



**TOWN OF
CARRBORO**

NORTH CAROLINA

**TRANSMITTAL
PUBLIC WORKS DEPARTMENT**

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

From: Randy Dodd, Stormwater Utility Manager

Through: Joe Guckavan, Public Works Director

**Cc: Heather Holley, Stormwater Specialist
Arche McAdoo, Finance Director**

Date: November 5, 2019

Subject: Request to Set a Public Hearing on the Stormwater Rate Structure

Summary

The purpose of this memo is to follow up on the September 10th Board of Aldermen discussion by recommending that a public hearing be scheduled for January 28, 2020 on an amendment to the stormwater rate structure.

Information

Stormwater Services

On September 10th, the Board received a report on stormwater services, which have been incrementally increasing over the past 35-40 years. The Town is transitioning into its largest increase in services with the new Stormwater Utility, Enterprise Fund, and Advisory Commission.

Until 2018, the stormwater program was staffed through a distributed network of responsibility across departments and positions. With the formation of the Stormwater Utility and the establishment of a rate structure with dedicated funding, the Enterprise Fund is currently funding 2 full time staff positions who in turn are supported by other staff.

Beyond the transition from a formative to operational Stormwater Utility, the program is experiencing an inflection point for service delivery:

- 1) EPA and the State are now requiring a higher level of regulatory compliance, record keeping, and reporting for NPDES permits, which will require additional effort and capacity. One specific component of the Town's permit for which immediate attention is needed is expanding the inspections of Stormwater Control Measure (SCM) for private

properties with SCMs permitted by the Town.

- 2) Recent experience with and concern for more intense storms is leading to a need for the stormwater program to play an expanding role in improved resilience to storm/ flood events, and floodplain management. Specific current examples include pursuit of FEMA Hazard Mitigation Grant Program (HMGP) and Public Assistance funds, Toms Creek flood mitigation, and support for potential Land Use Ordinance amendments to improve resiliency.
- 3) Especially in some older sections of town, there is infrastructure that could need repair, rehabilitation, replacement, or retrofitting sooner than in newer parts of town.
- 4) The Jordan Lake Rules will be reviewed in 2020, which will likely place additional requirements on the program and Enterprise Fund.

Stormwater Enterprise Fund and Rate Structure

The Stormwater Enterprise Fund has been set up to fund both operational and capital stormwater program needs¹. The [rate structure](#) established in 2018 assumes that the utility will be both meeting operational needs and initiating projects with both water quantity/flood mitigation and water quality/environmental benefits, and there will be a transition time to build up reserves for larger projects that require more than a year of revenue.

The rate structure established in 2018 did not anticipate or attempt to completely reconcile:

- the new NPDES permit compliance requirements and record keeping that EPA and the State are in the process of implementing;
- uncertainties with comprehensive asset/infrastructure life cycle repair/rehabilitation/ replacement nor larger equipment purchases, given limited information;
- the hydrologic/meteorological situation in Carrboro in late 2018 and early 2019, and the resulting demands on the stormwater program;
- the staffing or fiscal impacts associated with seeking federal/state funding on a large scale, as is occurring with FEMA funds through the NC Department of Public Safety.
- uncertainties associated with requirements for the Jordan Lake Rules.

Establishing the rate structure was a necessary initial foundation for creating a program with dedicated funding, with a recognition that many details would need to be worked out over time to transition the Utility to a long term and sustainable enterprise. The long term nature is associated with the undertaking of developing a new and comprehensive program, maintaining and retrofitting infrastructure from a century worth of development, and building resiliency for uncertain and long term climate change related impacts. Since the Stormwater Utility is in the first year of receiving dedicated revenue, there are constraints on currently available funding for capital/larger projects since capital reserves are just beginning to accumulate. As a final point for the motivation for considering a rate increase, staff are responding to the general need for the program to increase and accelerate service delivery.

¹ This approach is referred to as “pay as you go”. According to the UNC Environmental Finance Center, it is how most stormwater programs fund their programs, including capital improvements. The EFC discusses various funding and financing options at

https://efc.sog.unc.edu/sites/default/files/2019/NC%20Stormwater%20Landscape_Final%20Draft_0.pdf

Service Level Options Going Forward

Three short term (1-2 year) service level/delivery expansion options were presented on September 10 (Table 1). Highlighted/italicized items were mentioned as priorities by Board members.

The following feedback is provided in response to specific Board comments provided on September 10th.

- Planning level projections have been run to determine a recommended rate structure to insure adequate capacity for a new residential assistance program. Staff are confident that the recommended rate structure will provide the capacity to initiate this new program. A more precise recommendation for annual program funding is expected in early 2020 when the “RainReady” pilot is wrapping up and the annual operating budget is being developed.
- Stormwater and Affordable Housing staff have conferred about coordination to support residents in affordable housing with stormwater related concerns and needs. When qualifying households have stormwater problems, staff plan to work on a case by case basis to see what solutions are possible. This will also be coordinated with the “RainReady” study and development of a Residential Assistance program.
- Regarding the creation of synergies in community outreach between the Community Climate Action Plan and the Center for Neighborhood Technology (CNT) Pilot “RainReady” Project, Stormwater staff and the Environmental Planner have collaborated and have also participated in a call with Center for Neighborhood Technology staff. Planning staff are looking into options for seeking support from CNT with neighborhood energy efficiency efforts.
- With regard to expediting inspections of privately owned and permitted Stormwater Control Measures, the main immediate need is for additional staff. The recommended rate structure will support a new staff position to focus on administrative and technical/office activities that will free up the Stormwater Utility Manager and Stormwater Specialist for these inspections, with the potential for support from other staff if needed. It is estimated that this responsibility requires approximately a full time equivalent professional position, which accounts for close to half of the recommended rate increase.

An important consideration for planning for service delivery over the next 1-2 years is that Stormwater staff are and, presuming funding is awarded, will continue to be supporting FEMA HMGP projects (2 grant cycles, four residential properties) and Public Assistance efforts (Florence disaster recovery and 2 projects). These are requiring a very significant amount of staff time, since their success is contingent on navigation of many administrative requirements. The primary motivation is that, if successful, flood mitigation will be provided for 4 of the most vulnerable residences along Toms Creek, a very vulnerable situation at Public Works will be addressed, and an important infrastructure project will be completed. The Town could, if successful, also access close to \$1M of federal and state funds for these projects. (They are being pursued on a reimbursal basis that requires substantial documentation and adherence to federal requirements; funding is not guaranteed.) Stormwater staff’s pursuit of these projects is one reason why the two core/full time Stormwater staff are not currently able to devote more time to other important activities such as NPDES permit compliance or other service expansion. In addition, it is important to plan for sufficient capacity for future infrastructure projects.

Table 1. Service Expansion Options Matrix (1-2 year time horizon)²

Services	Current/Planned	Option 1	Option 2
Public Stormwater Infrastructure (repair, rehab, replace, retrofit, extend)	Pursue Public Works stream restoration and Broad Street Culvert Replacement. Develop prioritization matrix of already identified projects.	Update MS4 inventory Initiate system wide condition assessment	Finish condition assessment and develop life cycle repair, rehab, replacement implementation plan. Develop green infrastructure plan.
Private Stormwater Control Measures Inspections	Inspect 25% of SCMs in next 18-24 months.	<i>Inspect 50% of SCMs within 2 years.</i>	<i>Inspect 100% of SCMs within 2 years.</i>
Regulatory/Water Quality	Prepare for NPDES audit in early 2020 as able with current capacity and workload. Continue to track Jordan Lake Rules.	Prioritize/expand NPDES permit compliance activities	Commit to 319 grant application for next grant cycle (2020).
Flood Mitigation/Resilience	Continue with FEMA HMGP grants and Public Assistance projects. Complete engineering assessment for Toms Creek catchment. Complete neighborhood pilot RainReady project. ³ Schedule LUO text amendment public hearing by December, 2020.	<i>Launch residential assistance program within 2 years</i> Schedule LUO text amendment public hearing by September, 2020.	Could include additional cost sharing. Schedule LUO text amendment public hearing by June, 2020.
Stormwater Operations and Administration	Continue with Stormwater Enterprise Fund administration and other current operations. Initiate workflow management system.	Consider new contractual services, e.g., on call Jet Vac and inspections of MS4	Invest in additional equipment. Consider tiered rate structure and/or credit manual Prepare first annual stormwater report.

Recommendation

Staff recommend amending the rate structure as shown below and in the attached resolution, which is a 20% increase along with an addition of a second residential tier. This rate structure will allow the Town to in general accelerate and expand stormwater service delivery, more quickly create reserves to pursue larger projects, and to specifically respond to the feedback provided by the Board. Staff recommend that the Board of Aldermen direct staff to set a public hearing for January 28, 2020 on the proposed changes to the rate structure.

² Options 1 or 2 will require a rate increase. All “Current/Planned” services are implicit in “Option 1”. “Option 1” services are implicit in “Option 2”. Only services not included in others are shown for “Option 2”.

³ The Center for Neighborhood Technology “RainReady” pilot study has been initiated.

Draft Residential Rate Structure

<u>Tier</u>	<u>Minimum Impervious Surface (square feet)</u>	<u>Maximum Impervious Surface (square feet)</u>	<u>Annual Fee</u>	<u># of properties</u>
1	500	5,999	\$90	4507
2	6,000	-	\$180	213

Draft Non-residential Rate Structure*

<u>Tier</u>	<u>Minimum Impervious Surface (square feet)</u>	<u>Maximum Impervious Surface (square feet)</u>	<u>Annual Fee</u>	<u># of properties</u>
1	500	5,999	\$90	1047
2	6,000	23,999	\$450	256
3	24,000	41,999	\$990	35
4	42,000	59,999	\$1,530	10
5	60,000	89,999	\$2,250	12
6	90,000	119,999	\$3,150	8
7	120,000	149,999	\$4,050	6
8	150,000	179,999	\$4,950	3
9	180,000	209,999	\$5,850	5
10	210,000	239,999	\$6,750	5
11	240,000	269,999	\$7,650	2
12	270,000	299,999	\$8,550	2
13	300,000	329,999	\$9,450	3
14	330,000	359,999	\$10,350	1
15	360,000	389,999	\$11,250	1
16	390,000	419,999	\$12,150	2
17	420,000	449,999	\$13,050	1
18	450,000	479,999	\$13,950	1
19	480,000	509,999	\$14,850	1
20	510,000	539,999	\$15,750	0
21	540,000	569,999	\$16,650	0
22	570,000	599,999	\$17,550	1

* includes condominiums