

Stormwater Management Financing Case Study Union, Ohio

Union, Ohio

Union is a small city in Southwest Ohio that is fifteen miles north of Dayton. The city is a predominantly residential community with approximately 6,400 residents. The community's proximity to Dayton and its low cost of living have made it a fast-growing community where 40-60 new homes are being built each year. Union has no income taxes, lower than average property taxes, and low utility rates that are made possible by the city's small, efficient government system. Union has the smallest number of city employees of any city of its size in Ohio.

Stormwater Management History

Union's city manager John Applegate first presented the idea of a stormwater utility fee to the City Council after he read an article that was presented at the National Mayors Conference in 1985 by an Ohio engineering firm, Jones and Henry. He knew that the city could not pay for all of the needed stormwater system improvements using the city's existing budget. Union's stormwater system was historically funded using unspent money in the city's street budget but there was often no money left at the end of the year for stormwater system maintenance and repairs so the system deteriorated until it was in critical condition. In 1987, a storm washed out an important road in the community and the idea of starting a stormwater utility fee to fund the maintenance and repair of the storm drain system was presented to the City Council and to the public. No one objected to the new charge because everyone in the small community had suffered the effects of the failing stormwater system and seen the damage stormwater had done to their community. The City Council passed Ordinance 794 quickly and the City of Union became one of the only cities in Ohio with a stormwater utility fee.

Stormwater Program Organization and Responsibilities

The stormwater program is organized under the city Department of Public Works and the department's seven hourly employees perform most of the stormwater program's responsibilities. The public works employees are mainly responsible for the operation and maintenance of the city's storm drain system but they also work on capital improvement projects and new storm drain construction. The employees clean out the catch basins twice a year and have completed several large projects since 1987 to correct problems in the old storm drain system and increase its capacity to handle new development. The stormwater program does not have a water quality component at this time but will likely to add water quality to its responsibilities when the city applies for its Phase II NPDES permit.

Rate Structure

Union considered two types of fee systems; a system based on the number of square feet of impervious area on each property and a three-tiered system of flat rates based on property type.

The impervious area- based rate system was judged to be too labor intensive for the small city’s staff to implement so the city chose to use flat rates for residential, commercial, and industrial properties. Union city officials observed that the city was 95-96 percent residential and most lots had similar amounts of impervious area so the flat fee system was determined to be the most appropriate rate structure for their situation. The three-tiered rate structure of Union’s stormwater utility fee currently charges its residential customers \$3 a month, its commercial customers \$6 a month, and its industrial customers \$9 a month. The bills are sent out with the city water and sewer bills monthly. The stormwater utility fee rate structure has no credits or exemptions.

Table 1: City of Union Stormwater Utility Rate Structure

Property Classification	Stormwater Charge
Residential	\$3.00 per month
Commercial	\$6.00 per month
Industrial	\$9.00 per month

Basis for Charges

The stormwater charges are based on a cost assessment that was done during the research phase of the utility project that took into account current and future operation and maintenance costs, capital improvements, staffing, and other budget considerations. The cost assessment results indicated that the community would require \$4 or \$5 a month from its residential customers but the charge was reduced to \$3 by the city council in order to make the charge more acceptable to the public. The council planned to leave the rate low until residents saw the benefits of the improved stormwater system and then raise the rates at a later date to fund additional improvements. The rate has not increased since the fee’s inception in 1987 but the rates may increase soon in order to fund water quality programs required by Phase II of the EPA’s NPDES permit requirements.

Utility Budget

Stormwater fees produce around \$72,000 each year in revenue. The city’s estimated budget for stormwater service for the year 2000 is \$75,300 (See Table 2). The revenue generated by the stormwater utility fees does not cover the costs of large capital improvement projects but it is used to back bonds and supplement grant funding received from the state. The stormwater utility budget currently allocates approximately \$12,600 from its budget to match grant funds and \$10,600 as debt service. The City of Union’s stormwater program is currently receiving assistance from two Ohio Issue II grants that total approximately \$98,000 for major infrastructure construction projects. The grant money will fund the replacement of two culverts that frequently back up and cause street flooding. Union does not have any impact fees levied on new development but requires developers to make any necessary improvements to the storm drain systems that the development will use in order to receive approval for the plans.

Table 2: City of Union Stormwater Utility Budget

Expenses	Amount Budgeted
Personnel	\$35,047
Maintenance and Materials	\$8,950
Debt Service	\$8,695
Rentals (Including a portion of the lease payments on drain cleaning equipment used by water, sewer, and stormwater)	\$8,048
Land and Improvements	\$7,160
Professional and Contract Services	\$5,000
Miscellaneous	\$2,400
Total	\$75,300

Public Education

The City of Union does not have an active public education program. The city's population is small and the city's boundaries only encompass an area of about four square miles so the improvements that the stormwater utility fee has made possible are readily apparent to the small community. The City of Union initially had a public education program to educate its residents and prepare them for the new charges that would appear on their water and sewer bills but the program ended shortly after the stormwater utility began charging residents for stormwater services.