

## **Greater Sheboygan Committee September 14, 2006**

### **Sheboygan City Storm Water Fee Information and Considerations**

#### **History and Facts:**

1. Following the significant flooding that occurred in the City of Sheboygan during August of 1998, the Sheboygan City Council approved a "storm-water fee" in September 2003.
2. The purpose of the fee is to finance repairs and maintenance of the existing storm-water system and fund new storm water management projects. Actual assessment of the fees began in April 2004. Along with establishment of the fee, the Council also created a Storm-water Utility (SWU). The purpose of the Utility is to collect the storm water fees and fund the repairs and new projects. Prior to the SWU, storm water projects were financed through the City's annual capital project funding, while repairs and maintenance were part of the Department of Public Works budget and funded by general tax collections.
3. The storm-water fee raises approximately \$1.5 million in revenue per year. Households are assessed \$3.00/month or \$36/year. Businesses and non-profit organizations are assessed on their "hard surface" run-off calculated on the basis of "equivalent run-off units" (ERU).
4. Out of the \$1.5 million, approximately \$1 million goes to paying the Department of Public Works expenses for repair and maintenance of the existing storm water system. The remaining \$500,000 goes toward capital projects. The first storm water control capital project to be scheduled is called "N 5<sup>th</sup> & New York" and has an estimated cost of \$1.25 million. The "excess" fees in the SWU will be accumulated (at the rate of approximately \$500,000/year) until there is enough to begin the project.
5. The City Council, in 2003, approved payment of the DPW storm sewer repair and maintenance costs out of the Storm-water Fee. The SWU has been structured this way since its inception.
6. A number of the SWU's costs are driven by the need to meet the storm water discharge requirements under the City's storm water discharge permit from the DNR.
7. The residential properties in the City of Sheboygan are paying approximately 30% of the total storm water fees. Governmental and non-profit organizations pay \$192,303 (about 12%) of the total storm water fees. Included in this are churches who pay approximately 2.6% of the total storm water fees (\$40,163). Other governmental or nonprofit organizations paying significant amounts of storm-water fees include: City of Sheboygan \$66,098, School District \$45,576, Hospitals/Health Care \$15,628 and Sheboygan County \$11,275.

8. Storm water fees are set by the City Council's Public Works Committee and would require action by the Council for any changes. The SWU has no separate oversight board.

### **Considerations and Issues**

The Greater Sheboygan Committee (GSC) believes the following issues should be addressed:

- A. The City Water Utility bills the Storm-water Utility \$77,000 per year for including the storm water fee on all water bills. The billing cost was set by the Water Utility at the highest rate they were permitted to charge by state Public Service Commission.
- B. The DPW carries out much of the storm water repair and maintenance work with its own equipment and crews.
- C. The Storm-water Utility does not have an oversight Board.
- D. The funds currently being accumulated in the SWU do not appear to be adequate to meet the total proposed capital projects over the next 12 years (\$15million).
- E. The storm-water fee has been described as a "user fee."

### **GSC Opinions and Recommendations**

The Greater Sheboygan Committee has the following opinions and recommendations in regard to the Storm-water fee.

- a.) Approximately \$1 million dollars of the DPW's expenses for operating and repairing the storm water system are now paid for from the storm-water fees. With the initiation of the storm-water fee in 2004, it meant the DPW needed *\$1 million less from general tax revenues each year*. It would also follow that *general real estate taxes should have fallen by \$1 million, as that is the amount no longer needed by DPW from general tax collections*.
- b.) However, that did not happen. General tax collections remained at previous or higher levels. Thus, the enactment of the storm-water fee really resulted in an effective increase in general property taxes.
- c.) Given the above, it is the opinion of the Greater Sheboygan Committee that the storm-water fee resulted in an effective increase in property taxes and that City government, at that time, used this approach rather than trying to deal with budgeting issues. As such, the storm-water fee should be repealed over a period of time (three years) and City budgeting issues should be addressed directly, including funding DPW's storm-water repair operations from general tax revenues as they have been in the past.

- d.)** Another issue is in regard to the depiction of the storm-water fee as a “user fee”. A “user fee” implies that the more you use of a resource, the more you should pay (water, sewer, electricity, natural gas). The storm-water fee is (for residences) not based on the amount of storm-water control your individual property needs, but is a flat fee regardless of your need.
- e.)** The GSC is of the opinion that the majority of taxpayers are under the impression that most of the collected storm-water fees will be used for capital improvement projects. This is not the case. In addition, the portion of storm-water fees that are available to pay for capital projects will not be sufficient to pay for all the planned projects in the next ten years. We are also of the opinion that the City should not bond for storm–water capital projects, if the effect makes the Storm-water fee permanent and unable to be repealed.
- f.)** Some business entities in the Sheboygan area are paying more than \$10,000 each year in storm-water fees. This makes Sheboygan a less attractive area to locate a new business or *to retain existing business firms*.
- g.)** The following are related issues that should be addressed if the SWU continues in any form, but does not alter our opinion the fee should be eliminated:
- The Storm-water Utility should look into having a private firm do the storm-water fee billing.
  - The Storm-water Utility should bid out repair and maintenance work to private contractors and compare the cost to doing the work internally.
  - Storm-water fees should be no more than the amount necessary to fund actual capital projects. System repairs and maintenance should be dealt with through the general City budgeting process.
  - The SWU should have an appointed oversight board.
  - Nonprofit organizations should pay for storm-water control via a flat fee per organization or a negotiated fee above a certain level of ERU