

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 19, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 125: STORMWATER UTILITY

This memorandum is in response to Councilman MacDonald's questions regarding creation of a stormwater utility for the City of Alexandria.

The Code of Virginia (Section 15.2-2114) allows localities to adopt a stormwater control program and to enact a system of service charges. Income derived from these charges is dedicated special revenue and may be used only to pay or recover costs for the following:

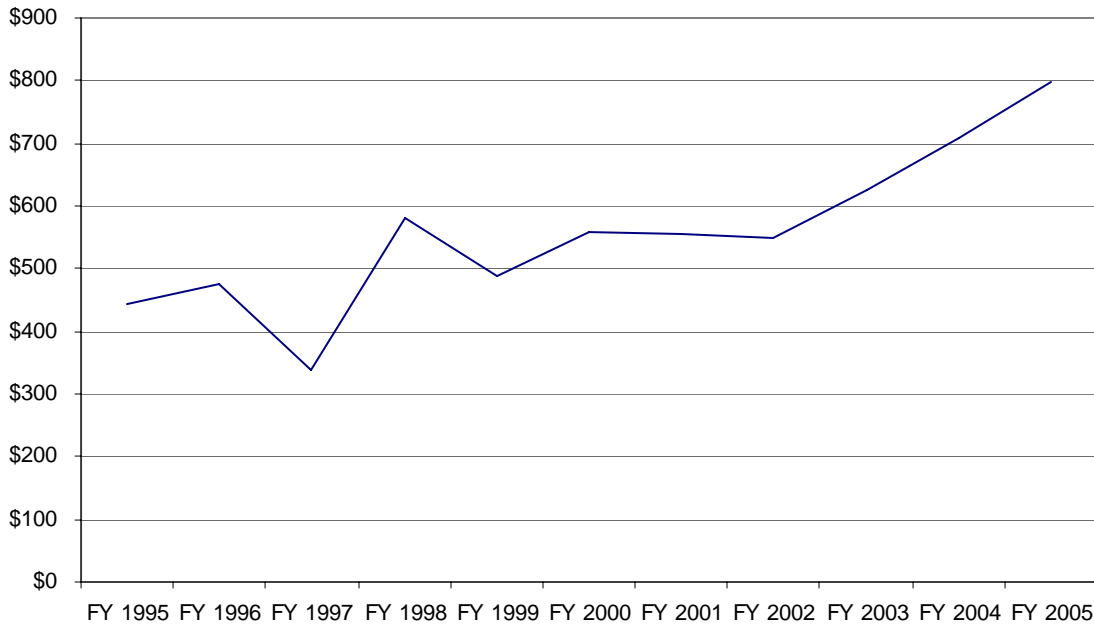
- The cost of administering stormwater utility programs;
- Engineering and design, debt service, construction costs for new facilities, and enlargement or improvement of existing facilities;
- Facility maintenance;
- Monitoring stormwater control devices;
- Pollution control and abatement; and
- Planning, design, land acquisition, construction, operation, and maintenance activities.

Fees are based on the contributions to stormwater runoff by structures in the locality. Half of the approximately 500 stormwater utilities in the United States use impervious area and equivalent residential unit (ERU) methodology to calculate stormwater fees. An average impervious area for a residential dwelling is calculated by the locality, so the ERU can vary among communities. Each residential structure is charged for a single ERU. Fees for commercial and other large buildings are based on the actual impervious area they cover, divided by the ERU, to determine the units for which they are charged. As an example, in a locality with an ERU of 2,000 square feet, a 10,000 square foot commercial building would be charged for five ERU's. The stormwater fee is set to cover the costs of the activities allowable, listed above, based on the total number of ERU's in the locality.

Staff considered funding a stormwater utility study for FY 2007. Because of the many worthwhile competing needs to be met within the budget target guidelines, the \$300,000 request was not included in the proposed FY 2007 Operating Budget. However, staff will continue to look for ways for this study to be funded so it can start in FY 2007.

The scope of this study would provide answers to many of the questions that have been raised about creating a stormwater utility, in particular, the total cost of stormwater activities that the City carries out. From FY 1995 to FY 2005, staff estimates that \$6.1 million has been spent in the operating budget on storm sewer line repairs and flushing. (This estimate is based on 45 percent of the City's sewer structures being stormwater, and data going back to FY 1995, the earliest year available.) The amount per year that is spent on these maintenance activities varies, from a low of \$339,000 in FY 1997 to a high of \$798,000 in FY 2005. It is important to note the trend of these expenditures over the past few years, as shown in the chart below.

Estimated Storm Sewer Operating and Maintenance Expenditures
FY 1995 - FY 2005
(\$ in 000's)



Annual capital expenditures for storm sewer reconstructions, channel restoration, and the City's stormwater permit between FY 1995 and FY 2005 totaled \$3 million. Additional one-time capital projects include restoration of the Cameron Run stormwater tunnels, replacment of weirs in Monticello Park, and the sewer mapping project, which is nearly complete. The Cameron Run tunnels were completed at a cost of \$5.6 million, the Monticello Park weirs cost \$42,425, and to date, \$1.3 million has been spent on the sewer mapping project, with an estimated \$0.6 million being for storm sewers.

It is important to note that the operating and capital costs discussed are not the true costs that would be included in a stormwater utility. There are many additional overhead costs and additional operating costs associated with stormwater compliance. A complete study depending on its scope could take at least two years to complete. In addition to a complete cost analysis, there are feasibility issues that need to be resolved, such as ownership and maintenance of privately constructed stormwater structures. A study would also recommend the best way to develop a stormwater fee to cover total expenditures.

Another issue, and maybe the most important long-term issue, is how the City deals with potentially constructing separate stormwater and sanitary sewers in Old Town. If this project is undertaken (or phases of it), it will be very expensive and very complicated (as the Pitt and Gibbon separation project is showing). Having a stormwater utility is one way of funding some portion of this or any other stormwater capital project.

A survey of stormwater utilities in Virginia and North Carolina shows a cost range from \$2 million in Fayetteville/Cumberland County in North Carolina, which covers a water quality program only, to \$9.4 million in Virginia Beach. Monthly fees to support these utilities range from \$1.00 to \$5.57 per ERU to support differing program levels. The average residential fee for the 10 stormwater utilities was \$2.83 per month.

Not only because of the costs involved, but also because of the timeframe needed to complete a study and develop educational and community outreach programs, a stormwater utility could not likely be implemented in FY 2007. Staff estimates a longer implementation schedule, with FY 2008 being the first possible year that a stormwater utility fee (ERU) could be put in place.