### Increasing Your Drainage Utility Fee: A Practical Discussion

Howard Redfearn Environmental Manager City of Mansfield, TX



- History of State Legislation
- Discussion of State Legislation
- History of Mansfield Drainage Utility Fee
- Identifying Needs, Building Support for Increase
- Lessons Learned

### **History of State Legislation**

- Established by Municipal Drainage Utility Systems Act Sept. 1, 1987
- Amended many times since
- •Grants authority to local governments to raise revenues for drainage related purposes
- Must be a fee, not a tax
- Assessed against "benefitted property"
- •Can be used to collect funds for future improvements
- •Nondiscriminatory, reasonable, and equitable

- Established with an ordinance to create the utility and generally a separate rate ordinance
- Charges based on anything other than property value, but must be related to drainage
- •Land use can be a consideration
- May be billed within public utility billing, but separately identified
- Revenues generated may be used to issue debt
- Revenues can be transferred to general fund\*
- Can be discontinued

### Exemptions

#### Voluntary exemptions:

- State, County, Municipal properties
- School Districts
- Closed cemeteries
- Mandatory exemptions:
  - Wholly sufficient privately owned drainage system
  - Natural properties
  - Subdivided lot, until occupied
- Partial exemptions
  - Churches or tax exempt religious based properties

### Mansfield Drainage Utility History

- Originally adopted ordinance in Fall 1995 established rates Feb 1996
  - \$1/mo/hh \$9.26/acre commercial \$7.62/acre industrial -\$.5/unit apartment - \$1.unit mobile home
  - Estimated to generate roughly \$260,000/year in revenue
    - Revenues used for Master Drainage Plans, Salaries, Equipment,

Maintenance

- Extended Feb 1999
- •Updated 2003
  - \$3.50/hh/mo \$34.73/acre commercial \$19.05/acre industrial - \$2.50/unit apartment - \$2.00/unit mobile home
  - Generating slightly less than \$1 million/year

- Debt issued in 2004 (\$2.5 million) and 2007 (\$5 million)
- Updated again Feb 2011
  - Included gas well development as benefitted property use
  - Additional \$40,000/year added to revenues
  - Revenues projected at\$1.14 million
- Latest update effective Jan 2016
  - \$6.50/hh/mo \$53.70/acre non-residential \$5.00/unit/mo mobile homes - \$6.50/acre/mo school/church
  - Revenues projected at \$2.4 million

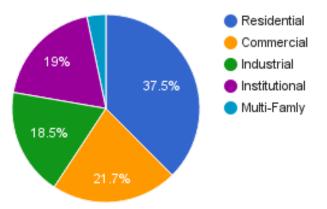
### Increase justifications

- Additional bond funds needed to complete capital projects
- Additional revenues needed to support increases in operating budget
  - Salaries, maintenance costs, contract costs
- Permit compliance cost increases
- Changes to fee ordinance needed for:
  - Charge multifamily based on impervious area not units
  - Fee structure was heavily biased on residential

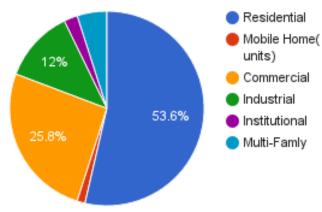
### Other items



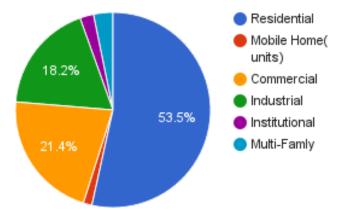
#### % Impervious Area



#### % Previous Revenue



% Current Revenue



### **Rate Structure Discussion**

- New rate structure simplifies rates
- Legally compliant
  - Apartment unit based billing not acceptable
- Council decision to continue discount for schools/churches
  - Lost revenue was transferred to residential category
- \$53.70/acre/mo effective rate for nonresidential (except schools/churches)
- •\$77.57/acre/mo effective rate for residential
  - Assumes average impervious of 3,650 average home size\*coefficient

- Staff prepared and proposed 2 other alternatives
- Flat rate everyone pays one effective rate
  - \$53.70/acre Residential rate would have been \$4.50/mo
  - School District would have gone from paying \$1,764/mo to \$27,066.87/mo
    - As is increased to \$3,276/mo
- Spread discount for schools/churches through all categories
  - \$62.65/acre non-res \$68.62/acre res (\$5.15/hh/mo)

# What is it paying for?

#### SWMP Compliance

• Salaries, street sweeping, training, HHW program, and education program

#### Vegetation maintenance

• Mowing of certain properties

#### Drainage maintenance activities

• Grading bar ditches, remove sedimentation, headwall repair/replacement

#### Drainage capital projects

• Detention ponds, land acquisition, channelization projects, slope stabilization

#### Equipment and maintenance

- Gradall, skid steer, work trucks
- Rebuilding fund balance

## **Identifying Needs**

#### SWMP compliance is more expensive

- Additional items in new MS4 permit
- •Vegetation maintenance areas continue growing
- Additional studies needed to support some capital projects
- Capital project list is only growing
  - Additional regional detention ponds needed, local drainage issue solutions
- Equipment and personnel needed to keep up

### Creating a list of projects

- Based on drainage complaints
- Some based on staff knowledge of past flooding issues
- Develop departmental work plan
  - Goals and objectives of non-construction related program elements

### •Selling the list

- Property protection
- Life safety
- Increase quality of life
- Increase level of service provided to public

# How did we get to \$2.4 million?

- Identified several projects that should be able to be completed within 10 year period
- Split between two debt issuances each with a 5 year implementation window
  - Allows rebuilding of fund balance and keeps money available for emergencies
- Most likely \$3.2 million first issuance and \$4.2 million second
  - Total debt on books will be significant
- •Additional \$500,000/yr for operational needs
- Revenue projection will support all debt and operational increases (without growth)

	Acreage	Current	Prop 1	Prop 2		Prop 3		Prop 1 %Rev	Prop 2 %Rev	Prop 3 %Rev
				Adopted on 10/26						
Residential	1382.58	\$57,750.00	\$74,250.00	\$107,250.00	\$107,250.00	\$94,875.00	\$82,500.00	37.22%	53.46%	47.00%
		4			4					
Mobile Home(units)	575	\$1,437.50	\$1,725.00	\$2,875.00	\$2,875.00	\$2,731.25	\$1,725.00	0.86%	5 1.43%	6 1.35%
Commercial	800	\$27,784.00	\$42,963.29	\$42,963.29	\$42,960.00	\$50,123.84	\$47,736.99	21.54%	5 21.429	6 24.83%
Commercial	800	\$27,784.00	\$42,903.29	\$42,505.25	\$42,900.00	, , , , , , , , , , , , , , , , , , , ,	Ş47,730.53	21.34/0	21.42/	0 24.0370
Industrial	680	\$12,954.00	\$36,518.79	\$36,518.79	\$36,516.00	\$42,605.26	\$40,576.44	18.31%	5 18.20%	6 21.10%
			1 ,	1	1	, , , , , , , , , , , , , , , , , , , ,				
Institutional	700	\$2,450.00	\$37,592.88	\$4,550.00	\$4,550.00	\$4,025.00	\$20,884.93	18.84%	2.27%	6 1.99%
MultiFam	120	\$5,327.50	\$6,444.49	\$6,444.49	\$6,444.00	\$7,518.58	\$7,160.55	3.23%	3.219	6 3.72%
Monthly Total		\$107,703.00	\$199,494.45	\$200,601.58	\$200,595.00	\$201,878.92	\$200,583.90	)		
Annual Total		\$1,292,436.00	\$2,393,933.42	\$2,407,218.90	\$2,407,140.00	\$2,422,547.05	\$2,407,006.85	5		
Nonres Rate/acre			\$53.70/acre	\$53.70/acre		\$62.65/acre				
/				/						
Res Rate/acre				\$77.57/acre		\$68.62/acre				
									F2 704100F0	) ć4 ⊑ /bb
									53.70410959	9
						Schools & Churches				
Actual Imperv %		Current % Revenue		Schools & Churches pay residential rate per acre		pay residential rate per acre			77.57260274	1 \$6 5/hh
			Everyone pays						77.3720027	, ço.37111
37.54%	Res	53.62%	one rate	Residential oborbs all		Difference split between			59.67123288	3 \$5/hh
21.72%	Comm	25.80%		difference		all categories				
18.47%		12.03%								
19.01%		2.27%								
3.26%		4.95%								
		1.33%								

FY	PROJ.	PROJECT NAME	ORIGINAL	CURRENT
	NO.		BUDGET	BUDGET
16	77-0908-00-00-300019-CN	Day Miar Study	\$150,000	\$47,500
16	77 0000 00 00 200040 CN	Des difield lines as Fassian Dessia	Ć524 400	¢54.400
10	77-0908-00-00-300018-CN	Brookfield Hogpen Erosion Repair	\$534,400	\$54,400
15	77-0908-00-00-300017-CN	Fox Glen Channel repair	\$40,000	\$48,900
			\$724,400	
17	3	Hogpen Study Update	\$350,000	
17/18	4	Day Miar Channel Plans & Construction	\$700,000	
18	13	Low Branch @ Main Culverts (Design/Construction)	\$750,000	
18	8	Watson Branch H&H Study Update	\$60,000	
18	10	Garden Heights Channel	\$300,000	
17-19		Misc Projects	\$400,000	
Flood	18	Kimberly Ct Flume & Improvements	\$180,000	
NA	5	Sentry Channel Drainage	\$0	\$90,000
NA	6	Newt Patterson Bar Ditches/Culverts	\$0	\$300,000
			\$3,220,000	
19	11	Hogpen Detention Pond A Design & Construction	\$1,200,000	
19	7	Pond Branch Channel Study	\$125,000	
20	9	Pond Branch Improvements Phase I	\$450,000	
21	12	Hogpen Detention Pond Debbie Lane Design & Construction	\$1,200,000	
19	14	Day Miar Crossing/Outfall	\$400,000	
19	15	Watson Branch Russel Realignment & Channelization	\$20,000	
		Misc Projects	\$300,000	
Flood	16	Garretson Dr Discharge Realignment	\$350,000	
Flood	17	Spirit Walk Drainage Improvements	\$600,000	
Flood	19	Glen Abbey Drainage Construction	\$150,000	
			\$4,795,000	

### Lessons learned

- Have a credit/refund policy in place prior to changes to fees
- Prepare talking points for customer service
- Per usual, no comments from public announcement
- Be flexible and present options and justifications for why they work
- •2 years from time work started until passed
  - Meetings with staff will help get everyone on board and broaden support
  - Cannot plan for council meeting schedules
- First bond issuance planned for 1<sup>st</sup> qtr FY17
  - Don't expect you finance dept to immediately start letting you spend money



#### Questions??