



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of February 23, 2008**

DATE: February 15, 2008

SUBJECT: Request to advertise a public hearing on a proposed sanitary district tax of \$.014 per \$100 of assessed real property value to pay for operating and capital costs necessary to upgrade and expand the County's stormwater drainage and sewer infrastructure.

C. M. RECOMMENDATION:

Advertise for a public hearing to be held on March 27, 2008, to amend Chapter 26 of the Code of Arlington County, Virginia, to impose a sanitary district tax rate in the amount of \$.014 per \$100 of assessed real property value.

ISSUE: As part of the regular budget process, authorization from the County Board is being requested to advertise a public hearing on a proposed sanitary district tax in the amount of \$.014 per \$100 of assessed real property value.

SUMMARY: The major flooding event in June 2006 highlighted the complex and costly challenges facing the County in managing stormwater runoff. The combination of aging stormwater drainage and sewerage infrastructure, the limited capacity of the existing drainage network, and increased state and federal regulatory pressures necessitate considerable long-term planning, maintenance, and expansion expenses. Department of Environmental Services staff has developed a 6-year stormwater funding strategy, which calls for roughly \$57.4 million in additional monies for stormwater management initiatives in fiscal years 2008 through 2014. Rather than continuing to fund stormwater needs solely through unrestricted general fund revenues, a dedicated revenue source, such as the proposed sanitary district tax, is recommended to ensure the future sustainability of the County's stormwater infrastructure and compliance with federal and state stormwater management requirements. The recommendations contained in this board report respond to the Board's deliberations during the March and April 2007 budget work sessions. At these sessions, the need for additional funding was recognized, but the Manager was asked to consider funding options and to revisit the issue of stormwater drainage and sewerage funding after FY 2008 budget adoption.

In December 2007, the County Board deferred action on establishing a sanitary district tax until Spring 2008, as part of the regular budget process. However, the Board did allocate funds from both the General Fund contingent and the Capital Improvement Fund to pay for immediate stormwater needs. It is proposed that revenue received from the imposition of a sanitary district

County Manager: _____

County Attorney: _____

Staff: Jon Altshul, Department of Management & Finance

tax in FY 2008 be used in part to reimburse the General Fund contingent and the Capital Improvement Fund for those expenses.

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.

The County’s stormwater system faces manifold pressures that require immediate attention. First, most of the drainage network was built between 1930 and 1955 and is now at the end of its useful life. Concrete pipes, which comprise the majority of the 366-mile system, have a useful life of between 50 and 75 years. The system also has approximately 11 miles of corrugated metal pipes and culverts, which have a useful life of less than 40 years.

In addition, most of the County’s existing stormwater drainage network was designed to handle a “10-year storm event,” or a storm with a 10 percent chance of occurring in any year. Larger storm events—such as the June 2006 flood, which generated flows equivalent to a 50-100 year storm event—overwhelm the system’s capacity and can cause substantial property damage as excess stormwater runoff flows overland. Moreover, many climate models predict that the frequency of heavy rainfall events will increase sharply as global temperature continue to rise, a trend that will continue to highlight the existing system’s obsolescence.

New state and federal regulations seeking to mitigate pollutants discharged through municipal stormwater systems into the Chesapeake Bay are also putting upward cost pressures on local jurisdictions. For example, the County’s next Municipal Separate Storm Sewer System (MS4) permit is expected to be reissued in 2008 by the Virginia Department of Conservation and Recreation. This permit will contain much stricter requirements for achieving water quality standards, water quality monitoring, reporting, pollution prevention, and illicit discharge detection and elimination, which will require the County to dedicate greater resources towards stormwater management.

County staff and the Stormwater Advisory Committee developed a stormwater management funding needs analysis in 2004. The current proposal is based on this analysis and recommends additional stormwater funding of \$3.8 million during the last 6 months of fiscal year 2008 and between \$8 million and \$10 million annually between fiscal years 2009 through 2014. These amounts are in addition to the roughly \$2.5 million that the County currently spends on various aspects of stormwater management. The table below shows recommended stormwater expenses, above the current baseline funding level, in fiscal years 2008 through 2014.

Expenses Identified in the Stormwater Management Funding Proposal, FY 2008-2014

Fiscal year	2008 (Jan-June)	2009	2010	2011	2012	2013	2014	Total, 2008-2014
Total additional	\$3,760,941	\$7,997,689	\$8,084,906	\$8,061,137	\$9,684,375	\$9,799,474	\$9,973,298	\$57,361,820

funding estimate								
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The \$3.8 million identified for the current fiscal year would allow DES to hire consulting services for the Stormwater Master Plan update, capitalize contingency funds, and hire additional staff for planning purposes. An updated Stormwater Master Plan will help prioritize needed stormwater projects throughout the County, and it is expected that other departments, including Parks, Recreation, and Cultural Resources, will provide substantial input into updating the plan. Large-scale capital activity is planned to begin in FY 2009.

DISCUSSION: The proposed sanitary district tax option is the most viable funding mechanism for stormwater management at this time. This type of tax is reasonably easy to administer, as it can be included in the semi-annual real estate bills, and is tax deductible. It would not apply to existing tax-exempt properties. Under the proposed arrangement, the average Arlington homeowner would pay roughly \$75 in new taxes per year.

A number of other Virginia jurisdictions use sanitary district taxes to finance a wide variety of activities. Fairfax, Henrico, and Prince William Counties all have one or more sanitary districts located within their boundaries, in which a sanitary district tax is levied for services ranging from leaf collection to street maintenance to the provision of street lights.

DES staff also considered other funding mechanisms for this purpose, including establishing a stormwater utility, an approach that has been adopted by roughly 500 communities nationwide. Under this arrangement, businesses and residents could be charged based on the amount of impervious surfaces on their property, a variable that approximates a property’s demand on the drainage system. However, there are substantial costs and effort necessary to modify the existing water and sewer billing system to accommodate this new charge, develop equitable credit and exemption policies, and undertake an extensive public education and outreach initiative, which could render a stormwater utility considerably more difficult to implement than the sanitary district tax.

In December 2007, the County Board allocated \$108,357 from the General Fund Contingent to the Stormwater Fund and reallocated \$1,148,225 within the Capital Improvement Fund for emergency stormwater system repairs and stormwater master plan development. A portion of the revenue received in FY 2008 from the proposed sanitary district tax would reimburse the General Fund Contingent and the Capital Improvement Fund for these expenses.

FISCAL IMPACT: If the County Board adopts a sanitary district tax rate of \$0.014 per \$100 of assessed value, approximately \$4.0 million would be generated in FY 2008 from the spring 2008 real estate bill and \$8.2 million would be generated in FY 2009. \$1,256,582 received in FY 2008 from the imposition of this tax shall be used to reimburse the General Fund Contingent and the Capital Improvement Fund for previously incurred expenses.

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, 2008,

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 as co-extensive with the boundaries of the County.

§ 26-13. Sanitary District Tax

- (a) There is hereby imposed a sanitary district tax of \$.014 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, 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.