



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

Date: August 23, 2005
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Subject: Stormwater Utility Status Update

Recommendation:
Receive & file report and presentation

Previous Directives:

- May 17, 2005, Committee directed staff to submit an updated report on the status of the Stormwater Utility program for Committee review in August 2005.

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Approved by:

Klara A. Fabry, P.E., City Engineer, Director of Public Works

Presenters: Jane Onorati, Water Resources Engineer, Engineering Services

<p>Financial Impact (Check those that apply)</p> <p><input checked="" type="checkbox"/> No financial impact - or - Action is within current department budget. (If checked, go directly to Background/Supporting Information)</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Capital Budget</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Operating Budget</p> <p><input type="checkbox"/> Action provides increased revenue for appropriation increase</p> <p><input type="checkbox"/> Action requires use of contingency or reserves</p> <p><input type="checkbox"/> Other financial impact (Explain):</p> <p><input type="checkbox"/> Request provided to the Budget Office when provided to the Committee Coordinator</p>

BACKGROUND/SUPPORTING INFORMATION

Revenue base and anticipated revenues:

As detailed in the 2004 study by Black and Veatch recommending passage of a stormwater utility ordinance, the following goals and outcomes were primary considerations in the design of the Minneapolis Stormwater Utility program:

- To implement a stormwater utility to pay for 100 percent of the City's annual stormwater management program.
- To implement this fee in such a manner as to reflect the impact of different types of land use and development on stormwater management programs and to distribute the costs for stormwater management among rate payers more equitably than under the previous system of billing.
- In keeping with these goals, to attempt to implement this fee in such a manner as to be 'revenue neutral' with the new revenues collected for stormwater utility fees offset by decrease in the rates charged for sanitary sewers.

The stormwater utility is intended meet the funding requirements of the existing stormwater management program as illustrated in the following table for the years 2005 – 2010:

Table 1: Stormwater management program

	Budget 2005	Budget 2006	Plan 2007	Plan 2008	Plan 2009	Plan 2010
Operating Expenses						
Sewer Design	2,379,961	2,526,533	2,602,329	2,680,399	2,760,811	2,843,635
Sewer Maintenance	2,244,367	2,771,036	2,854,167	2,939,792	3,027,986	3,118,825
Met-Council Environ. Services	1,421,054	1,780,434	1,780,434	1,780,434	1,780,434	1,780,434
Gen. Fund Overhead	733,137	278,426	286,779	295,382	304,244	313,371
Utility Billing Overhead	687,784	819,778	844,371	869,702	895,793	922,667
Combined Sewer Overflow	2,066,175	2,284,675	2,353,215	2,423,812	2,496,526	2,571,422
Street Cleaning	6,556,393	6,124,354	6,308,085	6,497,327	6,692,247	6,893,014
Government Service Fee	1,364,519	1,973,571	2,032,778	2,093,761	2,156,574	2,221,272
Total Operating Expenses	17,453,390	18,558,807	19,062,158	19,580,610	20,114,615	20,664,641
Capital Program						
Pay As You Go Capital Costs	995,000	1,562,500	3,052,500	1,622,500	3,927,500	3,169,000
Debt Service						
Currently Structured	12,030,134	10,750,057	9,015,138	10,195,048	4,410,037	2,201,052
Proposed Future		811,735	1,641,270	3,445,163	4,989,827	5,538,530
Total Debt Service	12,030,134	11,561,792	10,656,408	13,640,211	9,399,864	7,739,581
Total Revenue Requirements	30,478,524	31,683,099	32,771,066	34,843,321	33,441,979	31,573,222

Table 2: Comparison of Actual 2nd Quarter 2005 billings and pre-Stormwater Utility billings (adjusted to reflect 2005 rates)

Comparison of actual revenues and assumed revenues under pre-Stormwater Utility scenario 2 nd Qtr 2005			
actual billing amounts	2005	assumed billing amounts, using pre-Stormwater Utility method	2005 *
Stormwater Utility	\$7,910,585	Sewer Fund	\$15,673,423
Sanitary Sewer Fund	\$8,353,427	(combined)	
Totals	\$16,264,012		\$15,673,423
NET CHANGE (INCR.)	\$590,589	3.8%	

* 2nd Quarter 2004 rates and usage plus 6.10% rate increase

Table 2 above compares actual 2005 2nd Quarter billings under the new system (Stormwater Utility + Sanitary Sewer fee, left side of Table 2) with a hypothetical amount that would have been billed for 2005 2nd Quarter, if the former system were still in place (right side of Table 2). For creating the comparison, we assumed 2004 usage, and increased the 2004 rate by the 2005 rate increase of 6.10%.

While a projection of the 2nd Quarter figures for all four quarters total would appear to result in an increase over anticipated revenues for 2005, the figures do not yet reflect (1) all of the billing corrections that have been made, (2) the anticipated impact of the credits program, or (3) accounts with ongoing dispute issues. There are also some accounts that have been under-billed, or from which no revenues have been received to date. The issues surrounding account corrections and investigations are detailed below, in the Billing Adjustments section of the report.

Note also that a portion of the increase in revenues over last year's collections reflects a general increase in sewer usage. Revenues from the stormwater utility, when annualized over four quarters, are \$290,827 ahead of the projected requirement of \$30,478,524. Allowing for the uncertainties inherent in the credits program and unresolved disputes these figures show that overall the program is generally meeting the goal of being "revenue neutral".

Table 3: Billing for Stormwater Utility Fee:

DRAINAGE TOTAL REVENUE BY LAND USE TYPE, FOR 2ND QTR 2005		
LAND USE TYPE*	TOTAL BILLING	% OF TOTAL
NO LAND USE CODE	\$231.04	0.00%
Vehicle Related Use	\$136,132.84	1.94%
Bar, Rest., Entertainment	\$58,385.32	0.83%
Mixed Comm., Res, Apt	\$65,032.33	0.93%
Office	\$316,447.89	4.51%
Retail	\$287,582.53	4.10%
Institution, Sch., Church	\$336,072.69	4.79%
Utility	\$89,600.49	1.28%
Garage or Misc. Res.	\$59,693.03	0.85%
Group Residence	\$142,268.57	2.03%
Public Accommodations	\$14,882.71	0.21%
Ind. Warehouse, Factory	\$1,380,185.58	19.66%
Multi-Family Apartment	\$692,906.78	9.87%
Multi-Family Residential	\$923,036.77	13.15%
Misc. Commercial	\$78,285.94	1.11%
Common Area	\$3,580.07	0.05%
Single Family Attached	\$1,629.21	0.02%
Single Family Detached	\$1,922,975.08	27.39%
Sport or Rec. Facility	\$139,746.73	1.99%
Vacant Land Use - Apt.	\$34.97	0.00%
Vacant Land Use - Comm.	\$549.79	0.01%
Vacant Land Use - Ind.	\$3,705.90	0.05%
Vacant Land Use - Res.	\$3,875.81	0.06%
Industrial Railway	\$102,616.16	1.46%
Car Sales Lot	\$17,237.90	0.25%
Cemetery w/Monuments	\$41,503.97	0.59%
Vacant Misc. Landscape	\$54,178.93	0.77%
Parks & Playgrounds	\$181.68	0.00%
Downtown Business District	\$148,679.78	2.12%
GRAND TOTAL	\$7,910,585.44 **	100.00%

* Per Assessors Land Use Code

** Updated total; not reflected in individual categories.

Table 3 shows the actual billings for 2005 second quarter, by Land Use Type. These figures do not yet reflect all of the changes from adjustment requests or other billing corrections

With respect to the details of individual accounts, a more detailed analysis shows that the program is functioning as planned. While generally meeting the goal of being “revenue neutral”, the practical effect of the ordinance in redistributing the burden of stormwater management according to the impact of particular land uses is to generally move costs from less intensive uses such as single family homes to land use categories with higher impervious areas such as retail, industrial and commercial properties.

TABLE 4

Billing Increases & Decreases Due Resulting from Stormwater Utility Fee			
	No. of Accounts	Avg. Monthly Change, Amt.	Avg. Monthly Change, %
Single Family Res.			
Increased Billing	44,080	\$2.45	19.50%
Decreased Billing	35,844	(\$5.66)	(20.30%)
Multi-Family Res.			
Increased Billing	9,378	\$12.29	46.00%
Decreased Billing	3,505	(\$10.61)	(16.50%)
Multi-Family Apartment:			
Increased Billing	1,531	\$24.53	29.00%
Decreased Billing	2,767	(\$94.47)	(31.50%)
Mixed Comm. Residential:			
Increased Billing	351	\$14.96	34.00%
Decreased Billing	248	(\$65.80)	(32.00%)
Bar, Restaurant, Ent.			
Increased Billing	122	\$32.05	31.00%
Decreased Billing	139	(\$96.97)	(31.00%)
Retail:			
Increased Billing	621	\$62.92	132.00%
Decreased Billing	175	(\$190.96)	(35.30%)
Office:			
Increased Billing	439	\$95.52	114.00%
Decreased Billing	102	(\$181.13)	(31.00%)
Industrial, Whse, Comm.			
Increased Billing	960	\$302.99	345.00%
Decreased Billing	99	(\$817.54)	(37.50%)
Institution, Sch. ,Church			
Increased Billing	329	\$171.94	197.44%
Decreased Billing	44	(\$249.69)	(33.20%)
Vehicular Use			
Increased Billing	271	\$81.68	218.00%
Decreased Billing	43	(\$183.23)	(37.60%)

Table 4 shows figures for accounts with increased or decreased costs when compared to the same period last year. These figures capture data for land uses representing 97% of all accounts and have been adjusted to account for changes in sanitary sewer usage. The percentages shown above refer only to the sewer portion of utility bills and generally represent a much lower proportion of total utility bills, which also include fees for solid waste and water. The figures demonstrate a shift in stormwater management costs to land uses generating higher amounts of runoff as planned in the program's design.

Billing Adjustments:

The adjustments process for the Stormwater Utility Program is comprised of Requests for Corrections, Applying for Credits (both Stormwater Quality and Stormwater Quantity Credits), and Appeals.

Requests for Corrections: The Requests for Corrections type of billing adjustment is intended to assist property owners seeking adjustments based on the recorded land use code or on the size of the lot and/or the percentage of impervious area. The following figures give an overview of total activity concerning requests for corrections through Aug. 11th.

- As of Aug. 11th 2005 Engineering Services has received 774 adjustment requests on individual accounts.
- 294 of these requests involved accounts for duplexes and double bungalows
- Of the total of 774 requests, 696 have been approved.
- 78 have been denied.
- Volume: 64 requests received in March, 285 received in April, 130 received in May, 195 received in June, and 100 from July 1st thru August 11th. Basis for requests: Impervious Area 81%, Land Use 14%, Both 5%

With roughly 102,000 stormwater billing accounts, the 774 requests for corrections received represent a rate of approximately 3/4 of one percent. The volume of requests for corrections received has been generally decreasing. The initial surge of requests created some delay in processing, but the backlog of requests for corrections has been eliminated. Requests are generally processed within five business days after being received by Engineering Services. While notification letters regarding determination are mailed shortly after processing, changes may not be reflected in bills received for up to sixty days, depending on the timing of the request with respect to the billing cycle.

By percentage of requests received, the most frequent issues raised arise from billing for duplexes and double bungalows. Fully 38% of the adjustment requests received have concerned properties in this category. There are approximately 12,000 properties in the City of Minneapolis that are included in the Multi-Family Residential land use classification. Of these 12,000 properties, 11,000 have a property type of Double Bungalow (duplex) and about 900 are Triplexes (the remaining multi-family dwelling units fall in other land use categories). Individual property owners may request a review of the estimate of impervious area built into the structure of stormwater utility fees. These properties are frequently owner-occupied. They are billed in the same category as larger apartment buildings. We have found that they have a building and impervious area footprint typically about 20% larger than a single family residence. An additional source of disparity between the bills for duplexes and neighboring properties is that the treatment of single family homes under the ordinance is unique in that there is a cap of 1.25 ESU (the standard billing unit) on the fees charged to these accounts. Review of these properties within the Request for Corrections process has generally resulted in rate reductions satisfactory to the property owners.

Credits: Due limitations in staff resources and a need to place a priority on processing requests for corrections, there has been a delay in the initial review of credit applications. Of approximately 225 applications received to date about 70 have been subjected to preliminary review, however the resulting changes to accounts are still pending. Review of credit applications is underway with a goal of eliminating the backlog in applications by the end of September.

Appeals: Decisions on seven requests for corrections have been appealed. Of these, three have been resolved with adjustments to the account in favor of the appellants, two resulted in no adjustment, and two are recent and still pending.

Additional Issues and Investigations:

In addition to account investigations resulting from adjustment requests and appeals process there have been a number of other issues requiring a substantial investment of staff time and resources.

Townhomes, Co-ops and Condominiums:

Due to discrepancies in property information when the project went online in March, there were a substantial number of inaccurate bills sent out to condominium owners throughout the city. Most frequently owners of individual units received bills for the entire development because of shared PIN numbers in the Assessor's data tables. These issues have been largely resolved with adjustments made to accounts involving 1984 separate units.

Land use and other property information discrepancies:

In addition to account investigations undertaken resulting from adjustment requests there have been a number of investigations regarding accounts identified through analysis of parcel data. These investigations involve accounts being improperly billed due to discrepancies in land use data or not billed due to discrepancies between data on total parcels in Minneapolis and utility billing property data. Corrected data has been submitted for 3518 accounts. As work loads permit all parcels with the following characteristics will be examined to insure complete and accurate billing.

- Vacant or Misc. land use types classifications.
- Lack of existing water sewer and solid waste accounts prior to 2005.
- Units in townhome or Co-op developments identified as separate parcels.

While these issues do not affect great numbers of accounts (probably less than 5%) they have the potential to have a significant impact on total revenues. As an example, a surface parking lot mistakenly classified as vacant land would be underbilled by 70%. Investigation of these issues will receive top priority following completion of reviews for the initial group of credit applications.

Staffing:

Since the last report on May 3rd two full-time employees have been hired for permanent assignment to the stormwater utility program. The positions for environmental interns to assist with program operations and public outreach and education have also been filled. Duties for the full-time employees will continue to focus on processing requests for corrections and credit applications, other account investigations, responding to general inquiries, record maintenance and reporting. In addition to assisting with these duties the two interns will focus on public outreach and education. Currently the interns are finalizing the first details of a public education program for 2006 and the remainder of 2005.