

MEMORANDUM

TO: Mayor and Town Council

FROM: W. Calvin Horton, Town Manager

SUBJECT: Progress Report on Potential Development of a Town Stormwater Utility

DATE: January 26, 2004

The purpose of this memorandum is to report progress on potential development of a Town stormwater utility, including a schedule of future activities and decisions that will be necessary if the Council wishes to implement the proposed utility effective July 1, 2004. Attached is a report from the the Town's stormwater utility consultant, AMEC Earth and Environmental, and supplemental material previously submitted to the Council.

BACKGROUND

In early 1999, the Council received a report and recommendations from the Stormwater Utility Technical Review Committee. That Committee was appointed by the Council to investigate the feasibility of establishing a local stormwater utility to provide a stable source of revenue for a comprehensive stormwater management program intended to address the following areas of particular concern to the Council:

1. Increasing occurrences of flooding and water quality degradation had resulted in property damage and citizen complaints about the Town's ability to properly manage stormwater runoff. In response, the Council provided the Manager with policy direction, goals and objectives that it wished to achieve with regard to stormwater management. There were insufficient resources to substantially improve existing stormwater management activities; additional investment in stormwater management would need to be made to achieve the Council's objectives.
2. Federal and State regulations regarding stormwater runoff quality control and watershed management were increasing, and required that the Town comply within specific time limits. One significant set of new regulations involve the National Pollutant Discharge Elimination System – Phase Two (NPDES-II) Permit requirements that the Town must comply with over the next five years.

The concept of establishing a local stormwater utility was presented to the Council as one means of funding its desired policy objectives and the increasing State mandates requiring an improved stormwater management program in Chapel Hill. Subsequently, the Stormwater Utility Technical Review Committee advised the Council that it would be feasible to establish a local stormwater utility in Chapel Hill, if the Council so desired.

In August 1999, the Council authorized establishment of a Stormwater Utility Development and Implementation Committee to prepare a report regarding implementation and operation of a Stormwater Utility to serve Chapel Hill, and possibly surrounding areas.

In November 2001, the Stormwater Utility Development and Implementation Study Committee presented its final report to Council including a recommendation that the services of an experienced consultant be obtained to evaluate and make recommendations about how a local stormwater utility could be developed, including possible financing structure(s), billing systems, program elements and legal issues.

In February 2002, the Council authorized the Manager to contract with a consultant (AMEC Earth and Environmental, Inc.) to prepare a pro forma business plan report concerning the development and implementation of a utility-based stormwater management program to serve Chapel Hill. The contract amount was \$15,000.

In June 2002, the consultant's Stormwater Utility Pro-forma Business Plan Report was received by the Town Council for consideration.

In October 2002, the Council approved \$320,000 in funding over two fiscal years to contract with AMEC for development of a utility-based stormwater management program to serve Chapel Hill.

In December 2002, the Council authorized the Manager to solicit applications for and to convene a Stormwater Utility Policy Review Committee charged to discuss draft policies, reach consensus on important issues, and provide thoughtful input and recommendations. The Committee began meeting with Town staff and the Consultant in March 2003.

In November 2004, the Council received a status report discussing the progress on utility development activities and key issues yet to be resolved.

DISCUSSION

The attached report was prepared by the Town's stormwater utility consultant (AMEC Earth and Environmental), Town Engineering Department staff, and the Council-appointed Stormwater Utility Policy Review Committee. The report contains the following:

1. A recommended stormwater management Program Mission Statement (page 2).
2. Recommended stormwater management Program Priorities that summarize the main objectives and functions that could be served by a utility-based stormwater management program (page 2,3).
3. Recommended stormwater management Program Elements, Service Levels, and Estimated Costs (page 4-14).

Each program element is offered for the Council's consideration at three possible service levels; minimal, moderate, and aggressive. Estimated costs are presented for each service level.

The Stormwater Utility Policy Review Committee and staff have agreed on recommendations for a specific service level for each program element. These recommendations are presented for the Council's consideration.

Estimated costs of first-year operations assuming a start date of July 1, 2004, are summarized in the table on page 15. Estimated costs for years 2-5 are presented in the table on page 15 with comments on cost differences in each succeeding year.

All cost estimates are presented in today's dollars to facilitate comparisons.

4. The results of the Consultant's study of Town current operations to determine the present costs of existing stormwater management activities performed by the Town. The consultant has estimated what portion of the existing costs might fairly be charged to a stormwater management utility. Please see page 15,16 for details.
5. An explanation of how the consultant defined Equivalent Runoff Unit (ERU) impervious surface area as a basis for developing potential fees for services provided by a stormwater management utility.

The Town acquired new aerial photography in 2003 that allowed delineations of all impervious surface areas within the Town limits. The consultant used data about impervious surface in combination with other property information to determine the mean impervious area on a single-family residential property parcel in Chapel Hill. This impervious surface area was determined to be 3,015 square feet or one ERU. This calculation then was used in combination with estimated annual program costs to determine a probable annual fee for utility services. Please see page 16 for details.

6. Discussion of the Consultant's analysis of the estimated annual costs of stormwater management services and development of a rate model used to establish flat rate and variable rate fees necessary to support the recommended program. Please see page 17 for details.
7. Discussion of options for billing and collection of annual fees. Four options were considered:
 - Contract with OWASA
 - Contract with Orange County
 - Contract with a private vendor
 - Establish a Town billing and collection operation

We recommend contracting with Orange County because we believe it is the least expensive and most effective option. Please see page 17,18 for details.

8. A brief review of other issues and options that need to be considered by the Council. Please see page 19,20 for details.

- Instead of a flat annual rate, the Council could consider a tier of rates based on property size, impervious surface area, or other factors.
- It would be possible to offer credits for specific stormwater management improvements developed by property owners. Institutional owners, such as the University, and large private land owners are most likely to be affected by such an option. It would also be possible to offer exemptions for certain categories of property.
- The University has stated that it is seeking a permit from the State to operate its own stormwater management program to comply with the National Pollutant Discharge Elimination System-Phase Two requirements. Please see the attached letter from Vice Chancellor, Nancy Suttentfield. If the University was exempted from the jurisdiction of the Town's stormwater management utility, either service levels or fees charged to remaining property owners could be affected.

The Consultant is prepared to discuss each of these items as the Council may desire.

9. A schedule of key tasks that would need to be accomplished if the Council wishes to start the utility effective July 1, 2004. Please see page 21.

A Resolution included in tonight's regular meeting agenda would schedule a Public Hearing on February 16, 2004 to consider potential establishment of a local stormwater management utility. Following the Public Hearing, Town staff and the Consultant would prepare an Ordinance and other material for consideration by the Council, if the Council wishes to proceed with establishment of a utility.

A key work item that would have to be accomplished is negotiation of an agreement with Orange County for billing and collection services. Because tax bills must be mailed in August each year, the County will need to know by early April whether the Town wishes to have a stormwater utility fee included in this year's billing. If the Council concludes that important issues cannot be decided on this schedule, we recommend that the establishment of the utility be deferred until July 1, 2005.

CONCLUSION

We wish to express our appreciation to the Stormwater Utility Policy Review Committee for its advice and assistance in preparing the recommendations for the potential development of a local stormwater utility. We hope that Committee members will assist us further with the public education and involvement phase of the utility, if the Council decides to proceed with it.

Whether or not a stormwater utility is implemented on July 1, 2004, there will be continuing and new stormwater management activities and responsibilities that will need to be pursued by the

Town. These activities are associated with our NPDES-II Permit requirements, application and administration of Land Use Management Ordinance and other regulations, participation in the Jordan Lake total maximum daily load nutrient limits discussions, and improving and expanding the Town's GIS capability for use in watershed analyses, stream classifications, and mitigation grant activities.

We currently have insufficient staff and time resources to undertake the additional work.

RECOMMENDATION

That the Council schedule a Public Hearing on February 16, 2004, and continue to work toward establishing a stormwater utility with a starting date of July 1, 2004.

ATTACHMENT

1. Report of Recommendations for Development of a Stormwater Utility to Serve the Town of Chapel Hill, N.C. (Begin new page 1).