



# **Indiana comparative rate study – stormwater**

**SUMMARY REPORT OF COMPREHENSIVE SURVEY**

September 2019

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***This study was made in partnership with Accelerate Indiana Municipalities (AIM) and the Indiana MS4 Partnership***



## Preface

Baker Tilly Municipal Advisors, LLC has been a leader in municipal advisory services for governmental entities in Indiana for more than 65 years. As one of the largest and most active independent municipal advisors and rate consultants to governmental units, Baker Tilly Municipal Advisors are uniquely qualified to provide this analysis of municipal stormwater rates and charges.

We are happy to provide this study because we feel it is a vital resource to local government decision-makers around Indiana. Accurately comparing local rates and charges with those of similar utilities is an important tool to assist utility managers and decisions makers.

### Disclaimers

In our work, we are frequently asked how a community's stormwater rates compare to those in the next community. It is natural that both government officials and citizens ask this question, and this report will help answer that question. This report and the question it answers, however, do have limitations.

Comparing a residential bill between two different utility systems tells you what a customer on each system pays but doesn't tell the complete story. Differences in operating characteristics, staffing, customer makeup, impervious area resulting in runoff, capital improvement needs, and many other factors all impact the utility's cost structure and therefore its rate structure as well. Without taking these factors into consideration, the user could reach incorrect conclusions regarding the differences in stormwater bills from one utility to the next.

Preparing this report requires collecting and analyzing rate data that to some extent is in a perpetual state of change. The information contained in this report is as accurate as we are able to make it as of the data collection cut-off date.



# Indiana comparative stormwater rate study

## General stormwater information

### Charging for stormwater

You wouldn't think of operating a municipal water utility without charging for the water or billing a separate user fee to handle sanitary wastewater treatment. Similarly, initiating a charge for handling stormwater should also be considered. Historically, municipalities have often funded stormwater related projects through wastewater utilities and other available funds. Now more than ever, municipalities are looking to identify the services local governments provide to residents and businesses, such as stormwater, and recapture the actual costs of providing each service.

### EPA and IDEM mandates

Stormwater quality and pollution prevention may not be something your average constituent thinks about. The people in your community tend to take it for granted as part of the group of general services their municipality handles for them. But the costs of handling stormwater have increased as the EPA and IDEM have mandated compliance with the Phase II Rule that requires Municipal Separate Storm Sewer System (MS4) entities to develop Stormwater Quality Management Programs and apply for stormwater permits. IDEM has designated more than 150 MS4s in Indiana, including cities, towns, counties and universities. It is likely your community may be among those 150+. Even if it is not, your community may get drawn into it, plus more progressive communities have the opportunity to consider implementing stormwater services and fees. A complete list of the MS4 communities can be found on IDEM's website:

<http://www.in.gov/idem/stormwater/2333.htm>

### Alleviate stress on your general fund budget

Your community, like many others, has probably experienced general fund reductions due to economic conditions or property tax caps. Additionally, there is a macro trend toward finding revenue sources to reduce reliance on property taxes. Before reducing services or overhead to balance budgets, consider implementing stormwater rates and charges to pay for the stormwater-related costs. Removing the MS4 mandate costs from the general fund budget can be a great help, freeing up funds for other budget expenditures such as police or fire.

***Removing MS4 mandate costs from the general fund can free up funds for other budget expenditures such as police or fire.***



## Indiana comparative stormwater rate study

### General stormwater information cont.

#### Setting up the stormwater utility

There are several ways to set up a stormwater utility.

Your community can set up a separate stormwater utility or district or use the existing sanitary sewage works or sanitary district to operate and fund the stormwater system as defined in further detail below. There are advantages and disadvantages to each. Depending on the set up of the utility, there is limited ability to pay for capital expenditures and debt service from property tax revenues. Property taxes cannot be used to pay for operation, maintenance and repair expenses, so these costs need to be paid from stormwater user fees. Although the costs to provide stormwater services can be funded from a combination of property taxes and user fees, it is more common for all costs to be funded with stormwater user fees.



# Indiana comparative stormwater rate study

## Funding mechanism available

Once a plan and a budget are established, the community must now face the challenge of funding the budget. Currently, there are four main mechanisms available to stormwater-affected communities. These mechanisms are the creation of a stormwater utility or district, use of the existing sewage utility or sanitary district, formation under city, town or redevelopment district, and a county drainage board. In the paragraphs below, we have provided a description of the mechanisms and a comparison illustrating the advantages and disadvantages of each.

### 1) Stormwater utility or district

This is a mechanism in which the community forms a separate stormwater utility or district that will provide the necessary stormwater services. It is established through ordinance and the governing body depends on the type of entity formed. Once formed a special taxing district may be established depending on the applicable territory. For a consolidated city, all territory of the county containing the consolidated city is usually included (Indianapolis and Marion County). For all other municipalities, all territory within the corporate boundaries of the municipality is usually included. For a county, all the territory in the county that is not located in a municipality is usually included.

The board of the entity is then given certain authorities so that it may perform the duties of providing stormwater-related services. It must hold hearings following public notice, install and maintain the stormwater collection and disposal system, and make stormwater system improvements as needed. In order to fulfill these duties the board is authorized to fund operations and improvements through proceeds from special taxing district bonds (supported by property taxes), user fees, revenue bonds (supported by user fees), and any other available funds.

### 2) Existing sewage utility or sanitary district

Instead of forming a new stormwater entity, a community may use an existing sewage works system or sanitary district for stormwater operations. It has the same duties and obligations as a newly formed stormwater entity. Stormwater operations and improvements may be funded through user fees, revenue bonds (supported by user fees), and proceeds of special taxing district bonds (sanitary districts only). Unlike a Stormwater District or Sanitary District, a sewage works does not have taxing authority.





## Indiana comparative stormwater rate study

### Funding mechanism available cont.

#### 3) City, town, or redevelopment district

In addition to new stormwater entities or the use of existing sewage utilities, cities, towns, and counties have various other funding options available to them, which may be used to fund stormwater requirements. However, these funding options typically fund general governmental operations and stormwater needs are just one of these competing needs. Options available include property taxes, local option income taxes, TIF revenues, general obligation bonds, revenue bonds backed by TIF or local option income taxes, impact fees, cumulative capital funds, and redevelopment district leases or bonds. In the past, it was common for cities, towns, and counties to use street department or general fund revenues to fund stormwater needs. While these are certainly options, they are subject to statutory constraints or competing needs and may not always be available in the future.

#### 4) County drainage board

Another option is for the county to provide stormwater services. The drainage board has the same powers and funding options available as the others and it can assess properties benefited for cost of stormwater operations and improvements. These assessments then could be used to secure bonds.

### Determining the cost of handling stormwater

As you begin considering how to set stormwater rates, you need to determine the actual costs of providing the service. Stormwater rates and charges are subject to the same statutory requirements as other utilities; they must be fair, just and non-discriminatory.

The costs of MS4 mandates you will want to cover with a special rate include implementing best management practices to reduce stormwater runoff and pollution, such as street sweeping and stormwater inlet cleaning. Other costs include public education and outreach, reporting requirements, erosion and sediment control plan reviews, site inspections and illicit discharge inspections.



## Indiana comparative stormwater rate study

### Control measures and stormwater user fees

#### Six minimum control measures

Many of the stormwater operational costs stem from the required Best Management Practices and the achievement of measurable goals to satisfy each of the six minimum control measures as mandated by EPA and IDEM. Below are the required six minimum control measures:

- Public education and outreach
- Public involvement and participation
- Illicit discharge detection and elimination
- Construction site runoff control
- Post construction runoff control
- Pollution prevention / good housekeeping

#### Stormwater user fees

You have several options for setting a stormwater utility fee. Some communities have adopted a flat fee for all users and properties, regardless of size or characteristic. This is more prevalent when setting initial rates and when the monthly fee is very small. It is most common in Indiana to institute a flat monthly charge for all residential households (known as an Equivalent Runoff Unit or ERU) and establish a non-residential property charge based on the amount of impervious area. This is a fair way to assess costs since a large commercial building has more rain runoff than a residence. If you are worried about schools, industries, commercial, and shopping malls paying large monthly stormwater bills, you can make credits available to large non-residential properties that assist with public education or construct improvements to help reduce stormwater, such as sediment ponds, swales or detention or retention facilities.

**Most common in Indiana:**

***One rate for residences***

***A second rate for non-residential***





## Indiana comparative stormwater rate study

### Statewide average rate and count of Indiana communities in study

#### What's a reasonable rate?

It is a good idea to benchmark your proposed stormwater rate to nearby communities and similar-size municipalities. Baker Tilly has worked with many cities, towns, and counties as they have implemented stormwater rates and developed stormwater projects. Based on a sample size of 121 Indiana stormwater utilities, the average residential rate is \$5.62 per month, with residential rates ranging from \$1.25 to \$18.76 per month.

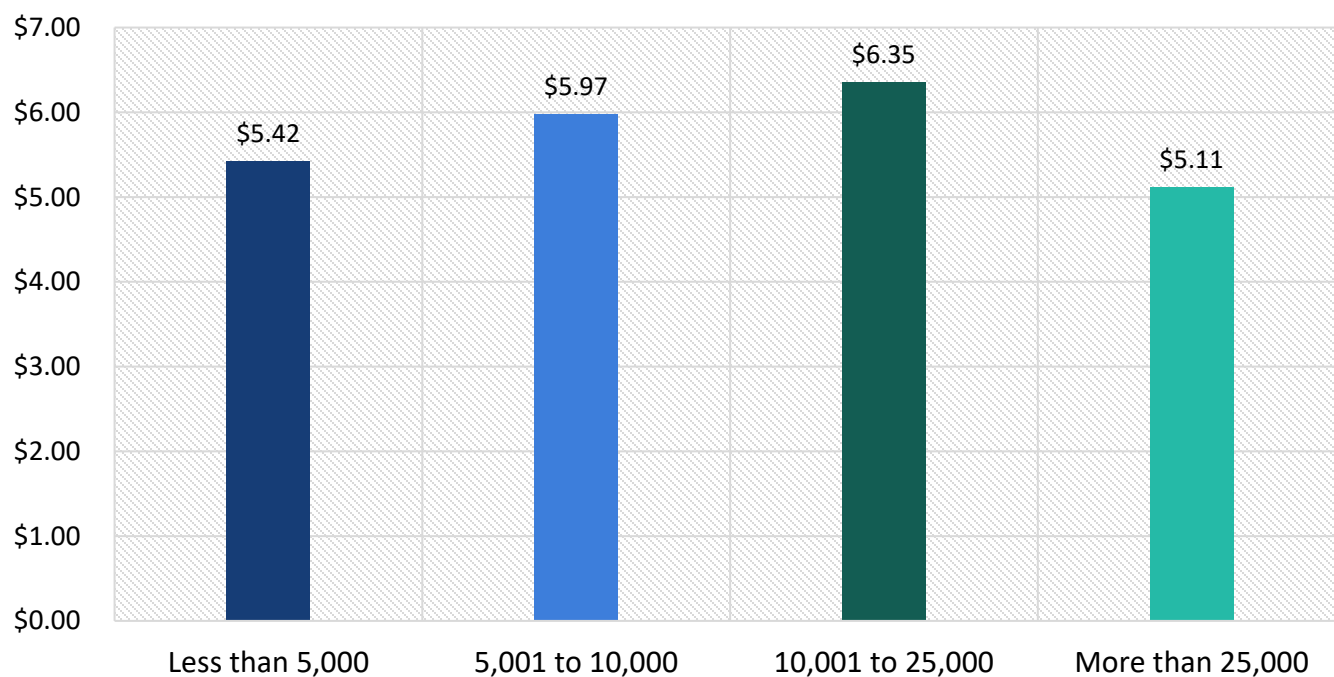
#### *Average residential rate:*

*2012 = \$5.00 per month*

*2016 = \$5.36 per month*

*2019 = \$5.62 per month*

**Average Monthly Residential Rate by Population - 2010**  
**Statewide Average - \$5.62**



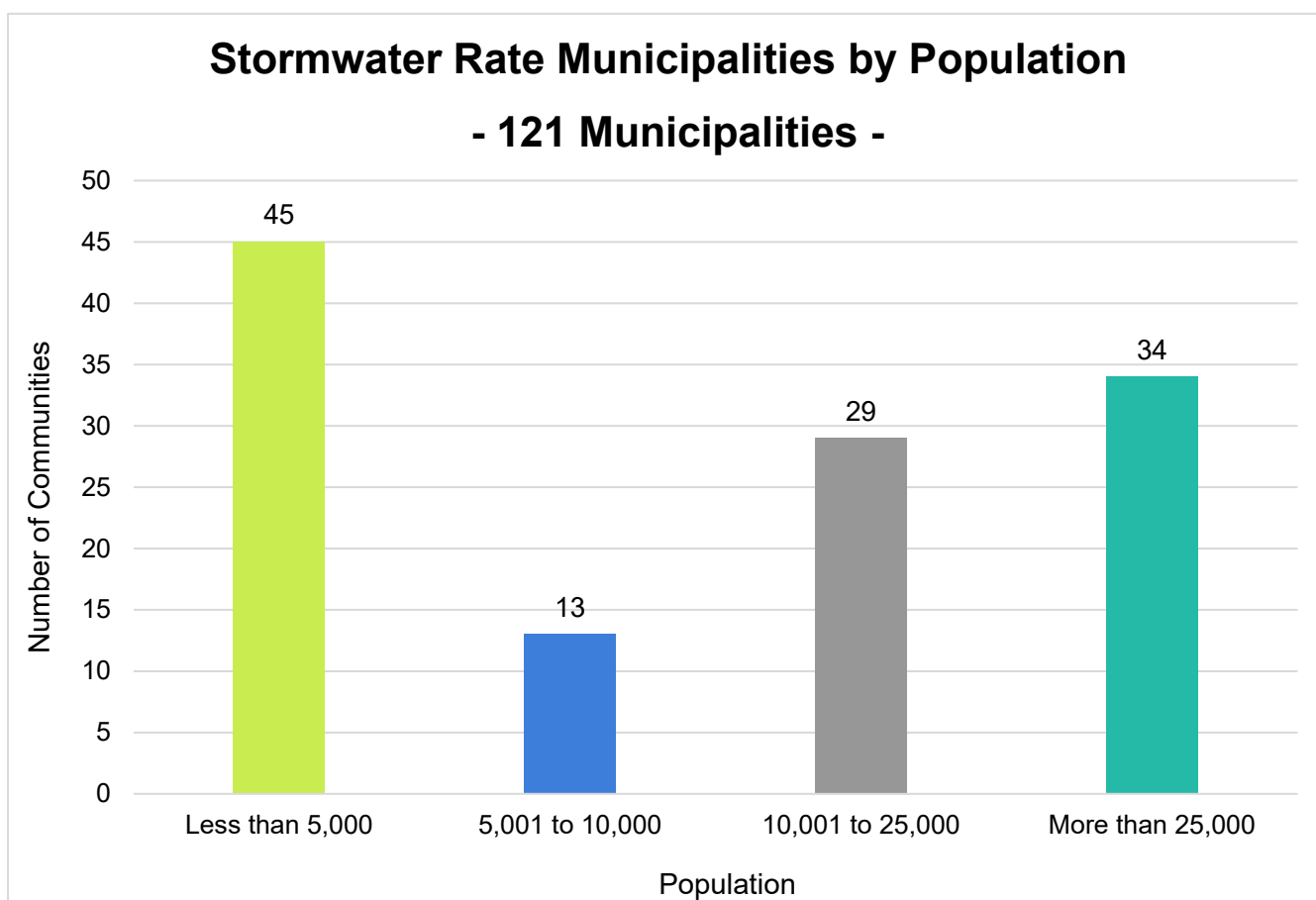


## Indiana comparative stormwater rate study

### Statewide average rate and count of Indiana communities in study cont.

#### How many communities have stormwater rates?

Our study includes 121 municipalities in Indiana with stormwater rates, which is up from the 86 in our last study, based on our client base and research. The chart below shows these communities categorized by population.



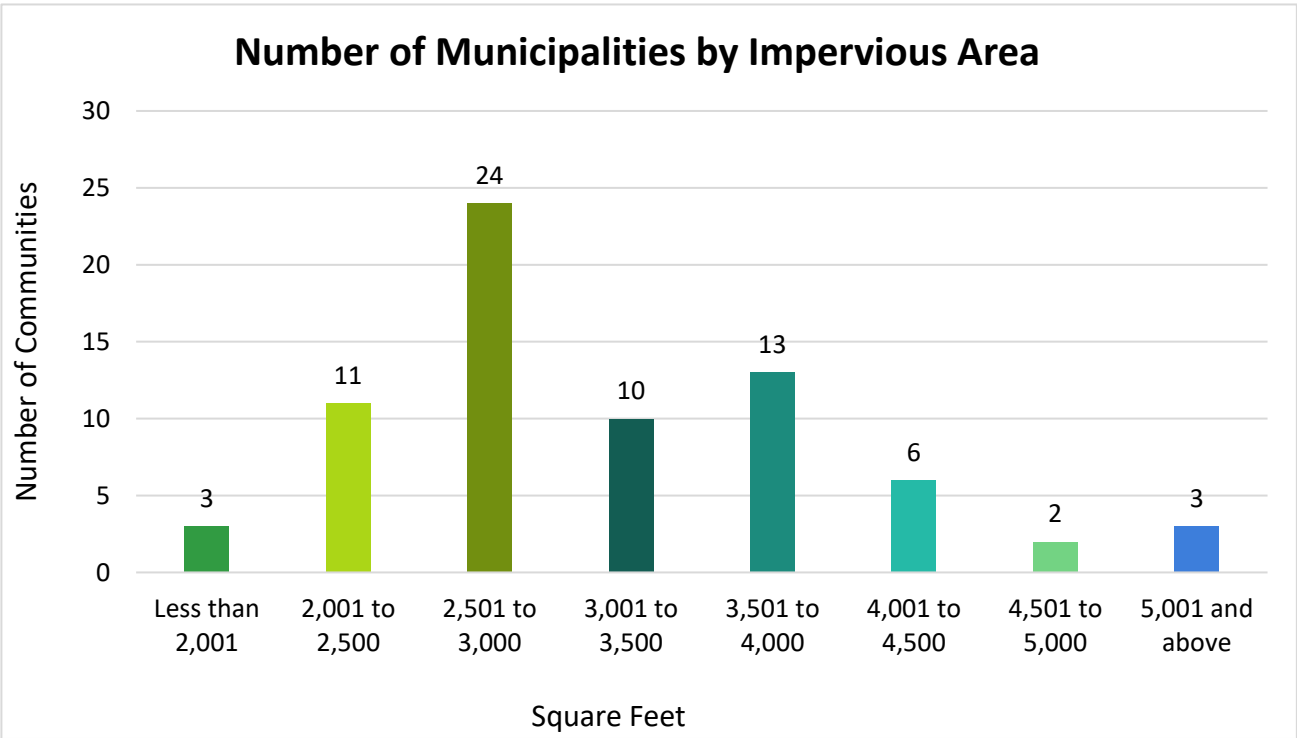


# Indiana comparative stormwater rate study

## Impervious area and effective dates of stormwater rates

### Impervious area

There are 72 municipalities in our study that have utilized impervious areas as a basis for determining stormwater rates. Residential impervious areas range from 1,650 square feet to 12,000 square feet. The average residential impervious area of the 72 municipalities is 3,341.



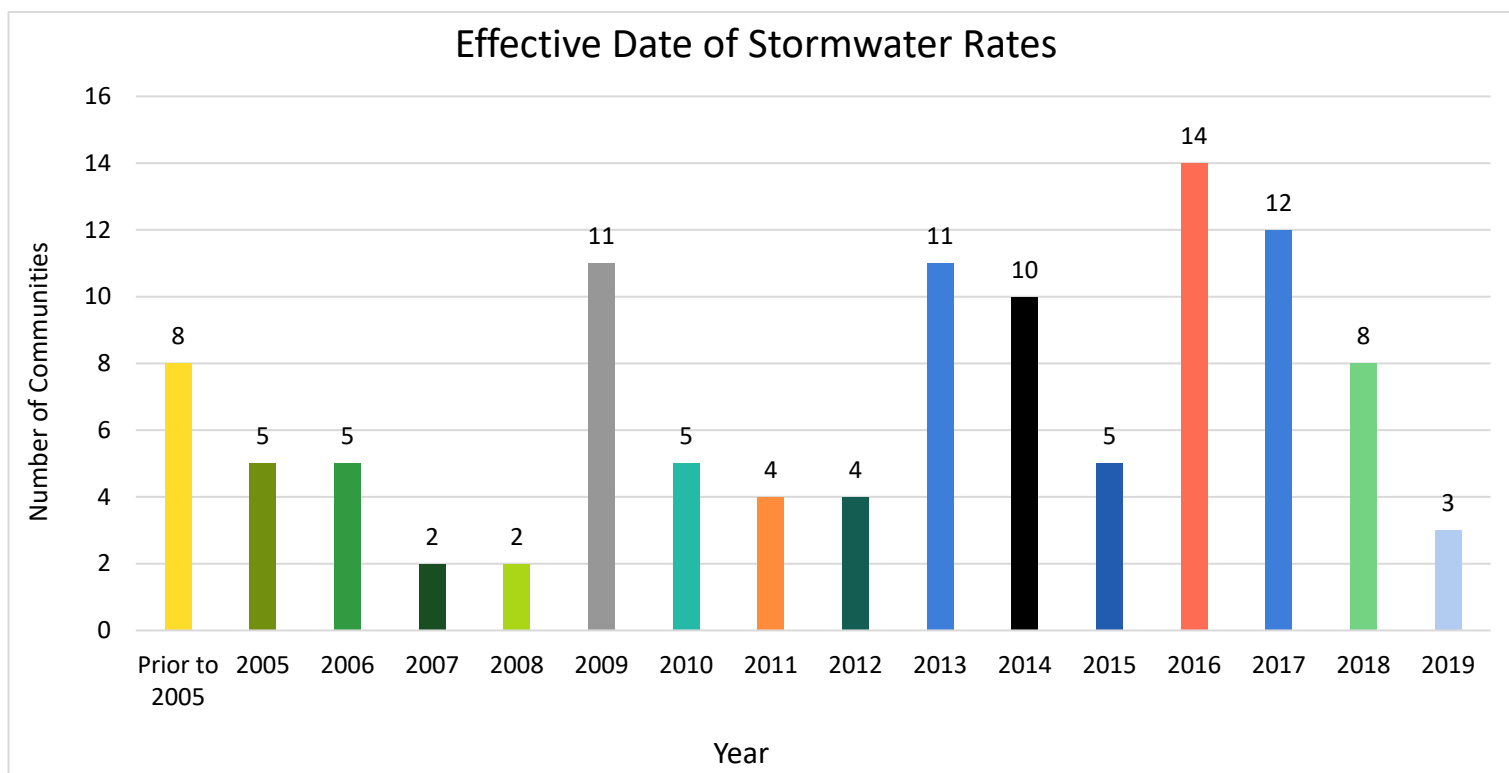


## Indiana comparative stormwater rate study

### Impervious area and effective dates of stormwater rates cont.

#### Effective date of stormwater rates

The chart below shows the effective dates of stormwater rates for 109 of the 121 municipalities included in our research. Of the 109 municipalities, 39% have adopted new stormwater rates within the last five years.



#### Need help?

Please connect with us if you would like assistance with:

- Working as a team with your staff and consulting engineers to create a financial plan for stormwater projects and to comply with MS4 mandates
- Relieving the stress in your wastewater or general fund budgets
- Assistance with stormwater utility management options
- Recognizing the actual costs for stormwater
- Identifying funding options for stormwater projects
- Creating a stormwater rate structure



## Baker Tilly Municipal Advisors, LLC

### About Baker Tilly Municipal Advisors, LLC

Baker Tilly Municipal Advisors, LLC is now in its seventh decade of providing municipal advisory services to local governments, municipal and not-for-profit utilities, school corporations, libraries and a variety of other governmental clients. Our firm has constantly grown to meet this demand and changed with the increasing complexities of public financing, but we remain committed to our initial vision of personal attention, integrity and providing high quality service to each client.

#### Municipal Advisors to:





## Baker Tilly Municipal Advisors, LLC

### Baker Tilly Municipal Advisors' service offerings



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## Baker Tilly Municipal Advisors, LLC

### Baker Tilly Firm Facts

Baker Tilly is a nationally recognized firm with a long history of service to clients located throughout the country — and internationally. As a member of Baker Tilly International, the world's 10th largest accountancy and business advisory network, we are able to extend our reach through trusted relationships with firms located across the country and throughout the world.

Baker Tilly was founded in 1931 with one central objective: to use our industry specialization to help our clients improve their businesses. And that objective still holds true today.

For more than 88 years, Baker Tilly has understood that our business demands absolute integrity, a belief in the value of trusted relationships and a willingness to collaborate with every client.



**nearly 88**  
*years in business*



**3,800**  
*team members*



**\$754**  
*million in revenue*



**50+**  
*office locations nationwide*



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**For a comprehensive list of services visit [www.bakertilly.com](http://www.bakertilly.com)**

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