

**Presentation to Governing Body
February 16, 2010**

Department: Public Works

Author/Presenter: Kathleen Gammell, 703-335-8840

Subject: Fees For Storm Water Management

Background:

- Over the last few months staff have presented several fee structure options for Governing Body consideration to fund the City's Storm Water Management Plan.
- At the January 19, 2010 Governing Body meeting staff were asked to revisit the fee structures and further reduce the annual fees for both residential and commercial. (January 19, 2010 presentation attached for reference.)
- Staff reviewed the options for additional fee reduction and considered the following variation of option 2A, which was presented on January 19, 2010 (see attached 1/19/10 power point):
 - Stagger the bond issue and begin with just the ponds rated "poor" and "fair." The first issue is proposed at \$1,200,000 (yellow column, row 4) instead of \$2,500,000 (blue column, row 4).
 - The first bond would cover renovation of fair and poor ponds, public outreach, maintenance of culvers/pipes, streams, underground structures, administrative fees.
 - The household rate would be reduced by \$15 and the highest commercial rate would be reduced by \$3,201 (rows 8 – 11)

Discussion:

- Staff discussed the possibility of the Revenue Bond issue with Joe Mason during the January 19, 2010 Governing Body meeting. Joe's comments are as follows:
 - Whether the Revenue Bond is \$2,500,000 or \$1,200,000, the associated costs for preparation of the bond documents will be high relative to the low bond amount.
 - For the low amount desired for the Revenue Bond, the fees collected would have to be higher than those just to cover the bond payment (estimated 1.5 to 2 times coverage of the payment).
 - Joe suggested staff consider adding the storm water capital costs to the bond refinance currently being considered by the Governing Body. Staff prefer not to mix the storm water funding with the refinance.

Recommendation:

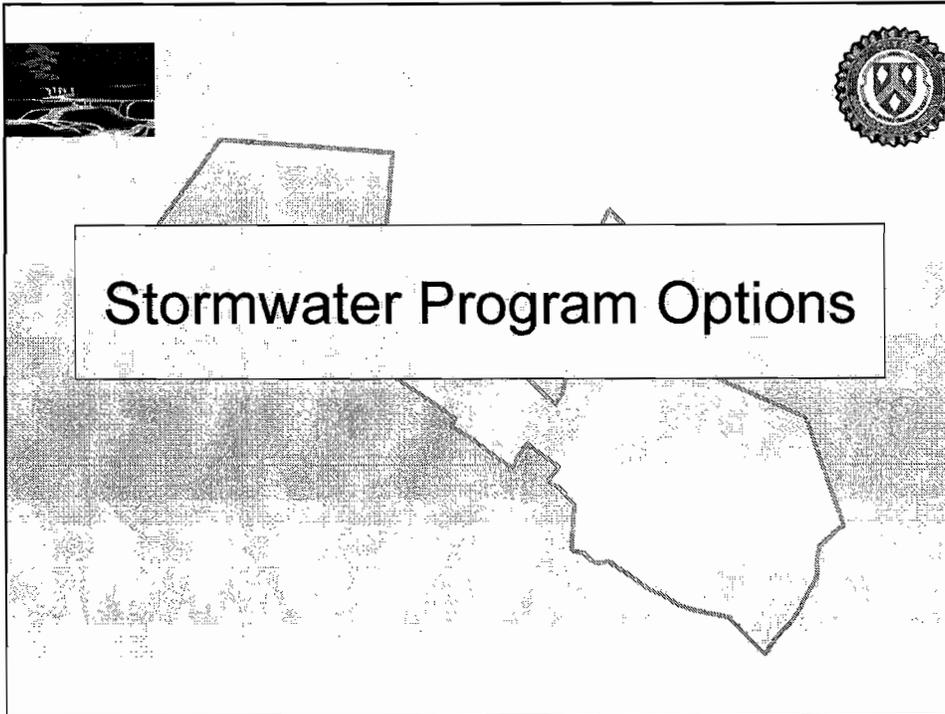
Staff recommend that we use the fee structure outlined in Table 1 below, fund work on a pay-as-we-go basis, and revisit the fee structure in the FY12 budget process.

| | | |
|----------------|---|-----------------------|
| Review: | City Business License: <u>N/A</u> | |
| | Prepared by: <u>Kathleen R. Gammell</u> | Date: <u>02/11/10</u> |
| | Reviewed by: _____ | Date: _____ |
| | Approved by City Attorney: _____ | Date: _____ |
| | Approved by City Manager: _____ | Date: _____ |

Table 1: Storm Water Management Fees

| Row | Activity | Annual Costs/Fees | | Change | Comment |
|-----|--|------------------------|------------------------|---|--|
| | | Option 2A (1/19/10) | Option 2A (2/16/10) | | |
| 1 | Public Outreach | \$10,000 | \$10,000 | Unchanged | NVRC Clean Water Partners |
| 2 | Maintenance of Culverts/Pipes, Streams, UG Structures, Ponds | \$100,000 | \$100,000 | Unchanged | Use contractor instead of adding City Staff. Allows for work as needed |
| 3 | Mosquito Control | \$0 | 0 | Unchanged | Keep reduced \$17,000 program in General Fund |
| 4 | Infrastructure Renovations * | \$220,000 | \$110,000 | Reduce Revenue Bond from \$2,500,000 to \$1,200,000. Cuts payments in half. | Debt payment for up-front remediation of "poor" and "fair" rated ponds, and all culverts/pipes, streams, UG structures - \$1,200,000 (previously \$2,500,000). |
| 5 | Capital Reserve / Rebate Fund | \$0 | 0 | Unchanged | |
| 6 | Administrative Fee | \$33,000 | \$22,000 | Reduces annual costs by \$88,000 | 10% of annual costs |
| 7 | TOTAL | \$363,000 | \$242,000 | | |

| | Activity | Annual Fee (1/19/10) | Annual Fee (2/16/10) | Change |
|----|----------------------------|-------------------------|-------------------------|-----------------------------------|
| 8 | Fee per 1 ERU | \$49.38 | \$34.42 | Reduces household by \$14.96 |
| 9 | Single Family Residence | \$49.38 | \$34.42 | Reduces household by \$14.96 |
| 10 | Commercial, Range of ERU's | \$51.03 to 10,562.41 | 35.56 - \$7,361 | Reduces highest by \$3,201.41 |
| 11 | | Avg = \$1,582 | Avg = \$1,103 | Reduces average by \$479 annually |



**Stormwater Management Program
Staff Activities Since Last Meeting**

- **Researched the methodology of fee calculations by other Northern Virginia Jurisdictions.**
- **Identified methodology used by Prince William County and Loudoun County, which provides a more fair distribution of costs**
 - For example, Town Houses and Condominiums will be charged 0.75 of ERU
 - Slightly increases the cost of an ERU but is more fair to residents in town houses and condominiums who have minimal impervious area.



**Stormwater Management Program
All Program Components
(As required by EPA / VDCR)**



Annual Costs

- **Public Outreach - \$10,000**
 - Participate in NVRC's "Clean Water Partners" Outreach program - \$10,000
 - Current Activities (already funded)
 - Catch basin markers (Materials by City, application by Boy Scouts)
 - EPA brochure, "After the Storm, A Citizen's Guide to Understanding Stormwater" Message Stickers to schools in 2007.
 - Parks and Recreation after school programs - "Keep America Clean" coloring book series addresses stormwater and sediment discharge
 - Hazardous Waste disposal available to residents -- Funded from PW Refuse budget
- **Mosquito Control - \$40,000**
 - Abatement Contract
- **Infrastructure Maintenance - \$250,000**
 - Three additional Crew Workers - \$160,000
 - Materials, rental equipment, contractor support, dumping fees - \$90,000
- **Administrative fees**
 - Estimated at 10% of Annual Cost

Capital Costs Over 20 Years

- **Infrastructure Renovation - \$2,500,000**
 - Catch Basins / Stormwater Pipes, Streams, UG structures - \$500,000
 - Stormwater Ponds - \$2,000,000



**Stormwater Management Program
All Program Components
(As required by EPA / VDCR)**



Methodology for Calculating Fees

- **City wide evaluation of impervious surface area for individual properties.**
 - Determined the number of ERU's based on this evaluation
- **Based on Current EPA Regulations**
- **Incorporated means for fairly distributing fees among different classifications of properties**
 - Multipliers are applied against the fee associated with 1 ERU
 - Used by Prince William County and Loudoun Counties to determine ERU multipliers for different classifications of property
 - For example, a single family residence has a multiplier of 1, Townhouses/Condos have a multiplier of 0.75, and a large industrial plant may have a multiplier of 68 depending on impervious area.



Option 1 Four 5-year Plans for Pay As We Go



- **Develop four consecutive five-year plans (over 20 years) to fund annual routine maintenance and renovations**
 - Begin with ponds rated as poor and fair totaling
 - Fees higher in first 5-year plan to cover poor and fair rated ponds.
 - Must revisit annually during budget process to assure the City is on track.
- **Pros**
 - Minimizes annual household fees by spreading over 20 years (highest fees in first 5-year plan, reduced in subsequent years).
 - Allows time for additional federal / state funding sources to become available for work on other ponds.
- **Cons**
 - Must accumulate first year funding before start.



Option 1 Worst Case Projected Annual Program Costs



| Activity | Annual Cost Years 1-5 | Comment |
|--|--------------------------|---|
| Public Outreach | \$10,000 | NVRC Clean Water Partners |
| Maintenance of Culverts/Pipes, Streams, UG Structures, Ponds | \$250,000 | 3 staff, rental equipment and/or contractor if needed, dumping Fees |
| Mosquito Control | \$40,000 | Abatement Contract |
| Infrastructure Renovations ⁽¹⁾ | \$215,600 | Poor and Fair rated ponds first (\$115,600) plus \$100,000 for other structures (streams, UG structures, catch basins, pipes) |
| Capital Reserve / Rebate Fund | \$50,000 | |
| Administrative Fee | \$56,600 | 10% of annual costs |
| TOTAL ⁽²⁾ | \$622,200 | |

⁽¹⁾ Infrastructure renovations front loaded in 1st 5-year plan.
⁽²⁾ Plans 2 - 4 (15 years) will be approximately \$566,600 annually.

| Activity | Years 1-5 | Years 6 - 20 |
|----------------------------|---|---|
| Fee per 1 ERU | \$84.65 | \$78.01 |
| Single Family Residence | \$84.65 | \$78.01 |
| Commercial, Range of ERU's | \$87.46 - \$18,104.50 Avg = \$2,711.30 | \$80.60 to \$16,684.54 Avg = \$2,498 |



Option 1A

Minimum Projected Annual Program Costs



| Activity | Annual Cost Years 1-5 | Comment |
|---|------------------------------------|---|
| Public Outreach | \$10,000 | NVRC Clean Water Partners |
| Maintenance of Culverts/Pipes, Streams, UG Structures, Ponds | -\$250,000 \$100,000 | Use contractor instead of adding City Staff. Allows for work as needed |
| Mosquito Control | -\$40,000 | Keep reduced \$17,000 program in General Fund |
| Infrastructure Renovations ⁽¹⁾ | -\$215,600 \$165,600 | Poor and Fair rated ponds first (\$115,600) plus -\$100,000 \$50,000 for other structures (streams, UG structures, catch basins, pipes) |
| Capital Reserve / Rebate Fund | -\$50,000 | |
| Administrative Fee | -\$56,600 \$31,500 | 10% of annual costs |
| TOTAL ⁽²⁾ | -\$622,200 \$346,500 | |

(1) Infrastructure renovations front loaded in 1st 6-year plan.
(2) Plans 2-4 (15 years) will be approximately \$272,800 annually.

| Activity | Years 1-5 | Years 6 - 20 |
|----------------------------|---|--|
| Fee per 1 ERU | \$47.14 | \$37.11 |
| Single Family Residence | \$47.14 | \$37.11 |
| Commercial, Range of ERU's | \$48.71 to \$10,082.30 Avg = \$1,510 | \$38.35 to \$7,937.81 Avg = \$1,189 |



Option 2

Bond Debt to Complete All Renovation Work Immediately



- **Fund all pond work and components of stormwater program now with bond debt.**
 - Set up stormwater program as an Enterprise Fund for access to Revenue Bonds.
 - Develop fee structure over life of the bond to cover debt payments
 - Assume \$2,500,000 bond over 20 years for renovations of ponds, streams, catch basins, SW piping
- **Pros**
 - Shows immediate and complete compliance with EPA / VDCR requirements.
 - May realize lower renovation costs for one contract to cover all recommended up-front work.
- **Cons**
 - Additional City debt

Option 2
Worst Case Projected Annual Program Costs



| Activity | Annual Cost Years 1-5 | Comment |
|---|--------------------------|--|
| Public Outreach | \$10,000 | NVRC Clean Water Partners |
| Maintenance of Culverts/Pipes, Streams, UG Structures, Ponds | \$250,000 | 3 staff, rental equipment and/or contractor if needed, dumping Fees |
| Mosquito Control | \$40,000 | Abatement Contract |
| Infrastructure Renovations | \$220,000 | Debt payment for up-front remediation of ponds, culverts/pipes, streams, UG structures (\$2,500,000) |
| Capital Reserve / Rebate Fund | \$40,000 | Lower annual Capital Reserve required up- front for major renovation |
| Administrative Fee | \$56,000 | 10% of annual costs |
| TOTAL | \$616,000 | |

| Activity | Annual Fee |
|----------------------------|---|
| Fee per 1 ERU | \$83.80 |
| Single Family Residence | \$83.80 |
| Commercial, Range of ERU's | \$86.59 to \$17,924.09 Avg = \$2,684 |

Option 2A
Minimum Projected Annual Program Costs



| Activity | Annual Cost Years 1-5 | Comment |
|---|-----------------------------------|---|
| Public Outreach | \$10,000 | NVRC Clean Water Partners |
| Maintenance of Culverts/Pipes, Streams, UG Structures, Ponds | \$250,000 \$100,000 | Use contractor instead of adding City Staff. Allows for work as needed |
| Mosquito Control | \$40,000 | Keep reduced \$17,000 program in General Fund |
| Infrastructure Renovations | \$220,000 | Debt payment for up-front remediation of ponds, culverts/pipes, streams, UG structures (\$2,500,000) |
| Capital Reserve / Rebate Fund | \$40,000 | |
| Administrative Fee | \$56,000 \$33,000 | 10% of annual costs |
| TOTAL | \$616,000 \$363,000 | |

| Activity | Annual Fee |
|----------------------------|---|
| Fee per 1 ERU | \$49.38 |
| Single Family Residence | \$49.38 |
| Commercial, Range of ERU's | \$51.03 to \$10,562.41 Avg = \$1,582 |

Option 3
EDA Responsible for Conner Industrial Ponds



- **Separate fees for Conner Center industrial ponds and fund those ponds through the EDA.**
 - To include all Conner ponds, estimated at \$793,000.
 - EDA funds Conner Center Industrial ponds
 - City funds remainder of commercial and residential
- **Pros**
 - Clearly delineates between Conner Industrial Center commercial and residential for increased visibility of the basis of fees.
- **Cons**
 - Unknown as to whether it provides relief to residents and/or higher costs to Conner Center businesses.
 - Less control by City, which is responsible to regulators.
 - Does not include all commercial properties.
 - Increases complexity of fee structure
- **Staff recommends that this option be dropped from consideration.**

Option 3
Worst Case Projected Annual Program Costs



| Activity | EDA ⁽¹⁾ Annual Cost | City Annual Cost | Comment |
|---|--------------------------------------|------------------------|---|
| Public Outreach | | \$10,000 | NVRC Clean Water Partners |
| Maintenance of Culverts/Pipes, Streams, UG Structures, and all Ponds except in Conner Industrial Center | | \$250,000 | 2 staff, rental equipment and/or contractor if needed, dumping Fees |
| Mosquito Control | | \$40,000 | Abatement Contract |
| Infrastructure Renovations | \$58,000 | \$196,600 | City: All ponds except Conner Industrial Center fair / poor ponds first (\$96,600) plus \$100,000 for other structures (streams, UG structures, catch basins, pipes) EDA: 20-year bond for \$705,000 |
| Capital Reserve / Rebate Fund | | \$50,000 | |
| Administrative Fee | | \$54,700 | 10% of annual costs |
| TOTAL | \$58,000 | \$601,300 | |

| Activity | EDA Fee | City Fee |
|----------------------------|---|--|
| Fee per 1 ERU | \$16.30 | \$81.80 |
| Single Family Residence | | \$81.80 |
| Commercial, Range of ERU's | \$16.30 to \$3,375.32 Avg = \$505.48 | \$84.52 to \$17,496.36 Avg = \$1,229.72 |

Option 3A Minimum Projected Annual Program Costs

| Activity | EDA ⁽¹⁾ Annual Cost | City Annual Cost | Comment |
|--|--------------------------------------|-----------------------------------|--|
| Public Outreach | | \$10,000 | NVRC Clean Water Partners |
| Maintenance of Culverts/Pipes, Streams, UG Structures, Ponds | | \$290,000 \$100,000 | Use contractor instead of adding City Staff. Allows for work as needed |
| Mosquito Control | | \$40,000 | Keep reduced \$17,000 program in General Fund |
| Infrastructure Renovations | \$58,000 | \$196,600 \$146,600 | Poor and Fair rated ponds first (\$86,600) plus \$100,000 \$50,000 for other structures (streams, UG structures, catch basins, pipes) |
| Capital Reserve / Rebate Fund | | \$50,000 | |
| Administrative Fee | | \$25,600 | 10% of annual costs |
| TOTAL | \$58,000 | \$661,300 \$282,200 | |

| Activity | EDA Fee | City Fee |
|----------------------------|---|--|
| Fee per 1-ERU | \$16.30 | \$38.39 |
| Single Family Residence | | \$38.39 |
| Commercial, Range of ERU's | \$16.30 to \$3,375.32 Avg = \$505.48 | \$39.67 to \$8211.33 Avg = \$1,229.72 |

Summary of Options

| Option | Residential Fee | Commercial | | EDA |
|---------------------|--------------------|------------------------|------------|---------|
| | | Range | Average | |
| 1 Years 1 - 5 | \$84.65 | \$87.46 - \$18,104.50 | \$2,711 | N/A |
| 1 Years 6 - 20 | \$78.01 | \$80.60 to \$16,684.54 | \$2,498 | N/A |
| 1A Years 1 - 5 | \$47.14 | \$48.71 to \$10,082.30 | \$1,510 | N/A |
| 1A: Years 6 - 20 | \$37.11 | \$38.35 to \$7,937.81 | \$1,189 | N/A |
| 2 | \$83.80 | \$86.59 to \$17,924.09 | \$2,684 | N/A |
| 2A | 49.38 | \$51.03 to \$10,562.41 | \$1,582 | N/A |
| 3 | \$81.80 | \$16.30 to \$3,375.32 | \$505.48 | \$16.30 |
| 3A | \$38.39 | \$39.67 to \$8211.33 | \$1,229.72 | \$16.30 |

Staff recommends Option 2A

Staff recommends eliminating options 3 & 3A from further consideration.

Stormwater Management Program Staff Recommendation



- **Staff recommends Option 2A with minimum costs Meets the intent of EPA / VDCR requirements with a 20-year plan for completion.**
 - Slightly higher than option 1A but provides for funding to bring all ponds up to standards within the next year.
 - Residential fees estimated at \$49.50 per ERU annually
 - Staff believes the City will meet the EPA / VDCR requirements with this option
- **Staff recommends that option 3 be eliminated from consideration because of the complexity of the fees and lack of City control.**