



City of Lynchburg

Stormwater Management

Stormwater Advisory Committee

November 18, 2010

Meeting #6



CDM

Tonight's Agenda



- **Review of Previous Meetings**
- Possible impacts of Chesapeake Bay TMDL
- Stormwater Fee Credits
- Alternative Funding Strategies –
Combinations
- Civics 101 – Budgeting & Rate Setting
- Preliminary Recommendations

Comparison: Tax Based vs User Fee Funding



Advantages and Disadvantages

Tax Based Systems

- **Advantages**
 - Billing System Already In Place
 - Easier to Collect and Administer (Tax Collector)
 - Can Be Sufficient for All Services
- **Disadvantages**
 - Not Equitable
 - Typically Not Dedicated*
 - Requires Increase in Real Property Tax

User Fee Based Systems

- **Advantages**
 - Equitable (i.e., Fee Related to Service Provided)
 - Stable & Dedicated Funding for All Program Services
 - Incentivizes Good Practices On-Site
- **Disadvantages**
 - Potential Startup Costs
 - New Funding Mechanism and Associated Fee

* It is not typical for taxes to be dedicated for stormwater only, although there are three examples in Virginia where this is the case.

Equivalent Residential Unit (ERU) Basis is the Simplest Methodology



Single-Family
Multi-Family
Condominiums
Mobile Homes



Flat Fee for Each
= Dwelling Unit
1 ERU

Governmental
Commercial
Institutional
Industrial



Parcel Impervious Area

ERU (2,043 Sq. Ft.)* = Units

* Based on Statistical Sampling of All Residential Units in Lynchburg

Alternative Rate Structure

Tiered Residential Rates [SFU Method]



< 1,293 Sq. Ft. = 0.48 SFU



1,294 to 4,256 Sq. Ft. = 1.0 SFU



> 4,257 Sq. Ft. = 1.59 SFU



*1 Dwelling Unit =
0.32- 0.97 SFU
depending on
type*



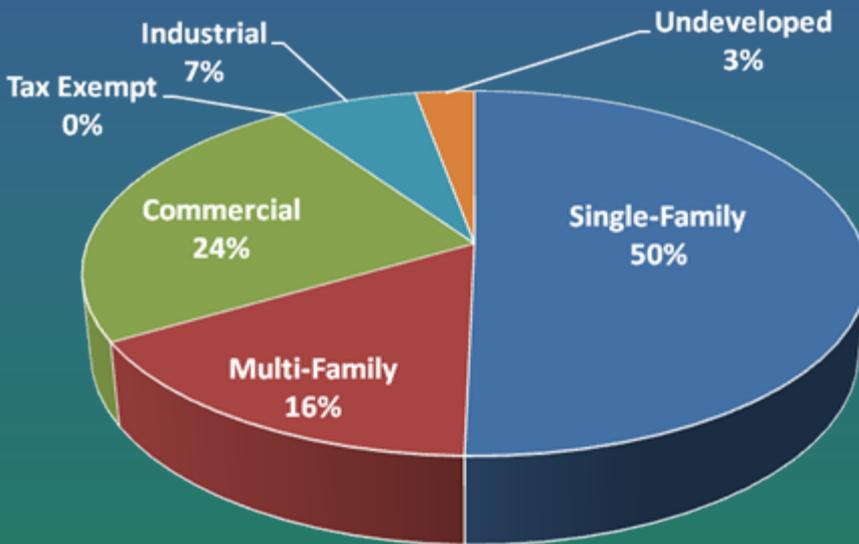
$$\text{SFU} = \frac{\text{Non-Residential Impervious Area}}{\text{SFU (2,672 sq. ft.)}}$$

Comparison of Tax vs Fee Based System

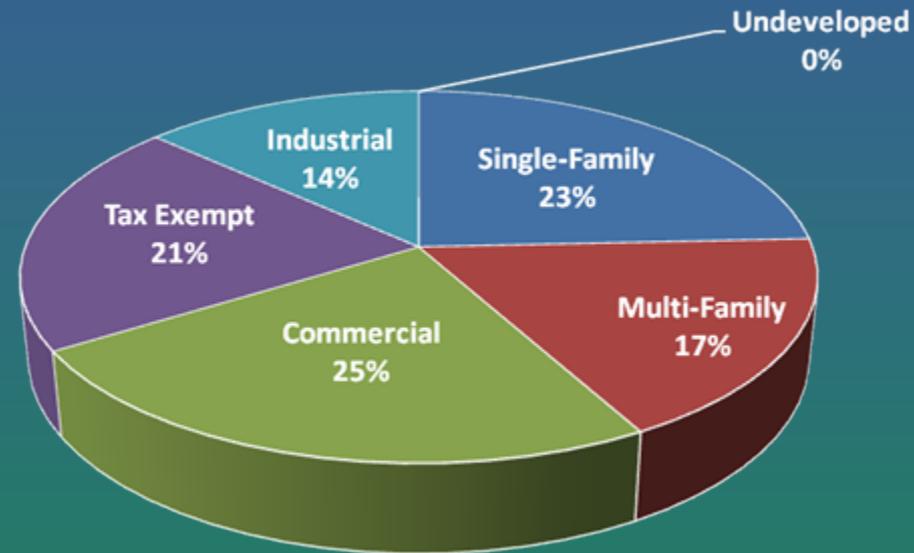
Example LOS 3.5 = \$3,206,000 annually



Tax Contribution by Property Class
(based on assessed property value)



Fee Contribution by Property Class
(based on impervious area - ERU Basis)



Break-Out Session Summary



- **All groups supported the implementation of a stormwater user fee**
 - 2 of 4 groups preferred to maintain existing funds from General Fund w/ supplemental fee only for expanded services
- **All groups noted a preference for the SFU method as the fee basis**
- **General consensus that a credit program should be included**

Preliminary SWAC Findings



- **Level of Service**
 - Target LOS = 3.5; Annual Program Budget of \$3.2 million
- **Program Funding Source**
 - No consensus from breakouts
 - Option 1 - Implement a stormwater use fee to fund the full program
 - Option 2 – Continue to subsidize a portion of the stormwater program through an allocation from the General Fund
 - Option 3 – Another combination of sources (VDOT, General Fund, etc)
- **Residential Rate**
 - SFU method w/ 3 Tiers
 - Other Residential = Variable SFU by Type (Condo, Apartment, etc.)
- **Non-Residential**
 - SFU = Impervious Area/Average SFU Impervious (2,672 sq. ft.)

Parking Lot Items from Last Meeting



- How will Chesapeake Bay TMDL costs change over time? (Future Cost/ Affordability)
- How do credits work?
- Are there other sources or combinations of funding?

SWAC Process and Schedule



Stormwater Management Overview: May 20 – 6:00 p.m.

Program Components & Expenditures: June 24 - 6:00 p.m.

Level of Service Analysis & Alternatives: July 15 – 6:00 p.m.

Future Cost and Stormwater Funding Options: September 16 - 6:00 p.m.

Revenue Scenarios: October 21 - 6:00 p.m.

Review Recommendations: November 18 - 6:00 p.m.

Evaluate/Modify Recommendations for Council: December 16 - 6:00 p.m.

Finalize Recommendations for Council: January 20, 2011 - 6:00 p.m.

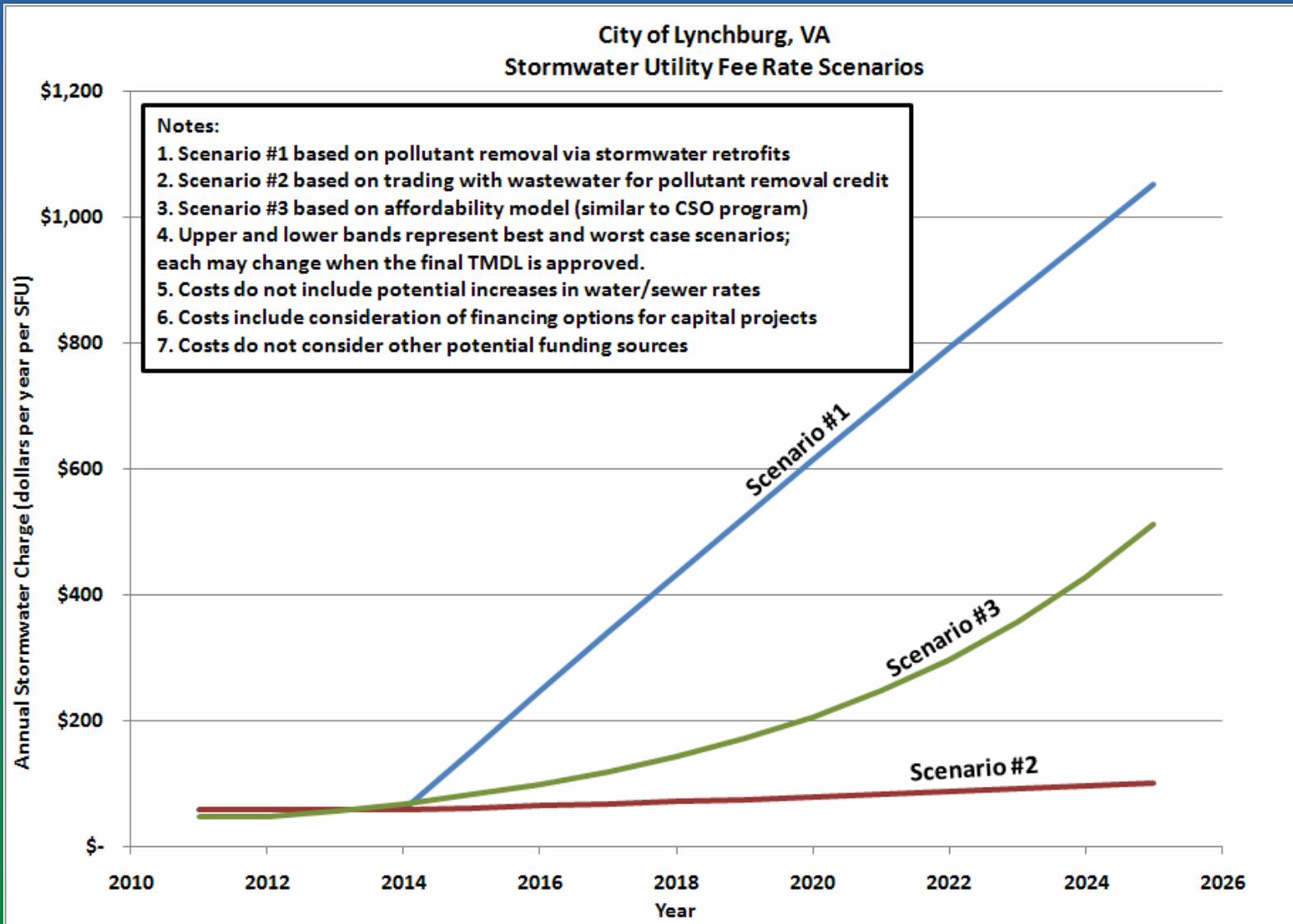
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Possible Rate Impacts from Bay TMDL

Future Cost/Affordability



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Stormwater User Fee Credits



Stormwater Fee Credits are provided for customers who implement and maintain on-site controls (structural and/or non-structural) that provide a permanent reduction in post-development stormwater flow and pollutant loading.

Required by Virginia State Law - § 15.2-2114.

Types of Fee Credits Used in Virginia



- **Structural Stormwater Controls**

- Onsite Water Quantity Controls
 - Ponds, wetlands, etc.

- Onsite Water Quality Controls
 - Low Impact Development (LID), vegetation, infiltration, etc.

- **Non-Structural Controls**

- VPDES Permit Holders
- Education
- Lawn Care Management
- Stream Clean-up
- Parking Lot Clean-up

Water Quantity and Quality BMPs



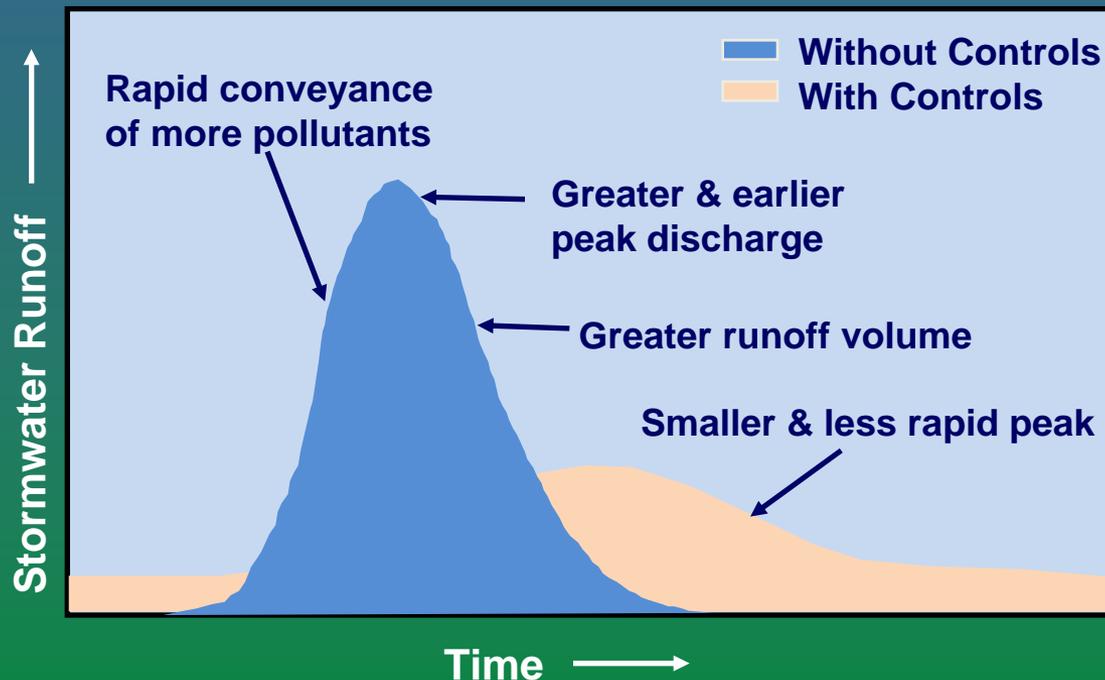
The “first-flush” of runoff from the contribution area receives treatment prior to discharge to receiving waters



Basis for Typical Fee Credit Policies



- Construct and maintain stormwater control/treatment device that meets or exceeds the City's current standards



Considerations for Fee Credit Procedures



- **Water quantity basis**
- **Water quality basis**
- **Residential vs. Non-Residential**
- **Direct discharge to regional drainage system**
- **“Local” vs. “System-Wide” City costs**

Sample Fee Credit Qualifications



- Customer responsible for justification
- Facility constructed in accordance with design criteria
- Define peak-shaving/volume control and water quality components of fee reduction
- Potential for a partial fee credit
- Evidence of proper maintenance

Summary of Credit Policies in VA



Community	Credits Offered?	Credit Types				Max Credit Value
		Single-Family	Quantity	Quality	Other	
Chesapeake	Yes	No	Yes	Yes	VPDES	Quantity/Quality - 40% max VPDES - 100% max
Hampton	Yes	No	Yes	Yes		Quantity/Quality - No max provided
Prince William County	Yes	No			Virginia Cooperative Extension	SW Management Education Program - 10% Parking Lot Cleanup/Stream Cleanup - 10%
Portsmouth	Yes	No	Yes	Yes	VPDES	Quantity/Quality - 40% max VPDES - 100% max
Richmond	Yes	No	Yes	Yes	VPDES; LID; Lawn Care	Quantity/Quality - 40% max LID - 20% max Lawn Care - 10% max
Staunton	Yes	Yes	Yes	Yes	No	Quantity/Quality- lowered by 3 tiers (tiers determined by impervious area)
Suffolk	Yes	No	Yes	Yes	No	1 ERU (minimum allowable fee) Structural BMP - 20% max Quality + Quantity - 40% max

Stormwater User Fee Adjustments



Adjustments are changes made to a fee to correct an overcharge or an undercharge of a customer's stormwater management service charge

Types of Adjustments



- **Impervious Area Measurement or Tier Adjustment**
 - Bill received does not represent the impervious area on the property or associated tier designation
- **Property Classification Adjustment**
 - Properties that have been incorrectly classified by use, such as single-family, multi-family, or non-residential

Typical Stormwater Fee Exemptions



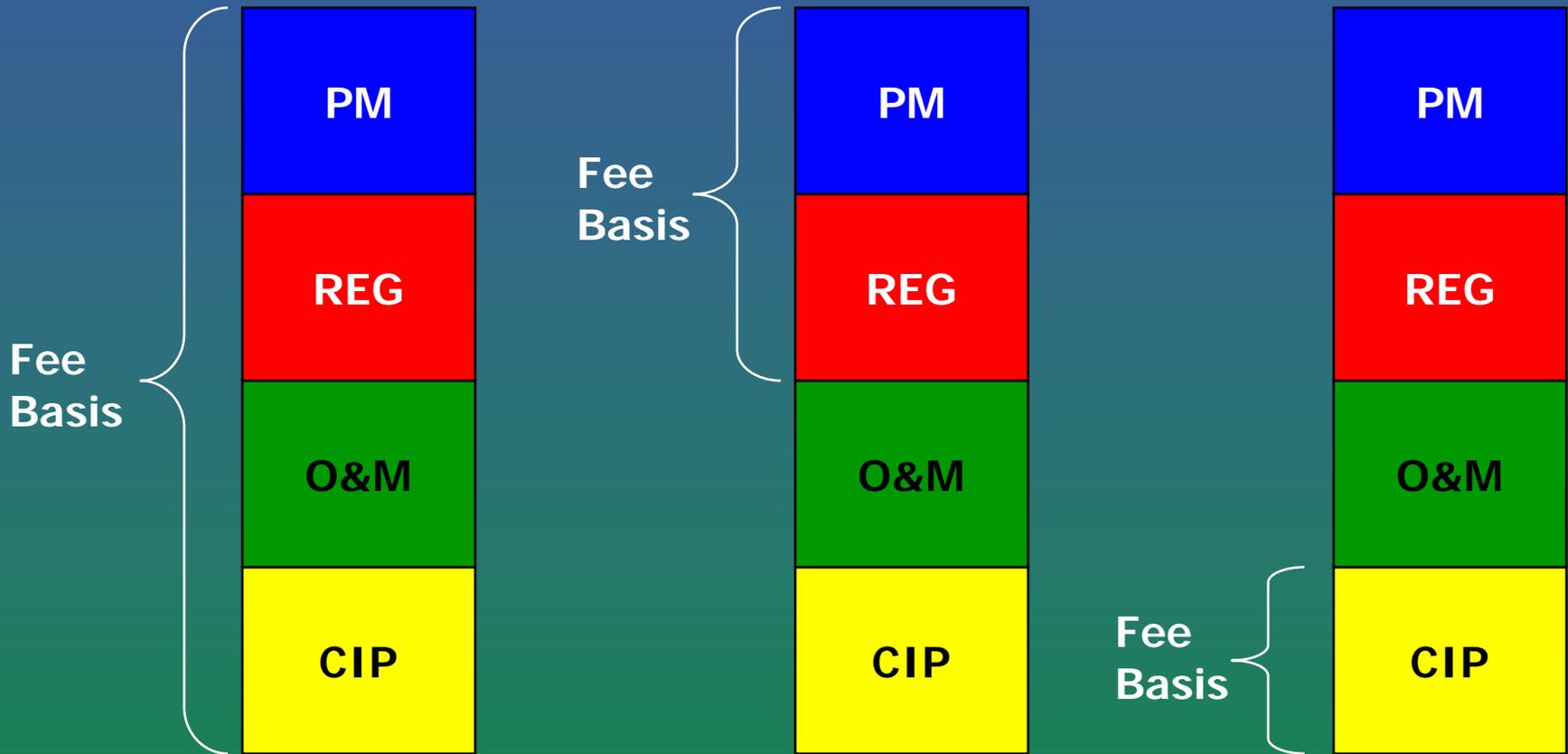
- **Roads**
 - local, state, federal
- **Rail Roads**
 - railroad corridor only
- **Minimum Impervious Area**
 - 400 sq ft or less
- **Undeveloped Properties**
- **Discharge Outside the City's System**
- **Greenways**

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The User Fee Does Not Always Fund the Entire Program



Options for Funding



	<u>LOS 3.5 Keep GF & VDOT</u>	<u>LOS 3.5 Fee & VDOT</u>	<u>LOS 3.5 Fee Only</u>
Stormwater User Fees	\$ 1,750,000	\$ 2,550,000	\$ 3,206,000
General Fund (property taxes)	\$ 800,000	\$ 0	\$ 0
VDOT & Misc.	\$ 656,000*	\$ 656,000*	\$ 0
Total	\$ 3,206,000	\$ 3,206,000	\$ 3,206,000

Approximate Monthly User Fee: \$3.00 per SFU \$4.00 per SFU \$5.00 per SFU

Note*: VDOT reimbursement amount may vary annually based on available funding

- **Advantages**

- Reduced stormwater fee

- **Disadvantages**

- Administrative complexity
- All funding not based on service provided
- All funds not dedicated

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Legal Obligations for Rate Setting in Lynchburg



- **Dillon Rule vs Home Rule – VA cities derive authority from the State**
- **Independent – not part of any county**
- **Council/Manager form of government**
- **Established by a Charter**
- **Governed by**
 - Federal Law
 - State Law
 - City Code

Public Service



- Municipalities exist to provide services to citizens that they typically can't provide or buy individually
- Common good
- Some services determined locally, some determined by state mandate

Responsibilities



- **Lynchburg is a full-service City**
 - Education
 - Safety
 - Transportation
 - Health and Welfare
 - Quality of Life

Financial Support



- Federal funding – dedicated
- Commonwealth funding - dedicated and non-dedicated
- Local taxes, fees, charges for services, permits, fines, licenses ...

Enterprise Funds



- **Water, Sewer, Stadium, Airport, & Fleet are Enterprise Funds.**
- **Funds are entirely or predominately self-supported by user charges.**
- **Funds are accounted for in a manner similar to comparable private non-profit enterprises.**

Water/Sewer Rates



- **Approved by Council Through Public Hearing Process**
- **Determined by Annual Rate Study**
 - Equitable sharing of water and sewer costs based on actual services provided.
 - Ensure rates promote sustainable water and sewer operations and infrastructure.
 - Minimize future rate spikes.
 - Meet Council's financial policies.
 - Meet federal and state mandates.

Water/Sewer Rates - cont.



- **CSO Consent Order requires that sewer rate be no less than 1.25% of the median household income (MHI).**
- **The water rate is based on costs.**
 - Recent increase was driven by increases in power costs, the need for investment in the water infrastructure, and reduced consumption.

Budget Challenges for FY 12



- **Anticipate \$4 - \$5 million deficit in General Fund**
 - Revenues to remain flat for the next fiscal year.
 - City Assessor projecting about a 2% decrease in the overall assessed value of City property. \$1 million less in revenues next fiscal year.
 - An additional payment of about \$1 million to the Blue Ridge Regional Jail to offset a reduction in state funding and additional debt service.
 - The costs of implementing new stormwater management regulations.
 - Additional state or federal mandates and regulations.

Budget Challenges for FY 12



- The disappearance of federal stimulus funds particularly in the school system
- Employee compensation and benefits issues; medical benefits and retirement pension costs
- Capital needs (Heritage High School, roads & bridges)
- Equipment replacement
- State legislation
- The economy
- Citizen expectations

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- **Preliminary Recommendations**

Topics for Preliminary SWAC Recommendations



- Level of Service
- Funding Source
- Stormwater Fee Options



Preliminary Recommendations for Discussion



- **Level of Service**
 - Target LOS = 3.5; Annual Program Budget of \$3.2 million
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General Discussion and/or Break-Outs



Next Meeting



- **Topics**

- Refine/Finalize Recommendations for City Council

- **Time and Location**

- Thursday, December 16, 2010 (6pm to 8pm)
- Location: James River Conference Center



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QUESTIONS?



CDM