

Community Development

Memorandum

TO: Utilities and Community and Economic Development Committee

FROM: Karen Harkness, Director of Community and Economic Development

DATE: August 5, 2013

RE: Equivalent Runoff Unit (ERU) Formula Change for Multi-Family Properties

The Department of Public Works has recently brought forward a proposal to change the method used to calculate the amount of impervious land area for multi-family properties in regards to their Stormwater Utility charge. Community and Economic Development Staff believe this is a much larger question/discussion than just the ERU formula change for Multi-Family Properties. We believe the assessment rate for ERU's may negatively impact development in the City and thus want to encourage discussion and understanding.

In 1996, the City created the Stormwater Utility (Utility). Rates collected by the Utility are put into a segregated fund intended to recover the costs of ongoing operations, capital construction, maintenance and associated services. The Utility charges are based on the amount of impervious area, as expressed in the number of Equivalent Runoff Units (ERU's) present on a parcel. One ERU is defined to be 2,368 sq. ft. of impervious surface – the average amount of impervious coverage for single-family residences in Appleton. The fee, until July 1, 2013 was \$125 per ERU, and is collected based on the use of the land – single-family, two-family, multi-family, non-residential/multi-use, and undeveloped. The fee structure is shown below.

Classification	ERUs imposed	
	Public Road	Private Road
Single Family	1	1
Detached	1	1
Individual Condominiums		
Duplex	.5/unit	1/unit
Duplex Condominiums	.5/unit	1/unit
Multi-family Condominiums	4/unit	1/unit
Mobile Homes	.5/unit	1/unit
Bed & Breakfast (fewer than 5 units)	1	1
Bed & Breakfast (5 units or more)	.5/unit	1/unit
Multi-family rental ²	.4/unit	1/unit

Non-Residential and Multi-Use	One (1) ERU, multiplied by the numerical factor obtained by dividing the total impervious area of a non-residential property by the square footage of one (1) ERU, rounded down to the nearest one-tenth (0.1), i.e.: ERU rate x <u>impervious area</u> ERU	One (1) ERU, multiplied by the numerical factor obtained by dividing the total impervious area of a non-residential property by the square footage of one (1) ERU, rounded down to the nearest one-tenth (0.1), i.e.: ERU rate x <u>impervious area</u> ERU
Undeveloped	One (1) ERU multiplied by a factor established by resolution then divided by the square footage for one (1) ERU established by resolution	One (1) ERU multiplied by a factor established by resolution then divided by the square footage for one (1) ERU established by resolution

Currently, multi-family properties in the City are charged a fixed rate of 0.4 ERU per residential unit if the property is on a public road or 1.0 ERU per residential unit if the property has a private road. For example, if an apartment has 100 residential units and is on a public road, they would be charged \$5,000 per year $((100 \text{ units} \times 0.4) \times \$125)^*$ or if the 100 unit property is located on a private road they would be charged \$12,500 per year $((100 \text{ units} \times 1.0) \times \$125)^*$. The proposed change recommends calculating the number of ERUs by measuring the actual impervious area of the property using aerial photography rather than the current method of charging a fixed rate based on the number of residential units.

* Calculations were done using the assessment rate prior to the increase on July 1, 2013.

The Department of Public Works created a matrix comparing the impact of storm water charges using the existing flat rate formula and the proposed method for a sample on multi-family properties throughout the City (**Exhibit A**). Based on the sample of 8 multi-family properties, the proposed change would result in a 35% total increase in the Utility charges for these properties. It is not known what the overall impact of this change would be to the Utility, developers, property owners, or renters.

In addition, the fee set by the Utility has increased significantly since 1996 when the Utility was created. At that time the original fee was \$39.00 per ERU. The fee was increased 3 more times to the fee of \$125 per ERU. That is an increase of over 220%. In June of 2011, the City Council approved two future increases to the fee. The fourth increase is occurred on July 1, 2013, and will be \$155 per ERU (24% increase). The fifth increase is to occur in July 2016, and will "increase to no more than 18%".

While it is understood that Federal and State stormwater requirements for municipalities have changed since the Utility was created, the fees represent a significant impact on local economic development within the City. According to a document published by the American Public Works Association (**Exhibit B**), Appleton's Stormwater Utility fee ranked second highest in the state in 2011. Today, Appleton is the highest in the State. Municipalities surrounding Appleton have a significantly lower stormwater utility fee (**Exhibit C**). For example, the City of Neenah charges a fee of \$80 per ERU. When comparing the City of Neenah with the City of Appleton, Appleton's current fee (\$125 per ERU)* is 112% higher than Neenah's fee when comparing the cost per each square-foot of impervious area in each community's ERU.

There is no question that the Utility represents an important service to City residents by reducing flooding, improving water runoff quality, and leaf pick up. However, as detailed above, the cost to provide this service has increased significantly since its inception in 1996, including additional increases going into effect in July of 2013, and another increase in July of 2016. The City of Appleton needs to have a balanced approach between the costs of meeting regulations/ requirements for storm water with the need to remain competitive to attract economic growth, stimulate job creation and add to our tax base.

The Department of Public Works believes the proposed change in the method of calculating a multi-family property's total impervious area is more equitable than the current method. Community and Economic Development (CED) believe that the proposed change in calculating impervious surface is more equitable than the current method. However, this change along with a substantial rate increase in ERU's may result in a financial burden to many existing multi-family property owners who may not be able to absorb the increases thus placing the viability of that operation in jeopardy or requiring that the increase be passed on to their renters. The ability of owners of a multi-family property to pass those costs on to their renters would be contingent upon the capacity to increase rents as well as the dates of lease renewals which would occur over a period of time-one to three years. In addition, the proposed change coupled with the recent rate increase may negatively impact future multi-family development in the City as surrounding communities have lower ERU fees and the formula to calculate impervious surfaces differs from Appleton's and is results in less cost to the multi-family property.

RECOMMENDATION:

Staff recommends that the proposed impact of assessment rates be studied, reviewed and discussed.

In addition, CED Staff recommends Council consider the following:

- Consider alternative implementation options for capital improvements associated with stormwater with the intent to slow the expenses so the rate will not have to be increased again in 3 years.
- Consider establishing an on-going storm water advisory committee to review policies, fee credits, service, evaluate capital and operational programs/budgets, and make recommendations or comments to elected officials. The City had a Stormwater Advisory Committee that helped to create our City-wide Stormwater Management Plan (**Exhibit D**).
- Communicate to multi-family property owners and developers to involve them in the process of any proposed formula change and provide financial impact of all multi-family properties in the City based on the proposed formula change (**Exhibit E**).
- Analyze the current structure of stormwater charges and see if there are options for changes that would potentially allow the ERU rate to be decreased or would allow Appleton to hold their rate until surrounding municipalities caught up thus positioning Appleton to be in a better competitive stance.
- Increase opportunities for credits such as rain barrels, green roof tops and permeable pavers.

EXHIBIT A

Stormwater Utility Comparison - Public Roads vs Private Roads for Apartments and Condominiums

Example	Public or Private Road	Number of Units	Current Charged Area-SF	Current Charged ERU	GIS Measured Area-SF	GIS Measured ERU	ERU Difference	Cost Difference per Year	Cost Difference per Acre
1	Private	56	152,600.0	56	149,553.0	63.2	7.2	\$900.00	\$16.07
2	Private	50	118,400.0	50	130,519.0	55.3	5.3	\$662.50	\$13.25
3	Public	48	45,455.5	19.2	105,033.0	44.3	25.1	\$9,157.50	\$65.36
4	Private	22	52,096.0	22	61,025.0	25.3	3.3	\$405.00	\$21.59
5	Private	29	69,572.0	29	99,380.0	39.6	10.6	\$1,325.00	\$45.69
6	Private	160	379,380.0	160	489,381.0	206.9	46.9	\$5,862.50	\$36.64
7	Public	60	56,832.0	24	72,636.0	30.7	6.7	\$837.50	\$13.96
8	Public	64	60,620.8	25.6	134,058.0	56.6	31	\$3,275.00	\$80.55

Handwritten note:
 From ERU's standpoint
 the private roads are
 more expensive

EXHIBITS



WI Stormwater User Charge System Information
Representative Wisconsin Communities



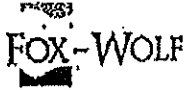
Wisconsin stormwater user charge information is subject to change. Contact individual communities to confirm accuracy - please forward corrections and updates!

April 8, 2011

Name of Community or Stormwater District	Recent Population	Created/ Started In	ERU Size (sf)	Annual \$/ERU or 1 Fam/home	Credit Policy?		Comments/ Web site addresses
					Y/N	Max Amount	
1 Allouez (Village)	15,443	2006	3,663				www.villageofallouez.com
2 Appleton (City)	70,293	1985	2,368	\$ 125.00	Y	77%	www.appleton.org
3 Baraboo (City)	10,771	2005	2,379	\$ 46.87			www.cityofbaraboo.com
4 Barron (City)	3,250	2005	10,850	\$ 24.00	Y	75%	www.barronwi.us
5 Beaver Dam (City)	14,983	2008	2,697	\$ 48.61	Y	83%	www.cityofbeaverdam.com
6 Bellevue (Village)	14,386	2002	8,221	\$ 48.00	Y	100%	www.bellevue-wi.com
7 Beloit (City)	85,803	2006	8,347	\$ 36.00			beloit.gov/office3.com/
8 Brown Deer (Village)	11,895	2004	8,257	\$ 81.80	N		www.browndeerwi.org
9 Butler (Village)	1,885	1999	8,032	\$ 66.00			www.butlerwi.gov/
10 Chetek (City)	2,180	2005		\$ 27.00	Y		www.chetek.net
11 Chippewa Falls (City)	19,274	2005		\$ 36.00			www.ci.chippewa-falls.wi.us
12 Cudahy (City)	18,430	2001	2,700	\$ 60.00	Y	\$2/ERU	www.ci.cudahy.wi.us
13 De Forest (Village)	7,400	2005	2,900	\$ 60.00			www.villageofdeforest.wi.us/
14 Delafield (City)	7,820	2004	1,000	\$ 29.00			www.cityofdelafield.com/
15 De Pere (City)	20,560	2003		\$ 47.00			www.depere.org/
16 Eau Claire (City)	62,578	1997	3,000	\$ 68.00	Y	100%	www.ci.eau-claire.wi.us
17 Elm Grove (Village)	6,250	2004	6,235	\$ 65.50			www.elmgrovewi.org
18 Fitchburg (City) - Urban	20,000	2002	3,700	\$ 70.40	Y	50%	www.city.fitchburg.wi.us
19 Fitchburg (City) - Rural	4,000	2002	3,700	\$ 24.20	Y	50%	www.city.fitchburg.wi.us
20 Fox Point (Village)	6,816	2009	2,988	\$ 126.72			https://www.wi.fox-point.wi.us/
21 Fort Atkinson (City)		2009	8,096	\$ 87.98			http://www.fortatkinsonwi.net/
22 Garner's Creek (watershed)		1998	8,623	\$ 96.00	Y	85%	http://www.gainerscreekutility.org/
23 Glendale (City)	19,400	1996	8,200	\$ 42.00	N	\$	www.glendale-wi.org
24 Grand Chute (Town)	20,200	1997	3,283	\$ 48.00	Y	85%	www.grandchute.net
25 Grantsburg (Village)	1,997	2004		\$ 18.00	Y	75%	www.grantsburgwi.com
26 Green Bay (City)	102,850	2004	3,000	\$ 63.76	Y	67%	www.ci.green-bay.wi.us
27 Greendale (Village)	14,410	2004	3,241	\$ 78.00	Y	50%	www.greendale.org
28 Greenfield (City)	85,478	2009	8,630	\$ 49.80			http://www.ci.greenfield.wi.us/
29 Greenville (Town)	8,008	1999	4,510	\$ 60.00	Y	85%	www.townofgreenville.com
30 Hales Corners (Village)	7,665	2008	8,952	\$ 9.00			http://www.halescorners.org/
31 Harrison (Town of)	5,800	1998		\$ 36.00			www.ci.harrison.wi.us
32 Hobart (Village of)	5,834	2007	4,000	\$ 72.00	Y	50%	www.hobart-wi.org/
33 Holman (Village of)	7,176	2007	3,550	\$ 44.00	Y	50%	www.holmanwi.com
34 Howard (Village)	15,774	2005	3,301	\$ 44.00			www.villageofhoward.com
35 Janesville (City)	61,604	2003	3,200	\$ 36.44	Y	65%	www.ci.janesville.wi.us
36 Kenosha (City)	98,845	2007	3,477	\$ 60.00	Y		www.kenosha.org
37 Lake Delton (Village)	2,975	1993	1,645	\$ 18.00	Y	100%	www.lakedelton.org
38 Lancaster (City)	4,033	2008	2,400	\$ 24.00	Y		www.lancasterwi.com
39 Lebanon (Town)	9,359	2007	6,642	\$ 40.00	Y	50%	www.townoflebanonwi.com
40 Little Chute (Village)	10,830	1998	2,752	\$ 96.00	N		www.littlechutewi.org
41 Madison (City)	220,332	2001	Ind'l Mgmt	\$ 59.00	Y	50%	www.cityofmadison.com
42 McFarland (Village)	6,416	2007	3,458	\$ 48.85			www.mcfarland.wi.us
43 Menominee (City of)	15,318	2008	3,000	\$ 92.00	Y	20%	www.menominee-wi.gov/
44 Milton (City of)	5,667	2008		\$ 55.13			http://www.ci.milton.wi.us/
45 Milwaukee (City)	897,000	2006	1,610	\$ 82.20	Y	60%	www.mpv.net
46 Monona (City)	8,000	2004	NA*	\$ 60.00	Y	65%	www.mononawis.us
47 Monroe (City)	10,600	2006	2,728	\$ 60.00			www.cityofmonroe.org
48 Neenah (City)	24,600	2003	3,138	\$ 80.00			www.ci.neenah.wi.us
49 New Berlin (City)	98,719	2001	4,000	\$ 60.00	N		www.newberlin.org
50 New Richmond (City)	7,726	2004	12,632	\$ 28.68	Y	75%	www.ci.new-richmond.wi.us
51 N. Fond du Lac (Village)	4,557	2007	3,123	\$ 56.00	Y		www.nfdl.org
52 Oak Creek (City)	28,458	2003	3,900	\$ 27.50			http://www.oakcreekwi.org/
53 Onalaska (City)	18,690	2009	3,888	\$ 50.95	Y	40%	www.cityofonalaska.com
54 Onalaska (Town)	5,600	2005	3,709	\$ 24.00			www.co.la-crosse.wi.us/townofonalaska
55 Oshkosh (City)	65,000	2003	2,817	\$ 62.97	Y	40%	www.ci.oshkosh.wi.us
56 Pawauke (City)	11,783	2010	5,339	\$ 120.00			http://www.pleasantportwi.com/
57 Pleasant Prairie (Village)	18,000	2006		\$ 15.00			www.pleasantprairieonline.com/
58 Port Walcott (Village)	2,563	2006	3,550	\$ 40.00			www.portwalcott-wi.gov/
59 Racine (City)	81,855	2004	2,844	\$ 72.30	Y	40%	www.cityofracine.org
60 Raymond (Town)	3,516	2008	\$0.0036/sf impervious area		N		www.raymondtownof.com
61 Reedsburg (City of)	8,534	2008	3,024	\$ 46.00	Y	50%	www.reedsburgwi.gov

Town of Menasha

\$100.00



**WI Stormwater User Charge System Information
Representative Wisconsin Communities**



Wisconsin stormwater user charge information is subject to change! Contact individual communities to confirm accuracy - please forward corrections and updates!

April 8, 2013

	Name of Community or Stormwater District	Recent Population	Created/ Started In:	ERU Size (si)	Annual \$/ERU or 1 farm home	Credit Policy?		Comments/ Web site addresses
						Y/N	Max Amount	
62	River Falls (City)	13,019	1988	NA *	\$ 37.68	Y	100%	www.rfcity.org
63	Salem (Town)	9,871	2009	6,952	\$ 60.00	Y	50%	www.townofsalem.net
64	Sheboygan (City)	50,800	2001	2,215	\$ 35.00	Y		www.ci.sheboygan.wi.us
65	Shorewood Hills (Village)	1,732	2007	2,941				www.shorewood-hills.org
66	Slinger (Village)	3,801	2007	4,300	\$ 40.00	Y		www.slinger-wi.usa.org/
67	St. Francis (Village)	9,973	2001	2,500	\$ 48.00			www.ci.stfrancis.wi.gov/
68	Sun Prairie (City)	24,464	2003	3,468	\$ 72.00	Y	65%	www.ci.sunprairie.com/
69	Superior (City)	27,370	2007	1,907	\$ 70.80	Y	TBD	www.ci.superior.wi.us/
70	Sussex (Village)	9,687	2005		\$ 60.00			www.village.sussex.wi.us/
71	Vernon (Town)	7,455	2008	6,904	\$ 32.00	Y	50%	www.royalofvernon.org/
72	Verona (City)	7,052	2009	2,842	\$ 53.08			http://www.ci.verona.wi.us/
73	Washburn (City)	2,300	2005		\$ 48.00			www.cityofwashburn.org/
74	Watertown (City)	23,169	2005	2,900	\$ 76.00			www.cityofwatertown.org/
75	Waupun (City)	10,720	2005	3,204	\$ 36.00			www.cityofwaupun.org/
76	Wauwatosa (City)	45,602	1999	2,174	\$ 65.44	Y	100%	www.wauwatosa.net/
77	West Allis (City)	61,250	1997	1,827	\$ 63.12	Y	56%	www.ci.west-allis.wi.us/
78	West Milwaukee (Village)	4,142	2003	1,955	\$ 24.00	Y	75%	www.westmilwaukee.org/
79	Weston (Village)	12,736	2004	3,838	\$ 47.78	Y	68%	www.westonwisconsin.org/

Send updates to jmm@sonac@gmail.com; matrix developed with supporting information from stormwater professionals state-wide.

Exhibit C

ERU Rate Comparison	ERU Rate	Eru Size	ERU Rate per sq/ft	Percentage of Appleton
Appleton 7/1/2013	\$155.00	2368	\$0.065	100.00%
Appleton now	\$125.00	2368	\$0.053	80.65%
Little Chute	\$96.00	2752	\$0.035	53.29%
Neenah	\$80.00	3138	\$0.025	38.95%
Oshkosh	\$62.97	2817	\$0.022	34.15%
Green Bay	\$63.76	3000	\$0.021	32.47%
Grand Chute	\$48.00	3283	\$0.015	22.34%
Greenville	\$60.00	4510	\$0.013	20.32%

If a 100 Unit 200,000 sq ft development were to develop on public road in the Fox Cities assuming a 1 eru for the first unit and .5 there after

	ERU per sq/ft	Number of charged ERU	Actual Sq/ft method	Cost to build on public ROW	Cost to build in Appleton with private ROW
Appleton today	0.05	51		\$6,375	\$11,840
Appleton 7/1/2013	0.07	51		\$7,905	\$16,576
Appleton Proposed 2016	0.07		84	\$13,924	\$13,923
Grand Chute	0.01	51		\$1,766	NA*
Greenville	0.01	51		\$1,607	NA*

* Grand Chute and Greenville do not charge a higher amount for a private right of way

EXHIBIT D

2003/2004 Stormwater Advisory Committee

The Advisory Committee helped the City create our City-wide Stormwater Management Plan.

Members were as follows:

DPW representatives – Paula Vandehey, Pete Neuberger and Sue Olson

Mayor's Office – Bill Siebers

Community Development – Pete Hensler

Alderpersons – Jo Egelhoff and Dick Gosse

Northside Business Association – John Yohr

Southside Business Association – Joe Sturm

Downtown – Jennifer Stephanie

Fox Wolf Watershed Alliance – Linda Stoll

Boldt – Steve Ford

Hoffman – Mark Behnke

Pfefferle – Tom Scheuerman

Lawrence University – Vince Maas

Valley Home Builders Association – Lynn Raether

EXHIBIT E
2013 Budget

UTILITIES

- **Water** – This budget continues to focus on replacing aged distribution and transmission mains (\$2,386,176). 2013 will be the first year to replace the existing radio-read water meters to an Advanced Metering Infrastructure (AMI) reading system (\$1,712,040). This project will take at least four years to complete. Based on EPA requirements, the water plant will incorporate the ultraviolet light process into the existing treatment process (\$4,620,000). The improvements will reduce chemical and energy costs upon completion of the project. This project replaces the originally planned 2012 secondary membrane project. On the revenue side, if eligible, the City will be seeking an inflationary rate increase (approximately 3%) through a simplified rate application process in April 2013.
- **Wastewater** – Wastewater collection system capital improvements include typical reconstruction projects in concert with road improvements (\$2,022,930). Utility capital improvements include a bar screen replacement that will minimize the amount of undesirable material entering the plant and ensure operational reliability. We continue to monitor the new NR 217 rule and the Total Maximum Daily Load (TMDL) legislation as they relate to phosphorous reduction criteria that will have significant implications to the Wastewater Utility. In 2013, the TMDL study will provide a comprehensive evaluation of existing treatment capabilities and provide recommendations for treatment improvements or technologies that effectively decrease phosphorus levels. The information compiled within the study will be utilized to determine the most cost effective path of compliance and the basis for future capital planning. There is no change in the Wastewater rates in the 2013 Budget.
- **Stormwater** – This budget reflects significant funding for the Theodore Street Phase 2 Flood Storage project (\$7,249,648) along with the Reid Golf Course detention pond project (\$291,000), the Wastewater Treatment Plant storm interceptor (\$1,827,386) and other infrastructure (\$1,796,021) as we continue to implement the Citywide stormwater management plan. There is an increase in Stormwater rates starting 7/1/13 from \$125 to \$155 per ERU as approved by the Common Council on June 15, 2011 for future rate planning.

PERSONNEL



MEMO

TO: Utilities Committee

FROM: Paula Vandehey, Director of Public Works *PAV*

DATE: August 7, 2013

SUBJECT: Proposed Stormwater ERU formula change for multi-family properties.

Director Harkness's memo does a nice job reviewing the Department of Public Work's proposal to change the method to calculate the amount of impervious land area for multi-family properties in regards to the Stormwater Utility charge. The bottom line is the Department of Public Works is proposing a more equitable formula for the multitude of variations of multi-family properties within the City of Appleton.

The Department of Public Works is very sensitive to our Stormwater Utility rate as it compares to other communities, but Council has continued to support the increases based on their desired level of service in both stormwater quality and quantity.

In recognition of Community and Economic Develop Department's concerns outlined in their August 5, 2013 memo, the Department of Public Works recommends the following:

Approve change of 0.4/unit public road and 1/unit private road to actual impervious area of the property using aerial photography for all new and existing multi-family development projects effective 1/1/2015. This gives the owners and/or tenants time to budget accordingly.

Following are my thoughts on the five bulleted recommendations outlined in Director Harkness's memo:

- Council reviews proposed expenditures and the impact to future rate increases as part of their annual budget process.
- The Department of Public Works is responsible for reviewing policies, evaluating capital and operational programs/budgets, etc. with the Utilities Committee as our Committee of Jurisdiction. An advisory committee is used when we update our City-Wide Stormwater Management Plan. We do not have on-going advisory committees for our Water Utility, Wastewater Utility, etc. and do not believe it is appropriate in this case.
- We will notify property owners as directed by the Utilities Committee prior to action being taken.

- The adopted ERU rate cannot be reduced as the bond rating was established based on this latest rate increase. The anticipated 2016 rate increase of up to 18% will be reviewed based on Council adopted priorities and expenditures over the next few years. A new driver for this rate will be the updated City-Wide Stormwater Management Plan that will address the Total Maximum Daily Load/phosphorous requirements for the lower Fox River.
- Credit opportunities are very general in nature in the Council adopted Stormwater Utility Credit Policy. Properties that demonstrate they are reducing the impacts on the stormwater peak flow and/or stormwater quality components may be eligible for a portion or all of the allowable credits. The Department will continue to review all credit opportunities.