

Ann Arbor Stormwater Utility

Case Study

Project Snapshot

In 2006, the City of Ann Arbor updated the rate structure for its stormwater utility to charge property owners based on the amount of impervious surface on their property. The new, more equitable rate structure includes incentives to manage stormwater onsite. The utility, which generates over \$5 million per year, funds operations and maintenance projects for the stormwater system, water quality improvement projects, stormwater education, implementation of environmental regulatory or remediation plans, and green infrastructure projects that reduce strain on the stormwater system.

Utility Details

Until 2006, the City of Ann Arbor's stormwater utility, which began in 1984, charged residential property owners a flat rate. The City looked to update the utility in order to meet expanding service needs, employ new technologies to improve the system, and comply with evolving regulatory requirements. Specifically, in *Bolt v City of Lansing* (1998), the Michigan Supreme Court struck down Lansing's stormwater utility and established three utility rate design requirements:

- 1) Fees must serve a regulatory and not revenue-generating purpose.
- 2) Fees must be proportionate to the necessary cost of service.
- 3) Property owners must be able to refuse or limit their use of the service.

Ann Arbor's utility and rate structures are designed to meet these criteria. First, all services are regulatory and fulfill National Pollutant Discharge Elimination System (NPDES) permit and National Flood Insurance Program (NFIP) obligations. Second, cost allocation and rate-setting processes ensure that costs are proportional to the fees charged. Third, residents and businesses can reduce their use of the service (and therefore their rates) by reducing the amount of impervious area on their properties. Properties that flow directly into the river are exempt because they do not use the City's stormwater system.

In addition, the City offers a series of credits that reduce rates. Achieving "RiverSafe Home" certification or installing rain barrels, rain gardens, or detention basins lead to lower rates for property owners. Commercial credits include installing detention basins, following water quality best management practices, and achieving "Community Partners for Clean Streams" designation.

Funding

Setting up the new rate structure carried significant cost because it required detailed information about each parcel and the City's overall impervious area. These measurements are based on flyover maps; Ann Arbor's most recent flyover map cost about \$50,000. Although setting up a utility has high upfront costs, it



Ann Arbor, MI
Population: 113,934
Governance: Council-
Manager

What is a stormwater utility?

The Michigan Department of Environmental Quality (DEQ) defines a stormwater utility as a "source of funding the construction and maintenance of stormwater management facilities. User fees are typically charged based on the amount of runoff that may be anticipated from a property."

Nine Michigan communities have a stormwater utility: Adrian, Ann Arbor, Berkley, Chelsea, Harper Woods, Jackson, Marquette, New Baltimore, and Saint Clair Shores.