

Credit Policy

POLICY INTENT

The Southeast Metro Stormwater Authority (SEMSWA) Board is offering a Credit Program to SEMSWA customers that could reduce the fees some properties pay. The intent of this policy is to provide a mechanism by which developers can reduce their one-time drainage basin fee, referred to as a System Development Fee (SDF), or an existing property owner can receive a credit on their recurring annual stormwater fee, or an existing property owner can apply for technical assistance and grant funds.

STATEMENT OF PURPOSE

The purpose of this document is to establish SEMSWA's Credit Policy. This policy establishes a system of credits within SEMSWA's Service Area for new and existing development. Credits will be offered to provide incentives either to construct improvements that implement a new or enhanced component of the overall stormwater management program, or to take advantage of an existing maintenance program. SEMSWA will utilize three Credit Program options to meet these objectives:

- 1) **SDF Credit**, defined as a one-time reduction in the drainage basin fee resulting from the construction of stream improvements or construction of a regional detention or water quality pond that benefits SEMSWA's stormwater management program. The constructed improvement must be identified in approved Master Plans.
- 2) **Self-Maintenance Annual Credit**, defined as a continuing reduction in the property owner's annual fee for conducting stormwater facility maintenance that would be otherwise performed by SEMSWA. This credit remains in effect as long as the recipient continues to maintain the facility.
- 3) **Grant Program Credit**, defined as a technical assistance and funding program for retrofitting existing facilities. The grant program will use budgeted funds each year to assist property owners with the costs of upgrading stormwater facilities that reduce the demand on and/or enhance the stormwater management program

Definitions of common terms contained in this Policy document are contained in Appendix A.

REFERENCES

Several documents were utilized in preparing this Policy memo, including the following:

- Further Credit Analysis Technical Memo, AMEC, October 25, 2008
- Potential Credits Technical Memo, AMEC, June 11, 2008
- Credit Policies, AMEC, April 15, 2009

These documents are contained in Appendix B.

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BACKGROUND

The rate structure of a public utility is the framework that describes how much each property owner pays. In 2006, SEMSWA established its methodology for calculating stormwater user fees, based on its customers' impact on the stormwater system to discharge runoff (Resolution No.5, Series of 2006 "Adoption of Level of Service and Fix Rates and Rate Structure"). The methodology was identified in order to establish the base for the revenue stream.

One component of a rate structure is a rate modifier, of which credits are one type. SEMSWA staff and its consultant, in conjunction with a Board committee, have evaluated the credits available and have determined that the following credits can be applied for:

- 1) A one-time activity by a new developer that constructs a Regional Master Planned stormwater facility that reduces demand on the stormwater system or reduces SEMSWA's cost of services and exceeds what they are required to do for that development (**SDF Credit**).
- 2) On-going activities on the property that reduce SEMSWA's cost of service (**Self-Maintenance Annual Credit**).
- 3) On-going activities on the property that enhance the water quality of receiving waters, and/or reduces the peak flow impact on the stormwater system via retrofitting of existing facilities (**Grant Program Credit**).

These credits are explained in further detail below. For a complete description of the benefits and costs, pros and cons, barriers to use by developers or existing property owners, and a discussion of the financial impact to SEMSWA revenues from each credit type, please see the referenced documents in Appendix B.

SDF Credit

The major costs to SEMSWA resulting from development are maintenance costs that preserve the capacity of the stormwater system and capital improvements costs that are necessary to increase the capacity of the system to carry increased peak runoff volumes. SDF credits give developers an incentive to build regional facilities that might not otherwise be built, encouraging the over-design of facilities that could help prevent or lessen flooding and channel degradation in the long term. The SDF Credit increases the equity of the rate structure because it recognizes a property's reduced impact on the stormwater system. For example, a new development that completes stream stabilization ahead of development would be eligible for an SDF Credit. However, a new development in an area with adequate regional water quality treatment may not be eligible, since there would be no need for or opportunity to provide treatment for other properties.

Any new development may be eligible for the SDF Credit if its stormwater improvements treat more than their site runoff and the facility fulfills a particular Master Plan-identified quality or quantity need.

SDF Credits up to 100% of the drainage basin fee may be available depending on the criteria met. A developer may receive a credit for the costs of the regional facility as estimated by SEMSWA. The credit amount will be calculated based on the excess capacity created by the regional facility minus the

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costs associated with the required site improvements. Additionally, if the costs of the regional facility exceed the drainage basin fee obligation, the developer may receive a SDF Credit for the entire drainage basin fee and enter into a reimbursement agreement with SEMSWA for the additional costs to construct the facility or improvement not credited to the developer.

Self-Maintenance Annual Credit

Within SEMSWA's Service Area, there are properties with the capability to maintain regional stormwater systems that SEMSWA would otherwise maintain. By maintaining regional facilities, a property owner relieves SEMSWA of the responsibility to use public resources for this portion of the stormwater system. The Self-Maintenance Annual Credit recognizes this effort. For an example, a property may have a formal maintenance program for its infrastructure, including maintaining regional stormwater facilities on their property or a property may maintain an adjoining regional channel as part of its regular landscape maintenance.

To qualify for this credit, a property owner must be able to provide maintenance of regional stormwater facilities that would otherwise be maintained by SEMSWA, maintain the facility per an approved Maintenance Agreement detailing maintenance schedules and other thresholds, responsibilities and formal drainage easements, have a history of such maintenance, and budget to continue this practice into the future.

A Self-Maintenance Annual Credit may not exceed 50% of the annual fee, as the annual fee paid by the property owner covers more than maintenance, and there is no savings on the other services provided by SEMSWA. The credit may not exceed the actual savings as calculated by SEMSWA for SEMSWA to perform the maintenance activities. The credit will be calculated on a case by case basis, and may be reevaluated each year if conditions or situations change. The annual credit will continue as long as the property owner adequately maintains the regional stormwater facility and complies with the approved maintenance plan.

Grant Program Credit

In the City of Centennial and Arapahoe County, water quality capture volume and flow control detention have been required since 2007 for all new development and redevelopment. Current property owners who built stormwater facilities before this requirement and who wish to upgrade their stormwater facilities to meet quantity and quality goals to exceed requirements that existed at the time of their original facility installation, may apply for a Grant Program Credit. The Grant Program Credit will give existing property owners incentive to upgrade their stormwater facilities which may help to lessen flooding and channel degradation in the long term, and will enhance water quality over time. For example, a property owner that treats more than their share of drainage area runoff in addition to their own, resulting in a classification as a sub-regional facility, may be eligible to receive a Grant Program Credit to retrofit an existing facility to exceed water treatment requirements.

Owners of non-single family residential properties who desire to retrofit facilities that would benefit the regional stormwater system may be eligible. A Homeowners Association (HOA) may apply for a grant for facilities that exceed requirements which serve their neighborhood. To qualify for the Grant Program Credit, property owners need to both own an existing stormwater facility that can be

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upgraded to meet SEMSWA's program goals, and must address an existing or future need for detention or water quality treatment. SEMSWA would assist with the project by providing technical assistance during the design phase of the retrofit as well as partially funding the construction.

The Grant Program Credit would use budgeted funds each year to assist property owners with the costs of upgrading stormwater facilities. The funds budgeted will be determined during each budget cycle. Funds will initially be allocated on a first come, first serve basis but may need to be part of a priority system if the need exceeds the grant program funds. SEMSWA will work with the property owner to properly design and construct the stormwater facility and will estimate the cost of the construction of the stormwater facility. The eligible costs and maintenance responsibilities will be established through a Grant Agreement.

CRITERIA

Criteria will be used to guide the Board's consideration of the Executive Director's recommendation for authorizing a credit and the prioritizing of the requests anticipated for the various credits offered.

Criteria to determine what conditions will be acceptable for the credits are as follows:

SDF Credit

Credit for the drainage basin fees may be allowed if one or more of the following applicable conditions are met:

1. The Developer constructs a) a regional or sub-regional (as approved by SEMSWA) detention facility that provides excess capacity in a regional system as required by SEMSWA or b) the developer constructs a regional water quality pond, or c) the developer constructs stream improvements ahead of development that eliminates the need for a future SEMSWA project.
2. The regional facility meets SEMSWA's program goals and addresses an existing or future capacity need.
3. The regional facility serves more than one development or serves an area greater than 160 acres, and the proposed facility is viewed as going above and beyond the quantity or quality requirements of that development.
4. The regional facility provides excess capacity for quantity and/or enhanced quality.
5. The regional facility design includes one or more of the following four steps in addition to capture and treatment of the water quality capture volume (WQCV):
 - a. Reduce runoff volume to the maximum extent practicable.
 - b. Provide WQCV and flood control detention via full-spectrum detention.
 - c. Utilize stream channel stabilization techniques.
 - d. Undertake source control, control illicit discharge, and use best available technologies.
6. The regional facility provides a cost savings by reducing the need for future projects.

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7. The regional facility is designed by a professional engineer and meets SEMSWA's design criteria.
8. The regional facility is approved through the standard SEMSWA procedures.
9. The regional facility area is included in the calculation of the SDF.
10. The regional facility meets SEMSWA design, construction, and maintenance standards in effect at the time of construction.

Self-Maintenance Annual Credit

Credit for self-maintenance of regional facilities may be allowed if one or more of the following conditions are met:

1. The facility must be a regional or sub-regional (as approved by SEMSWA) facility that SEMSWA would otherwise be required to maintain.
2. The property owner must have the means to adequately maintain the stormwater facility.
3. Details for maintaining regional stormwater facilities will be documented in a Maintenance Agreement.
4. Certification that the maintenance activities were completed is required annually.
5. A Right-of-Entry form is completed to allow SEMSWA to perform periodic inspections.

Grant Program Credit

Credit as part of the Grant Program may be allowed if one or more of the following conditions are met:

1. The stormwater facility meets one or more of the following conditions:
 - a. The stormwater facility is being upgraded to include stormwater quality where it was not required at the time of construction.
 - b. The stormwater facility is a regional detention facility that provides excess capacity in a regional system as required by SEMSWA.
 - c. The regional facility meets SEMSWA's program goals and addresses an existing or future capacity need.
 - d. The regional facility serves more than one development or serves an area greater than 160 acres.
 - e. The regional facility is providing excess capacity for quantity and/or enhanced quality.
 - f. The regional facility provides a cost savings to SEMSWA by reducing the need for future projects.
2. The stormwater facility is professionally engineered and meets SEMSWA's design criteria.

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3. The stormwater facility is approved through the standard SEMSWA procedures.
4. The stormwater facility meets design, construction, and maintenance standards in effect at the time of construction.

IMPLEMENTATION PROCEDURES

SEMSWA will require that potentially credit-worthy properties apply for credits through a formal Credit Program Application process (Appendix C). The credit is extended only to properties that apply for and demonstrate that they qualify for credits. This means that property owners must make an investment of time and money in order to obtain credits. The Application process is contained in a separate "Implementation of the SEMSWA Credit Program" document.

In general, the implementation procedure for authorizing credits will include:

- ✓ A completed Credit Application Form
- ✓ A completed Right-of-Entry Form
- ✓ SEMSWA inspection of the property

When all requirements and conditions are met and funding is available, the credit will be authorized upon successful completion of the stormwater improvement project for the one-time SDF Credit, or upon successful completion of the project design for the Grant Program Credit, or upon successful annual inspections of a functioning regional system for the Self-Maintenance Annual Credit.

POLICY EXEMPTIONS/LIMITATIONS

No public or private property shall receive any credits to offset fees for any condition or activity unrelated to SEMSWA's cost of providing stormwater management services.

Credits will not apply to permit review, GESC, application, or other permitting or review fees.

A credit will not be given for required site stormwater facilities that are the property owner's responsibility to maintain.

APPEALS PROCESS

Appeals of credit decisions may be brought to the SEMSWA Board of Directors by sending a formal written Request for Appeal of Stormwater Credit Determination to SEMSWA within ninety (90) days of SEMSWA's initial determination of a credit request. Such appeal shall include all information and data that the appellant relies on in the appellant's appeal. Such appeal shall be referred to the SEMSWA subcommittee delegated the task of initially reviewing such appeals. If such subcommittee determines that there is a basis for the granting of the relief requested, the appeal will be referred to the entire SEMSWA Board of Directors for a public hearing.

If the Board awards an alternate credit determination, adjustment of fees may be made retroactive.

Appendix A: Definitions

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Credits are conditional reductions in the fee assessment to an individual property owner based on the provisions of this Credit Policy.

Development is any change in the use of land that creates additional demand on the stormwater system and need for public facilities.

Detention Facility is a facility constructed for the purpose of mitigating stormwater runoff from a developed site to control the peak discharge rates (normally maintained as a dry basin).

Maintenance is cleaning, spraying, removing obstructions from and making repairs to a drainage facility so that it will perform the functions for which it was designed and constructed. Maintenance expectations are included in the Maintenance Agreement for the facility.

Maintenance Agreement is a legal agreement between the owner of a quantity or quality facility and the regional stormwater agency.

Master Planned is the effort to take into consideration the impacts of urbanization and increased impervious area on a watershed basis.

Regional Facility is a facility that serves several developments, has a tributary area greater than 160 acres and is part of a stormwater system that is master planned for optimization of quality and quality controls.

Requirements are the minimum standards as established by SEMSWA.

Stormwater Facilities are all ditches, channels, conduits, retention/detention systems, swales, sewers, and other natural or artificial means of managing stormwater.

Stormwater Improvements are site improvements and facilities that are planned and designed to provide service for development resulting from a development activity and are necessary for the use and convenience of the occupants or users of development.

Sub-regional Facility is a facility that serves more than 130 acres of tributary area, and may or may not be master planned.

System Development Fees are one-time charges paid by new development to finance the construction of public facilities needed to serve it.

Water Quality Facility is a facility constructed for the purpose of treating stormwater runoff from a developed site.

Technical Assistance is provided to appropriately design or construct a stormwater facility.