



14-1290

**TITLE:** Discuss and Provide Recommendations Regarding the Surface Drainage Utility System Fee and Ordinance

**MEETING DATE:** December 15, 2014

**DEPARTMENT:** Development Services / Engineering

**CONTACT:** Michael Hebert, PE, CFM, CPESC, Assistant Director of Engineering

**RECOMMENDED CITY COUNCIL ACTION:**

- Authorize staff to begin the 30 day public notice period for the proposed Surface Drainage Utility System (SDUS) Ordinance amendments and fees based on the following:
  - Proposed rate per SFLUE for multi-family, commercial and industrial properties to be \$4.00.
  - Proposed Storm Water Management Credit Policy (to be presented to Council at the January 5, 2015 work session).

**ITEM SUMMARY:**

- At the December 1, 2014 meeting, City Council agreed to most of the recommendations of the Council Subcommittee on the SDUS fee and recommended proceeding to the 30-day public comment period with the following revisions:
  - Set the fee at \$4.00 per SFLUE (at 3,000 square feet per SFLUE).
  - Maintain a flat rate instead of a tiered rate at \$4.00 per single-family household per month.
  - Calculate multi-family properties similar to commercial and industrial properties based on impervious surface and not number of units.
  - Set an implementation date of February 1, 2015.
- Based on current timing, Staff recommends a delay of implementation of the revised ordinance to March 1, 2015.
- The only unresolved issues were to determine if a cap should be removed or kept in place on multi-family, commercial and industrial properties as

recommended by the Council Subcommittee, and should incentives/reductions be included for properties where storm water management best management practices (BMP's) are in place or added.

- At the December 1, 2014 meeting, City Council requested information on the impacts of the changes to the sites with the largest impact through removing the cap. This information is attached herewith.
- The City Attorney's Office reviewed the facts and State law requirements relative to surface drainage utility system fees and the ability to include incentives when a property owner adds BMP's to a site.
- This review led the City Attorney to concur with the recommendation of the subcommittee that removing the cap creates an equitable and non-discriminatory system, best meeting the requirements of State law.
  - State law requires that any drainage charges be directly related to drainage and be nondiscriminatory, equitable and reasonable.
  - The City Attorney has also added that a modification to the rate charged multi-family, commercial and industrial properties is possible because State law allows governing bodies to consider the land use being made of the property as well as the size, area, and topography of the land. Thus, it is possible to leave the multi-family/commercial/industrial rate at a lower value, say, for example, \$3.00 per SFLUE so long as the drainage charges are directly related to drainage and are nondiscriminatory, equitable and reasonable for every property within such land uses.
- The City Attorney concluded that incentives to property owners to create BMP's in excess of those improvements currently required by the City could be offered in the form of reduced SDUS fees or a credit or offset against such SDUS fees.
  - The City of Frisco is in the process of considering incentives for BMP's such as detention ponds, permanent structural controls and maintaining natural riparian corridors.
  - Staff has reviewed Frisco's proposed policy and is working to prepare a similar policy in keeping with McKinney's needs.

#### **BACKGROUND INFORMATION:**

- The City's storm water management ordinance was revised in September 2014 per the recommendations of the Storm Water Management Focus Group.
- These revisions included simplifying requirements in the ordinance to make development in McKinney less complicated and more predictable.
- The focus group also recommended increasing the surface drainage utility system (SDUS) fee, acknowledging that some of the changes will create impacts on McKinney's drainage system.
- The focus group recommended increasing the SDUS fee to an average of approximately \$5.00 per home and creating a tiered system based on lot impervious area.
- City Council created a subcommittee to work with City Staff in order to further review the recommendations of the focus group and provide recommendations on the best method of amending the SDUS fee.

- Three meetings were held, attempting to best determine the cost of service and how to assess the costs.
  - Staff utilized one of the most heavily improved creeks, Jeans Creek, as a basis for determining a high-end scenario for costs.
  - Jeans Creek is a high-end scenario since most of the drainage basin was developed prior to detention and an erosion hazard setback easement being required.
  - Based on the improvements done to Jeans Creek to date, costs are approximately \$1.4 million per stream mile.
  - Making several assumptions, this translates to an SDUS fee of approximately \$13.00 per month per SFLUE with caps in place.
- This scenario is beyond the requirements that will likely be necessary with the current regulations. Recognizing this, the subcommittee, working with Staff, is recommending an initial increase of the SDUS fee to \$4.00 per SFLUE.
- The subcommittee recommended requiring a review of this fee at least every five years to increase/decrease the fee based on actual use of funds.
- The subcommittee recommended that the cap on commercial/industrial properties be lifted, recognizing their impact on the system similar to that for all other types of properties.
- The subcommittee recommended that multi-family properties pay based on their impervious surface instead of the number of units.
- Staff reviewed the average impervious surface per single-family dwelling. The average amount will be approximately 3,000 square feet.

#### **FINANCIAL SUMMARY:**

- Previously recommended fees are as follows:
  - Single-family residential properties: \$4.00 per month, generating approximately \$2.1 million per year.
  - Multi-family, commercial and industrial properties: \$4.00 per month for every 3,000 square feet of impervious surface. Commercial/industrial fees would generate approximately \$1.7 million per year, and multi-family fees would generate approximately \$0.3 million per year.
  - No cap is recommended for multi-family, commercial and industrial properties.
- Total estimated revenues per the above recommendations are \$4.1 million per year without credits and if the commercial rates are held at \$4.00 per SFLUE.
- Reductions in revenues will occur due to credits given for the proposed Storm Water Credit Policy and if the commercial/multi-family rate is set less than \$4.00 per SFLUE.

#### **BOARD OR COMMISSION RECOMMENDATION:**

- N/A

#### **SUPPORTING MATERIALS:**

[PowerPoint Presentation](#)  
[Non-SF Parcels Exceeding \\$500 Fee](#)  
[Summary and Comparison of Rates](#)  
[Draft Ordinance - Redline](#)  
[Draft Ordinance](#)  
[Comparison Large Commercial](#)  
[SDUS Discussions with Businesses](#)