

Request for City Council Committee Action From the Department of Public Works

Date:	June 20, 2006
То:	Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Subject: St	ormwater Utility Status Update
Recommenda Receiv	ation: /e & file report following presentation
Previous Dire December 13, Receive and F	
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Approved by	:
	Steven A. Kotke, P.E., Acting City Engineer/Director of Public Works
Presenter:	Rhonda Rae, Director of Engineering Services
Permanent Re Policy review	eview Committee (PRC)
X No final directly Action Action Action Action Action Action Action X_ Busine Other to Reque	pact (Check those that apply) ancial impact - or - Action is within current department budget (If checked, go y to Background/Supporting Information) requires an appropriation increase to the Capital Budget requires an appropriation increase to the Operating Budget provides increased revenue for appropriation increase requires use of contingency or reserves ess Plan:X Action is within the plan Action requires a change to plan. financial impact (Explain): est provided to department's Finance Dept. contact when provided to the

BACKGROUND/SUPPORTING INFORMATION

Summary Report:

This report presents summary information concerning operation of the Stormwater Utility Fee program through the first quarter of 2006, building on periodic reports provided in 2005, most recently on December 13, 2005 to the Transportation & Public Works Committee. Included are the following:

- Total Stormwater Utility Revenues for 2005
- First quarter revenues for 2006
- Outcome of account adjustments and credits for MFRS (Duplex) accounts
- Status of the account investigation and adjustment process
- Resolution of account settlements with large property holders
- Status of the stormwater credits program

2005 Revenue: The budgeted revenue requirement for 2005 stormwater management programs called for net revenue of approximately \$30,000,000 from stormwater utility fees for 2005. While the study made some allowances for the impact of future adjustments, primarily for the stormwater credits program, projections did not fully anticipate the impact of account adjustments and credits that occurred during the first year of operation, with the result being a substantial shortfall for 2005 revenue of approximately \$3.1 million.

2006 Revenue: The budgeted revenue requirement for 2006 stormwater management programs calls for \$30,508,000 from stormwater utility fees for 2006. A rate increase of five percent raised billing to \$9.17 per ESU (Equivalent Stormwater Unit) in 2006 vs. \$8.72 per ESU in 2005. For the First Quarter of 2006, the stormwater revenue totaled \$5,803,826. This amount is not representative of a typical quarter, as it includes the adjustments to the Multifamily Residential (Duplex) accounts, described more fully below. At this time, based on an annualized projection, together with the anticipated effect of ongoing account investigations and corrections (as noted in the following sections) it is anticipated that there may be a shortfall for 2006 revenue of approximately \$2.9 million.

Multi-family Residential (Duplex) account adjustments: In October 2005, the City Council approved a reduction in the billing coefficient for Multi-Family Residential accounts from .75 to .40 of total lot area to bring charges to these accounts more in line with their typical impervious areas. This adjustment reduced billing to these accounts by approximately 48%. This action was retroactive to March 2005, and the process of account adjustment was completed in February, 2006.

Account Investigations: Taking into consideration available resources, the practice of estimating impervious area according to land use category is the most practical method available and results in reasonably accurate billing for most properties. However, due to variations in the character of individual properties, as well as occasional inaccuracies in land use identification, this practice can at times result in miscalculated billing amounts. Predictably, during the first year of the program the response to inquiries from customers who felt their accounts were overcharged occupied the majority of the program's investigative resources. Now that many of these issues have been resolved, staff has the opportunity to devote more resources to insure complete and accurate billing of parcels citywide. In recent weeks, updated information for more than 1,500 missing or incompletely billed accounts has been processed by Utility Billing, and Public Works staff has identified in excess of 4,500 accounts as warranting further investigation. It is the intention to work through the account investigations as promptly as time permits, thus lowering the "gap" of \$2.9 million, described above. While many of the accounts may not be changed significantly through this process, preliminary reviews suggest

that the changes that are able to be made will result in significant enhancement to 2006 program revenues. There will not be a corresponding enhancement to 2005 program revenues, as the accounts are only "back-billed" for 90 days.

Large entity account adjustments: As noted in previous reporting, Public Works has engaged in ongoing communication with several organizations holding large tracts of property in Minneapolis. These discussions involve the analysis of parcel data and credit applications to insure accurate and complete billing, and many of these issues have been resolved, with good progress to report on those still remaining.

Status of Stormwater Utility for large property holders:

- o Minneapolis School Board: As noted in the previous report all requests for account adjustments and review have been completed and the School Board is in full compliance with the Stormwater Utility Ordinance.
- o CPED: Work is ongoing; payments are current for most accounts and CPED has worked cooperatively to establish accurate billing for their accounts. CPED accounts are complicated by frequent property sales and acquisitions, however they are working with Utility Billing to establish procedures for processing these changes in a timely manner.
- o University of Minnesota: Outstanding issues have been resolved. Account adjustments resulted in billing reductions of approximately 33%, primarily due to credits for areas served by the University's own stormwater infrastructure under a separate National Pollution Discharge Elimination System (NPDES) permit. Current billing to the U of M is in the range of \$40,000 per month and the University is in full compliance with the Stormwater Utility ordinance.
- o Minneapolis Park & Recreation Board (MPRB): Discussions between Public Works and MPRB staff have brought the departments much closer to a solution of outstanding account adjustment issues and a final resolution is anticipated in the near future.
- o Railroads: Public Works and the Soo Line / Canadian Pacific Railroad (Soo Line) have resolved outstanding issues regarding stormwater utility fees on their accounts. Detailed analysis of impervious areas and approval of stormwater credit applications resulted in \$18,500 in monthly fees and past due amounts in excess of \$210,000 were paid to the City in April of this year.

Stormwater Credit applications: Public Works personnel continue to review stormwater credit applications at the rate of approximately 15 – 25 per month. Since the beginning of the program, there have been 167 credit applications processed through April 15. While the great majority of these applications have been for quality credits for single family homes, those for larger properties have had a far greater effect on program revenues. Percentages of applications by property class and management practices remain similar to those noted in the previous report:

- 55% Single family dwellings
- 32% Commercial industrial (includes railroads)
- 7% Multi-family Residential (duplex)
- o 6% Townhomes & condominiums

Approximately 95% of these requests have been approved. Credit applications for rain gardens accounted for 87%, dry wells 6%, ponds & wetlands 4% and infiltration basins, swales or underground storage the remaining 3%. It is anticipated that the rate of credit applications will rise as public knowledge of the program increases and stormwater education efforts are expanded.

Requests for account adjustments have been dramatically reduced as compared to the early months of operation and continue at the rate of approximately 5 -10 per week. About 50% of inquiries result in changes to the account.