

## Response to Questions on the FY 2013 Budget

**Request By:** Supervisor Frey

**Question:** Please provide a detailed discussion of the process and statutory authority of the FY 2010 stormwater fee institution.

**Response:** As part of the FY 2006 Adopted Budget Plan, the Board of Supervisors accepted and approved the County Executive's recommendation that the value of one penny of the real estate tax be dedicated on an annual basis to stormwater management projects. The Board noted in their Adoption Package, that the allocation of the equivalent of \$0.010 on the real estate tax rate was the most efficient, effective and immediate funding source available for this critical program. A new fund, Fund 318, Stormwater Management Program was established, and an amount of \$17.9 million, or the approximate value of one penny from the County's Real Estate tax, was appropriated. This funding was designated to protect public safety, preserve home values and support environmental mandates, such as those aimed at protecting the Chesapeake Bay and the water quality of other local waterways. Construction projects included: Stabilization of streams, rehabilitation and safety upgrades of dams, repair and replacement of underground pipe systems and surface channels, flood proofing structures, and state-of-the-art regional detention ponds.

In addition to funding provided in Fund 318, Stormwater Management Program, the General Fund supported Agency 29, Stormwater Management Division, within the Department of Public Works and Environmental Service, which provided staff and operational support for the Stormwater Program. In addition, Fund 316, Pro Rata Share Drainage Construction supplemented the Program based on contributions from developers received to support storm drainage capital projects in accordance with the Pro Rata Share Program approved by the Board of Supervisors on December 16, 1991. The Pro Rata Share Program continues to provide a funding source to correct drainage deficiencies by collecting a proportionate share of the total estimated cost of drainage improvements from the developers of the land. Pro Rata funds are used to finance projects within specific watershed areas.

Fund 318, Stormwater Management Program was the primary source of capital project support between FY 2006 and FY 2008, averaging approximately \$20 million per year. In FY 2009, due to budget constraints, staff and operating costs began to be charged to the stormwater penny fund, reducing the amount available for capital project work to approximately \$15 million.

As part of the FY 2010 Adopted Budget Plan, a new service district was created to support the Stormwater Management Program, as authorized by Va. Code Ann. Sections 15.2-2400. Below is an excerpt from the Code of Virginia:

*Code of Virginia § 15.2-2400. Creation of service districts.*

*Any locality may by ordinance, or any two or more localities may by concurrent ordinances, create service districts within the locality or localities in accordance with the provisions of this article. Service districts may be created to provide*

*additional, more complete or more timely services of government than are desired in the locality or localities as a whole.*

*Any locality seeking to create a service district shall have a public hearing prior to the creation of the service district. Notice of such hearing shall be published once a week for three consecutive weeks in a newspaper of general circulation within the locality, and the hearing shall be held no sooner than ten days after the date the second notice appears in the newspaper.*

The service district levy was approved at \$0.010 per \$100 of assessed real estate value, to provide for program implementation of capital projects as well as staff and operational costs. Research conducted at the time indicated that most jurisdictions had, or were proposing, stormwater fees or taxes to ensure a dedicated funding source to address both operation and capital project stormwater requirements. The service district tax was considered much less costly for the County to establish, administer and maintain than a stormwater utility. In addition, the service district tax is deductible from state and federal income tax, offsetting its impact to property owners.

The effective date of the new service district and tax rate was July 1, 2009. Therefore, during the service district's first year, taxpayers were billed only for the second half of calendar year 2009, generating an estimated \$10,250,000 for the stormwater program in FY 2010. In addition, based on project timelines and completion schedules, an amount of \$5 million which remained unexpended within Fund 318, Stormwater Management Program, at year end was transferred to Fund 125, Stormwater Services, to support capital project work during FY 2010

As part of the FY 2011 Adopted Budget Plan, the service district levy was increased from \$0.010 to \$0.015 per \$100 of assessed real estate value, which based on the value of the penny that year, resulted in \$16.6 million for capital projects. The FY 2013 Advertised Budget Plan includes a proposal to increase the rate from \$0.015 to \$0.025 which would result in a total amount of \$35 million for capital projects.

<b>Fiscal Year</b>	<b>Fund</b>	<b>Revenue</b>	<b>Capital Projects</b>
FY 2006	318 <i>(new)</i>	\$17,900,000	\$17,900,000
FY 2007	318	\$21,900,000	\$21,900,000
FY 2008	318	\$22,700,000	\$22,700,000
FY 2009	318	\$22,800,000	\$15,216,161
FY 2010	125 <i>(new)</i>	\$10,250,000	\$617,024*
FY 2011	125	\$28,000,000	\$16,613,024
FY 2012	125	\$28,800,000	\$17,029,468
FY 2013 Proposed	125	\$49,750,000	\$35,155,455

\*An additional \$5,325,000 was transferred to Fund 125 from Fund 318 as part of the *FY 2009 Carryover Review* to supplement capital project work in FY 2010.