

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 26, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMAN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 5 : STORMWATER UTILITY BACKGORUND INFORMATION

The following memorandum is provided as information on the proposed stormwater utility for the Wednesday, March 3rd budget work session on Health and the Environment. There will be a brief staff presentation at the work session, however the length of the presentation will be limited in order to allow more time for Council questions and discussion. As a result, more detailed information is being provided in advance through this memorandum. The information contained within this memorandum and to be presented at the work session is consistent with numerous presentations that have been given to the public as part of the outreach effort leading up to this proposal.

Background

The City of Alexandria maintains an extensive system of drainage related infrastructure, including gutters, inlets, storm sewers, stormwater detention devices, water-quality treatment devices, flood control channels and natural streams; in order to convey and treat stormwater runoff from urbanized lands. There are approximately 13,500 structures and 185 miles of storm drainage pipes and 25 miles of streams in the City.

Historically, these services have been financed by the general fund. The need for stormwater services increases as infrastructure ages past its design life, and more intense rainfall is experienced. Additionally, increasing State and Federal water quality requirements force the City to provide additional services. The City's stormwater program is regulated by the Virginia Department of Conservation and Recreation through a Municipal Separate Storm Sewer System (MS4) permit.

Virginia law offers municipalities the option of establishing a stormwater utility (SWU). [Code of Virginia Title 15.2, Chapter 21, Article 2, Section 2114]. The enabling legislation allows SWU funds to be used for engineering, design and construction of new stormwater facilities, facility operation and maintenance, pollution control and abatement, and land acquisition. The

law also states the stormwater utility fees or “charges may be assessed to property owners or occupants, including condominium unit owners or tenants and shall be based upon their contributions to stormwater runoff.” The stormwater utility and associated fees must be adopted by ordinance.

Other Virginia localities with similar drainage infrastructure issues have established stormwater utilities. These localities are: the Cities of Chesapeake, Hampton, Newport News, Norfolk, Richmond and Virginia Beach, and Prince William County. Within the Washington metro area, the District of Columbia and Montgomery County, Maryland have also established stormwater utilities. Arlington and Fairfax Counties fund portions of their stormwater infrastructure programs by dedicating a set percentage of the general fund to drainage.

Study for Alexandria

In response to the floods experienced in February and June 2003, and in June 2006, City Council directed staff to investigate the feasibility of establishing a SWU for the City of Alexandria. Resources were applied to this issue, and a feasibility evaluation report was prepared in April 2009. This report describes the impacts of stormwater in the City and how the City’s stormwater program operates, including what services are provided and the costs associated with these services. It also summarizes the regulatory requirements, the enabling legislation and the steps to implement an SWU. Several rate structures were developed and analyzed, and recommendations were made as to how a credit policy might reduce a property’s SWU fee if stormwater services are provided on-site.

Public involvement has been and will continue to be a central aspect of this program. Outreach efforts include presentations to community groups, podcasts and web information. Significant evaluation of the SWU was done through the Stormwater Working Group, a group representing major stakeholders in this issue. This group consisted of representatives from the Budget and Fiscal Advisory Committee and the Environmental Policy Commission, and community members from the residential and business sectors. The Stormwater Working Group considered the stormwater-related services that should be provided by the City, those services that were desirable as funding became available, reviewed feasible alternatives to funding the program and made recommendations to improve the potential funding process. The Stormwater Working Group’s recommendations were:

1. The City must address the stormwater needs in response to health and safety concerns and regulatory requirements.
2. There is a significant need for additional, dedicated funding for the City’s stormwater program.
3. The City needs to establish a dedicated funding source to augment existing funding for stormwater.
4. Potential funding options to be considered include taxation, stormwater utility or a combination.

5. Safety, health, environmental, and economic impacts should be considered during implementation.

The members of the Stormwater Working Group also act as a liaison with community stakeholders. To date, numerous public meetings have been held to convey information about the SWU, and to solicit public input. The current round of outreach consists of staff presenting at standing civic and business associations.

Community Feedback

Through the public involvement process, several common questions have arisen. These are summarized below, along with staff responses.

Q: Isn't this just another tax? Will this hurt businesses?

A: No. This is a fee for service, just like those paid for sanitary sewer, water, electricity or other utilities. The fee program will be set up to apply the burden to the properties that contribute the most drainage. Businesses shouldn't be affected any more than any other sector.

Q: Are these drainage problems caused by new development?

A: No. New developments are required to provide stormwater management, which maintains the site's stormwater runoff at pre-development levels.

Q: How will SWU funds be used in relation to General Fund revenues?

A: Staff recommends that SWU funds be used as a supplement to existing General Fund revenues.

Q: What will the process be for future rate adjustments? Will there be citizen input?

A: Rates will be set by City Council, using the same public processes as are employed in developing the rest of the budget.

Stormwater Needs and Determination of Rates

The SWU is designed to equitably charge a fee for the stormwater services provided. Therefore, the primary basis for assessing fees is impervious area. Impervious area is defined as surfaces, such as concrete, asphalt, and buildings, which do not allow stormwater to infiltrate into the ground. These areas generate stormwater runoff, which can cause flooding and erosion in urban areas. The City's Geographic Information System (GIS) has the ability to calculate impervious areas, though some additional data and routines need to be developed in the implementation phase.

Standard practice is to base rates on the impervious area of a typical single family detached residence. This quantity becomes the Equivalent Residential Unit, or ERU. A statistical analysis was performed for such parcels within the City, and the ERU was determined to be 1,971 square feet of impervious area.

There are approximately 20,800 residential parcels in the City, containing approximately 14,500 ERUs, and approximately 4,000 multi-family and non-residential parcels containing approximately 49,000 ERUs, for a citywide total of approximately 63,500 ERUs. One significant subset of non-residential parcels is religious and non-profit land uses, which consist of approximately 230 parcels and 1,800 ERUs. The study assumes that 10% of the ERUs will be waived due to credits, based on the experiences of other municipalities.

The FY 2010 budget for T&ES has \$3.3M in the CIP and \$1.0M in operating. The operating budget only captures T&ES maintenance expenses. Adding all of the T&ES staff time results in a stormwater operating cost of approximately \$1.5M, for a total stormwater expenditure of \$4.8M. If the current level of service were funded by the stormwater utility only, then the rate would be \$84 per ERU. (Assuming 63,500 ERUs and 10% citywide credits).

Staff has also developed a list of needed capital projects, including improvements to Hooff's Run and drainage at Braddock and West Streets; improvements to outfalls from the area around Commonwealth Ave and Glebe Rd into Four Mile Run; and several drainage improvements in the West End. The total estimated cost for these improvements is \$34.7M. There are currently 12 projects funded in the CIP, totaling \$8.2M.

Staff has also developed a list of needed operating programs, including floodplain management, stormwater quality, and increased frequency of catch basin cleaning and flushing of storm drain lines, to be more proactive in flood prevention. The estimated cost of these additional programs is \$800,000 annually.

If all of the needed capital projects and proposed operating programs were implemented over a 10 year period, the annual cost would be approximately \$3.72M. The cost of these enhancements would then translate to rate of approximately \$75 per ERU. This cost is in addition to the \$84 per ERU to maintain the current program level. The upper bound for an SWU would then be the total of these pieces, at a rate of \$159 per ERU. This does not include the costs of Chesapeake Bay Stormwater Total Maximum Daily Load (TMDL) mitigation that may be required by future State and/or Federal regulations.

Translating these overall project costs to annualized costs requires considerable analysis. Factors considered include the number of projects that can be managed with current and anticipated staff levels, the urgency of the needs, and the impact of service and traffic disruptions to the public, and the fiscal impact of the fee on the community. Staff also considered the precedents set by peer communities.

The rates in other Virginia localities range from \$26.36/ERU in Prince William County to \$94.17/ERU in the City of Norfolk. Within the Washington metropolitan area, rates range from \$26.36/ERU in Prince William County to \$48.00/ERU in Takoma Park, MD. Most of the communities with much higher rates are in tidewater Virginia.

Staff Recommendations

Based on the workgroup's efforts, a study of other municipalities and extensive input from the public process, staff recommends that a stormwater utility be established. General Fund expenditures in the operating and capital budgets should remain at current levels, and the stormwater utility funds should be used to supplement the unmet drainage needs of the City. Staff strongly believes that the funds generated by the SWU should be used to enhance the level of service provided with regard to stormwater and the prevention of flooding. Other localities that have successfully implemented SWUs have indicated that this approach is a large part of their success. Staff believes that the stormwater utility is preferable to a dedicated portion of the real estate tax because it more fairly assigns operating and capital costs to those properties which generate the most runoff.

Additionally, regulatory requirements are anticipated to increase with events occurring at the state and federal levels that will impact operational and administrative functions with respect to water quality issues.

Based on project staffing limitations, as well as project prioritization and scheduling limitations, staff recommends an annual funding level of \$2.7M to meet the most critical needs. At this rate, the backlog of capital projects would be worked through in 15-20 years. This results in a suggested rate of \$48/ERU, which is consistent with similar municipalities.

As with all fees, rates and uses will be reviewed annually as part of the budget process.

Determination of Billable Units

The billable units assessable to each parcel will be determined by using the City's GIS. The guiding principles in these determinations are that the fees need to be fair, equitable, and that they will be based on the best available data.

The following table describes how rates will be applied to various property types. The tier system for single-family properties is designed to equitably distribute the fee, and significantly reduces the burden on townhouse and duplex properties.

<u>Property Type</u>	<u>Number of ERUs</u>	<u>Dollars, based on \$48/ERU</u>	<u>Number of Parcels</u>
Single-Family Detached, less than 3,942 SF impervious	1.00	\$48.00	8,570
Single-Family Detached, greater than 3,942 SF impervious	2.00	\$96.00	546
Single-Family Attached, Semi- Detached (e.g. Townhouses, Duplexes)	0.43	\$20.64	11,707
Commercial and Multi-Family	Measured for each parcel	\$48.00 per measured ERU	3,578

Credit Policy

More recently developed properties often include structural stormwater management (detention) and water quality best management practice (BMP) facilities. When properly maintained, these devices reduce the burden on public stormwater systems and reduce pollutant loadings in runoff. Because of this benefit, their owners should be eligible for a reduced fee. Additionally, a credit policy can create incentives for property owners to be better environmental stewards.

For the initial implementation, staff recommends that credits be given for structural stormwater management and BMP facilities that have been approved through the development, redevelopment or grading plan processes. Water quality BMPs should also have an executed maintenance agreement and remain in good standing through the City's inspection program. Staff recommends that the maximum credit should be 35%, consisting of 15% for detention and 20% for BMPs.

In addition, a credit program is being developed for tax exempt properties, to provide a reduction in fee for non-structural BMPs, such as public outreach and education. Staff recommends the tax exempt properties should be allowed credits up to 50%.

Following initial implementation of the utility, the credit program may be expanded to include non-structural BMPs (i.e., public education and outreach, integrated pest management, and good housekeeping) or low impact development (LID) practices (i.e., rain gardens, pervious pavers, decreased impervious and rain gardens) for all properties.

Appeals

An administrative process will be created to allow property owners to contest the determination of ERUs and/or application of credits. Staff recommends that decision authority for appeals should be with the Director of Transportation and Environmental Services.

Billing

Staff recommends that parcels that pay real estate taxes receive their bills along with their real estate assessments and tax invoices, where it will appear as a separate line item. Staff recommends that the fee be due once annually at the June tax due date.

A separate, parallel, process will be developed for real estate tax exempt parcels. These may be subject to stormwater utility fees, per the enabling legislation.

Schedule for implementation

Staff proposes to have notices of the stormwater utility fee in the February 2011 real estate assessment mailings. This will allow for an appeal period before the invoices are sent out. Most of calendar year 2010 will be needed to develop the databases, software and procedures for implementation.

This schedule is also premised on the necessary ordinances being adopted as part of the FY2011 budget process.