



City of San Antonio

Agenda Memorandum

File Number:16-4391

Agenda Item Number: 3.

Agenda Date: 9/28/2016

In Control: City Council B Session

DEPARTMENT: Transportation & Capital Improvements

DEPARTMENT HEAD: Mike Frisbie, P.E.

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT: Public Hearing Regarding the Storm Water Utility Fee Rate Increase

SUMMARY:

A Public Hearing is scheduled to be held on September 28, 2016 at 6:00 p.m. in the City Council Chambers to allow citizens and other interested parties the opportunity to provide comments to the City Council on the monthly storm water utility fee regarding A) Residential Property Definition Change and B) FY 2017 Rate Increase.

BACKGROUND INFORMATION:

In response to regulations enacted by the U.S. Environmental Protection Agency ("EPA") in November 1990 requiring the City of San Antonio to develop storm water drainage plans, services, and programs, on May 13, 1993 the City Council passed Ordinance No. 77949 to provide funding to meet federal storm water regulations and to protect the public health and safety from loss of life and property caused by surface water overflows, surface water stagnation, and pollution arising from nonpoint source runoff within the city.

- Ordinance No. 77949 established a schedule of storm water drainage fees based on the cost of providing drainage service to benefitted properties within the San Antonio city limits and directed the San Antonio Water System ("SAWS") to collect the drainage fees as an agent for the City using its billing system.
- The storm water drainage system is not integrated into the SAWS sewer system, but is a City operated municipal separate storm sewer system ("MS4") dedicated to providing collection and conveyance of storm water, rain water, flood water, or other surface water into area rivers and basins consistent with state and federal regulations implemented to protect surface water quality.

- In addition, the storm water drainage charge funds the majority of the City’s requirements to participate in the National Flood Insurance Program (NFIP). NFIP participation requirements are mandated by the Federal Emergency Management Agency (FEMA). Participation in NFIP also allows for the citizens of San Antonio to be eligible for federally-backed flood insurance and makes the City eligible to receive federal disaster assistance after a flood event.

Through Ordinance No. 86711 adopted on September 25, 1997, City Council declared the drainage of the City to be a public utility to be known as the City of San Antonio Drainage Utility (the “Drainage Utility”), pursuant to the authority of Chapter 552, Subchapter C, of the Local Government Code, and dedicated to the Drainage Utility all present and future City-owned property (real and personal), facilities, materials, and supplies constituting the City’s drainage system to be used for the purpose of the Drainage Utility.

- Ordinance No. 86711 authorized the assessment on every benefitted property within the service area of the Drainage Utility, the “storm water drainage service fee”, a monthly usage fee originally created by Ordinance No. 77949.

The fee prior to FY 2016 was based on lot size and land use and was last increased in FY 2008. On September 10, 2015 after nearly a two-year process and significant stakeholder outreach, City Council adopted Ordinance No. 2015-09-10-0761 and the fee methodology was revised to be based on impervious area which has a direct relationship to the amount of storm water runoff generated from a property.

- The revised rate structure improves ratepayer equity, recovers the required funding to support the utility’s cost of service, and promotes storm water best management practices. The effect of the revised rate structure on most residential properties was minimal. Approximately 72% of residential properties remained at or below their previous monthly fee. Non-residential properties experienced a more equitable rate treatment compared to the previous rate design. Approximately 27% of non-residential properties remained at or below their current monthly fee with the revised rate structure and 71% increased by less than \$100 per month.

ISSUE:

A. Residential Property Definition Change

Since January 2016 when the new rate structure was implemented, TCI has processed approximately 2,400 inquiries relating to the revised rate structure. The inquiries span from general questions about impervious area to incorrect property classifications. In addition, a billing error related to multiple accounts on a single parcel of land was discovered and resolved. Lastly, a policy question has been raised for consideration relating to properties with triplexes and quadplexes.

The revised rate structure based on impervious cover includes two types of properties, “Residential” and “Non-Residential”. The previous structure included four types of storm water customers defined as follows:

- 1) Residential - Owner or occupant containing a single or multiple family dwelling unit composed of two (2) or less family units.
- 2) Multi-Family - Owner or occupant containing a multiple family dwelling unit comprised of more than two (2) family units.
- 3) Commercial - Owner or occupant not meeting the definition of Residential, Multi-Family, or Public.
- 4) Public - Owner or occupant containing an improvement related to the provision of governmental services, public or private education, or religious activities and as so classified in records of the Bexar Appraisal District.

The definition of “Residential Properties” was changed to single-family home, duplex, or mobile home land use

under the new rate structure; however, the remaining three categories were consolidated to form the “Non-Residential Properties”.

Soon after the new rate structure became effective in January 2016, Council District 1 expressed concerns about the inclusion of triplex and quadplex properties in the “Non-Residential” rate category. On average, these types of parcels experience a monthly fee increase from \$7.19 to \$58.71, which is the total fee per parcel (base fee plus amount of impervious area) and should be prorated by the number of accounts (three for a triplex or four for a quadplex) unless otherwise determined by the property owner.

Since the creation of the storm water fee in 1993, residential storm water customers have included properties with less than or equal to two dwelling units, whereas triplexes and quadplexes have been considered multi-family (non-residential) storm water customers. One of the factors in determining the “Residential Properties” classification was to reference how these properties were classified by the Texas Comptroller’s Office (for tax purposes). Less than or equal to two dwelling units is considered residential in use and more than two dwelling units is considered non-residential in use since the owner is typically not a dweller and uses these non-residential properties for rental purposes.

However, should there be a change in the decades-old policy in which triplex and quadplex properties would be reclassified as “Residential”, the rate structure would need to be revised accordingly. TCI conducted an account review of approximately 2,300 small multi-family accounts to identify triplex and quadplex properties. The summary of identified triplex and quadplex accounts is shown in the table below.

Type	Accounts	Parcels	Avg % IC*	Total IC (sf)
Triplex	277	252	57%	1,290,414
Quadplex	664	586	61%	3,394,686
Total	941	838	---	4,685,100

*Single-family properties have an average of 45% Impervious Cover.

Note: The account review data was performed using the master billing file upon which the effective rate structure is based upon. As part of on-going account management, there have been updates to the master billing file such as the addition of new accounts or changes to existing accounts. However, for comparison purposes the analysis shown utilizes the original master billing file.

Residential Properties

Residential properties typically have very similar land use characteristics when comparing neighboring properties. Therefore, a Drainage Utility Charge is assessed among residential properties and is tiered based upon a range of impervious area.

- 1) Reclassifying 4,685,100 sf of impervious area from “Non-Residential” to “Residential” equates to a 0.37% increase which yields approximately \$79,000 of additional revenue to be generated by residential accounts.
- 2) The addition of the triplex and quadplex properties generates an additional \$74,000 of revenue. Each of the “Residential” tiers could be adjusted marginally to account for the remaining \$5,000 in revenue needed; however, since the rate structure is only billable to the nearest \$0.01, the rates per tier would not be adjusted and the revenue loss would be absorbed.

Non-Residential Properties

Unlike residential properties, land use characteristics for non-residential properties can vary widely when comparing neighboring properties; therefore, the rate structure was developed differently. The Drainage Utility Charge developed for non-residential properties includes two components as a result of extensive stakeholder feedback. A flat monthly “Base Fee” is assessed among non-residential benefitted properties and a monthly

“Impervious Fee” is assessed on a per square foot basis and prorated based on the percentage of Impervious Area. This hybrid method significantly reduces the cost per square foot of impervious area from some of the initial rate models.

- 1) As discussed above, reclassifying triplex and quadplex properties would shift approximately \$79,000 of revenue to “Residential Properties”, thus reducing the amount needed to be recovered by “Non-Residential Properties”. However, there is a reduced number of parcels and impervious area to spread the “base” and “impervious” fees among the remaining non-residential properties.

NR Rate Category	% Imp. Area ¹	FY 2016	FY 2016 (Revised)	% Difference
Base	N/A	\$55.77	\$57.85	3.7%
Tier 1	≤ 20%	\$0.25	\$0.26	4.0%
Tier 2	>20% - 40%	\$0.37	\$0.38	2.7%
Tier 3	>40% - 65%	\$0.50	\$0.51	2.0%
Tier 4	> 65%	\$0.62	\$0.63	1.6%

¹Costs shown are per 1,000 square feet.

To lessen the rate shock on small, multi-family customers, TCI recommends reclassifying triplex and quadplex properties as “Residential Properties”. Therefore, the following change is proposed:

- 1) "Residential Properties" shall mean all Benefitted Properties within the Service Area used for single-family home; duplex, **triplex, quadplex properties**; or mobile home land use.
- 2) "Non-Residential Properties" shall mean all Benefitted Properties within the Service Area, other than Residential Properties.

B. FY 2017 Rate Increase

Through Ordinance No. 2015-09-10-0761 adopted on September 10, 2015, City Council adopted a new rate design for storm water drainage charges based on impervious area. The new storm water drainage fee rate design improves ratepayer equity, recovers the required funding to support the Drainage Utility’s cost of service, and promotes storm water best management practices.

- Ordinance No. 2015-09-10-0761 included a five-year rate increase to support a phase-in of increased revenue requirements and corresponding service improvements. The second year of the five-year plan proposes an overall revenue increase of approximately 7%.

- The FY 2017 monthly fee for residential benefitted properties is proposed as follows:

Residential Rate Category	Impervious Area in Square Feet	Monthly Fee
Tier 1	≤ 2,750	\$3.45
Tier 2	> 2,750 - 4,220	\$4.55
Tier 3	> 4,220	\$9.61

- Residential benefitted properties have very similar land use characteristics unlike non-residential

benefitted properties; therefore, the rate structure was developed differently. The monthly fee for non-residential benefitted properties includes two components - a flat monthly “Base Fee” and an “Impervious Fee” assessed on a per square foot basis. The “Impervious Fee” includes multiple tiers based upon the percent of impervious area or “development intensity”.

- The FY 2017 monthly “Base Fee” for non-residential benefitted properties is proposed as \$61.92. The FY 2017 monthly “Impervious Fee” for non-residential benefitted properties is proposed as follows:

Non-Residential Rate Category	Percent Impervious Area	Monthly Fee per 1,000 Square Feet
Tier 1	≤ 20%	\$0.28
Tier 2	> 20% - 40%	\$0.41
Tier 3	> 40% - 65%	\$0.54
Tier 4	> 65%	\$0.68

ALTERNATIVES:

City Council could opt not to hold this public hearing or could schedule it at another time; however, a public hearing is required prior to the adoption of any storm water utility rate increases.

FISCAL IMPACT:

Not applicable, this is a public hearing.

RECOMMENDATION:

No action is being requested at this time. This public hearing will allow citizens and other interested parties the opportunity to provide input regarding the proposed rate increase of the monthly storm water drainage utility charge and change in definition of “Residential Properties”.