

## SEFs offer a New Equitable Funding Source to Help Protect Your Community from Stormwater Damage

By Tracy Adamski, AICP and Sarah Bounty, P.E.

Community leaders naturally want to protect residents from the dangers that can come from stormwater – flooding of properties and roads, washing-out of bridges and culverts, and threats to drinking water supplies and recreation. Particularly for communities that are built around a water body such as a river, lake or ocean, there may also be risks to their economies and cultural vibrancy from flood damage and poor water quality.

What's pushing the need for better stormwater management solutions and funding support?

- ♦ Tighter regulations on stormwater management from state and federal agencies
- ♦ Increased numbers and severity of storm events
- ♦ Aging infrastructure – many systems, installed in the post-war population and economic boom, are nearing the end of their service life and need replacement

So how can communities have on-hand the funding they need to manage stormwater effectively, and make sure that everyone in the community pays their fair share? Increasingly, the answer comes from a Stormwater Enterprise Fund (SEF), sometimes called a Stormwater Utility.

An SEF is a fund paid into by all owners of properties that have an impact on stormwater. The money in the fund can be used to pay for all aspects of a municipal stormwater program. This includes staff salaries, water quality testing, planning, and stormwater infrastructure such as culverts, catch basins, pipes and outfalls. It provides a secure source of funding for managing stormwater, in the same way that there is funding for both drinking water and wastewater treatment. It's like a utility, but for stormwater.

SEFs are increasingly common in the United States; over 1,500 exist across the country. However, they are less common in New England, where only about a dozen municipalities have implemented them. This trend is changing, as towns and cities seek a reliable funding mechanism to cover the increasing costs of providing adequate stormwater related services.

One key benefit of a SEF is that the burden of stormwater management is more equitably shared among property owners. Many communities have large property owners – including colleges, universities, hospitals, and places of worship – that are exempt from property taxes. They pay fees for water supply

### 5 Steps for Setting Up a Stormwater Enterprise Fund (SEF)

1. Identify key drivers for stormwater management	The foundation of a successful public outreach program depends on identifying the main benefits of improved stormwater management, and relating those benefits to high visibility or well-known community challenges.
2. Make the case to your community	Start by engaging with your community. An effective, multi-media public education program is critical to the ultimate adoption of a SEF.
3. Perform financial analysis	Clarification of the financial elements of stormwater management can lead to greater understanding and public acceptance of financial contributions.
4. Determine funding requirements	It is important to understand the current and future stormwater management costs - and then to determine the payment rate for each property owner.
5. Craft legislation	Bylaws are developed and, with appropriate community consultation to gain stakeholder support, brought into force. A system for billing property owners, and for management of the fund, must be developed.

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and wastewater treatment. However, their large rooftops, parking lots and internal roadways form large impermeable surfaces onto which precipitation falls, often running directly into the community's stormwater pipeline network. With an SEF, all parcels of land within the community pay their fair share.

### Accessing the Benefits of a Stormwater Enterprise Fund

We suggest these five steps to be taken when setting up an SEF:

#### 1. Identify Key Drivers for Stormwater Management.

Every community or county that has adopted a SEF has its own set of reasons why stormwater management is worth the investment. While state and federal stormwater requirements can have a significant impact on stormwater spending, this is usually not the most compelling reason to convince local residences and businesses to adopt a new fee.

Identify your community's unique challenges related to stormwater, such as harmful algal blooms at the local beach, combined sewer overflows, or road closures due to flooding. Explain the benefits of improved stormwater management, such as abundant safe drinking water, fishing and swimming, and property value. Relate stormwater to high visibility or well-known issues that will resonate with the public. These key drivers, particularly the benefits, will be the foundation of a public outreach program.

- 2. Make the Case to Your Community.** An effective, multi-media public education program is critical to the ultimate adoption of a SEF. Start by engaging with the community. Many property owners have never realized that the runoff from roads and driveways empties into the pipeline, which often runs directly (and untreated) into a waterbody. Most people are not aware that stormwater runoff can contain many pollutants. Begin by elevating public awareness of stormwater management, then use community-specific messaging about key drivers and benefits. During later stages, the public and important stakeholders will need to be informed of how the rate structure has been derived and what their fee will be. Bring potential opponents to the table early in the process to avoid political pressure that could defeat the proposed SEF.

Some municipal professional staff and decision makers will also need to be convinced of the merits of a SEF. Involve a diverse stakeholder group throughout the process of developing a SEF.

External professional advice can be particularly helpful at this stage, helping to effectively convey critical concepts to all stakeholders, and benefiting from their experience based on work in other communities.

- 3. Perform Financial Analyses.** Stormwater services are often paid out of the same fund used to pay for other critical municipal services – including police, fire and schools. These funds are from local taxes paid by residential and industrial property owners who may not understand what they get in exchange for that money. Property owners also may not realize that many tax-exempt properties benefit from stormwater management without paying their share. It is important to bring a fuller transparency to the financial elements of stormwater management – leading to better understanding of the need for equitable financial contributions.

This stage can involve the use of Geographic Information Systems (GIS) – powerful computer-based mapping systems – that can help determine which parts of each property parcel is covered by an impermeable surface such as rooftops, parking lots, roadways and sidewalks. This analysis, carried out by skilled professionals, can help create acceptance around financial contributions.

- 4. Determine Funding Requirements.** Once the analysis is complete, it is important to understand how much is being spent to maintain the stormwater management system in its present form. Often, the true cost of stormwater management for a municipality is split between many departments' budgets. Then, forecast what the expenses might be in the future, perhaps even assuming more frequent and intense storm events and tighter regulations.

After the desired level of service and revenue needed has been established, it is possible to determine the rate to be paid by each property owner, based on an understandable and transparent procedure. There are many possible rate structures to consider based on community characteristics and aspects of the stormwater program that generate the most cost to the community. The majority of SEF's use impervious surface area as the basis for setting rates with credits offered for on-site stormwater management facilities and other factors.

- 5. Craft legislation.** Finally, bylaws are developed and, with appropriate community consultation to gain stakeholder support, brought into force. A system for billing property owners, and for management of the fund, must of course be developed.

More and more New England communities are considering SEF's to provide a stable, equitable funding source to pay for stormwater infrastructure. One key to successfully moving forward with an SEF is education. Describing the SEF's similarities to other enterprise funds helps, as people are already accustomed to paying for their drinking water supply and wastewater treatment services. Our experience is that if property owners are consulted and informed of the need for a contribution to manage stormwater, they are quite willing to pay their share.



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