

Stormwater Utility Credits: Background Information for Agawam, Massachusetts



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Introduction

Properties can generate stormwater and have impacts on receiving waters and community infrastructure at different levels. These impacts are mostly related to the amount of impervious surface (e.g. roofs and parking areas) on the property and the effectiveness of any stormwater best management practices (BMPs) installed on the property to help control runoff. When establishing a stormwater management user fee, the fee structure may take into account these variations and the cost of service for stormwater management by allowing credits.

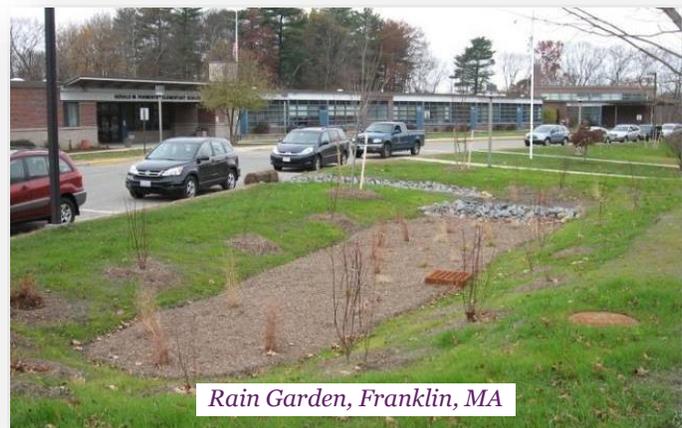
A stormwater credit can be defined as an ongoing reduction in a property's calculated user fee that is given for some rational and legal reason, typically related to private investment for a public good. Under the Massachusetts enabling legislation for stormwater utilities (Section 16 of Chapter 83 of the General Laws), the Town is allowed to *"grant credits against the amount of the quarterly or annual charge to those property owners who maintain on-site functioning retention/detention basins or other filtration structures as approved by the stormwater utility, conservation commission, or other governmental entity with appropriate authority."* Credit systems may be developed to encourage property owners to properly maintain their existing facilities or to undertake "retrofits" of uncontrolled stormwater runoff to help reduce the burden placed on the public system.

In establishing a stormwater management user fee, a rate methodology is developed and applied to each property, similar to other utilities. The fees support the revenue needs to maintain the stormwater management system and mitigate environmental impacts. Modification factors can be applied to a basic rate structure and used to distribute the cost of these services according to a town's historical development pattern, changes in building policies over time, and stormwater needs. A *credit* is a modification factor and is an ongoing reduction in a property's calculated stormwater fee that is given for:

- ▶ On-going activities on the property that reduce the impacts on the stormwater system; and
- ▶ On-going activities on the property that reduce a town's cost of service.

Generally, stormwater credits are granted both to increase equity and to provide incentives to implement an overall community stormwater management plan. Credits typically do not have significant total revenue reduction potential, but can make a significant difference to individual rate payers. For example, a typical total annual revenue reduction amount is three to five percent. However, credits can make a financial difference to property owners with large impervious areas as it provides an opportunity to mitigate a portion of their fee.

Stormwater programs vary considerably in the amount of the user fees that they make eligible for crediting. The amount of a fee that is eligible for credits might be seen as the relative "generosity" of the credit. There are rational reasons supporting a broad range of considerations. The extent or generosity of the credit should include consideration of which stormwater program costs can actually be reduced by the qualifying activities for which users can receive credits. For instance, while a business may reduce its impact on the stormwater system through installing and maintaining a detention pond,



Rain Garden, Franklin, MA

the utility may not credit the business for its entire bill. Reasons for this might include the fact that a detention pond does not reduce all of the impacts of the property (i.e. runoff is still generated during significant storm events) and the reality that there are some fixed program costs that remain regardless of individual actions.

It is important to note the difference between the terms “credit” and “offset” or “incentive”. A credit is an annual reduction in the user fee as long as the recipient applies for and continues to properly maintain the stormwater management controls. Offsets and incentives are generally a one-time reduction in stormwater management costs (i.e. reimbursement for a rain barrel).

Types of Credits

The types of credits most often given by utilities can be grouped into the following categories, which have varying levels of complexity:

- ▶ Retention or detention:
 - ▶ Reduce peak flow and control the rate at which the runoff volume enters the drainage system.
 - ▶ Structures must meet a town’s design and performance criteria.
 - ▶ Graduated credits can be offered for those structures meeting standards.

 - ▶ Water Quality BMPs or “Green Infrastructure”:
 - ▶ Reduce polluted runoff; supports a town’s NPDES permit requirements, and provide an incentive for being “good” or “green”.
 - ▶ Structures must meet a town’s design and performance criteria.
 - ▶ Graduated credits can be offered for different levels of treatment.
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Bioretention Cell, South Portland, ME
- ▶ Non-structural BMPs Services or activities that help reduce the quantity and improve the quality of:
 - ▶ Stormwater runoff in lieu of constructing stormwater management infrastructure; examples include maintaining a site-specific NPDES permit for stormwater; pollution prevention activities; and good housekeeping programs (i.e. parking lot sweeping).
 - ▶ Supports municipal compliance with NPPDES permit requirements and reduces pollution.
 - ▶ Commonly used to reduce fees for school systems or non-profits that have limited funds and are not used to paying utility fees but can provide measureable program support.
 - ▶ Tracking, administration, and enforcement can be cumbersome and time-consuming and opportunities for cost savings are often limited.

 - ▶ LID or Green Subdivision Residential Credit
 - ▶ Reduces pollution and meets NPPDES permit requirements.
 - ▶ Rewards low impact design, smart growth, and smart home purchases.
 - ▶ Each property within a designated subdivision would get the same discount.

Where credits are offered to residential properties or properties with relatively small amounts of total impervious area (i.e., less than 3000 square feet), they tend to fall under one of the following categories:

- ▶ Credits offered to entire subdivisions to reward specific green building practices.
- ▶ Credits provided to entire subdivisions with onsite treatment and maintenance.
- ▶ Credits offered to individual properties under a program without onsite verification (i.e., information submitted by a property owner is the basis for the credit calculation without any on-site verification by the town to minimize administrative costs).

Extent of Credits

Stormwater management utility fees use a variety of approaches for setting user fee credits, not only varying the types of credits they offer, but also varying the amount or percentage of the user fee that is eligible for credits. There are no hard and fast rules on how much credit should be given. It is a balanced consideration of many factors, and is done differently from one utility to another. Just as in water and sewer rate making where there is no requirement that the rate be reduced to zero, there is no such requirement in stormwater management. And there may be good reasons not to reduce the charge to zero, having to do with:

1. The inability to reduce the discharge of stormwater, and thus “use” of the public stormwater system, to zero;
2. The multiple impacts of development including volume increase, peak increase, and water quality impacts;
3. The use of the stormwater program made by every downstream property protected by the imposition of controls on all upstream parcels; and
4. The shared runoff impacts realized through the construction of roadways and other public hard surfaces whose impact and benefit can be properly distributed across the rate base.

The extent of the credit should consider which stormwater program costs can or should be reduced by the qualifying activities. A property owner can reduce the impact on the stormwater system by installing a stormwater management practice (e.g., detention pond), but they should still pay for the stormwater program’s fixed costs such as system maintenance, NPDES permit compliance, administration and public education. Most towns cap credits, but some choose to offer a 100% credit for designs that exceed the normal criteria and seek to reduce their stormwater runoff impact to zero. These are rare and are typically handled on a case by case basis.

Receiving Credits

Credits are usually granted only upon the approval of a credit application by the town. Requirements for applying for credits vary widely, but typically request that the property owner provide the following information:

1. Property parcel number and address;
2. Description of the facility or activity for which the credit is requested
3. Confirmation that the qualifying infrastructure or service is operating as designed and is being properly maintained
4. A map or sketch showing the location of the facility on-site and showing the drainage area being treated; and
5. An agreement that the owner will allow a right-of-entry for periodic inspection.

Many communities charge an application fee to cover the cost of the review and verification process typically range from \$20-\$100. A community could elect to return the application fee upon approval of the credit application, and perhaps encourage greater participation in the credit program.

Upon approval of a credit system, many stormwater management utilities develop a credit manual and application process that sets forth the criteria and process for obtaining credits. The credit manual details the procedure, policy, and process used to determine the fee reduction and how that is applied to the stormwater fee that a property owner pays.