

Financing Sandstone's Storm Water Management with a Storm Water Utility

The Financing Dilemma

The cost of constructing, operating, and maintaining Sandstone's storm water facilities continues to increase along with other municipal costs. In fact, the storm drainage system is often the last and most expensive public utility for cities to develop.

Traditional methods of financing storm water improvements have become more complex in recent years. Faced with increasing costs and continuous pressure to minimize property taxes, cities may lack the financial resources to undertake a multi-year storm water management program.

City general funds and special assessments have typically financed most of the necessary improvements in the past. Consequently, many communities lack the proper funding to address the increasing costs related to storm water drainage, water quality management, and wetland protection.

Service charges, which have been used by communities to finance sanitary sewer and water systems, are now being applied to storm water management. The utility approach is gaining recognition as the most equitable way to finance storm water management activities while allowing for development. A storm water utility has been the answer to the financial needs of the equation for many communities.

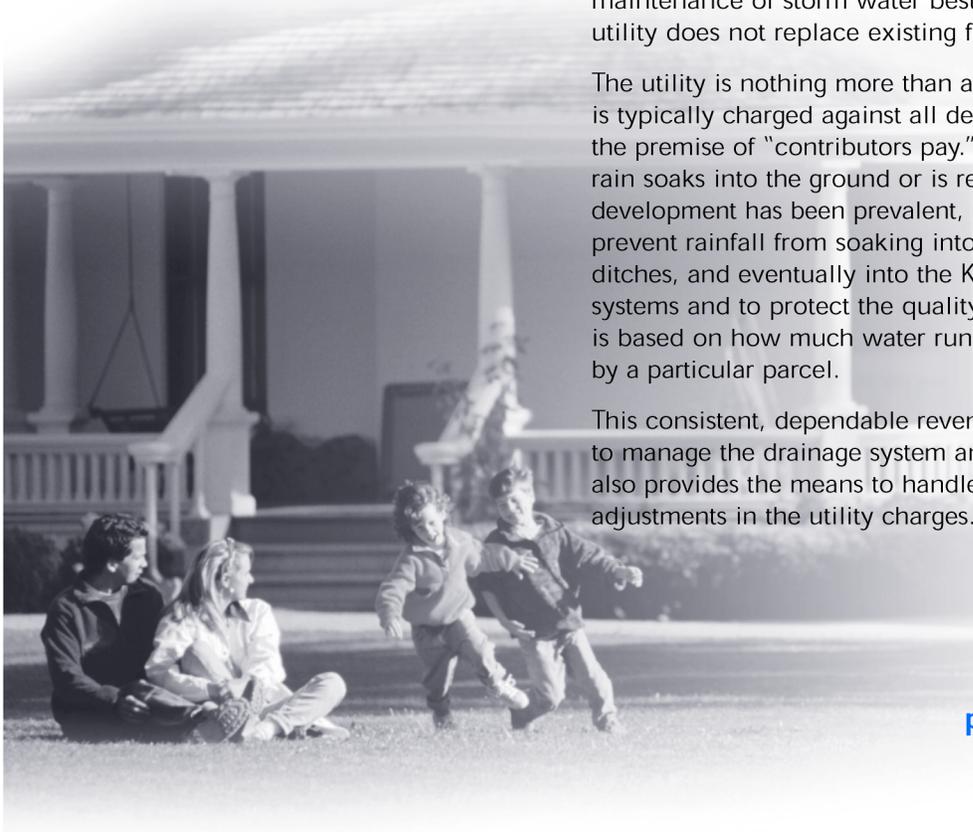
What is a Storm Water Utility?

Let's start with what the utility is not. The utility is not a new level of government, nor is the utility a new tax. A storm water utility is simply a method of financing the administration, planning, implementation, and maintenance of storm water best management practices (BMPs). This utility does not replace existing funding sources – it complements them.

The utility is nothing more than a service charge or fee. The utility fee is typically charged against all developed parcels within a city based on the premise of "contributors pay." Where land is in a natural state, most rain soaks into the ground or is retained in small depressions. Where development has been prevalent, rooftops, driveways, and parking lots prevent rainfall from soaking into the ground. The rain runs off into streets, ditches, and eventually into the Kettle River, creating the need for drainage systems and to protect the quality of our water resources. Therefore, the fee is based on how much water runoff and/or pollutant load is contributed by a particular parcel.

This consistent, dependable revenue source provides a dedicated fund to manage the drainage system and water quality improvements. A utility also provides the means to handle the increasing costs through small adjustments in the utility charges.

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How Will the Utility Benefit the Community?

The utility benefits the community by providing a dedicated fund for storm water management activities. Benefits associated with storm water management include:

- Manage water quality and flood issues
- Water quality improvements
- Drainage system construction and maintenance
- Erosion and sediment control
- Community education
- Wetland protection
- Improved fish, wildlife, and recreation opportunities

Local Flooding Problems

The City of Sandstone has experienced flooding problems in several areas of the city. The photos below show some of the problem areas from the last year's flooding. A Storm Water Utility could be used to generate funds to design and construct solutions to these problem areas.



Lakeshore flooding near Sandstone, MN



Flooding at Sandstone City Park



Street flooding in Sandstone, MN

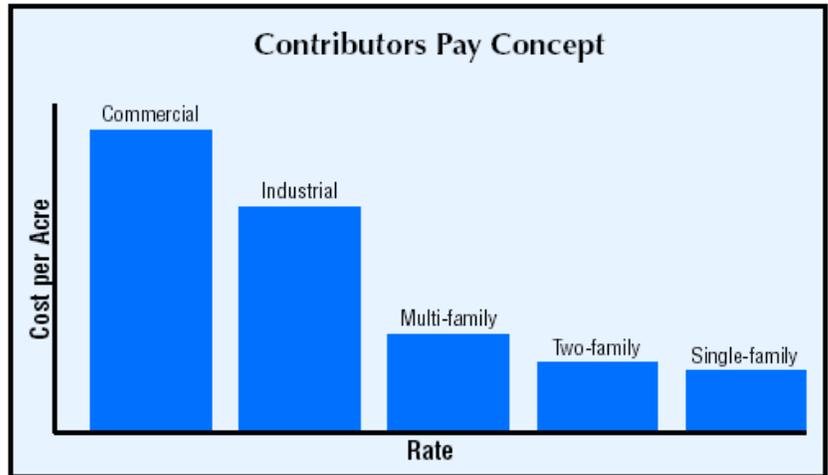


Flooding of garages and sheds in Sandstone, MN

Photos courtesy of Patty McQuiston, Pine County Courier

Rate Structure

The utility approach is based on the concept "contributors pay." The rate structure is based on land use type, density, parcel size, and the amount of runoff and/or pollution load contributed by a particular parcel.



Storm Water Utility Advantages

Fair

- Charges are based on amount of runoff rather than on property value.

Dependable

- Self financing – does not compete with other governmental agencies for general revenues.
- Provides consistent funding and is easily projected.
- Revenues are kept in separate, dedicated funds.
- Can be used for debt services on revenue bonds.

Simple and Flexible

- Similar to water and sewer charges.
- Adaptable to existing billing systems.
- Credits, exemptions, and appeals are designed into the system.

Acceptable

- No increase in property taxes.
- Utilities are in use around the country.