

Recap of Drainage Utility as Adopted and Consideration of Drainage Fee Credits



CITY OF WACO

Part I. Recapping Past Actions

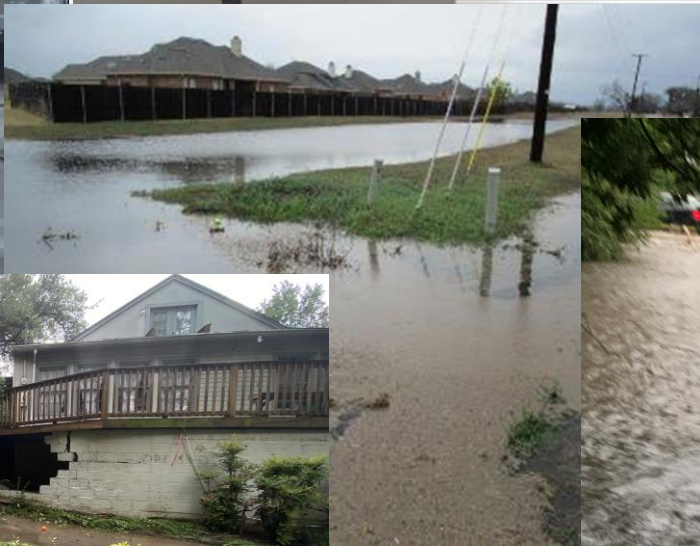
Why a Utility?

- Replacement & maintenance of a \$766 million system
 - Replacement
 - +100 years old
 - Maintenance
 - Piping
 - Inlets, culverts, etc.
 - Street sweeping, culvert cleaning
- Compliance with Federal & State Regulations/Mandates
 - MS4 permit
- New Projects/Flood Control
 - \$124 million capital improvement program
- Dedicated funding source
 - Currently funded via taxes, primarily limited operations
 - More equitable than property taxes
 - Limited to drainage system only

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Rates Adopted November 2020

Municipal Drainage Utility Fees

The ERU is determined to be 2,633 square feet of impervious area.

Fees shall be established and implemented as follows:

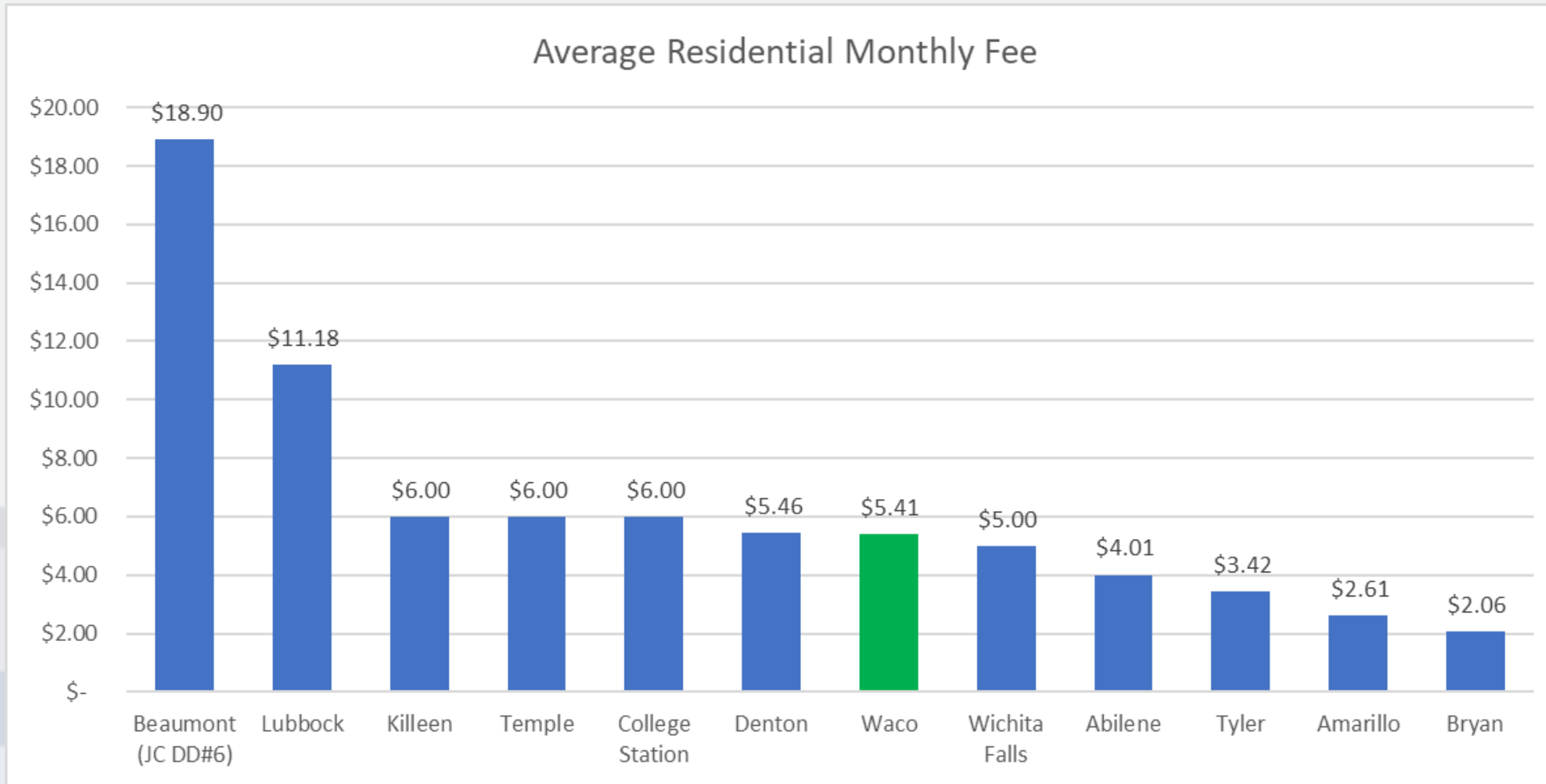
<u>Adopted</u> <u>Date</u>	<u>Effective</u> <u>Date</u>	<u>Fee per ERU</u> <u>(Adjusted for</u> <u>Inflation)</u>		<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
		<u>ERU Fee</u> <u>Amount</u>		<u>Residential</u> <u>(<1,960 sq</u> <u>ft or less;</u> <u>.57 of ERU)</u>	<u>Residential</u> <u>(1961-3399</u> <u>sq ft; 1</u> <u>ERU)</u>	<u>Residential</u> <u>(> 3,400 sq</u> <u>ft or more;</u> <u>1.74 ERU)</u>
11/3/2020	11/3/2020	\$5.30	\$0.00	\$0.00	\$0.00	\$0.00
11/3/2020	10/1/2021	\$5.41	\$5.41	\$3.08	\$5.41	\$9.41
11/3/2020	10/1/2022	\$5.51	\$5.51	\$3.14	\$5.51	\$9.59
11/3/2020	10/1/2023	\$5.62	\$5.62	\$3.21	\$5.62	\$9.79
11/3/2020	10/1/2024	\$5.74	\$5.74	\$3.27	\$5.74	\$9.98
11/3/2020	10/1/2025	\$5.85	\$5.85	\$3.34	\$5.85	\$10.18

Fees for non-single family residential properties shall be based on the total estimated impervious area on each parcel, with building permit information, aerial photography, or actual measurement used as a means of estimating the total amount of impervious area on the property, divided by 2,633 square feet to determine the number of ERUs or billing units.

For multi-family properties with units individually billed (i.e. separate water meters), the monthly bill per unit will be calculated as follows:

$$\frac{\left(\frac{\text{Total Impervious Area}}{\text{ERU}} \times \text{ERU Fee Amount} \right)}{\text{Number of Units on Property}} = \text{Monthly Fee Per Unit}$$

Monthly Bill Comparison



Review of Fee Structure

- Equivalent Residential Unit (ERU): 2633 ft. of impervious area
- SF Residential Fees:
 - Tier 1: \$3.08 (.57 ERU)
 - Tier 2: \$5.41 (1 ERU)
 - Tier 3: \$9.41 (1.74 ERU)
- Non-Single-Family Fees
 - \$5.41 per ERU
- Exemptions
 - State and Higher Education property (exempt by State Law)
 - City property
 - County property
 - Independent School Districts property
 - Property owned by religious organizations (based on tax code)

	<u>Impervious</u>	<u>ERUs</u>	<u>Monthly</u>
Big Box Retail	748,222	285	\$ 1,541.85
Convenience Store	60,143	23	\$ 124.43
Bank w/ Drive In	37,407	15	\$ 81.15
Fast Food	36,133	14	\$ 75.74
Manufacturer	1,249,199	475	\$ 2,569.75

Implementation Efforts to Date

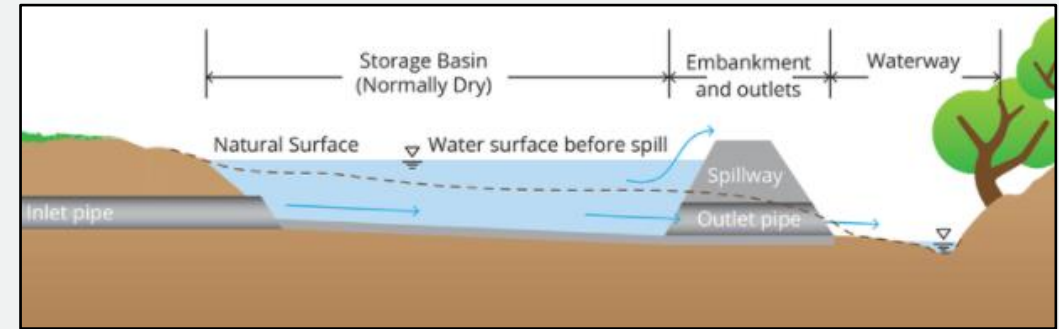
- Funding Authorized: \$440,000
 - Res 2021-163 (approved 3/16/2021)
 - Creation of Watershed Protection Division in Public Works
 - manage the stormwater utility and related work dealing with new development, flood plain administration and management of the City's Municipal Separate Storm Sewer System (MS4).
 - 3 new staff positions
 - Create billing system for the Utility with City Staff and Consultants
 - Update property impervious cover data
 - Match property data to the billing rates
 - Integrate Drainage billing information into Water Utility's monthly bills
 - Testing and Quality Control - Quality Assurance starts in August to go live October 1st
 - Completing audit of City Flood Protection and Prevention Program with Texas Water Development Board (TWDB).
 - Submitted MS4 Permit Renewal Application with Texas Commission on Environmental Quality (TCEQ).

Part II. Credits

Credit Considerations

- Credits should be consistent with those offered by Peer Cities referenced in creating utility
- Exclude required drainage improvements or controls
 - Detention, water quality, flood mitigation
- Include:
 - Activities/controls beyond the minimum required by code
 - On-site retention, rain gardens, volunteer clean up...
 - Actions/activities that further the mission of Utility
 - Reducing runoff, reducing pollution or creek/street/lake clean-up.

Example: Required improvements



In Considering Additional Credits

- Peer Cities do not offer credits on their drainage fee.
- Administration could require additional staff to manage.
- Credits limit revenue which limits the positive impact of the utility on drainage system operations & maintenance and much needed capital improvements.
- Credits for some would require (a) raising the fee on others or (b) reducing expected O&M and CIP benefits.

Four Tier Drainage Fee Credit Approach

1. Fee waiver for parcels with less than 500 ft² of impervious cover.
2. Annual 10% discount for at least one hour of volunteer service (per ERU) to projects that support the Utility's mission (Volunteer Credits).
3. Enhanced credits for installation of onsite retention above code requirements
4. Further enhanced credits for installation of engineered stormwater controls above code requirements.

Fee Waiver less than 500 ft²



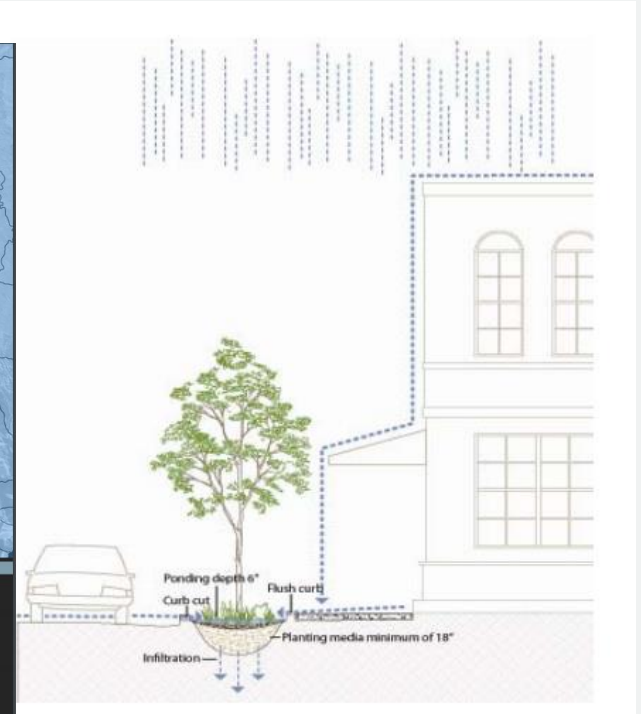
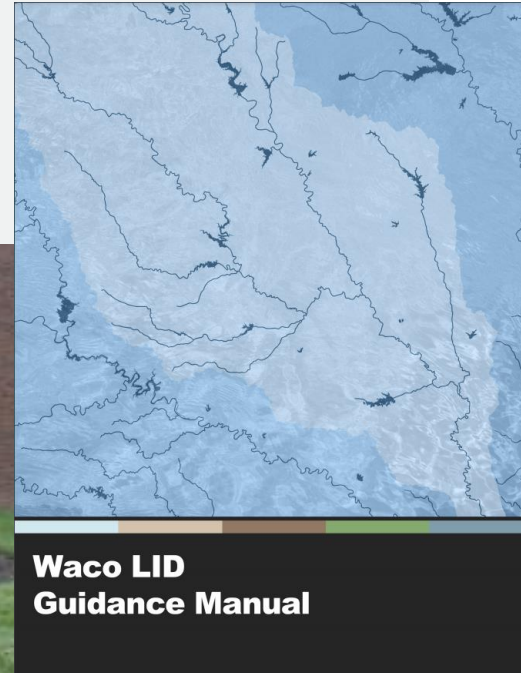
- Pros
 - Difficult to bill (no water service)
 - Often non-permanent structures
 - Not cost effective to bill/collect (less than 0.3% of parcels; ~\$750/month system wide)

10% Discount for Volunteer Credits



- Pros
 - Beneficial service to City and system
- Cons
 - Documenting hours; tracking

Enhanced Credits



- Pros
 - Reduces stormwater quantity; increases quality
 - Up to 25% of fee
 - Low Impact Developments
- Cons
 - Plan review
 - Construction inspection
 - Annual operational certification
 - Conveyance of credits

Financial Impact: 4 Tier Approach

- Cost of staff to administer full program – 1 additional FTE ~\$75,000
- Estimated lost revenue – ~\$175,000 per year
 - 500 ft² exemption - ~\$10,000 per year
 - Volunteer credits - ~\$45,000 per year at 10% participation
 - Enhanced credits - ~\$120,000 per year at 10% participation
- **Total Impact - ~ \$250,000 in addition to the \$43,000 in existing credits**

Conclusions & Recommendations

- Waco already offers exemptions that other Peer Cities do not which provide savings and impact revenue.
- Peer Cities do not offer a drainage fee credit.
- Credits
 - Put more of the system's burden on uncredited rate payers or reduce benefits to system maintenance and capital improvements
- **Staff recommendation:**
 - **Adopt following additional credits for FY 22:**
 - Low Impervious Cover Waiver (< 500 sq ft)
 - 10% discount for Volunteer Credits
 - **Reconsider enhanced credits after fee is implemented**

Questions?
Thank-you



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