

## **MEMORANDUM**

**To:** Mayor and City Council

**From:** Chris Pike

**Date:** May 12, 2014

**Subject:** **Discussion of Revising Stormwater Service Fee Rates Based on an Inflation Index**

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### **ITEM DESCRIPTION**

Discussion of revising stormwater service fee rates based on an inflation index

### **BACKGROUND**

At the most recent Council retreat, staff discussed the idea of implementing an inflation adjustment to the stormwater utility to gradually address the rising costs of providing goods and services. The Government Finance Officers Association (GFOA) issued a Best Practice in 2010 that stated, "Local governments would benefit from having a well-constructed index of the changing costs of providing municipal services, but few governments have attempted to build and effectively use such a measure."

Though multiple indexes exist, one index actually attempts to track inflation attributed to products more often utilized by governments. The Municipal Cost Index (MCI), published by the American City and County magazine since 1978, estimates the rate of inflation for purchases by American municipalities. The MCI is a composite index, a weighted average of more detailed price indices measuring consumer price cost fluctuations (using the CPI), industrial commodity wholesale prices (using the PPI), and construction contract costs (using the Construction Price Index). This index focuses more attention on items such as concrete, iron, tools and gasoline; as opposed to the CPI alone that considers food, housing, apparel, recreation and other items not always associated with stormwater management.

During 2013, the MCI rose 1.58% from 227.4 to 231.0. For 2013, implementing an inflationary adjustment on the stormwater rate would result in an increase in the annual ERU rate from \$69.00 to \$70.09.

### **ALTERNATIVE**

Council may select an alternative index, set the rate to change at a different interval (biannually for example), or leave the current rate and methodology for change in place.

### **RECOMMENDED ACTION**

It is respectfully requested Council consider and approve a resolution to tie the stormwater rate to an inflationary factor to provide funding for stormwater projects

**A RESOLUTION REVISING STORMWATER SERVICE FEE RATES BASED ON AN INFLATION INDEX**

**WHEREAS**, Chapter 26 (Stormwater Utility) of the City Code of Ordinances authorizes and empowers the City Council of the City of Dunwoody, Georgia to determine stormwater service fee rates in the City of Dunwoody, so that the total revenue generated by said fees and any other sources of revenues or other resources allocated to stormwater management by the City Council shall be sufficient to meet the cost of stormwater management programs, systems and facilities; and

**WHEREAS**, The current fee rates were established by Resolution 2012-02-02 and are established as \$5.75 per each Equivalent Residential Unit per month (\$69.00 per year); and

**WHEREAS**, The Government Finance Officers Association (GFOA) has issued a best practices stating that local governments "would benefit from having a well-constructed index of the changing costs of providing municipal services"; and

**WHEREAS**, The Municipal Cost Index (MCI) best tracks inflation attributed to local government spending and the Mayor and Council find that it would be the appropriate indicator on which to base the City's annual reassessment of the stormwater fees.

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council, City of Dunwoody, Georgia, as the governing body of said City, as follows:

- (a) That the base stormwater fee of \$69.00 per year for each ERU shall be revised by March 31, 2014 to reflect the MCI inflation rate for this year and that such new rate shall be effective in 2014 for all stormwater fees in the City of Dunwoody.
- (b) That each subsequent year, prior to March 31<sup>st</sup> of that year, the City's stormwater fees shall be revised in accordance with the previous year's MCI inflation rate, with the new rate becoming effective on each property subject to said fee on January 1<sup>st</sup> of each year.
- (c) That each such computation of the yearly rate adjustment shall be conducted by the Finance Director and reported to the City Manager or designee and that such new rate shall be communicated in writing to the Mayor and City Council by March 31<sup>st</sup> of each year.

**SO RESOLVED AND EFFECTIVE** this \_\_\_ day of \_\_\_\_\_, 2014.

#L.8.

STATE OF GEORGIA  
COUNTY OF DEKALB

**RESOLUTION 2014-03-XX**

Approved:

Michael G. Davis, Mayor

Attest:

Sharon Lowery, City Clerk

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