



# City of San Antonio

## Agenda Memorandum

**File Number:**15-2085

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**Agenda Item Number:** 4.

**Agenda Date:** 3/18/2015

**In Control:** Infrastructure and Growth Committee

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**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 fifth briefing on the Storm Water Utility Fee Comprehensive Study. The Department delivered its fourth update to this Council Committee in June 2014 and will continue to provide periodic updates with final recommendations to be included in 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 Water Sewer System (MS4) Permit. The fee is currently based on lot size and land use and was last increased in FY 2008.

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

Retained by TCI in FY 2013, Kimley-Horn and Associates (Kimley-Horn) evaluated and benchmarked the current Storm Water Utility Fee structure and recommended that the City of San Antonio 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 is 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 briefing this Council Committee, TCI has also 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 26 stakeholder meetings with the meeting agendas including 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 has 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 to develop a revised rate structure to help mitigate the potential high fees.

In addition, impacts to Independent School Districts have been considered and TCI will propose a revenue-neutral initial rate structure that will be accomplished through a reduced value per square foot of impervious area specifically for school districts so that the districts do not experience an increase in their overall fees as a direct result of the new rate structure. This reduced value will be used as the fee basis when new impervious area is added.

### **B. Revenue Requirements**

During FY 2014 TCI conducted a comprehensive internal review of its current 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 a proposing a 5-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 reprogrammed over several 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 develop 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:**

This item is for briefing purposes only.