



## Agenda Item Report

**Meeting Type:** Committee of the Whole

**Meeting Date:** December 17, 2024

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**Item Title:** Discussion regarding possible storm water referendum

**Submitted By:** Krystal Larson, Treasurer & Matt Amundson, City Administrator

### Detailed Description of Subject Matter:

The Council established the Stormwater Utility by ordinance on January 4, 2022. At that time, a rate charge (“user fee”) upon each real estate parcel was not implemented. Subsequent amendments (2) to the Stormwater Utility Ordinance clarified the City’s base charge (user fee) concerning timing of user fee increases and details on collection procedures.

Stormwater is classified as a “covered service” in the levy limit statutes. When stormwater costs are funded by the levy prior to the creation of a stormwater utility (which is the case in Columbus), and the stormwater utility revenue is expected to reduce or eliminate the levy for stormwater, the City cannot convert stormwater costs to user fees and apply the levy for stormwater to another expenditure in the budget.

To comply with the levy limit statutes the Council has two options:

- 1) Take a negative adjustment on its levy limit worksheet for the year of implementation of a user fee to reduce the levy for prior stormwater costs included in the levy; or
- 2) Conduct a levy limit referendum to avoid a negative adjustment to the City’s levy limit worksheet.

It should be noted that a referendum IS NOT required to establish a stormwater user fee but IS required to avoid a negative adjustment to the levy limit.

Option 1: The negative adjustment is capped at the amount of levy support for the covered service in 2014 budget (2013 tax bill). The negative adjustment for the City of Columbus is \$14,722. This is a minimal impact as compared to the cost of conducting a referendum to avoid this adjustment, a one-time adjustment in the year of implementing a stormwater utility user fee.

A stormwater utility fee is viewed as any other fee or charge for a service. The procedure for collection of this type of fee can be handled in different ways as seen in varying communities: 1: the user fee is included on the tax bill, same as our City’s garbage/recycling; 2: the user fee is included on city owned utility billing statement; or 3: the City bills out the fee (monthly/quarterly) directly to all property owners based on ownership as noted on the tax bills.

The council chose to establish billing as a combination of #1 and #3, excluding the use and ease of utilizing the billing mechanism of inclusion on the tax bill. In 2022, based on its study, Ruekert Mielke calculated a base charge per customer of \$0.25 and a per ERU charge of \$4.75. For example, a single-family residential customer charge would be \$5.00 (considered 1 ERU). A total of \$60.00 per annual tax bill.

There are 4 options for the Council to consider:

- Hold a binding stormwater utility referendum
- Include stormwater projects in future borrowing/debt service that have to compete with other needs of the City
- Enact a stormwater fee (similar to garbage collection) and take the negative adjustment, Ehlers has advised that this is what a majority of City's do and that the negative adjustment will not impact the City. If this option is selected, I recommend including as part of the 2026 budget discussion.
- Do nothing

**List all Supporting Documentation Attached:**

**Action Requested of Council:**

Discussion regarding possible storm water referendum