



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 7.

Agenda Date: 5/20/2015

In Control: Infrastructure and Growth Committee

DEPARTMENT: Transportation and Capital Improvements (TCI)

DEPARTMENT HEAD: Mike Frisbie

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT: Storm Water Utility Fee Comprehensive Study Briefing

SUMMARY:

Transportation and Capital Improvements (TCI) will provide its sixth briefing on the Storm Water Utility Fee Comprehensive Study. Staff previously briefed the Infrastructure and Growth Committee about this item on March 18, 2015. Final recommendations to full Council will be provided as part of the FY 2016 Proposed Budget.

BACKGROUND INFORMATION:

The Storm Water Utility Fee was established by City Council in 1993 to fund various storm water management and operational services related to the Municipal Separate Storm Sewer System (MS4) Permit. The utility fee, last increased in FY 2008, is currently based on lot size and land use.

While discussing a proposed 11.8% increase of the fee during the FY 2013 budget presentation, Councilmembers raised concerns about the cost allocation of the fee's tier structure. Staff was asked to examine the existing fee structure in FY 2013 and to provide recommendations during the FY 2014 budget process.

Retained in FY 2013, Kimley-Horn and Associates (Kimley-Horn) evaluated and benchmarked the current Storm Water Utility Fee structure and recommended that the City move to a fee structure based on impervious cover; a structure consistent with 55 of 91 Texas municipalities surveyed including Houston, Austin, Ft. Worth, Amarillo, and El Paso. As a result of the FY 2013 pilot study, a \$590,000 improvement was included in the FY 2014 Budget to complete a comprehensive study of the Storm Water Utility Fee. The goal of the FY 2014 comprehensive study was to produce data to migrate the existing fee structure based on lot size and land use to a model based on impervious cover. Kimley-Horn has since completed development and analysis of the

impervious cover data which will be used as the basis of the fee migration.

In addition to this briefing, TCI has engaged in significant outreach efforts to inform various stakeholders about the proposed fee revisions. The stakeholders include representatives from the business community and various chambers of commerce, educational organizations, and private citizens. Since January 2014, TCI has held over 30 stakeholder meetings. The agendas for these meetings have included discussions of impervious cover, a review of the services and projects funded by the Storm Water Utility Fee, potential fee impacts, proposed methods to mitigate fee impacts, and implementation timelines. Additionally, Kimley-Horn and TCI staff continue to coordinate with SAWS for the reconfiguration of the customer billing system to accommodate collection of the City's updated Storm Water Utility Fee.

ISSUE:

Throughout the development of the Comprehensive Study and past City Council guidance, TCI had been focused on a new methodology based solely on impervious area. However, three main concerns were raised during the FY 2015 budget process:

A. High Monthly Fee/ Rate Cap Removal

The removal of the "rate caps" included in the current rate structure will result in significantly increased monthly fees for large, non-residential customers. TCI created a key stakeholder focus group to include chairs of the San Antonio Chamber of Commerce, North San Antonio Chamber of Commerce, and Real Estate Council. Incorporating feedback from the focus group, TCI has developed a revised rate structure that significantly mitigates the "rate shock" inherent with the previously proposed rate structure. The revised rate structure reduces the top account monthly fees by up to 85% from the previous proposal. In addition, based on current projections, there are now only 19 accounts that have a monthly fee greater than \$1,000 as opposed to 202 accounts with the previous proposal.

For Residential Accounts, a flat, per account monthly fee will be assessed among all residential accounts and will be tiered based upon a range of impervious area. This flat rate is similar to the existing rate structure but based on impervious area instead of property size. In addition, using a range of impervious area will significantly simplify account management as opposed to individual costs per square foot of impervious area per account since there are nearly 340,000 Residential Accounts. Also, residential properties have very similar land use characteristics unlike non-residential properties so using a range of impervious area is an effective method of billing.

For Non-Residential Accounts, the monthly fee will consist of two components. A flat, per account monthly "Base Fee" will be assessed among all accounts and a monthly "Impervious Fee" will be assessed on a cost per square foot. The "Impervious Fee" will include multiple tiers based upon the percent of impervious area or "development intensity". The "Base Fee" is comprised of services that are generally scheduled, routine items such as street sweeping or mowing and are less dependent on the size of a property. Also included in the "Base Fee" are storm water engineering staff costs and the partnership with SAWS for the MS4 Permit. The "Base Fee" will be divided by the number of accounts and the "Impervious Fee" by the amount of impervious area.

In addition, a Water Quality Incentive Program and a five-year rate freeze for school district properties will be included in the revised methodology.

B. Revenue Requirements

During FY 2014, TCI conducted a comprehensive internal review of its services to identify efficiencies as well as forecast revenue requirements to establish the capital amount needed to be recovered by the Storm Water Utility Fee. TCI anticipates proposing a five-year rate plan with revenue requirements ranging from

\$45M in FY 2016 to \$52.5M in FY 2020 as compared to the current FY 2015 Budget of \$41M. TCI had originally proposed a FY 2016 funding need of \$48.3M; however, the additional revenue and corresponding services have been phased-in over three years to help mitigate rate increases and as a result of stakeholder feedback.

TCI will coordinate with the Office of Management and Budget (OMB) and the City Manager's office to review the draft rate schedule in preparation for City Council consideration as part of the FY 2016 budget process.

C. Methodology

Some stakeholders prefer to maintain the current rate structure. However, the current billing methodology based only on lot size and land use does not fully account for the impact of large properties on the receiving drainage system. The amount of impervious area has a direct relationship with runoff volume and rate, and is the best measure of drainage system usage. In addition, large amounts of impervious area can adversely impact water quality by limiting the amount of pollutants that get filtered from the runoff exiting a property.

TCI will continue to maintain an open dialogue with all stakeholders to finalize a rate structure that meets the funding requirements for operational services related to the MS4 Permit in the most equitable manner practical while promoting storm water best management practices.

ALTERNATIVES:

N/A

FISCAL IMPACT:

N/A

RECOMMENDATION:

N/A