



# PORTLAND MAINE

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## MEMORANDUM

**TO:** Finance Committee

**FROM:** Ian Houseal, Assistant to the City Manager, Sustainability Coordinator

**DATE:** September 12, 2013

**SUBJECT:** Finance Committee Stormwater Service Charge Introduction

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Please see the attached material in reviewing the stormwater management program and fee.

It is expected that review and deliberation of this material including public comment will take three to four meetings before forwarding to the Council for consideration. Additional information about the program and the Task Force's recommendations can be found on the Sustainable Stormwater Funding Task Force webpage at: [www.portlandmaine.gov/sustainablestormwaterfunding.htm](http://www.portlandmaine.gov/sustainablestormwaterfunding.htm)

1. Proposed Stormwater Charge Review Schedule.
2. Development chronology of the proposed stormwater charge.
3. Review of Task Force Recommendations.
4. Sewer and Stormwater Funds Budget Projections.

## **Proposed Stormwater Charge Review Schedule**

*(Updated September 4, 2013)*

Meeting 1: September 12, 2013 - Stormwater Charge Introduction: Where we are and how we got here

- Introduction
- Chronology of Council Actions
- Powerpoint Introduction to Fee
- Review of Task Force Recommendations
- Sewer and Stormwater Funds Budget Projections

Meeting 2: September 26, 2013 – Rate Setting Methodology and Impacts

- Rate Setting Methodology
- Impacts

Meeting 3: October 10, 2013 – Ordinance Review and Implementation Plan

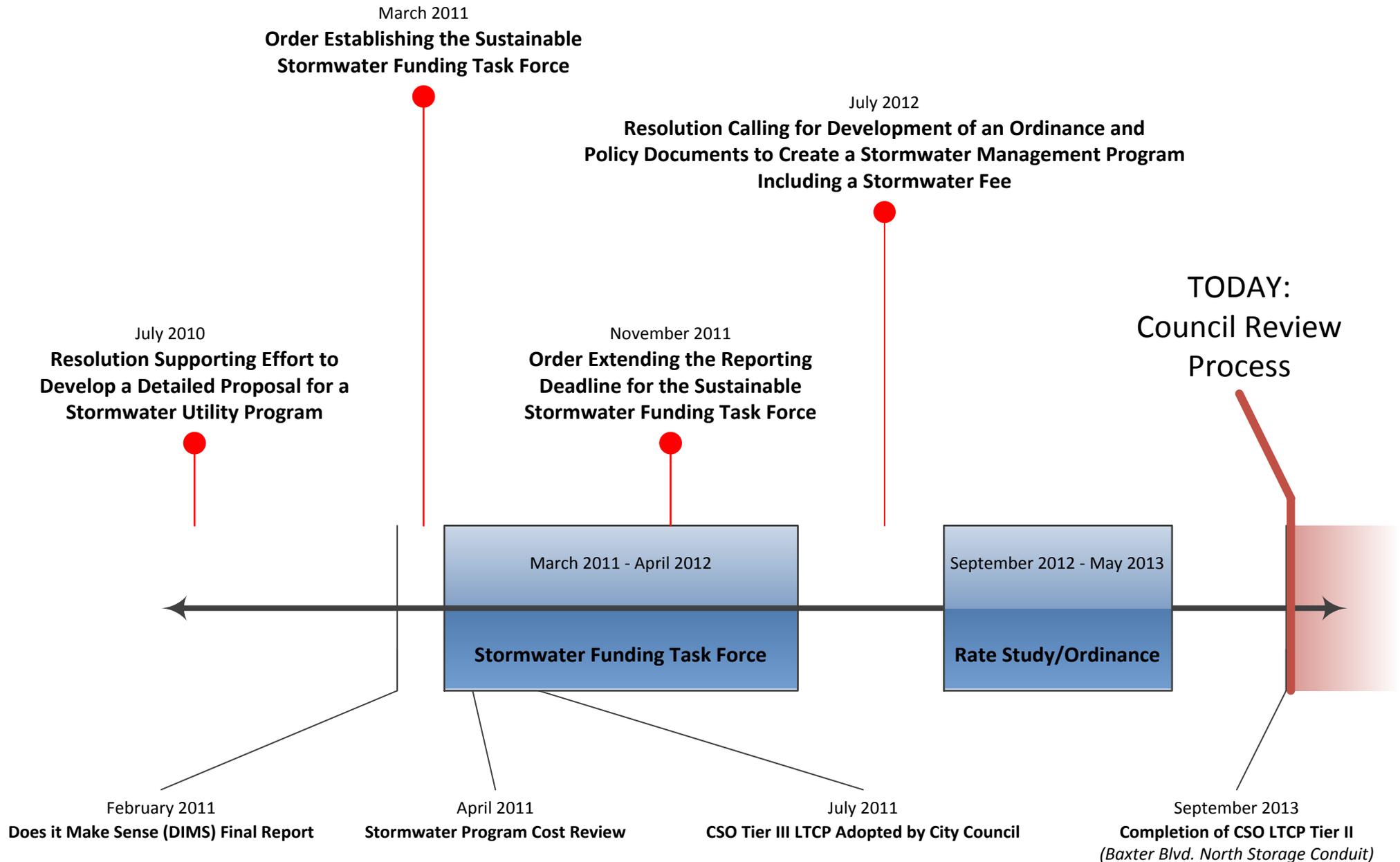
- Ordinance Review
- Billing Plan
- Implementation Plan
  - First Bill Date and Bill Review Period
  - Public Education/Notification

Meeting 4: October 24, 2013 – Finance Committee Recommendation

- Continue Review
- Recommendation on Stormwater Management Program and Fee

# CITY OF PORTLAND

## STORMWATER FEE: CHRONOLOGY





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## RECOMMENDATIONS

To: Finance Committee

From: Ian Houseal, Assistant to the City Manager, Sustainability Coordinator

Date: September 12, 2013

### **Development of an Ordinance and Policy Documents to Create a Stormwater Management Program Including a Stormwater Fee**

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In July 2012, the City Council passed a resolution calling for the development of an ordinance and policy documents to create a stormwater management program including a stormwater fee. The resolution called for that program and fee to be developed before July 2013 and that the program and fee would be developed according to the Stormwater Funding Task Force's Recommended Criteria.

That program and fee was developed before July 2013; however, review does not begin until this meeting. Below is a review of the Task Force's recommendations and recommended criteria and a statement as to if the criterion have been met and if not why not.

#### **The Task Force recommended:**

1. Continuing to fund Portland's wastewater assets through service charges as opposed to taxes.

*This recommendation was met in development of the program and fee.*

2. Continuing to fund Portland sewer costs through the current sewer use charge which is by-nature derived from water usage billed to rate payers.

*This recommendation was met in development of the program and fee.*

3. Funding Portland's stormwater costs through a stormwater use charge based impervious area (i.e. an area of a property comprised of rooftops, driveways, and parking lots.) of a property which is a surrogate for stormwater runoff.

*This recommendation was met in development of the program and fee.*

4. Funding 50% of Portland's combined sewer costs through a stormwater use charge and 50% of Portland's combined sewer costs through the sewer use charge.

*This recommendation was met in development of the program and fee.*

**The Task Force recommended developing a stormwater use charge according to the following criteria:**

5. The Task Force examined multiple rate methodologies including a flat rate for all properties, a rate based on impervious area only, a rate based on impervious area and gross area, and a rate based on intensity of development. The Task Force believes that Portland should charge on the basis of impervious area only because an impervious only rate is most directly related to stormwater impact on the system.

*This criterion was met in development of the program and fee.*

6. The Task Force examined multiple rate structures for single family residential properties including a single tier, two tiers, multiple tiers, and a fully variable rate. The Task Force believes that Portland should use a simplified rate for residential properties consisting of two to three tiers. The tiers for commercial properties should approximate increments comparable to the residential tiers.

*This criterion was not met as recommended because it was not possible to approximate the increments between commercial and residential properties and keep a realistic rate; however, as an alternative commercial and residential properties were treated exactly the same with how the rate is applied and the method of rounding was used to affectively create four residential tiers closely approximating the Task Force's recommendation. It is believed that the proposed program and fee are approximate to the Task Force's recommendation.*

7. The Task Force considered whether roads should be exempt since roads are part of the conveyance system. The Task Force believes that Portland should exempt roads (i.e. public, private, and the airport runway) and should allocate wastewater costs on the grounds that the funding pool would shift from rate payers to property tax payers if not the case. Furthermore, the airport runway should be exempt on the grounds that it is a road.

*This criterion was met in development of the program and fee.*

8. The Task Force considered whether City property should be exempt and determined that City property should not be exempt since other public property in the city might be arguable exempt as well and public property has an impact on the system.

*This criterion was met in development of the program and fee.*

9. The Task Force considered a credit system for reducing stormwater use charges. The Task Force believes that the credits system should be tied to existing City development standards. Credits should be capped at 50% of the total stormwater use charge on the grounds that the majority of stormwater costs are unavoidable and due to maintenance and private action by individual properties would not reduce the impact on the system above that level.

*This criterion was not met as recommended. The credit system is tied to existing development standards for commercial properties. The credit system is not capped as recommended by the Task Force. Commercial properties can get a 60% credit plus a credit for a green roof. It is believed that the credit system proposed is approximate to the Task Force recommendation.*

10. The Task Force considered incentives and believes that offering one-time incentives for site retrofits that reduce stormwater runoff (i.e. rain barrels or rain gardens) to residential and commercial property is a valuable activity to support the City's stormwater program objectives.

*This criterion was not met as recommended. The proposed program and fee outlines a residential credit system in addition to the commercial credit system. It is believed that this is an appropriate substitute to an incentive program.*

11. The Task force believes that to reduce the impact on those rate payers that are most impacted by the stormwater use charge, the annual rate change should be limited.

*This criterion was met in development of the program and fee.*

12. The Task Force discussed the importance of an annual audit and believes that an annual audit of stormwater and sewer fund activities should be presented to the City Council annually.

*This criterion was not developed.*

13. The Task Force discussed the importance of accountability, continued public involvement and education during the transition period to a new wastewater fee structure and believes that a citizen committee to help with transition would be of value.

*This criterion may be considered by the Council following review of the proposed program and fee.*



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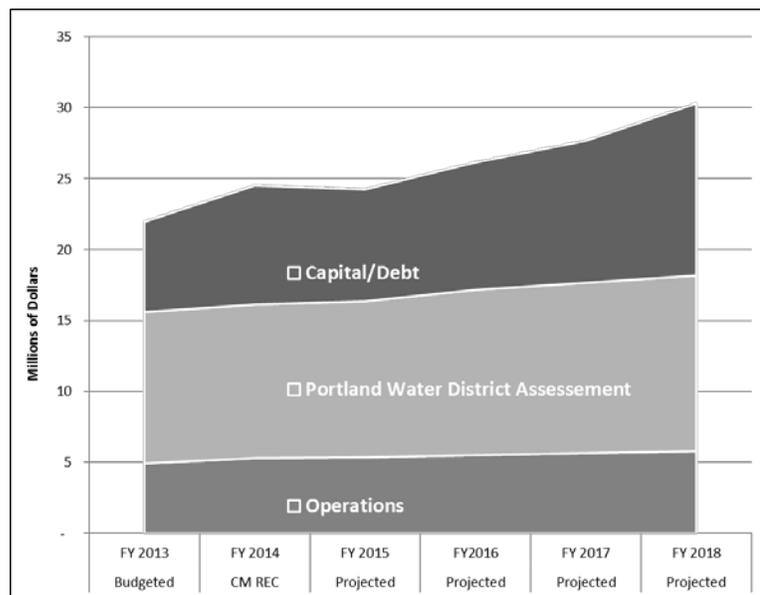
**DATE:** September 12, 2013

**SUBJECT:** Sewer and Stormwater Fund Budget Projections

The following is presentation of the Sewer and proposed Stormwater Funds. The methodology for allocated current sewer fund costs between the sewer and stormwater funds are outlined below.

### SEWER FUND

The Sewer Fund expenditure budget was approximately \$22 Million in FY 2013 and is expected to rise to approximately \$31 Million in FY 2018. (Figure 1) The primary drivers of this increase is upgrades to the combined sewer system either to be carried out by the Portland Water District or the City. The estimates of future expenditure in the Sewer Fund include known watershed restoration costs, but do not include additional costs to operations and capital as may be required by the Capacity, Management, Operations and Maintenance (CMOM) Review as may be obligated by Federal regulators.



**Figure 1: Projections of Sewer Fund Expenditures**

Currently, the Sewer Fund pays for all sewer and stormwater system maintenance, operations, and upgrades. Those activities include catch basin cleaning, street sweeping, and other maintenance and repair of the sewer and stormwater system and those facilities include sewer and stormwater pipes, storm drains, manholes, outfalls, culverts, detention ponds, drainage ways, upgrades to the system to meeting Clean Water Act requirements (i.e. Combined Sewer Overflow Abatement) and other Clean

Water Act promulgated rules such as the Municipal Separated Stormwater System General Permit (MS4) the City holds with the State.

To pay for Sewer Fund expenditures, revenue is raised through charges to users of the potable water system<sup>1</sup> in Portland and is billed to those users based on metered volume of water consumed less any metered volume of water that does not enter the sewer system following use.<sup>2</sup>

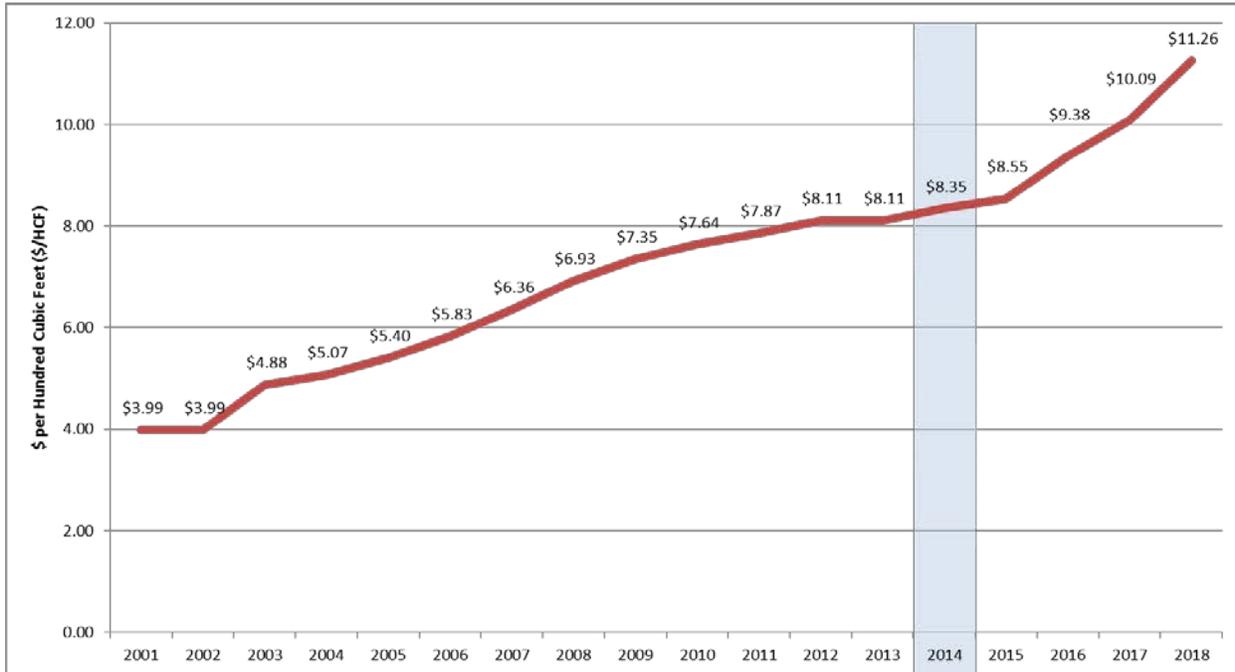


Figure 2: Rate Projections for Sewer User Charges

The City Council set the sewer rate annually as part of the City's budget process. The sewer rate was \$8.11 per Hundred Cubic Feet (HCF) of water consumed per month in FY 2013. The new rate is \$8.35 for FY 2014 (Figure 2). Based on estimated growth in expenditure and declining or flat water use, the sewer rate is expected to rise to \$11.26 per HCF by FY 2018.

### SEWER/STORMWATER COST ALLOCATION

As part of the development of the stormwater service charge, City Council created a Task Force to make a recommendation on a fair and equitable alternative funding option to eliminate dependence upon the sewer user charge to raise revenue. The Task Force recommended a stormwater service charge to more fairly and equitably pay for operating, maintaining, and upgrading the City's sewer and stormwater system because a stormwater service charge in addition to the sewer user charge more accurately reflects the cost-impact of providing those services. The Task Force further recommended paying for

<sup>1</sup> Note that users of the sewer and stormwater system that do not use the water system with a few exceptions are not billed for sewer or stormwater services.

<sup>2</sup> There are additional details to the sewer rate (e.g. minimum monthly charge and a different charge applied to water users who can connect to the sewer system, but are not connected to the sewer system) and other revenue associated with the sewer fund (e.g. industrial discharge permitting); however, those details are not essential to the discussion of the stormwater user charge.

approximately fifty percent of the combined sewer system through the proposed stormwater user charge.

Following the Task Force’s work, the City’s consulting engineer analyzed methods for apportioning sewer and stormwater expenditures between the two service charges based on whether those expenses are justifiably sewer or stormwater. The components of expenditures within the Sewer Fund that were apportioned between the sewer and

stormwater included: Operations, Portland Water District Assessment, Existing Debt, CSO Debt, and Other Capital and Debt (Figure 3).

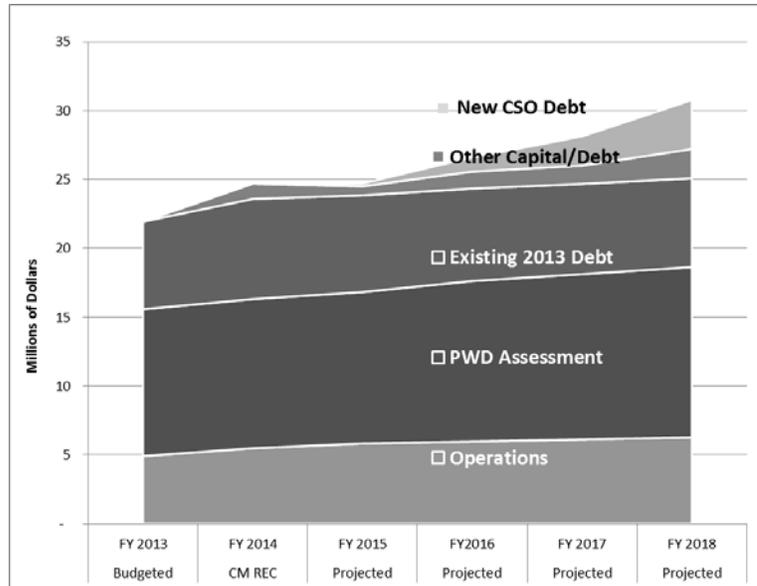


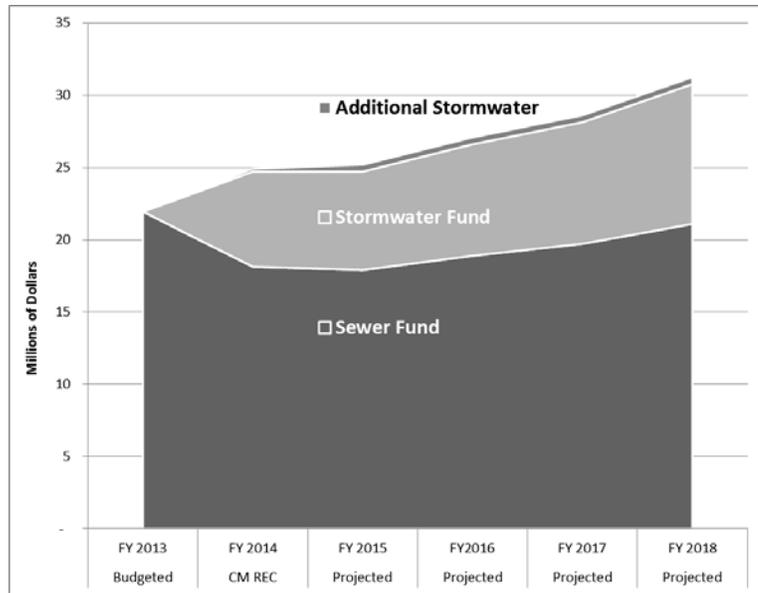
Figure 3: Categories Analyzed for Allocating Sewer and Stormwater Expenditures

Table 1: Allocation of Cost Summary

		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>New CSO Debt</b>	Sewer	0%	0%	50%	50%	50%	50%
	Stormwater	0%	0%	50%	50%	50%	50%
<b>Other Capital/Debt</b>	Sewer	0%	39%	32%	44%	50%	51%
	Stormwater	0%	61%	68%	56%	50%	49%
<b>Existing 2013 Debt</b>	Sewer	100%	100%	100%	100%	100%	100%
	Stormwater	0%	0%	0%	0%	0%	0%
<b>PWD Assessment</b>	Sewer	100%	75%	75%	75%	75%	75%
	Stormwater	0%	25%	25%	25%	25%	25%
<b>Operations</b>	Sewer	100%	42%	40%	40%	40%	40%
	Stormwater	0%	58%	60%	60%	60%	60%
<b>Total</b>	Sewer	100%	73%	72%	71%	70%	69%
	Stormwater	0%	27%	28%	29%	30%	31%

The cost allocation summary (Table 1) shows the how cost is divided for each category that was analyzed. In keeping with the Task Force recommendation, the analysis recommended splitting CSO Debt at fifty percent between the sewer and stormwater. Non-CSO capital expenses are the largest driver of annual expenditure variation between the two funds. And as existing debt continues to decline the allocation will shift towards the stormwater fund.

In total, the ratio of sewer to stormwater expenses is approximately 70% sewer and 30% stormwater.<sup>3</sup>



**Figure 4: Total Allocation of Expenditure Between Sewer and Stormwater Funds**

<sup>3</sup> Note that there is approximately \$500,000 in additional costs necessary for administration of a stormwater user charge representing the new expenditure associated with the stormwater user charge.

**Executive Budget Summary**  
**Sewer and Stormwater User Charges**

**Expenditure Budget Projections**

		<b>Budgeted FY 2013</b>	<b>Adopted w/ SW FY 2014</b>	<b>Projected FY 2015</b>	<b>Projected FY2016</b>	<b>Projected FY 2017</b>	<b>Projected FY 2018</b>
<b>Capital/Debt</b>	<i>Sewer</i>	6,350,000	7,710,000	7,340,000	7,770,000	8,270,000	9,310,000
	<i>Stormwater</i>	-	680,000	550,000	1,210,000	1,730,000	2,820,000
	<i>Total</i>	6,350,000	8,390,000	7,890,000	8,980,000	10,000,000	12,130,000
<b>Portland Water District Assessment</b>	<i>Sewer</i>	10,680,000	8,130,000	8,250,000	8,740,000	9,010,000	9,280,000
	<i>Stormwater</i>	-	2,710,000	2,750,000	2,920,000	3,010,000	3,100,000
	<i>Total</i>	10,680,000	10,830,000	11,000,000	11,660,000	12,010,000	12,370,000
<b>Operations</b>	<i>Sewer</i>	4,920,000	2,300,000	2,320,000	2,380,000	2,450,000	2,510,000
	<i>Stormwater</i>	-	3,190,000	3,520,000	3,600,000	3,690,000	3,770,000
	<i>Total</i>	4,920,000	5,490,000	5,830,000	5,980,000	6,130,000	6,280,000
<b>Total</b>	<i>Sewer</i>	21,940,000	18,130,000	17,900,000	18,890,000	19,720,000	21,090,000
	<i>Stormwater</i>	-	6,580,000	6,810,000	7,720,000	8,410,000	9,680,000
	<i>Total</i>	21,940,000	24,700,000	24,710,000	26,600,000	28,120,000	30,770,000