rate resolution
 - Issue bonds
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Questions on Financing a Utility?

Staff Timetable

| Month | Staff Actions |
|-----------------|--|
| August, 2011 | <ul style="list-style-type: none"><input type="checkbox"/> Stormwater Utility research<input type="checkbox"/> Sanitary sewer backup data collection<input type="checkbox"/> Develop timeline<input type="checkbox"/> Burke: Develop 25, 50, 100-year improvements |
| September, 2011 | <ul style="list-style-type: none"><input type="checkbox"/> Schedule and conduct agency meetings<input type="checkbox"/> Develop ordinance increasing Village participation in anti-backup program<input type="checkbox"/> Sanitary sewer backup data collection<input type="checkbox"/> Engineering evaluation research<input type="checkbox"/> Burke: Develop 25, 50, 100-year improvements |
| October, 2011 | <ul style="list-style-type: none"><input type="checkbox"/> Develop sanitary sewer improvement program<input type="checkbox"/> Develop detailed financing program<input type="checkbox"/> Burke: Present 25, 50, 100-year recommendations |

Staff Timetable (cont'd)

| Month | Staff Actions |
|----------------|---|
| November, 2011 | <ul style="list-style-type: none"><input type="checkbox"/> Present sanitary sewer improvement program<input type="checkbox"/> Develop detailed financing program<input type="checkbox"/> With Burke: Develop & present specific improvement program |
| December, 2011 | <ul style="list-style-type: none"><input type="checkbox"/> Develop & implement financing mechanisms, prepare budget<input type="checkbox"/> Engineering RFP's |
| January, 2012 | <ul style="list-style-type: none"><input type="checkbox"/> Develop & implement financing mechanisms<input type="checkbox"/> Engineering RFP's |
| February, 2012 | <ul style="list-style-type: none"><input type="checkbox"/> Budget presentations |

Stormwater Timetable: Council

| Meeting Date | Action Steps |
|--------------|---|
| 08/16/2011 | <ul style="list-style-type: none"><li data-bbox="504 446 1547 496">❑ Staff presentation: Stormwater Utility Funding<li data-bbox="504 504 1765 604">❑ Staff presentation and Council policy direction: Timeline of actions |
| 09/06/2011 | <ul style="list-style-type: none"><li data-bbox="504 651 1688 751">❑ Staff presentation: Update on discussions with other public agencies |
| 09/13/2011 | <ul style="list-style-type: none"><li data-bbox="504 806 1785 906">❑ Staff presentation and Council policy direction: Individual property stormwater engineering evaluation program |
| 09/20/2011 | <ul style="list-style-type: none"><li data-bbox="504 949 1688 1049">❑ Staff presentation: Update on discussions with other public agencies |
| 10/4/2011 | <ul style="list-style-type: none"><li data-bbox="504 1113 1785 1213">❑ Ordinance Introduction (if necessary): Individual property stormwater engineering evaluation program |

Stormwater Timetable: Council

| Meeting Date | Action Steps |
|---------------------|--|
| 10/11/2011 | <input type="checkbox"/> Staff and Consultant presentation: CBBEL Report on 25, 50, 100-year flood risk reduction for 8 drainage areas |
| 10/18/2011 | <input type="checkbox"/> Ordinance Adoption (if necessary): Individual property stormwater engineering evaluation program <input type="checkbox"/> Staff and Consultant presentation: Identification of projects to pursue in year 1 <input type="checkbox"/> Council discussion: Continued discussion of projects and financing |
| 11/01/2011 | <input type="checkbox"/> Council Discussion: Continued discussion of projects and financing |
| 11/15/2011 | <input type="checkbox"/> Council policy direction: Detailed stormwater improvement program <input type="checkbox"/> Council policy direction: Stormwater Funding Program |

Stormwater Timetable: Council

| Meeting Date | Action Steps |
|---------------------|--|
| 12/2011 | <input type="checkbox"/> Council decisions: Actions necessary to implement selected financing mechanisms |
| 01/2012 | <input type="checkbox"/> Council decisions: Actions necessary to implement selected financing mechanisms <input type="checkbox"/> Council decision: Award Engineering Contracts |
| 02/2012 | <input type="checkbox"/> Budget Hearings |
| 03/2012 | <input type="checkbox"/> Adopt Budget and Capital Improvement Plan |

Sanitary Sewer Timetable: Council

| Meeting Date | Action Steps |
|--------------|--|
| 08/16/2011 | <input type="checkbox"/> Staff presentation and Council policy direction: Sanitary Sewer anti-backup contribution program |
| 09/06/2011 | <input type="checkbox"/> Ordinance Introduction: Code amendments for sanitary sewer anti-backup contribution program |
| 09/20/2011 | <input type="checkbox"/> Ordinance Adoption: Code amendments for sanitary sewer anti-backup contribution program. |
| 11/08/2011 | <input type="checkbox"/> Staff presentation and Council policy direction: Village-wide recommendations to address sanitary sewer backups |
| 02/2012 | <input type="checkbox"/> Budget Hearings |
| 03/2012 | <input type="checkbox"/> Adopt Budget and Capital Improvement Plan |

More Questions?
