



Policy Briefing Summary

Borough Council and Mayor

RE: Stormwater Budget and Revenue Plan; Stormwater Pollutant Impact Fee

Date Presented:	30 May 2019
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Proposed Date of Action:	Spring 2019

Action Forcing Event Initiating Borough Council Action/Review

The Borough of Greencastle has created a Stormwater Utility to operate its stormwater and Municipal Separate Storm Sewer System functions. The utility is an enterprise fund and must have its own revenue plan and be self-sustaining. Expenses for the utility have begun in 2019 and will continue to escalate annually.

Background Information

In 2016 the Borough was notified that it is a Municipal Separate Storm Sewer System (MS4). The MS4 program administered by the Department of Environmental Protection (DEP) requires that MS4's be permitted every 5 years and further engage in sediment reduction activities from an approved menu of projects. All projects to reduce the required amount of sediment must be completed within the permit cycle years. MS4 communities must also implement minimum control measures as part of the program. The majority of minimum control measures and DEP approved projects (Best Management Practices) are expense items.

Additionally, the Borough owns and maintains thousands of linear feet of stormwater infrastructure to mitigate flooding during rain events. From time to time the Borough performs expansions to the existing stormwater infrastructure as a government provided service to the community. These functions will be supported by the Stormwater Utility.

The Borough is one of the first few communities to become an MS4 in Franklin County even though the program has been around since the early 1990s. The program is designed to reduce sediment from stormwater runoff to improve downstream areas and ultimately, in the Borough's case, the Chesapeake Bay. The program is a political hot button causing alarm from some who lack the desire to receive another government imposed fee.

The state and federal government do not provide steady funding to support the activities of the Stormwater Utility or MS4 program. To compensate for the lack of government funding communities have flexibility to impose a fee with a structure that it deems appropriate as long as it complies with state and federal case law. The Borough's Administration and Finance Committee has recommended to the Borough Council that all property owners be assessed a fee for 83% of each 100 square feet of impervious area on the property rounded to the nearest dollar. The Committee has also advised staff that it desires to set a fee that can support the utility fully without having to go back and increase rates in the near future.

The mapping of impervious area for each parcel in the Borough has been audited by the Borough Engineer, Frederick Seibert & Associates, and subsequently certified as they report the data to be accurate within 7% and 10% at the 85th percentile. Billing for 83% of 100 sq. ft. of impervious area is a prudent step to compensate for any inaccuracies within the mapping.

The methodologies used in the parcel mapping have been affirmed by the Borough Engineer and Borough Solicitor for engineering and legal defensibility.

Analysis

The majority of the Stormwater Utility expenses are going to comprise of human capital and permit required projects. Comparatively, human capital is going to be easier to predict than project expenses over the course of multiple permit cycles. Permit cycles are 5 years in length with the next two permits being complete in 2028. The difficulty of estimating a 10 year budget cannot be understated as they become very theoretical after 5 years losing staff preferred accuracy after 3 years. However, the importance of setting an initial revenue plan at the onset of the program, 2019, is vitally important so that the community does not experience dramatic rate increases when beginning the second permit cycle in 2022. The Borough must anticipate the costs of the current permit cycle as well as the future permit cycle in order to set in place a revenue plan that allows the community contributions to remain consistent.

The largest part of the initial permit cycle is the project in 2021 with a combined costs of \$631,300. This is a stream restoration project and the budget numbers are based on estimates provided by the Borough Engineer, Frederick Seibert, & Associates.

The next largest costs are the initiation of a debt service schedule for a stormwater infrastructure project currently being vetted by the Public Facilities Committee previously given a "good faith" vote by the Borough Council in 2017. This project has been earmarked as a priority due to consistent flooding in the Orchard Neighborhood and S. Linden Avenue. Final approval of the project is expected in 2019. The debt service schedule is an estimate from PFM, an International financial consultant with offices in Harrisburg, PA and significant experience in government lending and bond issuance having previous experience with the Borough of Greencastle and Greencastle Area, Franklin County, Water Authority. The estimate is based on current interest rates as a function of the WSJ prime.

The third largest costs are human capital including existing and future additions. The costs breaks down current administrative staff and public works at a percentage of their salary and insurance costs. The percentage of costs attributed to the Stormwater Utility are 15% for the Manager and Assistant Manager, 10% for remaining administrative staff, and 25% for Public Works. New staff adds a professional staff member who will work across multiple domains including stormwater. The budget for

this member, wages and healthcare, is \$30,000 from the stormwater fund. Remaining costs for this employee, if approved, will come from other funds such as General and Sewer. All staff costs are escalated at 20% per annum based on previous history with the Borough of Greencastle. Staff members are typically given a general wage increase from 1-4% per annum and healthcare continues to increase 10% or more annually. The Centers for Medicare and Medicaid Services projects healthcare to increase 5% per year for the next 5 years. Borough of Greencastle health insurance claim history makes 5% unattainable at present time.

All escalations in the proposed budget do not include a discount rate to calculate the future value of money adjusting for inflation.

The out years of the proposed budget, years 2023 and beyond are difficult to predict some of which has been outlined above. However, the Borough must be prepared to fund similar projects as the first permit cycle in the next permit cycle. As evidenced in the first permit cycle, costs will be significant despite difficulty to predict.

The proposed budget assumes the major project in the next permit cycle will be \$723,709.00 based on estimates from the Borough Engineer, Frederick Seibert & Associates. The second permit cycle will again require a 10% reduction in sediment from stormwater runoff which will be more difficult to achieve than the first 10%. This estimate includes engineering, permitting, and construction. The plan is to engage in another joint stream restoration project with Antrim Township to repair an unnamed tributary that is a Borough outfall. Completing a joint project allows for a savings on engineering, bidding, and equipment mobilization. The project is estimated to begin in 2025 giving it two years to be completed before the permit expires and renews.

The proposed budget also budgets for the stormwater fee credit program which is currently being built. The budget assumes \$20,000.00 in credits will be issued annually which is approximately 3% of the annual need to support the next two permit cycles. If \$20,000.00 of credits is not issued annually than the balance can go towards supporting any shortages that may arise or paying down debt service early generating a savings from borrowing. Changes or appeals in the mapping resulting in a lessening of a parcel impervious area will also come from the budgeted \$20,000.00. The Borough will annually have to review expenses from this line item and changes in total impervious area to see if revenue demands are being met. If not being met an increase in rates may be necessary.

Lastly, the proposed budget puts in place an annual contribution to the Stormwater Utility reserve fund. Government is not in the business of profiting but the cash budget does allow itself to spend the entire budget giving a cash balance insufficient to support itself if there are any overages. The proposed budget gives \$25,000.00 annually to a capital reserve fund. This budget number is 3% of the annual revenue generated.

In order to support the above outlined budget the Borough would need to raise **\$630,000.00 per annum** putting the community in the position to support the projected costs of the next two permit cycles or 7 years. With the outlined assumptions the carrying cash in the second permit cycle in 2027, assuming full budget spend, will be \$16,628.35.

The costs per 100 square feet of impervious area works out to be \$5.36.

Recommendation

For the reasons outlined within I recommend that the Borough Council adopt a resolution instituting a Stormwater Pollutant Impact Fee in the amount of \$5.36 per 100 square feet of impervious area billed at 83% of the mapped impervious area. The Stormwater Pollutant Impact Fee shall apply to all developed properties within the Borough of Greencastle billed quarterly. The 2019 fees should be paid out in the remainder of billing cycles in 2019 to support the previously approved Stormwater Utility Budget.¹

The Administration and Finance Committee have approved the recommendation that is the subject of this briefing.

Attachments

Stormwater Utility Long Range Expense and Revenue Budget
Parcel Mapping Data and Fee Assessment (Excel Sheet)

¹ Borough Council Meeting Minutes 04-01-2019