

Sierra Club Miami Group

Position Paper on Stormwater Management and Rate Equity

September 9, 2025

Introduction: On May 5, 2025, the Metropolitan Sewer District (MSD) sent a memo to the County Administration offering proposals to encourage landowners to install Stormwater Best Management Practices (BMPs) and to make MSD's rate structure more fair. Additional information about MSD's proposals has become available to Sierra Club Miami Group (SCMG) through MSD presentations, public records requests and private discussions with MSD. These proposals were offered as an alternative to the Impervious Surface Fee (ISF). This document defines SCMG's positions regarding those proposals.

Executive Summary:

- MSD deserves credit for putting forth proposed solutions to the stormwater management and rate equity issues that they currently face.
- The Impervious Surface Fee remains the best way to improve stormwater management and sewer rate equity.
- SCMG supports some of MSD's current proposals because they are part of the solution to the region's stormwater and sewer equity issues. Additional information from MSD is needed for SCMG to take a position on some of MSD's proposals.

Comments applicable to all of MSD's May 5th Proposals:

- 1) Rapid action is important. An MSD ISF has been under discussion since it was proposed by the Rate Affordability Task Force in 2016. For the subsequent 9 years, sewer ratepayers have been paying approximately \$130 million per year for an expense, stormwater management, that should not be their responsibility.
- 2) SCMG applauds MSD for its intention to encourage BMPs and to address the inequities in its rate structure. MSD's proposals show innovation and thoughtfulness and are a meaningful contribution to these critical policy discussions.
- 3) SCMG continues to believe that an Impervious Surface Fee (ISF) is the gold standard for both encouraging BMPs and advancing rate equity.

Putting a price on stormwater runoff that is equivalent to the costs incurred by MSD in managing stormwater runoff allows free market forces to determine which BMPs make economic sense and which don't. Put another way, under an ISF, market forces will determine which landowners will handle their own stormwater, and which landowners will pay MSD to handle their stormwater.

The ISF proposed and evaluated by MSD as part of the Stakeholder Advisory Group discussions (\$3 per month for each 500 sq. ft. “billable unit” of impervious surface) would raise \$132 million per year. This is the amount that MSD spends each year to manage stormwater. The ISF would enable the County Commissioners to reduce current sewer bills by approximately 50%, which is the portion of the sewer bill currently used to pay for stormwater. New stormwater management and rate reform proposals should be measured against this yardstick. It is important that the scale of the solutions be commensurate with the scale of the problems.

In its May 5th memo, MSD makes the subjective statement that an ISF would be too difficult and expensive to implement. That position is not supported by the series of technical reports which MSD developed as part of the previous 9 years of ISF discussions. MSD may be overstating the implementation challenges, given that numerous communities around the country, including Columbus, Dayton, Pittsburgh, and Detroit, have adopted and implemented impervious surface fees. There will be costs to implement an ISF, in both money and staff time. But is it too expensive? If MSD wants to make that claim, they should start by providing the cost of implementation and the planning documents that the cost estimate is based on. They should also quantify the benefits of an ISF, including quantifying the CSO reductions and the economic value of those CSO reductions in avoided consent decree costs. It will be a policy decision ultimately belonging to the County Commissioners whether or not an ISF is too expensive. MSD should quantify those costs and benefits so they can be properly evaluated.

One equity issue that MSD ratepayers are particularly sensitive to is the large number of landowners that discharge stormwater to the sewer system yet pay absolutely nothing to MSD because they don’t use potable water. These properties include vacant buildings and parking lots. Appropriate charges for landowners that currently pay nothing will lighten the burden on everyone else. One test for any proposed alternative to the ISF will be whether these landowners pay their fair share.

- 4) MSD has not released critical information needed to evaluate its proposals. MSD has provided a portion of the information needed to evaluate their proposals, but critical data gaps still exist. Missing information includes:
 - a. What would it cost to implement an ISF?

- b. How much would residential customers save, on average and collectively, if Inflow and Infiltration (I&I) costs were allocated 40%/60% instead of the current 75%/25%?
 - c. The May 5th memo (p.5) states that MSD has performed a preliminary analysis of the financial impacts of reallocating I&I costs. That preliminary analysis has not been released. It is unclear whether MSD believes that the preliminary analysis is sufficient for decision making or whether a more complete analysis is needed. It is unclear how long a complete analysis will take and how much it will cost.
 - d. The May 5th memo proposes to evaluate the feasibility of reducing the existing 3 ccf allowance for the minimum charge. It is not clear what the new allowance would be, or how that would affect the minimum monthly charge. It would be important to know how many customers use less than 3 ccf per month, and how much less. That will determine how much revenue MSD will lose from such a proposal (and have to make up somewhere else) and how much money small users would save.
 - e. The May 5th memo (p.6) proposes a pilot program to incentivize downspout disconnections, possibly leading to a permanent program incentivizing a broader suite of Stormwater Best Management Practices (BMPs). The memo says that geographic areas have been identified for the pilot program, but does not reveal those locations. It also indicates that property owners completing a project would receive a 1-time payment, but doesn't indicate how that incentive will be calculated. Both the geographic extent and the size of the incentive will be critical information in understanding this proposal. How many properties are in the pilot area? The pilot is limited to downspout disconnection projects. What proportion of buildings in the pilot area have connected downspouts?
- 5) As MSD encourages installation of BMPs, whether through incentives or through fees charged for runoff, it is important for MSD to structure programs in a way that can be counted towards MSD's consent decree obligations. A win/win solution will be one in which landowners receive compensation for stormwater improvements on their property, and MSD receives relief from its obligation to address that same stormwater. For regulators to "count" stormwater BMPs toward MSD's consent decree obligation, there must be some assurance that the BMPs will remain in place and functional over time. It is difficult to see how that burden will be met with a program that makes a one-time payment to the landowner and includes no follow-up. MSD should consider replacing the one-time payment with a smaller annual

payment, and a procedure for periodic reinspections of the BMPs to ensure that they are still in place and functioning. While the oversight process will involve some expense and administrative burden, that cost is likely to be outweighed by the improved performance of the BMPs over time, and the relief from consent decree obligations. As a party to the litigation that gave rise to the consent decree, SCMG will participate in discussions with MSD and regulators to assure that BMPs receive appropriate credit toward consent decree obligations.

MSD's Proposals

MSD has offered 5 proposals for encouraging BMPs and improving fairness. Each of those proposals will be addressed individually.

a. Update Inflow and Infiltration (I&I) Allocation in existing rate structure.

MSD has proposed to change the way it allocates I&I costs between its base charge and its consumption charge. The allocation is proposed to change from a 75/25 split to a 40/60 split. **SCMG supports this change.** MSD's existing rate structure is highly regressive, putting disproportionate burdens on residential and low-income ratepayers while simultaneously starving MSD of needed revenue because, with regressive rates, the rate base is unable to provide MSD with adequate revenue to fulfill their obligations. This proposed change has the effect of decreasing the burden on residential and low-income ratepayers, which is a desirable outcome.

It remains to be seen whether this proposal has a meaningful impact in comparison to the proposed ISF. MSD has stated verbally that, all else being equal, this change will reduce the average residential bill by 3-4% and increase the average commercial/industrial bill by 5-6%. MSD has not shared the methodology for these numbers, nor committed to them in writing. If they are true, the impact is very small compared to the benefits of an impervious surface fee, but it is movement in the right direction.

b. Evaluate Minimum Charge Reduction

MSD's current rate structure bills customers for 3 ccf/month of usage, whether or not they actually use that much. Many customers, including elderly and one-person households, use far less than 3 ccf/month. With a current charge of \$6.47 per ccf per month, this means that a customer using 1 ccf is being overcharged by \$12.94 per month, or more than \$150 per year. MSD has proposed reducing the amount of usage that is bundled into their base charge, but they have not said how much they will reduce it, they have not said how much the base charge will change as a result, and they have not said how much the consumption charge will change if this proposal is

implemented. **SCMG can not take a position on this proposal until more details are known.** SCMG recommends a monthly minimum usage of 1 ccf, a reduction in the base charge of at least \$6.00 for each CCF reduction in minimum usage, and a price per CCF that increases by less than 2%. SCMG will support a change that meets these criteria.

c. Incentivize Reduced Stormwater Contributions

MSD has proposed a pilot program to offer cash incentives to residential properties for disconnecting downspouts and installing stormwater Best Management Practices (BMPs). MSD has identified 400 locations in its territory where the sewers cause buildings to flood frequently, and has said that the pilot program will target some of these areas. MSD has labelled these areas LRIFAs (Low Return Interval Flood Areas). SCMG believes that FFAs (Frequent Flood Areas) is a better label. Several years ago, MSD operated a pilot program, known as the Stormwater Removal Program, that incentivized the installation of Stormwater BMPs on private property, and installed and maintained stormwater BMPs on public property. Many of those BMPs are still functioning. SCMG welcomes the return of the Stormwater Removal Program. The experience gained through previous pilot programs will be valuable to MSD in the current effort.

Ultimately, incentives for stormwater BMPs should be available to all properties that contribute storm flow to overflow points, and should include all technologies that are effective in reducing the flows that contribute to overflows. If MSD believes that a phase in process is necessary, the size and technologies included in the initial pilot and the pace of expansion are legitimate topics for discussion.

MSD has not said what locations will be included in the pilot program, how the incentive payments will be calculated, or how many residents can participate in the pilot. **SCMG can not take a position on this proposal until more details are known.**

d. Disincentivize Excessive Impervious Area and Wet Weather Runoff

This proposal by MSD is an update of the previous impervious surface fee proposal with 3 new modifications.

- i. MSD is proposing to limit the geographic scope of the ISF to areas served by combined sewers. While this seems like a clear dividing line, it is not. Many customers have separated storm and sanitary sewers at their property, but the sanitary or storm sewers or both flow into combined sewers and contribute to CSOs. Many areas with separate sewers contribute stormwater to the sanitary sewers leading

to SSOs, PSOs or basement backups. MSD spends significant amounts of wet weather funds to resolve stormwater issues in these areas, so these areas should contribute financially to wet weather solutions. **SCMG agrees with MSD that some properties contribute no stormwater to the MSD system and should be exempt from the fee.** Properties that contribute stormwater to the MSD system should be included.

- ii. MSD is proposing to phase in the ISF, starting with the 100 largest parcels (>6 acres of impervious surface), adding 200 parcels in year 2 (>3 acres), and 200 more parcels in year 3 (>2 acres). **SCMG supports the phased approach, as long as it starts with the 2026 budget.** SCMG believes that the phase in should continue after year 3, addressing parcels with 1 acre or more of impervious surface in year 4, and ½ acre or more in year 5. A parcel with ½ acre of pavement will generate about 400,000 gallons of stormwater each year. That's a lot.
- iii. MSD is proposing to charge for stormwater discharges to the sewers in the same way that it charges for all other discharges to the sewers - \$6.47 per ccf. The previous ISF proposal set a price for each 500 sq. ft. of impervious area. **SCMG supports charging per ccf.** It is simple and fair, and automatically gives a landowner appropriate credit for stormwater BMPs that reduce a property's discharges to the sewers.
- e. Prohibit New Hookups - MSD is proposing to prohibit new connections to sanitary sewers that are already overloaded unless the developer can reduce inflow to the sanitary sewer by 5 gallons for every new gallon of flow being introduced. **SCMG supports this proposal.** In theory, there should be no stormwater in a sanitary sewer, and therefore there should be no wet weather overflows, but in reality, every sewer system in the country wrestles with I&I- inflow and infiltration – that causes sanitary sewer volumes to increase during wet weather. An active program to reduce and eliminate SSOs, and to prevent additional discharges to sewers already prone to overflows, makes perfect sense. MSD should consider expanding this policy to combined sewer areas. It will rarely prevent a new development from taking place, but will often motivate the removal of stormwater from the sewers.