Agenda Item Executive Summary

Title: Stormwater Utility Implementation – Policy Issue Workshop

Presenter: Steven M. Saunders, Director of Public Works/Village Engineer

Agenda Date: 10/01/2013

Consent: ☐ YES ☑ NO

☐ Ordinance
☐ Resolution
☐ Bid Authorization/Award
☑ Policy Direction
☐ Informational Only

Item History:

May 14, 2013 Study Session
May 21, 2013 Council Meeting

Executive Summary:

At the May 21, 2013 Council Meeting, the Council formally endorsed a Stormwater Improvement Program containing several improvement projects, at an estimated cost of $41.4 million. The program is proposed to be funded with a combination of General Fund reserves and bond funding. Repayment of the bonds is proposed to be accomplished via a stormwater utility.

The Council engaged Municipal & Financial Services Group (MFSG) (which recently completed the Village's Stormwater Utility Feasibility Study) to provide Implementation Assistance, including development of tax-exempt property information packets, and creating an online stormwater bill calculator, which would allow people to estimate the stormwater fee for their particular parcel. The assistance also involves the development of the stormwater database billing file.

The Village will also need to adopt policies and procedures for the stormwater utility, many of which will ultimately be reflected in the utility ordinance. The stormwater feasibility study touched on some of the major policies issues that must be addressed by the Village if a stormwater utility is implemented. These include a billing methodology, appeals process and credits/incentives program. The Council informally provided policy guidance on these issues at the conclusion of the feasibility study. However each issue requires further review prior to formal adoption. MFSG has prepared a report identifying the key policy issues that need to be addressed, and which require policy guidance from the Village Council. This report follows as Attachment #1. MFSG's report presents the policy issues to the Village Council, along with specific recommendations based on their industry expertise, and evaluation of how other stormwater utilities in Illinois have addressed such issues. Many of these policies and procedures impact the billing file development, so these items need to be addressed early on in order to complete the online bill calculator.

MFSG's report outlines in detail the key policy issues which must be addressed to allow for implementation of a stormwater fee within the Village.

Recommendation / Suggested Action:

Review MFSG's report and recommendations and provide policy direction on each of the identified issues.

Attachments:

1. Agenda Report
2. MFSG Policy Issue Report

Agenda Report

Subject: **Stormwater Utility Implementation – Policy Issue Workshop**

Prepared By: Steven M. Saunders, Director of Public Works/Village Engineer

Date: September 25, 2013

At the May 21, 2013 Council Meeting, the Council formally endorsed a Stormwater Improvement Program containing several improvement projects, at an estimated cost of $41.4 million. The program is proposed to be funded with a combination of General Fund reserves and bond funding. Repayment of the bonds is proposed to be accomplished via a stormwater utility.

The Council engaged Municipal & Financial Services Group (MFSG) (which recently completed the Village's Stormwater Utility Feasibility Study) to provide Implementation Assistance, including development of tax-exempt property information packets, and creating an online stormwater bill calculator, which would allow people to estimate the stormwater fee for their particular parcel. The assistance also involves the development of the stormwater database billing file.

The Village will also need to adopt policies and procedures for the stormwater utility, many of which will ultimately be reflected in the utility ordinance. The stormwater feasibility study touched on some of the major policies issues that must be addressed by the Village if a stormwater utility is implemented. These include a billing methodology, appeals process and credits/incentives program. The Council informally provided policy guidance on these issues at the conclusion of the feasibility study. However each issue requires further review prior to formal adoption. MFSG has prepared a report identifying the key policy issues that need to be addressed, and which require policy guidance from the Village Council. This report follows as **Attachment #1**. MFSG's report presents the policy issues to the Village Council, along with specific recommendations based on their industry expertise, and evaluation of how other stormwater utilities in Illinois have addressed such issues. Many of these policies and procedures impact the billing file development, so these items need to be addressed early on in order to complete the online bill calculator.

MFSG's report outlines in detail the key policy issues which must be addressed to allow for implementation of a stormwater fee within the Village. A summary of all of the stormwater utility implementation policy issues discussed in this report and MFSG's recommendations are included in the following table:

Policy Issue	Recommendation
What impervious area features should be included in the development of the master account billing file?	All impervious area features should be captured within the master account billing file.
Should semi-pervious area features be addressed in the Village stormwater billing file?	Semi-pervious features should not be included in the master account billing file.
How should the Village bill stormwater fees for multi-family and commercial properties?	Stormwater fees for all parcels in the Village should be included on the water utility bill.
How should the Village bill properties that do not currently receive a utility bill?	A separate stormwater bill should be established for parcels without utility service.
How should private road impervious area be allocated among parcels within the Village?	Private road impervious area should be allocated based on the amount of impervious area falling within the parcel boundaries.
How should the Village handle the allocation of impervious area for multi-family residential and commercial properties with multiple water service meters?	The Village should equally allocate impervious area for purposes of developing the stormwater bill for those parcels that receive individual water utility bills.
Should the Village exempt any parcels from the stormwater fee?	Only public roads and right-of-ways should be exempt from the stormwater as these properties serve as a key component of the stormwater system.
Should parcels with minimal or no impervious area be assessed a stormwater fee?	Only parcels with impervious area of greater than 170 square feet (a tenth of an ERU rounded down) should be assessed a stormwater fee.
Should the Village offer stormwater fee credits?	The Village should offer a limited credit program for non-residential on-site stormwater management and any parcel that discharges outside the Village system.
Should the Village offer stormwater incentives?	Stormwater incentives should be offered on a first come first served basis beginning in Fiscal Year 2015.

In most cases the actual numbers of parcels that are impact by each policy issue very are limited. The outlined credit program is the one policy issue which potentially has the most significant impact on the amount of the stormwater fee.

Recommendation:
Review MFSG's report and recommendations and provide policy direction on each of the identified issues.

Attachments:
1. MFSG Policy Issue Report

ATTACHMENT #1

MFSG POLICY ISSUE REPORT

Village of Winnetka

Stormwater Utility Implementation Policy Issue Workshop

Prepared by

Municipal & Financial Services Group

October 1, 2013

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The following report presents the documentation for the stormwater utility implementation policy issue workshop to be held with the Winnetka Village Council on October 1st, 2013. The report outlines each of the major policy issues related to the implementation of a stormwater fee. The policy issues are presented to inform the Village Council and solicit policy guidance.

A. BACKGROUND

On May 14, 2013, MFSG participated in the fourth stormwater utility feasibility workshop with the Village Council. At the workshop, MFSG's Stormwater Utility Feasibility Study was presented to the Council with the primary finding being that a stormwater utility is a feasible and preferable means for the Village to fund stormwater system improvements. The Council took the report and public input into consideration and provided policy direction for funding of the Village stormwater system. The specific Council policy direction included the following:

1) The Village should implement a stormwater fee to fund all stormwater expenditures (operating and capital).
2) The Village should fund currently planned capital projects with 30 year bonds.
3) The stormwater fee should be based on impervious area on the individual parcel, equated to an equivalent runoff unit (ERU). One ERU should equal 3,400 square feet of impervious area on the parcel, rounded to the nearest tenth.
4) The stormwater fee should be billed and collected on the Village utility bill.
5) The Village should not offer credits or incentives for on-site stormwater management.
6) The Village should allow customer appeals.

Since the final workshop meeting, the Village has moved forward with further development of the financing of stormwater capital improvement projects. Specifically, the Village plans to bring forward a bond ordinance authorizing the issuance of debt in October for Council approval.

The primary focus of this report workshop is to discuss the specific policy issues related to recommendations 3 through 6 that must be addressed prior to implementation of the stormwater fee. The following sections of the report are structured to outline the policy issues, options for how to address the issues, and our recommendations for Village consideration. It should be noted that the first section, the development of the master account billing file, is of highest importance from a scheduling perspective. The development of the billing file will require a significant amount of time, as it is necessary to develop stormwater bills for all parcel owners in the Village. The policy direction provided by the Village Council will assist with implementation of the stormwater utility and will be documented within the stormwater utility ordinance.

B. MASTER ACCOUNT BILLING FILE DEVELOPMENT

To successfully fund the Village's stormwater system improvements with a stormwater fee, a master account billing file will need to be developed. The data file will need to include, for each individual parcel in the Village, the number of ERUs on the parcel, the resulting stormwater bill and who is responsible for the bill. Developing the billing file will require addressing several policy issues, as discussed below.

1.0 - Impervious Area

Background

The Stormwater Utility Feasibility Study recommends using the impervious area on any given parcel of property in the Village as the preferred method for determining the basis for charging the stormwater fee. This is by far the most common approach used by communities, as the amount of impervious area on a property has been shown to be the single greatest contributing factor related to the runoff generated by the property. Impervious area is generally defined as any surface which prevents or significantly impedes the infiltration of stormwater into the soil. This would include roads, driveways, rooftops (including overhangs and eaves), walkways (paved, brick or pavers), swimming pools, decks, patios, compacted gravel and dirt and other non-porous areas. While all of these land features are considered to be impervious area, not all are always included in the development of a community's stormwater fees for two key reasons. First, data on the smaller impervious areas (such as sidewalks or decks) often is not readily available. Second, some communities determine that they only want to focus only on the largest features of impervious area, such as rooftops and driveways.

As part of the Feasibility Study, the impervious area was determined for all of the impervious area features that were available in the Village's geographical information system (GIS) database. This currently includes rooftops, driveways, decks, patios and private roadways. The existing database does not identify sidewalks, pools, tennis/basketball courts or any of these smaller features. Based on discussions with the Village staff, it would be possible to identify these features prior to the implementation of the stormwater fee.

Policy Issue

What impervious area features should be included in the development of the master account billing file?

Recommendation

Given the recommended stormwater fee structure, which is based on the actual impervious area for each parcel in the Village, rounded to the 10th of an ERU, we recommend that the Village consider capturing all impervious area features within the master account billing file.

2.0 - Semi-Pervious Area

Background

Certain types of land development will result in semi-pervious features as well impervious areas. These include such features as un-compacted gravel, dirt or stone. These features would typically be a walkway or decorative landscaping and are not compacted by vehicular traffic. These features may limit the infiltration of stormwater into soil, but not to the level demonstrated by true impervious cover. These semi-pervious areas are currently not identified in the Village's GIS database, and it is unclear as to whether it is feasible to identify them. In most communities these areas are typically not included within the development of a stormwater billing file. Communities that have attempted to capture semi-pervious features have typically included an ERU reduction factor for these areas to reflect the fact that the area is semi-pervious. This approach adds an additional layer of administrative complexity.

Policy Issue

Should semi-pervious area features be addressed in the Village stormwater billing file?

Recommendation

Given the uncertainty of the availability of the data and based on the recommended approach of using impervious surfaces as the basis for the stormwater fee determination, we recommend that semi-pervious features not be included in the master account billing file.

3.0 - Stormwater Utility Billing

The Village plans to include the stormwater fee on the utility bills the Village currently generates for utility services. In light of this approach to billing the stormwater fee, the key policy issues related to stormwater utility billing include how multi-family and commercial properties are billed, and how properties that currently do not receive a utility bill are issued a stormwater bill.

Multi-Family and Commercial Billing

Background

The utility bills generated by the Village include charges for water service, electric service or both, depending on the specifics of the water and electric metering at each property. Multi-family and commercial properties that have a single water meter receive a single utility bill for water service (sent to the property manager or owner), with individual utility bills issued for electric service for each unit on the property that has an electric meter. In other words, the utility services and bill generation for multi-family and commercial properties follows the water and electric metering. Given this billing methodology, it is necessary to consider how stormwater charges will be assessed for multi-family and commercial properties. There are two primary options for the Village to consider. One, the Village could include the stormwater fee on the water utility bill so that unless a property was sub-metered they would receive a single stormwater fee. Second, the Village could include the stormwater fee on the electric utility bill.

For those communities that use the utility bill for assessing stormwater fees, the most common approach is to include the stormwater fee on water utility bill. There are a number of reasons why this approach is most common.

- The vast majority of municipalities do not provide electric service.
- It provides the municipality with the ability to enforce payment for stormwater services with the ability to shut off the water service for non-payment.
- It removes the municipality from the process of subdividing impervious area, which often requires manual determinations.

The primary disadvantage of using the water service to determine who receives the stormwater fee bill is that it places the onus on the property owner to fully fund the fee. As a result, if this approach is taken, we recommend that the Village provide multi-family and commercial properties with estimates of their stormwater bills well in advance of the actual billing to allow for budgeting, specifically in the case of condo associations and similar properties.

Policy Issue
How should the Village bill stormwater fees for multi-family and commercial properties?

Recommendation
We recommend that the stormwater fees for all parcels in the Village be included on the water utility bill.

Properties without Utility Service

Background
There are parcels within the Village that do not receive utility service from the Village but contain impervious area. This is often one of the key shortcomings of using the utility bill as the billing method for stormwater fees. While this is not a common occurrence within the Village, there are a handful of these properties including those bordering the edge of the Village and properties that do not require water service. The most common approach to addressing this issue would be to generate a separate stormwater bill for these parcels.

Policy Issue
How should the Village bill properties that do not currently receive a utility bill?

Recommendation
We recommend that the Village develop separate stormwater bills for parcels without utility service.

4.0 - Allocation of Impervious Area

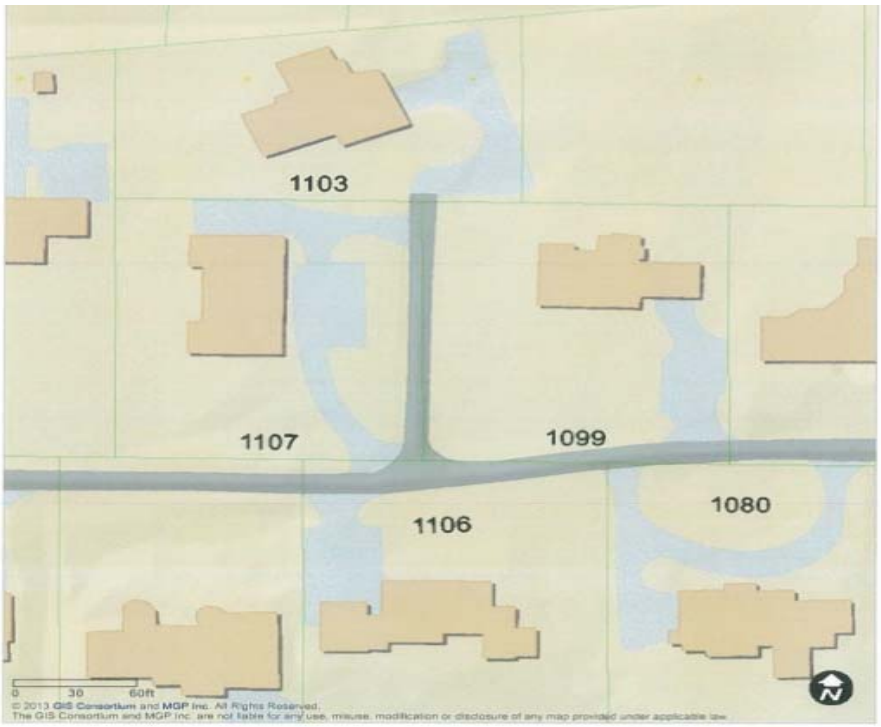
For the vast majority of parcels in the Village, the impervious area on a parcel can be tied directly to a single property owner (e.g. a single family residence). There are circumstances however, where impervious area is related to or serves multiple parcels (e.g. private roads) and where multiple property owners are located on the same parcel (e.g. residential condominiums and mixed-use commercial development). These situations are discussed in the following section.

Private Roads

Background

There are a number of private roads within the Village that, by definition, are located on privately owned parcels. In many instances, the private roads fall within the property lines of each parcel owner in a manner that each owner receives a proportional share of the impervious area. However, in other instances, an individual parcel may be served by a private road and yet have a limited portion (if any) of the private road on its parcel. Figure 1 below demonstrates this situation for parcel 1103.

Figure 1 - Private Road Example



The allocation of private road impervious area is an issue that all stormwater utilities have to address. The most common approach is to simply allocate the impervious area based on how much of it is located within each parcel. Alternatively, to address situations like the private road shown in Figure 1, the private road can be equally divided among the parcels utilizing the

road. Or the private road impervious area could be allocated proportionately based on the total impervious area on each parcel utilizing the road. However, these approaches can be problematic because they require a manual review and calculation for each private road.

Policy Issue

How should private road impervious area be allocated among parcels within the Village?

Recommendation

We recommend that private road impervious area be allocated based on the amount of impervious area falling within the parcel boundaries. It is our opinion that the administrative complexity and potential issues resulting from a manual allocation of the roads significantly outweigh the increases in equity. It should be noted that the impervious area analysis completed as part of the Stormwater Utility Feasibility Study assumed this recommended approach, allocating impervious area in this manner.

Multi-family, Residential and Commercial Properties

Background

Another circumstance where impervious area may need to be allocated is in the case of multi-family residential and commercial properties that have multiple water meters within the property. While the vast majority of properties in the Village consist of a single water service, there are properties that have multiple meters serving each unit / building. The issue is how to handle the allocation of impervious area for these properties so that the stormwater fee can be placed on the utility bill.

There are a number of approaches that the Village could consider. The most common approach is to take the total impervious area of the parcel and equally subdivide it among the number of water services on the property. This approach is administratively simplistic and generally results in an equitable allocation of impervious area. A less common approach would be to allocate impervious area based on another proxy, such as size of condo unit (e.g. those with three bedroom condos receive a greater portion of the impervious area compared to those with one bedroom). Another proxy, in the case of commercial development, would be to allocate the impervious area proportionately based on the percentage of total impervious area contributed by each unit / building. This approach would require a significant amount of data to implement and may or may not result in increased equity as compared to an equal split.

Policy Issue

How should the Village handle the allocation of impervious area for multi-family residential and commercial properties with multiple water service meters?

Recommendation

We recommend that the Village equally allocate impervious area for purposes of developing the stormwater fee for those parcels that receive individual utility bills. For example, if a condominium has 40 units, each receiving a water utility bill, the stormwater fee should be

divided by 40 and placed on each condo units' utility bill. The same equal allocation should be applied to commercial development with multiple meters.

5.0 - Exemptions and Parcels with Minimal or No Impervious Area

The next section of policy issues relates to whether or not the Village exempts any properties from the stormwater fee and how parcels with minimal or no impervious area are handled in regards to the determination of a stormwater fee.

Exemptions

Background

The Village has the opportunity to consider whether specific types of properties within the Village should be exempt from the stormwater fee. The vast majority of stormwater utilities around the country include all property types, with the exception of public roads and rights-of-way. Public roads and rights-of-way are typically exempt because they serve as a key component of the stormwater conveyance system. There are communities that have decided to exempt government owned properties but these are few and far between. It should be noted that the impervious area analysis completed for the Stormwater Utility Feasibility Study excluded public roads and rights-of-ways but included all Village-owned property.

Policy Issue

Should the Village exempt any parcels from the stormwater fee?

Recommendation

We recommend that the Village exempt only public roads (State and county) and rights-of-way (including public alleys) from the stormwater utility fee, as these properties serve as a key component of the stormwater system. All other parcels, including Village properties, should be assessed the stormwater fee to ensure an equitable allocation of stormwater expenditures among all property owners in the Village.

Parcels with Minimal or No Impervious Area

Background

There are parcels within the Village that have a very limited amount of impervious area or are vacant and contain no impervious area. These types of parcels are very limited in the Village and include parcels such as pocket parks. However, the existence of these parcels, raises the question as to whether there should be a minimum stormwater fee. Some communities assess a minimum stormwater fee for parcels with limited impervious area or vacant lots based on the premise that proper stormwater management is a general benefit to all property owners. The primary problem with this approach is that it undermines the basis for assessing the fee, impervious area. If vacant properties are assessed a fee, the linkage between the runoff generated on a property and the amount of the stormwater fee is compromised. Additionally,

the concept of a general benefit is typically related to a tax rather than a user fee, where a property owner pays for the use of a service.

Policy Issue
Should parcels with minimal or no impervious area be assessed a stormwater fee?

Recommendation
Because the Village will be using a stormwater fee that is linked directly to actual impervious area on each parcel, we recommend that parcels with no impervious area not be assessed a stormwater fee. For parcels with minimal impervious area, we recommend that only parcels with an impervious area of greater than 170 square feet (a tenth of an ERU rounded down) be assessed a stormwater fee. This approach would maintain the integrity of the Village's stormwater fee methodology.

6.0 - Summary of Master Account Billing File Recommendations

Table 1 presents a summary of each of the aforementioned key policy issues related to the development of the master account billing file.

Table 1 – Master Account Billing File Policy Issues and Recommendations

Policy Issue	Recommendation
What impervious area features should be included in the development of the master account billing file?	All impervious area features should be captured within the master account billing file.
Should semi-pervious area features be addressed in the Village stormwater billing file?	Semi-pervious features should not be included in the master account billing file.
How should the Village bill stormwater fees for multi-family and commercial properties?	Stormwater fees for all parcels in the Village should be included on the water utility bill.
How should the Village bill properties that do not currently receive a utility bill?	A separate stormwater bill should be established for parcels without utility service.
How should private road impervious area be allocated among parcels within the Village?	Private road impervious area should be allocated based on the amount of impervious area falling within the parcel boundaries.
How should the Village handle the allocation of impervious area for multi-family residential and commercial properties with multiple water service meters?	The Village should equally allocate impervious area for purposes of developing the stormwater bill for those parcels that receive individual water utility bills.
Should the Village exempt any parcels from the stormwater fee?	Only public roads and right-of-ways should be exempt from the stormwater as these properties serve as a key component of the stormwater system.
Should parcels with minimal or no impervious area be assessed a stormwater fee?	Only parcels with impervious area of greater than 170 square feet (a tenth of an ERU rounded down) should be assessed a stormwater fee.

C. CREDITS

As part of the Stormwater Utility Feasibility Study, the Village Council was presented with the concept of stormwater fee credits. As mentioned previously, the Council provided policy guidance that stormwater credits should not be included as part of the stormwater utility. However, based on our experience, we are recommending that the Council continue to explore the idea of credits as part of the stormwater utility. Specifically, based on our experience, not offering credits limits the ability for parcel owners to reduce their stormwater fee, which is a key feature of many stormwater utilities, and a goal of the utility structure. In light of these concerns, the concept of a credit program is further reviewed below.

1.0 - Overview

A stormwater fee credit is an on-going reduction in the stormwater fee applicable to a given property in recognition of qualifying on-site or off-site systems, facilities, measures, or other actions taken by property owners to reduce or mitigate the impact of their property(s) stormwater contribution. Credits are typically offered to those properties that demonstrate the continuing performance of the stormwater management control(s).

The majority of communities across the country that have implemented stormwater utilities include some form of a credit program. Some utilities maintain very simple programs to limit the administrative burden in managing a credit program and others maintain extremely complex programs that provide very specific credits. However, in any credit program, several key considerations must be addressed, including:

- Who is eligible to receive a stormwater fee credit, all property owners or just non-residential parcels?
- What stormwater management control facilities / activities qualify for credits?
- Do properties that *meet* local stormwater standards get credits, or only properties that *exceed* standards?
- How much of a fee reduction is offered with each control activity?
- Is there a maximum credit that is offered?

The way in which each of these considerations are addressed is largely dependent on local policies. As there is no one-size fits all credit program, each program is going to reflect the unique nature of each municipality. The components of a typical credit program are provided below.

Credit Eligibility

The majority of credit programs around the country focus on non-residential land uses only. The primary reason for this focus is that the economic benefits (reduction in fees) are outweighed by the requirements (time, effort and cost) associated with applying for and qualifying for the credits. In general, the costs associated with the credit application and maintenance requirements are typically significantly greater than the reduction in the stormwater fee that a residential parcel owner would experience. For example, it is not uncommon for a community to require that the credit application be completed by a registered professional engineer and a credit application fee be assessed. As a result, a parcel owner may need to spend up to $700 to achieve an annual reduction in the stormwater fee of $36 (10% of $360). The other primary reason why credits are typically not offered to residential parcels is that the administrative burden of managing the credit program imposes costs on the utility that are otherwise avoidable.

There are utilities however, that offer credits to residential parcels to ensure that all parcels are treated the same. In these cases, since it is typically difficult for a residential parcel owner to significantly reduce their impact on the stormwater system (due to property size limitations), the credits that are most often available to residential parcel owners are fairly limited in magnitude (size of the reduction in the fee) to match the limited ability of these parcels to reduce their stormwater contributions. The primary exception to this is for properties that directly discharge stormwater outside of the stormwater system. For utilities that do not offer credits to residential parcels, a number have implemented incentive programs to provide funds to residential parcel owners to incentivize the installation of stormwater management activities. Incentives are discussed later in this section.

Stormwater Management Control Facilities / Activities

The key factors that influence the cost of operating stormwater systems include the quantity of runoff (both total volume and peak rate) and the quality of the runoff (what the stormwater runoff is carrying to local waterways). Therefore, on-site stormwater management control facilities and activities that qualify for a credit must address one or both of these factors. The credits available in a credit program are generally grouped into four categories, as shown in Table 2.

Table 2 - Stormwater Management Control Facilities and Activities

Control Activity	Examples
Peak Rate Reduction	Private Detention Basins, On-site Storage
Volume Reduction	Retention Basins, Rain Harvesting, Green Roofs, Permeable Pavement, Rain Gardens
Water Quality Control	Rain Gardens, Permeable Pavement, Best Management Practices
Direct Discharge	Property or portion of property directly discharges outside the Village stormwater system

Once the stormwater management control facilities and activities are identified, a community has to decide if credits are available to all parcels with stormwater management controls which are required to *meet* local standards, or only those with controls that *exceed* the local standards. This is a very important distinction, as it has a significant impact on defining the scope of the credit program and identifying owners that would be eligible for credits. In most communities with credit programs, only parcels that exceed the local standards are eligible for credits.

To qualify for a credit under any of the categories listed in Table 2, the parcel owners are typically required to demonstrate that the stormwater control activity is installed and operating as specified by the Village. The parcel owner is also responsible for the ongoing maintenance of the facility to remain eligible. Most utilities require some form of periodic reporting from the property owner to demonstrate ongoing eligibility. Many often require the owner to reapply after a 3 to 5 year period.

Lastly, some communities offer credits to entities that form partnerships with the utility to manage stormwater. This credit could be offered under the unique circumstance that an entity provides land necessary for stormwater control activities or makes some other significant financial contribution to the Village to assist in the ongoing management of stormwater. These credits are typically evaluated on a case-by-case basis.

Level of Credits

Once the control activities are defined, it is necessary to determine the appropriate level of the fee reduction or credit for each activity. Because fee credits are usually shown as a percentage of the full fee, it is important to set the level of the credit to be consistent with the actual ability of the control activity to reduce the runoff and or improve the quality of the runoff. Table 3 presents a sampling of a typical range of credits that, based on our experience, are offered for different types of control activities. It should be noted that both the control activity and the credit percentages are provided purely as examples.

Table 3 - Stormwater Fee Credits

Control Activity	Sample Stormwater Fee Credits
Peak Rate Reduction	Up to 25%
Volume Reduction	Up to 25%
Water Quality Control	Up to 10%
Direct Discharge	Up to 50%
Partnership	Up to 100%

The approach that is typically used to assess the credits for the control activities listed in Table 3 would include an evaluation of the portion of the impervious area on the property that drains to the control facility. For example, if 100% of impervious area drains to on-site detention basin(s), then the credit would be 10% (*i.e.*, the stormwater bill would be reduced by 10%). Alternatively, if 50% of impervious area drains to on-site detention, then the credit would be 50% of 10%, resulting in a 5% credit (*i.e.*, the stormwater bill would be reduced by 5%).

Several administrative concerns should be considered in setting the amount and availability of stormwater fee credits. First, it is important to determine the maximum credit that will be offered. Making the credit available to all parcel owners recognizes that all parcel owners can provide some sort of control activity. At the same time, setting a maximum recognizes that all parcel owners benefit from the Village's stormwater management program and therefore contribute in some way to funding the stormwater system. Second, it is important to recognize that any reduction in revenues via a stormwater fee credit will result in less revenue being generated for the utility and/or an increase in the necessary base stormwater fee for all property owners.

2.0 - Comparison

There are currently nineteen communities within Illinois that have established a dedicated funding source for stormwater management. Approximately half of these communities have established full-blown stormwater utilities, which assess stormwater fees based on impervious area. The remaining communities use some other proxy for generating stormwater revenues such as water consumption, zoning, assessed value or they simply charge a flat fee per parcel. Of those communities with full-blown stormwater utilities, the majority provide for credits and incentives. To provide a benchmarking comparison of stormwater utility credit programs, we have selected seven communities within Illinois that have stormwater utilities structured in a similar manner to the one recommended for the Village. The credit programs for each community are discussed briefly in the section below, followed by a summary comparison in Table 4. The information presented is based on correspondence with each community and review of credits manuals and or Municipal Codes.

City of Moline

The City of Moline established its stormwater utility in 2001. The City maintains the most simplistic credit program of those included in the comparison. The City only offers credits for those properties that retain stormwater on their property. The reduction in the stormwater fee is based on the percentage of the impervious area draining to the retention area (i.e., if 50% of the impervious area drains to a retention basin the parcel receives a 50% credit). The City mentioned that they do not offer credits for detention because they still have to manage detained runoff within the stormwater system. Additionally, they do not offer a water quality credit because they don't believe this can be realistically measured. The City does not currently track those property owners receiving credits.

City of Bloomington

The City of Bloomington established its stormwater utility in 2000. The City also offers a fairly limited credit program. The program consists of only two credits. Property owners who discharge all of their runoff outside the City system may receive a credit of up to 100% of the fee. Property owners who reduce the peak rate of stormwater runoff may receive a credit of up to 50% of the fee (50% for peak rate reduction of a 100-year design storm down to a 3-year pre-developed level, 25% for peak rate reduction of a 50-year design storm down to the 3-year level). The City currently provides credits to 633 parcel owners.

City of Highland Park

The City of Highland park established its stormwater utility in 2006. The City's credit program consists of two credits. A credit of up to 50% is offered to property owners who directly discharge their stormwater runoff outside the City's stormwater system. A credit of up to 25% is offered to property owners whose properties drain to a private detention basin. The amount of the credit is based on the amount of the property draining to the detention basin, with a minimum requirement of at least 50% of the property draining to the basins to qualify for the credit. The City has received 72 applications for credits since it established the utility. The breakdown of the applications include; 5 public utility companies, 9 commercial properties, 25 from the Park and School District and 33 residential properties.

City of Champaign

The City of Champaign established its stormwater utility in 2012. The City's credit program is more complex than those implemented by the other communities mentioned above. The program is offered to all property owners (residential and non-residential), although the credits available to residential parcels are limited. The program can be broken down into three categories; credits for stormwater management activities, credits for direct discharge and credits for education. Non-residential property owners essentially have a "menu" of credits to pick from with a maximum of a 50% credit. The City offers an education credit for each student taught in public or private schools within the City.

City of Urbana

The City of Urbana established its stormwater utility in 2012. The City's credit program is almost identical to the City of Champaign. The minor differences include that the City does not

offer credits to residential properties that drain to private detention basins. Additionally, the range of credits offered for each type of stormwater management activity vary compared to Champaign.

Village of Downers Grove

The Village of Downers established its stormwater utility in 2012 and began billing a stormwater fee in January of 2013. The Village offers a credit program that is similar to the Cities of Champaign and Urbana. All property owners may apply for credits. The program includes credits for stormwater management activities, direct discharge and education. However, it also includes a credit for property owners who partner with the Village to manage stormwater. This "partnership" credit is offered to property owners who contribute land to the Village for the specific purpose of managing stormwater. The Village's Park District is the only property owner who has applied and qualified for this credit. The Park District has partnered with the Village to develop a number of stormwater facilities on Park-owned property. Based on discussions with the Village, through August of this year, the Village has provided credits to ten properties. Eight of the properties have received water quantity credits and two schools have received the education credit. The Village has not and does not anticipate receiving a credit application from a residential property owner in the Village. The Village believes that there is no economic incentive for a residential property owner to apply due to the cost of the application ($300 plus certification by a professional engineer) and maintenance of the facilities in light of the fact that a typical residential property owner pays just over $100 per year in stormwater fees.

City of Rock Island

The City of Rock Island established its stormwater utility in 2002. The City's credit program is offered to all property owners in the City. The program includes a credit for direct discharge and credits for stormwater quality and quantity improvements. The program also includes an annual credit of $200 for properties which obtain/maintain a National Pollutant Discharge Elimination System (NPDES) stormwater discharge permit. The City also offers a fairly unique credit that the City has branded as "Rain gardens for Rock Island." The City credits property owners for the installation and maintenance of qualifying rain gardens. The credit is provided at $4 per square foot of garden installed per year against the parcels stormwater fees. Of all the credits offered by the City, the rain garden credit has been the most popular. The first year the City offered the rain garden program in 2005, it reimbursed property owners for a total of $52,000. 2006 was the year in which the program peaked at $65,000 and has since dropped to the point that last year the City provided $34,000 in rain garden credits against stormwater fees.

Table 4 presents a summary of the stormwater programs included in the comparison.

Table 4 - Comparison Credit Programs

Community	Eligibility	Types Available	Range	Maximum	Term
Bloomington	Non-Residential	Peak Rate Reduction	0 - 50%	50% of SW Fees	Reapplication Every 5 Years
		Direct Discharge	0 - 100%	100% of SW Fees	
Champaign	Residential	Private Detention Basin	0 - 15%	15% of SW Fees	Reapplication Every 5 Years
	Non-Residential	Private Detention Basin, Rate Reduction, Volume Reduction, Water Quality	0 - 15% Each	50% of SW Fees	
		Direct Discharge	0 - 50%		
		Education	$5/student		
Downers Grove	All Properties	Runoff Rate Reduction	0 - 20%	50% of SW Fees	Reapplication Every 5 Years
		Volume Reduction	0 - 20%		
		Water Quality	0 - 10%		
		Direct Discharge	0 - 50%		
		Education	$3/Student	100% of SW Fees	
		Partnership	0 - 100%		
Rock Island	All Properties	Direct Discharge	0 - 100%	100% of SW Fees	Reapplication Only If Property is Redeveloped
		Quality	0 - 10%	10% of SW Fees	Reapplication Every Year
		NPDES Permit	$200	$200	
		Quantity Reduction	0 - 40%	40% of SW Fees	Not Defined
		Rain Gardens	$4 per sq ft	No Maximum	Not Defined
Highland Park	All Properties	Direct Discharge	0 - 50%	50% of SW Fees	Not Defined
		Detention & Cleaning	0 - 25%	25% of SW Fees	
Moline	All Properties	Stormwater Retention	0 - 100%	100% of SW Fees	Not Defined
Urbana	Non-Residential	Runoff Rate Reduction	0 - 20%	50% of SW Fees	Not Defined
		Volume Reduction	0 - 20%		
		Water Quality	0 - 10%		
		Direct Discharge	0 - 50%		
		Education	$5/student		

Table 4 demonstrates that there is a general consistency among the credit programs offered by the utilities in Illinois. All of the utilities link the credit to a specific type of stormwater management (runoff detention, retention, quality). A range of credits are offered based on the ability of the stormwater management activities to reduce impact on the stormwater system. The characteristics of the stormwater credit programs shown in Table 4 are not unique to the State of Illinois. The vast majority of credit programs around the United States share the same components with differences in the programs based on the level of complexity included in the program (e.g., how many different types of credits are offered).

As demonstrated in Table 4, two of the seven communities limit credits to non-residential properties. The remaining five communities offer credits to all property owners, however in the case of Champaign, the residential credits are very limited, applying only to properties

draining to private detention basins. Based on our discussions with the communities that offer credits to residential property owners, the consistent theme was that these property owners do not apply for credits because they would not realize any economic benefit. Essentially the cost of applying for the credit and maintaining the stormwater management feature would be more costly than the reduction in the stormwater fee. Most communities mention that the overall participation rate in the credits program is very limited, with generally less than 5% of the total parcels participating. The common themes, as to why participation is low, include:

- The property developer is not the long-term property owner and will not receive any economic benefit
- Retrofitting a property for a credit is rarely cost effective
- The property is managed by a property company located elsewhere (not in the community) and is not aware of availability of credits
- Application process considerations (burdensome, costly, require professional assistance)
- Credit programs require ongoing maintenance of stormwater controls (ongoing maintenance costs)

(It should be noted that a number of the reasons for the limited participation are due to economic considerations which relate to how much the community is charging in stormwater fees.) To provide context for the comparison of the various credit programs, the annual stormwater fees, stormwater revenues and amount of credits provided by the comparable communities are shown in Table 5.

Table 5 - Stormwater Fees, Total Stormwater Revenues and Credits

Community	Annual Stormwater Fee Per ERU	Annual Stormwater Fee Revenues	Reduction Due to Credits
Bloomington	$52.20	$2,700,000	$153,000
Champaign	$62.28	$2,400,000	$20,000
Downers Grove	$100.80	$3,400,000	(1)$200,000
Rock Island	$45.96	$1,600,000	(2)$35,100
Highland Park	$60.00	$1,245,000	$3,100
Moline	$45.00	$1,000,000	(3)$50,000
Urbana	$59.28	$1,500,000	$50,000

(1) Budget estimate, tracking based on 9 months of operation
(2) Rain garden credits account for $34,000 of total credits
(3) Estimate, the City does not track credit amounts

As demonstrated in Table 5, the annual stormwater fees assessed by the comparison communities are significantly less than those considered by the Village. If the Village offers a credit program, the economic benefits to the property owner may be greater in the Village than in the comparison communities, potentially resulting in a higher rate of participation.

3.0 - Financial Impact

To estimate the potential fiscal impact of a credit program it was assumed that the Village would offer a program that consists of two components, including:

- Credits for on-site stormwater management activities, on non-residential parcels, that exceed current standards, with a maximum credit of 25%.
- Credits for any parcel that directly discharges outside the Village system, with a maximum credit of 50%.

To estimate the fiscal impact of this credit program, it was assumed that 30% of non-residential parcels would apply and qualify for the credit and that each parcel would receive the maximum credit of 25% of their stormwater fee. Additionally, it was assumed that all of the parcels abutting Lake Michigan, within the Village (111 parcels), would apply and qualify for the direct discharge credit, receiving a 50% reduction in their stormwater fee. The financial impact is documented in Table 6.

Table 6 - Credit Program Fiscal Impact Estimate

	FY14	FY15	FY16
Stormwater Fee without Credits	$262	$356	$358
Stormwater Fee Revenues without Credits	$1,739,382	$2,363,435	$2,376,712
Revenue Reduction Due to Non-Residential Credits	($26,894)	($36,543)	($36,749)
Revenue Reduction Due to Direct Discharge	($41,514)	($56,408)	($56,725)
Stormwater Fee Revenues with Credits	$1,670,974	$2,270,483	$2,283,239
Stormwater Fee Required to Maintain Original Funding	**$272**	**$370**	**$372**

Table 6 demonstrates that the impact of the credit program would not be insignificant. In order to generate the revenues necessary to fund the planned capital improvements within the system, the stormwater fee would need to be increased. It should be noted that the analysis was completed for a fairly limited credit program and that an expanded program would result in a more significant fiscal impact. However, we believe that the assumptions regarding the participation and qualification rates provided in the estimate are conservative.

4.0 - Policy Consideration

Policy Issue

Should the Village offer credits to parcel owners within the Village that provide on-site stormwater management?

Recommendation

We recommend that the Village offer credits with the specific considerations:

- Credits should be made available to non-residential parcels that provide on-site stormwater management that *exceeds* the current Village standards.
- Credits should only be made available for on-site stormwater management that provides for peak runoff rate reduction (on-site detention) and reduction in the total runoff quantity (on-site retention).
- Credits should be made available for any parcel that discharges directly outside the Village stormwater system.

D. INCENTIVES

For the same reasons explained in the introduction to the discussion on credits, above, we are presenting the concept of incentives for further review, although the Village Council's initial policy direction indicated that it would not offer an incentive program.

1.0 - Overview

Stormwater incentives are typically offered to all property owners on a first come, first served basis, with the annual budget for the stormwater utility setting the maximum amount available for incentives in any given year. Unlike credits, incentives are not renewable on an annual basis. Instead, they are offered as a one-time rebate against the cost of buying and installing stormwater management controls. Property owners who receive stormwater fee credits are typically excluded from the incentive program. Similarly, stormwater controls that are required to meet local standards are also typically not eligible for reimbursements.

All property owners within the Village could be eligible to receive a stormwater incentive for the purchase, construction and installation of qualifying stormwater facilities. Property owners would be required to submit a stormwater incentive application, along with proof of purchase and installation of the stormwater facility. The Village would reserve the right to inspect the installed facility prior to approving the application. It should be noted that typically the application process and requirements for incentives are less rigorous than those required for the credit program.

Like the stormwater management facilities and activities discussed with the stormwater fee credit, the incentive program would offer rebates or reimbursements for activities that control the various aspects of stormwater runoff (quantity, peak rate and quality). The two most common stormwater control activities available to residential property owners include rain barrels and rain gardens. Other activities that are often incentivized would include the use of green methods, such as installing pervious pavement or green roofs, or the installation of best management practices that improve water quality.

Some sample stormwater incentives are presented in Table 7.

Table 7 - Sample Stormwater Incentives

Control Activity	Incentive Amount	Requirements	Maximum Incentive
Rain Barrels	$1 per gallon of capacity	Minimum of 50 gallons	$50
Rain Gardens	$5 per square feet of garden	Minimum of 50 square foot of garden	$500
Other Facilities (green roofs, permeable pavement, cistern)	30% of cost of materials, construction and installation		$1,000

The incentives detailed in Table 7 outline the most common stormwater management control activities, although the Village may offer incentives for other activities, as available stormwater control activities change over time. The maximum incentives are based on the overall magnitude of the cost of each type of activity and are not intended to fully fund the cost of the control activity. These reimbursements should only be offered to property owners who not only provide proof of purchase, but also prove the actual cost of installation and construction.

2.0 - Comparison

Three of the communities included in the credit program comparison offer incentive programs. A brief description of each incentive program is provided below.

Champaign

The City of Champaign offers incentives to properties not participating in the credit program. The incentives are offered as rebates for the cost of constructing qualifying stormwater management features up to a maximum incentive of $1,000 per property owner. Once the maximum incentive is reached, the property can no longer receive additional incentives regardless of ownership. The City also offers a rebate of $25 per rain barrel installed with no limit.

Downers Grove

The Village of Downers Grove offers incentives to properties not participating in the credit program. Similar to Champaign, the incentives are provided for the installation of stormwater management features based on the type of activity. The Village offered incentives to property owners who had installed management features prior to the formation of the utility. The Village began offering the incentives in January of this year and has provided them to 157 properties at a total cost of approximately $10,000. The amount provided to date is half of the total budget the Village set aside for the incentive program.

Urbana

The City of Urbana offers incentives to properties not participating in the credit program. The incentives program is very similar to the City of Champaign with the only differences being the amounts of the incentives offered. The City limits the maximum incentive to $300 per property. However, the property may apply for the incentive every ten years. The City maintains a budget of $32,500 for the program.

Table 8 presents a comparison of the incentive programs offered by these communities.

Table 8 - Comparison Incentive Programs

Community	Eligibility	Types Available	Range	Maximum	Annual Incentive Budget
Champaign	All properties not receiving credits	Rain Garden, Runoff Rate Reduction, Runoff Volume Reduction, Runoff Water Quality	$250 per stormwater management feature	$1,000	$10,000
		Rain Barrel	$25 per Barrel	None	
Downers Grove	All properties not receiving credits	Rain Barrel	$25 per Barrel	$25	$20,000
		Rain Garden	$250 per Garden	$250	
		Permeable Pavement	$0 - $300 per Property	$300	
		Other Facilities (cisterns, etc.)	$0 - $300 per Property	$300	
Urbana	All properties not receiving credits	Rain Barrel	$50 per Barrel	$50	$32,500
		Rain Garden	$250	$300	
		Rate Reduction	$250		
		Volume Reduction	$250		
		Water Quality	25% of construction		

The incentive programs are fairly consistent among each of the communities, with the primary differences being the level of complexity of the program and the amount of incentives offered.

3.0 - Financial Impact

The fiscal impact of the incentive program is easy to estimate assuming an annual budgetary limit is set for the program. Based on our experience we have seen communities budget as little as $5,000 and as much as $200,000. Based on the size of the Village, we recommend that the Village initially set a budget of $15,000 for the incentive program. To fund a budget of this level, the Village would need to increase the annual stormwater fee per ERU by approximately $2.25.

4.0 - Policy Consideration

Policy Issue

Should the Village offer incentives to parcel owners who install on-site stormwater management facilities?

Recommendation

We recommend that the Village implement an incentive program for parcel owners within the Village on a first come, first served basis, subject to setting the amount available for incentives in the annual budget beginning in Fiscal Year 2015.

E. CONCLUSIONS

This report outlines the key policy issues which must be addressed to allow for implementation of a stormwater fee within the Village. In most cases the actual numbers of parcels that are impact by each policy issue very are limited. The potential credit program is the one policy issue which potentially has the most significant impact on the stormwater fee. A summary of all of the stormwater utility implementation policy issues discussed in this report and our recommendations are included in Table 9 on the following page.

Table 9 - Implementation Policy Issues and Recommendations

Policy Issue	Recommendation
What impervious area features should be included in the development of the master account billing file?	All impervious area features should be captured within the master account billing file.
Should semi-pervious area features be addressed in the Village stormwater billing file?	Semi-pervious features should not be included in the master account billing file.
How should the Village bill stormwater fees for multi-family and commercial properties?	Stormwater fees for all parcels in the Village should be included on the water utility bill.
How should the Village bill properties that do not currently receive a utility bill?	A separate stormwater bill should be established for parcels without utility service.
How should private road impervious area be allocated among parcels within the Village?	Private road impervious area should be allocated based on the amount of impervious area falling within the parcel boundaries.
How should the Village handle the allocation of impervious area for multi-family residential and commercial properties with multiple water service meters?	The Village should equally allocate impervious area for purposes of developing the stormwater bill for those parcels that receive individual water utility bills.
Should the Village exempt any parcels from the stormwater fee?	Only public roads and right-of-ways should be exempt from the stormwater as these properties serve as a key component of the stormwater system.
Should parcels with minimal or no impervious area be assessed a stormwater fee?	Only parcels with impervious area of greater than 170 square feet (a tenth of an ERU rounded down) should be assessed a stormwater fee.
Should the Village offer stormwater fee credits?	The Village should offer a limited credit program for non-residential on-site stormwater management and any parcel that discharges outside the Village system.
Should the Village offer stormwater incentives?	Stormwater incentives should be offered on a first come first served basis beginning in Fiscal Year 2015.