



## IN BRIEF

### BENEATH THE SURFACE

A Primer on Stormwater Fees in New Orleans

February 2017

#### Why This Report Matters

Few would question the idea that flood protection is a top public priority in New Orleans. But despite massive investments in this arena, the public faces large new costs. Most of these costs are in the form of local matches for federal projects or new maintenance costs generated by those projects, and most of them fall to the Sewerage & Water Board of New Orleans (S&WB). In addition, both the S&WB and the City have significant unmet maintenance needs for the pre-existing drainage systems. In total, the S&WB says about \$55 million per year will be needed to meet impending obligations and properly maintain the Board's and the City's stormwater management systems. This would nearly double local spending on the systems.

With the large new cost burdens in mind, the S&WB and City are considering whether to pursue stormwater fees, rather than new property taxes, as a means of raising the additional revenue.

*Beneath the Surface* delves into stormwater fees. The report compares stormwater fees to property taxes, analyzes various types of fee structures, describes potential exemptions and credits against the fees, explores the legal parameters for imposing stormwater fees, and investigates the issues surrounding their implementation in New Orleans. The purpose is to provide a clear understanding of how stormwater fees work and to begin the discussion of their potential to bridge the funding gap.

#### Key Findings

- Stormwater fees are rapidly growing in usage across the country. Stormwater utilities employ a variety of fee structures, ranging from the simplistic to the complex. Most stormwater utilities either bill customers monthly on water bills or annually on property tax bills.
- If properly structured, a stormwater fee has numerous advantages over a new property tax, including a broader payer base.
- A properly structured fee will create a strong nexus between the demands a property places on the drainage system and the amount of the fee. The stronger the nexus, the greater the incentive for a property owner to take measures to reduce runoff.
- Under state law, the City Council, Board of Liquidation, City Debt, and voters would need to approve a stormwater fee. The City's home rule charter separately provides the City Council with the legal authority to impose a fee, but the charter's language is unclear as to whether voter approval would be needed to impose a stormwater fee.

#### Recommendations

*Beneath the Surface* does not attempt to verify the estimates of new drainage funding needs from the S&WB and City. However, it is clear that some level of new funding will be necessary. Given the advantages of a stormwater fee over a new property tax, BGR recommends that the S&WB and City consider a stormwater fee as a potential source for drainage system funding.

To craft a stormwater fee that is fair to residents and benefits the entire drainage system, the S&WB and City officials should:

- Ensure the accuracy of the system's financial requirements and clearly justify all proposed expenditures.
- Pursue a fee structure that accurately measures the demands properties place on the drainage system. Rule out crude approaches such as Flat Per-Parcel Fees and the Gross Area method. Avoid the highly complex Runoff Factor approach.
- Tightly limit the number and types of properties that are exempt from stormwater fees. To maintain a broad base of ratepayers, there should be a clear justification for exemptions to any properties.
- Narrow any incentive-based credit programs to those that encourage stormwater management practices that are applicable to New Orleans and that create significant, quantifiable runoff reductions.
- Place the stormwater fee on annual property tax bills, with billing expanded to include properties exempt from ad valorem taxation. This imposes the cost of the fee on property owners, the primary beneficiaries of flood protection, and allows for the maximum impact of incentives to reduce runoff.

Finally, the City Council should pursue a charter change clarifying the authority of, and process for, the City and S&WB to impose fees and service charges.

Read the full report at [www.bgr.org](http://www.bgr.org).