MISSOULA STORMWATER UTILITY RATE UPDATE

CLIENT
City of Missoula, Montana

LOCATION
Missoula, MT

BUDGET
$120,000

DURATION
12 months

COMPLETED
December 2018

ROLE
Technical Lead

Starting in 2017, the City of Missoula was undergoing significant restructuring to its public utilities. It had recently created a stormwater utility with beginning rates that were unable to fund required operations and maintenance activities and identified capital projects. The water utility, originally privatized, recently came back to public ownership with a backlog of maintenance needs and a commitment to maintain steady rates for the next half a decade. Meanwhile, the wastewater rate structure was understood to be overly complicated for important commercial customers.

Blue Cypress as part of a team with FCS GROUP looked to assist the City of Missoula through a revenue requirement and cost-of-service analysis with important emphasis on policy and rate structure considerations. David Gordon was the technical lead for performing the Stormwater rate update.

It was important to first establish strong governance principles surrounding financial benchmarks such as desired cash balances. Stormwater programs, often billed through property tax assessments, typically have low billing frequencies (once a year). This adds risk to the program and requires strong management of cash flow.
New (or historically underfunded) stormwater programs face an additional challenge of having low cash reserves; this creates a double challenge of building reserves while meeting historically underfunded operational needs. This requires innovative assessments of spending requirements with a particular focus on how operations spending will meet level of service and regulatory requirements.
At the time of the project, the stormwater utility at the City was extremely new. The organization was in the process of developing a master plan to better understand revenue requirements. From a stormwater management perspective, the City's stormwater infrastructure was uniquely structured such as to take advantage of the region's well-draining soils. What this meant for the City was that the majority of property stormwater was handled on site; the main cost to the City involved road drainage infrastructure. Typical rate structures of impervious surface did not actually adequately reflect system costs. Our team was able to recommend a unique system utilizing vehicle trip generation among parcels as a source of stormwater maintenance costs through transportation-related stormwater infrastructure.