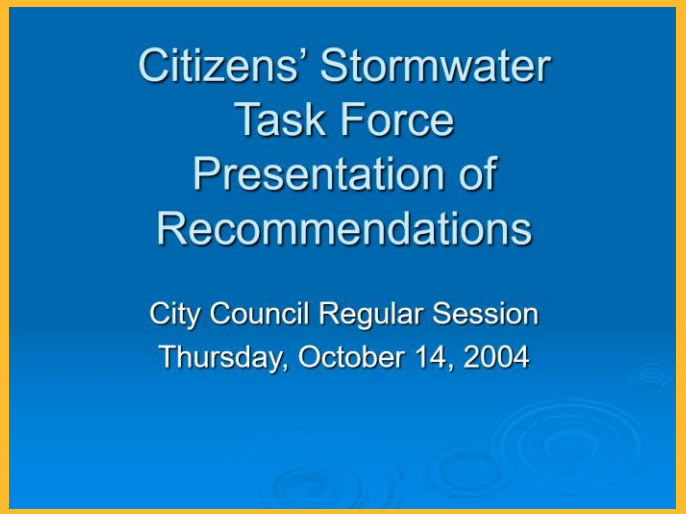
Stormwater Utility Rate and Implementation Study Update



July 14, 2025

Public Works Committee Meeting

George Binger, PE, CFM

Deputy Director of Public Works / City Engineer

LS

Yours Truly

Stormwater Utility Update

- Summarize System
- Level of Service (LOS) Details for
  - Add 2 crews
  - Small Capital
  - Regulatory compliance, Engineering, and Administration
- 3 basic options
  - Property Tax
  - Sales Tax
  - User Fee based on Impervious Area
- Committee Guidance for Detailed presentation in September

Current System

Public Infrastructure	Existing	Approved (for 2022)
Miles of Pipe	285	17
Miles of CMP	122	0
Number of Structures	17,212	437
Buried Structures	20	
City-Owned Channel (miles)	12	
19 City-owned basins	12 acres	
# of City-owned BMP	16	

Lee's Summit Current and Future Stormwater Operations and Maintenance Program Costs

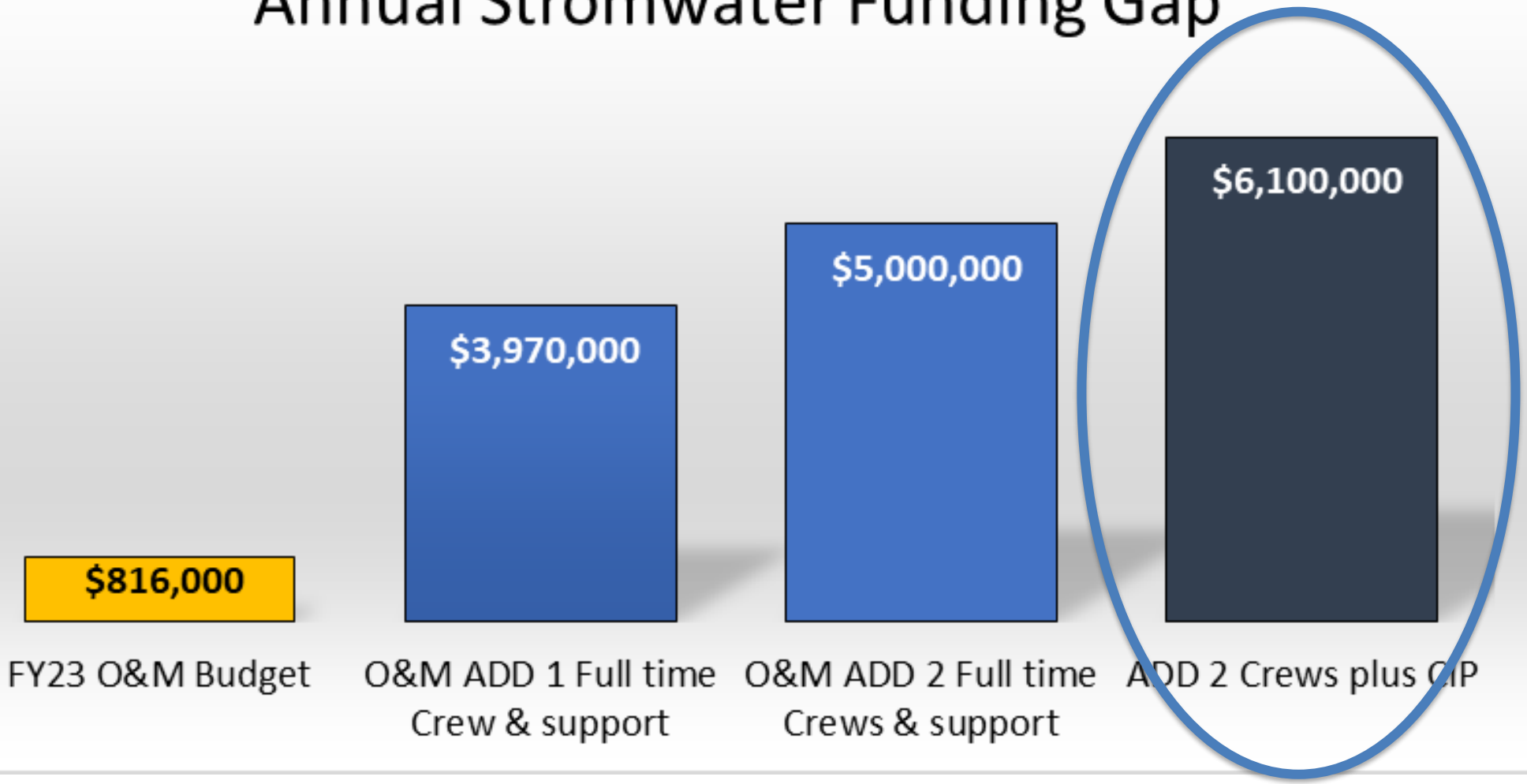
#	Stormwater Program Elements	Estimated Future Year Program Costs			
		FY 2026	FY 2027	FY 2028	Basis of Costs & Rationale
1	**System Maintenance**				
a	Salaries	$ 753,168	$ 753,168	$ 753,168	FY22&23 - 100% of FY22 PW Ops - Stormwater Control Budget, FY2024 new 5-person Crew, FY2026 additional 5-person Crew
b	Benefits	$ 344,657	$ 344,657	$ 344,657	FY22&23 - 100% of FY22 PW Ops - Stormwater Control Budget, FY2024 new 5-person Crew, FY2026 additional 5-person Crew
c	Materials & Supplies	$ 100,497	$ 100,497	$ 100,497	FY22&23 - 100% of FY22 PW Ops - Stormwater Control Budget Materials & Supplies, FY2024 -2028 based on M&S/Salary ratio for FY22
d1	Contract Services	$ 523,730	$ 523,730	$ 523,730	FY22&23 - 100% of FY22 PW Ops - Stormwater Control Budget, FY2024 -2028 based on Contract Services/Salary ratio for FY22
d2	Contract Services - CMP Replacement	$ 1,000,000	$ 1,000,000	$ 1,500,000	FY24-28 - Transition CMP replacement program to O&M. Currently in CIP budget and funded through Sales Tax.
e	Equipment	$ 180,102	$ 180,102	$ 180,102	FY24-28 - Annual vehicle costs, includes VERP, maintenance, fuel and title fees, assumes annual costs start year of purchase.
	Subtotal	**$ 2,902,154**	**$ 2,902,154**	**$ 3,402,154**	
2	**Water Quality/Compliance**				
a	Salaries	$ 166,730	$ 166,730	$ 166,730	FY22 - 100% of PW Eng - Stormwater Management Budget, FY23 assumes no additional staffing, FY24 new Public Educator
b	Benefits	$ 65,395	$ 65,395	$ 65,395	FY22 - 100% of PW Eng - Stormwater Management Budget, FY23 assumes no additional staffing, FY24 new Public Educator
c	Materials & Supplies	$ 10,000	$ 10,000	$ 10,000	FY24-28 - Estimate for public outreach and sampling/field supplies
d	Contract Services	$ 12,300	$ 12,300	$ 12,300	FY22 - PW Eng - Stormwater Management Budget contracts for NPDES compliance and public outreach, assume no increase
e	Equipment	$ 5,972	$ 5,972	$ 5,972	FY25 Assume one shared pickup for Water Quality/Compliance and Planning & Engineering
	Subtotal	**$ 260,397**	**$ 260,397**	**$ 260,397**	
3	**Planning & Engineering**				
a	Salaries	$ 232,750	$ 232,750	$ 232,750	FY24 new MS4 Manager & Sr. Staff Engineer
b	Benefits	$ 78,137	$ 78,137	$ 78,137	FY24 new MS4 Manager & Sr. Staff Engineer
c	Materials & Supplies	$ 7,500	$ 7,500	$ 7,500	FY24-28 - Estimate for field supplies
d	Contract Services	$ 200,000	$ 200,000	$ 200,000	FY24-28 - Estimate for professional services for Stormwater Master Plan , Asset Management Program, CRS support, etc..
e	Equipment	-	-	-	
	Subtotal	**$ 518,387**	**$ 518,387**	**$ 518,387**	
4	**Stormwater Utility (Implementation, Billing Credits & Appeals)**				
a	Salaries	$ 32,292	$ 32,292	$ 32,292	FY24 1/2 FTE Data analyst/utility billing support
b	Benefits	$ 22,840	$ 22,840	$ 22,840	FY24 1/2 FTE Data analyst/utility billing support
c	Materials & Supplies	$ 5,000	$ 5,000	$ 5,000	FY24-28 - Estimate for supplies
d	Contract Services	$ 25,000	$ 25,000	$ 25,000	FY22 - Assumed 100% of Stormwater Management Line Item for Transfer to SW Utility Fund as a one time cost. FY23 - SW user fee Implementation. FY24-28 -ongoing impervious area updates.
e	Equipment				
	Subtotal	**$ 85,132**	**$ 85,132**	**$ 85,132**	
5	**Stormwater Program Administration**				
a	Salaries	$ 15,000	$ 15,000	$ 15,000	FY22-28 - Delineate a portion of overall SW Program Admin to the Utility, assumed 10% of City Engineer at a salary of $150,000/year
b	Benefits	$ 5,036	$ 5,036	$ 5,036	FY22-28 - Delineate a portion of overall SW Program Admin to the Utility, assumed 10% of City Engineer
c	Materials & Supplies	$ 661,000	$ 661,000	$ 661,000	FY24-28 - '"Budget Support Estimate" - FTE based estimate of non-SW specific costs - office supplies, services, fees and contracts. This is based on total FTEs.
d	Contract Services	$ 224,100	$ 224,100	$ 224,100	FY24-28 - G&A costs at $13,500 per FTE
e	Equipment				
	Subtotal	**$ 432,643**	**$ 432,643**	**$ 432,643**	
	Total Annual Program Costs	**$ 4,198,714**	**$ 4,198,714**	**$ 4,698,714**	

Costs for adding Small Capital Improvements

Lee's Summit Current and Future Stormwater Capital Program Costs

#	Stormwater Program Elements	Estimated Future Year Program Costs			
		FY 2026	FY 2027	FY 2028	Basis of Costs & Rationale
a	Equipment	$ 427,299	$ -	$ -	FY24: 1-Ton Truck, Pickup Truck, TV Truck, FY25: Pickup Truck, Dump Truck, Mini Excavator, Trailer, FY26: Jet Truck, 1-Ton Truck, Pickup Truck
b	CMP Replacement Program				FY22&23 estimate of budget from sales tax. Transition this to the O&M budget starting FY2024.
c	Projects to be determined	$ 250,000	$ 500,000	$ 500,000	Currently no additional CIP projects planned. Placeholder for projects to be developed though planning efforts.
d					
e					
	Total annual program costs	**$ 677,299**	**$ 500,000**	**$ 500,000**	

Annual Stromwater Funding Gap



O&M = Operations and Maintenance

Recap: Potential Stormwater Funding Sources

- Potential new **dedicated** stormwater user-charge

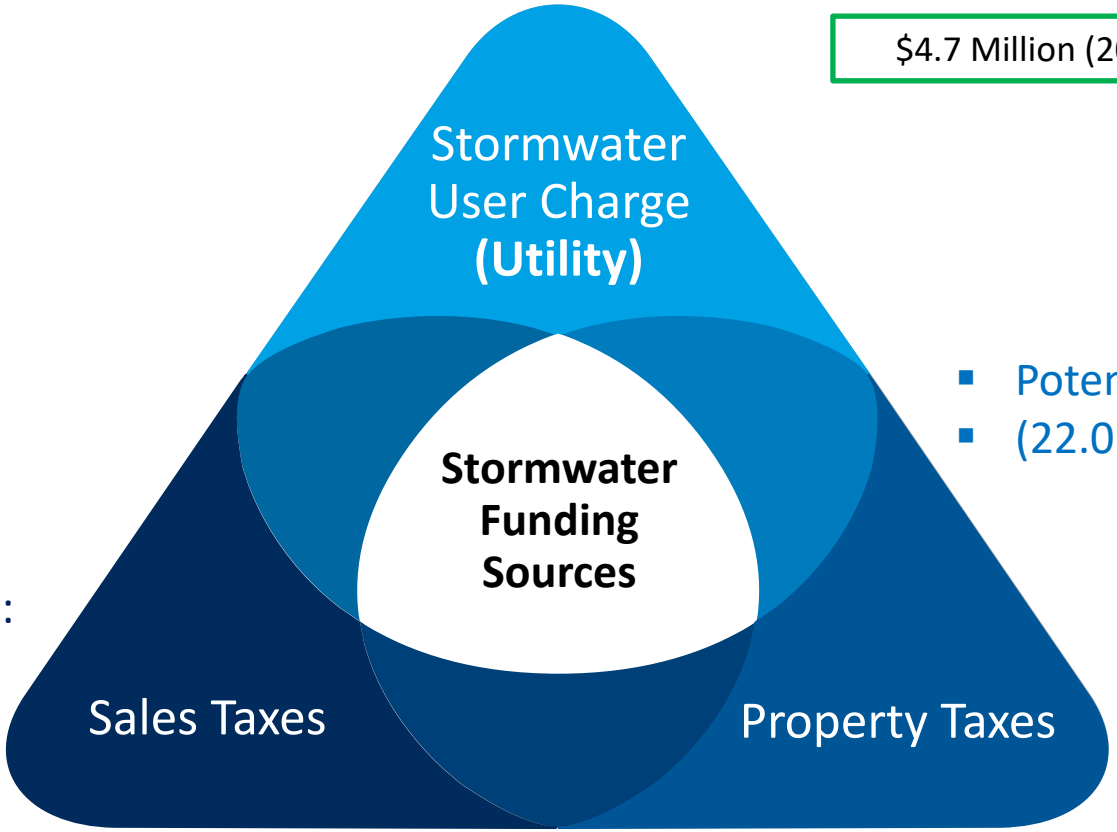
$4.7 Million (2025) to $6.8 Million (2029)

- Potential new **dedicated** Sales Taxes:
  - Parks and Stormwater Sales Tax (1/8 cent):

$3.1 Million

  - General Sales Tax (1/4 cent):

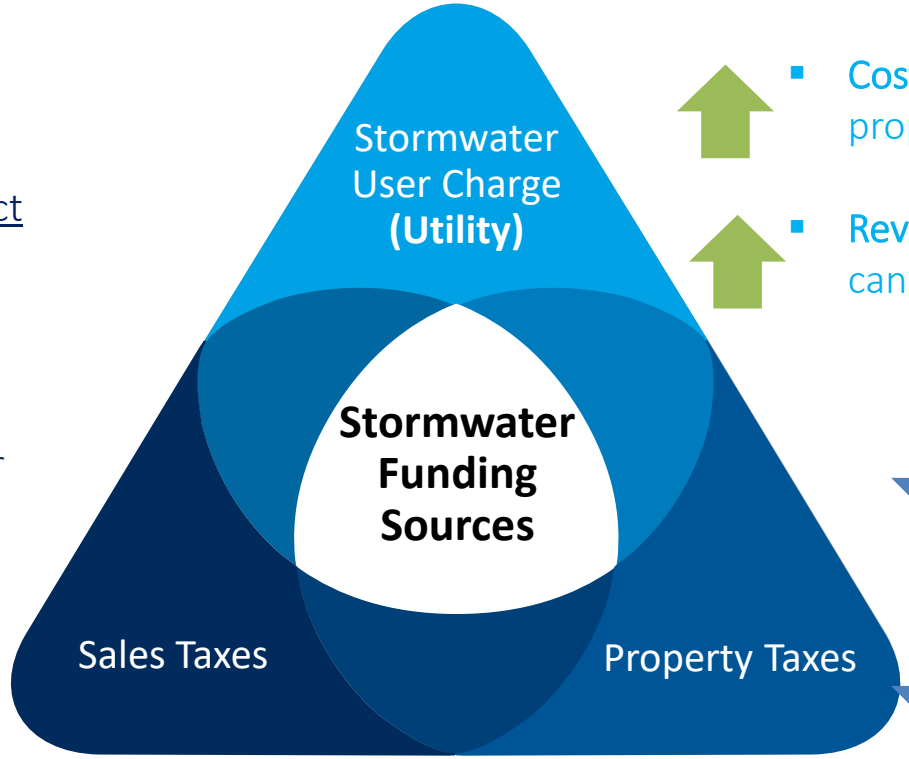
$6.2 Million



- Potential new **dedicated** stormwater tax
- (22.0 cents per $100 of assessed value)

$6.5 Million

Dedicated Funding Sources: Key Implications

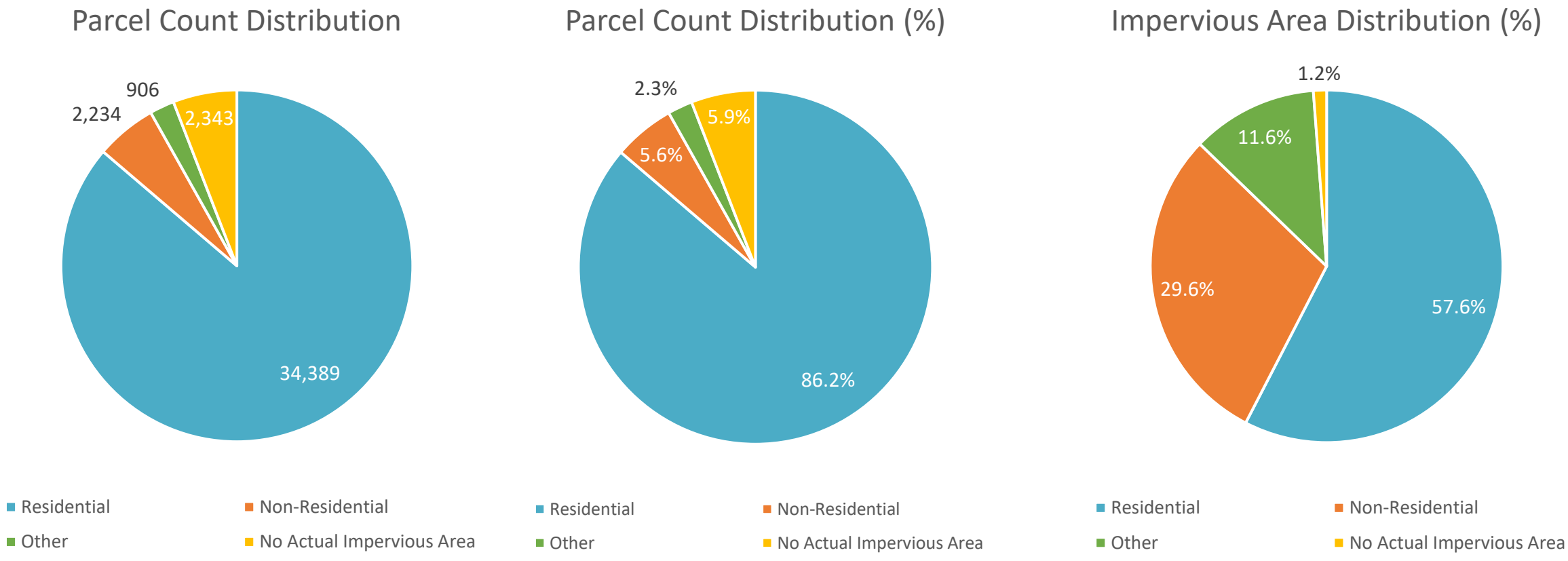


- **Demand-Charge Nexus**: Most direct correlation between **User Charge** and property's runoff contribution characteristics
- **Cost Recovery Equity:** Each property pays in proportion to the property's impervious area
- **Revenue Resilience:** Revenues are stable and can be aligned with revenue requirements

- **Demand-Charge Nexus**: No direct correlation between **Sales Tax** and property's runoff contribution characteristics
- **Cost Recovery Equity:** Consumer purchase activity isn't proportionate with runoff contribution
- **Revenue Resilience:** Revenues are volatile and dependent entirely on economic activity

- **Demand-Charge Nexus**: No direct correlation between **Property Tax** and property's runoff contribution characteristics
- **Cost Recovery Equity:** Each property pays based on assessed value which isn't proportionate with runoff contribution
- **Revenue Resilience:** Revenues are volatile subject to property valuation and less flexible to scale up to revenue requirements

City Parcels and Impervious Area Profile (Excluding Parcels with Land Use of “Airport” and “Civic”)



Property Tax Funding Source

Add 2 Crews Plus Small CIP

Property Tax
24.0 cents per $100 assessed valuation
(For Stormwater)

- A 22.0 cent levy increase would cost approximately $160 per year for a median home with a market value of $350,000
- Annual billing added to County Property Tax statement
- Gross Revenue about $6.4 million is reduced by 1.6% County fee and assume 2% of bills not paid

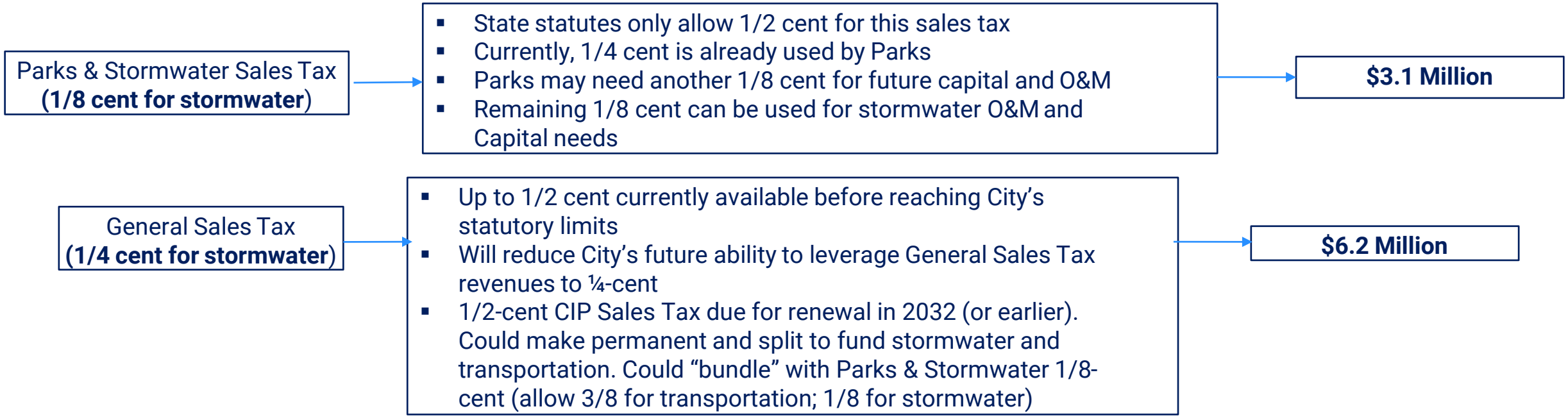
$6.20 Million

- Potential new annual revenue source for stormwater
- Would provide a more stable source of revenue than the Sales Tax Option
- Revenue grows as assessed valuation increases
  - Inflation (revenue may go down during recession)
  - New Development
- Tax exempt entities do not contribute
- Some nexus to impervious area because assessments based on improvements on the site

Stormwater Property Tax Illustration

Levy Calculator to get net target amount						
Fill in target dollar amount in green box to calculate levy needed for that amount			0.2387	$6,429,401.03	$6,326,531	$6,200,000
			Assessed Value	Levy Increase	Total Annual Property Tax Increase	
House Value (2022 Median value)	$350,000		$66,500.00	0.2387	$159	
					$13.23	per month

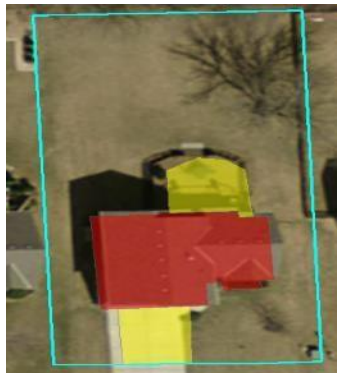
Sales Tax Funding Source



- Easiest to collect and administer; systems already in place so no additional overhead
- Sales Tax revenues are subject to economic environment and market conditions
- Nexus between economic activity and impervious area may be questionable
- Potential for "no-tax increase" option

Cost Recovery Basis: Property Impervious Area

Rationale: More Impervious Area (IA) = More Stormwater Runoff



Residence

Big Box Store

Medical Center

- Charges can be based on Property's Impervious Area (IA)
- Impervious area provides a reasonable approximation of the demand a property places on the System (fairness)
- Take about 2 years to "go-live" after voter approval
- Develop policies, exemption rules, credits, billing system, public oversight
- Requires continual administrative support: GIS mapping, billing
- Extensive billing system maintenance
- Newness will require extensive public education and involvement
- Future votes to increase revenue

Determination of System-wide Stormwater Unit Rate

	Projected 2025
Annual Stormwater Revenue Requirements ($)	**$6,200,000**
÷	
System-wide SW Billing Units (*Revenue Basis*)	437,853 BUs
=	
Stormwater Basic Unit Rate ($ / BU)	**$1.18/500 sf/month**

Example 2029 Stormwater Charge (IA Based)

Proposed - Excluding Airport and Civic Land Use

Proposed LOS: SW Rate: $1.18/BU/month

IA = 800 sf

Annual Charge = $22.66
(Residential)

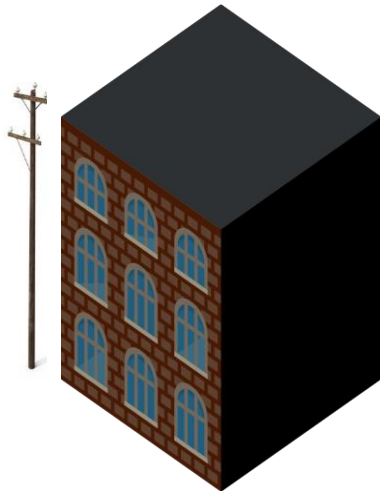
IA = 2,000 sf

Annual Charge = $56.64
(Residential)

IA = 3,500 sf

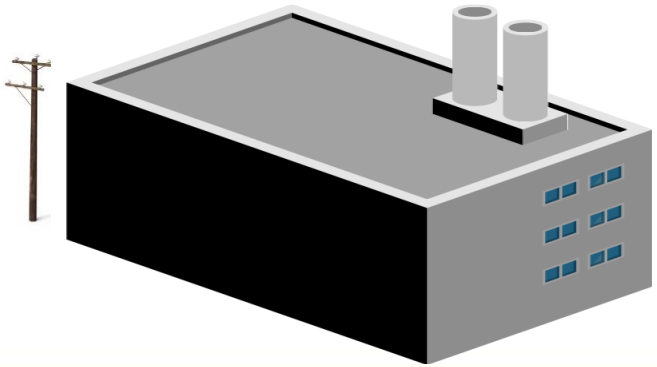
Annual Charge = $99.12
(Residential)

IA: Impervious Area



IA = 5,000 sf

Annual Charge = $141.60
(Multifamily Residential or Commercial)



IA = 25,000 sf

Annual Charge = $708.00
(Industrial)

NOTE: Annual Charges and Billing Units are in 2023 dollars. Has not been adjusted for inflation as of this presentation.

Example of Proposed Annual Charge (2029)

Estimated Annual Stormwater User Charge (Based on Inclusion of All Parcels)

Line No	Customer Class	Impervious Area (ft^2)	Billing Units	2029 Annual Charge (a)
				$
1	Residential	800	1.60	22.66
2	Residential	2,000	4.00	56.64
3	Residential	3,500	7.00	99.12
4	Commercial	2,500	5.00	70.80
5	Commercial	5,000	10.00	141.60
6	Industrial	10,000	20.00	283.20
7	Industrial	25,000	50.00	708.00

(a) Based on $1.18 per 500 square feet of impervious area per month.

1 Billing Unit = 500 square feet of impervious area

Impervious Area for median home size in LSMO is 3,500 square feet

Billing System Comparison

Description	Monthly Utility Billing System	County Annual Billing System
Estimated Annual Cost	$284,323	$107,200
Annual, Uncollected Revenue	$343,800	$134,000
Who sets Rates and Fees	City of Lee's Summit	City of Lee's Summit
How fees adjusted	Public Vote in Lee's Summit	Public Vote in Lee's Summit
Who determines Impervious Area	City of Lee's Summit	City of Lee's Summit
Who reviews User Charge Appeals	City of Lee's Summit	City of Lee's Summit
Who maintains billing accounts	City of Lee's Summit	City of Lee's Summit
Issues / Concerns	Water shutoff policy for non-payment Water shutoff policy for partial payment LS Water accounts outside LSMO Parcels in LSMO, but no LS Water Uncollected revenue, 5% of total billings Monthly billing account changes	Placement on Annual Bill may be perceived as a tax instead of user charge Uncollected revenue, 2% of total billings
Cost Benefits		Cost savings = 3,250 feet CMP replacement Cost savings = 6 larger maintenance projects

Next Steps

- Discuss Revenue option(s) in depth
  - Administration; policies
  - Collections system
  - Pros-cons
  - Long-term requirements (system maintenance, funding)
  - Timeline to “go-live”
- Identify remaining concerns
- PWC renders a recommendation for the City Council

Discussion

- Comments
- Guidance

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LEE'S SUMMIT
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