



**TOWN OF PALMER LAKE  
BOARD OF TRUSTEES - AGENDA MEMO**

<b>DATE:</b> June 8, 2023	<b>ITEM NO.</b>	<b>SUBJECT:</b> Information to Consider Stormwater Enterprise Fund
<b>Presented by:</b> Town Administrator /Clerk		<b>REVISED</b>

As previously directed by the Board, information is gathered about creating a stormwater enterprise fund.

An enterprise fund is a self-supporting government fund that sells goods and services to the public for a fee. It *may* be used to report any activity for which a fee is charged to external users for goods and services. An enterprise fund *must* be used under the following conditions:

- there is an outstanding debt backed solely by fees and charges;
- laws or regulations require that fees and charges be set to cover costs; or
- there is a pricing policy that fees and charges be set to recover costs.

**Benefits:**

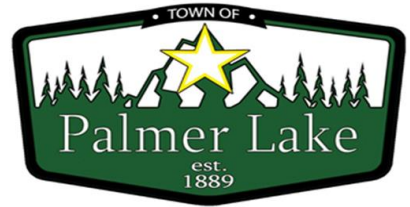
- Total cost is identified (allowing transparency). The operating and capital costs are consolidated, which identifies the total service cost instead of capital separated and accounted for in a different fund.
- Investment earnings and operating surplus are retained in the enterprise fund rather than closed to the GF unassigned fund balance at year end, ensuring that revenues are spent on the enterprise purpose and not on general government costs.
- Enterprise funds have bonding authority – they can take out debt based upon projected revenue from user fees vs. going to a vote of the citizens.
- Funds ensure that stormwater needs have a funding source in the future (allowing sustainability).

**Drawbacks:**

- Enterprise fund revenues cannot be spent on anything else other than the costs related to stormwater.
- Revenues must recover the cost of its services and capital needs; *however*, the fund should build up a reserve to ensure future capital needs can be provided for.

**Rationale for fees:**

To establish initial fund and fees, while funding is explored for approved projects, fees should be sufficient to cover *debt service* and *reserve* requirements for a loan for the project as well as a basic fee to fund *estimated operating and maintenance* of the improvement. An annual review of projects and funding should be conducted with the budget cycle.



In summary, generally, the following steps are taken to establish such fund:

- Conduct analysis to determine that revenues would support the stormwater expenses
- Board of Trustees adopt an Ordinance approving the creation of the stormwater enterprise fund
- Establish the fund through the regular budget cycle, including establishment of fees and notification to all customers

Pursuant to the Master Drainage Plan for Stormwater Improvements (May 2022):

#### D. OTHER FINANCIAL CONSIDERATIONS

We recommend the Town consider establishing a stormwater enterprise or stormwater account within the Town's annual budget. Revenue for the stormwater enterprise would be generated by implementing a stormwater user fee on a monthly basis to each unit user with the Town similar to a minimum user fee for water service. Revenue generated from this monthly fee would be placed in the stormwater enterprise for maintenance and capital improvements required within the Town. The rate schedule for the user fee could be adjusted to allow for a larger user fee for larger parcels with greater surface runoff that impact the Town's drainage facilities. (The City of Colorado Springs established a stormwater enterprise in recent years and its fee is added on the monthly water bill.)

The initial step in this process would be to establish the stormwater enterprise. To initiate the program, a flat monthly user fee could be charged for stormwater service to each of the unit users based upon the alternative recommended for implementation as outlined earlier in this section. (The Town of Palmer Lake could consider a similar mechanism as Colorado Springs.)

Since a loan is required to complete the selected project, revenue collected through the enterprise would be used to repay the loan and capitalize other stormwater projects.