



Officers

Hardy B. Fowler
Chairman

Ludovico Feoli
Vice Chairman

J. Storey Charbonnet
Secretary

Norma Grace
Treasurer

Past Chairman
Mark A. Mayer

President & CEO
Amy L. Glovinsky

Board Members

Anne P. Baños
Toya Barnes-Teamer
Nicolas G. Bazan
Kelly R. Brown
Charmaine Caccioppi
Caroline Zetzmann Calhoun
Andrea Chen
Maureen Clary
Leah N. Engelhardt
Joseph S. Exnicios
Louis M. Freeman, Jr.
Alex Gershanik
Hunter G. Hill
H. Merritt Lane, III
Andrew R. Lee
Martin Mayer
Todd McDonald
Jennifer Medbery
Jennifer M. Neil
Anthony Recasner
Melissa Sawyer
Nathalie G. Simon
Slade Simons
Steven W. Usdin
Larry Washington
Dennis Woltering

Honorary Board

Harry J. Blumenthal, Jr.
Edgar L. Chase III
J. Kelly Duncan
Louis M. Freeman
Richard W. Freeman, Jr.
Ronald J. French
David Guidry
Hans B. Jonassen
Diana M. Lewis
Anne M. Milling
R. King Milling
George H. Porter III
Lynes R. Sloss
Sterling Scott Willis

BUREAU OF GOVERNMENTAL RESEARCH

1055 St. Charles Ave, Suite 200
New Orleans, LA 70130
Phone 504-525-4152
www.bgr.org

BGR Media Release

For Immediate Release – Feb. 13, 2017

Contact: Amy L. Glovinsky, *President & CEO*
(504) 525-4152, ext. 107

Do Stormwater Fees Make Sense for New Orleans? BGR Explores Alternative Funding Mechanism

Today BGR releases *Beneath the Surface: A Primer on Stormwater Fees in New Orleans*. With the Sewerage & Water Board and City facing tens of millions of dollars in new drainage costs, the report explores a funding mechanism that is expanding in usage nationwide as an alternative to ad valorem property taxes.

Both the S&WB and the City have significant unmet maintenance needs for the pre-existing drainage systems. In total, the S&WB and City say they need \$54.5 million per year by 2026 in new revenue to meet impending obligations and properly maintain both of their drainage systems. This would nearly double the local annual spending on stormwater management through these entities.

With these 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.

In recent decades, stormwater agencies have increasingly turned to stormwater fees, rather than property taxes alone, to meet stormwater management costs. Today, stormwater fees are in effect in 39 states and almost 1,600 jurisdictions nationwide. New Orleans is not among them, though state law gives municipal drainage systems the authority to impose a stormwater fee.

The absence of stormwater fees in one of the nation's most stormwater-challenged cities becomes more striking in light of the advantages such fees offer. The greatest advantage stormwater fees have over property taxes is the broader base of contributors. A stormwater fee typically extends to properties that are exempt from ad valorem property taxes, such as nonprofit and government-owned properties, allowing the cost burden of stormwater management to be shared more broadly among the beneficiaries of the stormwater system. Ideally, a stormwater fee would be structured to encourage property owners to build in a manner that minimizes runoff. Such a fee would diversify existing revenue sources and provide accuracy and consistency in the fee calculation. It would also allow for a comprehensive funding approach across the entire stormwater management system, including both the S&WB-controlled infrastructure and the thousands of miles of drain pipes under the City's control.

In *Beneath the Surface*, BGR 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.

Beneath the Surface does not attempt to verify the estimates of new stormwater management funding needs from the S&WB and City, and at this point those estimates remain fluid. 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.

BGR President & CEO Amy L. Glovinsky said BGR's report introduces a rational way of paying for substantial new stormwater management costs. "As policymakers plan for the future, it is critical for them to consider smarter strategies," she said. "BGR is pleased to initiate this stormwater fee discussion, which opens the door for an effective and efficient way to generate new dollars for stormwater management."

The report and a one-page summary are available on BGR's website, www.bgr.org.

* * * *

BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information, call 525-4152 or visit BGR's website, www.bgr.org.