

Frequently Asked Questions on a Carrboro Stormwater Utility

The Carrboro Energy and Climate Task Force has recommended that Carrboro pursue a stormwater utility, either by joining Chapel Hill's utility, or by creating its own utility. The Environmental Advisory Board and Planning Board have endorsed the recommendation. The reasons for the recommendation are provided in the Community Climate Action Plan. This document has been created as a first attempt to anticipate and respond to questions that community leaders and members may have.

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What mechanisms exist to fund stormwater management?

A great majority of communities use one of two mechanisms to fund stormwater management programs: property taxes funneled through a General Fund (Carrboro's current approach) or via a stormwater utility, which is fee based. More and more communities have adopted the utility/fee approach. A challenge with using tax dollars through a general fund is that stormwater management competes with everything else, e.g., stormwater programs and improvements may not be funded unless the municipality is reacting to a recent major storm or regulatory action. This approach also is not inherently equitable because the basis for determining property taxes (assessed property value) is not necessarily related to the impact on runoff and cost of stormwater management for that property. Additionally, tax-exempt properties, such as governmental properties, schools, and churches do not support any of the cost of stormwater management, even though many of them are major contributors of stormwater runoff.

What is a stormwater utility?

A stormwater utility is a public utility organized as a separate enterprise in the same fashion as a water and sewer utility. It is a "stand-alone" service unit within the local government which generates revenues through fees that go into a separate fund that may only be used for stormwater services. A stormwater utility is responsible for stormwater system planning and management, with the details dependent on the scope of services a given local government chooses. Typically, a utility will have responsibilities such as: operating and maintaining a Municipal Separate Stormwater Sewer System ("MS4"--which is the stormwater conveyance system), including reducing flooding impacts on public and private property; providing regulatory oversight for new and existing development; supporting public participation and outreach and education; tracking and responding to illicit discharges and connections; and managing administrative responsibilities and compliance with State and Federal regulations.

Why is the Task Force recommending that Carrboro consider a stormwater utility rather than maintaining the status quo or pursuing a different approach?

Fundamentally, there are several reasons. Stormwater runoff is currently impacting surface waters, and the Task Force believes the Town has a responsibility to address these impacts to a greater degree than is currently happening, needs more revenue to manage stormwater, and that this need will only grow as climate changes. Needed revenues also will significantly increase soon as the Town implements requirements under the Jordan Lake rules; forming a utility would proactively address this rather than reactively in a manner which could result in a property tax increase and/or an inability to fund other important Town priorities. Furthermore, in the absence of a utility, and based on historical precedence, stormwater will receive a lower priority for funding than other Town services. A utility also creates a level playing field for assigning responsibility based on contribution to stormwater impacts. Finally, a utility creates a clear and accountable revenue/cost balance sheet and administrative unit for pursuing stormwater management.

How much does it currently cost the Town to manage stormwater?

The Town does not currently separately track revenue and expenditures for stormwater management, so, it is not possible to put a \$ figure on stormwater management. Subjectively, the costs are primarily associated with: salaries for several staff members who spend part of their time on stormwater

management; contract support for stormwater engineering review; and operational and maintenance expenses to maintain the stormwater conveyance system.

How much would a stormwater utility cost Carrboro citizens? What's the risk of imposing a financial hardship on some citizens? How can this risk be minimized?

Until Carrboro goes through the process of establishing a utility, or asks to join Chapel Hill's utility, it is not possible to nail down the details of a fee structure. It is possible to get a reasonable estimate through several reference points. Chapel Hill's stormwater utility had an annual budget of \$2.4M (2014); Durham's stormwater utility had an annual budget of \$12.5M (2012). This works out to \$40 per capita for Chapel Hill and \$46 per capita for Durham. (Note that Chapel Hill has a bond referendum that, if approved, will result in a slight increase in stormwater fees.) By association, Carrboro would have an annual budget of about \$800k if a similar level of service/revenue was sought. (This is slightly less than Carrboro currently pays as a partner in Chapel Hill Transit.) For an individual property owner, Chapel Hill currently charges \$26.15 per 1000 square feet of impervious surface per year. For a broader perspective, visit the [NC Stormwater Utility dashboard](#) maintained by the UNC School of Government Environmental Finance Center to compare stormwater fees charged by stormwater utilities in North Carolina¹. If a utility were formed, the dedicated revenue from fees would also mean that the General Fund revenue currently being used to support stormwater efforts would no longer be needed. The general idea of a utility is to balance costs and revenues from fees. Therefore, if a utility were to be pursued, in principal, the utility would pay for itself.

As far as addressing the potential for financial hardship for some citizens, the Task Force is aware that some communities outside of NC have addressed this by reducing or waiving the fee for property owners who meet certain financial hardship provisions. However, it is our understanding that [NC General Statutes](#) do not currently explicitly allow for this in the fee structure. [This link](#) explains how Chapel Hill considered this concern as Chapel Hill's utility was being formed, recognizing the ability to establish mechanisms for relief to those with hardship. (The Task Force has not checked with Chapel Hill regarding their implementation of any financial hardship related provisions.)

Are Carrboro citizens willing to pay more for better stormwater management?

The Task Force is not aware of an effort to poll the community, and defers to the Town on how to best pursue this question. We assert that a fee of the magnitude presented above is a reasonable and responsible expense to more proactively manage stormwater runoff.

Is there an alternative to a stormwater utility that will achieve the same results?

Carrboro could raise taxes, seek loans and grants, issue a bond, or some combination of these to generate more revenue for improved stormwater management. In our opinion, these approaches, singularly or in combination, provide a less satisfactory and equitable solution than the clear and dedicated approach of a utility.

¹ From the dashboard, there are 55 stormwater utilities in NC, including 31 in jurisdictions of Carrboro's size or smaller, and 11 in the Triangle and Triad. Comparisons can be made on the dashboard across subgroups of utilities with similar characteristics, such as location, EPA phase (1 for large municipalities and 2 for small municipalities), rate structure, and customer income levels.

What are the pros and cons of pursuing a stormwater utility in partnership with Chapel Hill versus forming a Carrboro stormwater utility?

The main pros are: Carrboro and Chapel Hill share the same watersheds (Bolin Creek and Morgan Creek) and therefore have mutual interests in collaborating; Chapel Hill has already figured out how to make a utility work, so Carrboro wouldn't have to reinvent the wheel; there are fiscal efficiencies/economies in joining forces; and Chapel Hill has very skilled and knowledgeable staff that have been working in the community from whom Carrboro could benefit. The main con is a lack of autonomy. More information about Chapel Hill's utility and the 19 services offered by the utility is available at [this link](#).

What are the steps to pursuing a stormwater utility?

The following are the typical steps involved in creating a stormwater utility (which Chapel Hill has already done).

- 1) Feasibility Study. A feasibility study provides the community with enough information to decide if implementing the utility is sensible. The feasibility study typically addresses preliminary revenue requirements, assesses the billing area to determine the billing rate, the service fee method to use and credits to provide, the preliminary rate structure, and the responsible party for billing.
- 2) Billing System. If the municipality decides after the feasibility study to develop a stormwater utility, it will then collect user and parcel area data (such as ownership and impervious area for each parcel) and develop a system to bill property owners. The two most common stormwater billing systems are adding a stormwater utility fee (1) onto an existing water/sewer fee bill, or, (2) non-ad valorem assessments. According to EPA, approximately 80 percent of stormwater utilities in the US use the first approach. Chapel Hill uses the second approach, which is likely (at least in part) a function of the difficulty of billing through OWASA since they are administratively more independent of municipal government.
- 3) Public Information Program. A strong public education program is critical throughout the stormwater utility development process. Many people are unaware of the increasing cost of stormwater management and the options to fund it. A well-funded stormwater program can help reduce flooding, improve conditions during droughts, and improve water quality and creek conditions. An organized public information and education effort, which typically involves the following components, is essential to the success of a stormwater utility:
 - a. Identify key users and groups. Two potential groups to target include (1) properties that generate a significant amount of runoff and may receive higher stormwater bills; and (2) tax-exempt properties (i.e., schools and churches) that do not contribute property taxes into the general fund (which has traditionally been the source of stormwater management funding).
 - b. Establish an advisory committee. Include a cross section of the community including representation from schools, businesses, non-profit organizations, churches, and developers.
 - c. Create a stormwater utility website. The website should post appropriate progress documents and update a frequently asked questions page.
 - d. Prepare pamphlets and presentations.

- 4) Implementation. The first utility bill is the most important because many will not focus on the new stormwater fee until they actually receive their first bill. The municipality should notify citizens their estimated fee several months before billing begins. It should create a telephone hot line, e-mail service and website to address questions and concerns. In addition, the municipality should be prepared to address legal challenges to its stormwater fee. The municipality should be prepared to develop a process to update the billing unit data for an existing customer or to enter the data for a new customer.

What does it take to run a stormwater utility?

Once a utility is established, staff are needed. In Chapel Hill, the staffing (13 people) includes administrative staff, stormwater engineers and technical staff, an outreach coordinator/educator, and staff that manage infrastructure and provide drainage assistance. Part of the administration and outreach is responding to questions and managing the billing. Many communities (including Chapel Hill) also have a separate advisory board solely dedicated to stormwater management.

Who is available to help Carrboro leaders/community members further understand stormwater financing in general and, more specifically, the possibility of pursuing a utility?

Besides consulting with other local governments, the way many municipalities handle obtaining the expertise to consider/establish a utility is to hire a consultant. There are numerous online resources to consider, with a recommended one in North Carolina being the [UNC School of Government Environmental Finance Center](#) which has a number of documents and slideshows online in addition to the dashboard mentioned above.

[What communities in the Triangle and Triad area have stormwater utilities?](#)

According to the UNC Environmental Finance Center dashboard, there are utilities in Chapel Hill, Durham, Raleigh, Greensboro, Burlington, Elon, Graham, Winston-Salem, High Point, Kernersville, and Thomasville. Hillsborough staff have indicated that there are discussions about a utility in Hillsborough.