

# City of Fishers Stormwater Fee Analysis



June 28, 2018



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Scott Fadness, Mayor  
City of Fishers  
1 Municipal Drive  
Fishers, Indiana 46038

Dear Mayor Fadness:

Policy Analytics is pleased to present the attached analysis containing unaudited and limited financial information for the purposes of discussion and decision-making for a proposed series of projects and adjustment in stormwater utility user fees. Policy Analytics was previously engaged by the City of Fishers to undertake a *Demand Forecasting and Fiscal Sustainability Analysis* which detailed the projected growth in the City of Fishers population and demand for services. In 2018, Policy Analytics responded to a request from the City of Fishers to evaluate stormwater utility fees in light of future operating and capital needs.

Policy Analytics reviewed the Stormwater Utility's capital plan and analyzed the operating expenditures, revenues and balances of the utility to understand the resources available for near term service delivery and capital investment.

Policy Analytics would appreciate any comments or questions that you or your staff might have and will be pleased to provide additional information at your request.

Very truly yours,

A handwritten signature in black ink, appearing to read "William J. Sheldrake". The signature is fluid and cursive, with a prominent initial 'W'.

William J. Sheldrake, President  
Policy Analytics, LLC

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# 1 Fishers Stormwater Fee Overview

## Fishers Stormwater Utility

The Fishers Town Council established a Stormwater Utility in 2007. The purpose of the utility is to fund six minimum control measures as required by State and Federal regulations:

- Public participation and involvement
- Public education and outreach
- Illicit discharge detection and elimination
- Pollution prevention and good housekeeping
- Construction site runoff control
- Post construction runoff control

The utility also funds the following local projects:

- Storm sewer maintenance
- City right-of-way drainage improvements
- Stormwater quality projects

## Stormwater Fee Structure

The Stormwater fee is levied on the basis of the impervious (non-porous) surface area of a property. Stormwater fees are applied on the basis of the “Equivalent Residential Unit” (ERU) which is defined by the City as 3,318 square feet of impervious surface area. The stormwater utility fee was initially set at 4.95 per month per ERU and has not been subsequently modified.

Each single family residential housing unit is charged for one ERU. Non-residential properties are charged on the basis of actual impermeable area at a monthly rate of \$4.95 per every 3,318 square feet. Unimproved properties, condos and very small properties are charged on the basis of a pro-rated ERU. The Fishers stormwater fee schedule is summarized in Figure 1.

**Figure 1: Fishers Stormwater Fee Schedule**

Classification	Monthly Fee	Annual Fee	Applicability
Residential Improved	\$4.95	\$59.40	Per parcel
Non Residential improved	\$4.95	\$59.40	Per Equivalent Residential Unit (ERU)
Condominium	\$2.97	\$35.64	Per residential unit
Unimproved	\$1.65	\$19.80	Per parcel
Small Non-Residential	\$1.65	\$19.80	Per parcel

### Stormwater Fee Revenue

Based on information provided by the City, Fishers collects stormwater fee revenue from over \$3.3 million in annual stormwater fee revenue from approximately 34,000 stormwater customers. Residential properties (including condominiums) comprise approximately 50% of the overall revenue base, with the remainder coming from commercial, industrial and institutional uses.

Because Fishers' stormwater management operation is a utility, stormwater fees apply to both traditionally taxable and tax exempt properties.

The characteristics of the Stormwater revenue base are summarized in Figure 2.

Figure 2: Fishers Stormwater Revenue Profile

Account Type	Parcel Count	Deeded Acres	Impervious Area (SqFt)	Number of ERU's	Monthly Fee per ERU	Annual Revenues	Pct. of Total
Small Non-Residential	159	140	85,019	26	\$1.65	\$3,148	0.1%
Non Residential Improved	1,510	5,776	90,365,076	27,235	\$4.95	\$1,617,747	48.1%
General Residential	26,762	8,117	-	26,762	\$4.95	\$1,589,663	47.3%
Condos	2,338	30	-	1,403	\$2.97	\$83,326	2.5%
Unimproved	3,431	5,239	18,690	6	\$1.65	\$67,934	2.0%
Non-Billed	106	884	3,594,841	1,083		-	0.0%
<b>Grand Total</b>	<b>34,306</b>	<b>20,187</b>	<b>94,063,626</b>	<b>56,514</b>		<b>\$3,361,818</b>	

Note: Residential and condo accounts are assessed stormwater fees on a standardized basis of one ERU. Estimates of impervious surface area were not made available for these accounts.

Figure 3: Fishers Stormwater Account Classifications

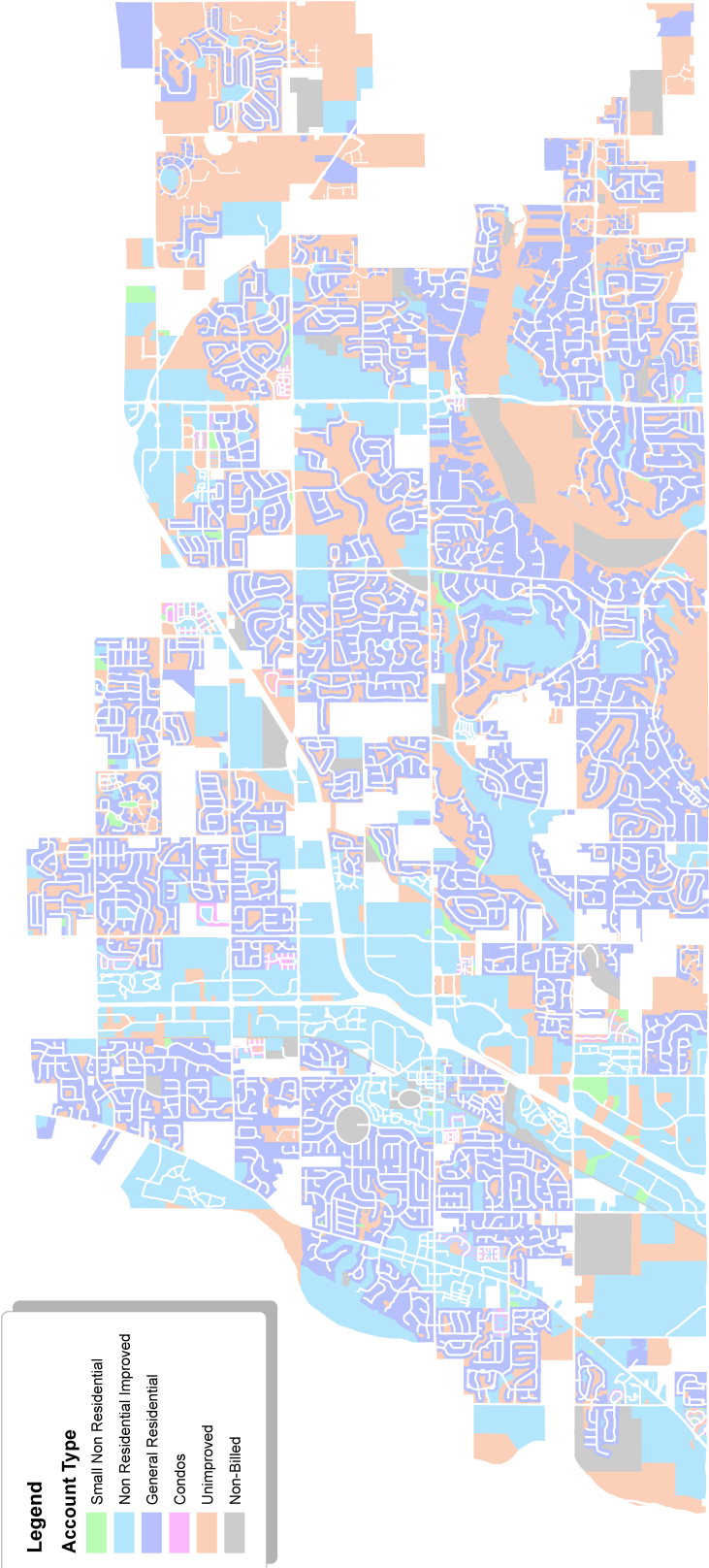
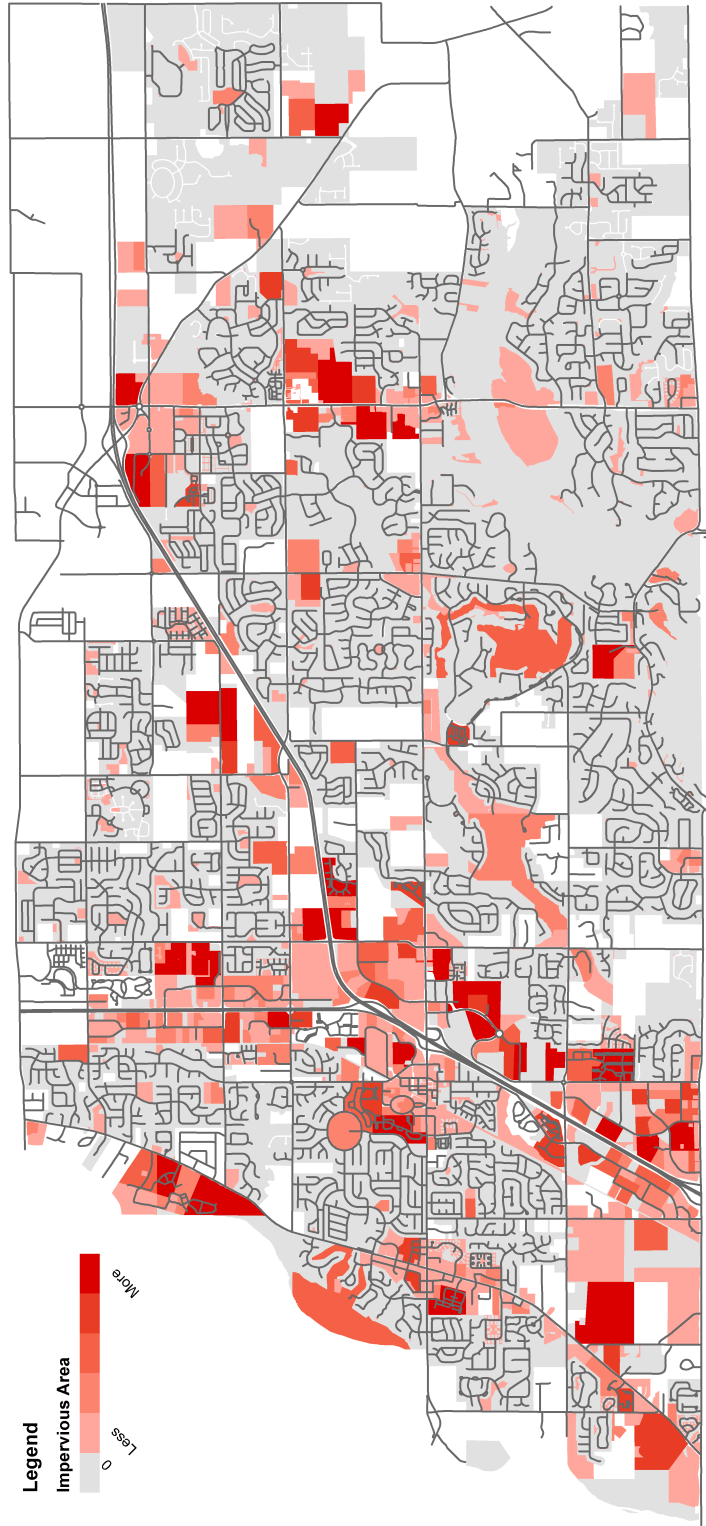


Figure 4: Non-Residential Impervious Area within Fishers



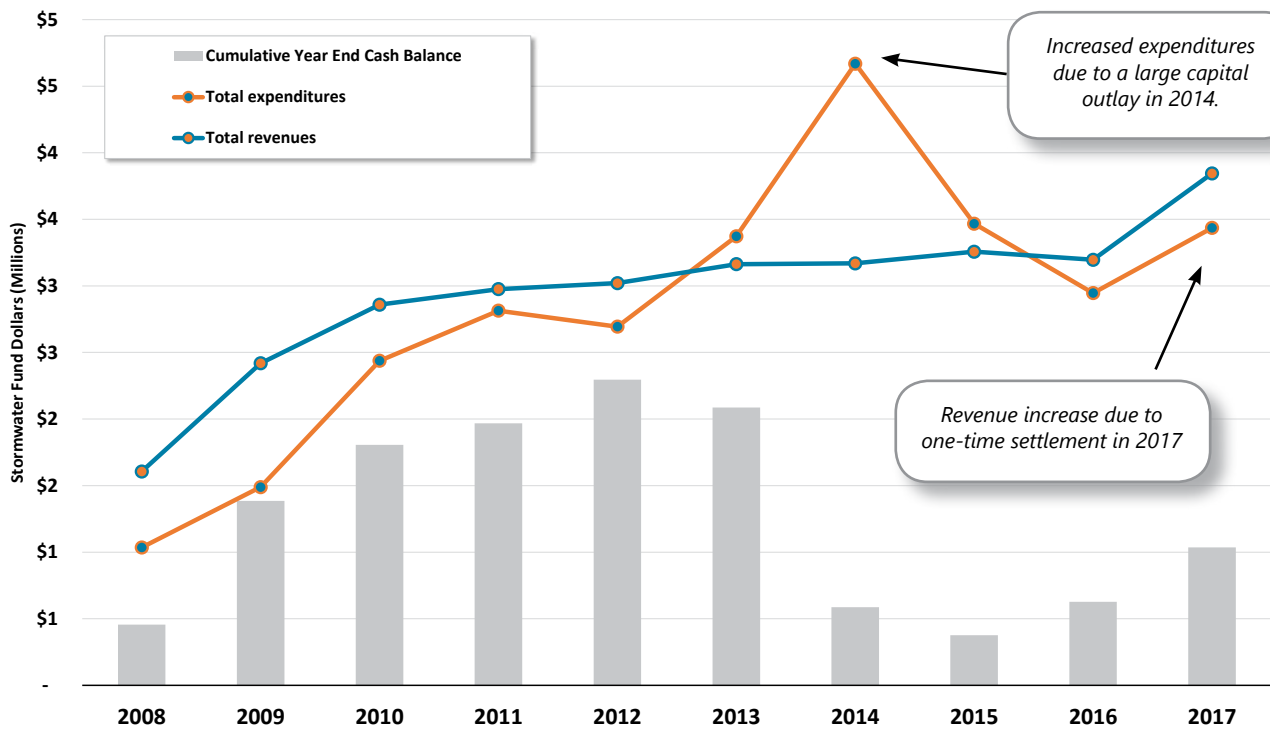
# 2 Stormwater Financial Analysis

## Historical Financial Overview

The Fishers Stormwater Utility generated \$1.5 million in user fee revenue in 2008, its first full year of existence. Since 2010, stormwater fee revenue has increased at an average annual rate of 2.2%. The stormwater fund also receives miscellaneous revenues from inspection and violation fees. However, user fees have comprised 95% of total stormwater fund revenues since 2008.

Expenditures consist of personnel, supplies, contracted services and capital projects. Total stormwater expenditures have increased at an average rate of 5% between 2010 and 2017. In 2014, funds were expended for significant capital projects, depleting the stormwater fund cash balance to less than \$400,000.

Figure 5: Fishers Stormwater Revenue and Expense History





**Stormwater Fund Projection**

A long-term projection of revenues and expenditures was created to evaluate the sufficiency of the current wastewater fee structure. The stormwater fee revenue projection was based on Policy Analytics’ Demand Forecast and Fiscal Sustainability Analysis completed in 2014 for the City of Fishers. Salary and benefits expenditures were projected to increase by 4% annually and all other stormwater expenditures were projected to increase by 2% annually.

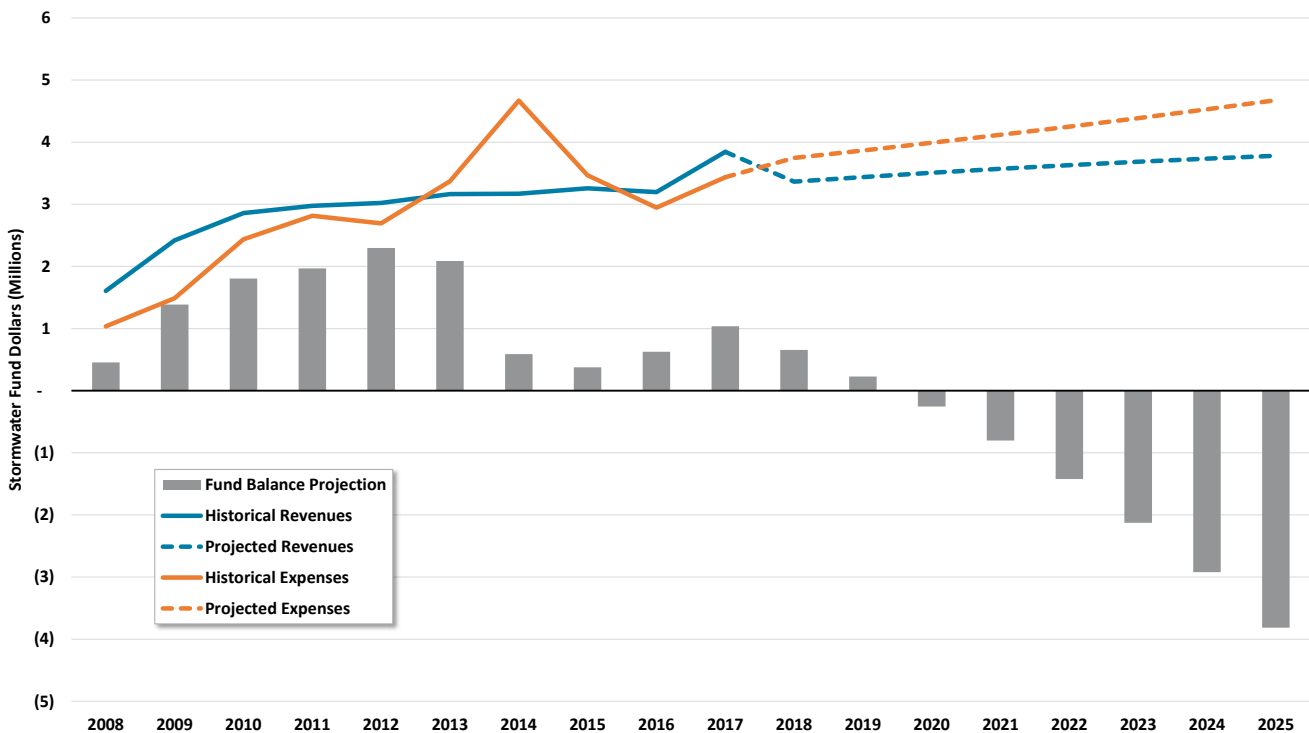
The stormwater financial projection assumed capital maintenance funding at historical programmatic levels.

However, the forecast does not project revenues at levels sufficient to fund Fishers’ anticipated capital improvement plan.

The long term projection shows that stormwater expenditures will exceed revenues beginning in 2019. From that point forward, the rate of change in expenditures exceeds the projected revenue growth rate throughout the term of the forecast. Given the stated assumptions, the stormwater fund balance is projected to be exhausted by 2024.

The long-term financial forecast demonstrates that a stormwater fee increase will be required to maintain the solvency of the stormwater utility and to fund future anticipated capital projects.

**Figure 6: Long Term Stormwater Financial Projection**



# 3 Stormwater Fee Methodology

## Overview

Three stormwater fee scenarios were developed for the purpose of this analysis, which support varying levels of capital infrastructure investment:

- **Scenario 1: Break Even Scenario** - This scenario estimates the stormwater fee required to offset the projected structural deficit in the stormwater fund. This scenario does not include additional funding for Fishers’ proposed stormwater capital improvement program.
- **Scenario 2: Stormwater Capital Plan** - This scenario assumes the funding of Fishers’ proposed stormwater improvement plan.
- **Scenario 3: Airport Detention Project** - This scenario assumes the funding of Fishers’ full capital plan plus a possible proposed underground stormwater detention project at the Indianapolis Metropolitan Airport.

The stormwater fee scenarios were designed to sustainably fund the stormwater utility over a five year period between 2019 to 2023. Per the City’s direction, the scenarios assume no changes to the stormwater fee structure, or to the defined size of a standard ERU.

## Budgetary Projections

Each of the three scenarios are based on a single budgetary expenditure projection. The “Test Year,” from which changes are evaluated is defined as the 2018 calendar year. Adjustments to the test year, equal to 50% of the five-year projected change in budgetary expenditures, were applied to determine revenues necessary to sufficiently fund the utility over the five-year term of the fee analysis.

**Figure 7: Stormwater Budgetary Projections**  
*Dollars in Thousands*

	Test Year		Projection				End Year 2023	Change 18 to 23	Adjustment 50% of Change
	2018	2019	2020	2021	2022	2023			
<b>EXPENDITURES:</b>									
Personal Services	\$2,079.5	\$2,162.7	\$2,249.2	\$2,339.2	\$2,432.7	\$2,530.0	\$367.4	\$183.7	
Supplies	267.8	273.1	278.6	284.2	289.9	295.6	22.5	11.3	
Services	886.0	903.7	921.8	940.2	959.0	978.2	74.5	37.2	
Capital Outlay	67.0	189.7	193.5	197.4	201.3	205.4	15.6	7.8	
<b>Total expenditures</b>	<b>\$3,300.3</b>	<b>\$3,529.3</b>	<b>\$3,643.1</b>	<b>\$3,761.0</b>	<b>\$3,883.0</b>	<b>\$4,009.3</b>	<b>\$480.0</b>	<b>\$240.0</b>	

### Capital Improvement Plan

The planned projects and estimated expenditures for Fishers' stormwater capital improvement plan were provided by the City of Fishers. The capital improvement plan is summarized in Figure 8, and is detailed in Appendix A. The stormwater capital improvement plan is comprised of projects totaling \$8.3 million (2018 dollars), designed to address drainage, maintenance, equipment and other water quality issues.

The capital projects were grouped into two categories: cash funded projects and bond funded projects. Projects with relatively short expected life cycles were included in the cash funded projects category. For the purposes of the rate analysis, it was assumed that the cash funded projects would be completed over a five year timespan. A 2% annual cost escalator was applied to capital costs in this category.

Projects with long expected life cycles were grouped into the bond funded category. The annual debt service requirement was estimated for this category assuming a 20 year bond at an interest rate of 4%.

In addition to the capital improvement plan, Scenario 3 models an investment in a \$5.7 million underground stormwater retention project at the Indianapolis Metropolitan Airport. This capital option is not included in Scenario 1 or Scenario 2.

**Figure 8: Stormwater Capital Improvement Plan**

<b>Project Category</b>	<b>Cost</b>
<b>Cash Funded Projects (Scenarios 2 and 3)</b>	
Drainage	\$1,330,809
Maintenance	\$58,000
Equipment	\$150,000
Study	\$246,500
<b>Total</b>	<b>\$1,785,309</b>
<i>5 Year Average*</i>	<i>\$379,065</i>
<b>Bond Funded Projects (Scenario 2 and 3)</b>	
Redevelopment	\$2,000,000
Drainage	\$4,570,216
<b>Total</b>	<b>\$6,570,216</b>
<i>Estimated Annual Debt Svc.</i>	<i>\$483,448</i>
<b>Total Capital Plan Costs</b>	
<i>Avg. Annual Cash Funded</i>	<i>\$379,065</i>
<i>Est. Annual Debt Svc</i>	<i>\$483,448</i>
<b>Potential Airport Underground Retention</b>	
Stormwater Retention	\$5,670,000
<b>Total</b>	<b>\$5,670,000</b>
<i>Est. Debt Svc.</i>	<i>\$417,209</i>

**Scenario Outcomes**

The user fee outcomes of the three modeled scenarios are illustrated in Figure 9. Detailed schedules for each scenario are included on pages 11 through 13 of the report.

The analysis finds that a user fee increase of \$0.44 per ERU per month is required to sustainably fund the stormwater utility over the next five years, without consideration for additional capital programming (Scenario 1).

A user fee increase of \$1.71 per ERU per month is required to sustainably fund the stormwater utility, and fund the stormwater capital improvement plan (excluding the Airport detention project) as proposed (Scenario 2).

Finally, a user fee increase of \$2.32 per ERU per month is required to fund the full capital plan plus the Airport stormwater detention project. A full listing of the stormwater user fee by property class for each scenario is shown in Figure 13.

**Figure 9: Stormwater User Fee Scenario Outcomes**

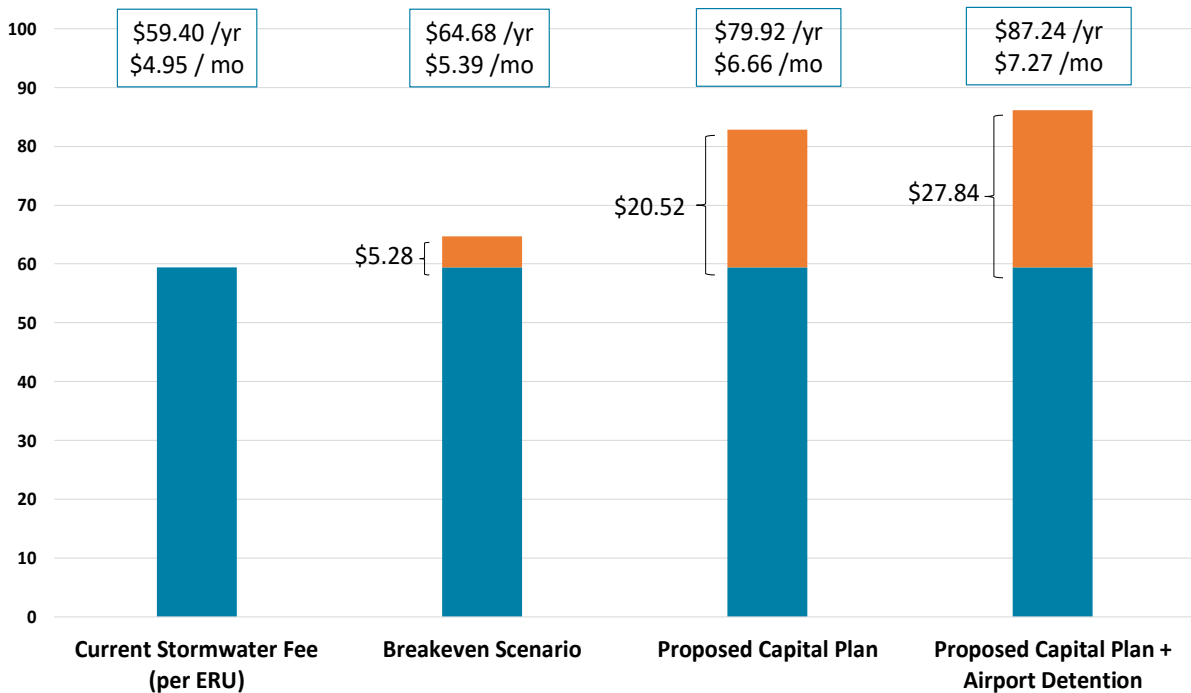


Figure 10: Scenario 1 - Break Even Scenario

	Test Year (2018)	Adjustments	Adjusted Test Year
<b>Operating Expenses</b>			
Personal services	\$2,079,503	\$183,675	\$2,263,178
Supplies	\$267,778	\$11,257	\$279,035
Other services and charges	\$886,010	\$37,248	\$923,258
<b>Total</b>	<b>\$3,233,291</b>	<b>\$232,181</b>	<b>\$3,465,472</b>
<b>Capital Expenses</b>			
Maintenance (Char. 4)	\$67,000	\$122,729	\$189,729
<b>Total Capital</b>	<b>\$67,000</b>	<b>\$122,729</b>	<b>\$189,729</b>
<b>Total Expenses</b>	<b>\$3,300,291</b>		<b>\$3,655,201</b>
<b>Stormwater Rate (monthly)</b>	<b>\$4.95</b>	<b>\$0.44</b>	<b>\$5.39</b>
<b>Stormwater Rate (annually)</b>	<b>\$59.40</b>	<b>\$5.28</b>	<b>\$64.68</b>
<b>Stormwater Fee Revenues</b>	<b>\$3,294,582</b>	<b>\$366,065</b>	<b>\$3,660,647</b>
<b>Revenue Surplus (Deficit)</b>	<b>(\$5,709)</b>		<b>\$5,446</b>

Five Year Pro Forma

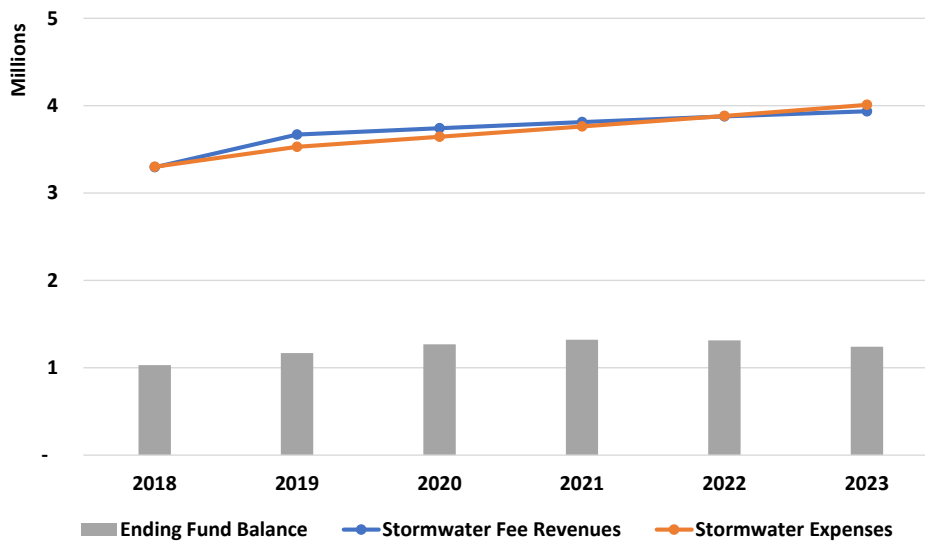


Figure 11: Scenario 2 - Proposed Capital Plan

	Test Year (2018)	Adjustments	Adjusted Test Year
<b>Operating Expenses</b>			
Personal services	\$2,079,503	\$183,675	\$2,263,178
Supplies	\$267,778	\$11,257	\$279,035
Other services and charges	\$886,010	\$37,248	\$923,258
<b>Total</b>	<b>\$3,233,291</b>	<b>\$232,181</b>	<b>\$3,465,472</b>
<b>Capital Expenses</b>			
Maintenance (Char. 4)	\$67,000	\$122,729	\$189,729
Cash Funded Projects	-	\$379,065	\$379,065
Annual Debt Service		\$483,448	\$483,448
<b>Total Capital</b>	<b>\$67,000</b>	<b>\$985,242</b>	<b>\$1,052,242</b>
<b>Total Expenses</b>	<b>\$3,300,291</b>		<b>\$4,517,714</b>
<b>Stormwater Rate (monthly)</b>	<b>\$4.95</b>	<b>\$1.71</b>	<b>\$6.66</b>
<b>Stormwater Rate (annually)</b>	<b>\$59.40</b>	<b>\$20.52</b>	<b>\$79.92</b>
<b>Stormwater Fee Revenues</b>	<b>\$3,294,582</b>	<b>\$1,228,592</b>	<b>\$4,523,174</b>
<b>Revenue Surplus (Deficit)</b>	<b>(\$5,709)</b>		<b>\$5,460</b>

Five Year Pro Forma

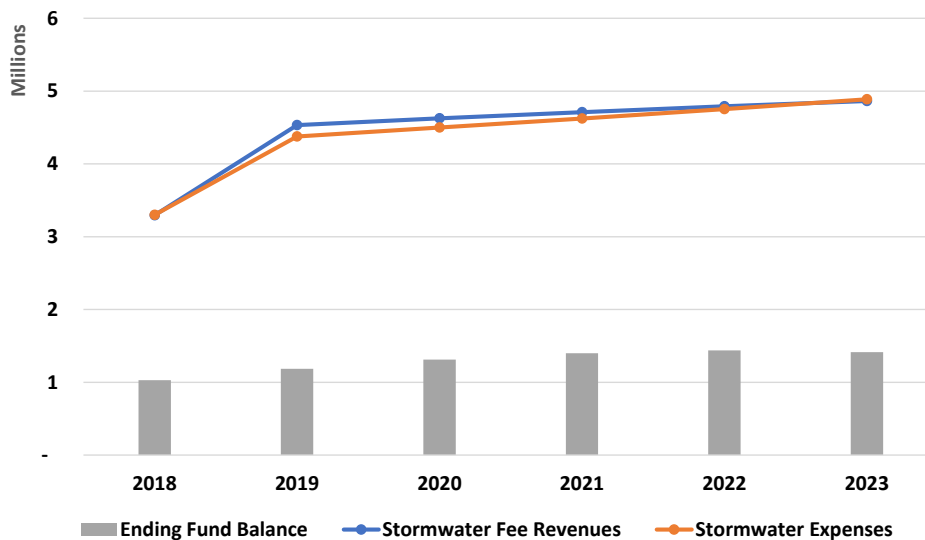


Figure 12: Scenario 3 - Airport Detention Project

	Test Year (2018)	Adjustments	Adjusted Test Year
<b>Operating Expenses</b>			
Personal services	\$2,079,503	\$183,675	\$2,263,178
Supplies	\$267,778	\$11,257	\$279,035
Other services and charges	\$886,010	\$37,248	\$923,258
<b>Total</b>	<b>\$3,233,291</b>	<b>\$232,181</b>	<b>\$3,465,472</b>
<b>Capital Expenses</b>			
Maintenance (Char. 4)	\$67,000	\$122,729	\$189,729
Cash Funded Projects	-	\$379,065	\$379,065
Annual Debt Service		\$900,657	\$900,657
<b>Total Capital</b>	<b>\$67,000</b>	<b>\$1,402,451</b>	<b>\$1,469,451</b>
<b>Total Expenses</b>	<b>\$3,300,291</b>		<b>\$4,934,922</b>
<b>Stormwater Rate (monthly)</b>	<b>\$4.95</b>	<b>\$2.32</b>	<b>\$7.27</b>
<b>Stormwater Rate (annually)</b>	<b>\$59.40</b>	<b>\$27.84</b>	<b>\$87.24</b>
<b>Stormwater Fee Revenues</b>	<b>\$3,294,582</b>	<b>\$1,642,877</b>	<b>\$4,937,459</b>
<b>Revenue Surplus (Deficit)</b>	<b>(\$5,709)</b>		<b>\$2,536</b>

Five Year Pro Forma

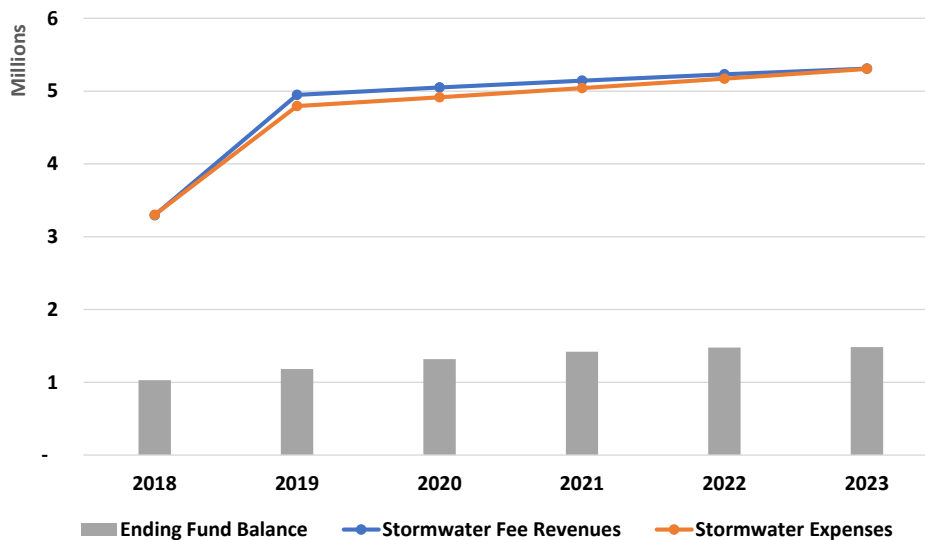


Figure 13: Stormwater User Fees by Scenario and Account Type

Account Type	Current Fee per ERU	Scenario 1	Scenario 2	Scenario 3
		Break Even	Proposed Capital Plan	Airport Detention
Non Residential Improved	\$4.95	\$5.39	\$6.66	\$7.27
General Residential	\$4.95	\$5.39	\$6.66	\$7.27
Condos	\$2.97	\$3.23	\$4.00	\$4.36
Unimproved	\$1.65	\$1.80	\$2.22	\$2.42
Small Non-Residential	\$1.65	\$1.80	\$2.22	\$2.42
Non-Billed	\$0.00	\$0.00	\$0.00	\$0.00



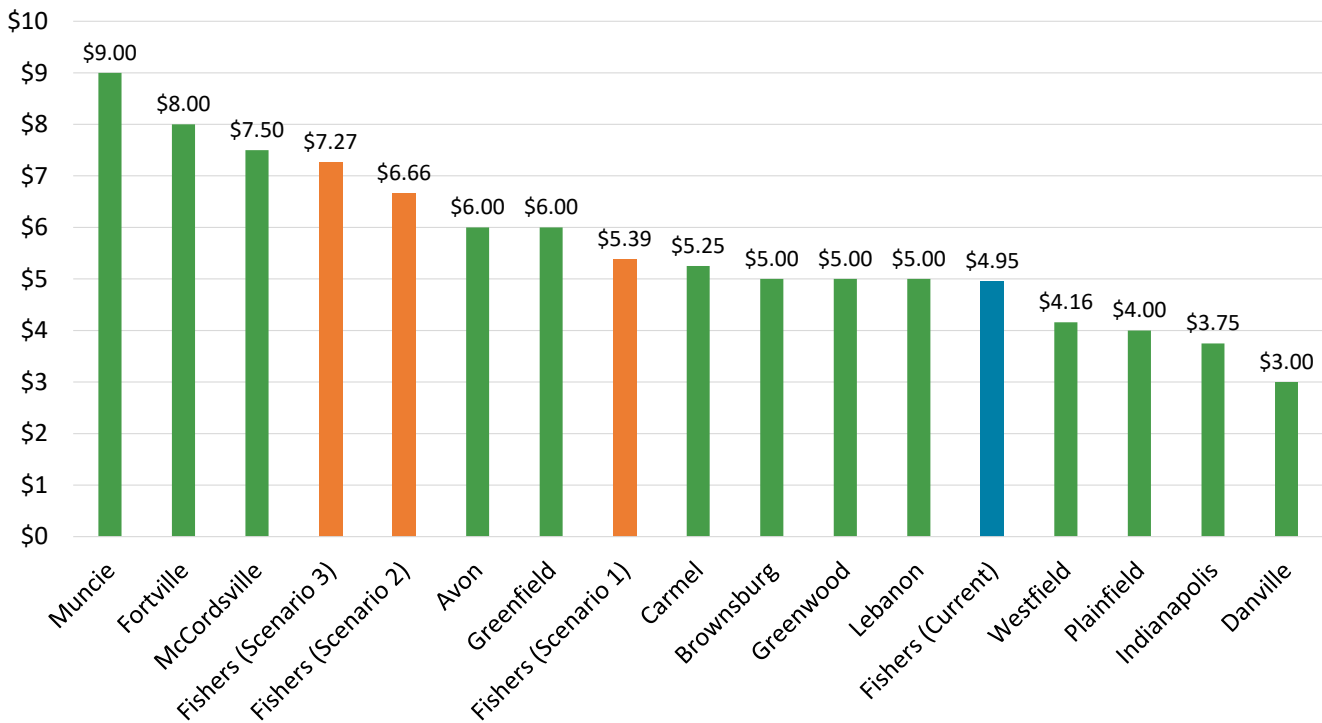
# 4 Implications for Stormwater Customers

## Comparative Stormwater Fees

Stormwater fees established by comparative Indiana communities, ranging from \$3.00 per ERU to \$9.00 per ERU, are illustrated in Figure 14. Fisher’s current stormwater fee is near the low end of the selected municipalities.

The prospective fees for each of the three modeled scenarios rank in the top half of the comparative dataset.

Figure 14: Comparative Stormwater User Fees (per ERU)



**Top Ratepayers**

Figure 15 illustrates the top 25 customers of the Fishers stormwater utility and the potential fee impact under each of the three scenarios modeled for this analysis.

The most impacted fee payers are comprised largely of apartment, distribution, institution and retail uses. The largest single impacted participant is the Hamilton Southeastern School Corporation due to the many locations in which it operates.

The top 25 customers contribute approximately 14% of the overall revenues to the Fishers Stormwater Utility.

**Figure 15: Top 25 Stormwater Customers**

Rank	Name	ERU	Current Stormwater Fee	Scenario 1 Break Even Scenario	Scenario 2 Proposed Capital Plan	Scenario 3 Airport Detention
<b>Stormwater Fee per ERU</b>			<b>\$4.95</b>	<b>\$5.39</b>	<b>\$6.66</b>	<b>\$7.27</b>
1	Hamilton Southeastern Schools	3,088	\$183,447	\$199,754	\$246,820	\$269,427
2	Indianapolis Airport Authority	647	\$38,405	\$41,819	\$51,673	\$56,406
3	Jarden Home Brands	295	\$17,551	\$19,112	\$23,615	\$25,778
4	IKEA Home Furnishings	295	\$17,523	\$19,080	\$23,576	\$25,736
5	Woods of Britton Apartments	287	\$17,046	\$18,562	\$22,935	\$25,036
6	Sunlake Apartments	269	\$16,002	\$17,424	\$21,529	\$23,501
7	Lantern Woods Apartments	214	\$12,690	\$13,818	\$17,074	\$18,637
8	LIT Industrial Limited Partnership	188	\$11,186	\$12,181	\$15,051	\$16,429
9	Fath Conner Farms LLC	177	\$10,520	\$11,455	\$14,155	\$15,451
10	USF Propco I LLC	175	\$10,408	\$11,333	\$14,004	\$15,286
11	Fry's Electronics	175	\$10,406	\$11,331	\$14,001	\$15,283
12	Duke Realty Limited Partnership	174	\$10,333	\$11,251	\$13,903	\$15,176
13	IU Saxony Hospital	174	\$10,309	\$11,225	\$13,870	\$15,141
14	Forum Credit Union	171	\$10,156	\$11,059	\$13,665	\$14,917
15	Conner Prairie	161	\$9,591	\$10,444	\$12,905	\$14,087
16	Target	160	\$9,503	\$10,347	\$12,785	\$13,957
17	St Vincent Hospital	157	\$9,305	\$10,132	\$12,520	\$13,666
18	Sunblest Apartments	156	\$9,282	\$10,107	\$12,488	\$13,632
19	Wellington Place Apartments	155	\$9,203	\$10,021	\$12,382	\$13,516
20	Fishers Station	154	\$9,136	\$9,948	\$12,292	\$13,418
21	Addison Landing	148	\$8,791	\$9,573	\$11,828	\$12,912
22	Roche Diagnostics	145	\$8,606	\$9,371	\$11,579	\$12,640
23	Roman Catholic Diocese	141	\$8,395	\$9,141	\$11,295	\$12,330
24	Bella Vista Apartments	138	\$8,183	\$8,911	\$11,011	\$12,019
25	Eastern Star Church	137	\$8,165	\$8,890	\$10,985	\$11,991

# A Appendix A: Stormwater Capital Improvement Plan

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Category	Project	Estimated Local Cost
<b>Cash Funded Projects</b>		
Drainage	10307 Cumberland Road Storm Sewer Upgrades in Bradford Knoll	\$235,000
Drainage	Allisonville and 106th Street Drainage from Airport Property	180,000
Drainage	Flat Fork Creek Park Outfall Improvements	175,000
Drainage	116th and Hoosier Road Floodplain Improvements Study, Design, Construction	150,000
Equipment	Street Sweeper	150,000
Drainage	Geist Master Plan Vegetative Swale (Fall Creek Road and Carefree Estates)	100,000
Study	Sunblest Farms Drainage Study	90,000
Drainage	136th Street Culvert Improvements at Limestone Springs	80,000
Drainage	96th Street and Cyntheanne Rd. and just north of that intersection (High Water)	80,000
Drainage	Georgia Road North of 96th Street (High Water)	75,000
Drainage	Fishers YMCA Stream/Buffer Restoration Construction	70,809
Study	Reynolds Industrial Park Redevelopment Area Existing Pond Study	50,000
Drainage	Sweet Briar to Britton Ridge Pond Network Modifications/Study	40,000
Study	Mud Creek Floodplain Restudy	30,000
Study	Geist Reservoir Floodplain Restudy (May have been done by DNR)	30,000
Study	Sand Creek Floodplain Restudy	25,000
Drainage	104th Street Pond Issue Near Timberstone	20,000
Drainage	Timberstone/Strongbow Gate Outlet Control Structure/Overflow Route Modifications	20,000
Drainage	126th St. and Atlantic Rd. Damaged Culvert Drainage Issue	20,000
Drainage	Conner Creek Pond Outlet Control Structure Modifications	20,000
Drainage	Wildwood Estates Pond Outlet Control Structure Debris Capture Adjustment	20,000
Drainage	Cherry Hill Pond Outlet Control Structure Modifications	20,000
Maintenance	Hoosier Road South of the S-Curve/Cemetery (High Water)	20,000
Maintenance	121st Street between Cross Road Lane and Blue Springs Lane (High Water)	18,000
Drainage	96th & Masters - West of Intersection at AT&T Manhole (High Water)	15,000
Study	Britton Branch Floodplain Study	15,000
Drainage	10000 block of Crosspoint Blvd (High Water)	10,000
Maintenance	Lantern Road/USA Parkway North of the RAB	10,000
Maintenance	96th Street Inlet/Swale Redesign by Psychic House	10,000
Study	Quaker Ridge Storm Drain/Pipe Study	6,500
<b>Subtotal: Cash Funded Projects</b>		<b>\$1,785,309</b>
<b>Bond Funded Projects</b>		
Redevelopment	116th and Lantern Area Downtown Redevelopment Dual Purpose Facility Areas	\$1,400,000
Drainage	Cumberland Road/106th Street Bridge Replacement	826,462
Drainage	Windermere Drainage Phase III Area B (areas 7,5, 2, 3) Design/Construction	718,342
Redevelopment	Airport Property Dual Purpose Facility Areas	600,000
Drainage	Windermere Drainage Phase IV Area B, C, D (B: 1, 4, 6, 9 and CD) Design/Construction	547,354
Drainage	BLN's Small Structure Survey Projects	504,248
Drainage	106th Street between Shellbourne Road and Hague Road (High Water)	400,000
Drainage	106th Street between Hague Road and Railroad Tracks (High Water)	380,000
Drainage	Prairie Baptist South of Silverleaf Blvd (High Water)	300,000
Drainage	Windermere Drainage Phase V Area B Priority 4 Design/Construction	238,810
Drainage	136th Street West of Prairie Baptist at Mud Creek	200,000
Drainage	97th and 98th Street Continued improvements? ( East Side)	180,000
Drainage	136th Street and Atlantic Road (High Water)	160,000
Drainage	136th Street West of Marilyn Road at Sand Creek Flooding Improvements	100,000
Study	106th and Cheeney Creek Floodplain Improvements Study	15,000
<b>Subtotal: Bond Funded Projects</b>		<b>\$6,570,216</b>
<b>Possible Airport Detention Project</b>		
Redevelopment	Airport Underground Detention Project	\$5,670,000
<b>Grand Total (excluding Airport Detention Project)</b>		<b>\$8,355,525</b>
<b>Grand Total (including Airport Detention Project)</b>		<b>\$14,025,525</b>