

CITY COUNCIL COMMUNICATION FORM

FROM: Kelly Romero-Heaney, Water Resources Manager
Jon Snyder, Public Works Director

THROUGH: Gary Suiter, City Manager

DATE: April 13, 2021

ITEM: Stormwater Utility & Fee Analysis – Update

<input checked="" type="checkbox"/>	DIRECTION
<input checked="" type="checkbox"/>	INFORMATION
<input type="checkbox"/>	ORDINANCE
<input type="checkbox"/>	MOTION
<input type="checkbox"/>	RESOLUTION
<input type="checkbox"/>	PROCLAMATION

I. REQUEST/ISSUE & BACKGROUND INFORMATION:

The City of Steamboat Springs is responsible for conveying storm drainage across its community in a way that protects roads and infrastructure, that minimizes flooding, and that preserves the health of its rivers and streams. Proper stormwater conveyance provides transportation, environmental health, and public safety services that must be sustained across the oscillations of general fund revenue. Providing these services can be costly and it is common for cities and towns in Colorado to finance these expenses through a user fee-based stormwater utility. Due to aging infrastructure, a changing regulatory environment, and community priorities related to watershed health, the increasing costs of stormwater management is a strain on the General Fund and the Capital Projects Fund. A sustainable funding mechanism to support all aspects of stormwater management by the City is warranted.

At its January 12th, 2021 meeting, City Council directed staff to evaluate the feasibility of a new stormwater utility to cover the expanding costs of drainage maintenance and construction, water quality protection, and regulatory compliance. In response, Staff has convened an internal Stormwater Utility Planning Team, drafted a Stormwater Utility & Fee Analysis work plan and consultant scope of work, and developed a tentative timeline as follows:

Action	When
Stormwater Utility Planning Team Kick-Off Meeting	Completed March 11 th , 2021
City Council Update	TONIGHT – April 13 th , 2021
Issue Consultant RFP	July 8 th , 2021
Select Contractor	Sept. 9 th , 2021
Adopt Budget Supplemental for Contractor (2-readings)	Early Oct., 2021
Kick-Off Stormwater User Fee Analysis & Public Engagement Strategy	Oct. 2021
Finalize Stormwater User Fee Analysis & Recommendations	April 2022
City Ordinance Adoption (2-readings)	May 2022
Create Stormwater Utility Budget & Administrative Structure	May – July, 2022
Implement Stormwater Utility & Collect Fees	January 2023

The creation of a user fee-based stormwater utility for the City of Steamboat Springs is by no means a foregone conclusion. Instead, staff recommends hiring an engineering and financial consultant team that specializes in stormwater user fee analyses to evaluate stormwater program gaps and opportunities to fill those gaps through the legally available revenue-generating mechanisms. The following objectives will likely be included a consultant's scope of work:

- 1) Define existing stormwater program and identify gaps;
- 2) Define Objectives & Priorities for a Steamboat Springs Stormwater Utility;
- 3) Evaluate projected stormwater costs & revenue demands based upon the 2013 Stormwater Master Plan, updated construction costs, City budgets, and an analysis of service gaps;
- 4) Educate City Council and Staff about the purpose, mechanisms, and structure of various stormwater utilities and guide public outreach to ensure an inclusive and transparent process;
- 5) Define and select rates and their associated structures;
- 6) Define structure and administration for the Stormwater Utility, including temporary and permanent staff needs (e.g. billing clerks and financial staff);
- 7) Generate Final Report & Recommendations for City Council.

With guidance from the consultant team, City Staff will conduct public outreach and engagement to ensure that the social impacts and benefits of a new stormwater utility are integrated into the analysis and final recommendations.

Staff will also engage City Council periodically throughout the process to ensure that its vision, goals, and priorities are being adequately addressed.

II. SUMMARY AND ALTERNATIVES:

Staff would like Council's feedback on whether or not to proceed with the creation of a stormwater utility.

III. STAFF RECOMMENDATION:

Should Council wish to proceed, the next steps are to issue an RFP for a consultant and appropriate the funding for the study. Staff recommends waiting until fall to make a funding determination. Staff encourages any further feedback Council may have.

IV. FISCAL IMPACT:

A Stormwater Utility & Fee Analysis conducted by an engineering/financial consulting firm will cost between \$50-100k. This could be included within staff's 2022 budget proposal, or, should Council wish to proceed sooner, it could be appropriated via a supplemental to the 2021 Budget. Note that a stormwater utility could generate on the order of \$1-2 million annually to maintain drainage infrastructure, water quality, and regulatory compliance, and thereby free up an equivalent amount of money in the General Fund and Capital Projects Fund.

V. LEGAL ISSUES:

Utilities established on a "Fee-for-Service" basis are commonly used by Colorado municipalities. City Council may enact a fee and stormwater utility by ordinance. A stormwater utility would qualify as an enterprise under TABOR, and therefore would not be subject to TABOR's revenue, spending, and bonding limitations. Water utilities are recognized by statute as exempt from TABOR, but the City should also explicitly designate the utility as an enterprise in its enabling ordinance.

(C.R.S. 37-45.1-102(3); C.R.S. 37-45.1-103(1)).

VI. CONFLICTS OR ENVIRONMENTAL ISSUES:

There are no conflicts or environmental issues specifically pertaining to this agenda item. However, there are substantial environmental benefits associated with water quality and air quality stemming from a sustainably funded and well-run stormwater utility.

VII. CONSISTENCY WITH COUNCIL GOALS AND POLICIES:

Fiscal Sustainability: Focus on diversification of city revenues; regular monitoring of revenues and expenses; maintenance of quality of life including attainable housing; economic development, including broadband infrastructure, business retention, expansion, and recruitment; and dedicated funding mechanisms.

ATTACHMENTS:

Attachment #1 – Staff Presentation