



MEMORANDUM

TO: Mayor and City Council

FROM: Victoria J. Li, P.E., Director
Watershed Protection Department

DATE: June 17, 2015

SUBJECT: Drainage Charge Revision – Responses to Questions

At its May 21, 2015 meeting, City Council closed the public hearing on proposed amendments to City Code Chapter 15-2 and 15-9 relating to changing the structure of the Drainage Utility Fee, approved the amendments on first and second reading, and sent the amendments to the Public Utilities Council Committee for additional review. On June 8, staff from the Watershed Protection Department and Law Department met with Council Members Kitchen, Troxclair and Zimmerman and several of their staff members, with additional information responding to questions compiled by Council Member Kitchen and posted on the Council Message Board. This memo provides the initial responses to those questions and adds additional information relating to concerns and requests posed at that meeting. As a starting point, the City is guided by State law requiring drainage service be offered on nondiscriminatory, reasonable, and equitable terms and that the calculation of the charge be directly related to drainage.

A. ISSUE: The methodology is based on % of impervious cover, rather than amount of impervious cover.

RESPONSE:

1. The proposed methodology is based on both amount **and** percentage of impervious cover (IC). The base rate is applied to the total impervious cover, and then the adjustment factor is used to account for the drainage impact from development (% of IC). The terms are defined in proposed Section 15-2-1 and are noted in the drainage charge formula in proposed Section 15-2-7 (B).
2. Austin has specific monitoring data for 36 watersheds over 20 years that supports the generally accepted hydrologic principle that higher percent impervious coverage results in more runoff and thus more impact downstream.
3. Using both impervious area and impervious percent improves the accuracy of estimating relative drainage impacts of land development, and it strikes a balance between accuracy and cost.

ADDITIONAL INFORMATION:

4. *An addendum to this memo provides several charts that compare three different rate structures for different types of development: (1) drainage charge in effect today, (2) the proposed drainage charge based on both amount and percent impervious area, and (3) a hypothetical charge based only on amount of impervious area.*

- B. ISSUE:** Could have the effect of being contrary to various Imagine Austin goals that encourage smaller lots and higher % impervious cover.

RESPONSE:

1. Imagine Austin contains a variety of goals and policies that provide a framework for the myriad of policy decisions facing the City. The proposed ordinance would not violate the City's comprehensive plan as a legal issue.
2. Rather than acting as an incentive or disincentive, the drainage charge is intended to assign drainage costs city-wide as equitably as possible based on a property's development impact on downstream drainage systems. The higher the amount and percentage of impervious cover, the greater the impact on the drainage system. The proposed methodology is consistent with Imagine Austin concepts of compact and connected in that vertical construction can provide greater population density and a reduced fee per customer.

- C. ISSUE:** Doesn't account for developments like Mueller that cluster development, providing more open space and shared water quality features.

RESPONSE:

1. Dense development may provide economic, environmental, recreational, and aesthetic benefits, but it typically results in more connected run-off, with an increased impact on the receiving drainage system.
2. This methodology aims to achieve equity citywide, but does not specifically account for certain unique parcel configurations. WPD staff has been evaluating this concern and working with Mueller developers to consider the potential cost impact of this method as compared to the additional City administrative effort or legal implications that may result from implementing approaches for special cases.

- D. ISSUE:** Doesn't account for value of innovative green infrastructure/water catchment/infiltration installations.

RESPONSE:

1. Potential credits for innovative stormwater controls that exceed minimum land development requirements will be considered in the future once CodeNext effort is completed and any changes to development requirements can be incorporated.

- E. ISSUE:** Doesn't allow discounts for installed water quality treatment facilities (per Freescale testimony) and discontinues pond discount.

RESPONSE:

1. Discounts should be based on the impact to the City's drainage system. The discount appears to have been intended to incentivize pond maintenance, though construction and maintenance of detention and water quality facilities are currently required by Code. Anecdotal evidence indicates ponds enjoying the discount are not noticeably better maintained than other ponds not getting the discount.

2. Developments complying with detention or water quality requirements through the City's Regional Stormwater Management Program (RSMP), other off-site mitigation, residential developments, and developments using alternative methods currently do not get a discount. Broadening the discount to include all types of stormwater controls and all types of land uses that maintain their ponds would reduce the discount to less than 5% since it would encompass so much more of the City.
3. Providing a discount for development that exceeds the minimum requirement for detention and water quality treatment will be considered in the future once CodeNext effort is completed and any changes to development requirements can be incorporated.
4. A letter notifying pond discount holders of the proposed discontinuance of the pond discount and the reasons was mailed in early May and is part of the backup materials for this agenda item.

F. ISSUE: Doesn't address affordability issues such as increases for elderly and others on fixed incomes in single family homes; pass through charges to renters; impact on renters using Customer Assistance Program (CAP) for utility payments now.

RESPONSE:

1. Neighborhood Housing and Community Development issued an Affordability Impact Statement finding the proposed methodology neutral to housing affordability.
2. A demographic study for elderly and fixed income residents that might see a larger than average increase to their utility bill has not been specifically performed. Available account information does not include age and income.
3. Renters in single family, duplex, triplex, or fourplex residences will continue to be billed the drainage charge on their city utility bill and can continue to use CAP if qualified.
4. City utility bills for renters in multifamily complexes over four units will no longer include the drainage charge. The owner will instead be responsible for drainage, as they currently are for other utility charges for management and common areas, such as laundry facilities, swimming pools, parking lots, and landscaping. Multifamily drainage charges on average are expected to decrease, if passed through from the owner.
5. The City currently does not require owners to specify how they allocate utility charges for common areas.
6. City Code section 15-9-121 prohibits the resale of utility service at a higher price than that charged by the City.
7. WPD currently has about 12,500 participants in the CAP for the drainage portion of utility bills and anticipates that participation level to stay the same.
8. Tenants in over four-unit residences will still be eligible for the CAP discount for electric, water and wastewater utility payments, just not drainage, since they will no longer receive a drainage bill.
9. Tenants will also continue to be eligible for the Plus 1 program that offers emergency, one-time bill payment assistance

ADDITIONAL INFORMATION:

10. *The existing CAP provides a 50% discount on the drainage charge for residents in need. WPD is investigating an expansion of the CAP participation level to make it more available as well as determining the associated fiscal impact. The most recent participation rate for the drainage charge for April 2015 was 13,094 accounts with credits totaling \$64,499 that month, or roughly \$774,000 per year.*

G. ISSUE: Can the City “phase in” the fee structure revision to reduce large, immediate fee increases?

ADDITIONAL INFORMATION:

1. Subsequent to the June 8 discussion with several council members, WPD staff considered several options to control the impacts of large fee increases on properties. We focused on options that might accomplish that goal and would also (1) Maintain the integrity of the science and methodology on which the proposed fee structure is based, and (2) Apply to properties in a way that is equitable and reasonable.
2. One option would stipulate that the drainage charge for any property in a fiscal year would not increase more than 50% above the charge for the same property the prior fiscal year, provided that the impervious area has not increased.
 - a. This provision could be permanent, applying to more than just the first year. Some properties may take several years to “catch up” to the full charge as determined by the proposed methodology.
 - b. The fiscal impact of this proposal is not yet determined. A higher base rate for everyone else would be needed to cover the revenue loss, although this higher rate adjustment would diminish progressively in subsequent years.
 - c. This approach tends to provide relief more toward properties with large amounts of impervious area, which in the case of residential properties may tend to correlate with higher property values. It would increase the drainage charge for others, including low and fixed-income owners, due to the adjusted higher base rate.
 - d. Subsequently, we uncovered severe feasibility issues with implementation. It would not be difficult to implement for single family, duplex, triplex and fourplex units since they currently have fixed charges. It would be difficult for multi-family and commercial properties. Most multifamily units will not receive a direct bill next year. We would not be able to apply this option to accounts we aggregate to multifamily owners. Also, the difficulties with commercial properties are so complex and varied that we are not confident this concept could be implemented this coming fiscal year.
 - e. This option increases the cost and time to implement.
3. We will continue to work to come up with other possible options.

H. ISSUE: Adding exemption for charter schools.

RESPONSE:

1. State law (section 552.053 Local Government Code) limits entities that may be exempt from the drainage charge to the State of Texas, a county, a municipality, and a school district.
2. A charter school is not a school district, thus not eligible for exemption under state law.

I. ISSUE: (1) Options for allocating drainage fee based on square footage rather than percentage; and (2) impact of fee on costs for homeowners, renters, and small businesses.

RESPONSE:

1. Four different methods for drainage charge allocation were considered and discussed briefly in the May 21 Council presentation. The most promising two methods: basing the fee on amount of impervious area alone, and basing the fee on both the amount of percentage of impervious area, are compared in the addendum to this memo. The method using both amount and percentage provides the best balance between accuracy and cost of implementation.
2. The April 30 memo included statistics on both single family (typically homeowners) and multifamily (typically renters). We feel this is a reasonable estimate of the impacts for these two categories.

3. Specific small business examples were provided in the May 21 presentation to Council as well as a comparison for all commercial properties. Specific statistics on small businesses have not been computed and billing information does not contain data to sort small businesses.

ADDITIONAL INFORMATION:

4. *An addendum includes more comparison information on the changes in drainage charges for single family, multifamily and non-residential.*

Please contact Victoria Li, Director, Watershed Protection Department, should you have additional questions or concerns at (512) 974-9195 or via e-mail at Victoria.Li@austintexas.gov.

Cc: Marc A. Ott, City Manager
Sue Edwards, Assistant City Manager

Addendum to Issue A and Issue I

Comparisons between Current, Proposed, and
Hypothetical without Impervious Area %

Data compiled on June 10, 2015

Note: All comparisons are DRAFT and subject to change due to ongoing cleanup and improvements of the data through Summer 2015

Current and Potential Charges by Land Use

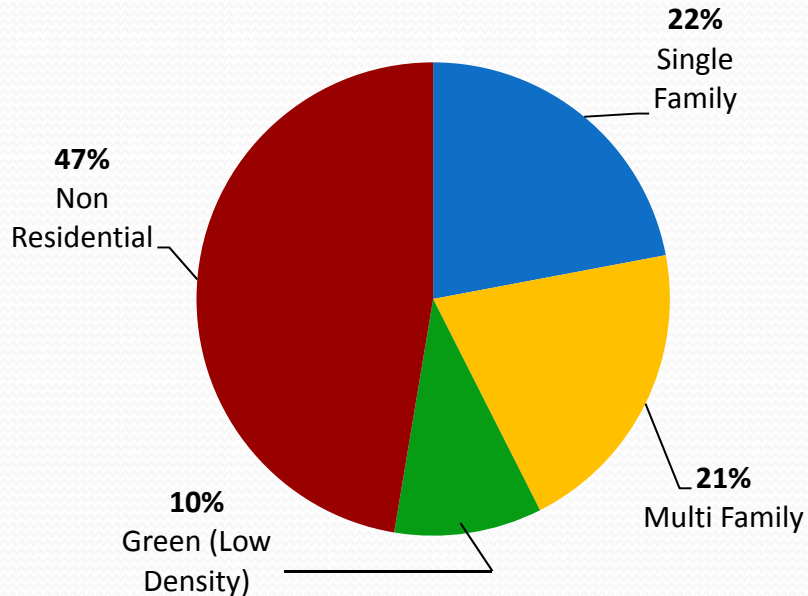
Land Use	Total Area (sq ft)	Total IA (sq ft)	# of Parcels	Average Charges					
				Current	% of total DUF	Proposed	% of total DUF	Hypothetical without IA%	% of total DUF
Single Family	1.6B	532M	157,000	\$9.80	22%	\$11.70	28%	\$15.30	37%
Multi Family	0.5B	246M	15,000	\$9.80	21%	\$6.20*	18%	\$5.10*	17%
				\$4.90		\$1.90*		\$1.30*	
Low Density	2.0B	53M	13,000	\$53.80	10%	\$8.20	2%	\$18.20	4%
Non Residential	1.2B	594M	11,000	\$298.30	47%	\$302.50	52%	\$242.50	42%
TOTAL	5.3B	1.4B	196,000		100%		100%		100%

- A charge without the percent of impervious (IA%) would result in:
 - More total Drainage Utility Fund (DUF) burden to Single Family and Low Density areas
 - Less total DUF burden to Multi Family and Non-Residential areas

* Limited data available for charges to tenants

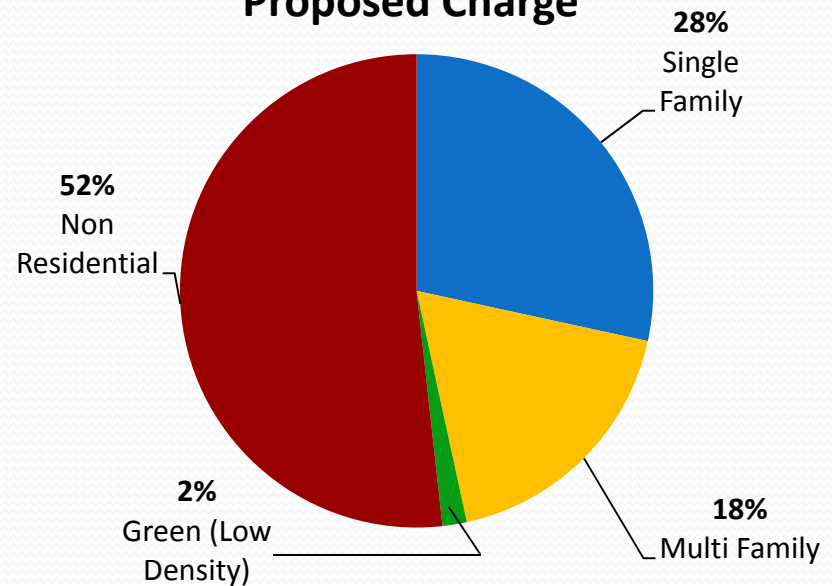
% of Total DUF by Land Use

Current Charge

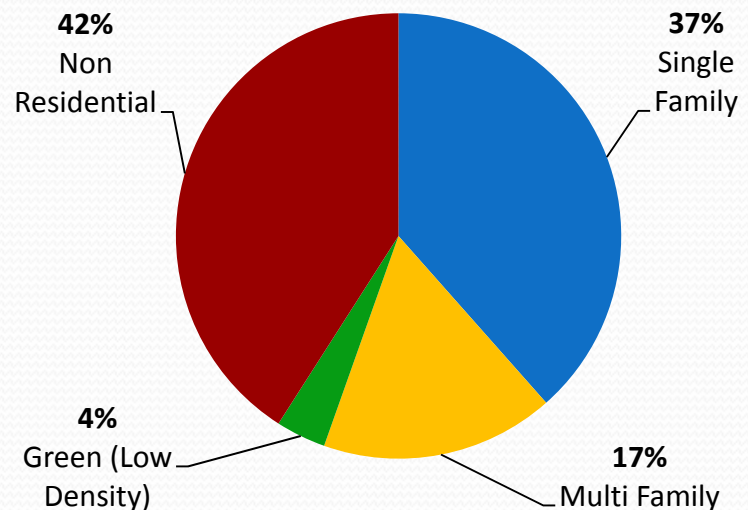


- Current to Proposed Charge shifts more burden onto Single Family and Non Residential
- Proposed to Hypothetical Charge without IA% shifts even more burden onto Single Family and reduces burden to Non Residential

Proposed Charge



Hypothetical Charge without IA%



Current and Potential Charges for Single Family

Parcel Impervious Area (sq ft)	# of Parcels	% of Parcels	Current Charge	Proposed Charge	Hypothetical Charge without IA%	Typical Examples
0-2000	13,000	8%	\$9.80	\$4.70	\$7.50	• 1-2 Bedroom Homes
2000-3000	60,000	38%	\$9.80	\$8.40	\$11.50	• 2-3 Bedroom Homes
3000-4000	50,000	32%	\$9.80	\$12.30	\$15.50	• 3-4 Bedroom Homes
>4000	34,000	22%	\$9.80	\$19.30	\$24.60	• 4 or more Bedroom Homes
Total	157,000	100%	\$9.80	\$11.70	\$15.30	

- A charge without the percent of impervious (IA%) would result in higher rates on average for a range of Single Family sizes

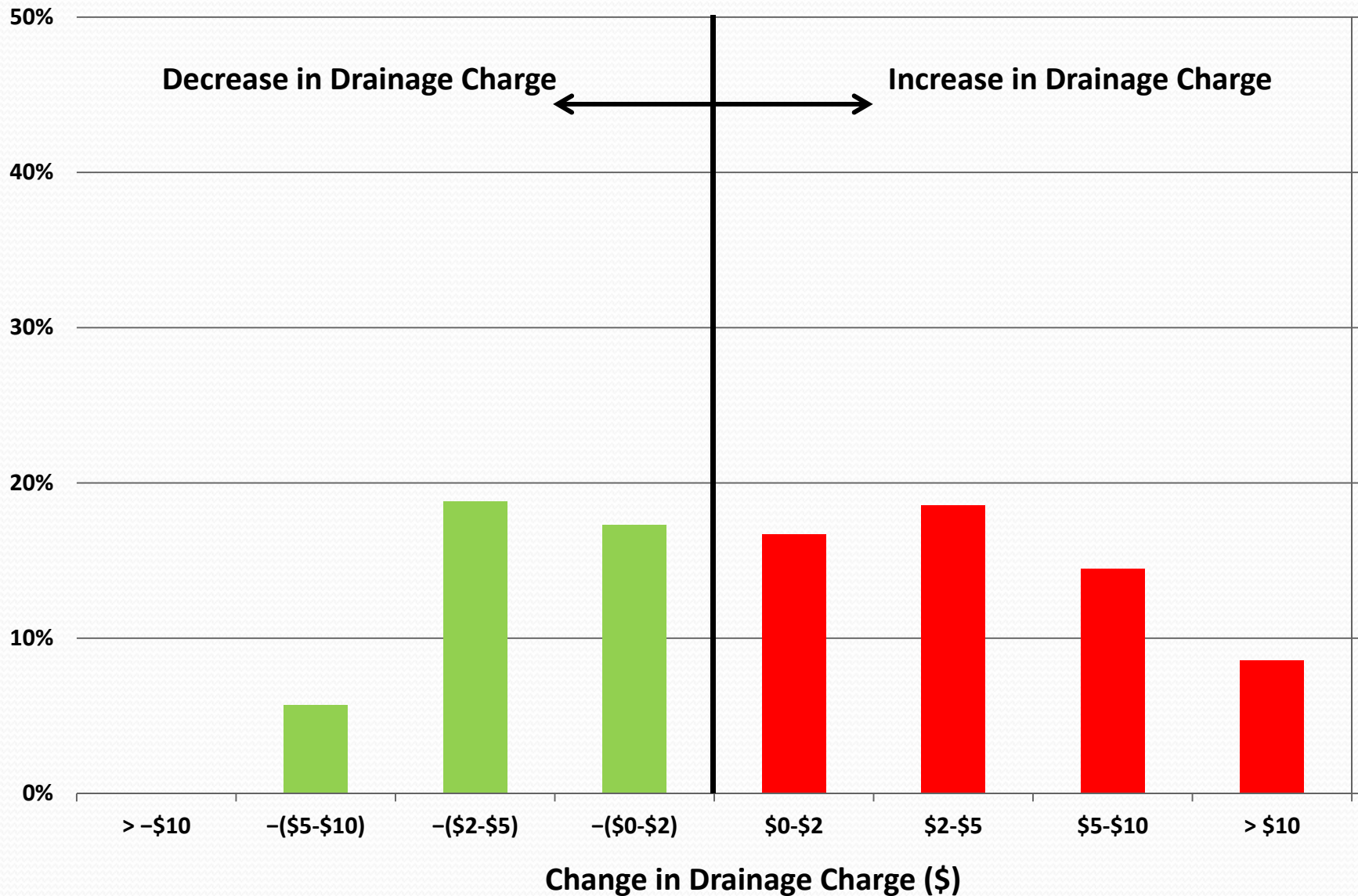
Addendum to Issue I

Comparisons between Current and Proposed Drainage Charge

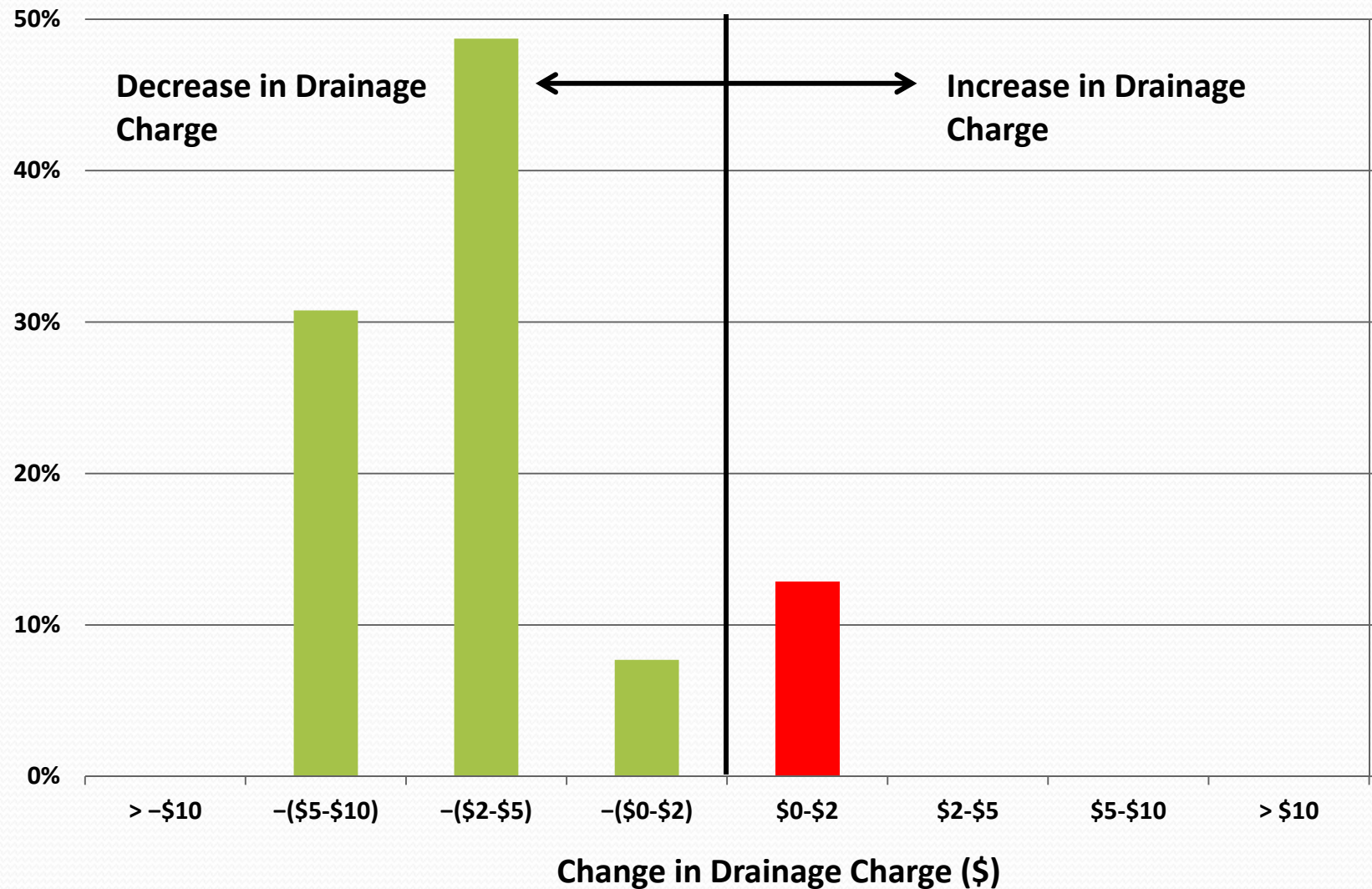
Data compiled on June 10, 2015

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Single Family Change In Drainage Charge



Multi Family* Change in Drainage Charge



* Limited data available for charges to tenants

Non Residential Change in Drainage Charge

