



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of February 20, 2010**

DATE: January 29, 2010

SUBJECT: Request to advertise a public hearing on March 25, 2010 on a proposed Sanitary District tax of \$0.013 per \$100 of assessed real property value to pay for the full operating costs related to existing Stormwater Management Program.

C. M. RECOMMENDATION:

Advertise for a March 25, 2010, public hearing on a proposed amendment to Chapter 26 of the Code of Arlington County, Virginia, to impose an increase to the sanitary district tax rate of \$0.003 of assessed real property value. This would bring the sanitary district tax rate to \$0.013 per \$100 of assessed real property value.

ISSUE: Should the Stormwater Fund fund the full cost of stormwater management and should the sanitary district tax rate be increased \$.003/\$100 of assessed real property value over the base rate (\$0.01) to pay for the 10.0 FTEs plus associated non-personnel costs currently in the Department of Environmental Services?

SUMMARY: The Sanitary District tax rate of \$0.01 per \$100 of assessed value adopted as part of the FY 2009 budget process, and reaffirmed in FY 2010, has funded enhancements to the County's comprehensive stormwater management program. Advertising to increase the rate by \$.003 to \$0.013 per \$100 of assessed value gives the Board the option of funding the cost of 10.0 FTEs, plus associated non-personnel expenses currently funded in the Department of Environmental Services' General Fund budget. This rate increase would generate approximately \$1,607,950 for the stormwater fund in FY 2011 and reduce General Fund net tax support by \$1,261,800. **The additional revenue generated by increasing the sanitary district tax rate \$0.003 is not included in the County Manager's FY 2011 Proposed Budget, but is being advertised to allow the County Board flexibility with revenue options for the adopted FY 2011 budget.**

BACKGROUND: Under the Sanitary District Act of 1926 (Chapter 161, *Acts of Assembly*, as amended), local governments in Virginia are authorized to establish sanitary districts to fund a variety of infrastructure needs, including stormwater drainage. The County established its own sanitary district in 1930 that encompassed the entire jurisdiction. This district provides the County Board with the authority to establish a special tax rate to support stormwater drainage and sewerage costs.

County Manager: BMD/mjs

County Attorney: [Signature]

Staff: Jeff Harn, Department of Environmental Services

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The County Board adopted a Sanitary District tax rate of \$0.010 per \$100 of assessed real property value as part of the FY 2009 and FY 2010 budget processes to support enhancements to the County's comprehensive stormwater management program. This program is necessary to address repair and replacement of the County's aging stormwater infrastructure; to plan, design, and implement stormwater drainage projects to prevent flooding and property damage; and, to comply with increasingly stringent State and federal stormwater quality regulations. It is also an important element of the County's vision of a sustainable community.

DISCUSSION: The current Sanitary District tax rate of \$.01 is estimated to generate approximately \$5.4 million in FY 2011 and is included in the County Manager's FY 2011 proposed budget. Approximately \$3 million of these revenues will go towards stormwater capital projects identified in the adopted FY 2009 – FY 2014 Capital Improvement Program. The remaining \$2.4 million support operating costs associated with the Stormwater Management Program. While the current Sanitary District tax rate supports operating and capital program enhancements to the County's existing stormwater management program, it does not provide sufficient revenue to support all stormwater costs within the County, much of which continues to be funded through the General Fund.

This proposal would increase the Sanitary District tax rate to \$0.013 per \$100 of assessed value to provide funding for ten existing stormwater management positions currently located in the General Fund, as well as associated non-personnel expenses. Increasing the County's stormwater tax by \$.003 to \$.013 per \$100 of assessed value would generate an additional \$1,607,950, of which \$683,801 is needed to fully fund the 10.0 FTEs and \$627,998 is proposed to fund related non-personnel expenses. The remaining balance of \$296,151 would be applied to the stormwater fund balance to offset a \$206,985 decrease in projected FY 2010 stormwater fund revenue as a result of the 7.2% drop in CY 2010 real estate assessments, as well as other capital needs.

A \$.003 increase to the Sanitary District tax rate would increase the average residential property owner's real estate tax bill by approximately \$15 per year.

The positions to be transferred to the Stormwater Fund include 7.0 FTEs in the DES – Utilities and Environmental Policy Division, 2.0 FTEs in the DES – Department of Transportation Development Services Bureau, and 1.0 FTE in the DES – Engineering and Capital Projects Bureau.

In addition to transferring the stormwater costs currently paid from the General Fund, the proposal also transfers the associated revenues from the General Fund to the Stormwater Management Fund. Currently, the General Fund receives \$50,000 per year from the Watershed Management Fund. This revenue would now be transferred to the Stormwater Management Fund.

FISCAL IMPACT: The base sanitary district tax rate of \$0.01 per \$100 of real property value yields approximately \$5.4 million and is included in the County Manager's FY 2011 Proposed Budget. The additional \$0.003 per \$100 of real property value would generate approximately

\$1.6 million which could be used to fully fund the remaining stormwater management costs currently supported by general tax revenue in the General Fund.

A Sanitary District tax rate of \$0.013 per \$100 of assessed value would yield \$6,966,224 in FY 2011 and would be sufficient to fund the \$1,311,800 needed for the 10.0 FTEs and associated non-personnel costs currently funded with general tax support dollars. The remaining balance of \$296,150 would be applied to the stormwater fund balance.

By shifting all stormwater expenses and revenues out of the General Fund, the net tax support would decrease by \$1,261,800. This is a net of \$1,311,800 of the expenditures less \$50,000 of foregone revenue from the watershed management fund.

Attachment A

AN ORDINANCE TO AMEND CHAPTER 26 (UTILITIES) OF THE ARLINGTON COUNTY CODE RELATING TO ESTABLISHMENT OF A SANITARY DISTRICT TAX FOR THE PURPOSES OF FUNDING IMPROVEMENTS TO THE STORMWATER DRAINAGE SYSTEM, EFFECTIVE JANUARY 1, 2010,

BE IT ORDAINED that Chapter 26 of the Arlington County Code is amended as follows:

§ 26-1. Definitions.

Sanitary district. The Arlington Sanitary District, as authorized under the provisions of Chapter 161, *the Acts of Assembly of Virginia*, 1926, for which an order was entered in the Circuit Court of the County on April 25, 1930, and the boundaries of which are co-extensive with the boundaries of the County.

§ 26-13. Sanitary District Tax

- (a) There is hereby imposed a sanitary district tax of \$0.0103 per one hundred dollars of assessed valuation of all taxable real estate not otherwise exempt from taxation located in the sanitary district for operating and capital expenses necessary to expand and upgrade the storm drainage (storm sewer) system. Such tax shall be effective as of January 1, ~~2008~~ 2010, and payable at the same time and in the same manner as real estate taxes are paid.
- (b) Any person assessed who fails to pay the tax installments on or before the respective payment date shall incur a penalty thereon of ten (10) percent or ten dollars (\$10.00), whichever shall be greater, but not to exceed the amount of the tax, which shall be added to the amount of taxes due from such person assessed.
- (c) Interest shall accrue on any amount past due at the same rate as real property taxes under section 27.3.1.
- (d) The Treasurer of Arlington County is authorized to collect any and all delinquent sanitary district taxes under this chapter.
