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August 2, 2021

Mr. Casey LaLonde, Manager  
West Goshen Township  
1025 Paoli Pike  
West Chester, Pennsylvania 19380

## Re: Proposal for Stormwater Fee Implementation

Dear Mr. LaLonde:

Herbert, Rowland & Grubic, Inc. (HRG) is pleased to submit the following AGREEMENT to provide engineering, financial and related services to support the implementation of a stormwater utility in West Goshen Township in response to your verbal request on May 13, 2021 and request for a revised proposal on July 26, 2021.

### GENERAL PROJECT DESCRIPTION

HRG was hired by West Goshen Township to support the implementation of a stormwater fee under a municipal authority on October 8, 2014. Part way through the implementation process, the Township chose to pause these services in anticipation of the Commonwealth of Pennsylvania enacting legislation for the Township to directly implement a fee without the use of a separate authority. In addition, realizing the financial impact of new environmental regulation on stormwater costs, the Township desired to receive PA DEP approval of its TMDL Action Plan and Pollution Reduction Plan to verify costs which would be incurred for regulatory compliance. Act 62 of 2016 was subsequently passed to give Second Class Townships the ability to directly implement stormwater fees. The Township also received PA DEP approval of its Plans and is now incurring costs associated with implementation of best management practices. As such, the Township wishes to recommence implementation of the fee and has asked for an updated contract from HRG.

Based upon Supervisor preference, the original scope of HRG's services is being reduced to focus on the items necessary to develop the rate and credit policy. Therefore, services currently proposed to complete stormwater fee implementation include updating five-year projections for the Township's stormwater budget, assistance with enhancing the Township's impervious area estimates, recommendation of a rate structure, and development of a credit policy.

**Note:** The scope includes items not yet completed under the original scope, in addition to budget and impervious area updates which are appropriate due to project delay along with new requirements necessary under Act 62 of 2016, including the development of a credit policy.

### SCOPE OF SERVICES-Refer to Exhibit 1

### COMPENSATION

We propose to complete the work, identified in Exhibit 1, on an hourly basis plus reimbursable expenses for the following estimated fees:

Phase 1 – Develop Impervious Area Estimates:	\$ 6,800*
Phase 2 – Stormwater Fee Implementation:	\$27,200
Total Estimated Fee for Phases 1 & 2:	\$34,000

Additional/Optional Services/Misc. Items for Phase 2 T&M, as requested

Casey LaLonde, Manager  
West Goshen Township  
August 2, 2021

This work will be subject to the attached General Conditions, Exhibit 2, and our current Fee Schedule, Exhibit 4 and Billable Expense Schedule, Exhibit 5. Our policy is to render invoices monthly based on the time and expenses incurred. \*Estimate subject to change after review of source data.

## COMPLETION

Assuming this AGREEMENT is authorized in June 2021, the CLIENT and HRG agree that they will endeavor to complete the outlined services for the purpose of implementing the stormwater fee by February 1, 2022, for the purpose of billing to property owners in Spring/Summer 2022.

## AUTHORIZATION

We have developed this AGREEMENT specifically with your project needs in mind. To execute this AGREEMENT and indicate your acceptance of these terms, and authorize the work to begin, please sign the CLIENT acceptance below and return a copy to our office.

This AGREEMENT and all attachments constitute an offer to enter into a contract with you. By having an authorized individual execute this AGREEMENT, you agree that you have read and understand this proposed AGREEMENT and all of its attached Exhibits and that you agree to all of the terms.

This AGREEMENT shall remain open and may be accepted by the CLIENT for thirty (30) days from the above date. Acceptance of the AGREEMENT after the end of the 30-day period shall be valid only if HRG elects, in writing, to reaffirm the AGREEMENT and waive its right to reevaluate and resubmit the AGREEMENT.

If you have any questions concerning our AGREEMENT, including the attached exhibits, please feel free to contact me to discuss them in greater detail. We appreciate the opportunity to provide you with professional services in this capacity and look forward to working with you on this project.

Very truly yours,

HERBERT, ROWLAND & GRUBIC, INC.



Adrienne M. Vicari, P.E.  
Practice Area Leader | Financial Services

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Enclosures

ACCEPTED BY:

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<b>WEST GOSHEN TOWNSHIP</b>	<b>TITLE</b>	<b>DATE</b>
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Proprietary Notice  
This AGREEMENT contains proprietary information regarding Herbert, Rowland & Grubic, Inc. and is a work product containing business sensitive materials. This AGREEMENT was prepared in response to your request for your specific project and no portion of this AGREEMENT may be shared with any other party.

## EXHIBIT 1 SCOPE OF SERVICES

In order to meet your needs as outlined in the above paragraph, HRG proposes the following scope of services:

### Basic Scope of Services

We have developed a detailed Scope of Services. The following section will describe our approach and the specific services we will complete relative to Stormwater Utility Implementation:

#### **PHASE 1: DEVELOP IMPERVIOUS AREA ESTIMATES**

The Impervious Area GIS dataset, as developed by Chester County in 2012, will be reviewed against publicly available orthophotography (such as 2018 PEMA Imagery, 2017 County Imagery, and 2019 NAIP leaf-on imagery) in addition to Township records of approved land development plans and building permits since 2012 (specifically three (3) residential subdivisions constructed since 2012). While it is not feasible for HRG to check impervious surface designation for every parcel in the Township, HRG will also use GIS imagery analysis tools to detect larger changes in IA between imagery dates, and work with the Township to key in on known development areas. To check for other changes, HRG will use a grid system to systematically scan the study area and document IA alterations in the GIS attribute table. This process will also assess the overall quality of County's impervious surface interpretation. Any significant errors (not related to changes since 2012) will be discussed with the Township.

HRG assumes GIS staff will need to estimate IA for new construction and other changes in the Township using "heads up" digitizing, or digital tracing of available orthophotography. This approach is more cost effective than delineating IA using 3D photogrammetry methods using the raw aerial imagery, but please note the following limitations of this method:

1. Updates to IA estimates will be based upon Township records including as-built plans for land development and building permits.
2. IA features will be limited to what can be seen from the orthophotography; GIS analysts will make assumptions where IA borders are obstructed due to vegetation (coniferous) and shadows/skew from buildings. These limitations are reduced when using 3D photogrammetry/stereoscope methods.
3. New IA estimates will be aggregated into a single polygon per parcel.
4. The accuracy of the resulting IA will be dependent on the completeness of Township land development files and clarity of imagery; features such as gravel and broken pavement may be difficult to delineate along clear borders.

**Note that HRG has not reviewed the existing IA GIS dataset, therefore our estimates for updating the IA may change based on quality and completeness of the source data.**

#### **PHASE 2 – STORMWATER FEE IMPLEMENTATION**

- A. **Cost of Service Review** – HRG will evaluate the annual and capital budgets deriving revenue need provided by the Township, including operations and maintenance,

administrative and capital costs as compared to the proposed level of service and operational and regulatory needs of the system. HRG will further expand and develop these into a draft budget for use in determining the estimated annual revenue need for the stormwater utility over a five (5) year planning period.

Capital improvement costs included in the budget will be dependent upon the results of the Capital Needs Assessment, currently being completed by HRG for the Township under separate contract, in addition to the Township's approved TMDL Plan and Pollution Reduction Plan.

- B. Evaluation of Rate Structures** - Stormwater utility rates should be reflective of the level of service provided to the customer class. The levels of service as determined through Scope Item A (above) will serve as the backbone for HRG in developing a rate approach. The objective of this user rate development is for the resulting structure to be fair and reasonable, based upon the levels of service provided. People who can see they are receiving a service and are being fairly charged will most often pay the bill. Generally, a utility's uncollectable amount grows when people feel the charge is unfair relative to the service they believe they are receiving. Different rate models may more appropriately fit the levels of service provided by the utility and, therefore, provide differing revenue amounts once the associated uncollectable amounts are factored in.

HRG's goal is to develop rate methodology that fully funds the revenue needs of the Utility. All properties receiving the same level of service should be charged a uniform rate proportionate to the benefit they receive. If the levels of service are not uniform, the rates should reflect this difference. This is achieved through our holistic approach to the establishment of rates and our evaluation of various rate structure alternatives in which we identify variations in types and levels of service and derive a structure which fits the Township's individual community. The result will be fair and reasonable rates which mitigate customer resistance and reduce the utility's need to undertake aggressive collection activities. This will be accomplished through the following tasks:

1. **Develop Cost Allocation Model** – HRG will develop a cost allocation model relating services provided by the utility to user rate charges. The method will be centered on the principal of establishing a utility rate structure which relates rates and charges to the benefits provided to each customer. Cost allocation will depend upon the Level of Service implemented and may include identifying stormwater services directly related to the quantity and quality of runoff discharged from a property (impervious surfaces directly related to runoff), the number of utility accounts (such as billing), storm sewer extensions and related facilities which provide services to a small subset of the community and associated allocations.
2. **Characterize Imperviousness of Residential Properties/Review of Equivalent Runoff Unit (ERU) Rate Structure** – Several rate structures exist for the assessment of stormwater fees. These structures vary in accuracy and administrative effort. The ERU and Tiering methods are commonly used methods in Pennsylvania and across the nation. HRG will evaluate residential parcels to provide insight into advantages and disadvantages of methods.
3. **Estimate Imperviousness of Non-Residential Properties** – HRG will review impervious area estimates included in Chester County's 2012 dataset, to identify all developed non-residential properties within the Township, including tax-exempt properties and vacant properties covered by impervious surfaces in order to determine total impervious area and individual impervious area estimates per property.

- 4. Develop Preliminary Rates, Revenue Projections and Bill Analysis** –A rate model spreadsheet will be developed to estimate preliminary rates to raise adequate revenue from the various classes of utility customers to fund identified cash flow needs. HRG will assess the effect on fees whether the fee is charged to all properties or a portion based on the understanding of urban area. HRG will use the rate model, along with impervious area estimates, estimated revenue needs and determinations of public vs. private stormwater service to provide a preliminary 5–year schedule of stormwater utility rates.
- C. Evaluation and Recommendation for an Appeals Process** – Stormwater charges are better accepted when individual rate payers feel they can affect their charge based upon their own actions to reduce stormwater impacts, whether that be through stormwater management best management practices (BMPs) or the maintenance of more elaborate privately-owned facilities such as those serving large residential or commercial/industrial complexes. For this reason, stormwater utilities typically provide customers with a process for appealing rates based on established criteria such as improper measurement of impervious area, whether a particular land cover is actually impervious, if stormwater from all or a portion of the property does not enter the Township's stormwater system or if a parcel is attributed to the incorrect billing account. HRG will assist the Township in developing criteria for adjustment, creating an appeal form and developing a process for reviewing customer requests and responding to appeals.
- D. Establish Credit Policy** – A credit policy is used to reflect the varying levels of service within a community and provide an opportunity for property owners to control the magnitude of their stormwater fee based upon their own actions. Implementation of a credit policy is required under Act 62 of 2016. Development of the credit policy will include the following:

  - 1. Define Eligible Credit Activities & Associated Value** - HRG will work with Township Staff to define critical issues that must be addressed by the credit policy, whether it be credits for the quality and quantity improvements on private property, maintenance of private stormwater facilities, and assistance with implementation of MS4 minimum control measures or the like. HRG will define and assign a value to these various credits based on the avoided cost to the stormwater management program.
  - 2. Prepare Preliminary Credit and Appeal Manual** – HRG will summarize the findings of Item F1. into a guidance document for rate payers seeking to take action which might result in the derivation of credits and provide information as to the criteria needed for a successful credit application. This preliminary manual would serve as the initial document for establishing credit policy. We suggest for the Utility to delay preparation of a final manual until after the utility is implemented and customer feedback can be received and incorporated.

### Additional/Optional Services

The above scope of services includes only the items which the Township requested to be included in HRG's proposal. Based upon HRG's experience implementing Stormwater Fees, we recommend for the Township to consider the following additional services. It is assumed these services will be provided, as requested, on a Time and Materials Basis:

- 1) Public Outreach & Education** - Stormwater Utilities and associated fees are a new concept for Pennsylvania residents and property owners. As such, proactive communication is

important in mitigating public misunderstanding as to the goals of the utility and the service it provides. The Township will benefit from engaging the public in the identification of specific stormwater problems and long-term goals of the system. Educating the public as to the program's focus on using funds for proper maintenance of existing facilities and explaining the differences between drainage issues, stormwater management and flood control can also help temper expectations. Through proper public outreach and education, property owners can come to understand that the charge is relevant and has a benefit to the broader community at large.

In order to maintain communication between the Township and public, HRG can assist in the facilitation of Township meetings and the development of outreach materials to build consensus and support around stormwater utility recommendations.

Meetings would focus on educating Township leaders about the level and cost of stormwater services necessary to meet the Township's critical stormwater needs and the associated methods for implementing equitable rate charges to meet revenue requirements. The following meetings are proposed:

**a) Municipal Leader Meetings** – Meetings with the Township Supervisors and Staff are recommended to be considered for the purpose of discussing:

- a. Findings and recommendations from the Cost of Service Review, including how the Township's proposed Level of Service/Cost of Service fits identified goals and priorities of the Stormwater Utility, its impact on the magnitude of the stormwater fee, and preliminary rate structure discussions.
- b. Final rate structure development and credit policy discussions, including the recommended rate structure and proposed rates, affordability considerations, options for phasing in rates, credit eligible activities and associated values.

A total of two (2) meetings with Township officials is recommended for these purposes. These meetings are not included with HRG's Basic Scope of Services, but HRG would be happy to attend Township meetings as requested.

**b) Stormwater Public Meetings** – Special meetings to educate the public on the importance of stormwater management and benefits of the Township's program are recommended. A minimum of two (2) special meetings are recommended as part of the fee implementation process. These meetings are not included with HRG's Basic Scope of Services, but HRG would be happy to attend Township meetings as requested.

**c) Review Public Information Materials for Distribution by the Township** – A multi-media approach is recommended in order to reach a larger percentage of property owners in the Township. Proposed outlets include:

- a. General educational pamphlet(s), including responses to "Frequently Asked Questions" (two pamphlets are assumed).
- b. Content for use in posting to the Township's website.
- c. Articles provided to the local newspapers, community news-letters, social media, etc. (two articles are assumed).
- d. PowerPoint presentation for use in addressing small group meetings. HRG will be available to assist in these meetings as requested for an additional fee.

Information should focus on:

- i. Stormwater challenges facing the Township (state of existing facilities, regulatory requirements, existing flooding or other water quality problems and lack of current funding).
- ii. Benefits of implementing a Stormwater Utility, program costs and the method selected for allocating stormwater program costs to system users.
- iii. Options for controlling stormwater charges through stormwater management practices and associated credits for implementation.

It is assumed West Goshen Township will take the lead in developing the content. HRG would be happy to review content developed by the Township as an additional service.

**2) Billing Database Implementation** – Use of an efficient billing system, with appropriate pre-defined billing policies and update procedures will assist in the effective implementation of stormwater fees. HRG is available to assist the Township with this process through the following procedures:

**a. Implementation Requirements** – Several policy issues should be addressed in implementing the billing system, including items such as billing cycles, billing of owners vs. occupants, etc. HRG will assist in identifying policy needs for discussion.

**b. Billing Database Integration** – HRG is available to assist with the evaluation of existing customer billing lists (i.e. sanitary sewer billings) to provide the basis of a finalized dataset to be used for stormwater billings. Using a combination of programmatic and manual methods, HRG staff can work with Township staff, as applicable, to compare existing billing database(s) with County parcel owner information to determine the inclusion and/or exclusion of the property owners required for incorporation into the Township's final stormwater billing system. The final output would include a list of property owner names and addresses, and a parcel ID to provide a correlating link between the billing database/tables and GIS.

**3) Miscellaneous Services** – HRG is available to support the Township and/or Authority with other miscellaneous services as requested in support of stormwater management program development and implementation. This may include supporting the Township's solicitor with reviewing the stormwater fee ordinance, development of rules and regulations or other items as requested by the Township.