

## **RESOLUTION NO. 20PUC-001**

### **RESOLUTION OF THE DULUTH PUBLIC UTILITIES COMMISSION APPROVING THE INTENT TO ESTABLISH A SIX-YEAR PLAN FOR STORMWATER RATES TO FUND NECESSARY CAPITAL IMPROVEMENTS TO THE CITY STORMWATER SYSTEM.**

WHEREAS, the Duluth Public Utilities Commission (the “DPUC”) has been informed and believes that, because of age, changing climate, weather-related stress factors, and the impacts of development activities occurring within the drainage basins, the City of Duluth (the “City”) stormwater system is in need of substantial capital reconstruction and replacement in order to continue to adequately provide safe and effective drainage for the citizens of the City and that the cost of such reconstruction and replacement needs to be spread over a term of years; and

WHEREAS, the past practice of postponing rate increases for a number of years and then attempting to “catch up” with the need for funding by approving substantial one-time rate increases has not only failed to produce sufficient revenue to finance the needed reconstruction and replacement but has also caused hardship to the system’s beneficiaries through requiring them to absorb large one-time rate increases and by rendering it difficult for families and businesses to plan for their financial futures; and

WHEREAS, the DPUC is informed and believes that the best way to raise needed revenues on a long-term basis and to ameliorate the effects of the needed increases on the beneficiaries is to adopt a long-term plan of rate increases which will assist beneficiaries in planning their long-term finances.

RESOLVED, that, subject to the public process set forth below, the Duluth Public Utilities Commission hereby states its intent to adopt the following plan of stormwater rate increases for the following years, subject to the terms, conditions, and limitations hereinafter set forth:

January 1, 2021	11.25%
January 1, 2022	11.25%
January 1, 2023	11.25%
January 1, 2024	11.25%
January 1, 2025	11.25%
January 1, 2026	11.25%

RESOLVED FURTHER, that it is the intent of the DPUC to incorporate discounts for properties instituting and maintaining stormwater Best Management Practices (BMPs) into the basic rate structure.

RESOLVED FURTHER, that prior to the adoption of the aforesaid plan, and as the plan may be modified by the DPUC, the DPUC shall implement the following process to educate the public with regard to the need for the plan and the goals for the plan and to seek and encourage public input with regard thereto:

Month of June 2020	Undertake broad public education effort (public meetings, forums, appearances with citizen groups)
Month of August 2020	Analyze public input and additional data
Month of September 2020	Public hearing and approval of the plan
January 1, 2021	Rate plan effective

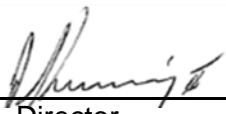
RESOLVED FURTHER, that any rate increase shall be subject to meeting the requirements of Article IV, Section 5 of the Bylaws of the DPUC and the provisions of section 2-187 of the Duluth City Code, 1959, as amended.

RESOLVED, that nothing herein or in any resolution adopted by the DPUC in accordance with this Resolution shall be deemed to prevent the DPUC from modifying, upward or downward, the rates hereinbefore set forth as the DPUC shall, from time to time, determine to be necessary or appropriate.

Approved by the DPUC: 3/17/2020  
(date)

Submitted to City Council: 3/25/2020  
(where appropriate) (date)

ATTEST:

  
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Director  
Public Works and Utilities  
City of Duluth

#### STATEMENT OF PURPOSE

The purpose of this resolution is to set forth the DPUC's intent to adopt a six-year rate increase plan for the City stormwater system in order to fund the long-term capital needs of the system and to set forth a procedural framework for considering and adopting it.

Since its inception, the DPUC has been made aware of the advanced age of Duluth's stormwater infrastructure and its deteriorated condition which resulted not only from age, but also from chemical action of road salt, freeze-thaw cycles typical of our climate, and past flood events. In addition, development activities have in some cases had the effect of increasing stormwater run-off, further stressing the system. With the recent approval of the sales tax street improvement funds, fiscal prudence dictates that there is a need to replace and/or repair the storm sewers in conjunction with the upcoming street projects to maximize efficient use of financial resources.

Recent changes and forecasted trends in storm events and rainfall amounts have increased the importance of having a storm sewer system that is resilient and adequate to handle the drainage needs of the community. However, in the past, any thought of rate increases sufficient to address the system's needs proved to be politically impractical because of the size of increases necessary to fund the needed improvements.

After long analysis and deliberation, commissioners and staff determined to undertake a systematic and long-term approach to raising the revenue that is necessary to protect and preserve the stormwater infrastructure. The DPUC also determined that it would be important to take the time needed to educate the public on the needs of the system and to allow time for the public to have input into the rate plan and to voice their ideas with regard to what the DPUC is proposing.

Therefore, this resolution sets out a proposed six-year plan for increases to the rates charged by the system at the rate of 11.25% per year and a plan for allowing public input. It also allows a significant period after adoption of the final plan so that customers can work the cost implications of it into their financial planning.

It should be noted that the proposed plan is not cast in concrete. Should circumstances arise making it prudent to deviate from the plan, the DPUC can modify the plan in response to those changing circumstances. The plan proposed, and as it may be modified by final action of the DPUC, provides a roadmap to a physically stable and capable stormwater system for the City.