

Memorandum

Date: June 21, 2025

To: Waterways Advisory Committee

From: Rick Woodworth

Subject: Formation of a Stormwater Utility – Lessons from the City of Naples

Purpose

This memorandum explores the feasibility and benefits of forming a Stormwater utility on Marco Island, using the City of Naples as a case study. It draws on Naples' administrative structure, funding mechanisms, and long-term water management strategies. This document also addresses how such a utility might better position Marco Island to finance and manage its water quality and Stormwater infrastructure challenges.

1. Legal and Administrative Framework (Naples Ordinance No. 92-6730)

Naples created its Stormwater Utility via Ordinance No. 92-6730 in 1992. Key provisions include:

- Governance: Managed by City Council. The City Manager (or a designee) is the chief administrative officer, and the Public Works Director oversees operations.
- Authority: The Utility is empowered to set user rates, obtain state/federal grants, and issue municipal bonds to finance infrastructure projects.
- Flexibility: The ordinance provides the city with broad discretion in determining the scope, method of rate calculation, and areas of expenditure.

This structure has allowed Naples to fund major infrastructure upgrades with significant local control.

See attached Ordinance as Document 1.

3. Budget and Departmental Integration

Naples' Public Works Department is subdivided into distinct operational funds:

- Streets Fund
- Water/Sewer Fund
- Solid Waste Fund
- Stormwater Fund
- Equipment Services Fund

Each fund has its own revenue stream and accountability. The Stormwater Fund explicitly supports capital improvements, engineering, permitting, and maintenance of drainage infrastructure. This structure, while more complex than Marco Island's consolidated public works model, illustrates how functional segmentation can increase efficiency and grant eligibility.

2. Funding Successes and Financial Model

Naples' Stormwater utility has been highly successful in attracting capital:

- Grant Revenue: In fiscal year 2024, Naples secured over \$46.6 million in Stormwater-related grants.
 - Bond Financing: The city raised \$27 million in bond proceeds to finance infrastructure projects like drainage improvements and canal restoration.
- This diversified funding model reduces pressure on the general budget while enhancing the city's capacity for long-term planning.

See attached "Stormwater Fund" as Document 2.

4. Stormwater Utility Rates (2024)

Naples' 2024 Stormwater rates are structured based on an Equivalent Residential Unit (ERU) model, ensuring equitable cost-sharing:

- A standard residential parcel pays a flat monthly rate.
 - Commercial and institutional properties are assessed based on impervious surface area.
- This model aligns user fees with impact on runoff volume and encourages property owners to implement green infrastructure (e.g., pervious pavers, bioswales).

See attached Naples Utility Rates as Document 3 and pertinent pages of 2024 FSA report. Naples highlighted in yellow as Document 4.

5. Regulatory Compliance and Advanced Treatment

Naples operates its domestic wastewater facilities under Grizzle-Figg advanced treatment standards, among the most stringent in Florida. These standards limit nitrogen and phosphorus discharge, helping protect sensitive ecosystems.

Additionally, the city's Integrated Water Resource Plan identifies advanced wastewater treatment upgrades as a strategic priority to augment potable water supply and reduce nutrient runoff.

See attached pages from Naples Domestic Wastewater Facility Permit as Document 5 and Integrated Water Resource Plan as Document 6.

7. Application to Marco Island

Forming a Stormwater Utility on Marco Island could:

- Fund existing obligations (e.g., MS4 permit compliance) under a dedicated budget.
- Free general funds for other city needs or reduce the overall budget.
- Enhance eligibility for state and federal grants.
- Fund capital projects, such as canal interconnects or advanced treatment upgrades, potentially through revenue-backed bond issues.

Attached as Document 7 is a schedule summarizing the data from the FSA report and a chart illustrating how much money could be generated from a Stormwater Utility from \$3.00 to \$30.00 and what would be left if hypothetically issued bonds totaling \$20,000,000 for canal interconnects and AWT. Also attached as Document 8 is a schedule illustrating costs using 20 year tax-exempt bonds.

6. Challenges and Realism about Pollution Reduction

Despite proactive investment, Naples still faces challenges:

- The Gordon River remains impaired for dissolved oxygen, and was previously impaired for nitrogen and phosphorus.
 - Naples' drainage network is larger and more hydrologically complex than Marco Island's.
- This underscores a key point: while a Stormwater utility offers structure and funding, outcomes depend on enforcement, land use practices, and public cooperation. You could read more in one of their reports at <https://www.naplesgov.com/media/138921> or

<https://www.colliercountyfl.gov/home/showpublisheddocument/103511/638635492946770000>

Attached as Document 9 is the summary page from the Naples website on Reclaimed Water.

8. Conclusion and Recommendation

The City of Naples offers a proven, flexible model for Stormwater utility governance and funding. Though direct comparisons to Marco Island are imperfect due to differences in size, governance, and hydrology, the core principle stands: a Stormwater utility enhances financial sustainability, improves regulatory compliance, and positions a city to secure grant funding.

Recommendation: The City of Marco Island should formally explore the creation of a Stormwater utility through a feasibility study that includes rate modeling, infrastructure needs assessment, and grant opportunities review.