



November 30, 2022

Dear Oshkosh City Council Member:

The Oshkosh Chamber of Commerce commissioned a study to take a thirty-year (1990 – 2020) look back at City long-term spending and staffing trends. This independent analysis was conducted by the Whitburn Center for Governance and Policy Research at the University of Wisconsin Oshkosh on behalf of the Oshkosh Chamber of Commerce. The goal of this analysis is for stakeholders to be able to get an unbiased look at Oshkosh budgetary trends and to better inform local property taxpayers of the City's revenue and spending trends.

Specifically, the budget analysis did an in-depth review of the City's Stormwater Utility. As you know, in November 2002, the Oshkosh Common Council established the Storm Water Utility. The Common Council gave the Utility broad authority to establish the equivalent run off unit (ERU) charge for all residential and non-residential property owners, including tax exempt property owners. In essence, this means that the City of Oshkosh set up a new user fee structure to charge owners of real estate to raise funds to manage its stormwater. Though the enabling ordinance did give the Common Council broad authority to set rates, it also prevented the City from subsidizing other services with profits made through the Stormwater Utility.

Since the inception of the Stormwater Utility, ERU rates increased significantly:

- The initial ERU in 2003 was \$19.08.
- In 2020, the ERU was \$196.92, a rate increase of 932.1% between 2003 and 2020 (that corresponds to an average 55% annual increase). Current ERU rate is \$223.20. This reflects a 58% annual increase over the last 20 years.
- From 2003-2019, \$98,364,038 was raised in stormwater utility fees.
- The City of Oshkosh Stormwater Utility Fund, as of 2020, had a Cash/Investment Fund balance of \$17,192,653. Note, the 2020 Oshkosh operating budget reports a Stormwater Utility Fund balance of \$60,192,677, but that number refers to total net position, which includes investments in capital assets and other restricted and unrestricted assets.

While we recognize that the City has made significant improvements to managing its stormwater runoff issues, we question the trajectory of the increasing costs imposed on property owners over these years, especially those costs that have been disproportionately applied to non-residential property owners. Clearly, based on the findings outlined in the Whitburn Center analysis as evidenced by the \$17.1 million fund balance, the City has over-charged its Stormwater Utility customers over the past 18 years. With this in mind, it is time the City make changes to its Utility rate in order to bring its fee structure in alignment with the true, actual cost of operating the Storm Water Utility. At the conception of the Stormwater Utility, we don't believe the City Council intended the Stormwater Utility to have been a profit center for the City.

Attached is a copy of the Whitburn Center budget analysis. On page 27, Table 30 outlines the Utility's revenue, expenditure, and interest trends since 2003. The report does not include complete

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operating expense for 2020. However, based on operating and interest cost reported for 2019 of \$7.2 million, it appears that the City could operate the Stormwater Utility for 2-years without needing to charge Oshkosh property owners.

Additionally, a significant amount of the growth in the Stormwater Utility has been caused by the addition of staff and the cost allocation of other department City staff to the Utility. On page 29, Figure 9, and Tables 32 and 33 show the allocation of storm water utility funds to partial positions serving other departments increased in 2019. As can be seen in Table 33, the storm water utility added 3.31 position in 2019. Those positions were all partial positions. We don't believe that City leadership at the time of establishing the Utility intended the Utility to be a vehicle to cost-shift staff salaries that were previously supported by the property tax levy.

As the City Council deliberates and sets the Utility rate for the upcoming year, we would suggest that the Council return the excess profit to Stormwater Utility customers by one of the following:

- Refund/rebate the Utility's fund balance proportionally to the Utility customers' past payments.
- Waive the Utility customer fee for the next two years.
- Combination of the above.

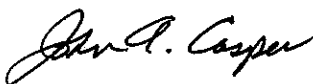
In the longer-term, we suggest that the Utility customer annual rates be restructured to align with the actual cost to operate the Stormwater Utility. This can be accomplished by one or a combination of the following:

- Eliminating the profit margin that is currently being realized by the Stormwater Utility.
- Capping of ERU rates for the Stormwater Utility.
- Reducing the property tax levy for increases in Stormwater Utility fees.
- Removing Stormwater Utility costs from all property owners that do not contribute storm water runoff to the City's conveyance system.
- Applying Stormwater Utility fees to City-owned properties.

We believe the above changes would bring a fairer and more equitable approach to the Stormwater Utility's rate structure.

We ask that the City Council consider these actionable items as it sets the Stormwater Utility ERU rate for 2023. Should you have any questions concerning these items, please feel free to contact me directly at 920-303-2265 ext. 18.

Sincerely,



John A. Casper
President & CEO

Cc: Mark Rohloff, City Manager