

COUNCIL ACTION FORM

SUBJECT: STORMWATER UTILITY SYSTEM RATES – TIER STRUCTURE

BACKGROUND:

After several previous discussions concerning a new impervious based stormwater billing system, staff brought public feedback back to City Council on August 14, 2012. At that meeting, City Council reviewed the feedback and asked staff to provide a simplified three or four-tier system that still took impervious surface into account.

Storm Sewer Funding

The City's Storm Sewer Utility was established in FY 1994/95 to provide funding for the routine maintenance of storm sewers. The need in the Storm Sewer utility has grown over time as have regulations related to storm water management. Currently, stormwater fees fund all operations and some capital improvement projects. In the past, additional funding for stormwater management improvements has been provided through grant programs and general obligation bond capital improvement funding.

Existing Billing

At present, the City charges a flat fee per utility account for stormwater. This charge is currently \$3.45. There are approximately 25,325 utility accounts in the City. These accounts generate approximately \$87,370 per month or \$1,048,440 annually in revenue.

Simplified Billing Structure for Impervious Surface

To provide a tier structure, staff used the GIS system to review impervious area by parcel. To improve clarity of billing under the proposed tier structure, staff looked at the amount of impervious area per existing utility account. This information was then used as the basis to establish a simplified four-tier structure based on existing utility accounts.

Goals

The goal of the simplified tier structure is to provide an understandable stormwater fee that generates adequate revenue to fund the stormwater system serving Ames residents. Customers having larger impervious areas generally pay more than those with less impervious areas. Additionally, the cost to implement and administer the fee should not exceed the value of the new rate structure.

Tier Structure Rate System

Staff used the impervious area per account to establish the four tiers shown below. These ranges were then used to define the difference in cost for each tier as shown below. Staff then used the data to calculate the fee for each tier, assuming that the new

system was revenue neutral. The calculated values shown for Tier 1 were found to be close in value to the current flat fee of \$3.45 due to the high percentage of accounts in that tier. It was decided to leave Tier 1 at the current rate of \$3.45 and to use the difference in cost for each tier as shown in the table below. This resulted in a small overall increase in revenue, which may mitigate expected future rate increases.

The tier rate will be applied to all active accounts just as the current flat fee is applied. This means that no account in the City will pay less than the Tier 1 rate. This also means that apartment units and condos with individual accounts will continue to be charged no less than this rate.

Tier	Impervious Area/Account Range (SF)	Number of Accounts	Proposed Charge per Account	Total	Current Revenue \$3.45 per Account	Previous charge per account with ERU*
1	150 -10,000	24,490	\$ 3.45	\$84,490.50	\$84,490.05	\$1.00 - \$8.10
2	10,000.01 – 30,000	688	6.90	4,747.20	2,373.60	\$8.10 – \$24.30
3	30,000.01 – 90,000	309	10.35	3,198.15	134.55	\$24.30 - \$72.90
4	90,000.01 - Max	89	\$ 31.05	2,763.45	307.05	\$72.90 - \$699.84
				\$95,199.30	\$87,305.25	

*Assuming 5th year commercial charge of \$3.24 per ERU

Examples (per month charges)

Address	Tier	Number Of Accounts	Tier Charge Per Account	Total Tier Charge Per Parcel	ERU Charge Per Account	Total ERU Charge Per Parcel
2500 Northwestern Avenue (Single Family Residential)	1	1	\$3.45	\$3.45	\$2.80 to \$4.64	\$2.80 to \$4.64
1921 Ames High Drive Rear (Ames High School)	2	16	\$6.90	\$110.40	\$4.41 to \$10.53	\$70.56 to \$166.88
2801 Grand Avenue (North Grand Mall)	2	69	\$6.90	\$469.20	\$4.12 to \$9.75	\$284.28 to \$672.75
2900 Hoover Avenue (St. Cecilia Church)	3	3	\$10.35	\$31.05	\$25.11 to \$59.39	\$75.33 to \$178.17
3311 E. Lincoln Way (Barilla)	4	3	\$31.05	\$93.15	\$96.59 to \$228.42	\$289.77 to 685.26

Implementation Costs of Tier Structure Rate System

There will be some minimal administrative costs in switching from the current flat fee system. Implementation of the tier structure rate system will require staff to update parcels without planimetric (impervious) data. Staff time will also be required to verify calculated values for contested valuations.

Ongoing Costs for Tier Structure Rate System

While minimal overall, some staff time and resources will be required to maintain the tier structure rate system. This will be incorporated into existing work flow and will not require additional funding from the new fees. Considerations are outlined as follows:

- Ongoing staff time to value newly constructed properties
 - New construction impervious areas will be calculated by the Stormwater Specialist as permits are issued.
 - Tiers to be billed for new accounts will be provided to Utility Customer Services staff for billing.
- Recurring updates and audits to tier valuations
 - GIS Staff will carry out manual planimetric updates on an annual basis or as new aerial photography is acquired.
 - Whole system updates will be completed on an annual basis or as warranted.

Additional Comments

In order to keep the administration of this new approach understandable to our customers and to avoid additional administrative costs that would require higher rates, the proposed tier structure rate system will not offer credits for tier structure rate reduction. The only way to change the tier structure rate will be to reduce or increase impervious area (e.g., by reducing paved parking area or installing additional impervious surfaces) enough that a new tier is achieved.

As stated in the goals, the cost to implement and administer the new tier structure rate system should not exceed the value of the new rate structure. No stormwater fee would be applied to any impervious area without an associated utility account. **This goal resulted in a decision to not charge any stormwater fee to any impervious area without an associated account.** In reviewing the data, approximately 78% of impervious area without a utility account would be in Tier 1. It is also important to note that several of these parcels are homeowner association lots or park properties that have trails and other public amenities on them. The cost of these impervious areas would generally be covered by accounts that are already established.

Under the proposed fee structure, every property with impervious surface area over 150 square feet will be charged a stormwater fee. Currently, only properties with a utility account are charged the monthly fee. Currently 79 accounts show they

have less than 150 square feet of impervious area. We will continue to review these accounts to determine if they will have a storm water charge.

Iowa State University will not be charged stormwater fees, since the University is legally under their own Municipal Stormwater (MS4) permit from Iowa Department of Natural Resources.

ALTERNATIVES:

1. Direct staff to draft an ordinance amending the current stormwater code section 28.802 to:
 - a) Implement a four-tier based system based on impervious area as presented above;
 - b) Implement a public relations campaign to notify the public of the changes; and
 - c) Implement the new rates in February 2013.
2. Retain the existing stormwater flat-fee structure in place.
3. Proceed with the previously proposed ERU based fee structure.

MANAGER'S RECOMMENDED ACTION:

Since November 17, 2009, the City Council has reviewed at least seven different rate structures. Most recently, Council listened to the concerns expressed by the public and asked for a simpler fee system that still takes impervious area into account. The proposed four-tier system creates a fee structure that will be easier for customers to understand and for staff to manage.

Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1, thereby directing staff to draft an ordinance creating the four-tier storm water rate system described above.

ORDINANCE NO.

AN ORDINANCE TO AMEND THE MUNICIPAL CODE OF THE CITY OF AMES, IOWA, BY AMENDING CHAPTER 28 “UTILITIES”, DIVISION VIII “STORM WATER DRAINAGE SYSTEM”, SECTION 28.802 “RATES ESTABLISHED”; REPEALING ANY AND ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT TO THE EXTENT OF SUCH CONFLICT; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ENACTED, by the City Council for the City of Ames, Iowa, that:

Section One. The Municipal Code of the City of Ames, Iowa shall be and the same is hereby amended by deleting ~~strike through~~ text and adding underline text as follows:

“SEC 28.802. RATES ESTABLISHED.

(1) The rate charged for the storm water drainage system provided to customers of City utility services to be billed on or after ~~July 1, 2009~~, February 1, 2013, is as follows: for each utility account which is billed for one or more City utility services, a monthly rate of three dollars (\$3.00) shall be charged, paid and collected as a rate for a storm water drainage system according to the following table:

<u>Tier</u>	<u>Impervious Area/Account Range (SF)</u>	<u>Charge per Account</u>
<u>1</u>	<u>150 - 10,000</u>	<u>\$3.45</u>
<u>2</u>	<u>10,000.01 - 30,000</u>	<u>\$6.90</u>
<u>3</u>	<u>30,000.01 - 90,000</u>	<u>\$10.35</u>
<u>4</u>	<u>90,000 and above</u>	<u>\$31.05</u>

(2) For purpose of this section “impervious area” means areas that have been paved and/or covered with buildings and materials, which include, but are not limited to, concrete, asphalt, rooftop, gravel and blacktop.

(3) A storm water utility customer may challenge their impervious area range calculation by filing an appeal with the director of public works for adjustment thereof, stating in writing the grounds for the appeal. The public works director shall cause appropriate investigation thereof and report the findings to the appellant. The public works director shall consider the appeal and determine whether an adjustment is necessary, and make such adjustment if appropriate. Said appeal must be filed within thirty days of notice of the initial establishment or change of the city’s calculation of a property’s impervious area being mailed to the customer’s billing address as shown in the utility’s records.

(4) A decision of the public works director which is adverse to an appellant may be further appealed to the City Council within thirty days of receipt of notice of the adverse decision. The appeal shall include a survey prepared by a registered Iowa land surveyor or professional engineer containing information on the total property area, the impervious surface area and any other features or conditions which influence the hydrologic response of the property to rainfall events. Notice of the appeal shall be served on the City Council by the appellant, stating the grounds for the appeal. The City Council shall schedule a public hearing within thirty days. All decisions of the City Council shall be served on the appellant by registered mail, sent to appellant’s billing address. All decisions of the City Council shall be final.

(5) This section shall not apply to the utility accounts of a customer that has its own Storm Water Permit for its Municipal Separate Storm Sewer System.

(Ord. No. 3265, Sec. 1, 3-8-94; Ord. No. 3434, Sec. 1, 5-27-97; Ord. No. 3564, Sec. 1, 5-23-00; Ord. No. 3833, 5-24-05; Ord. No. 3917, 06-12-07; Ord. No. 3989, 05-12-09)”

Section Two. All ordinances, or parts of ordinances, in conflict herewith are hereby repealed to the extent of such conflict, if any.

Section Three. If any section, provisions, sentence, clause, phrase, or part of this Ordinance shall be adjudged invalid or unconstitutional, such adjudication shall not affect the validity of the Ordinance as a whole or any provision, section, subsection, sentence, clause, phrase, or part hereof not adjudged invalid or unconstitutional.

Section Four. This ordinance shall be in full force and effect from and after February 1, 2013.

Passed this _____ day of _____, _____.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor