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MIAMI BEACH

COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: May 20, 2015

SUBJECT: **DISCUSSION REGARDING FLOODING AND SEA RISE REGARDING THE 2015-2016 STORM WATER UTILITIES METHODOLOGY**

The following item was referred at the September 10, 2014 City Commission meeting by Commissioner Grieco.

BACKGROUND

The City's utility rates are structured to collect the necessary revenues to meet operating and maintenance costs of the infrastructure, to cover debt service for bonds, and to maintain adequate operating fund reserves. At its September 10, 2014 meeting, a First Reading, amending Chapter 110- Utilities of the Miami Beach City Code, was read for the record adjusting the storm water utility rates.

Following the First Reading of the Ordinance, the Commission discussed having received e-mails from several residents questioning the veracity of the storm water rate methodology, while others wondered whether the rates proposed were fairly apportioned (some thought that homeowners should pay more, while others thought condominiums should pay less or that those living in mostly flooded areas should pay more). The City Attorney stated that the rate calculation was based upon the 1996 Ordinance initially adopted, and that the record in support of that Ordinance included a report commissioned by CH2M Hill.

The City Attorney suggested further discussions with regards to the methodology for future policy implementation. At its September 30, 2014 meeting, the City Commission approved on Second Reading Public Hearing, Ordinance No. 2014-3898, amending storm water utility rates for fiscal year 2014/15. As a result of these discussions, the City has enlisted the assistance of AECOM, our flooding and sea level rise consultant, to review the current storm water rate methodology. The attached presentation is intended to begin the dialog and to provide some direction for their review.

CONCLUSION

The following is provided to the members of the FCWPC for discussion and further direction.

MT/ETC/JJF/FRS

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City of Miami Beach Stormwater Funding

May 2015



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Stormwater, Water & Wastewater | Grants Management | Community Development
Fire Assessment | Revenue Enhancement | Program Administration

G S G AECOM

Outline of Presentation

Stormwater Utility

- Stormwater Fee Definition
- Overview of Florida Stormwater Programs
- City's Current Stormwater Program
- Modifications for Discussion
- Project Schedule

Stormwater Impact Fees

- Impact Fee Definition
- Legal Summary
- Overview of Stormwater Impact Fees Programs (Other States)
- Basic Calculations
- Workplan
- Project Schedule

What is a Stormwater Fee?

- A charge imposed against real property to pay for stormwater services provided by the City.

Case Law Requirements

- Special Benefit to Property
- Fairly and Reasonably Apportioned

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Overview of Stormwater Programs in Florida

- Approximately 165 stormwater utility programs in Florida
 - 9.3% increase from 2011
 - Expected to continue to increase
 - Florida Supreme Court consistently upheld validity of stormwater fees
 - Generally more public support for user fees as opposed to ad valorem or other general taxes
 - Process of implementing Numeric Nutrient Criteria and Total Maximum Daily Load programs in Florida is beginning to take full effect
- 96% of local governments surveyed said they use user fees or special assessments to generate revenue for stormwater services
- 76% use an impervious area methodology
 - 6% use both gross area and impervious area
 - 5% use gross area with intensity of development factor
 - 13% use some other methodology
- Average Equivalent Residential Unit (“ERU”) value is 3,047 square feet of impervious area
 - 59% based the ERU value on average single family home
- Average revenue generated through a stormwater utility is \$3,626,620
- Nearby Stormwater Programs*

Coral Gables, City of	\$8.20	\$2,900,000
Doral, City of	\$4.00	\$3,000,000
Indian Creek, Village of	\$4.38	\$181,000
Miami Gardens, City of	\$4.00	\$4,000,000
Miami Springs, City of	\$3.67	\$278,515
North Miami Beach, City of	\$4.50	\$1,275,000

*Funding levels are based on policy decision. Most local governments reported that the stormwater fee revenue was adequate to meet most of the administrative costs but not for needs associated with capital improvement programs.

Source: 2014 Florida Stormwater Association Stormwater Utility Survey

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City's Current Stormwater Program

- Equivalent Residential Unit (ERU) = 791 square feet of impervious area
- All Residential = 1 ERU/Dwelling Unit
- Non-Residential = Impervious Area \div 791 square feet
- ERUs rounded to nearest whole number
- Each property assigned minimum of 1 ERU
- Reductions for properties with NPDES permit and/or served by privately owned and maintained BMPs
- Collected on water bills

Stormwater Program - Modifications for Discussion

- **Apportionment Methodology**
 - Updated ERU value
 - Tiered rates for Residential Properties
- **Components of Charge**
 - Layers of Charges
 - Base charge
 - O&M Component
 - Capital component
 - Area-Specific Charges
 - Citywide
 - Benefit areas
- **Collection methods**
 - Utility Bill
 - Tax Bill

Methodology Modifications

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Preliminary Database Development

- Obtain Miami-Dade County Property Appraiser Data
- Obtain utility billing system data
- Determine parcels in benefit area
- Determine parcels with impervious surface
 - What constitutes impervious surface?
 - Buildings, patios, driveways, parking lots, decks, walkways, and other hard surfaces that prevent runoff from being absorbed into the soil
 - Treatment of:
 - Paved roads
 - Gravel roads
 - Docks
 - Disturbance of ground on
 - » Gravel parking lots
 - » Other unique parcels
 - Minimum impervious area threshold – 100 sq. ft.
 - Do not include unimproved vacant land

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Preliminary Database Development (cont.)

- Assign assessment rate category based on DOR Code and calculate impervious area
 - **Residential**
 - Measure statistical sample of single family parcels and/or multi-family parcels
 - Develop residential tiers
 - **General**
 - Measure impervious area of all general parcels
 - Includes commercial, institutional, industrial/warehouse, government parcels, mobile home/RV parks
 - Unique parcels

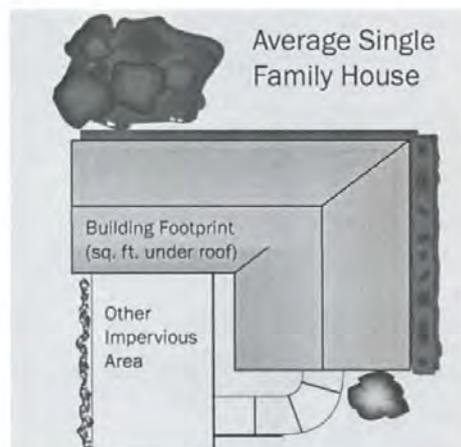
Apportionment Methodology - Rate Classes

- Residential
- General

Apportionment Methodology

Impervious Area Methodology–Equivalent Residential Unit “ERU”

- Measurement that serves as a common index to compare runoff generated by different sized properties
- Equivalent Residential Unit value is developed using a statistical sampling of residential parcels in benefit area
- Building Footprint + Additional Impervious Area (sidewalks, porches, decks, pools, etc.) = Total Impervious Area

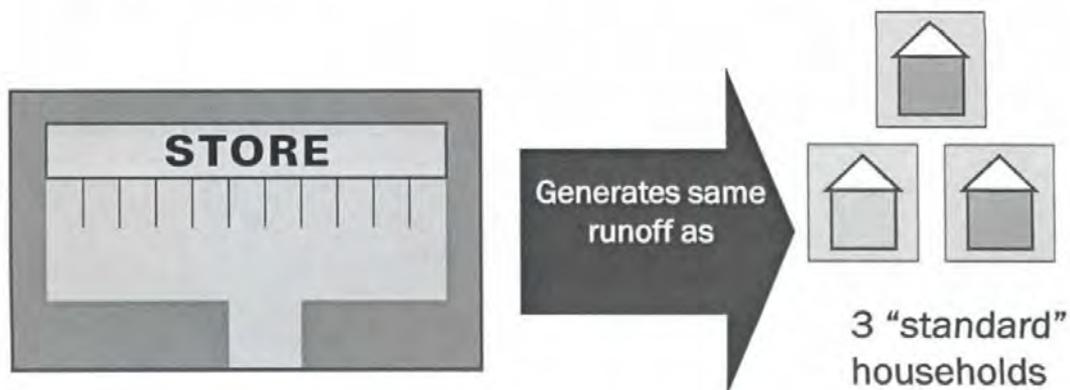


1 ERU = XXXX square feet of total impervious area

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Impervious Area Methodology ("Equivalent Residential Units")

Customer pays based on number of “standard” households



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Example of Single Family Residential Tiers*

Residential Tier	Building Footprint Area Range <small>(Provided by the Property Appraiser)</small>	Plus Additional Impervious Area	Assigned Billing Units (ERUs)
Small 	100-1,400 sq. ft.	Assumed based on statistical sample	= 1.00 ERUs
Medium 	1,401-3,400 sq. ft.	Assumed based on statistical sample	= 1.50 ERUs
Large 	3,401-6,000 sq. ft.	Assumed based on statistical sample	= 2.00 ERUs
Very Large 	> 6,000 sq. ft.	measured	= Calculated

*Residential parcels are assigned to a tier based on building footprint size to avoid having to measure ALL residential parcels.

Modifications to Charge

Levels of Service

What are your 'Levels of Service' going to be?" Are they uniform throughout the City? Do they benefit all categories of property?

Operations and Maintenance

- Proactive
- Reactive

Capital

- Priority capital improvement projects
- Master Plan
- Major equipment replacement schedule

Other

- Confirm existing problems
- Identify potential problems
- Prioritize projects

Revenue Requirements

- **Prepare 5 year proforma budget**
- **Operating costs**
 - Fund base level of services
 - Additional enhancements
- **Capital costs**
 - Pay-as-you-go
 - Financing

Collection Methods

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Collection Methods: Pros and Cons

	Tax Bill	Utility Bill
Pros	<ul style="list-style-type: none"> • Highest collection rate (95 - 98%) • One bill with all charges • Use tax roll data from PA 	<ul style="list-style-type: none"> • Deadlines set by local government • Time frame set by local government • Easier to charge exempt property • Can use for government
Cons	<ul style="list-style-type: none"> • Strict deadlines • Strict time frame • Cannot use for government property 	<ul style="list-style-type: none"> • Collection issues regarding non-payment • Utility bill gets crowded • Difficult to correlate utility accounts to property uses (methodology issues) • May miss vacant property or those without utility account.

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Project Schedule

Deliverable	Schedule
Notice to Proceed	May 2015
Data collection and analysis	May – July 2015
Identify Revenue Requirements	June – August 2015
Develop Methodology	July – September 2015
Determine Billing Units and Generate Billing Data	September – October 2015
Proforma Rates	October - November 2015
Report	November – December 2015
Implementation	January – March 2016

Impact Fees

Impact Fees are charges imposed against new development to fund capital facilities made necessary by that growth.

The purpose of the charge is to impose upon newcomers, rather than the general public, the cost of new facilities made necessary by their arrival.

Dual Rational Nexus Test (case law)

- (1) A reasonable connection between the *need* for the additional capital facilities and the growth
- (2) A reasonable connection between the *expenditure* of fee proceeds and the *benefits* accruing to the growth

Legal Summary

- Fee must fund capital *facilities*, not operation and maintenance
- Must have a rational connection between the *need* for the facilities and the *growth*
- Must have a rational connection *between* the *expenditure* of the impact fee proceeds and the *benefits* received
- Fee cannot exceed the *cost* of the facilities
- Fee proceeds must be held in *trust* for growth's use
- Fee proceeds must be expended or refunded within a reasonable *time*

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Overview of Stormwater Impact Fee Programs in Other States

- **Utah**
 - Development and implementation process prescribed by State Law (Impact Fees Act)
- **New Mexico**
 - Development and implementation process prescribed by State Law (New Mexico Development Fees Act)
- **Montana**
 - Development and implementation process prescribed by State Law (Montana State Code)
- **Texas**
 - Development and implementation process prescribed by State Law (Chapter 395 of Texas Local Government Code)
- **Washington State**
 - Not Known

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Basic Calculation

- Determine gross cost per unit of development
- Determine credit
- Calculate net cost per unit of development

Total Gross Capital Cost Per Unit of Development	-	Credit for Other Revenue	=	Net Impact Fee Per Unit of Development
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Impact Fee Credits

- New development should receive a credit for future payments of other revenues, such as grants, that are used to pay for the same facilities that are required to serve the new development.
- Credits are not given for revenues used for repair, maintenance, replacement or operating costs because impact fees are not used for such expenses.

Work Plan for Developing Impact Fees

1. Gather data, statistics
2. Capital improvement program or master plan
3. Level of service standards
4. Other revenue for capital improvements
5. Calculate rates, credits and prepare study
6. Prepare Ordinance
7. Review and adopt impact fees

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Project Schedule

Deliverable	Schedule
Notice to Proceed	November 2015
Data collection and analysis	January – May 2016
Develop Methodology and Proforma Rates	May – June 2016
Report	June – July 2016
Implementation	October 2016

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Payment-in-lieu-of

- Alternative to impact fees
- Redevelopment either retrofits stormwater infrastructure to meet new standards for levels of service

OR

- Redevelopment pays City to retrofit the stormwater infrastructure based on formula developed by City