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Utility Advisory Committee

Stormwater Rate Structure Project Update

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Title

Stormwater Rate Structure Project Update

Recommended Action

Receive a briefing on the Stormwater Utility's proposed new rate structure and the Utility's proposed approach to communication and outreach on the proposed new Stormwater rate structure.

Report

Issue:

Receive a briefing on the Stormwater Utility's proposed new rate structure and a new rate structure outreach and communication strategy.

Staff Contact:

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Presenters:

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Background and Analysis:

Current Stormwater Rate Structure

The City of Olympia's stormwater rates vary by customer class (e.g. single family, multi-family, commercial, and industrial). Single-family residential customers (including duplexes) pay a flat rate that is discounted for plats approved after 1990 that have a signed maintenance agreement. All other customers pay a fixed administrative fee per account and a charge based on billing units according to the property's assigned rate category.

"Billing unit" means the same as "equivalent residential unit": Two thousand five hundred twenty-eight (2,528) square feet of impervious surface development on a parcel (OMC 13.16.010 B). This is the average amount of impervious surfaces found on a single-family residential parcel (hence the term Equivalent Residential Unit) within Olympia city limits in 1990.

Which of the rate categories applies to a property is defined by the property's development date (after 1990; 1980-1990; pre-1980). Stormwater management requirements for new development

were increased in 1980 and 1990. Newer development is, therefore, assumed to provide a higher level of on-site stormwater management (flow control and treatment) thereby resulting in the lower rate.

The attached Table 1 provides current rate information.

Challenges with the Stormwater Utility's current rate structure include:

- The development dates included in the rate structure do not necessarily correspond with actual levels of on-site stormwater mitigation.
- There is no acknowledgement of low impact development. When used, low impact development results in 100 percent of stormwater infiltrated onsite, thereby decreasing the need for stormwater conveyance capacity and regional stormwater facilities.
- The stormwater rates are perceived as not incentivizing retrofits of existing stormwater facilities. While city streets and facilities can be retrofitted to provide greater levels of stormwater mitigation, retrofitting existing private development is one of our greatest challenges to improving stormwater quality.

Proposed Rate Structure

At its August 6, 2020 meeting, the UAC received a briefing and provided comments on a proposed new rate structure for the Stormwater Utility. Following the August briefing, Utility staff continued to work with FCS Group to refine the rate proposal.

A summary of recommended changes to the proposed rate structure based on the UAC's August 6, 2020 discussion points and further analysis conducted by FCS Group follows.

Cost recovery of Utility administrative expenses: At the August 6, 2020 UAC meeting, the Stormwater Utility proposed to continue to recover administrative costs (i.e., the Stormwater Utility's fixed costs) through an administrative fee. (For residential accounts, the fixed administrative fee is embedded in the flat rate. For commercial accounts, a separate administrative fee is charged. The August 6, 2020 proposal recommended continuing this practice.)

To be consistent with the majority of other regional stormwater utilities and to simplify the rate structure, the Stormwater Utility is no longer proposing to continue to recover administrative costs through an administrative fee. Instead, all Utility fees will be recovered through the billing unit (or equivalent residential unit) charge.

Residential (including duplexes) accounts: The Stormwater Utility continues to propose a flat residential rate structure. This is consistent with the majority of other regional stormwater utilities. While moving to a tiered residential rate structure based on actual impervious surfaces could improve equity, doing so is off-set by the expensive, time involved and difficulty of generating and maintaining parcel-specific impervious surface measurements for the Utility's approximately 14,300 residential accounts.

Because current regulations (OMC 13.16.170) require all property owners to maintain privately-owned stormwater infrastructure, the Stormwater Utility continues to propose the removal of the current rate incentive for plats having a maintenance agreement. The City's Municipal Stormwater

Permit, administered by the Department of Ecology, requires the City to inspect and enforce maintenance of stormwater facilities.

The Stormwater Utility continues to propose that duplex parcels will be charged 2 times the single-family rate.

Currently, single-family and duplex zoned developed parcels without a structural impervious area are assessed a construction phase charge at time of issuance of a clearing, filling, excavation or grading permit. At the August 6, 2020 briefing, the UAC was informed that this construction phase charge was under consideration for possible revision. The elimination of this construction phase charge is now proposed.

Commercial accounts: The Stormwater Utility continues to propose the revision of its commercial account (including multi-family, industrial and government) rate categories from development date based to rate categories based upon actual on-site mitigation as summarized below:

- Category 1 - Low Impact Development: 100 percent infiltration, with no overflow pipe or land overflow
- Category 2 - Conventional Treatment or Flow Control provided on-site
- Category 3 - No Treatment or Flow Control provided on-site

Mapping of the stormwater infrastructure, property lines, and impervious surface has improved significantly over the past 10 years (and continues to improve) allowing the City to implement the proposed rate structure.

At the August 6, 2020 UAC meeting, a “waterfront” discount to apply to commercial parcels that discharge 100 percent of its stormwater runoff directly to a waterbody was proposed. The waterfront discount is no longer a component of the proposed rate structure.

Additionally, as described above, the Stormwater Utility no longer proposes to continue with a separate flat administrative fee for commercial accounts. Instead, all expenses will be recovered through the billing unit (or equivalent residential unit) charge.

Residential Equivalent Unit (ERU): The Stormwater Utility continues to propose the revision of its residential equivalent unit, or commercial billing unit, from 2,528 square feet to 2,882 square feet. This is the median (middle value) amount of impervious surfaces currently found on a single-family residential parcel in Olympia city limits.

Rate Impact of Proposed Rate Structure

The proposed new rate structure is designed to collect revenues from residential and commercial accounts consistent with each rate class’ percentage of the city’s total city-wide impervious surfaces. By doing so, neither rate class subsidizes the other.

Currently, the Stormwater Utility collects 43.9 percent of its revenues from residential customers, which account for 39.3 percent of the city’s total impervious surfaces, and collects 56.1 percent of its revenues from commercial customers, which account for 60.7 percent of the city’s total impervious

surfaces.

Because a greater amount of the Stormwater Utility's revenues has been collected from the residential rate class (43.9 percent) than the amount of city-wide impervious surfaces accounted for by residential customers (39.3 percent), residential accounts have essentially been subsidizing commercial accounts.

To eliminate this subsidy, the Stormwater Utility proposes to reduce the revenues collected from residential accounts to 39.3 percent and increase revenues collected from commercial accounts to 60.7 percent, consistent with the breakdown of city-wide impervious surfaces.

Residential customers are expected to see a decrease in their rates under the new rate structure while rate impacts to individual commercial accounts varies, depending upon actual on-site mitigation - some may see a decrease, others an increase.

Proposed Next Steps

To complete the new stormwater rate structure, the following general next steps will be completed.

- *Finalize Commercial Account Rate Categories.* Stormwater Utility staff will finalize its review of the level of stormwater management provided on all commercial parcels, thereby assigning all commercial parcels to a new rate category.
- *Finalize On-Line Tools.* An on-line stormwater account look-up tool and appeal process will be completed and launched to provide commercial account holders the opportunity to look-up assigned rate categories and impervious surfaces and appeal this information prior to the new rate structure's effective date.
- *Outreach and Communication Material.* It will be necessary to inform both residential and commercial customers of the proposed rate structure prior to its implementation. Key outreach and education material, in addition to the on-line tools described above, is expected to include:
 - "What You Get for Your Stormwater Rates" Storymap and new stormwater services and rates webpage (Completed)
 - 5 Things Articles (March/April completed)
 - E-Newsletter Articles (March completed)
 - Individual mailings to commercial accounts announcing the proposed rate structure and on-line look-up tool and appeals process (July/August)
 - UAC Review and Approval (September and October)
 - Council Review and Approval (November and December)

Neighborhood/Community Interests (if known): The Utility conducted a survey as part of developing the Storm and Surface Water Management Plan. Survey results indicated more than 81 percent of respondents were willing to pay more to achieve the Utility's goals.

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Options: None at this time. Briefing only.

Financial Impact: Although the rate structure will be result in minimal new revenue to the Stormwater Utility, individual property owners may see increased rates. Others may see decreased rates.

Attachment:

Table 1 2020 Rates and 2022 Proposal

[Link to Storm and Surface Water Services and Rates webpage](#)