

MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Brandon Kowalke, Senior Management Analyst

Erik Berg, Management Analyst

DATE: May 8, 2023

SUBJECT: **Stormwater Utility Fee Assessment: Presentation on Proposed Fee Policies and Impact**

Objective

Provide follow-up on the proposal to restructure the City's Stormwater Utility Fee so that it is no longer based on water consumption and instead is based on the amount of impervious area (**IA**) on a property. Staff will solicit feedback from the City Council on proposed policies as well as how the City plans to proceed with the establishment of this fee structure.

Background

Staff presented an initial assessment of this proposal at the February 27th Planning Session, with a focus on: (1) why **IA** is a more ideal metric for assessing stormwater fees than water usage due to its direct relationship with stormwater runoff, (2) the City's capacity to assess fees based on **IA**, and (3) a summary of how the restructured fee would impact overall fee burden across different property types (*residential, commercial, institutional, and industrial*). A copy of materials from this presentation can be found here:

- <https://www.wheaton.il.us/AgendaCenter/ViewFile/Item/10438?fileID=12998>

For Wheaton, adopting a stormwater fee based on **IA** would increase the number of properties/customers that pay stormwater fees because the restructured fee would now apply to properties that do not consume any water. Furthermore, because non-residential properties tend to have more **IA** and consume less water than residential properties, the restructured fee would be assessed more proportionally across all property types based on the service demands they place on the City's stormwater infrastructure.

At the conclusion of the February 27th Planning Session, the City Council requested staff follow-up on how the restructured fee would be administered and impact utility bills citywide.

Fee Policies & Impact

At the May 8, 2023 Planning Session staff will present: (1) a refresher on the proposed fee structure, (2) a set of policy proposals that will guide the City's administration of the restructured fee, (3) an analysis of how the restructured fee will impact utility costs for different property types, and (4) what next steps are necessary to communicate and establish the restructured fee.

Stormwater Utility Fee Assessment: Fee Policies & Impact

Brandon Kowalke, Senior Management Analyst

Erik Berg, Management Analyst



Purpose

- Discuss proposed stormwater fee structure
- Present an estimation of how this structure affects utility fees citywide
- Solicit feedback from the City Council on next steps

Agenda

- Background
- Proposed Fee Policies
- Projected Fee Impact
- Next Steps

Background



Current Fee & Challenges

- Based on Water Usage
- Insufficient revenue from the current rate to cover future stormwater operating and capital costs
- Fee base limited to properties using water
 - Most fees are paid by residents

Fee Alternative: Impervious Area

- ***Impervious Area (IA)*** = all surfaces preventing water infiltration
 - Directly related to stormwater runoff
 - Stormwater runoff = service demands
 - Most reasonable and proportional metric for assessing stormwater fees

Initial Fee Assessment

- February 2023 – staff presented an assessment of adopting a new fee
 - City has the data and capacity to assess fees based on impervious area
 - Fee would be assessed across different property types more proportionally

Proposed Fee Structure

- Staff proposed a fee structure based on two items:
 1. The amount of IA on a property
 2. The proportion of IA on a property

1. Amount of Impervious Area

- **ERU = Equivalent Runoff Unit**
 - This represents the “billing rate”
 - City sets the amount of IA this represents (**3,300 sqft**)
 - Properties pay based on how many ERUs they have

2. Proportion of Impervious Area

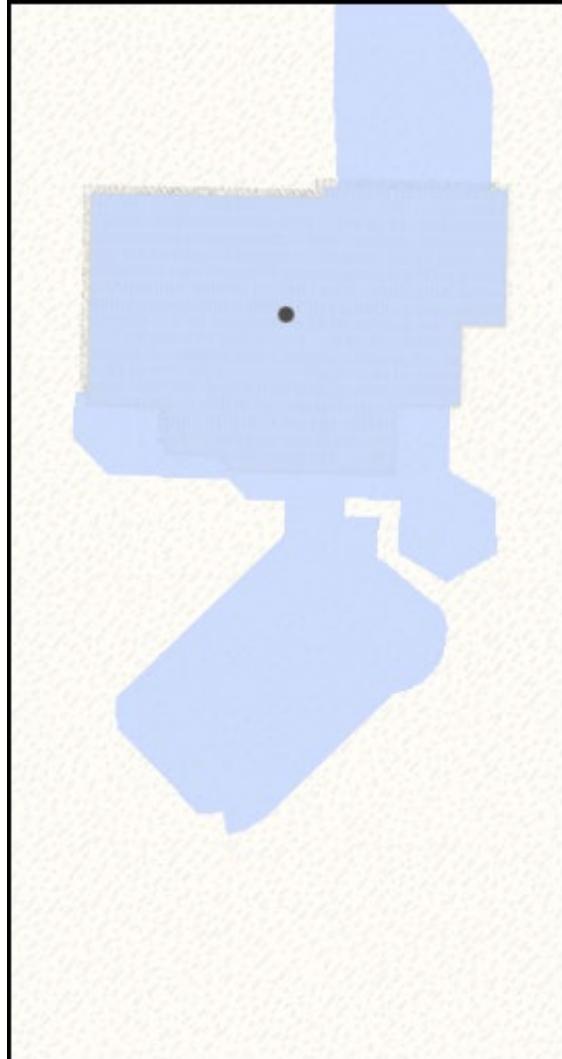
- **IDF = Intensity of Development Factor**
 - This adds **ERUs** to each property based on its ratio of **IA**
 - The higher the ratio of **IA**, the more **ERUs** are added
 - Results in broader fee distribution and slightly lower fees for properties with more *pervious area*

Adjusted IDF Tiers

IDF Tiers	Original Ranges	Original ERU	Adjusted Ranges	Adjusted ERU
Tier 0	<1%	0.1	<1%	0.1
Tier 1	1% - 20%	0.25	1% - 20%	0.2
Tier 2	21% - 40%	0.5	21% - 40%	0.4
Tier 3	41% - 70%	0.75	41% - 60%	0.6
Tier 4	70% - 100%	1.0	61% - 80%	0.8
Tier 5	-	-	81% - 100%	1.0

- At Council's request, staff adjusted the IDF ranges to more consistent increments

Billing Example



Impervious Area = 6,600 sqft

$$\begin{aligned} 6,600 &/ 3,300 \\ &= \underline{2 \text{ ERU}} \end{aligned}$$

Total Area = 18,850 sqft

$$\begin{aligned} 6,600 &/ 18,850 = 35\% \\ 35\% &= \text{Tier 2} \\ &= \underline{0.4 \text{ ERU}} \end{aligned}$$

Billing Rate = 2 + 0.4 = 2.4 ERU

Fee: Required Characteristics

1. Fee must be for a specific purpose and not to raise general revenue
2. Fee must be proportional to benefits or services rendered
3. Fee must be voluntary, meaning some mechanism exists for the end user to avoid service consumption

Proposed Fee Policies: Billing



Fee Policies: Exemptions

- **Public right-of-way**
 - Necessary assets that provide citywide benefits (*Roads, sidewalks, utilities, etc.*)
- **City-owned properties**
 - Currently exempt from water-usage fees
 - Administrative burden to budget
- **Properties with less than 250 sqft of IA**
 - Side yards, small utilities, or open spaces
 - High administrative burden to collect fees

Fee Policies: Customer Billing

- **Fees are billed monthly along with water and sanitary sewer fees on a combined utility bill**
- **If no utility account exists, a bill will be sent to the property owner**
 - If the City does not have the owner's address, a bill may be sent to the address receiving tax bills for the property
- **For billing purposes, a property's ERU will be rounded up to the nearest 1/10**

Fee Policies: Multi-account Billing

- **Commercial** properties with multiple utility accounts will be billed to the property owner's utility account
- **Multi-Family** properties with multiple utility accounts will be billed equally across all accounts

Proposed Fee Policies: Appeals & Credit



Fee Policies: Appeals

- **Appeals:** A process will be established for customers to:
 1. Contest mathematical billing errors
 2. Contest the amount of impervious area recorded for their property
 3. Contest who the City has recorded as the property owner and/or bill payer

Fee Policies: Credit Option

- **Discharge Credit:** 50% fee reduction if none of a property's stormwater runoff discharges to the City's utility system during a 100-year storm event
- **Duration:** Valid for up to 5 years with annual renewal
- **Requirements:**
 - \$300 Application Fee
 - Site Drainage and Utility plan prepared by a licensed Professional Civil Engineer showing 100% of the property's drainage areas discharge outside the City's Stormwater System

Projected Fee Impact



Fee Impact: Assumptions

1. Current Revenue Needed = \$1,750,000

- Covers stormwater operating costs for 2024

2. Fee per ERU = \$4.24

3. Policies

- City does not charge its own properties
- City does not charge properties with less than 250 sq ft of impervious area
- ERUs are rounded up the nearest 1/10th - (\$0.42)

Fee Impact: Commercial/Industrial

Commercial and Industrial Property Impact

Property Type	Impervious Area Size	Total ERU	Current Monthly Fee	Proposed Monthly Fee	% Change
Commercial	Medium	7.3	\$17	\$31	+81%
	Large	16.9	\$12	\$72	+507%
	Maximum	364.4	\$556	\$1,545	+172%
Industrial	Medium	8.7	\$5	\$37	+703%
	Maximum	45.8	\$3	\$194	+5550%

- Commercial and industrial properties typically use little water and have moderate to high amounts of impervious area. Fees for these properties will increase under the new structure.

Fee Impact: Residential

Residential Property Impact

Property Type	Impervious Area Size	Total ERU	Current Monthly Fee	Proposed Monthly Fee	% Change
Residential (Single Family)	Medium	1.4	\$7	\$6	-10%
	Large	2.4	\$10	\$10	-3%
	Very Large	4.5	\$22	\$19	-13%
	Maximum	7.4	\$26	\$31	+21%
Residential (Multifamily)	Small/Condo	1.0	\$7	\$4	-39%
	Apartment Bldg.	133.0	\$1,392	\$564	-60%

- Residential properties use a greater amount of water than other property types and on average have low amounts of impervious area. Fees for these properties will typically remain the same or decrease slightly.

Fee Impact: Jurisdictions/Schools

Jurisdictions/Schools Fee Impact

Organization	Total ERU	Current Monthly Fee	Proposed Monthly Fee	% Change
Wheaton Park District	606.8	\$1,006	\$2,573	+156%
County of DuPage	919.3	\$5,170	\$3,898	-25%
CUSD 200	881.7	\$1,271	\$3,739	+194%
Wheaton College	711.5	\$3,612	\$3,017	-17%

- 73% of all impervious area on institutional* properties within the City belong to these four organizations. Generally, institutional properties will see an increase in fees under the new structure.

*Institutional = government, nonprofit, & tax-exempt entities

Fee Impact: Averages

Average Fee Impact Across Residential & Commercial Properties

Property Type	Total Properties	Avg. Current Monthly Fee	Avg. Proposed Monthly Fee	\$ Change	% Change
Residential	16,452	\$7.10	\$6.40	-\$(0.70)	-10%
Commercial	744	\$16.00	\$30.80	+\$14.80	+92%
Institutional	363	\$32.40	\$48.50	+\$16.10	+50%
Industrial	18	\$1.20	\$36.20	+\$35.00	+2936%

Per Capita Fee Comparison Across Municipalities

Municipality	Population (#)	Stormwater Fee Revenue (\$)	Revenue Per Capita (\$)	Data Source
Wheaton	53,126	\$1,750,000	\$33	Proposed Fee 2024
Winnetka	12,744	\$1,998,964	\$156	Budget 2023
Downers Grove	50,247	\$6,203,480	\$123	Budget 2023
Libertyville	20,579	\$2,100,000	\$102	Budget 2023

Summary

- **Initial revenue generation minimizes fee increases but only covers existing stormwater operating costs**
- **Proposed fee policies and credit option focus on reducing administrative complexity and costs**
 - More credit and incentive options would require additional staff to administer and increased revenue generation to offset discounts to user fees

Next Steps

- **Review Property & Billing Data** | May - August 2023
- **Communicate Fee Changes**
 - Generate informational materials | June 2023
 - Publicize information (*mail, social media, etc.*) | June - July 2023
 - Host public information sessions | July 2023
 - Summarize public feedback for the Council | August 2023
 - Create and publicize fee lookup tool | September 2023
- **Finalize Fee Policies & Ordinance** | September 2023
- **Adopt Fee Policies & Ordinance** | October 2023
- **Implement New Fee** | January 2024

Questions & Comments?

