



# **MEMORANDUM**

## **PUBLIC WORKS**

To: Municipal Drainage Advisory Committee

From: Public Works

Date: 1/20/2026

Subject: Stormwater Utility Rate Study

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### **Background**

A Stormwater Utility Rate Study is a financial planning tool used to evaluate how stormwater services are funded and to assess rate scenarios needed to support both ongoing operations and long-term capital improvements. The study analyzes current and projected operating costs, capital infrastructure needs, regulatory requirements, and system growth to determine whether existing revenues are sufficient to maintain service levels and address identified deficiencies.

The study is intended to ensure that stormwater operations and capital projects are scheduled and funded in a financially sustainable manner while maintaining equitable cost recovery among customers. It evaluates rate structures and funding strategies that support flooding mitigation, erosion control, regulatory compliance, and rehabilitation of aging infrastructure, while also allowing for adequate cash reserves to address emergencies and unforeseen costs. The primary objective is to recommend rate levels and a rate structure that generate sufficient revenue to meet the City's stormwater needs while ensuring customers pay a fair and understandable share for the services provided.

### **Progress so far:**

Public Works retained Freese and Nichols, Inc. (FNI) to conduct the stormwater utility rate review. FNI evaluated current and projected costs, reviewed the existing rate structure (including non-residential fees), and benchmarked Farmers Branch's rates against peer cities. Based on this analysis, FNI developed rate adjustment scenarios to address the identified funding gap and support full funding of the stormwater capital improvement program.

FNI evaluated phased rate increases applied uniformly across customer tiers. The recommended approach includes a \$0.55 per month increase for all property types during FY27 through FY29, followed by an additional \$4.20 per month increase during FY30 through FY31. This phased structure balances revenue needs with gradual customer impact.

Under the recommended structure, annual stormwater utility revenues are projected to increase from approximately \$2.3 million to \$4.3 million between FY27 and FY31, supporting approximately \$6.0 million in cash-funded capital improvements in FY27–FY29 and \$15.6 million in FY30–FY31.