ITEM INF 00-04817

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
MARCH 13, 2012 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Consideration of a Stormwater Utility	Resolution Ordinance Motion ✓ Discussion Only	David Fieldman Village Manager

SYNOPSIS
Staff is requesting Village Council discussion on the proposed stormwater utility.

STRATEGIC PLAN ALIGNMENT
The Goals for 2011 to 2018 include *Top Quality Infrastructure* and *Steward of Financial and Environmental Sustainability* and *Exceptional Municipal Services*.

FISCAL IMPACT
The proposed stormwater utility would shift funding for the stormwater management system from a primarily property tax based system to a fee based system. The attached Final Report from Municipal & Financial Services Group explains the fiscal impacts to the Village.

RECOMMENDATION
Staff is requesting that the Council either direct staff to create the stormwater utility or to cease consideration of the stormwater utility. If the Council directs staff to create the stormwater utility, staff will prepare the ordinances and amendments to Village Code required to establish the utility, and begin to implement the recommendations of the Final Report so that the utility can begin to operate in 2013. If the Council directs staff to cease consideration of the utility, no further action will take place. Staff recommends action at the discretion of the Village Council.

BACKGROUND
The Village of Downers Grove is considering a change in the way it pays for the cost of owning and maintaining the stormwater management system from the current method, which primarily uses property tax revenues. A new approach under consideration would use a monthly stormwater fee based on the property's impact to the stormwater system. Known as a stormwater utility, this is similar to the way other utilities are operated including natural gas and electricity. Shifting to a stormwater utility system is designed to:

- Create a system in which properties pay for their portion of the stormwater system's expenses, since all properties benefit from the system.
- Increase awareness about the Village's stormwater management system.
- Encourage property owners to reduce the amount of stormwater run-off from their property by implementing management measures such as rain barrels and detention basins.
- Provide a predictable and sustainable funding source to properly maintain the stormwater system.

The Village has investigated the formation of stormwater utility since 2003 when an exploratory committee was formed. In 2006 the Village approved the Stormwater Master Plan which identified the recommended level of service to maintain the stormwater management system. In 2007, the Village

completed the Watershed Infrastructure Improvement Plan (WIIP) which identified capital improvement projects to minimize flooding in specific locations. In 2011, the Village hired Municipal and Financial Services Group (M&FSG), a firm with expertise in the financial needs of municipalities, to complete a stormwater utility study. The Final Report (attached) provides a financial and management plan for the potential establishment of a stormwater utility for the Village.

The Village is exploring the creation of a stormwater utility because it is consistent with the Strategic Plan and Long Range Financial Plan (LRFP). The Strategic Plan goals call for the Village to be a steward of financial and environmental sustainability, to provide top quality infrastructure and to pursue continual innovation. The LRFP states that the cost of needed infrastructure investment exceeds current revenue sources and that sustainable revenue sources should be considered to address this financial gap. The cost of providing stormwater service at the Village's current level of service in 2013 will be approximately $3.4 million. The current level of service provided by the Village does not provide the level of system maintenance recommended in the 2006 Stormwater Master Plan or to continue to make the capital improvements recommended in the WIIP. The cost of providing stormwater service at a recommended level of service in 2013 will be approximately $5.8 million.

Prior to this consideration, the Village requested input from key stakeholders including residents, businesses, churches and not-for-profit agencies. During the last two weeks of January, the Village hosted a series of stakeholder and public meetings to explain the proposed stormwater utility and to collect feedback on the potential implementation of a stormwater utility. A summary of the meeting attendees' comments, questions and concerns is attached.

Pursuant to the Strategic Plan and LRFP, the Village is committed to fully funding the storwmater management system pursuant to the recommendations of the Stormwater Master Plan and WIIP. The policy question presented to the Village Council is how should the Village pay for the cost of owning and operating the stormwater management system. The Village could continue to use the current system which is funded primarily through property taxes. Alternatively, the Village could implement a stormwater utility which would be funded primarily through monthly fees based on the total impervious area of each property within Downers Grove. The key attributes of the property tax approach and the utility approach are summarized in the table below.

Table 1
Attributes of the Current and Proposed Funding Approaches

	Current Property Tax Based System	**Proposed Fee Based System**
Primary Revenue Source	Property Taxes	Monthly Fees
Contribution Based On	Taxable Value of the Property	Impervious Area on the Property
Who Pays Directly?	Owners of Taxable Properties	Owners of All Properties
Alignment of the Cost Burden & the Impact on the Stormwater System	Low	High
Cost Burden	76% Residential Property Owners 21% Commercial Property Owners 3% Industrial Property Owners 0% Tax Exempt Property Owners	47% Residential Property Owners 36% Commercial Property Owners 8% Industrial Property Owners 8% Tax Exempt Property Owners
Desired Outcomes Achieved by	Stormwater Regulations	Stormwater Regulations & Pricing Structure Including Fees, Credits and Incentives
Funding Approach Similar To	Streets, Sidewalks and Streetlights	Water System and Refuse Collection

ATTACHMENTS

Stormwater Utility Study Final Report
MFSG and Staff Presentations
Letter from Chamber of Commerce
Summary of Stakeholder Meetings
Questions and Answers from the Stakeholder Meetings

Final Report
March 2012

Village of Downers Grove Stormwater Utility Study

Prepared by

Municipal & Financial Services Group

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APPENDIX - Credit and Incentive Manual

A. EXECUTIVE SUMMARY

This document was prepared to summarize the work performed by the Municipal & Financial Services Group (MFSG) during the stormwater utility study authorized by the Village of Downers Grove ("Village"). The study provides a financial and management plan for the potential establishment of a stormwater utility for the Village. This portion of the report summarizes the findings, conclusions and recommendations developed during the course of the study.

1.0 - Findings and Conclusions

The following findings and conclusions were developed during the course of the study.

- The Village operates and maintains a stormwater system that is regulated by the Federal Government under a Phase II stormwater permit.
- The cost of providing stormwater service at the Village's current level of service in 2013 will be approximately $3.4 million.
- The current level of service provided by the Village does not provide the level of system maintenance recommended in the 2006 Stormwater Master Plan.
- The level of capital investment designated in the current level of service is not adequate to allow for a sustainable stormwater system, specifically:
  - The current level of stormwater main replacement of approximately $0.5 million per year will result in replacement of the stormwater system over a 220 year period. The typical useful life for a stormwater main is 70 to 90 years. Many of the Village stormwater mains are already reaching the end of their useful lives.
  - The current level of service will not allow for continued funding of watershed improvement projects.
- The cost of providing stormwater service at a recommended level of service in 2013 will be approximately $5.6 million. The recommended level of service will fund the maintenance levels recommended in the 2006 Master Plan, increase the capital investment in stormwater main replacement to allow for a 100 year replacement cycle and allow for continued completion of the watershed improvement projects.
- The anticipated revenues available for stormwater in 2013 are estimated to be approximately $2.5 million. The revenues include primarily property taxes at about $1.9 million with the remainder coming from the General Fund.
- Based on the anticipated revenues the Village will not be able to fund the current level of service in 2013 with revenues approximately $0.8 million short of expenses with an even more significant funding gap between revenues and the recommended level of service of about $3.1 million in 2013.

- The current method of collecting revenue for stormwater management on the property tax bill does not equitably allocate the cost of providing stormwater service to property owners in the Village (the value of the property has no direct correlation with the stormwater contribution from the property).

- The prevailing industry standard for assessing stormwater contributions is the use of impervious area which directly correlates to stormwater runoff. The impervious area of each property in the Village is readily available in its geographical information system (GIS).

- Given the need for significant additional funding for the stormwater system, the current inequity inherent in the use of property taxes will become significantly more pronounced over time.

- The establishment of a stormwater utility (similar the Village's drinking water utility) and an associated stormwater fee would provide a dedicated funding source for the stormwater system.

2.0 - Recommendations

The following recommendations were developed during the course of the stormwater utility study. The recommendations are presented to the Village Staff and Council for consideration.

- Adopt a stormwater utility and stormwater fee for implementation by 2013. The stormwater utility and stormwater fee will improve the equity in the recovery of costs for the stormwater system, provide fiscal accountability with a dedicated revenue stream and provide for increased public awareness.

- Base the stormwater fee on impervious area using an ERU which for purposes of this report is defined as an equivalent runoff unit, but also known as an equivalent residential unit. One ERU is equal to 3,300 square feet of impervious area. The use of impervious area is the prevailing industry standard and is considered the best measure of impact on the stormwater system.

- Charge single family residential properties a stormwater fee based on a tiered ERU approach based on the amount impervious area on their property. Charge non-single family (properties larger than duplex) based on actual impervious area in multiples of ERUs.

- We recommend the following implementation plan for the stormwater fee:

    - Continue to use property taxes to fund the debt payments associated with the 2008 bond issue for the life of the loan. Funding the existing debt payments with current revenues will ensure a stable revenue stream to meet the annual debt obligations.

    - Implement a stormwater fee in 2013 that funds the current level of service less the annual debt payments.

- Annually increase the stormwater fee at a level that allows for funding the recommended level of service after a ten year period. This transition period is recommended to limit the increases to a sustainable level.

- Reduce the property tax levy by an amount equal to the reduction in the stormwater fee funding at approximately $1.33 million in 2013.

- The recommendations for the stormwater fee implementation are presented below.

Table 1 - Recommended Stormwater Fee Implementation

	2013	2014	2015	2016	2017
Monthly Stormwater Fee: Single Family Residential					
Tier 1: (1 - 2,500 sq. ft.)	$4.20	$4.80	$5.60	$6.40	$7.30
Tier 2: (2,501 - 4,000 sq. ft.)	$5.60	$6.44	$7.41	$8.52	$9.79
Tier 3: (4,001 - 7,000 sq. ft.)	$8.40	$9.70	$11.10	$12.80	$14.70
Monthly Stormwater Fee: Non-Single Family Residential					
Per ERU (3,300 sq. ft.)	$5.60	$6.44	$7.41	$8.52	$9.79
Annual Stormwater Fee Revenue	$2,361,651	$2,715,899	$3,123,283	$3,591,776	$4,130,542

The following table demonstrates the impact to various properties within the Village based on the recommended implementation plan.

Table 2 - Fee Impacts Sample Properties

Property Type	Number of ERU	Assumed Credit	Assumed Assessed Value	2013 Monthly Stormwater Fee	2013 Monthly Property Tax Reduction
SFR - Small	0.75	-	$200,000	$4.20	$3.06
SFR - Medium	1.0	-	$300,000	$5.60	$4.59
SFR - Large	1.5	-	$500,000	$8.40	$7.66
Average Church	18	-	$-	$100.80	$-
Hospital	235	50%	$-	$658.00	$-
University	278	50%	$-	$778.40	$-
Big Box Retail	139	-	$7,700,000	$778.40	$117.93
Strip Mall	100	-	$6,000,000	$560.00	$91.90
Average Commercial	20	-	$1,000,000	$112.00	$15.32

- Implement a stormwater fee credit program for non-residential properties to provide a reduction in the stormwater fee for those properties that provide on-site stormwater management.

- Implement a stormwater incentive program for all property owners which would provide reimbursement for the purchase and installation of stormwater management controls.

Residential properties that drain to private regional detention basins should be allowed to apply for a stormwater fee credit.

- Bill the stormwater fee on the water bill and develop an appeals process to handle property owner appeals.

B. BASIS FOR THE STUDY

1.0 - Background

The Village of Downers Grove ("the Village") provides stormwater management throughout the Village. The Village has invested significant capital to develop the stormwater system which consists of approximately 7,000 drainage structures, 315 stormwater detention ponds, 130 miles of stormwater mains, 11 miles of streams, 140 miles of stormwater ditches and 47,000 feet of culverts. The stormwater system includes 3 main watersheds. The Village currently manages these assets through the Streets Division within Public Works. This Division is responsible for maintaining and inspecting the system and provides emergency response in the event of flooding in blocked inlets or creeks.

Due to the size of the population of the Village, its stormwater system is regulated under a permit issued by the United States Environmental Protection Agency (USEPA). Specifically, the Village's stormwater system discharges are subject to the National Pollutant Discharge Elimination System (NPDES) Stormwater Phase II Municipal Separate Storm Sewer System (MS4) General Permit. Under this permit the Village is required to meet six minimum control measures which are public education and outreach, illicit discharge detection and elimination, construction site runoff control, post-construction runoff control, pollution prevention/good housekeeping and detention basin inspection.

To ensure compliance with the USEPA NPDES Stormwater Phase II regulations, the Village prepared a Stormwater Master Plan in 2006. The Master Plan provided a framework for the activities that the Village should undertake or enhance to ensure compliance with the permit. Specifically, the Plan helped prioritize the Village's efforts, identified areas for improvement and projected necessary funds for operating and maintaining the stormwater infrastructure. In 2006 the Village also commissioned the preparation of the Watershed Infrastructure Improvement Plan which consisted of four watershed-based studies and identified and prioritized areas of recurring flooding along with proposed remedies and cost estimates for construction. The Watershed Infrastructure Improvement Plan was completed in 2007. Over the past four years the Village has been working to repair and upgrade old, failing infrastructure and construct new regional detention and conveyance facilities.

The Village currently funds the operation, maintenance and capital investments required for the stormwater system through a mix of funding sources including revenues from sales tax, General Fund revenues, property tax revenues and the issuance of bonds. The primary source of revenues has been primarily from property tax revenues. Review of the historical and projected revenues available for stormwater management demonstrates a significant amount of volatility in the revenues available for stormwater. For a number of years the Village has considered the possibility of forming a stormwater utility to manage the system, not unlike the Village's drinking water system which operates as a separate utility as an enterprise fund. At this time, the Village has engaged Municipal & Financial Services Group ("MFSG") to evaluate and complete the necessary steps required for the establishment of a stormwater utility.

2.0 - Scope of Work

The scope of services set forth in the contract between the Village and MFSG specifies several related tasks:

- **Policy Considerations** - Examine key policy issues related to the formation of a stormwater utility.

- **Level of Service** - Determine the current level of service provided by the Village and develop a recommended level of service based on the 2006 Master Plan recommendations. The current and recommended level of service were to be forecasted over a 10 year projection period.

- **Stormwater Fee Analysis** - Complete a stormwater fee analysis that includes the selection of a rate base (unit of measure for the fee) and an evaluation of the appropriate fee structure.

- **Stormwater Fee Credits and Incentives** - Develop fee credits to provide a reduction in the stormwater fee for property owners that provide qualifying onsite stormwater mitigation and incentives for reimbursement of stormwater activities.

- **Administration** - Address administration considerations such as billing methodology, appeals and maintenance of the billing database.

- **Benchmarking** - Provide a benchmarking comparison of stormwater utilities currently established in the State of Illinois.

- **Customer Impacts** - Document the impact of stormwater fees on various property owners within the Village.

The following sections of the report provide the completed scope of work for the stormwater utility study for the Village.

C. POLICY CONSIDERATIONS

Stormwater utilities are becoming more and more common in the State of Illinois and around the United States. There are currently 15 stormwater utilities in the State of Illinois and over 600 utilities around the country. Most industry experts agree that the number of utilities will grow exponentially over the next decade as Federal and State regulatory requirements force localities to address issues with their stormwater systems. As of the writing of this report at least 6 localities in Illinois are in various stages of examining or establishing stormwater utilities. Prior to the development of a stormwater utility it is important to ask some basic questions which frame some policy considerations. The following section of the report examines a number of these key considerations.

1.0 - Stormwater as a Utility

The most basic question surrounding the formation of a stormwater utility is why should it be considered as a separate utility. The simple answer is that the community is accustomed to managing its infrastructure through utilities including the drinking water system and the wastewater system. In its most basic form a utility is comprised of the delivery of a measurable service and the management of the assets required to deliver the service. The stormwater system meets both of these characteristics in that the system provides the service of managing stormwater impacts from each property owner via an extensive system of assets that must be maintained by the Village to ensure that the system continues to operate properly and meet regulatory requirements. As a result the stormwater system is a logical candidate to be accounted for and managed like the Village drinking water system, as a separate utility.

2.0 - Benefits of Stormwater as a Utility

There are a number of benefits to managing stormwater as a utility and reasons why the Village currently manages other utilities such as the water system as utility. These benefits include the following:

- Improved Equity - A stormwater utility provides improved equity among properties owners within the Village. The formation of a stormwater utility and implementation of a stormwater fee allows for allocation of costs of operating and maintaining the stormwater system to property owners based on their stormwater impact. Under the current approach property owners fund the stormwater system based on the value of their property which has very little correlation with their stormwater impact. Additionally, tax-exempt properties currently do not assist in funding the stormwater operations but do generate stormwater and impact the system. As the costs for maintaining the stormwater system increase, the idea of the equitable allocation of costs will become more and more important as the inequities become more evident.

- Fiscal Accountability - The formation of a stormwater utility and collection of a stormwater fee provides increased fiscal accountability. The fees collected would be accounted for in an enterprise fund and would be exclusively used for stormwater needs. Additionally, the level of

the fees would be driven by a defined level of service addressing maintenance needs and regulatory requirements.

- Dependable Revenue Stream - The formation of a stormwater utility and collection of a stormwater fee provides a dependable revenue stream. Historically, the revenues available to fund the Village's stormwater operations have been volatile. This is very common among localities that use tax funds for stormwater operations. It is often the case that stormwater funding is made available based on a specific crisis or immediate need but withdrawn when more pressing needs for funds are identified. A stormwater fee would address this issue and allow the Village to better manage the stormwater system. Specially, a dependable revenue stream would allow the Village to proactively manage the system which would result in lower life-cycle costs. To a large extent the Village is currently managing the stormwater system reactively as critical events occur which require immediate and often expensive action.

- Unfunded Mandates - The Village stormwater system is regulated by the Federal Government under a NPDES MS4 Permit. As a result, the Village stormwater system is subject to all current regulatory requirements imposed by the Federal Government related to the management of stormwater. As demonstrated in later sections of this report, significant funds are necessary to meet these regulatory requirements (unfunded mandates) from the Federal Government. A stormwater fee provides a dedicated funding source to meet the unfunded mandates and provides for a clear accounting of these expenditures.

- Increased Public Awareness - The formation of a stormwater utility assists to bring increased public awareness of stormwater issues. Due to the fact that the current revenues for stormwater are unseen and included in taxes the public is often not aware of the service they are receiving as well as the cost the Village incurs while providing stormwater service. Increased public awareness allows for public education and may result in property owners taking action to manage stormwater on their property. Additionally, public outreach and education is one of the key requirements within the Village's NPDES MS4 Permit.

3.0 - Stormwater Utility Concerns

While there are a number of specific and tangible benefits associated with implementing a stormwater utility and associated stormwater fee, there are often concerns that are expressed within the community related to taking such action. The most common concerns include the following:

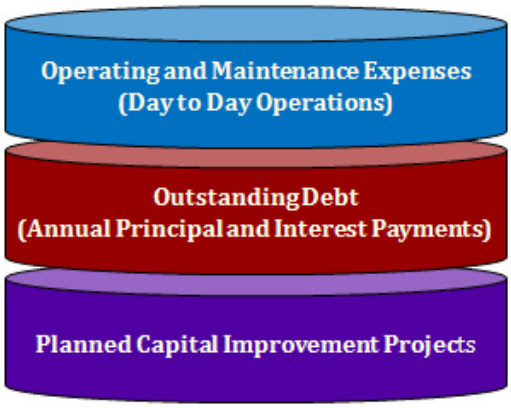
- Impact on Tax-Exempt - Under the current funding approach used by the Village, tax-exempt properties do not contribute to the funding of the stormwater system. The adoption of a stormwater fee based on impervious area would result in tax-exempt properties contributing to funding the stormwater system based on their stormwater contribution. While it is in the community's best interest to assist tax-exempt properties in numerous ways, the cost associated with basic services such as utilities should be collected from all properties in the Village. Tax-exempt properties are not exempt from water bills, electric bills, trash collection, or other similar services.

- Impact on Commercial Development - The adoption of a stormwater fee based on impervious area will often shift the cost of managing the stormwater system to commercial properties due to the fact that these properties typically have greater amounts of impervious area. As a result, a valid concern is will the stormwater fee impact economic development in the Village (cause existing commercial properties to relocate and / or discourage new development). Based on our experience in dealing with water, sewer and stormwater utilities around the Country, our opinion related to this concern is that the assessment of a stormwater fee does not and will not have a negative impact on economic development but rather often encourages economic development. The reason we believe it does not negatively impact economic development is due to the magnitude of the fee in comparison to the total cost of doing business. In most instances the fee would represent between 1% to 2% of the total costs incurred by a commercial entity during the year. These increased costs are far outweighed by both other financial considerations and business decisions that will impact economic development. In fact, we believe that implementing a stormwater utility, which provides a well managed stormwater system, actually would make the Village a more attractive place to locate a business compared to a locality with a poorly managed stormwater system.

- More Government - Another concern that is often expressed is the idea that additional layers of government are being created with the establishment of a stormwater utility. This concern is really a misunderstanding of what exactly a stormwater utility is and how it would function. In general the stormwater utility is simply a way of accounting for and funding a program that already existing within the Village government. No new layers of management outside of what would be required to manage a properly functioning stormwater system are created with the new funding source. In fact due to the increased accountability and a dedicated revenue stream, the Village will have the opportunity more clearly evaluate the performance of the stormwater program and identify areas for increased efficiency. Lastly, the data set that would be used by the Village to impose the stormwater fees is relatively static. Changes to impervious area generally occur with redevelopment and therefore once the system is set up, managing the program requires limited resources.

In summary there are a number of benefits associated with the formation of stormwater as a utility and why at this time it makes sense for the Village to consider implementation of a utility. However there are a number of considerations that must addressed (as outlined in the scope of work) prior to the implementation of a utility. The remainder of the report addresses each of these considerations.

D. LEVEL OF SERVICE



In order to develop a financial plan and management approach for the Village's stormwater system, it is necessary to first gain an understanding of the current level of stormwater service provided by the Village and the cost of providing that level of service. It is also necessary to determine if the current level of service meets the service requirements established within the Village's General Permit and if they provide a level of investment that allow for a sustainable system. This section of the report examines the current level of service and establishes a recommended level of service. To examine the levels of service they can be broken down into three main categories of costs including; operating and maintenance costs, existing debt service and planned capital improvements. The following section of the report describes each of the categories of expenses incurred by the Village as it provides its current level of service and what the expenses would be under the recommended level of service. The costs are all based on official documents and data provided by the Village including previous studies completed for the Village such as the 2006 Stormwater Master Plan and the 2007 Watershed Infrastructure Improvement Plan.

1.0 - Assumptions Used in the Study

It is necessary to make several assumptions regarding future economic conditions within the Village, to project the current and recommended level of service for the stormwater system. Assumptions (which can be varied as needed from year to year) made regarding various items are shown below:

Element	Assumption
Inflation Rate - O&M Expenses	3.5% per year
Interest Rate on Borrowing	5.0%
Debt Maturity	20 years
Interest Earned on Investments	2.0% per year
Administration Costs on Financing	1.5% of principal

The study was conducted using the adopted budget for Fiscal Year 2012 (the Village functions on a fiscal year of January 1 to December 31) as the base year upon which forecasted figures were developed. The level of service analysis considers a ten-year planning period (2013 - 2022) as requested by the Village.

2.0 - Operating and Maintenance Costs

The following section of the report provides an analysis of the operating and maintenance costs of the stormwater system under the current and recommended level of service.

2.1 - O&M Costs - Current Level of Service

The day-to-day operating and maintenance (O&M) expenses for the stormwater system are budgeted in four major categories including stormwater management, engineering, maintenance and capital project support. The actual O&M expenses for 2009 and 2010, the estimated expenditures for 2011 and the budget for 2012 were used as the basis for estimating future O&M expenses. To project future O&M costs, several inflation factors were used on specific line items for the Village's budget. The Construction Cost Index (CCI), Consumer Product Index (CPI), Producer Price Index (PPI), Municipal Cost Index (MCI), Commodity (Fuel) Energy Index, and a Personnel Expenses inflation rate were used on line items related to each inflation factor. Table 3 presents the O&M expenses forecasted over the next five years.

Table 3 - Stormwater O&M Expenses

	2013	2014	2015	2016	2017
Stormwater Management	$815,202	$843,688	$873,171	$903,685	$935,265
Engineering	$397,643	$411,561	$425,966	$440,874	$456,305
Maintenance	$409,901	$422,762	$436,035	$449,735	$463,876
Capital Project Support	$36,430	$37,705	$39,025	$40,391	$41,804
Total O&M Expenses	**$1,659,176**	**$1,715,716**	**$1,774,197**	**$1,834,685**	**$1,897,250**
Annual % Increase	*3.41%*	*3.41%*	*3.41%*	*3.41%*	*3.41%*

Exhibit 1, shown below, presents the estimated O&M expenses over the entire planning period.

Exhibit 1 - Operating and Maintenance Expense Forecast – Current Level of Service

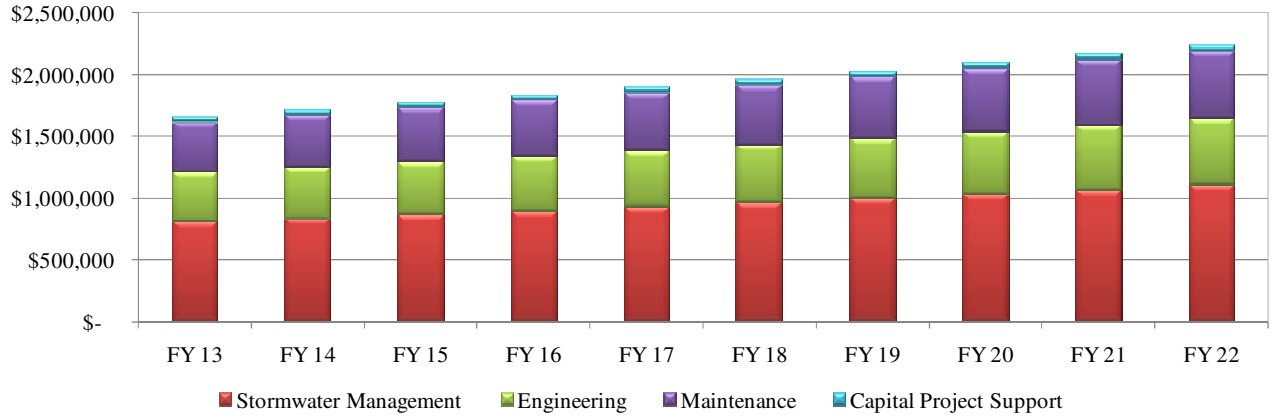


Exhibit 1 shows the O&M expenses increasing from approximately $1.7 million in 2013 to over $2.2 million by the end of the projection period. It should be noted that the increases over the projection period are not due to increased maintenance activities but rather simply due to inflation. The next section provides an assessment of the necessary increased O&M activities to meet the recommended level of service.

2.2 - O&M Costs - Recommended Level of Service

The 2006 Stormwater Master Plan, completed for the Village, provided specific recommendations for additional operating and maintenance activities necessary to properly maintain the stormwater system and comply with the Village's General Permit. The majority of these recommended activities can be described as increases in the frequency of activities already conducted by the Village. Table 4 presents a summary of the current maintenance activities, the frequency at which the Village completes each and the recommended frequency as defined in the Master Plan.

Table 4 - Current and Recommended Maintenance Activities

Maintenance Activities		Assets	Current		Recommended	
			Assets Managed Per Year	Maintenance Frequency (Years)	Assets Managed Per Year	Maintenance Frequency (Years)
Structure Maintenance	Catch Basin Cleaning	7,000	650	11	1,750	4
	Structure Repair	7,000	20	350	70	100
	Structure Replacement	7,000	10	700	35	200
	Lid Replacement	7,000	20	350	70	100
Storm Sewer	Cleaning	128 miles	10	13	27	5
	TV Inspection	128 miles	7	18	27	5
Street Sweeping	Sweeping - Curb & Gutter	80 miles	720	9x*	1,200	15x*
	Sweeping - Curb & Gutter CBD	20 miles	440	22x*	800	30x*
	Sweeping - Rural Section	50 miles	0	0	150	3x*
	Debris Removal & Disposal		0	0	1	1
Stream Maintenance	Initial Maintenance	12 miles	0	0	4	3
	Inspection	12 miles	1	12	12	1
	Routine Maintenance	12 miles	2	6	4	3
Ditch Cleaning	Regrading / Restoration	60 miles	3	20	6	10
Drainage Complaints	Investigate Various Problems	NA	25	NA	50	NA
Storage Facility Maintenance	Maintain Vegetation	4 Acres	11	0.4	12	0.3
	Remove Debris, Sediment	12	3	4.8	12	1
	Repair Structure	4	1	4	2	2

**x- represents times per year*

The cost associated with providing the recommended level of service related to the increased maintenance activities was developed by assigning a per-unit cost for each maintenance activity. Table 5 presents the assumed per-unit cost and the resulting incremental cost for each activity. The

unit costs were developed working with Village staff and represent realistic costs based on current labor rates and contracted service estimates.

Table 5 - Current and Recommended Maintenance Activities

Maintenance Activities		Cost Per Unit	Total Incremental Cost 2012
Structure Maintenance	Catch Basin Cleaning	$57	$62,857
	Structure Repair	$214	$10,714
	Structure Replacement	$2,000	$50,000
	Lid Replacement	$20	$1,000
Storm Sewer	Cleaning	$28,000	$482,553
	TV Inspection	$28,000	$566,553
Street Sweeping	Sweeping - Curb & Gutter	$85	$41,000
	Sweeping - Curb & Gutter CBD	$27	$9,800
	Sweeping - Rural Section	$533	$80,000
	Debris Removal & Disposal	$30,000	$30,000
Stream Maintenance	Initial Maintenance	$16,000	$57,600
	Inspection	$500	$5,500
	Routine Maintenance	$2,000	$4,000
Ditch Cleaning	Regrading / Restoration	$67,000	$201,000
Drainage Complaints	Investigate Various Problems	$1,200	$30,000
Storage Facility Maintenance	Maintain Vegetation	$350	$350
	Remove Debris, Sediment	$6,000	$57,000
	Repair Structure	$2,400	$2,400
Total Incremental O&M Expenditures			**$1,692,328**

Table 5 demonstrates that based on the estimated unit cost for each maintenance activity the incremental additional O&M costs recommended in the 2006 Master Plan would result in approximately $1.7 million per year in additional expenditures. Table 6 presents the total incremental recommended level of service O&M expenses over a five year period.

Table 6 - Total Incremental O&M Expense Forecast - Recommended Level of Service

	2013	2014	2015	2016	2017
Total Incremental O&M	**$1,739,483**	**$1,787,952**	**$1,837,772**	**$1,888,980**	**$1,941,615**

Exhibit 2 presents the total recommended O&M expenditures over the projection period.

Exhibit 2 - Operating and Maintenance Expense Forecast - Recommended Level of Service

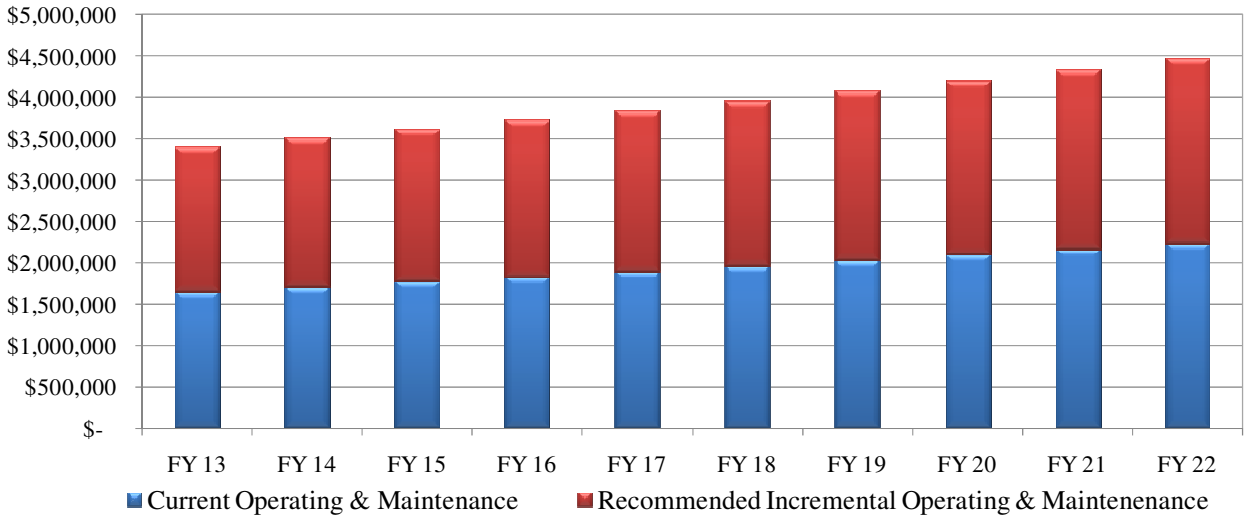


Exhibit 2 shows that the recommended level of service includes O&M expenses that total approximately $3.4 million in 2013. It is important to note that incremental O&M expenses are not due to the formation of a stormwater utility but result from the increased maintenance activities identified in the Master Plan.

3.0 - Capital Costs

The ownership of a stormwater system of the size and age of the Village system is extremely capital-intensive. The Village has invested millions of dollars in constructing and maintaining the stormwater system as it stands today. Much of this investment occurred in the 1920's and 1950's as the Village grew and developed. Over the next several decades large portions of the system will have been in the ground for over 100 years. The on-going funding of recent capital investments and future requirements will have a significant impact on the Village's required investments in the system. While the capital investments have a pronounced impact on revenue needs, the projects are vitally important to ensure the continued operation of the stormwater system and to meet regulatory requirements.

3.1 - Capital Costs - Current Level of Service

The capital expenditures associated with the Village's current level of service includes existing debt payments and capital improvement projects identified in the Community Investment Plan (CIP). In 2008, the Village issued approximately $25 million in debt to fund capital projects within the stormwater system. Over the last 3 years the Village has used about $15 million of the bond proceeds for capital projects and anticipates using the remaining $10 million by 2013. Table 7 shows the annual principal and interest payments for the outstanding debt.

Table 7 - Existing Debt Service

	2013	2014	2015	2016	2017
Annual Debt Payment	$1,147,050	$1,144,800	$1,146,187	$1,146,087	$1,145,387

The 2008 bond issue has a 30 year maturity and therefore the existing debt payments for the stormwater system will be retired by 2038.

The Village's stormwater system has planned capital projects totaling approximately $21 million for the period from 2012 through 2016. At this time the Village does not have planned capital projects for 2017 through 2022. The planned capital projects fall into three main categories including the following:

- Capital Maintenance - Repair of existing stormwater assets such as stream bank stabilization and detention pond repairs.
- Stormwater Main Replacement - Replacement of existing stormwater mains.
- Watershed Improvements - Expansions or improvements to stormwater system.

For purposes of delineating level of service, it has been assumed that the current level of service would include capital maintenance and stormwater main replacement at the current planned expenditure level as defined by the capital improvements plan. The ongoing funding of watershed improvements would fall into the recommended level of service because without additional funds the Village will not be able to complete these projects and because these projects represent expansion or improvements to the system as compared to repair and replacement. Therefore watershed improvement projects are discussed in the further detail below under recommended level of service. Table 8 presents a summary of the planned capital projects by category over the next five years for the current level of service.

Table 8 - Stormwater System Planned Capital Projects - Current Level of Service

	2013	2014	2015	2016
Capital Maintenance	$1,012,725	$297,725	$185,000	$1,215,000
Stormwater Main Replacement	$500,000	$500,000	$1,000,000	$500,000
Total	**$1,512,725**	**$797,725**	**$1,185,000**	**$1,715,000**

Since the projects listed in Table 8 are ongoing maintenance and replacement of the stormwater system it is recommended that the Village cash fund the projects. The next section presents increased capital spending to meet the recommended level of service for capital investments.

3.2 - Capital Costs - Recommended Level of Service

The increased investments in capital spending recommended to bring the current level of service up to the recommended level include increased investment in stormwater main replacement and on-going funding of watershed improvements.

3.2.1- Stormwater Main Replacement

As mentioned above, the Village has invested millions of dollars to construct and maintain the stormwater system. As the stormwater system ages, it is important that the Village actively manage these assets to ensure that the useful lives of the stormwater system assets are maximized.

To assist the Village in managing its capital assets, MFSG completed a review of the stormwater systems buried infrastructure (stormwater mains). The goal of the review is to provide the Village with an estimate of the annual investment required in the system to appropriately maintain the system and strive towards maximizing the assets useful life. As part of the system asset review, the ages and costs of various portions of the stormwater system were stratified by decade. The age groupings of the system together with useful life information and unit replacement costs were used to estimate the required reinvestment in the stormwater system mains. Based on industry estimates and the pipe material, the stormwater mains in the Village system are estimated to have useful lives ranging from 60 to 80 years. Table 9 shows the estimated replacement costs and decade of replacement for stormwater mains in the Village system.

Table 9 - Stormwater Main Replacement Cost Estimate (Stratified by Decade)

	1990's	**2010's**	**2030's**	**2060's**
Estimated Replacement Costs*	$12,177,250	$4,877,250	$79,470,000	$13,621,500

**Costs are based on 2012 estimate and current (2011) dollars*

Table 9 demonstrates that the Village has approximately $12 million (in 2011 dollars) worth of buried assets that have already exceeded their theoretical useful life. The replacement value is calculated by taking the original cost of the buried assets by installation year and trending them to current dollars using the Engineer News Record (ENR) construction cost index. These assets consist of stormwater mains installed in the 1930's. The table also demonstrates that over the next 30 years a significant portion of the remaining buried infrastructure will reach its useful life. Under the current level of service the Village is investing approximately $0.5 million per year in stormwater main replacement. At this level it will take the Village over 220 years to replace the existing infrastructure. Given the current age of the infrastructure and its anticipated useful life, this level of investment will not allow for a sustainable system. As a result we recommend that the Village increase the investment in stormwater main replacement by $0.5 million to bring the annual investment to $1.0 million per year. This level of investment, increased annually to account for inflation, will put the stormwater system on a 100 year replacement cycle.

3.2.2 -Watershed Improvements

As mentioned previously the Village has identified watershed improvement projects in its community investment plan. These projects either expand or provide improvements to the current system. Over the last few years the Village has used the 2008 bond proceeds to fund a number of watershed improvement projects. Exhibit 3 presents the level of planned watershed improvement projects over the next four years.

Exhibit 3 - Planned Watershed Improvement Projects

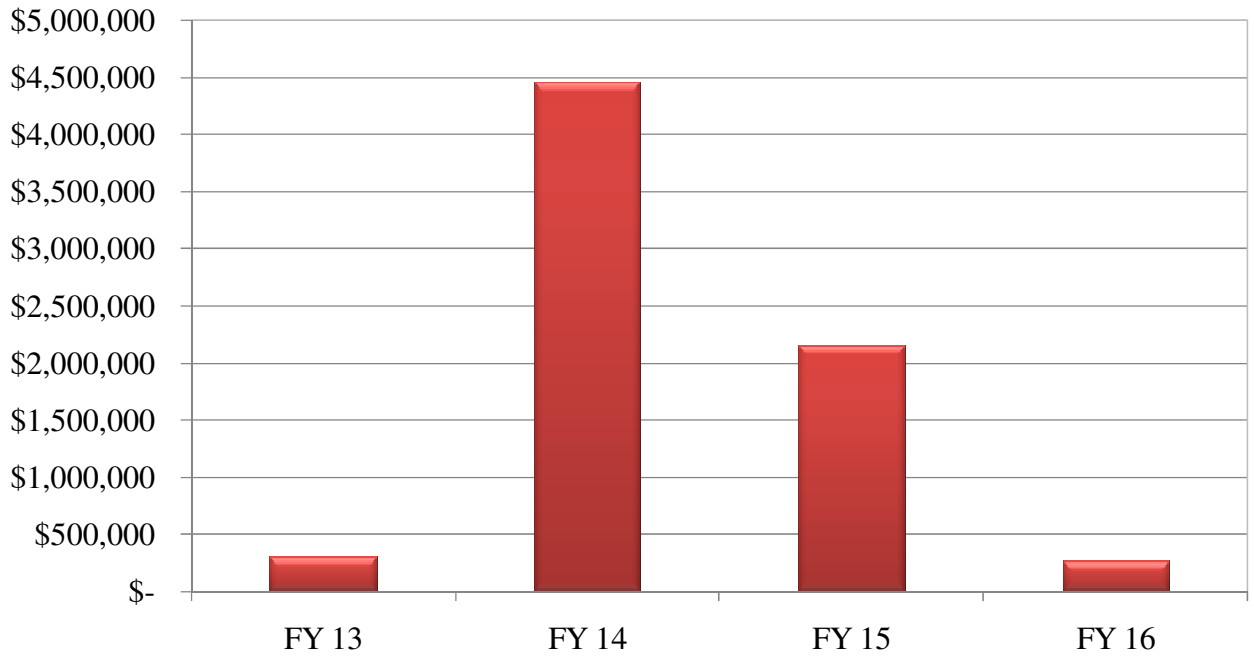


Exhibit 3 demonstrates that the annual investment in watershed improvement projects varies significantly year to year based on the particular project(s) planned for each particular year. In order to continue to fund the watershed improvement projects the Village will need to issue additional debt in 2015. To develop the financial forecast it was assumed that the Village would issue new debt for these projects in FY 2015 with the first payment due in FY 2015.

4.0 - Total Current and Recommended Level of Service

The summation of all of the components of the current and recommended level of service provides an estimate of the cost of providing the total level of service. Table 10 presents the total current level of service.

Table 10 - Total Current Level of Service

	2013	2014	2015	2016	2017
Stormwater Management	815,202	843,688	873,171	903,685	935,265
Engineering	397,643	411,561	425,966	440,874	456,305
Maintenance	409,901	422,762	436,035	449,735	463,876
Capital Project Support	36,430	37,705	39,025	40,391	41,804
Total O&M Expenses	***$1,659,176***	***$1,715,716***	***$1,774,197***	***$1,834,685***	***$1,897,250***
Existing Debt Service	1,147,050	1,144,800	1,146,187	1,146,087	1,145,387
Cash Funded Capital Projects	552,475	797,725	1,185,000	1,715,000	1,000,000
Total Capital Expenses	***$1,699,525***	***$1,942,525***	***$2,331,187***	***$2,861,087***	***$2,145,387***
Total Current Level of Service	***$3,358,701***	***$3,658,241***	***$4,105,384***	***$4,695,772***	***$4,042,637***

Table 10 demonstrates the current level of service expenditures in 2013 will be approximately $3.4 million increasing to approximately $4.0 million by 2017. Table 11 builds on Table 10 by adding in the additional recommended O&M and capital expenditures to reach the recommended level of service.

Table 11 - Total Recommended Level of Service

	2013	2014	2015	2016	2017
Current Level of Service O&M Expenses	1,659,176	1,715,716	1,774,197	1,834,685	1,897,250
Recommended Incremental O&M Expenses	1,739,483	1,787,952	1,837,772	1,888,980	1,941,615
Total O&M Expenses	***$3,398,660***	***$3,503,669***	***$3,611,969***	***$3,723,665***	***$3,838,865***
Current Level of Service Capital	1,699,525	1,942,525	2,331,187	2,861,087	2,145,387
Recommended Incremental Capital	516,078	516,078	969,619	969,619	1,007,726
Total Capital Expenses	***$2,215,603***	***$2,458,603***	***$3,300,806***	***$3,830,706***	***$3,153,113***
Total Recommended Level of Service	***$5,614,263***	***$5,962,272***	***$6,912,775***	***$7,554,371***	***$6,991,979***

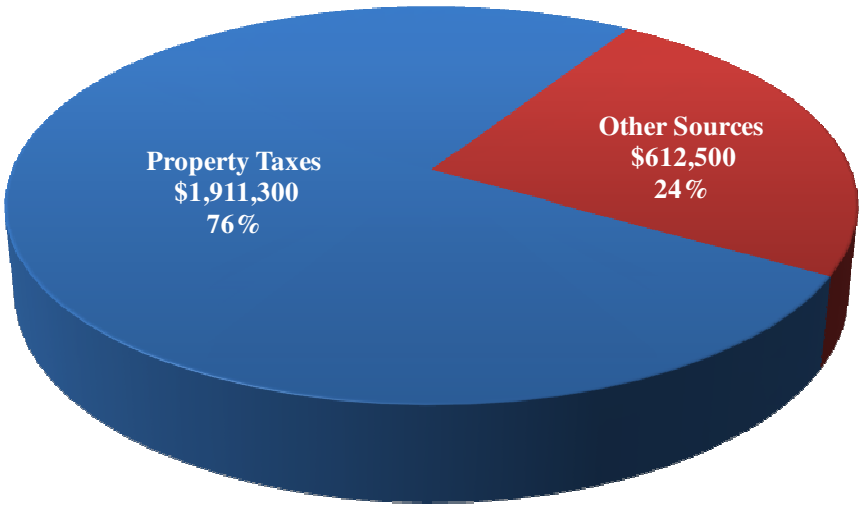
E. CURRENT REVENUES AND FUNDING GAP

The development of the current and recommended level of service in the previous section of the report, demonstrates the annual amount of revenue that needs to be generated to fund the operation and maintenance of the stormwater system under each level of service. The following section of the report reviews the current funding sources and examines whether the funding is sufficient to meet the current and recommended level of service.

1.0 - Current Revenues

The Village has historically funded stormwater operations with a blend of sources including bond proceeds, direct expenses from the General Fund and property taxes. The revenues available for stormwater funding in 2013 are shown below in Exhibit 4.

Exhibit 4 - Current Revenue Sources - 2013



As shown in Exhibit 4 the total revenues available for stormwater funding in 2013 equals approximately $2.5 million and the majority of the revenues are derived from property taxes. Exhibit 5 shows the breakdown of revenues from property taxes by property class.

Exhibit 5 - Property Tax Revenue Breakdown - 2013

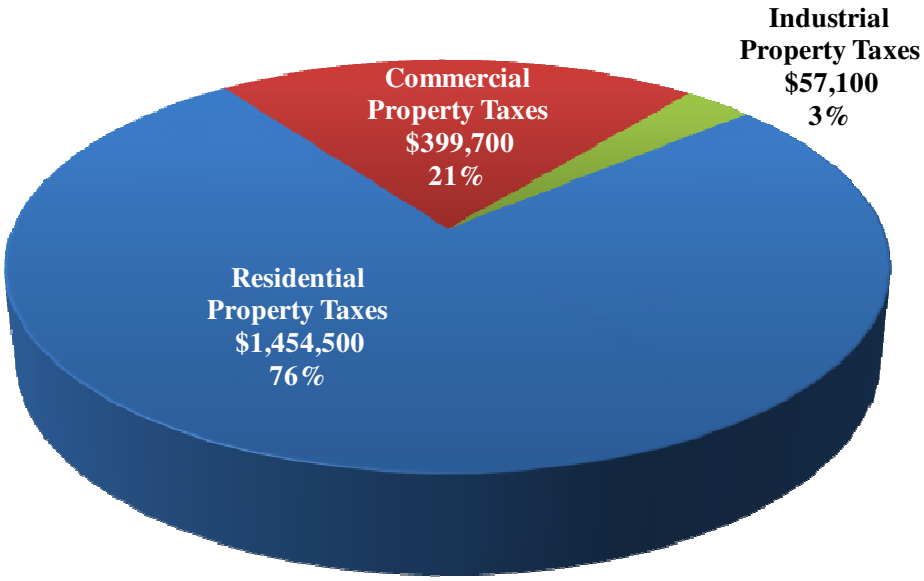
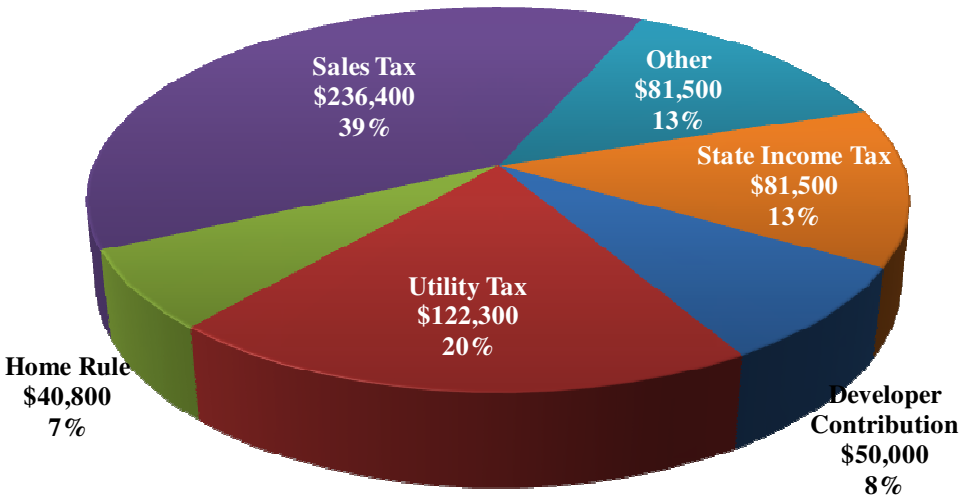


Exhibit 5 demonstrates that the majority of property tax revenues for stormwater are derived from residential property owners at approximately 76% of the total property tax revenues.

The Other Sources shown in the exhibit include a blend of various revenue sources which are detailed in Exhibit 6.

Exhibit 6 - Other Revenue Sources - 2013



2.0 - Funding Gap Analysis

The comparison of the current revenues available for stormwater funding and current and recommended level of service allows for determination of the potential funding gap. Table 12 presents a forecast of available revenues and the defined levels of service.

Table 12 - Funding Gap Analysis

	2013	2014	2015	2016	2017
Total Current Revenues	$2,523,817	$2,550,053	$2,580,923	$2,611,337	$2,642,217
Current Level of Service	$3,358,701	$3,658,241	$4,105,384	$4,695,772	$4,042,637
Funding Gap	***($834,885)***	***($1,108,188)***	***($1,524,461)***	***($2,084,435)***	***($1,400,420)***
Recommended Level of Service	$5,614,263	$5,962,272	$6,912,775	$7,554,371	$6,991,979
Funding Gap	***($3,090,400)***	***($3,412,200)***	***($4,331,900)***	***($4,943,000)***	***($4,349,800)***

Table 12 demonstrates that the current revenues available for stormwater will not be sufficient to meet either the current or recommended level of service. It is important to note that since the revenues currently available are not sufficient to meet the current level of service should additional revenues not be identified , the Village will be required to reduce its level of service. The Village has been able to provide the current level of service by using the bond proceeds from the 2008 bond issue. As mentioned, by 2013 the bond proceeds will be exhausted and available revenues will fall short of the current level of service. As demonstrated in the table, to meet the recommended level of service substantial additional funding will be required.

F. STORMWATER FEE ANALYSIS

The previous sections of the report defined the expenditures required to maintain the stormwater system and the current revenues available for funding the system. It is important to note that the expenditures identified are not due to the formation of a stormwater utility but rather what the Village will need to be spending in future years on stormwater management regardless of the funding source. This section of the report examines a potential alternative for funding stormwater, specifically funding stormwater through a separate stormwater fee.

Prior to developing the stormwater fee it is important to evaluate the primary objective for the fee. The primary objective for the stormwater fee is to provide a dedicated funding source for the operation and maintenance of the stormwater system. The use of a stormwater fee, instead of the current funding mechanism, would equitably assess the cost of providing stormwater service to property owners based on their impact to the stormwater system. In order to meet this objective two key items need to be addressed which include the unit of measure for the fee and how the fee would be structured. Each of these items are discussed below.

1.0 - Unit of Measure for Fee

The unit of measure used to develop the stormwater fee is referred to as a rate base. The rate base used to develop the stormwater fee defines the unit of measure for the fee. A variety of rate bases are used by localities that have implemented stormwater fees. Some examples include property type, total area of property, intensity of development (tied to zoning), impervious area and water usage. Since the objective for the stormwater fee is to assess the cost of providing the service based on the property owners impact, rate bases that directly correlate to stormwater runoff on the property are most commonly used. The prevailing best practice rate base is the use of impervious area, as it directly correlates with stormwater runoff and impact on the system. Impervious area has been determined to be the single most important factor influencing the rate of peak runoff, the total runoff quantity and transporter of pollutant loadings found in stormwater. Impervious area is defined as any surface that does not allow for the penetration of water such as driveways, roofs and sidewalks. Often times when an alternative rate base is selected it is due to the fact that the impervious data is not readily available and therefore another proxy is selected. The Village does have impervious data readily available in its geographic information system (GIS) and therefore the use of impervious area was selected as the preferred rate base.

2.0 - Impervious Area Analysis for the Village

Based on the data provided in the Village's GIS database, the actual impervious area for each individual parcel within the Village was calculated. Exhibit 7 presents the total amount of impervious area within each of the main property classes within the Village.

Exhibit 7 - Impervious Area by Property Class (square feet)

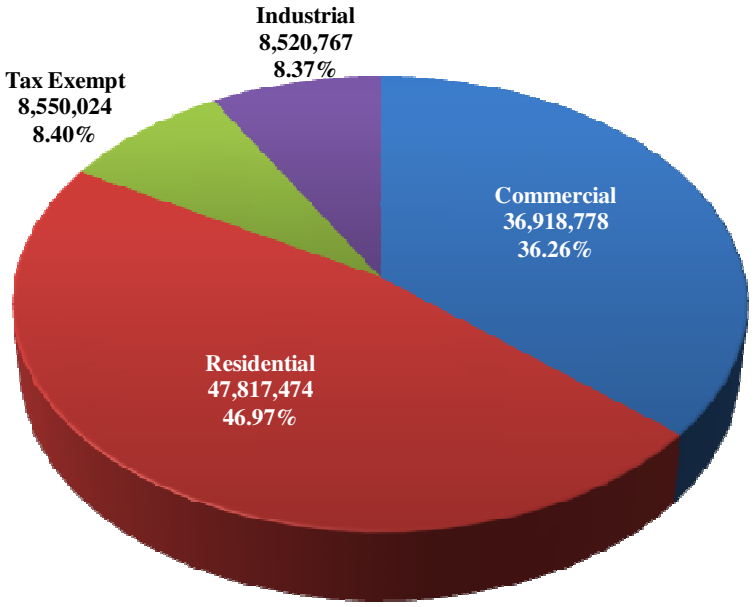


Exhibit 7 demonstrates that the residential property class contains the most impervious area at about 47% of the total impervious area followed by commercial at 36%, tax-exempt at 8.4% and industrial at 8.4%. The majority of the parcels within the Village are residential which accounts for approximately 58% of the total number of parcels. To examine the distribution of impervious area within the residential property class the distribution of impervious on a per property basis was reviewed. The distribution by property is shown in Exhibit 8.

Exhibit 8 - Single Family Residential Property Impervious Area Distribution

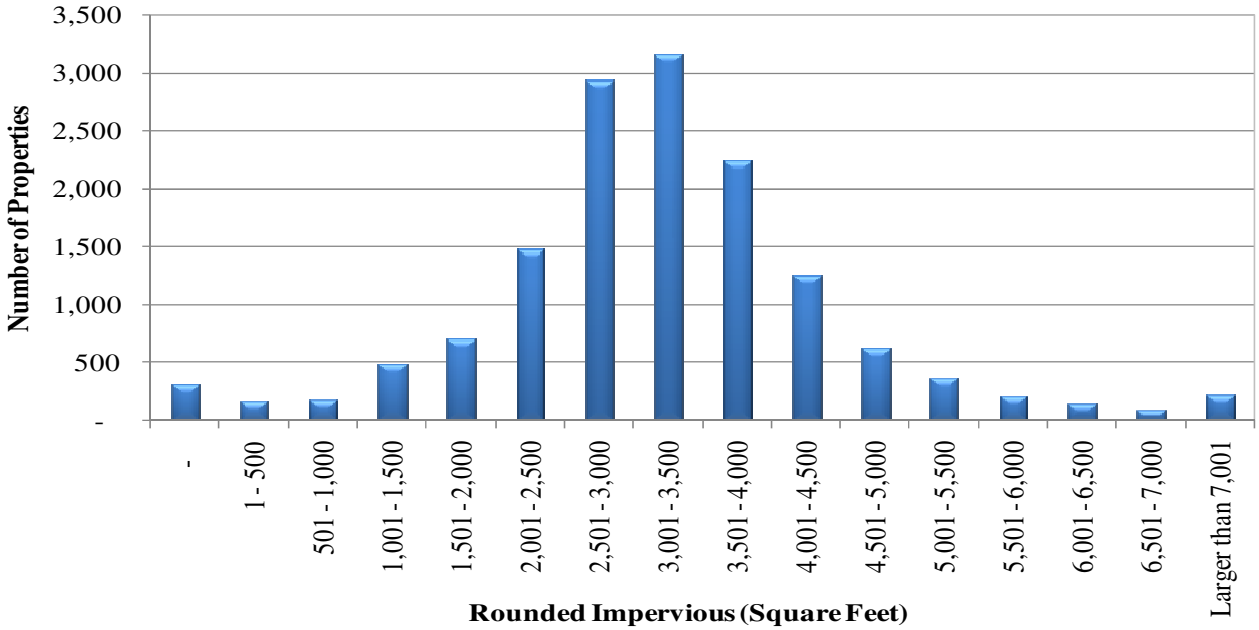


Exhibit 8 demonstrates that there is a fairly even distribution of impervious area by property within the single family residential property class. The most common impervious area falls between 3,001 and 3,500 square feet. The average impervious area among single family residential properties is 3,300 square feet. It should be noted that while the distribution of impervious area is fairly even there is a wide range with some properties with less than 500 square feet and some having over 7,000 square feet.

Examination of the other property classes does not reveal the same even distribution of impervious area which would be expected based on the significant differences in the types of development on non-residential properties.

3.0 - Fee Structure

The design of the structure for the stormwater fee needs to address several key considerations. These considerations include the following items:

- Equity - The fee structure should provide an equitable allocation between the fees collected and the costs of providing the service.

- Ease of Understanding - The fee structure should be easy to understand, particularly in the case of the initial adoption of the new fee to assist in gaining public acceptance.

- Administrative Simplicity - The fee structure should require a minimal amount of staff time for administration and implementation.

Review of the key considerations reveals that the fee structure requires the need to strike a balance between the need for equity within the fee structure and the need for property owners to be able to understand the fee and the Village to administer it. To strike this balance the most common approach taken in fee structure design is to develop a standard unit of the rate base often termed an equivalent runoff unit (ERU), also known as an equivalent residential unit. The ERU is based on the average impervious area for single family residential properties. In the Village the average impervious square footage for single family residential properties is 3,300 square feet. It is not uncommon for a locality to simply take the ERU value and apply it to all single family residential property owners resulting in all property owners in this class to pay the same stormwater fee regardless of impervious area on their property. This approach would result in meeting the objective of being easy to understand and administer but it would not provide as much equity between this class of property owners. As illustrated in Exhibit 8, there is a fairly even distribution of impervious area within the Village's single family residential property owners. As a result we propose that the Village group property owners within this class not into a single group but into three as shown in Exhibit 9.

Exhibit 9 - Single Family Residential Property Impervious Area Grouping

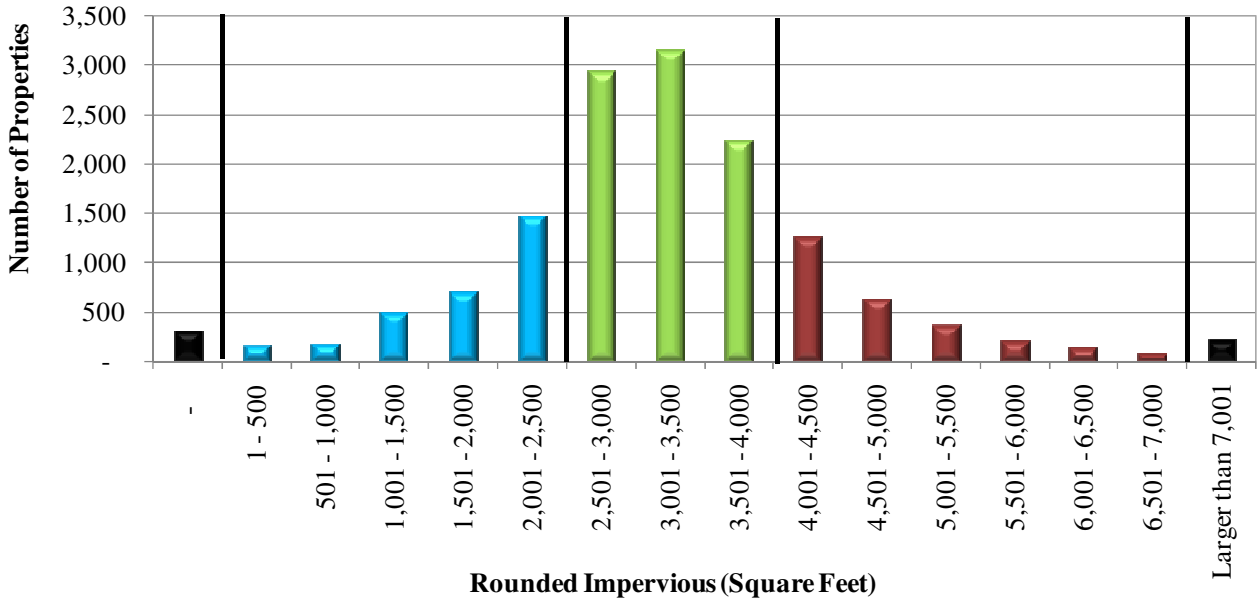


Table 13 presents the recommended tiers for single family residential property owners.

Table 13 - Tiered Single Family Residential ERUs

	Impervious Area Tier		
	Small	**Medium**	**Large**
Impervious Area Range (square feet)	1 – 2,500	2,501 – 4,000	4,001 – 7,000
Equivalent Runoff Units (ERUs)	0.75	1.0	1.5
Percent of ERUs in Tier	13%	59%	28%

Due to the large variation of impervious area among non-single family properties it is not particularly helpful to put these properties into tiers, as the data does not reveal any normal distribution of impervious area. As a result for non-single family properties the ERU concept would be applied based on the "multiples" of ERUs located on the property. For example, a commercial property with 40,000 square feet of impervious would be divided by the ERU value of 3,300 square feet resulting in 13 ERU's which would billed to the property. It should be noted that few properties will have precisely an even number of ERUs and therefore we recommend that the calculated ERUs be rounded up to the nearest whole ERU.

Within the fee structure two other items need to be considered including the handling of vacant properties (or properties with no impervious area) and single family residential properties with impervious area exceeding 7,000 square feet. For undeveloped properties we propose that the Village consider these properties as 0.30 of an ERU. This recommendation is based on the fact that all properties benefit from stormwater management within the Village and that a base cost of providing the service needs to be recovered regardless of the individual stormwater impact from the property. We recommend that single family residential properties with impervious area greater than 7,000 be treated like all non-single family residential properties, with their ERUs calculated as

multiples of 3,300 square feet. Applying the proposed fee structure will result in the total ERUs shown in Table 14.

Table 14 - Total Billable ERUs (2013)

	ERUs	Percentage of Total
Single Family Residential	15,784	47%
Commercial	11,981	36%
Industrial	2,653	8%
Tax-Exempt	2,843	9%
Total	**33,261**	**100%**

The use of the proposed fee structure will result in the generation of revenues from property owner's that differs significantly from how revenues are currently generated. This shift in revenue collection will result in a significant increase in the equity of the revenue collection as it is based on stormwater impact. Table 15 presents the current revenue generation by property class and the revenue generation under the proposed stormwater fee structure.

Table 15 - Stormwater Revenue Generation by Property Class

	Current Property Tax	Stormwater Fee
Single Family Residential	76.10%	47.45%
Commercial	20.91%	36.02%
Industrial	2.99%	7.97%
Tax-Exempt	0%	8.55%

Table 15 clearly shows the redistribution of revenues moving from an assessed value approach using property taxes to an impervious area approach using the stormwater fee.

4.0 - Stormwater Fee Administration

Prior to the calculation of the actual stormwater fee it is necessary to factor in the costs associated with managing the stormwater fee. The administration expenses would be associated with providing customer and billing service, management of the customer database, public outreach efforts and handling of the stormwater credit and incentive program. It should be noted that the management of the credit program will primarily be funded with application fees. As demonstrated in Table 16, it has been assumed that in the first year of operation the stormwater utility would require additional support with customer service and billing but that this would diminish following the first year.

Table 16 - Stormwater Utility Administrative Expenses

	2013	2014	2015	2016	2017
Customer Service / Billing	$71,873	$23,502	$24,325	$25,176	$26,058
Information Tech / GIS	$34,849	$36,069	$37,331	$38,638	$39,990
Engineering – Credits	$23,525	$24,348	$25,200	$26,082	$26,995
Total Administrative O&M	**$130,246**	**$83,919**	**$86,856**	**$89,896**	**$93,043**

5.0 - Recommended Stormwater Fees

Once the structure of the stormwater fees has been established it is necessary to determine the level of expenditures the stormwater fees will recover (i.e. should the fees be set at a level that will generate revenues to fund the current level of service, the recommended level of service or some lesser amount). We recommend that the Village initially set the stormwater fee at a level that will partially fund the current level of service rather than immediately fully funding the current or recommended level of service. We recommend this approach for a number of reasons including the following:

- Magnitude of the Stormwater Fee - The adoption of any new fee is not an easy task for a municipality as it is often difficult to generate public acceptance. Transitioning from current revenues to a stormwater fee over a period of time allows for the fee to initially be set at a level that can minimize objection to the fee and limit the impact to property owners.

- Financial Stability - As the Village implements the stormwater fee for the first time the actual amount of revenue that will be collected from property owners will be somewhat uncertain until a period of time passes to process actual collections. This creates some level of uncertainty of financial instability. Should the actual collections for some reason be well below estimates, the stormwater utility would be unable to funds its obligations.

- Cash Flow - Closely related to the idea of financial stability is the collection of revenues to fund the stormwater utility. A shift to funding stormwater with fees will result in a different flow of cash as compared to the current revenue approach. The fees collected for stormwater water will be recovered based on the billing frequency used to bill the fee and collected in arrears.

For these reasons we recommend that the Village implement a stormwater fee in 2013 that provides a ten-year period of transition from the current revenues to the stormwater fee. Our specific recommendations for the implementation of the stormwater fee include the following:

- Continue to use property taxes to fund the debt payments associated with the 2008 bond issue for the life of the loan. Funding the existing debt payments with current revenues will ensure a stable revenue stream to meet the annual debt obligations.

- Implement a stormwater fee in 2013 that funds the current level of service less the annual debt payments.

- Annually increase the stormwater fee at a level that allows for funding the recommended level of service after a ten year period. This transition period is recommended to limit the increases to a sustainable level.

- Reduce the property tax rate by an amount equal to the reduction in the stormwater fee funding at approximately $1.33 million.

The recommendations for the stormwater fee implementation are presented in Table 17.

Table 17 - Recommended Stormwater Fee Implementation

	2013	2014	2015	2016	2017
Monthly Stormwater Fee: Single Family Residential					
Tier 1: (1 - 2,500 sq. ft.)	$4.20	$4.80	$5.60	$6.40	$7.30
Tier 2: (2,501 - 4,000 sq. ft.)	$5.60	$6.44	$7.41	$8.52	$9.79
Tier 3: (4,001 - 7,000 sq. ft.)	$8.40	$9.70	$11.10	$12.80	$14.70
Monthly Stormwater Fee: Non-Single Family Residential					
Per ERU (3,300 sq. ft.)	$5.60	$6.44	$7.41	$8.52	$9.79
Annual Stormwater Fee Revenue	$2,361,651	$2,715,899	$3,123,283	$3,591,776	$4,130,542

The implementation of the stormwater fee as presented in Table 17 will allow for the Village to reduce the amount of property taxes collected from property owners. The Village would therefore have the ability to lower property taxes. Table 18 presents a comparison of the revenues available to fund stormwater in 2013 under the current approach and under the proposed approach shown in Table 17.

Table 18 - Stormwater Revenue Comparison

	Current Revenues 2013	Proposed Revenues 2013
General Fund Direct Expenses	$815,202	-
Property Tax Levy for Stormwater Maintenance	$511,565	-
Property Tax Levy for 2008 Bond Repayment	$1,147,050	$1,147,050
Developer Contribution	$50,000	$50,000
Stormwater Fee	-	$2,361,651
Total	**$2,523,817**	**$3,558,701**

This approach would result in a reduction of approximately $1.33 million in revenues from property taxes.

G. CREDITS AND INCENTIVES

The establishment of a stormwater fee recognizes that the stormwater runoff from individual properties results in a cost to the Village to manage the stormwater system. To the extent that the property owner mitigates the stormwater runoff on their property the cost of operating and maintaining the stormwater system may be reduced. Therefore it is common for a stormwater utility to offer credits in the form of a reduction in stormwater fees. A credit is an on-going reductions in the stormwater fee applicable to a given property in recognition of onsite or off-site systems, facilities, measures, or other actions taken by customers to reduce or mitigate the impact of their property(s) or actions on the quantity or quality of stormwater run-off that would otherwise be managed in the stormwater system or proof of direct discharge outside the Village limits. Credits are typically offered to those properties that demonstrate the continuing performance of the stormwater management control(s).

In addition to credits, some utilities offer incentives. Incentives are one-time rebates / reimbursements that are offered to assist in offsetting the cost of materials, construction and installation of qualifying stormwater facilities. The incentives are intended to incentivize property owners to install stormwater control facilities.

This section of the report provides an overview of considerations for the credits and incentives and our recommendations for the implementation of a credit and incentive policy for the stormwater utility. The specifics of the credit and incentive policy are outlined in the credit and incentive manual in provided in Appendix A of this report.

1.0 - Credits

Stormwater fee credit programs implemented by stormwater utilities vary significantly across the Country. 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. The key considerations include:

- Who is eligible to receive a stormwater fee credit, all property owners or just non-residential?
- What stormwater management control facilities / activities qualify for credits?
- How much of a fee reduction is offered with each control activity and is there a maximum credit that is offered?

The way in which each of these considerations are addressed is largely dependent on the policies of the locality. As there is no one-size fits all credit program, each program is going to reflect the unique nature of each locality. Based on our experience in developing credit and incentive programs and knowledge of the Village, the following considerations and recommendations are provided.

1.1 - Eligibility

The majority of credit programs around the Country focus on non-residential customers only. The primary reason for this focus is because the intent of the stormwater fee credit is to offer a reduction in the fee to property owners that have on-site stormwater management controls that have a measurable impact on the reduction of stormwater runoff and/or improve the quality of the runoff. In general the amount of impervious area on a residential property and the available on-site control facilities / activities are limited. The other primary reason why residential customers are typically not eligible for credits is to limit the administrative costs of managing the credit program. There are utilities however, that offer credits to residential properties to ensure that all properties are treated the same. In these cases most often the credits available to residential property owners are limited to match the limited control activities available to these properties. To level the field for residential property owners, a number of utilities have implemented incentive programs to provide funds to residential property owners to incentivize the installation of stormwater management activities. Incentives are discussed later in this section.

Our recommendation for eligibility of credits within the Village is that only non-residential properties be eligible. Specifically, individual single family residential and duplex residential units on individual lots of record would not be eligible for stormwater credits. The only exception would be for those properties that drain to privately-owned regional detention basins. Single-family residential properties are excluded for the reasons mentioned above but primarily to limit the administrative costs on the Village as it manages the credit program.

1.2 - Stormwater Management Control Facilities / Activities

The key factors that influence the cost of management of 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. We recommend that the credit program offer credits generally grouped into four categories as shown in Table 19.

Table 19 - Stormwater Management Control Facilities and Activities

Control Activity	Examples
Peak Rate Reduction	Private Detention Basins
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 limits.

To qualify for the credit under each of the categories listed above the property owner will be required to demonstrate that the stormwater control activity is installed and operating as specified by the Village. The property owner will also be responsible for the ongoing maintenance of the facility to remain eligible. In addition to the control activities listed in Table 19, we recommend that the Village offer credits to K-12 institutions that develop lesson plans and teach their students about

stormwater management issues. This effort assists the Village in compliance with its NPDES permit. Lastly, we recommend that the Village offer credits to entities that form partnerships with the Village to manage stormwater. This credit would 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.

1.3 - 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. 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 20 presents our recommendation for the maximum credit available for each individual stormwater management activity.

Table 20 - Stormwater Fee Credits

Control Activity	Stormwater Fee Credit
Peak Rate Reduction	Up to 20%
Volume Reduction	Up to 20%
Water Quality Control	Up to 10%
Direct Discharge	Up to 50%
Education	$3 per student taught annually
Partnership	Up to 100%

The approach that is recommended to assess the credits for the control activities including peak rate, volume, reduction, water quality and direct discharge would include an evaluation of the portion of the impervious area on the property that drains to the control facility. An example is provided for clarification. If 100% of impervious area drains to onsite detention basin(s) then the credit is 20%. Alternatively, if 80% of impervious area drains to onsite detention then 80% times 20% resulting in 16% credit.

Based on the stormwater fee credits shown in Table 20 a couple of administrative recommendations are provided. First, we recommend that in most instances a maximum credit of 50% of the stormwater fee be imposed. It would be possible for a property owner to have facilities that provide peak reduction, volume reduction and water quality control thereby reaching a cumulative 50% credit. The only exceptions to the 50% maximum would be K-12 institutions that have management controls and offer educational programs and those entities that qualify for the partnership credit would, depending on the level of contribution to the Village, be credited up to 100% of the stormwater fee.

We recommend that a stormwater fee credit application, completed by a professional engineer be required for qualification of a stormwater fee credit, which is similar to the Village's current requirements for a stormwater permit for new development.

We recommend that the Village implement a stormwater fee credit program designed to encourage on-site stormwater management. The program should be designed to offer credits only to those properties that have the ability to significantly mitigate stormwater on their property. This will provide the greatest potential reduction in costs to the stormwater system and will limit the administrative burden of managing the program. Lastly, it also is important to note that any reduction in revenues via a stormwater fee credit will result in less revenue generated for the management of the utility and/or an increase in the necessary stormwater fee.

2.0 - Incentives

In addition to stormwater fee credits we recommend that the Village implement an incentives program to provide rebates / reimbursements to incentivize property owners to implement new stormwater management controls. The incentives would be offered to all property owners on a first come, first serve basis with an annual budget provided from the stormwater utility. Property owners who receive stormwater fee credits should be excluded from the incentive program.

2.1 - Eligibility

All property owners within the Village would 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 with proof of purchase and demonstrate installation of the stormwater facility. The Village would reserve the right to inspect the installed facility prior to approving the application.

2.2 - Stormwater Facility Incentives

Similar to the stormwater management facilities and activities discussed with the stormwater fee credit, the incentive program would offer rebates / reimbursements for activities that control the various aspects of stormwater (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 and installation of best management practices that improve water quality. Our specific recommendations for the incentives program are detailed in Table 21.

Table 21 - 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 100 square foot of garden	$500
Other Facilities (Green roofs, permeable pavement, cistern)	30% of cost of materials, construction and installation		$600

The incentives detailed in Table 21 outline the most common stormwater management control activities but other incentives may be offered by the Village as available stormwater control

activities change over time. The maximum incentives were set based on the overall magnitude of the cost of each type of activity and not intended to fully fund the cost of control activity. In most cases incentives are offered only for newly installed stormwater facilities. However the Village may want to consider offering a one-time window to provide reimbursements for property owners that have installed and maintained stormwater management facilities prior to the development of the stormwater utility. These reimbursements should only be offered to property owners who can demonstrate proof of purchase and actual cost of installation and construction.

H. ADMINISTRATION

In order to implement a stormwater utility the Village will need to address several administrative considerations. While this section of the report does not provide an exhaustive discussion of the potential administrative considerations, its addresses those that are most common and provides a framework that will allow for a smooth implementation of a stormwater utility. Some of the considerations will require direction from the Village Staff and/or the Village Council prior to implementation. Each key consideration is discussed below.

1.0 - Billing Methodology

To implement a stormwater fee the Village will need to decide how to bill the property owners. The options available to the Village would be to impose the fee on an existing utility "water" bill or to generate a separate stormwater bill. There are pros and cons to using each of these methods of billing the stormwater fee and both approaches are used by utilities around the United States. A survey completed by Black & Veatch in 2010 revealed that 75% of agencies with stormwater utilities place the stormwater fee on an existing water bill, 21% include it on the property tax bill, with the remaining agencies generating a separate bill.

Collecting the stormwater fee on an existing water bill is the most common approach for a number of reasons. The fee is generating revenues for the operation of a utility and therefore it makes sense that it would be collected with other utility related fees. Conversely, placing the fee on the property tax bill, which isn't a viable option for the Village, implies that the fee is some form of a tax which is in direct contrast to the goal of the fee. Additionally, placing the fee on the water bill provides greater transparency since property owners will actually see the fee as compared to the property tax bill which is often included in an escrow account funded in monthly mortgage payments.

This does not mean that there are not challenges associated with billing the fee on the water bill. One of key challenges relates to the development of the billing database for the fee. The development of the rate base and ERUs is based on a per parcel analysis for each individual property in the Village. The current water bill does not correlate one to one with each property in the Village. As a result there are properties that currently don't receive water service and no water bill and there are properties that may receive two water bills or multiple properties that receive one water bill. While the vast majority of properties will match one to one with water bills we estimate that about 5% will not and will need to be handled on a case by case basis. Given the amount of time the Village will have to address this 5% of customer prior to implementation of the stormwater fee in 2013, we recommend that the Village bill the stormwater fee on the water bill.

2.0 - Appeals

The implementation of a stormwater utility and stormwater fee will require the Village to be prepared to handle challenges from property owners. As a result the Village will need to establish an appeals process. The process does not need to be complicated but should provide a process to handle challenges in a logical and timely manner. The appeals process should conform to the standard processes used by the Village when providing other services. In general the appeals process must answer the following questions:

- Who is allowed to appeal the stormwater fee?
- What is the process to initiate the appeal?
- Who is responsible for investigating the appeal?
- What corrective actions are to be taken if the investigation reveals that the property owner has been billed incorrectly? Either too little or too much?

The following sample appeals process is presented to provide as a framework for the Village.

> Any property owner may request a review of their stormwater utility fee at any time by completing an appeals form. The Village will perform the review of the property in question in a timely manner. The written results of the review will be provided to the property owner who requests the review. If the review reveals the property owner has been overcharged for the stormwater utility fee, the Village will notify the billing department of the amount of refund due to the property owner paying the stormwater fee. Any refund due as a result of overcharging of the stormwater utility fee may be either credited to the property owner's future stormwater fee or may be sent in the form of a check at the discretion of the Village billing department. The maximum time frame for credit reimbursement shall be no more than six (6) months. If the review indicates the property owner has been receiving stormwater fee which is less than the amount they should have been charged, the Village shall notify the billing department of the increase necessary to bring the stormwater fee to the proper amount. The Village will not make any attempt to recoup the fees lost as a result of an error on the Village's part unless directed to do so by the Village Manager or Village Council.

3.0 - Maintenance of Billing Database

The billing database for the stormwater fee will be a fairly static set of data. Since the Village is close to build-out, the changes to the amount of impervious area on a year to year basis will not change significantly. However, the Village should implement a process that captures changes made at individual properties to ensure that the appropriate stormwater fee is imposed. The most effective approach would be to ensure that the GIS database and billing data are updated consistently with each new building permit to ensure that the billing database reflects any changes to the imperviousness of each property. In addition to maintaining the billing database in conjunction with building permits, the Village should consider a community wide review of impervious area every five to seven years to ensure continued integrity of the billing database.

I. FEE IMPACTS AND BENCHMARKING

The implementation of the recommended stormwater fee will impact property owners differently depending on the amount of impervious area located on their respective property. This section of the report provides some sample fee impacts for a range of property owners within the Village. The section also provides a benchmarking comparison of stormwater utilities currently operating in the State of Illinois.

1.0 - Fee Impacts

Table 22 presents the sample total monthly stormwater fees for a variety of property types within the Village based on the recommended stormwater fees for 2013.

Table 22 - Fee Impacts Sample Properties

Property Type	Number of ERU	Assumed Credit	2013 Monthly Stormwater Fee
SFR - Small	0.75	-	$4.20
SFR - Medium	1.0	-	$5.60
SFR - Large	1.5	-	$8.40
Average Church	18	-	$100.80
Hospital	235	50%	$658.00
University	278	50%	$778.40
Big Box Retail	139	-	$778.40
Strip Mall	100	-	$560.00
Average Commercial	20	-	$112.00

**SFR – Single Family Residential*

Table 22 demonstrates the wide range of monthly stormwater fees depending on the impervious area on each property. However as mentioned the implementation plan would result in a reduction in revenues from property taxes of approximately $1.33 million which would allow the Village to reduce the property tax rate accordingly. Table 23 presents the monthly property tax reduction that would result if the property tax rate was lowered.

Table 23 - Fee Impacts Sample Properties

Property Type	Assessed Value	Monthly Property Tax Reduction
SFR - Small	$200,000	$3.06
SFR - Medium	$300,000	$4.59
SFR - Large	$500,000	$7.66
Average Church	$-	$-
Hospital	$-	$-
University	$-	$-
Big Box Retail	$7,700,000	$117.93
Strip Mall	$6,000,000	$91.90
Average Commercial	$1,000,000	$15.32

2.0 - Benchmarking

Stormwater utilities are becoming more and more common around the United States. It is estimated that there are currently around 600 stormwater utilities around the Country. In the State of Illinois there are currently 15 utilities that are at least partially funded with a stormwater fee. As of the writing of this report at least 6 localities in the State are in various stages of examining the feasibility of forming a stormwater utility. It is estimated that the number of utilities will grow exponentially over the next several years as the financial requirements for stormwater operations increase to fund repair and replacement and to meet increases in regulatory requirements. It should be noted that comparisons between utilities can often be misleading as the level of service provided by each utility differs significantly. Additionally the cost of providing a level of service in one part of the State of Illinois may differ significantly from the same level of service else where in the State due to the type of stormwater system, population density and other factors. Table 24 presents the current stormwater utilities in the State of Illinois and information regarding the current revenues and means in which the stormwater utility is funded.

Table 24 - Stormwater Utilities in Illinois

Locality	Established	Population	Annual Revenues[(1)]	Utility Funding
Aurora	1998	197,899	$3,000,000	SW Fee and Other
Bloomington	2004	76,610	$2,760,000	Stormwater Fee
Champaign	2011	81,000	$3,200,000	SW Fee and Other
East Moline	2009	21,302	$350,000	Stormwater Fee
Freeport	2004	25,638	$600,000	Stormwater Fee
Highland Park	2006	31,365	$1,000,000	Stormwater Fee
Moline	2000	43,483	$1,800,000	Stormwater Fee
Morton	2005	16,600	$900,000	Stormwater Fee
Normal	2006	52,497	$1,730,000	Stormwater Fee
O'Fallon	2008	28,281	$812,000	SW Fee and Other
Rantoul	2001	13,700	$550,000	Stormwater Fee
Richton	2008	13,646	$500,000	SW Fee and Other
Rock Island	2002	39,018	$1,600,000	SW Fee and Other
Rolling Meadows	2001	23,300	$560,000	SW Fee and Other
Tinley Park	1996	56,703	$475,000	SW Fee and Other

(1) Total stormwater revenues (from fees and other sources) as reported on localities financial statements.

Table 24 shows that the localities with stormwater utilities in the State of Illinois vary significantly between the size of population served and the annual revenues generated to fund the operations. The last column in the table reveals that approximately half of the utilities fund stormwater operations solely from the stormwater fee. The other half fund operations from the fee and from other sources most commonly from the general fund. Table 25 presents additional details regarding the key components of the stormwater fee structure and credits.

Table 25 - Stormwater Utility Fee Structures and Credits

Locality	Rate Base	SFR Fee Structure	Non-SFR Fee Structure	Offer Credits
Aurora	Impervious Area	Flat Fee per Parcel	Flat Fee per Parcel	No
Bloomington	Impervious Area	Tiered ERU	Tiered ERU	Yes
Champaign	Impervious Area	Average ERU	Multiple of ERU	Yes
East Moline	Impervious Area	Tiered ERU	Tiered ERU	No
Freeport	Flat Fee by Prop. Type	Flat Fee by Prop. Type	Flat Fee by Prop. Type	No
Highland Park	Impervious Area	Average ERU	Multiple of ERU	Yes
Moline	Impervious Area	Tiered ERU	Multiple of ERU	Yes
Morton	Impervious Area	Average ERU	Multiple of ERU	Yes
Normal	Impervious Area	Average ERU	Multiple of ERU	Yes
O'Fallon	Impervious Area	Average ERU	Multiple of ERU	Yes
Rantoul	Impervious Area	Average ERU	Flat Fee per Parcel	No
Richton	Impervious Area	Flat Fee by Prop. Type	Flat Fee by Prop. Type	No
Rock Island	Gross Area	Tiered ERU	Multiple of ERU	Yes
Rolling Meadows	Impervious Area	Flat Fee per Parcel	Flat Fee per Parcel	No
Tinley Park	Water Use	Flat Fee per Parcel and Usage Charges	Flat Fee per Parcel and Usage Charges	No

Table 25 reveals that the most common rate base used by the comparison utilities is impervious area. The fee structure varies between those that use an average ERU approach for all single family residential properties and those that use the tiered approach as recommended for the Village. The most common fee structure for non-single family residential properties is the use of the multiple ERUs approach as recommended for the Village. The table also shows that 8 of the 15 utilities offer credits of some type for on-site stormwater management control activities.

To demonstrate the level of the stormwater fee that is imposed by each of the benchmarked utilities a monthly stormwater bill for an average single family residential property was calculated for each utility. This is necessary to allow for a direct comparison due to the variations in the ways that the fees are structure. Exhibit 10 presents the monthly stormwater fee comparison.

Exhibit 10 - Stormwater Fee Comparison

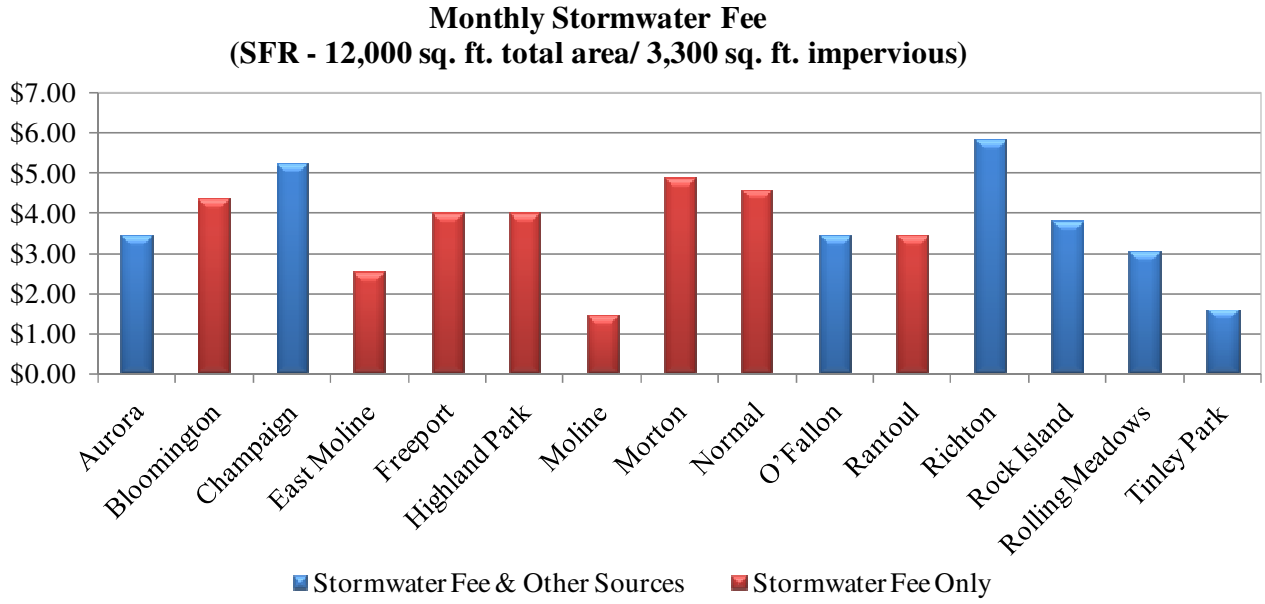


Exhibit 10 shows that the average stormwater fee for an average single family property is around $4 per month. The recommended stormwater fee for the Village for 2013 would place the Village at the higher end of the average range.

APPENDIX - CREDIT AND INCENTIVE MANUAL

STORMWATER CREDIT AND INCENTIVE MANUAL

Village of Downers Grove, Illinois

1. Introduction

The intent of this manual is to outline the Village's Stormwater Utility Fee Credit and Incentive Policy and the procedure by which the policy is to be administered. In addition to describing those activities which may be used to qualify for a credit or incentive, the manual outlines the administrative and technical basis for determining the extent of the credit and incentive and the conditions required to remain eligible for a stormwater fee credit. The primary objective for the credit and incentive program is to encourage property owners to proactively manage stormwater on their property by incorporating sustainable stormwater management practices.

2. Definitions

The following definitions are applicable throughout the credit and incentive manual and shall have the meanings provided below. If not defined, the terms utilized in this manual shall have the meaning associated with current Village standards for stormwater management and design unless the context clearly indicates otherwise. In all other cases, the terms utilized in the manual shall have the meaning given by common and ordinary use as defined in the latest edition of Webster's Dictionary.

Applicant – An applicant is the person or entity financially responsible for the stormwater fee associated with a given account and the stormwater facility to be credited or incentivized.

Best Management Practices (BMPs) – Design, construction and maintenance practices and criteria for stormwater facilities that minimize the impact of stormwater runoff rates and volume, prevent erosion and capture pollutants.

Credit – A credit shall mean on-going reductions in the stormwater fee applicable to a given property in recognition of onsite or off-site systems, facilities, measures, or other actions taken by customers to reduce or mitigate the impact of their property(s) or actions on the quantity or quality of stormwater run-off that would otherwise be managed in the stormwater system or proof of direct discharge outside the Village limits. Credits shall be conditioned on the continuing performance of the systems, facilities, measures, or other actions in reference to standards adopted by the Village Council upon which the credits are granted, and may be revised or rescinded.

Credit Application – A credit application is an application submitted in accordance with the Village's Stormwater Utility Fee Credit and Incentive Policy for an existing or new stormwater facility.

Design Storm – A design storm refers to a rainfall event of a certain size or intensity, duration, and return frequency that is used to calculate the peak stormwater discharge. For example, a 100-year storm refers to a rainfall event expected to occur an average of once every 100 years or an event which has a 1% chance of occurrence within any given year.

Developed Land – Developed land shall mean property altered from a natural state that contains impervious or partially impervious cover, including buildings, pavement, gravel roads, recreation areas (e.g. tennis courts), etc.

Detention Basin – A detention basis is a stormwater management facility that reduces the peak discharge stormwater rate by temporarily storing stormwater during storm events but generally not reducing the overall volume of stormwater runoff.

Equivalent Runoff Unit (ERU) – An ERU shall mean three thousand three hundred (3,300) square feet of impervious surface or any fraction thereof. Three thousand three hundred (3,300) square feet is the statistical average for impervious surface area on a single family property in the Village of Downers Grove.

Facility Maintenance – Facility maintenance refers to the activities required to maintain a stormwater facility in proper working condition. Required maintenance activities associated with the facility(s) in question as defined by the Village Code, the Village's Standard Specifications, the Village's Stormwater Design Manual and any applicable Village policies.

Incentive – One-time rebate / reimbursement that is offered to the applicant, to assist in offsetting the cost of materials, construction and installation of qualifying stormwater facilities.

Incentive Application – An incentive application is an application submitted in accordance with the Village's Stormwater Utility Fee Credit and Incentive Policy for a new stormwater facility.

New Stormwater Facility – A new stormwater facility is meant to refer to any stormwater facility approved and constructed after implementation of the Village's Stormwater Utility and the stormwater utility fee *(January 1, 2013).*

Peak Stormwater Discharge – Peak stormwater discharge is the maximum rate of flow for water entering or exiting a drainage system or stormwater facility. Discharge is typically measured in cubic feet per second (cfs) and associated with a specific design storm.

Pre-Development Conditions – Pre-development conditions refer to the condition of a property before development of the property occurs.

Post-Development Conditions – Post-development conditions refer to the condition of the property once development of the property occurs.

Retention Basin – A stormwater management facility that reduces the total volume of stormwater contributed to the stormwater system by permanently storing stormwater captured during storm events.

Stormwater – Stormwater shall mean the run-off from precipitation that travels over natural or developed lands to the nearest stream, other conduit, or impoundment and appears in lakes, rivers, ponds, or other bodies of water.

Stormwater Facility (Facility) – All ditches, channels, conduits, bridges, culverts, levees, ponds, natural and man-made improvements, field tiles, swales, sewer, BMP's or other structures or measures which serve as a means of draining surface and subsurface water from land.

Stormwater Fee – The stormwater fee for a property is the charge established by the Village to cover the cost of operating and maintaining the Village's Stormwater System. The charge is based on the impervious surface area associated with the property and the average impervious surface area for a single-family residential property within the Village limits (Equivalent Runoff Unit – ERU) assessed in ERU tiers.

Stormwater System – The Village stormwater system consists of all of the physical components and attributes of the drainage system within the Village that manages and conveys stormwater including but not limited to drains, inlets, culverts, basins, ditches, creeks and streets.

Village – Village of Downers Grove

Village Standards – Village Standards include those standards established by the Village for the design, construction, and maintenance of stormwater facilities. These standards include the Village's Manual of Specifications, the Village's Stormwater Design Manual, the Village Code, and all other applicable Village policies. These standards are the minimum requirements for Stormwater Control and may be altered or augmented at the discretion of the Stormwater Engineer or Director of Public Works due to unique site conditions and/or preexisting drainage problems within the area.

3. Village of Downers Grove Stormwater Utility and Fee Structure

The Village of Downers Stormwater Utility provides the management structure that is responsible for the stormwater management program and the system that is supported through a rate structure that equitably distributes the cost of the program among the users based on the demand placed on the system.

The Village's Stormwater Utility will commence operations on January 1, 2013. The monthly service charge will be established based on the monthly charge per Equivalent Runoff Unit (ERU). Each single-family residential unit (including duplexes) is billed within a tiered ERU structure based on the amount of impervious area on the property. Non-residential and multifamily properties (structures excluding duplexes) are billed on a monthly fee based on their equivalent number of ERUs. More specifically, the total impervious surface area for the property is divided by 3,300 square feet (1 ERU) to obtain an equivalent number of ERUs. Once established, the monthly fee is determined

by multiplying the number of ERUs by the monthly charge per ERU. The monthly service charge is established by Village Council.

4. Incentives

The Village provides incentives in the form of one-time rebates / reimbursements to applicants who install qualifying stormwater facilities.

4.1 Eligibility

All applicants within the Village will be eligible to receive a stormwater incentive for the purchase, construction and installation of qualifying stormwater facilities. The incentives are offered on a first come, first serve basis with an annual allocation of available funds provided from the Stormwater Utility. Applicants receiving stormwater fee credits are not eligible to receive a stormwater incentive. Applicants must submit a stormwater incentive application with proof of purchase and demonstrate installation of the stormwater facility. The Village will not charge an application fee for the incentive application. The Village reserves the right to inspect the installed facility prior to approving the application.

4.2 Stormwater Facility Incentives

The following stormwater management facilities will be considered eligible for stormwater incentive funding.

Rain Barrels – Rain barrels are stormwater management devices that typically collect stormwater from roof drains and thereby reduce peak stormwater discharge rates from properties. Applicants who purchase and install rain barrels will be eligible for a rebate of $1 per gallon of installed storage, with a minimum volume of 50 gallons. The maximum available rebate per property is $50.

Rain Gardens – A rain garden is a shallow depression that is planted with deep-rooted native plants and grasses. Rain gardens are typically positioned near a stormwater source like a roof drain, driveway or sump pump. Rain gardens reduce the peak stormwater discharge rates, the overall stormwater volume and improve stormwater quality by settling out suspended solids. Applicants who install rain gardens will be eligible for reimbursement of the costs of materials (including plants) and construction for up to $500 per property. To be eligible for the rebate the rain garden must be at least 100 square feet in size. The rebate is offered at $5 per square foot of the garden.

Other Facilities - Applicants who install other stormwater facilities that reduce the total volume of stormwater, reduce the peak volume of stormwater and / or improve the quality of stormwater leaving the property will be eligible for reimbursement for the costs of materials, installation and construction of the stormwater facility. Examples of such stormwater facilities include green roofs, cisterns and permeable pavement. The

reimbursement is based on 30% of the cost of each stormwater facility with a maximum per property of $600.

5. Stormwater Fee Credits

The intent of the stormwater fee credit is to recognize and/or promote on-site systems, facilities, measures, or other actions that address stormwater quality, reduce peak stormwater flows and / or reduce overall stormwater volume. The fee credits also recognize those applicants that do not discharge to the Village stormwater system, educational institutions that provide qualifying instruction curricula and those entities that form partnerships with the Village to assist in managing stormwater.

While it is the intent of the Village to maintain a program to extend stormwater fee credits to applicants subject to the provisions included in this manual, should stormwater regulations change such that the conditions of the Stormwater Credit Program are no longer valid or significantly altered, the Village reserves the right to reduce or eliminate the credits available. To protect the interest of the applicant receiving the credit, particularly where an existing facility has been upgraded to satisfy the requirements of the stormwater credit program, the availability of the credit will be made available for a period of 5 years, assuming the facility is maintained and operated in accordance with the conditions of the most recent credit application and the applicant remains eligible for the credit as outlined in Section 5.1 of this manual.

5.1 Eligibility

In order to effectively manage the stormwater credit program, only non-residential properties may receive a stormwater fee credit. Individual single family residential and duplex residential units on individual lots of record are not eligible for stormwater credits. The only exception is for those properties that drain to privately-owned and maintained regional detention basins. Credits are not offered to single-family residential properties with an individual onsite detention facility. In order for an applicant to be eligible to receive a stormwater fee credit, an applicant must receive a bill for Stormwater Service provided by the Village and the credit must apply to developed land containing the facility eligible for the credit. Where the facility is located in a common area such as that associated with an apartment complex or a commercial development, the credit shall be applied based on the allocation of the stormwater fees for the property unless other arrangements are made and approved in conjunction with the stormwater credit fee application. Accounts with past-due balances shall not be eligible to apply for stormwater fee credits. Credited accounts not paying monthly stormwater charges will be deemed ineligible, result in revocation of credits, and may be billed a surcharged amount to recover improperly issued credits.

5.2 Right-of-Entry

As a condition of receiving a stormwater fee credit, an applicant must agree to allow the Village unrestricted access to inspect the facility(s) associated with the stormwater fee

credit. The intent of the inspections will be to verify that the facility is being maintained as stipulated in the operation and maintenance agreement, the conditions on the ground are consistent with the documentation provided in conjunction with the biennial inspection report submitted by the stormwater fee credit recipient, and that the facility is operating as intended.

5.3 Credit Renewal

Stormwater fee credits are provided for a period of two years. In order to continue to receive the credit in future years, the recipient is required to renew the credit application biennially. It is the responsibility of the recipient to submit the credit renewal stormwater application to the Village and to do so in a manner that insures that the credit remains continuous.

5.4 Stormwater Credit Application

To receive the stormwater fee credit, the applicant must submit a Stormwater Credit Application which demonstrates the compliance with the stormwater management facilities or activities as detailed in Section 5.6 of this manual. The application must be completed and signed by a registered professional engineer. The Village will collect a stormwater credit application fee of $300 at the time of application submission. The application fee is subject to change as deemed necessary by the Village.

5.5 Stormwater Fee Credit Implementation

For those stormwater credit applications received (and subsequently approved) within 6 months of adoption of the stormwater fee credit program, the credit would be available retroactively to time of adoption of the stormwater credit policy. Credits will not be granted for an existing stormwater facility for any time preceding fee inception or for any time period prior to the date in which the stormwater facility was constructed and approved by the Village. Documentation will also be required to substantiate maintenance of the facility over the time for which a retroactive credit is requested. Credit applications received after the first 6 months will be processed and become effective on the first full billing cycle following approval of the Stormwater Credit Application by the Village.

5.6 Qualifying Stormwater Facilities / Activities

The standard maximum stormwater fee credit available has been set at 50% of the stormwater fee for the property in question. This may be achieved through the use of one or more facilities or activities eligible for a stormwater credit under the stormwater credit policy. The only exceptions to the maximum credit provision apply to educational institutions that may qualify for a 50% credit plus an educational credit and to those entities that would qualify under the partnership credit.

The options eligible for receipt of a stormwater fee credit are as follow.

5.6.1 Rate Reduction Credit

A credit will be available for applicants who discharge all or a portion of their impervious area to a private detention basin. The detention basin must be designed and in compliance with Village standards as defined in Village Code which requires sufficient storage be provided such that the probability of the post-development release rate exceeding 0.1 cubic feet per second (cfs)/acre of development shall be less than one percent (1.0%) per year or a 100-year storm event. The maximum credit for rate reduction is 20%. The applicant will be required to submit site plans demonstrating the portion of the property draining to the stormwater facility. Example: If 100% of impervious area drains to onsite detention basin(s) then credit is 20%. Alternatively, if 80% of impervious area drains to onsite detention then 80% times 20% resulting in 16% credit.

5.6.2 Volume Reduction Credit

A credit will be available for applicants who install and maintain qualifying stormwater management facilities that reduce the volume of stormwater leaving the property. Volume reduction facilities include such facilities as retention basins, cisterns, green roofs and permeable pavement. The stormwater management facility must be designed and in compliance with Village standards as defined in the Village Code. The maximum credit for volume reduction is 20%. The credit should be calculated based on the portion of impervious area draining to the management device in the same manner as the rate reduction credit. The applicant will be required to submit site plans demonstrating the portion of the property draining to the stormwater facility. Volume reduction facilities and activities also improve the quality of stormwater runoff and as a result an applicant qualifying for a water reduction credit in most instances will also qualify for a water quality credit.

5.6.3 Water Quality Credit

A credit will be available for applicants who install and maintain qualifying stormwater management facilities and activities that improve the quality of stormwater runoff through best management practices (BMPs). The water quality credit would be granted if it is demonstrated that the BMPs are designed to remove 75% of total suspended solids as measured on an annual basis. The suspended solid removal shall be based on engineering calculations, vendor specifications for manufactured BMPs demonstrating compliance. The maximum credit for water quality is 10%. The credit should be calculated based on the portion of impervious area draining to the BMP in the same manner as the rate reduction credit. The applicant will be required to submit site plans demonstrating the portion of the impervious area draining to the stormwater facility.

5.6.4 Direct Discharge Credit

A credit will be available to applicants who can demonstrate that their properties or a portion of their impervious area discharge outside the Village's stormwater system. Applicants are required to submit site plans for the property in question demonstrating which area(s) of the parcel qualify for the credit. Max credit would be 50% and based on portion of parcel discharged outside the Village stormwater system.

5.6.5 Education Credit

The Village is required by its NPDES stormwater permit to provide public education and outreach on stormwater impacts. For public and private elementary schools that develop a lesson plan(s) and teach their students about stormwater management issues, the Village will provide an annual per-child instructed credit to schools that comply with the requirements of this credit.

The allowable education credit will be $3.00 per 3rd grade child taught per year. To remain eligible for this credit, the applicant shall, on an annual basis, provide a copy of the lesson plan(s), demonstrate that the lesson plan(s) is (are) consistent with the educational content deemed appropriate by the U.S. EPA for stormwater education, and provide documentation of the number of students taught that year. This credit is limited to the number of 3rd grade children enrolled in the applicant's school at the time of the application.

The initial application for the Education Credit will require an application fee. The applicant is required to provide an update of the lesson plan(s) and number of students taught each year to receive the credit. As the Education Credit is a non-technical application, it is not required to have a professional engineer complete the application form.

The Education Credit is exclusive of the 50% maximum credit limit. Eligible applicants may add the amount of the Education Credit to the total credits received for onsite stormwater facilities.

5.6.6 Partnership Credit

A credit will be offered to applicants that operate in partnership with the Village to improve the overall stormwater system. These partnerships would include applicants who provide land and/or facilities for use by the Village to facilitate the management of stormwater. Applicants who form these partnerships will be eligible for up to 100% stormwater credit.

5.7 Stormwater Facility Maintenance and Inspection

The following stormwater facility maintenance activities are required for an applicant to be eligible for a stormwater fee credit. These activities are required to ensure that the facility performs as credited, complies with Village standards and State law, meets safety standards, and is not a public nuisance. Maintenance activities are required on all drainage structures related to the facility, including the dam, inlets, headwalls, velocity dissipaters, spillways, pipes, feeder channels, discharge channels, etc. The applicant of a credited Stormwater Facility must comply with all applicable maintenance practices below that are relevant to the credited facility.

- Debris and Litter Removal – This activity must be performed after storm events totaling approximately two inches over a 24-hour period or as needed in order to prevent the structure from clogging and failing and to prevent a public nuisance.

- Erosion and Structural Repair – Side slopes, emergency spillways, and embankments all may periodically suffer from slumping and erosion. Regrading, revegetating, compacting and/or installing or replenishing rip-rap may be required to correct erosion problems that develop.

- Mowing – Side slopes, embankments, emergency spillways, and other grassed areas of stormwater facilities should be periodically mowed to prohibit woody growth. More frequent mowing may be required in residential areas by adjacent homeowners. Native grasses, which are water-tolerant, pest-tolerant, and slow growing, are recommended.

- No Blockages – Remove sediment or any blockage from pipes, channels, spillways, inlets, and outlets as needed to keep the facility in proper working condition.

- Nuisance Control – Standing water or soggy conditions within a “dry” stormwater facility can create nuisance conditions for nearby residents. Common nuisance conditions may include odors, mosquitoes, litter, and weeds. Regular maintenance to remove debris and ensure control structure functionality is required to control these potential problems. In addition, well maintained and established wetland plants in wet detention ponds or bird nesting boxes around the pond can provide a habitat for birds and predacious insects and fish that can actively serve as a natural check on nuisance insects such as mosquitoes. Cyclical alteration of the water level in the pond or installation of aeration/agitation features will also disrupt most unwanted larval growth.

- Outlet Control – Maintain outlet control devised to ensure proper functioning in the control of stormwater velocities at the outlet of the stormwater facility. Revegetating and/or replenishing or reinstalling rip-rap may be required to correct erosion problems at the outlet of stormwater facility pipes.

- Removal of Log Jams and Debris – All streams and ditches within the stormwater system should be inspected periodically for blockages. If identified, the blockages and debris should be removed as quickly as practicable.

- Sediment Removal – This activity is to be performed as needed or as required by the Village to ensure proper working order of the facility and its related stormwater facility features (channels, pipes, etc.).

- Structural Repairs and Replacement – Eventually, stormwater control structures will deteriorate and must be replaced. Structural damage to outlet structures (i.e. cracks, leaks, or failure) must be repaired as soon as possible.

5.8 Bi-Annual Documentation

Bi-Annual documentation must be submitted to the Village to continue receiving a credit. The required documentation consists of the following.

- Bi-Annual inspection report from an independent engineer that conforms to Village requirements.

- Recently dated photographs showing the condition (including any known damage or disrepair) of a Stormwater Facility. For stormwater ponds, these photos should include views of the outlet structure, all side slopes, vegetated littoral zones, a view from the downstream channel looking upstream at the dam and emergency spillway, a view from the dam showing the condition of the downstream channel, and a view of areas designed to catch sediment (if possible).

- Records demonstrating that required maintenance activities and/or repairs have been completed.

5.9 Facility Inspections

Each applicant that has applied for and received a credit for a Stormwater Facility has the private responsibility to inspect and repair their facility to ensure that it is functioning as credited. In addition, the Village reserves the right to inspect Stormwater Facilities receiving a credit at any time. If the field inspection proves that any of the bi-annual documentation submitted for continuation of the credit is not accurate, or the facility is not maintained, or if the facility is not operating as credited, the credit will be forfeited and the customer must repay the Village in the form of a surcharge the amount of credit received during the period for which the Village determines the Stormwater Facility was out of compliance. Inspections will be performed at the discretion of the Village to assure that a facility is operating as credited (no blockage due to excessive silt, logs, or debris). Annual inspection is possible with additional inspections of problematic areas following large storm events (two inches of rainfall or more over a 24-hour period).

5.10 Enforcement

Inspections and bi-annual documentation are the primary methods employed to monitor credits. Failure to maintain and operate the Stormwater Facility in strict compliance with Village standards will result in the loss of the credit and possible surcharge to recapture improper credits.

Village of Downers Grove

Stormwater Utility Study

Stormwater Recommendations

March 13, 2012

Municipal & Financial Services Grcup

Agenda

I. Study Overview

II. Recommendations

Stormwater Study Background

Benefits of Stormwater Fee

- Improved equity
  - Users contribute based on stormwater impact
  - Property value does not correlate to impact
  - Tax-exempt not contributing in an equitable manner
- Fiscally accountable
  - Fees are driven by level of service and needs
  - Fees are exclusively used for stormwater needs
- Revenues to support unfunded mandates
  - Regulatory requirements will only become more stringent and costly

Benefits of Stormwater Fee

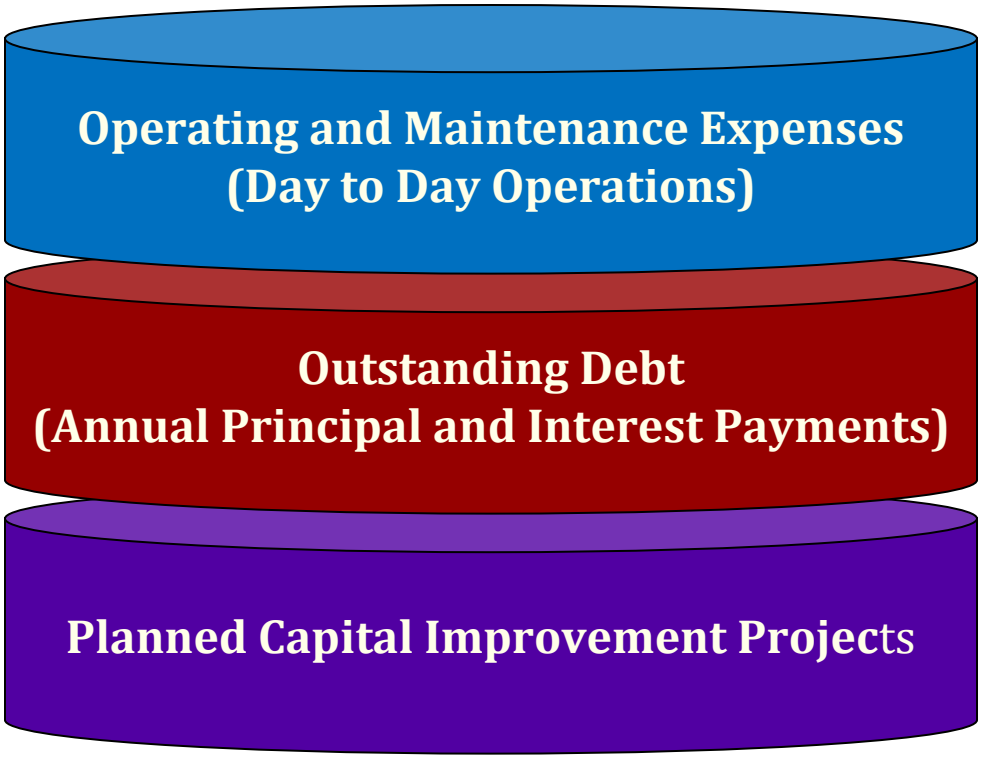
- Dependable revenue stream
  - Allows for pro-active management of system resulting in lower life-cycle costs and **long-term sustainability of system**
  - Current funding is subject to competing needs

- Brings stormwater services to the forefront as a vital service to Village property owners
  - Fee gets public's attention and provides opportunity for education
  - Currently unseen
  - Motivates on-site stormwater management

Common Concerns

- Impacts on Tax-Exempt
  - Not exempt from other utilities (water, electric, etc.)
  - Benefiting from stormwater system
- Impact on Commercial Development
  - Fee represents a fraction of total cost of doing business
  - Effective stormwater management attracts development
- More Government
  - Stormwater utility is simply a funding mechanism
  - No new layers of government
  - Relatively static data set for billing requiring limited resources

Level of Service



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Current Level of Service

Current Level of Service

	FY 13	FY 14	FY 15	FY 16	FY 17
Operating and Maintenance	$1,659,200	$1,715,700	$1,774,200	$1,834,700	$1,897,300
Existing Debt	$1,147,100	$1,144,800	$1,146,200	$1,146,100	$1,145,400
Capital Maintenance & Replacement*	$552,500	$797,700	$1,185,000	$1,715,000	$1,000,000
Total	**$3,358,800**	**$3,658,200**	**$4,105,400**	**$4,695,800**	**$4,042,700**

*Stormwater mains on 220 year replacement cycle

Recommended Level of Service

	FY 13	FY 14	FY 15	FY 16	FY 17
Current Level of Service	$3,358,700	$3,658,200	$4,105,400	$4,695,800	$4,042,600
Recommended Incremental O&M*	$1,739,500	$1,788,000	$1,837,800	$1,889,000	$1,941,600
Recommended Incremental Capital**	$516,100	$516,100	$969,600	$969,600	$1,007,700
Total	$5,614,300	$5,962,300	$6,912,800	$7,554,400	$6,992,000

*O&M expenditures as recommended in the Stormwater Masterplan

**Stormwater mains on 100 year replacement cycle and funds watershed improvement projects

Current Revenues

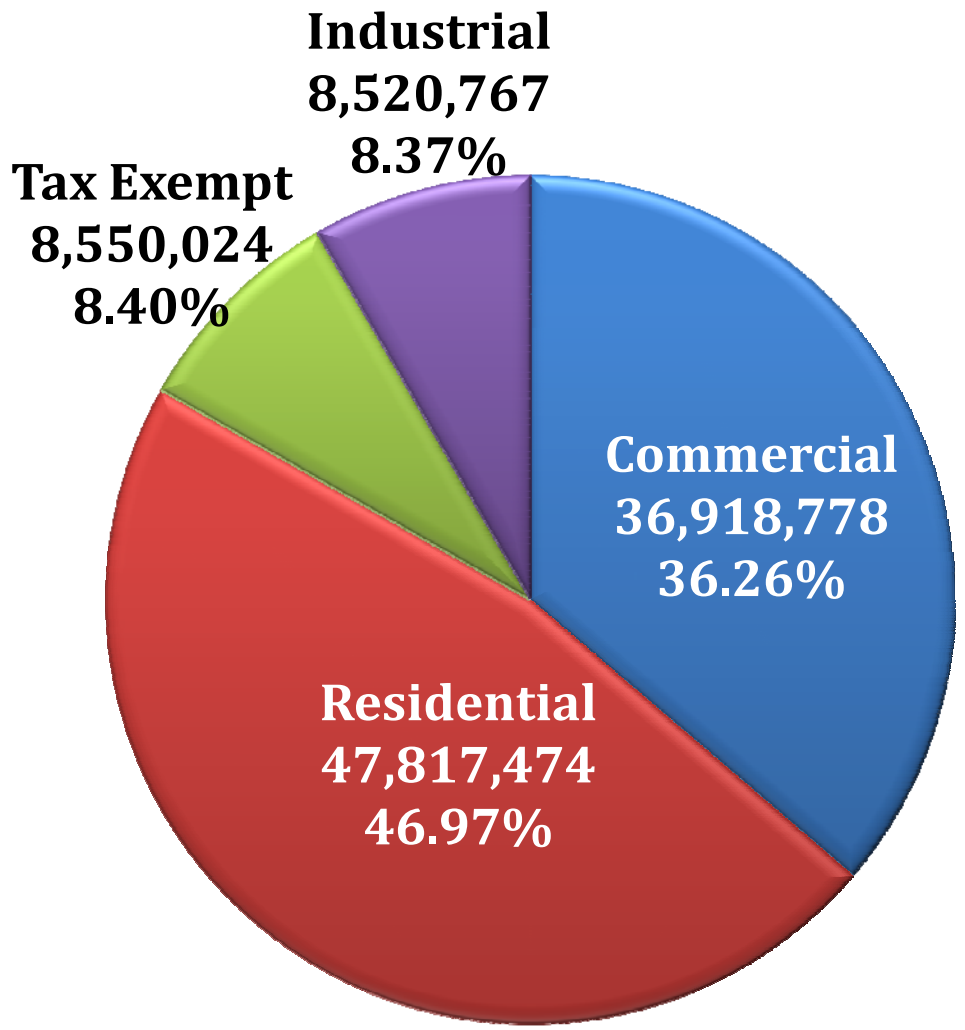
Source of Revenues	2013
General Fund	$815,202
Developer Contribution	$50,000
Property Tax Levy for 2008 Bonds Repayment	$1,147,050
Property Tax Levy for Stormwater Maintenance	$511,565
Total Revenues	**$2,523,817**

Funding Gap Analysis

	FY 13	FY 14	FY 15	FY 16	FY 17
Total Current Revenues	$2,523,800	$2,550,100	$2,580,900	$2,611,300	$2,642,200
Current Level of Service	$3,358,700	$3,658,200	$4,105,400	$4,695,800	$4,042,600
Funding Gap	**($834,900)**	**($1,108,100)**	**($1,524,500)**	**($2,084,500)**	**($1,400,400)**
Recommended Level of Service	$5,614,300	$5,962,300	$6,912,800	$7,554,400	$6,992,000
Funding Gap	**($3,090,400)**	**($3,412,200)**	**($4,331,900)**	**($4,943,000)**	**($4,349,800)**

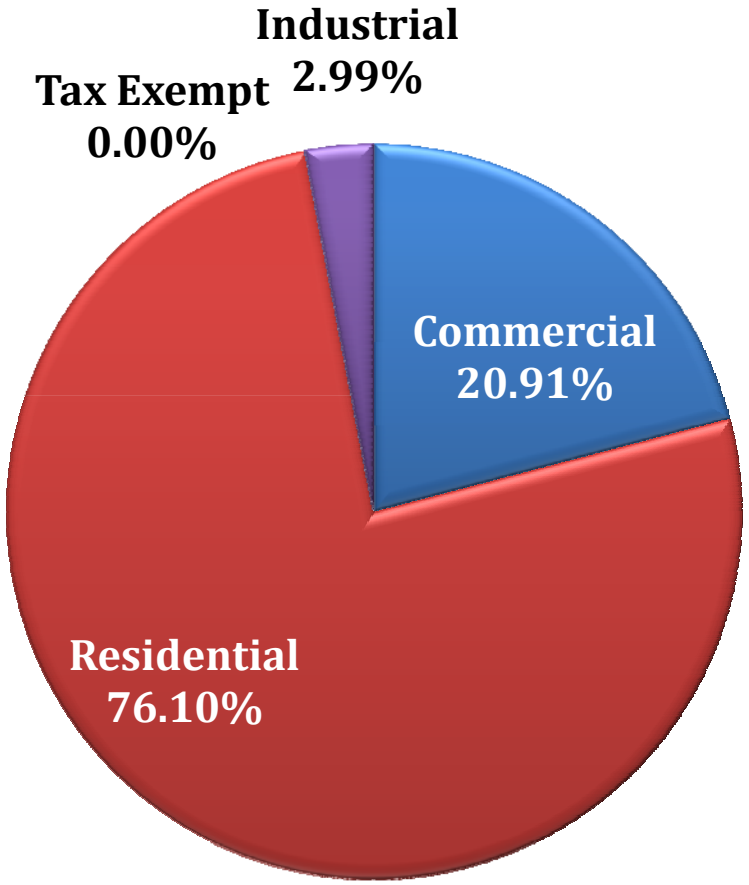
Rate Base - Impervious Area (Sq. Ft.)

- Industry best practice
- Relates directly to runoff and demand on system.
- Impervious area is readily available for all parcels in Village

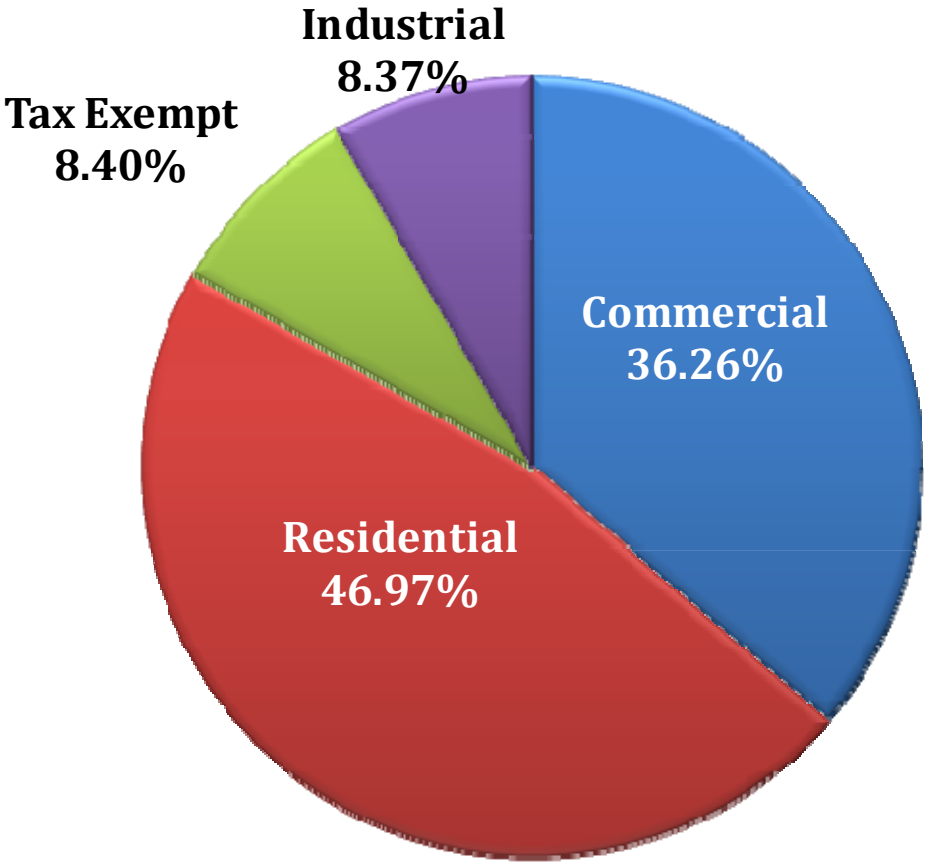


Current Revenues vs. Impervious Area

Tax Revenue Allocation



Impervious Area by Class



76% of property tax revenues for stormwater come from residential properties but these properties only represent 47% of impervious area

Recommendations

Recommendation: Stormwater Utility

The Village should implement a stormwater utility and a stormwater fee.

- A stormwater utility and fee will provide:
  - **Improved Equity**
  - **Fiscal Accountability**
  - **Dependable Revenue Stream / Long-Term Sustainability**
  - **Increased Public Awareness**

Recommendation: Fee Structure

The Village should implement a stormwater fee using impervious area and based on Equivalent Runoff Units (ERUs).

Single Family Residential (Tiered ERUs)

	Small	Medium	Large
Impervious	1 - 2,500 Sq. Ft.	2,501 - 4,000 Sq. Ft.	4,001 - 7,000 Sq. Ft.
ERU's	0.75	1.00	1.50

Non-Single Family Residential (Actual ERUs)

	Actual Impervious Area Parcel by Parcel
Multiple of ERU's	3,300 Sq. Ft.

Recommendation: Credits

Offer stormwater fee credits for properties that install and maintain stormwater management controls.

Control Activity	Recommended Stormwater Fee Credit
Peak Rate Reduction	Up to 20%
Volume Reduction	Up to 20%
Water Quality Control	Up to 10%
Direct Discharge	Up to 50%
Education (Public and Private K-12)	$3 per student taught annually
Partnership	Up to 100%

- Offered to non-residential properties and only residential properties draining to privately owned regional control facilities
- Application and demonstrated performance and maintenance of facilities

Recommendation: Incentives

Offer one-time incentives (rebates) for purchase and installation of stormwater controls.

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 100 square foot of garden	$500
Other Facilities (Green roofs, permeable pavement, cistern)	30% of cost of materials, construction and installation		$600

- Available for all property owners (excluding those that receive credits)
- First come, first service basis with annual budget for incentives

Recommendation: Funding Level

The Village should fund the current level of service in 2013.

- Recommended funding approach:
  - Reduce property taxes to fund only 2008 debt service.
  - Implement a stormwater fee that funds the remaining balance of the current level of service in 2013.

Recommendation: Funding Approach

	Current Revenues 2013	Proposed Revenues 2013
General Fund	$815,202	-
Developer Contribution	$50,000	$50,000
Property Tax Levy for 2008 Bonds Repayment	$1,147,050	$1,147,050
Property Tax Levy for Stormwater Maintenance	$511,565	-
Stormwater Fee	-	$2,361,651
Total	**$2,523,817**	**$3,558,701**

- Results in a reduction in property taxes of $1.33 million in 2013

Recommendation: Stormwater Fees

The Village should adopt a monthly stormwater fee beginning in 2013.

Single Family Residential	2013
Tier 1: (1 – 2,500 sq. ft.)	$4.20
Tier 2: (2,501 – 4,000 sq. ft.)	$5.60
Tier 3: (4,001 – 7,000 sq. ft .)	$8.40

Non-SFR	2013
Per ERU (3,300 sq. ft.)	$5.60

Monthly Property Owner Impact

Property Type	Number of ERU	Assumed Credit	2013 Monthly Stormwater Fee
SFR - Small	0.75	-	$4.20
SFR - Medium	1.0	-	$5.60
SFR - Large	1.5	-	$8.40
Average Church	18	-	$100.80
Hospital	235	50%	$658.00
University	278	50%	$778.40
Big Box Retail	139	-	$778.40
Strip Mall	100	-	$560.00
Average Commercial	20	-	$112.00

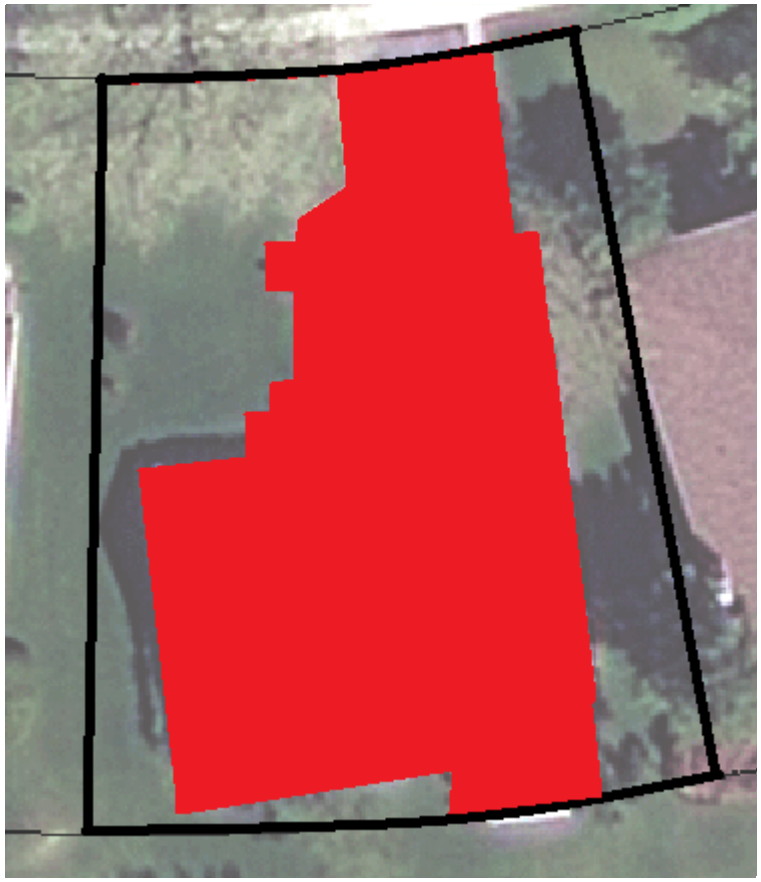
Residential Sample Tier 1

Total Impervious Area: 1,724 Sq. Ft.

1,724 sq. ft. → 0.75 ERUs

Monthly Stormwater Fee - $4.20

Residential Sample Tier 2

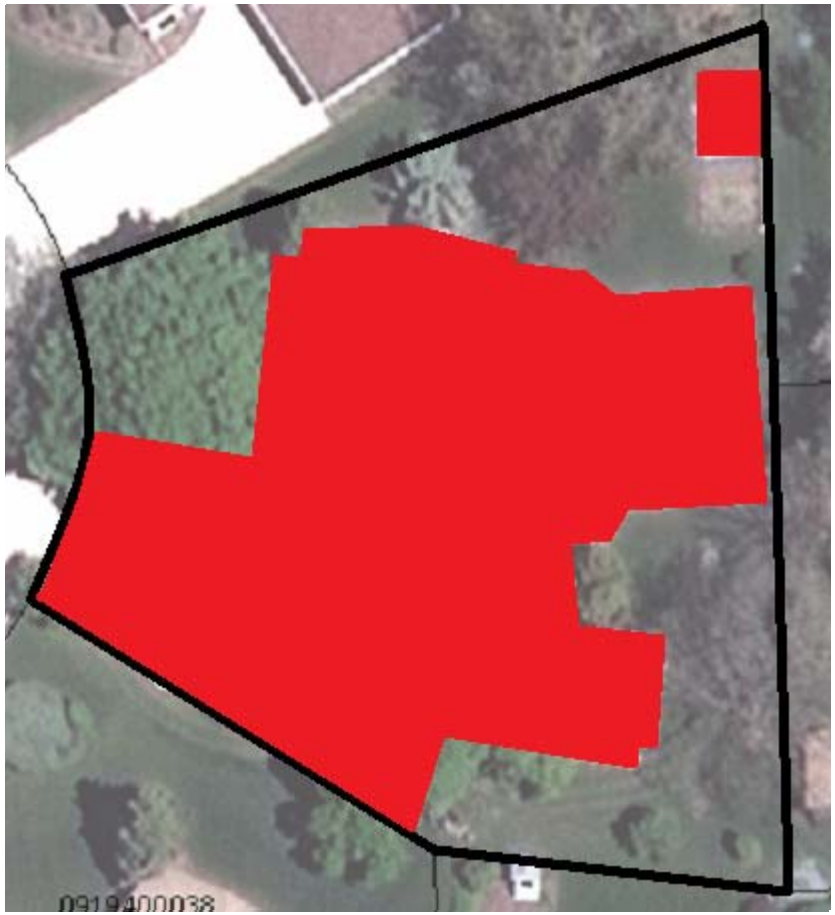


Total Impervious Area: 3,214 Sq. Ft.

3,214 sq. ft. → 1.00 ERUs

Monthly Stormwater Fee - $5.60

Residential Sample Tier 3

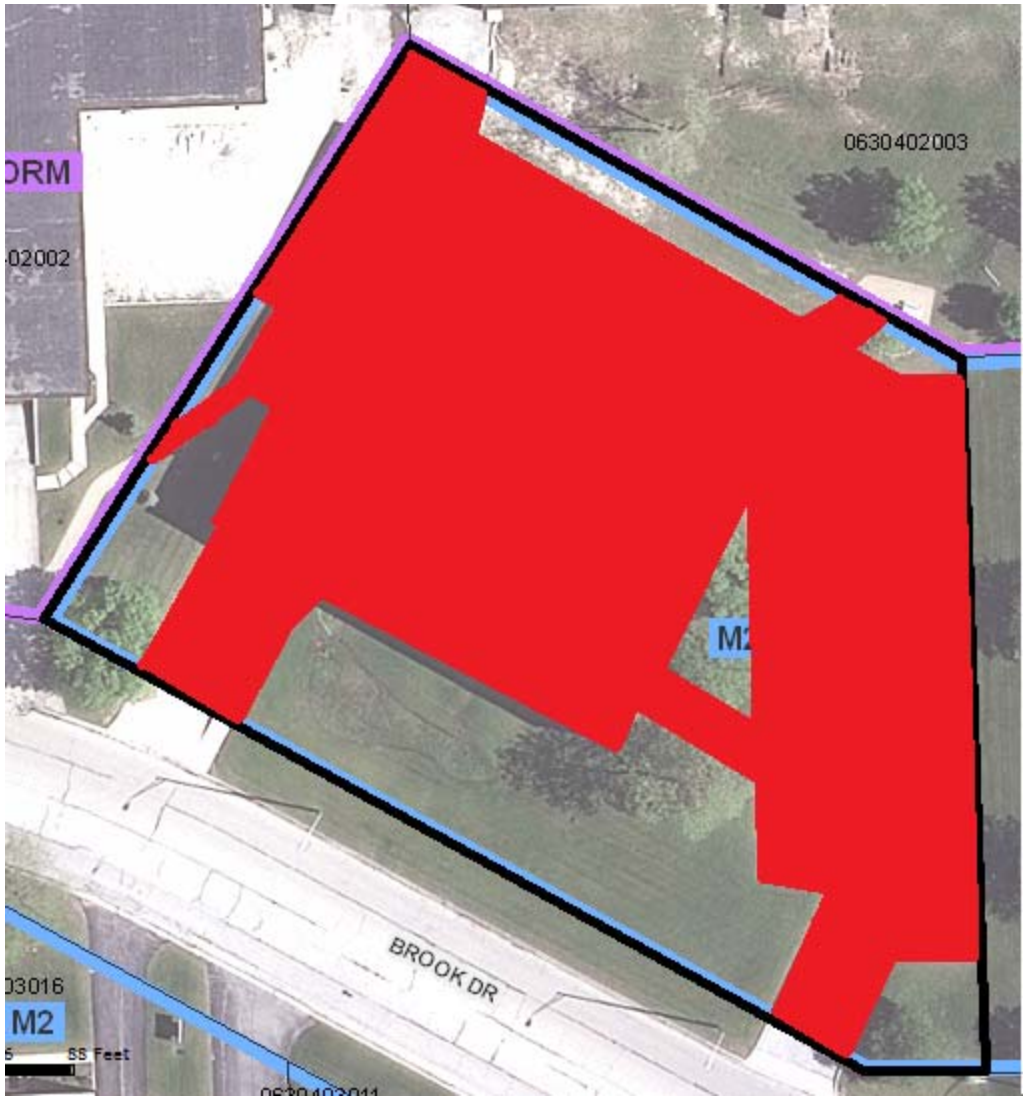


Total Impervious Area: 5,072 Sq. Ft.

5,072 sq. ft. → 1.50 ERUs

Monthly Stormwater Fee - $8.40

Non-Residential Sample



Total Impervious Area: 32,500 Sq. Ft.

32,500 sq. ft. → 10 ERUs

Monthly Stormwater Fee - $56

Recommendation: Long-term Funding

The Village should increase funding for the stormwater system over time to provide the recommended level of service.

- Recommended long-term plan:
  - Increase the stormwater fee annually at a level to reach the recommended level of service by 2022 (ten-year phase-in)
  - Will require annual increases in of the stormwater fee of approximately 15%

Summary

The implementation of the recommendations will:

- Bring the level of funding for stormwater up to the current level of service in 2013
- Reduce the property tax levy by $1.33 million
- Begin addressing the inequity of the current funding approach
- Put in place a stormwater fee that will generate $2.4 million in revenues dedicated to stormwater
- Maintains source of funding for existing debt service
- Encourage on-site stormwater management

Stormwater Utility

Village Council Meeting

March 13, 2012

Policy Question

How Should the Village Pay for the Cost of Owning and Operating the Stormwater System?

Policy Question

- Why Discuss this Issue Now?
  - Consistent with Strategic Plan
  - Consistent with Long Range Financial Plan

Strategic Plan Goals

- Steward of Financial & Environmental Sustainability
- Exceptional Municipal Services
- Top Quality Infrastructure
- Strong, Diverse Local Economy
- Continual Innovation

Strategic Plan Goals

- **Steward of Financial & Environmental Sustainability**
- Exceptional Municipal Services
- **Top Quality Infrastructure**
- Strong, Diverse Local Economy
- **Continual Innovation**

Long Range Financial Plan

- Issue: Cost of Infrastructure Investment Needs Exceed Current Revenue Sources
  - Stormwater Issue: Insufficient Funding to Achieve Recommended Service Level
- Action: Determine Revenue Sources
  - Consider a Stormwater Utility

History

- 2003 – Stormwater Utility Exploratory Committee
- 2006 – Stormwater Master Plan
- 2007 – Watershed Infrastructure Improvement Plan
- 2010 – Long Range Financial Plan
- 2011 – Stormwater Utility Study
- 2012 – Stormwater Utility Final Report

History

- 2012 Public Engagement
  - Informational Videos
  - Stakeholder Meetings
  - Public Meetings
  - E-mail Questions and Comments
  - Questions and Comments Posted
  - Specific Impact on Each Parcel

Property Tax vs. Utility

- VoDG Will Fully Fund Stormwater System
  - Achieve Recommended Level of Service
  - Financially Sustainable
- Which Approach is Better Fit for DG?
- Examine Attributes of Both Approaches

Property Tax vs. Fee

	Current	Proposed
Revenue Source	Property Tax	Fees
Contribution Based On	Taxable Value of Property	Impervious Area
Who Pays	Taxable Parcels	All Parcels
Alignment with Impact	Low	High
Similar To	Streets, Sidewalks & Streetlights	Water & Garbage

Village Council Direction

- Yes = Direct Staff to Create the Utility
  - Ordinance Creating Utility
  - Amendments to Village Code
  - FY13 Budget Preparation
  - Administrative Actions
  - Public Engagement
- No = No Further Consideration of Utility
  - Use Existing Revenue Sources to Achieve Financial Sustainability for Stormwater

Stormwater Utility

Village Council Meeting

March 13, 2012

DOWNERS GROVE AREA
Chamber of Commerce & Industry

March 9, 2012

The Honorable Mayor Martin Tully and
Village of Downers Grove Commissioners
Village of Downers Grove
801 Burlington Avenue
Downers Grove, IL 60515

Dear Mayor and Commissioners:

Thank you for the request of the business community to weigh-in on the Village's evaluation of a storm water utility. We applaud the Council's exploration of a different and innovative method in which to provide a dedicated revenue stream to address Downers Grove's aging infrastructure. The Village staff has done an extraordinary job of educating, informing and engaging the community on this issue; we'd like to recognize and thank them for their valiant and, at times uncomfortable efforts.

As you know, the Downers Grove Area Chamber of Commerce & Industry is an organization of ~650 members: 510 private sector businesses and more than 60 not-for-profits. By definition alone, a utility is a very complex issue; additionally, it affects every entity differently. In 2008, the Chamber supported the creation of the Watershed Improvement Plan and the tax increase to support it, plan being the key word. At this time, because of the many unknowns, the Chamber cannot support the proposal for a storm water utility.

Should you choose to continue to move forward with this proposal, we ask that you consider the following:

- Many entities in the Downers Grove region have implemented *mandated* stormwater management facilities, supporting (in some cases for many years) the Village's water shed to their financial burden. Because of these mandates, we do not find the current storm water utility proposal equitable in spite of the staff's recommendation of a 100% credit to 'partners,' which is yet to be defined.

- The financial uncertainty identified in the Stormwater Utility Study on page 27, is alarming at best; *"…actual amount of revenue that will be collected from property owners will be somewhat uncertain until a period of time passes to process actual collections."* The anticipated yet unregulated increase of 15-17% compounded over the next ten years fosters further reservations, not to mention the cost of administration, methodology and appeals. All of these are a concern, but none of these costs will compare to the loss of good will in our community.

- The lack of an economic impact model, in spite of similar utilities implemented throughout the nation, is also a concern. The Village of Downers Grove is a small community, known for great schools, beautiful parks and recreation programs envied by other towns. Council has recently engaged not-for-profit organizations to oversee venues and services previously paid for by property taxpayers. No one can argue that this is a community that cares greatly for their quality of life, environment and all its stakeholders - residents and businesses. This utility has the potential of diminishing what we've come to accept as Downers Grove amenities, changing the character of Downers Grove.

As you have done with all your decisions in the past, we ask that you consider the community as a whole and the unintended ramifications of this proposed utility.

Sincerely,

Laura Crawford
President & CEO

cc: Downers Grove Area Chamber of Commerce Members
David Fieldman, Village Manager

Stormwater Utility Meetings
January 23-25, 2012
Summary of Meetings

During the last two weeks of January, the Village hosted a series of stakeholder and public meetings to explain the proposed stormwater utility and to collect feedback on the potential implementation of a stormwater utility. The feedback from community members and organizations can be combined into two major categories:

- Concerns and comments abut the impact of the fee
- Questions and comments about the administration of the stormwater fee.

Meeting Attendance

The Village held three stakeholder meetings for specific organizations in the community. The Village also hosted three public meetings with a total attendance of approximately 110.

- 67 at resident meeting
- 10 at business meeting
- 30 at NFP/Churches meeting

The following specific groups were represented, either in stakeholder meetings or public meetings:

Stakeholder Meetings

Sanitary District staff
Park District staff
Library staff
District 58 staff
District 99 staff
Downtown Management staff and board members
Economic Development Corporation staff and board members
Chamber of Commerce staff and members

Public Meetings

Downtown Management
Chamber of Commerce
Arrow Gear
Cameo
Pugi Volkswagen, Hyundai and Mazda
Every Day's a Sundae
Community Bank of Downers Grove
Downtown Property Owners
Condo Associations
Park District Board members

Summary of Feedback

Concerns and Comments Regarding the Impact of the Fee

1. **Negative Impact on Other Government Agencies –** Staff heard concerns from multiple stakeholder groups that the implementation of a stormwater fee would have a negative impact on entities such as the Park District and School Districts 58 and 99, which are subject to the property tax extension limitation (PTELL, or tax caps). The primary revenue source for these entities is property taxes. Both school districts indicated that they levy the maximum amount allowed under PTELL, meaning that the fee would be offset by reductions in other services or the fee would likely be passed on to residents via a fee increase, if possible.

2. **Administration of a utility is burdensome and not the most efficient way to generate revenue –** One concern expressed by residents was that the administrative burden of a stormwater utility is greater than that of the current property tax based system. Some residents stated that they prefer the system with the lower administrative cost. Many attendees acknowledged the inequity in the burden of the stormwater levy in the property tax, but expressed opinions that the correction of the inequity was not sufficiently important to add the administrative burden of the stormwater fee.

3. **Fee circumvents PTELL –** At the meeting with residents, staff was asked whether the stormwater utility would allow the Village to avoid property tax caps. Staff clarified that the Village is not subject to property tax caps.

4. **Current system is more transparent and subject to political pressure –** Some meeting attendees indicated concern that the fee structure would allow the Village to increase fees with less accountability to the community. They indicated that they think increases in the tax levy would be more transparent to voters.

5. **Opens the door to the next utility –** At the public meeting for churches and tax-exempt property owners, one attendee expressed concern that other Village services would be converted to utilities, thereby affecting non-profit organizations more significantly in the future.

6. **Negative impact on property tax deductions/senior tax exemptions –** Residents expressed concerns that property taxes were preferable to fees because property taxes are deductable on federal and state income taxes. Others stated that the fee would affect seniors who take advantage of the Senior Homestead Exemption and the Senior Equalized Assessed Valuation freeze.

7. **Downers Grove Park District Board Comments** – The Park District's elected board was represented by board members at all three of the meetings. In summary, the board members expressed that the Park District opposed the stormwater fee estimated for the district because the district has partnered with the Village to provide stormwater detention in recent years, that the Park District has completed several streambank stabilization projects and that the District currently maintains many stormwater detention facilities. They also expressed opposition to the calculation using impervious area, given that the Park District provides more than 600 acres of green space.

8. **Actual economic impact –** Several attendees at public meetings expressed concern that the actual economic impact to businesses was not measured. They were concerned about the impact of the stormwater fees on the competitiveness of Downers Grove businesses.

9. **Residents will still pay whether stormwater is financed by taxes or fees** - There is a concern that residents will continue to bear the burden of maintaining the stormwater system whether through fees or taxes. The concern centers on the concept that both taxing districts and businesses will ultimately pass fee increases onto residents in the form of higher taxes or fees (taxing districts) or higher prices (businesses). Some attendees suggested that the Village consider exempting existing properties or the existing properties of local government entities.

10. **Other stormwater impact reduction techniques –** Staff explained that one goal of the stormwater utility is to encourage behaviors that lead to a reduction in stormwater runoff by incentivizing property improvements. Attendees asked if there were other techniques to encourage these property improvements that do not include introducing a stormwater fee.

11. **Ability to rescind fee –** Attendees asked whether the Village would rescind the fee in the future.

Questions and Comments Regarding the Administration of the Fee

1. **Perception is that this is a new government entity –** The title of stormwater utility prompted some to think that the Village was creating a new entity, similar to the Economic Development Corporation. Staff explained that the term utility, in this case, refers to the concept that fees are charged for a service provided. The Village is not proposing the creation of a new entity.

2. **Impervious area is not an accurate measure of stormwater impact –** Attendees at both the stakeholder and public meetings questioned whether impervious area was the right measure of impact. The most frequently suggested alternative was a fee based on the actual amount of stormwater runoff generated by each property considering the combination of impervious and pervious property. One argument regarding the combination fee centered on the idea that residents with similarly sized houses on different pieces of property would pay the same amount regardless of the size of each owner's property. Additionally, some attendees commented that the Park District likely had a higher proportion of green space than impervious area, which reduced the impact.

3. **More resident credits desired –** Staff discussed a preliminary proposal for a credit system that limited commercial credits to 50% and provided a one-time incentive for residents for installation of improvements such as rain barrels, rain garden or permeable pavers. Meeting attendees indicated a preference for a more robust credit system for residents that included on-going credits.

4. **Credit amounts not tied to cost of stormwater management improvements –** Representatives from business organizations and non-profit organizations stated concerns that the proposed credits are not related to the cost of the stormwater improvements they were required to install during the development of their properties.

5. **ROWs are exempted –** There were multiple questions regarding why the proposed fees would not apply to rights of way including public streets and the railroad right of way. Staff clarified that the current proposal includes only properties that have parcel numbers (PINs). Railroad rights-of-way do not have parcel numbers. Additionally, streets are part of the Village's stormwater conveyance system.

6. **Sustainability of Tax Reduction –** During the public meetings, attendees asked in the Village's property tax levy would continue to decrease each year. Staff explained that the net impact of stormwater fee included the proposed $1.3 million reduction in the property tax levy for stormwater in 2013. Staff explained that the reduction would be a one-time reduction and that the $1.3 million would be removed from the levy in 2013. Future property tax levies would not include money for future stormwater system operation, maintenance and capital expenses. Therefore the property tax reduction would be sustained over time.

7. **Other jurisdictions should pay –** Organizations with property along the Village boundaries discussed the impact of stormwater runoff from properties in neighboring communities. They suggested that the Village seek contributions from neighboring jurisdictions whose properties impact properties within the Village.

8. **Remedy for non-payment** – Attendees asked whether there would be a way to discourage non-payment of the fee. Staff stated that the specific process was not defined, but there are several ways of seeking payment such as shutting off the water or placing a lien on the property**.**

9. **More tiers –** Some attendees suggested that the Village incorporate more tiers into the residential billing system.

10. **Fixed or increasing fee –** Attendees asked whether the stormwater fee would be subject to increases. Staff indicated that, under the current model, the fee would increase annually by 15 to 17% for 10 years to meet the recommended service level.

11. **What is the need for the money –** Some attendees were concerned that the need for the fee was not justified. Staff explained that the Village's stormwater management needs

were outlined in the Stormwater Master Plan, the Watershed Infrastructure Improvement Plan and confirmed by MFSG review of the storwmater system in 2011.

12. **Will the Village use bonds to finance improvements –** Attendees at the public meetings asked whether the Village would pay for improvements on a pay-as-you-go basis or if the Village would issue bonds. Staff explained that the Village would most likely issue bonds to fund the construction of stormwater capital projects and the stormwater utility revenues would be used to pay off the bonds.

Q and A
Stormwater Utility Meetings
January 23-25, 2012

I. PROPERTY TAX VS. STORMWATER UTILITY

1. **Will stormwater utility be taxed, similar to municipal taxes and other user fees that are seen on ComEd, Nicor, phone bills, etc.?**
   Answer: No, the stormwater utility fee will not be taxed.

2. **Will a separate unit of government or corporation be set up to manage the fund?**
   Answer: No, all stormwater management functions are managed within the Village's existing Public Works department. The Stormwater Improvement Fund is an existing fund within the Village's budget.

3. **Is this a done deal?**
   Answer: No, the Village Council asked Village staff to complete a public engagement process prior to officially considering the creation of a stormwater utility. Feedback from the community will be provided to the Village Council to assist them in making a final decision. The Village Council is expected to make a decision at a Village Council meeting in March 2012**.**

4. **Will this revenue be dedicated to stormwater, or can it be used elsewhere, like for roads, etc.?**
   Answer: Revenue in the stormwater fund is used exclusively for the provision of stormwater related services. The budget is approved annually and specific projects are detailed in the Community Investment Plan (CIP) which is available on the Village's website.

5. **Will this revenue be used for maintenance as well as new projects?**
   Answer: Stormwater funds are used for both new projects and maintenance of the existing system. An example of a recent *new* project is the stormwater facility located at 2nd and Cumnor. An example of *maintenance* is the Lacey Creek project where the Village completed a streambank stabilization project to replace a deteriorating retaining wall that was installed in the 1960s.

6. **Does the Village avoid tax caps if there is a stormwater utility?**
   Answer: No. The Village of Downers Grove is a home-rule municipality, which means it is not subject to the Property Tax Extension Limitation (PTELL, also known as tax caps).

7. **Are there any other towns in DuPage County operating a stormwater utility?**
   Answer: The following municipalities operate a stormwater utility: Aurora, Bloomington, Champaign, East Moline, Freeport, Highland Park, Moline, Morton, Normal, O'Fallon, Rantoul, Richton, Rock Island, Rolling Meadows, Tinley Park. Others are in the process of researching the concept such as Glenview and Urbana. Only Aurora is partially in DuPage County.

8. **Why does this have to be a separate fee?**
   Answer: The goal of separating the cost of stormwater from the general tax levy is to create a system in which property owners pay based on their impact to the stormwater management system. The fee, as currently proposed, would be based on the impervious area on each piece of property within the village.

9. **How are unincorporated properties charged?**
   Answer: Unincorporated properties cannot be charged for these Village services.

10. **Will this utility be subject to any other government entity?**
    Answer: No, this fee will only be used for the stormwater system within Downers Grove. In general, stormwater management is subject to federal, state and county regulations.

11. **If the Village decides not to create the stormwater utility and instead were to generate the required revenue by increasing the property tax levy, how would the Village property tax levy be affected?**
    Answer: If the Village were to increase the property tax levy by an amount equal to the revenue that would be generated by the stormwater utility fees, the total Village property tax levy would increase by nearly 8% in 2013 and would then increase each year thereafter by 2.53% to 5.74%.

    The table below assumes that there would be no other increases in the total Village property tax levy during this time frame. This is not the case as other increases to the levy are likely to occur to cover the costs of pension obligations and other Village operations.

Year	Stormwater Fee Revenue	Percent Increase	Property Tax Levy Required to Achieve Revenue	Percent Increase
2012	NA		(current levy) $12,983,233	
2013	$2,361,651		$14,020,130	7.99%
2014	$2,715,899	15%	$14,374,379	2.53%
2015	$3,123,283	15%	$14,781,764	2.83%
2016	$3,591,776	15%	$15,250,258	3.17%
2017	$4,130,542	15%	$15,789,025	3.53%
2018	$4,750,124	15%	$16,408,608	3.92%
2019	$5,462,642	15%	$17,121,127	4.34%
2020	$6,282,039	15%	$17,940,525	4.79%
2021	$7,224,344	15%	$18,882,831	5.25%
2022	$8,307,996	15%	$19,966,484	5.74%

II. IMPACTS

12. **Won't schools just pass their cost on to taxpayers? Same for other government entities?**
    Answer: The proposed stormwater utility would include a fee charged to local taxing districts based on the impervious areas on properties they own. In order to gauge the impacts on these districts, staff has asked them to provide official position statements on the proposed fee**.**

13. **What about the impact to business? Are we creating an environment that is unfriendly to business?**
    Answer: The impact to each individual business property is based on the property's impervious area. The Village's Strategic Plan includes a goal *Strong, Diverse Local Economy* and the Village strives to maintain a pro-business environment. The Village has asked the business community including the Chamber of Commerce and Industry, the Economic Development Corporation and

Downtown Management Corporation to provide feedback on the impact of the proposed fees on the business community.

14. **Will senior tax caps be affected?**
    Answer: Senior citizens 65 years of age or older with an income of less than $55,000 per year,are eligible for a program that freezes that taxable value of their property. While the net taxable valuable of the property is fixed, the actual property taxes paid may increase from year to year based on the total property tax rate. The proposed stormwater utility does not freeze or reduce the monthly fees paid by senior citizens.

15. **How does this impact property tax deductions on federal and state income taxes?**
    Answer: Shifting the cost of the stormwater program from the property tax levy to the stormwater utility would likely result in a 10% reduction in the Village's property tax levy. The exact impact of the shift from a property tax funded system to a fee based system would depend on the individual characteristics of the property in question and the property owner's annual income. The following is an example of the impact on a property worth $300,000 in the Tier 2 stormwater fee owned by a person in the 25% federal income tax bracket that is filing with itemized deductions.

Annual Stormwater Utility Fee	**$67.20**
Reduction in Village Property Tax Payment	**($59.13)**
Loss in Federal Income Tax Deduction	**$14.78**
Net Annual Cost Increase	**$22.85**

16. **How is the Village's stormwater fee paid?**
    Answer: The Village will make a transfer from its General Fund into the Stormwater Maintenance Fund.

17. **Will the 10% property tax reduction be eaten up by future increases?**
    Answer: The purpose of the stormwater utility fee would be to permanently shift the cost of stormwater off of the property tax levy. While the Village may increase its property tax levy in the future, the tax revenue would not be used for stormwater.

18. **What is the total impervious impact of roads and sidewalks?**
    Answer: Public sidewalks are not included in the data compiled by DuPage County. Public streets account for 38,474,297 square feet of impervious surface. Neither public streets nor public sidewalks are included in the fee calculation for impervious areas.

III. FEES AND IMPLEMENTATION COSTS

19. **What are the administrative costs of a stormwater utility?**
    Answer: The Village anticipates that one additional full-time employee would be needed to administer the stormwater utility. This employee would be responsible for managing the computer mapping (GIS) system that tracks the impervious area on each property.

20. **Is impervious area an exact measurement of the impact on the stormwater system?**

Answer: No. To obtain an exact measurement of the impact on the stormwater system, the Village would have to determine the exact amount stormwater that runs off a property during storm events. This calculation would require a civil engineer's detailed analysis of the property. The amount of impervious area located on a property is highly correlated to the impact on the stormwater system. Establishing fees based on impervious area is generally accepted as an industry best practice.

21. **What would be the fee for a parcel with no impervious area?**
    Answer: The fee for a non-residential vacant parcel would be $5.60 per month. The fee for a residential vacant parcel would be $1.68 per month.

22. **How will condo owners be charged?**
    Answer: Condominium owners will be a fee calculated by dividing the number of condominiums by the total fee for the property.

23. **What would the stormwater fee be in 15 years?**
    Answer: The stormwater fee would likely increase by 15 to 17% each year for 10 years. There is no plan for increases after that point; the fee would be based on the needs of the system at that time. If the fee increased at 15% each year, the fee charged per ERU would be the following:

YEAR	Fee per ERU
2013	$ 5.60
2014	$ 6.44
2015	$ 7.41
2016	$ 8.52
2017	$ 9.79
2018	$ 11.26
2019	$ 12.95
2020	$ 14.90
2021	$ 17.13
2022	$ 19.70

24. **Roads are impervious—will be they be factored in the calculations?**
    Answer: No, roads are not included in the calculations because they are considered to be a part of the stormwater system that carries stormwater to sewers and creeks.

25. **What about swimming pools or ponds on your property? Are these considered pervious?**
    Answer: Swimming pools are impervious because they cover the ground and do not allow rain water to soak through.

26. **What about sidewalks? If they are impervious, doesn't the stormwater utility counter the Village's efforts to put in sidewalks?**
    Answer: Public sidewalks are not factored into the impervious area for each property.

27. **Does the GIS system allow for differentiation between gravel driveways, wood decks, etc?**
    Answer: The system does differentiate between wood decks and patios. It does not differentiate between gravel and paved driveways.

28. **Once we start down this road, what else will be turned into a utility?**
    Answer: The Village does not have any plans to operate any other services as a utility.

29. **When will this go into effect?**
    Answer: If the Village Council approves the implementation of the stormwater utility, it would likely go into effect in 2013.

30. **How will non-payment be enforced?**
    Answer: The Village has several ways of enforcing non-payment: 1) turning off water service, 2) placing a lien on the property and 3) sending the account to a collections process.

IV. CREDITS

31. **Why are credits for residential properties a one-time thing?**
    Answer: The credit program is still being developed and this could be included.

32. **Will privately owned and maintained retention areas be eligible for a credit?**
    Answer: The credit program is still being developed and this could be included.

33. **Is there a credit for the amount of green space on a parcel?**
    Answer: The amount of green space on each individual property is not considered in this model. The fee is based solely on the amount of impervious area on the property.

34. **If residents live in neighborhoods where there is no drainage and runoff is absorbed in the ground will they get a credit?**
    Answer: Because all properties within the Village benefit from an effective stormwater system, all properties pay under the stormwater utility model. For example, even properties that do not have runoff are still protected from flooding because the stormwater system exists.

35. **Could we encourage more residents to make stormwater friendly improvements without implementing a utility?**
    Answer: Yes, even if the Village Council does not approve the stormwater utility, there are ways that the Village can promote on-site stormwater management, such as through the existing stormwater cost-share program. The Village Council also approved a High Priority Action Item to explore the implementation of Best Management Practices related to stormwater regulations.

36. **Is there a way to credit or exempt existing or older properties?**
    Answer: No, in order to meet the legal requirements of a stormwater utility, the Village would have to treat all properties equally regardless of age of the development on the property or other characteristics.

37. **Some properties drain for other jurisdictions (Lombard, York Township). Is there a credit for that?**
    Answer: The Village is only able to charge properties located within its legal boundaries.

38. **How will credits be determined?**
    Answer: The system for credits is still being developed and will be presented for public consideration prior to the implementation of the utility fee. It is based on existing programs in other municipalities.

V. NEED FOR STORMWATER FEE

39. **What is the financial burden that requires the fee?**
    Answer: The Village's consultant reviewed the stormwater system maintenance and replacement needs and identified a gap between the available and needed funding under the current system. If the Village continues to maintain and replace components of its stormwater system at the current rate, it will have an annual funding gap of $834,900 in 2013. This gap grows to $2.08 million in 2016. If the Village decides to fully fund the infrastructure and maintenance needs of the stormwater system, the funding gap will be $3.2 million in 2013 and $5.04 million in 2016.

40. **How much of the system is failing and in poor shape?**
    Answer: This is difficult to say because present funding levels are not adequate to complete regular inspections of the overall storm sewer system. However, the Village is aware that current funding levels equate to a 220 year replacement cycle for storm sewer pipes, which is more than double the industry standard.

41. **Who brought up this idea?**
    Answer: The concept was first discussed in 2003 by the Village's Stormwater Utility Exploratory Committee. The idea of exploring the creation of a stormwater utility was then identified as a high priority action item by the Village Council in 2011 as part of the Village's Strategic Plan.