Ocean City, MD

Background

Ocean City, Maryland is a resort town with a winter population of approximately 7,000 and a summer weekend peak population of up to 340,000. The town is located on a flat barrier island, with the Atlantic Ocean immediately to the east and Assawoman Bay immediately to the west. The Town faces unique challenges due to its geographic location; its low elevation limits the ability of gravity to aid in drainage and renders it particularly susceptible to storm surge inundation. In addition, the frequent presence of saltwater in its stormwater conveyance system means that its current conveyances, built in the 1970s, are highly corroded.

HIGHLIGHTS

Location: Maryland

Jurisdiction Type: Town

Population: 7,201 (2010)

MS4 Permit: Unpermitted

Project Period: 2010-2011

Funder: Maryland DNR Chesapeake and Coastal Service, and the National Oceanic and Atmospheric Administration

In November 2009, Ocean City engineers met with representatives from the Maryland Department of Natural Resources (DNR) and the Environmental Finance Center (EFC) at the University of Maryland to discuss their concerns about managing stormwater runoff in the town. Among their concerns were an aging stormwater conveyance system, flooding impacts, water pollution concerns, and inadequate system maintenance. Above all else, however, the Town was concerned about having a level of revenue sufficient to support programmatic needs. They had not traditionally budgeted for stormwater management activities, and funds to support these efforts were being drawn as-need from the general fund. Consequently, there were gaps in the current stormwater program that were leading to public health and safety concerns.

City Hall in Ocean City

In September 2010, the EFC was contracted by the Town of Ocean City to conduct a stormwater financing feasibility study. A grant was leveraged from the Maryland Department of Natural Resources (DNR) Chesapeake & Coastal Program in partnership with the National Oceanic and Atmospheric Administration (NOAA) with local resources to develop a sustainable financing strategy to support a comprehensive stormwater program over time.

Approach

The goal of this study was to provide a set of recommendations to Ocean City officials for how the Town might implement a long-term strategy for financing stormwater management. Other outputs included outreach and educational activities targeted to the general public, community leaders, and elected officials.

This year-long study incorporated information from various sources including Ocean City staff and officials, Worcester County staff, a stormwater workgroup, and business leaders. Information was collected on Ocean City's stormwater management needs and current stormwater activities, other taxes and fees charged to Ocean City businesses and residents, budget allocations, and the monetary costs of improving the stormwater program.

Throughout the project period, the project team also engaged citizens through a series of public meetings and presentations to key business associations and homeowner associations, as well as having a presence at the annual Home, Condo, and Garden Show. A page was added to the Town website to provide more information on the financing feasibility study and a survey was made available to solicit public comment. Finally, promotional materials were developed and distributed including posters and a prominent bus wrap featuring the impacts of polluted runoff.

Permeable Pavers in Downtown Ocean City

As part of the study, the project team evaluated a series of funding options to identify an approach that would best fit Ocean City's needs for an equitable, dedicated, and sustainable revenue source to pay for stormwater management. These considerations included general fund allocations, bond financing, grants, blended funding, a stormwater utility, and a stormwater tax. At the end of this evaluation, the project team felt comfortable recommending a stormwater utility for the Town of Ocean City.

Key Findings and Recommendations

Based on the project team's assessment of the Town's needs, the EFC estimated that Ocean City would need close to $12 million in stormwater investments over the course of the next ten years for repairs and improvements to the stormwater system. The project team suggested that just as a building owner or tenant is responsible for paying its share of wastewater, drinking water, or electricity, building owners and tenants should be accountable for the stormwater runoff created from their impervious footprint and recommended a financing system that related the fee paid directly to a ratepayer's contribution to runoff.

A stormwater utility fee would allow for the assessment of the amount of impervious surface contributing to the stormwater problem on a per property basis. Since 79% of the Town is covered in

impervious surface, the project team felt it appropriate to charge properties that contributed significant runoff more and properties that contributed insignificant runoff less. Specifically, creating a stormwater utility would allow Ocean City to:

- Allocate the costs of stormwater management in a manner that is fair and equitable;
- Assist in the reduction of stormwater runoff to address flooding and water quality issues;
- Generate adequate revenues for stormwater management activities;
- Have stronger accountability for stormwater management spending; and,
- Address and reduce water quality stressors.

The project team recommended the use of a rate structure based upon Equivalent Residential Units (ERUs), also known as an Equivalent Runoff Units, where 1 ERU equals 2,500 square feet. The project team further recommended that each ERU on a property be assessed $35 per year.

The project team calculated revenue based on an ERU-based flat rate fee for residential properties and a fee structure for non-residential units based on impervious surface.

Residential –The residential fee recommendation was based on the average residential property impervious surface of approximately 2,500 square feet; therefore, all properties are billed for 1 ERU per year. Thus, it was recommended that all residents be charged $35 per year regardless of property size or amount of impervious surface. The 28,085 residential properties in the Town were estimated to result in $982,975 in annual revenue to the stormwater program.

Non-residential—The non-residential fee would be based directly on the amount of impervious surface on a property. For example, if a commercial property is estimated to have an impervious surface of 10,000 square feet, the property will be billed for 4 ERUs. At $35 per ERU, the total bill per year for this business is $140. The project team recommended that all non-residential properties, regardless of status (governmental, non-profit, etc.) be assessed a stormwater utility fee based on their runoff contribution. Revenue from all non-residential properties would yield an estimated total of $229,950 per year based on 1,080 non-residential properties each paying an average fee of approximately $213 per year.

The project team concluded that Year 1 revenue would total $1,212,925. Assuming a slight reduction in revenue starting in Year 3 after a credit system is established to encourage implementation of stormwater practices on private properties, the utility would be able to collect the necessary $12 million by the end of Year 10 in order to properly repair and maintain the stormwater system. This stormwater utility fee would thus constitute a sustainable, equitable, and sufficient source of revenue for Ocean City's stormwater program.

For more information, please visit the MOST Knowledge Center.

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