

STORM WATER FINANCING

Developing community-specific payment plans

By Joanne Throwe

It is fair to assume that the average citizen rarely gives storm water much thought beyond how it might affect a commute or interfere with vacation plans. Most never give a moment's consideration to the gray infrastructure under the ground or the cost of the operations and maintenance (O&M) involved in controlling storm water. People assume, as they should, that everything is well planned, well funded and under control by local officials.

The truth is that there are many communities that act like the average citizen: Storm water is not a priority for them until a mandate requires action or an emergency necessitates immediate repair. Cries of warning from storm water managers, public works directors, town engineers or local planners often fall on deaf ears as money from the general fund goes toward other priorities.

The problem of paying for storm water, however, does not disappear. In fact, it often creates a bigger and far more expensive problem down the road. Many storm water systems have reached the end of their so-called life and will cost millions to repair or replace. When forced to finally realize that storm water must be dealt with—and now—the daunting problem municipalities face is how to pay for this huge expense.



A storm water outfall in Ocean City, Md.

Funding Options

There are a number of options for funding storm water management programs beyond competing for general fund dollars. These include:

- Revenue bonds;
- Development impact fees;
- Special assessments or tax districts;
- Development review fees;
- Sales tax allocations;
- State revolving loan funds;
- In-lieu construction fees;
- Mitigation bank money; and
- Ever-decreasing and hard-to-obtain federal and state grants. (Grant funds are a temporary fix to a long-term problem.)

More communities are finding that the best approach to funding storm water management requires creating a dedicated funding stream that will be spent only on storm water. This user/utility fee functions as a user-based charge similar to that of other public utilities. It is a stand-alone storm water enterprise fund that assigns costs, often based on impervious surfaces, requiring residents and businesses to pay for their contributions to the storm water problem.

More than 1,000 U.S. communities have put a storm water utility fee in place and now have the resources needed to give storm water the attention it deserves. But what about the thousands of other communities struggling to pay for proper storm water management?

Starting Point: Ocean City Gets O&M Minded

One such example is Ocean City, Md., a shoreline vacation spot that draws 300,000-plus visitors on a

typical summer weekend. Much of the city's budget is focused on attracting and serving tourism, so storm water often is the last thing on the priority funding list. The almost 8,000 year-round residents of Ocean City, however, know all too well that a single rainstorm can cause major citywide flooding, traffic jams and large sinkholes or cave-ins.

Presently, about 15 miles of corrugated metal pipe needs to be replaced at a cost of \$6 million, and there is no existing O&M program. The backlog of requests for urgent repairs now numbers close to 50. Storm water system repairs and capital costs, beyond the tiny amount allocated in the city's budget, must be acquired through case-by-case requests to the city council.

Ocean City is typical of many American towns, minus the influx of tourists. Another major difference is that it is not mandated to take action by the state or the federal government, as is required of larger communities. That does not mean, though, that it can ignore the large-scale needs that exist: A dedicated storm water funding mechanism is required.

"Where to begin?" "What are the options?" These are a couple of the questions the University of Maryland Environmental Finance Center hears from communities like Ocean City, both small and large, almost daily.

Success Story: Alexandria's Alternative Route

Developing a storm water utility can be intimidating and time consuming if not well planned. Just as no two communities are exactly alike, rarely are two utilities identical. In order to be most effective, a utility should be tailored to reflect a community's makeup and design.

A local commitment to make financing storm water a priority and gathering as much public and political support as possible is a critical first step.

Many of the coastal towns in Virginia's Hampton Roads area have created dedicated storm water revenue streams, but other areas of the state are still working to implement financing.

Take the city of Alexandria, located in northern Virginia, for example. Part of its storm water system dates back to the Civil War. The underground pipes were made with bricks, and surprisingly, much of the system remains intact today. Other areas of the city, however, need

repairs and replacements that will require millions of dollars.

Alexandria has worked for more than two years, taking every necessary step, to develop the most appropriate storm water utility recommendations. In the end, although the city council understood that something had to be done—a big step in and of itself—it found the proposed utility to be too complicated. Instead it chose to collect a half-cent tax for every \$100 of assessed

value on a property and dedicate these funds to storm water management. This tax, although not the original plan, made the most sense for this community and resulted in a dedicated storm water revenue stream that now provides the funds needed for the long-term O&M of the city's storm water system.

Look & Learn

There are a number of steps that can be taken to lay the foundation for the adoption of a dedicated storm water revenue stream. A feasibility study will help assess local needs, compile important data and suggest a rate structure or revenue source that both covers program needs and reflects the nature of the community.

Ocean City has found that collaborating with key partners from universities, state agencies, nonprofit organizations and citizens early on to build a strong, cohesive outreach and education plan has been critical to its success to date. The city now has a better-than-average chance of establishing a dedicated storm water revenue stream because of the commitment and support of a dedicated staff, a well informed city council and an engaged public that understands the pressing need for funding and the potential results of inaction.

Communities struggling with how to finance a storm water management program should look at what neighboring communities have done and learn from them, both in terms of what worked and what did not. Regardless of the financing mechanism chosen, it will need to be dedicated, projected out for the long term and as comprehensive as possible. Paying for a program that goes beyond the minimal or essential program and that considers how to acquire adequate funding for an enhanced or optimal level of service is a proactive approach that best serves community needs. **SWS**

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