



TOWN OF CARRBORO
NORTH CAROLINA
STORMWATER UTILITY

**To: David Andrews, Town Manager
Mayor and Board of Aldermen**

From: Randy Dodd, Stormwater Utility Manager

**Cc: Joe Guckavan, Public Works Director
Robert Hornik, Town Attorney
Arche McAdoo, Finance Director
Rachel Heggen, Communications Manager**

Date: May 10, 2018

Subject: Stormwater Rate Structure Public Hearing

Background and Summary

The purpose of this memorandum is to provide background information for the public hearing on the consideration of the draft stormwater utility rate structure.

Information

A report on a draft rate structure was presented to the Board of Aldermen and Stormwater Advisory Commission in March, 2018, and subsequently to other advisory boards¹. In addition, a community outreach effort has been pursued on the draft rate structure. Staff have also worked with Orange County staff to draft an interlocal agreement to have the County provide support with billing for the utility.

The following topics are included in this memo to document these recent efforts and compliment and provide an overview of the other attachments in this agenda item¹:

- 1) A summary of the recommended rate structure;
- 2) A summary of the community outreach effort, feedback received, and staff responses
- 3) The recommended approach for billing to collect revenue for the stormwater utility.

¹ Details are available from the Board of Aldermen meeting March 13th, Stormwater Commission meeting of March 21st, 2018, and Joint Advisory Board Review of April 5th, 2018.

Recommended Rate Structure

The below excerpt from the Town Code creates the fundamental basis for the utility.

Town Code Section 18-4: “Stormwater management utility shall mean an organizational structure established by the Town, that is responsible for funding, administering, and operating the Town's stormwater management program, and that is supported through a rate structure based on the impervious surface area and found on land parcels located within the town limits.”

The draft rate structure that has been created is based on the amount of impervious surface relative to the “Equivalent Residential Unit” (ERU) of impervious surface area (2800 square feet of impervious surface, as specified in the Town Code (18-3)), and consistent with the predominant practice for the 79² jurisdictions that have created a stormwater utility in North Carolina. The premise is that impervious surface is an appropriate metric for determining the impact of stormwater runoff from a given property, and the ERU is a reasonable accounting basis.

Based on the direction from the Town Code, a GIS analysis has been completed to calculate parcel level impervious surface area. Careful data examination during the analysis has indicated that for many parcels, the parcel boundary and impervious surface data are relatively accurate, but, are less accurate for others. Generally, the smaller the parcel, the more potential relative error occurs, especially for parcel boundaries. The accuracy and precision of both the property/parcel boundary and impervious data has been an important consideration in establishing the recommended service charge/fee structure. It is envisioned that improvements in this data along with additional capacity provided by a new revenue stream will support consideration of future adjustments to the rate structure.

In general terms, stormwater fees are calculated by determining the costs of providing the desired level of service and then distributing the costs based on the demand that each property places on the local government for service, based on impervious surface area. The rate structure that has been prepared includes a flat fee for single family (and generally smaller) residential properties³ and a tiered structure for all other properties (aka “nonresidential”) that is a direct extrapolation from the residential rate. The tiered nonresidential structure is driven by the much wider range of non-residential impervious area per parcel relative to residential properties. About ¼ of nonresidential parcels have impervious areas on the same order

² According to the UNC Environmental Finance Center (EFC) dashboard: <https://efc.sog.unc.edu/resource/2018-north-carolina-stormwater-rates-dashboard> Note that the “word” residential infers no special consideration of residential properties relative to other property types other than to define this accounting unit.

³ According to the UNC EFC, as of 2/2017, 44 of 74 jurisdictions reporting were using a flat residential fee, with the remainder using a tiered fee. Generally, smaller jurisdictions have flat fees and larger jurisdictions have tiered fees.

of magnitude as residential parcels, with the remainder having moderately to substantially more impervious area, with a small number having about two orders of magnitude more impervious area than residential parcels. The overall rate structure approach balances considerations around: the accuracy of current data; administrative time with further impervious analysis and resolution of property level discrepancies, inquiries, and disputes; providing as much equity through the number of tiers as possible in the rate structure given the currently available data and staff capacity; and a recognition of the need for improving the underlying parcel and impervious data and revisiting the rate structure⁴. The recommended rate structure shown in Table 1 will support an annual stormwater budget of a little over \$800k, which will meet operating requirements with a surplus for future capital expenses.

Table 1: Recommended Rate Structure
(Annual Service Charge/Fee)

Residential (1 ERU).....	\$75
Non-residential:	
Tier 1 (1 ERU).....	\$75
Tier 2 (5 ERUs).....	\$375
Tier 3 (11 ERUs)	\$825
Tier 4 (17 ERUs)	\$1,275
Tier 5 (25 ERUs)	\$1,875
Additional Tiers (+10 ERUs)*....	add \$750 from the immediately adjacent lower tier

*in 10 ERU increments, price per tier, total of 22 tiers.

Table 2 presents the complete recommended rate structure for nonresidential properties.

Table 2: Complete Nonresidential Rate Structure

<u>Tier</u>	<u>Impervious Surface Range (square feet)</u>	<u>Fee</u>	<u>Tier</u>	<u>Impervious Surface Range (square feet)</u>	<u>Fee</u>
1	500-5,999	\$75	12	270,000-299,999	\$7,125
2	6,000-23,999	\$375	13	300,000-329,999	\$7,875
3	24,000-41,999	\$825	14	330,000-359,999	\$8,625
4	42,000-59,999	\$1,275	15	360,000-389,999	\$9,375
5	60,000-89,999	\$1,875	16	390,000-419,999	\$10,125
6	90,000-119,999	\$2,625	17	420,000-449,999	\$10,875
7	120,000-149,999	\$3,375	18	450,000-479,999	\$11,625
8	150,000-179,999	\$4,125	19	480,000-509,999	\$12,375
9	180,000-209,999	\$4,875	20	510,000-529,999	\$13,125
10	210,000-239,999	\$5,625	21	540,000-559,999	\$13,875
11	240,000-269,999	\$6,375	22	570,000-599,999	\$14,625

⁴ This recognition is reflected in advisory board and community input, with a specific request to consider a tiered residential rate structure after the utility becomes established and better data can be obtained. By comparison, Hillsborough recently established 5 nonresidential tiers.

4457 nonexempt residential properties and 413 nonexempt nonresidential properties have been identified.⁵ Figure 1 presents the number of nonresidential properties across all tiers. Figure 2 shows the projected annual revenue by different types of property.

Figure 1

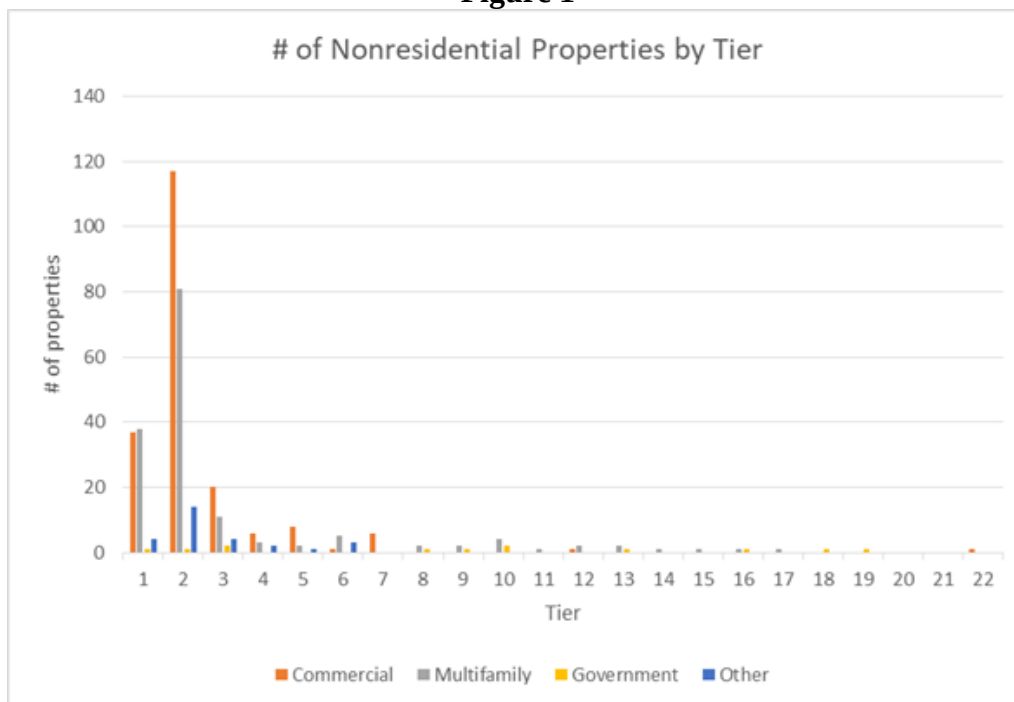
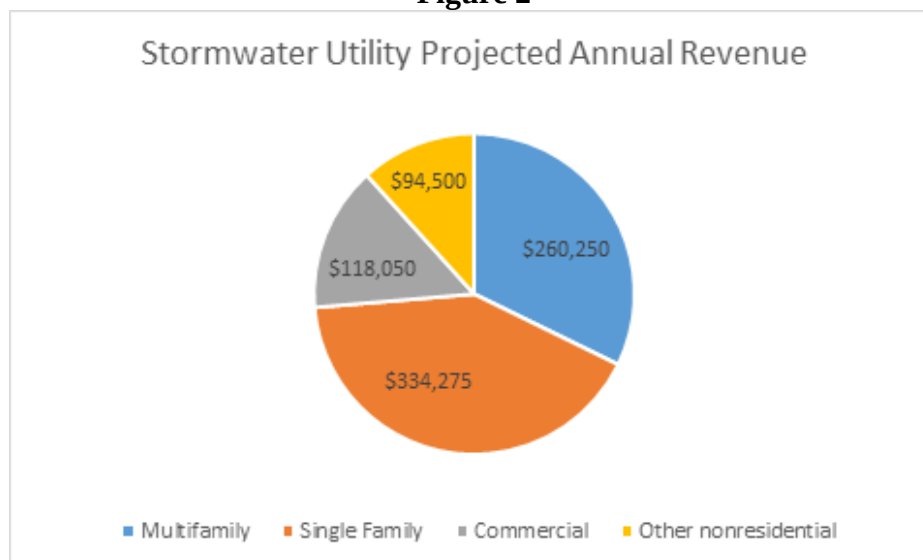


Figure 2



⁵ Since the residential properties would all be subject to a flat fee, no additional information is provided in this memo. Additional information is available in the agenda materials for the meetings referenced in the first footnote.

Additional observations pulled from the data presented in Figures 1 and 2 include:

1) about 75% of the projected revenue is from single and multi-family residential properties⁶, with the remainder being fairly evenly split between commercial and noncommercial properties.

2) 197 commercial properties have been identified to which the fee would apply. Of these: slightly more than 3/4 (154) would be in Tier 1 or Tier 2, with an additional 20 in Tier 3 and 21 in Tiers 4-7. Of the 27 properties in Tiers 8-22, 2 are commercial (excluding apartment complexes), with the remaining 25 being composed of 17 apartment complexes and 8 schools or state owned properties.

Advisory Board and Community Outreach

Information is presented in Tables 3 and 4 summarizing the process for seeking input from advisory boards and the community, and the input provided. A complete compilation of the written input from advisory boards and the community is provided in separate attachments to the agenda item.

Table 3: Process for Seeking Input on Draft Rate Structure

<u>Process</u>	<u>Notes</u>
Referral to advisory boards	Draft rate structure was referred to SWAC, Planning Board, Environmental Advisory Board (EAB), and Economic Sustainability Commission (ESC)
Notification via various communications channels	Newsflashes, newsletter, social media, Nextdoor, web updates/announcements
Drop in sessions and events	Staff and SWAC members were present at Open Streets, Carrboro Day, and two drop in sessions at Town Hall
Newspaper ad	Running May 9 th -15 th
Individual communications	Staff followed up via email, phone, and onsite visits related mostly to site specific concerns but also to the rate structure. Staff also met with the Carrboro Business Alliance to discuss multiple topics including the draft rate structure.

⁶ For this statement, and as presented in Figure 2, “Multi-family” includes properties that fall both in the residential and nonresidential rate categories.

Table 4: Summary of Input on Rate Structure

<u>Input</u>	<u>Provided By</u>	<u>Staff Response</u>
Adopt the recommended rate structure ⁷	SWAC, Planning Board, EAB, 6 online survey respondents	
Do not adopt the recommended rate structure ⁷	4 online survey respondents	
Consider tiered residential rate structure	SWAC; Planning Board; EAB; 2 survey and 2 verbal respondents	1, 2
Investigate options for assistance for low-income and fixed-income payees	BOA; SWAC; Planning Board; 2 respondents	2, 3
Consider crediting process to recognize/ encourage stormwater treatment/ impervious surface reduction	Planning Board; 2 respondents ⁸	2
Adjust rate structure to consider varying needs to reduce runoff in different areas of Town	Planning Board	2
Publish suggestions on how to reduce runoff	Planning Board	2
The Town Code be modified to specify the penalties mentioned in 18-7 of the Town Code	Planning Board	4
Consider new revolving loan fund to support treatment of impervious surfaces for commercial properties	ESC	2
Rate must consider BOTH permeable and impermeable surface of a property. Don't incentivize tiny houses on micro-lots!	One respondent	5
a) Questions accuracy of GIS data b) Recommends that downstream neighbors have less responsibility than upstream neighbors and this results in regressive taxation d) Rate structure should be tied to either property value or make it a flat rate per acre. e) I don't support new taxation for this utility because it should already be included in what we pay for Public Works. Carrboro taxes are very high f) Public Works has really nice trucks and equipment and manpower and maybe their budget should be looked at to compensate for capital improvements to town drainage.	One respondent	6a-f

⁷ 4 online survey respondents also responded “Maybe/need more info”

⁸ SWAC has also discussed, though not included in formal input. An interest in crediting was also expressed in a meeting with Carrboro Business Alliance members. Depending on the details of how a crediting system might be set up, it appears that

In general, staff supports the additional consideration of all the input provided as implementation steps in the transition to establishment of the Utility. Specific responses to specific input are provided below, with the numbering referencing the information in the third column of Table 4.

1. The one change recommended to the rate structure itself is a tiered rather than flat residential fee. This is recommended as a future initiative, after adoption of the draft structure and establishment of a revenue stream to provide capacity, improve data, and further study of the details.
2. Staff recommends that this input be an item for staff and the Stormwater Advisory Commission to review in the next 3-6 months.
3. The Board specifically mentioned OWASA's Taste of Hope (now "Care to Share") program at the March 12th meeting. This program receives administrative assistance from the IFC: <http://www.owasa.org/care-to-share-customer-assistance-program> . Property tax assistance programs available through the county are shown at http://www.orangecountync.gov/departments/tax/assistance_programs.php
4. This comment has been referred to the Town Attorney. The Town Code (18-8) does include language regarding delinquencies. Through conversations with Chapel Hill, Hillsborough, and County staff, it is not anticipated that delinquent payments will present a significant challenge.
5. This would a) require modification of the Town Code; and/or b) require policy/management direction; and/or c) introduce significantly more administrative overhead.
6. a: The rate study provides information regarding this issue, and the Stormwater Advisory Commission has considered it in their review. It is staff opinion that the rate structure that has been provided has taken GIS data quality into account. It is recommended that revenue generated for the Utility be used to improve the quality of GIS data.
b-f: See comment 5 above.

Billing: Interlocal Agreement.

Staff's preferred method for billing for fees to be collected is to piggyback on a system already in place to benefit from the reduced upfront and ongoing operational administrative overhead involved in collection of fees. An interlocal agreement with Orange County is recommended to allow the Orange County Property Tax Office to provide this billing support. Orange County is currently providing this service for the stormwater utilities in Chapel Hill and Hillsborough. Staff have been communicating with Orange County staff, and are prepared to execute the draft agreement and provide a quality assured dataset to County staff that implements the draft rate structure that can be included in property tax bills sent out in the summer. The interlocal agreement includes a 3% fee for the billing service.

Recommendation

Staff recommend that the Board of Aldermen hold a Public Hearing, and consider the draft resolutions to modify the Town Code to adopt the draft rate structure and authorize the Town Manager to execute the Interlocal Agreement for billing with Orange County.