

Credit Study - Executive Summary

Introduction

The Southeast Metro Stormwater Authority (SEMSWA) Board is considering the possibility of offering SEMSWA customers credits, a policy-based component of the rate structure that would reduce the user fees some properties pay. This memorandum presents an analysis of the credits for the Board's review and recommendations for credits to be analyzed further in the next phase of the project.

Background

The "rate structure" of a public utility is the framework that describes how much each parcel pays. One component of a rate structure is a rate modifier, of which credits are one type. A credit is an ongoing reduction in a property's calculated stormwater fee that is given for:

- 1) On-going activities on the property that reduce demand on the stormwater system;
- 2) On-going activities on the property that reduce the utility's cost of service.

Generally, stormwater credits are granted to enhance equity or to provide incentives to implement an overall community stormwater management plan.

Credit Types

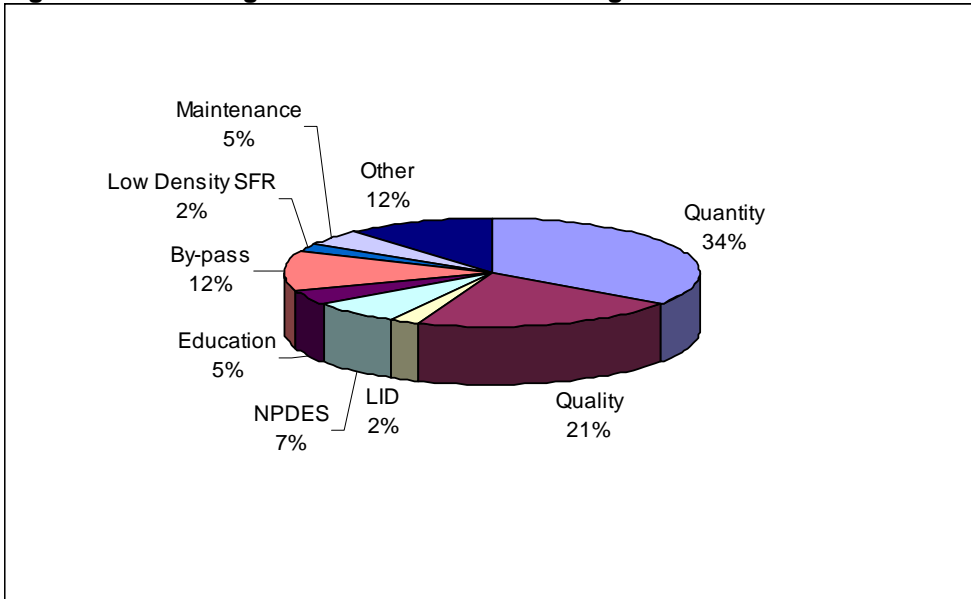
The credits analyzed in this memorandum are:

- **Quantity Credit:** offered as one time offset and/or annual credit to properties that exceed peak and volume control requirements on a parcel or a regional basis.
- **Quality Credit:** offered as one time offset and/or annual credit to properties that exceed water quality treatment requirements on a parcel or a regional basis.
- **LID Credit:** offered as one time offset and/or annual credit to developments that exceed low impact development standards.
- **NPDES Credit:** offered as an annual credit to properties that maintain and are compliant with an NPDES permit.
- **Education Credit:** offered as an annual credit to educational institutions that conduct stormwater education for students.
- **By-Pass Credit:** offered as an annual credit to properties that by-pass the stormwater system and directly discharge into surface waters.
- **Low Density Single Family Residential Credit:** offered as an annual credit to properties that place reduced impact on the stormwater system because of the way in which they were developed.
- **Self-Maintenance Credit:** offered as an annual credit to properties that maintain their own stormwater system that SEMSWA would otherwise maintain.

Survey Summary

A review of the Colorado stormwater utilities as well as those in surrounding states was conducted to determine whether the utilities had credits and if so, what type of credits were offered. A total of 45 utilities were contacted, either through phone, email, or website search; 13% of Colorado utilities and 43% of all utilities surveyed offered at least one form of credit. Figure 1 shows the breakdown of the type of credits offered. In some instances a utility offers more than one credit.

Figure 1. Percentage of Utilities with Credit Programs that Offer Particular Credits



Recommendation

Based on the analysis of several potential credit options, it is recommended that SEMSWA choose 1-2 one time credits (offsets) and 3-4 annual credits. Part 2 of this study will analyze the selected options further and make a recommendation of which credits to implement. More specifically, Part 2 of this study will identify:

1. What types of properties would be eligible.
2. General qualification requirements, particularly what could qualify as “exceeding standards” for credits such as the water quality and quantity credits and for the LID credits, based on the Arapahoe County, City of Centennial, UDFCD, and Cherry Creek Basin Water Quality, Drainage Criteria Manuals, water quality sections, and other related requirements for new development.
3. Budgetary level estimate of potential hard dollar savings and/or general benefits to SEMSWA from creditable activities (e.g. maintenance, construction, etc.) based on which of SEMSWA’s cost drivers would be affected by the creditable activity.
4. Analysis concerning the degree to which the creditable activity would or would not result in cost savings and/or general benefits to SEMSWA rather than shift the revenue burden to other rate payers.
5. Potential revenue impact of the credit (approximate).
6. Potential administrative costs (approximate).
7. Detailed pros and cons.

The credits recommended for further analysis are:

- Self Maintenance
- LID
- Low Density Residential
- Quantity/ Quality
- Education

It is assumed that the results of the assessment of the Quantity credit will be closely related to or directly transferable to the Quality credit. Low Density SFR has already been assessed and it is recommended that the results of the assessment be presented in the quantitative analysis for comparison with the other recommended credits.