

**Village Council Meeting October 18, 2011
Responses to Council questions regarding
Stormwater Utility Recommendations by
Municipal and Financial Services Group (MFSG)**

In communities that have implemented utilities, what types of adjustments did they make once the utility was up and running?

MFSG: Based on discussions with several communities with stormwater utilities the most common adjustments or midcourse corrections have revolved around clarifying the administrative aspects of the program such as further defining the credits program. Several utilities mentioned the need to clarify the requirements for credits but all said that their adjustments were minor.

Please explain why credits should be limited to 50%.

MFSG: The reason why credits are typically limited to 50% is based on three primary factors. The first relates to the fact that the cost of operating and maintaining the stormwater system is fixed. Similar to the water system regardless of how much stormwater is generated the Village still needs to maintain the system and have it ready for the rain events that will require stormwater management. Therefore property owners are assessed a minimum fee in recognition that even if they typically don't use the system it is available should they need to use it. The second relates to the fact that having a stormwater system is a general benefit to all property owners. The removal of water from roads and elimination of flooding benefits the entire Village and all property owners should contribute. The last factor relates to the ability of the property owner to fully mitigate stormwater contributions. In most cases, standard stormwater control activities only mitigate 1" rainfall events and do not have the ability to handle larger rain events and therefore do contribute to peak stormwater events.

Please show the impact of implementing a fee that generates \$3.5 million per year.

MFSG: The following table shows the recommended stormwater fees and the fees that would generate \$3.5 million in 2013.

	Recommended Fees (Generate \$2.3 million)	Alternative Fees (Generate \$3.5 million)
<i>Single Family Residential</i>		
Tier 1: (1 - 2,500 sq. ft.)	\$4.20	\$6.30
Tier 2: (2,501 - 4,000 sq. ft.)	\$5.60	\$8.40
Tier 3: (4,001 - 7,000 sq. ft.)	\$8.40	\$12.60
<i>Non-Single Family Residential</i>		
Per ERU (3,300 sq. ft.)	\$5.60	\$8.40

If we operate the utility on a “pay as you go” approach as opposed to a “pay as you use” approach, how would the stormwater system be affected?

MFSG: The change to a pay-go approach would not impact the stormwater fees in 2013 as debt funded capital projects have not been identified until 2014 and 2105. Moving to pay-go funding for these projects would result in fee increases of approximately 25% per year over the ten year period instead of 17% under the bond funded approach.

How is staff proposing to use the existing revenue from the 1/4 cent Home Rule Sales Tax (HRST)?

The quarter cent HRST, along with \$2,118,574 in property taxes, will be used to make debt service payments on the debt issued in 2008 and the proposed 2012 debt issuance (street reconstructions).

Please quantify the effects of the income tax deductions on property taxes.

Shifting the cost of the stormwater program from the property tax levy to the stormwater utility would reduce the tax deduction for a \$300,000 house by approximately \$15 for a homeowner in the 25% federal income tax bracket.

The chart below shows the cost of the stormwater fee when the itemized deduction is reduced.

Cost (\$5.60 per month)	Tier 2 Home (\$300,000)
Annual Stormwater Utility Fee	\$67.20
Reduction in Property Tax Levy	(59.13)
Net Base Cost of Stormwater Utility	8.07
Loss in Tax Deduction (for Homeowner in 25% Federal Bracket)	14.78
Net Annual Cost for Homeowners who Itemize	22.85
Net Annual Cost for Homeowners Using Standard Deduction	8.07

Please show more examples of churches, schools and commercial properties (what would their tax bills and fees be?)

MMSG: The following table presents some examples of non-residential properties the stormwater fee impact and tax bill impact.

Property Type	ERUs	Credits	Monthly Stormwater Fee	Monthly Property Tax Reduction
Church	18	-	\$101	NA
University		50%	\$658	NA
Hospital		50%	\$778	NA
Big Box Retailer	139	-	\$9,341	\$118
Strip Mall	7	-	\$470	\$8
Used Car Dealer	120	-	\$8,064	\$102
School District 58	363	-	\$2,033	NA
School District 99	343	-	\$1,921	NA

What is the cost of a leaf pick up program and how would this impact the stormwater utility?

Staff estimates that a leaf pickup program would cost at least \$680,000 annually, plus an additional \$200,000 in startup costs to purchase equipment. This expense is not included in the stormwater utility recommendation and would require an increase in the proposed fee.

The staff estimate is based on the following:

Annual PW Labor - \$300,000

Leaf Hauling & Disposal Costs - \$350,000

Annual Equipment Maintenance & Prefunding Costs - \$30,000

Recurring Costs: \$680,000

Plus New Equipment to Start Program - \$200,000