



Memorandum

To: Stormwater Advisory Committee

From: CDM

Date: November 3, 2010

Subject: Stormwater Advisory Committee Meeting #5

On October 21, 2010, the CDM team facilitated the fifth meeting of the Stormwater Advisory Committee (SWAC) for the City of Lynchburg (City). The session was held at 6:00 pm at the James River Conference Center.

CDM provided each member of the group with meeting materials including a set of PowerPoint slides. The following is a list of agenda items covered during the session:

- Summary of Last Meeting
- Primary Funding Options (continued)
- Alternative Rate Structures
- Funding Option Comparisons

Summary of Last Meeting

Jeff Scarano with the City of Lynchburg provided a brief update to the committee regarding recent presentations/communications with City Council. Mr. Scarano noted that he gave a presentation to Council during the prior month to update Council on the committee's progress and to education Council on the same information that the committee was hearing. Mr. Scarano also noted that EPA responded to the Virginia draft Watershed Implementation Plan (WIP) and noted that the details of the response would be covered later in the meeting.

Next, David Mason of CDM reviewed the costs provided at the previous meeting for the various level of service options. Mr. Mason also provided a summary of the break-out session recommendations from the previous meeting. For level of service, the group generally preferred a level of service of approximately 3.5 on a scale from 1 to 5. In terms of priority, the group noted a preference for Program Management. The primary reason provided for this preference was for the City to be "geared up" to deal with the pending Chesapeake Bay TMDL.

Mr. Mason also provided an update on the pending Chesapeake Bay TMDL. As noted, EPA responded to the State’s WIP. EPA noted “serious deficiencies” in the State’s plan and noted that the State did not provide “reasonable assurance” that the plan would meet the target pollutant reductions. EPA recommended “backstop allocations” that would be implemented if the State did not improve its plans. The backstop allocations require treatment of 50 percent of the City’s urban (regulated) lands and similar treatment for 50 percent of unregulated lands. CDM has worked with the City to refine the previous cost estimates provided for Bay TMDL implementation. The estimated capital and operation & maintenance cost through 2025 for Bay TMDL implementation is \$350 to \$520 million.

Tim Mitchell with the City of Lynchburg provided additional information on the TMDL. Mr. Mitchell noted that the CSO program and the wastewater treatment plant (WWTP) could be impacted by the proposed TMDL. The backstop allocations by the EPA could require a \$60 to \$70 million upgrade at the WWTP. The public comment period for the Bay TMDL ends on November 9th. City staff noted that links to all Bay TMDL documents are on the City’s stormwater webpage.

Primary Funding Options (continued)

Next, Steve Sedgwick of CDM provided a review of the available funding options for stormwater management in Virginia. Mr. Sedgwick provided the advantages and disadvantages of each of the primary funding options. In general, tax-based funding mechanisms are easy to collect since the system is in place, are stable sources of funding, and can provide additional revenue. The disadvantages are that only taxable properties pay into the system, the need for funding is not linked to the property, and the system is generally inequitable when comparing residential and non-residential properties.

Mr. Sedgwick next reviewed the concept of a user fee system. This system is similar to the City’s water and wastewater systems where the user pays a fee in proportion to the usage. The advantage of this system is primarily equity related. The charge to a payer is in direct proportion to the runoff burden of the property. This funding source is stable and dedicated solely to stormwater management. The disadvantages of the user fee system are that it’s a completely new source of funding, which may be unpopular and that it creates a financial impact to citizens, particularly those that are tax-exempt and do not contribute to funding today’s program.

Alternative Rate Structures

Mr. Sedgwick continued with a more detailed discussion of the user fee methodology. Stormwater services are linked to a property in proportion to the properties amount of impervious surface, which is directly related to the runoff created from a site. Therefore, it can be used to justify a charge scale to residential and non-residential properties. The most common charge system is generally based on a base unit, which is typically equivalent to the average impervious area on a residential property within the City (called an Equivalent

Residential Unit or ERU). Once the ERU is established (typically through measurement of a sample of residential properties), it can be divided into the total impervious area of a non-residential property to determine the number of equivalent units for that property. Based on measurements performed for the City of Lynchburg, the ERU is approximately 2,043 sq. ft. of impervious area. For all residential properties, a customer would be charged 1 ERU per dwelling unit. However, for non-residential, if a property has three times as much impervious surface as the average residential property, then the property is assigned 3 ERUs and pays three times the amount of the typical resident. Mr. Sedgwick provided a few examples of this calculation using properties in Lynchburg. He also provided a pie-chart to break down the ERUs (by percentage) for various land uses in the City.

Next, Mr. Sedgwick discussed an alternative rate structure, which was called the Single Family Unit (SFU) Method. The SFU method is based on a statistical sampling of single family residential properties (rather than all residential types). The average impervious surface of the single family properties is used as the base unit (2,672 sq. ft. for Lynchburg). Using this statistical sampling data, impervious area tiers would be developed to represent that some homes are significantly larger or smaller than the average home. Typically, the cut-off is the 10th and 90th percentile, where the smallest 10 percent of homes are put in the small tier and the larger 10 percent are put in the top tier. All multi-family properties would be sampled and the average for those sampled values would be used for billing (typically smaller than 1 ERU). While administratively more complex to implement, this system is considered to be fairer than the ERU system.

CDM presented the SFU calculations along with the ERU calculations for the same properties identified previously. It was noted that because the SFU is a larger value, the total number of billing units for each property would be lower when using the SFU method vs the ERU method. Mr. Sedgwick next provided a comparison of pie-charts for the ERU and SFU method. Each one showed the distribution of ERUs/SFUs across the City's landscape. The major change noted between the two methods is the redistribution of billing units. For the SFU method, some of the burden on multi-family gets redistributed back to single-family.

Mr. Sedgwick followed up the discussion with a summary of total program costs and associated fees based on the two methods. The total program cost for a 3.5 level program is approximately \$3.2 million annually. The corresponding, monthly ERU billing rate would be \$3.78 per month per ERU and the SFU billing rate would be \$4.94 per month per SFU. The ERU rate is a bit below the average rate for utilities in the State and the SFU rate is a bit above the average fee, which is approximately \$4 per ERU per month.

Finally, Mr. Sedgwick provided information on how other stormwater programs in the State and the country fund their programs. While most continue to fund their program with tax revenue, a growing number of City's have converted to a user fee system. In Virginia, there are 13 user fee programs and three programs that have dedicated taxes to provide funding support.

A final comparison of the ERU/SFU and tax-based methods was provided. Pie charts for the user fee and ERU method showed where funding for the program would be generated. Under the tax-based option, single-family properties fund 50 percent of the program. Tax-exempt properties provide \$0 to the program. Under a user fee system, approximately 23 percent of program funding is generated by single-family properties while 21 percent is funded by tax-exempt properties. Estimated annual fees for all three methods and various land uses were provided.

Breakout Session

Following this discussion, the Committee was divided into four teams to discuss a list of questions provided. The questions read as follows:

1. Is there a preferred funding mechanism?
2. If a tax-based system is preferred, the options are:
 - No tax increase; reduce other services to fund stormwater program
 - Increase taxes to fund stormwater program (dedicated or non-dedicated)
3. If a fee-based system is preferred, is there a preference for either the ERU (flat fee) or the SFU (tiered) method?
4. Is a combination of these methods preferred?

The groups met for 30 minutes and reported their findings. The following is a summary of each group's comments on these questions:

GROUP #1

This group preferred a fee-based stormwater funding program. In terms of the rate structure, the group felt that the SFU method was fairer. This group recommended that the program only have one primary funding source. This group did not support the continuation of funding from the General Fund. The group also recommended that the fee should "start low and grow slow." The City should also prepare an annual report back to citizens on the program's progress.

GROUP #2

The second group expressed a preference for using a combined source of funding...both fee-based and General Fund. The group suggested that the existing tax dollars remain in the program and that all new changes be funded through a user fee. In terms of the user fee, the SFU method was preferred. The group noted that one member did not agree with the group consensus. This member supported a tax-based system only.

GROUP #3

This group preferred to use combined sources of funding where existing funds remain the same and new funds are generated through user fees. For the user fees, the SFU method was preferred. This group also noted that the City should find a way to raise other fees charged to outside the City users to balance the financial impact across. This group also noted that there should be consideration of a relief program for non-profit groups.

GROUP #4

This group preferred one primary funding option, which was the user fee. The group agreed that the SFU method was the fairest one. The group also specifically noted that the fee would be easier to manage if it was billed monthly, rather than annually.

Summary of Stormwater Advisory Committee Questions and Comments

The following is a list of questions and comments made by the Advisory Committee over the course of the presentation and in the final comment period:

Comment – *If I am a business and I have 2,000 ERUs, I will not absorb the cost. I will pass the cost on to my customers. The citizens will ultimately still pay the cost of the program.*

Comment – *A user fee is just a tax. It would make more sense to just raise the real estate property tax rate.*

Q – What would be the charge for various residential categories under the ERU system?

A- Under the ERU system, every dwelling unit receives the same charge as a typical single family residential home (1 ERU). This is less costly to implement administratively since you don't have to measure all residential properties.

Q – Is the City going to measure every parcel?

A – For this analysis, only sampling was performed for various property classes. In the final evaluation, only non-residential parcels are measured directly. Residential properties do not need to be sampled.

Q – Where the measurements performed manually using the City's GIS?

A – Yes, all sampling has been done manually.

Comment – *A member noted concern that a dedicated tax or fee would just keep going up. This member noted a preference for keeping all funding from the general fund. It was noted that the City can't do everything and needs to prioritize.*

Comment – *Staff noted that the program is not optional. Many parts of the program are regulatory driven from the State and Federal government.*

Q – If a City were to set up a dedicated tax system, would tax-exempts then have to pay?

A – No, if it's a tax, then tax exempt properties do not pay (dedicated tax or not).

Comment – *When comparing funding options, you need to consider that property tax revenues will be falling because of the economy and therefore, less funding overall will be available.*

Q – Under a tax-based system, would undeveloped properties fund a portion of the stormwater program?

A – Yes, a tax-based system charges properties based on assessed value. Vacant properties are assessed by the County and therefore would have a value that would be used as the basis for the charge.

Q – Some owners have implemented stormwater controls while others were not required to do so in the past. Will the City offer credits to those with BMPs?

A – Yes, the City would be required to implement a credit policy. This will be a topic at a future meeting.

Q – Counties do not seem to be impacted by these regulations? If the City were to implement a fee program, would business be driven out of the City?

A – Studies have shown that fees such as these are not high priority decision criteria for most businesses. Also, it should be noted that counties may in fact have to implement some programs in face of the TMDL.

Comment – *The City should focus on only one funding source and the fee-based system appears to be the most equitable. Using multiple funding sources will over-complicate things. Also, funds from the general fund will not be protected and there will be a tendency for City Council to “raid the piggy bank” when needs come up since there would already be the fee-based portion of the program.*

Next Meeting

The next meeting of the Stormwater Advisory Committee will be held on November 18, 2010 at 6:00pm at the James River Conference Center. Once again, snacks and drinks will be available. Attendees were thanked for their time and encouraged to attend the subsequent meetings.