

## 1.c Structure and use of the adopted drainage utility charge

### Background

The Drainage Utility Fee (DUF) is a fairly young construct, having been used in Texas for less than 20 years. The current structure of the fee is based perceived use of the stormwater system and the ratio of pervious to impervious cover. While the recent updating of the DUF attempts to address certain elements of inequality, the underlying construct is incomplete; stormwater drainage is inherently non-voluntary, meaning the individual property owner has little control over the problem, and the stormwater system is highly interdependent. Every single property effects stormwater runoff on the surrounding properties, but does so in a complex way, making analysis difficult.

The biggest challenge to reducing the potential for loss of life and property damage is funding to implement the necessary capital improvement projects (CIPs). The Watershed Protection Department has a great deal of information regarding where current flooding is located, what causes it, and what can be done to mitigate damages. With an estimated cost of between 2-4 billion dollars to address the creek and local flooding problems and only a portion of the DUF being spent on project development and implementation, it will take an estimated 80 to 100 years to address known issues.

The DUF alone is not sufficient to fund major CIPs within a reasonable time frame. However, it is important to maintain the fee to ensure adequate funding exists for staff, planning, maintenance, and smaller-scaled projects. It should be noted that the Flood Mitigation Task Force heard from numerous citizens who expressed concern regarding the current formula for calculating the DUF and the process through which the new ordinance and formulas were developed. Task Force members understand the City was revising the DUF based on a court order and recognize that the schedule to adopt the revisions was hamstrung by the fiscal calendar; however, now that the deadline time-crunch has passed, the City should reopen public discussions to address citizen concerns such as using the percentage of impervious cover as a multiplier, including roof over hangs in the calculation, and addressing the perceived lack of a responsive public process when crafting the amended DUF.

Operations and Maintenance (O&M) funding is entirely made up of a distribution from the funding collected through the DUF. O&M receives approximately 40% of the dollars collected. As a practical matter, the DUF cannot be relied on for solving Austin's flood problems. The DUF's present revenues are insufficient to cover all of the needed O&M expenses, and yet a large portion of the Fund is directed to purposes other than O&M. Increasing the DUF to cover the necessary O&M costs is problematic; as a regressive and inequitable fee, owners in the lower income tiers are already struggling with payments.

All flood mitigation projects evolve through a methodical process beginning with identification, moving through the evaluation of suitable solutions, and finishing with its implementation. Buyouts are one of many possible mitigation solutions that may be selected after careful prioritization and evaluation. Ideally, structures where buyout is the optimal mitigation solution should be purchased before they experience flooding. However, since this is not always feasible (due to funding and programmatic constraints), a program should be put in place to quickly assess whether a flooded structure is a suitable candidate for a buyout so that a voluntary buyout process may be initiated by staff following a flood event.

Looking at the City's stormwater system funding of capital improvement projects, operations and maintenance, and other specific, strategic programs designed to address flooding issues, it is very hard to picture the current DUF adequately meeting the high level of service expected by residents. Given the many constraints, more attention needs to be given toward finding innovative funding solutions, keeping the DUF equitable and affordable, and addressing current impediments to making current flood mitigation funding go farther to address citizen's needs. It may be time for thinking about the DUF in a new perspective, one where the fee is treated in a manner similar to roadways and other public infrastructure rather than electric or water utility rates; the latter being based on volume of use that is controllable by the property owner. Doing this may result in a more logical and equitably apportioned fee structure.

## Recommendations

1. Analyze the current allocation of the DUF to make sure funding matches the global priorities mentioned in section 1a, recommendation 1.
  - a. Direct more funding toward flood mitigation solutions, operations, and maintenance costs.
  - b. Reduce the allocations to interdivisional transfers.
  - c. Continue the analysis to allocate funding toward the most critical needs.
2. Continue to gather through an established public process input on the newly adopted Drainage Utility Fee for future amendments.
  - a. Allow for more citizen input to address concerns regarding the equity of the current fee's structure.
  - b. Explore and consider other factors, for example, the percentage of impervious cover as a multiplier and roof overhangs and their factoring into the fee.
3. Consider creating a reserve fund for buyout of properties affected by an extraordinary flood event, or alternatively, approve requests by WPD to perform post-flood recovery buyouts on an as-needed basis.
4. Issue a series of debt instruments every five years until the major creek flood mitigation capital improvement projects are completed. Major projects should be designated by those that are too large to have construction completed in one annual funding cycle via the DUF.
  - a. In relation to section 1a, recommendation 1, flood mitigation is a public safety responsibility and the Council should consider reducing spending on non-essential projects that do not directly improve public health and safety until the flood mitigation and deferred maintenance activities are caught up to the point where they align with the WPD's asset management program.
5. Primarily direct DUF funding toward flood mitigation projects and operational expenses in keeping with the spirit of the fee's inception (related to section 1a, recommendation 1).