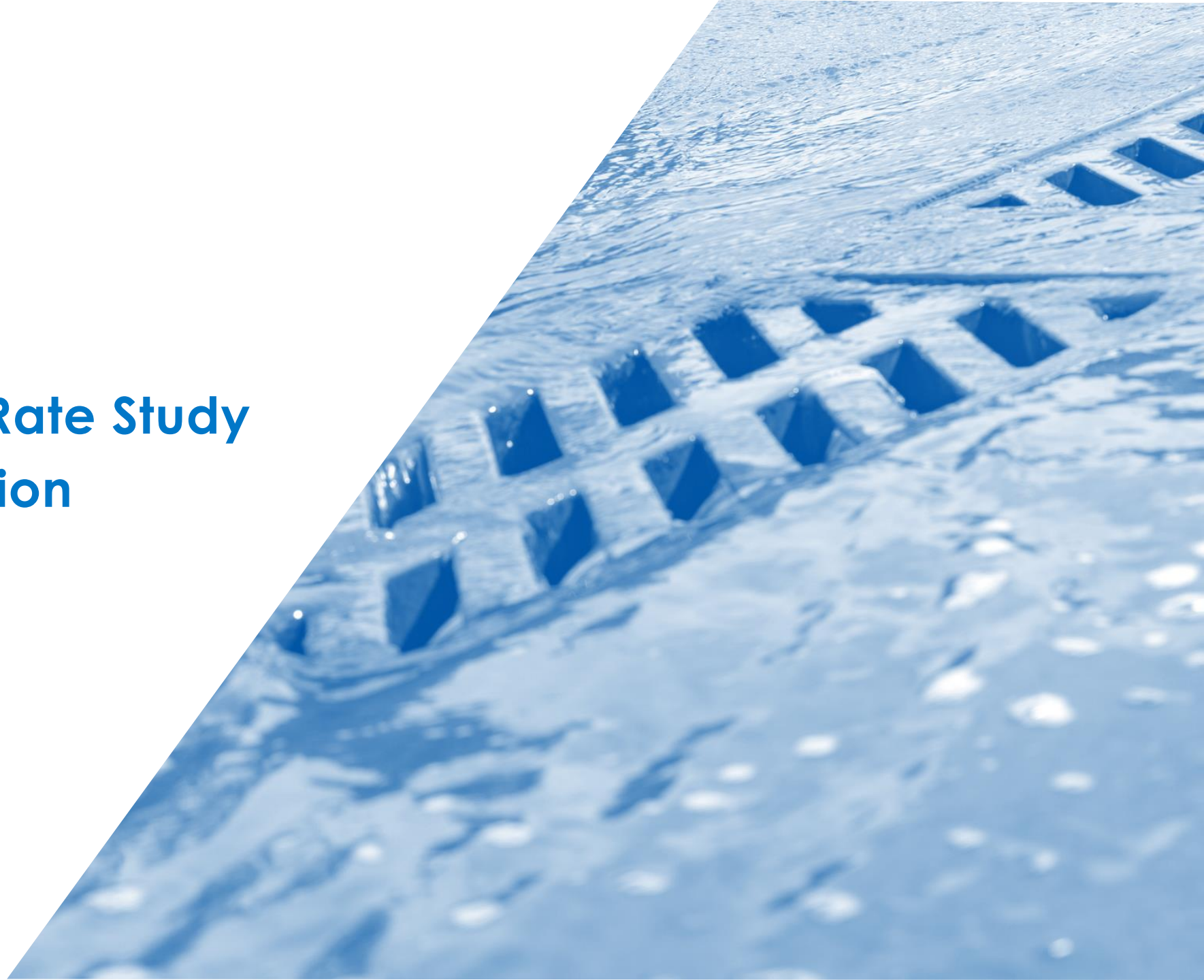
City of Bellaire

2024 Stormwater Rate Study Council Presentation

May 2024

WILLDAN



Agenda

City of Bellaire

- BACKGROUND ON STORMWATER MANAGEMENT AND UTILITIES
- STORMWATER FEE CALCULATION METHODOLOGY
- STORMWATER PROPOSED RATE PLAN
- PRESENTATION SUMMARY

PRELIMINARY & SUBJECT TO CHANGE

BACKGROUND ON STORMWATER UTILITIES

Facts about Stormwater Management

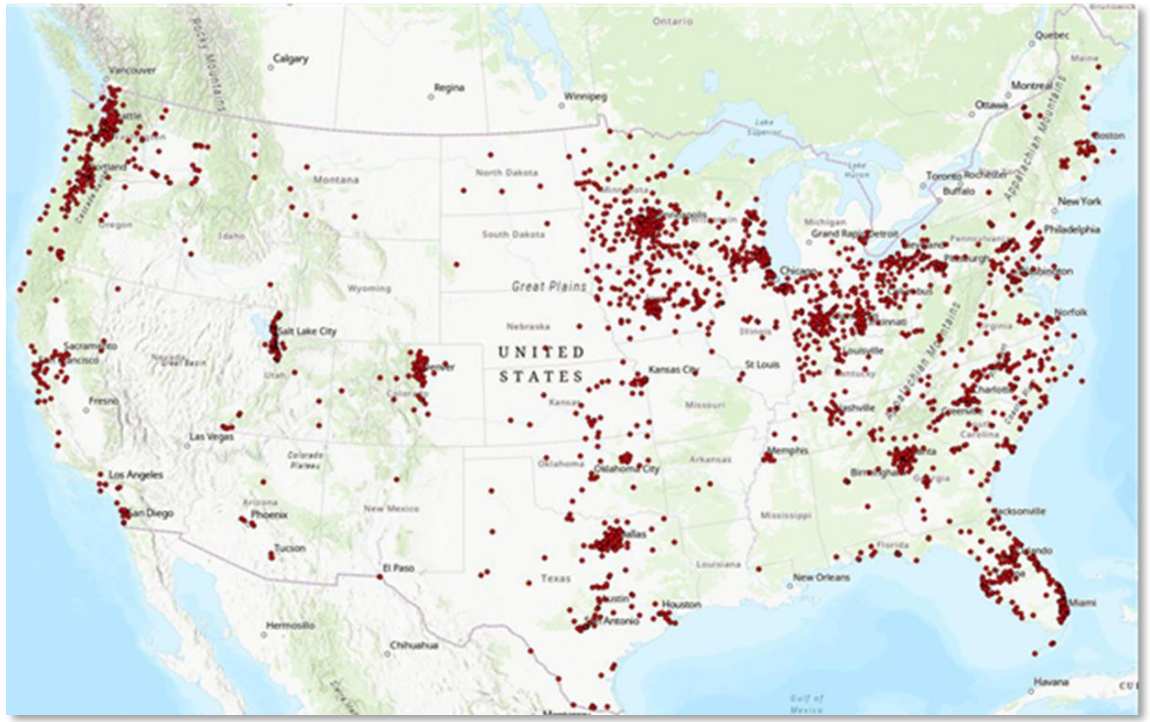
City of Bellaire

- Urbanization and development has a significant impact how water moves after storm events
- EPA has issued regulations requiring cities to create and implement comprehensive stormwater management plans
- These regulations and increasing urbanization have led to higher stormwater-related costs
- In the past, cities have mostly absorbed stormwater costs in utility and general funds
- As costs continue to rise and restrictions on general revenues tighten, cities are increasingly establishing separate utilities to finance and manage stormwater operations

Facts about Stormwater Utilities

City of Bellaire

- The latest Stormwater Utility Survey conducted in 2023 by Western Kentucky University identified over two thousand stormwater utilities (SWUs) located in 42 U.S. states and DC
- Most SWUs are located in Minnesota, Florida, Texas, Pacific Northwest and Upper Midwest
- 11 states have 100 or more SWUs
- Monthly fees range from $0 to $45 (for residential rate payers)
- Average monthly single-family residential fee is $6.06



Source: Western Kentucky University | 2023

Bellaire Stormwater Background

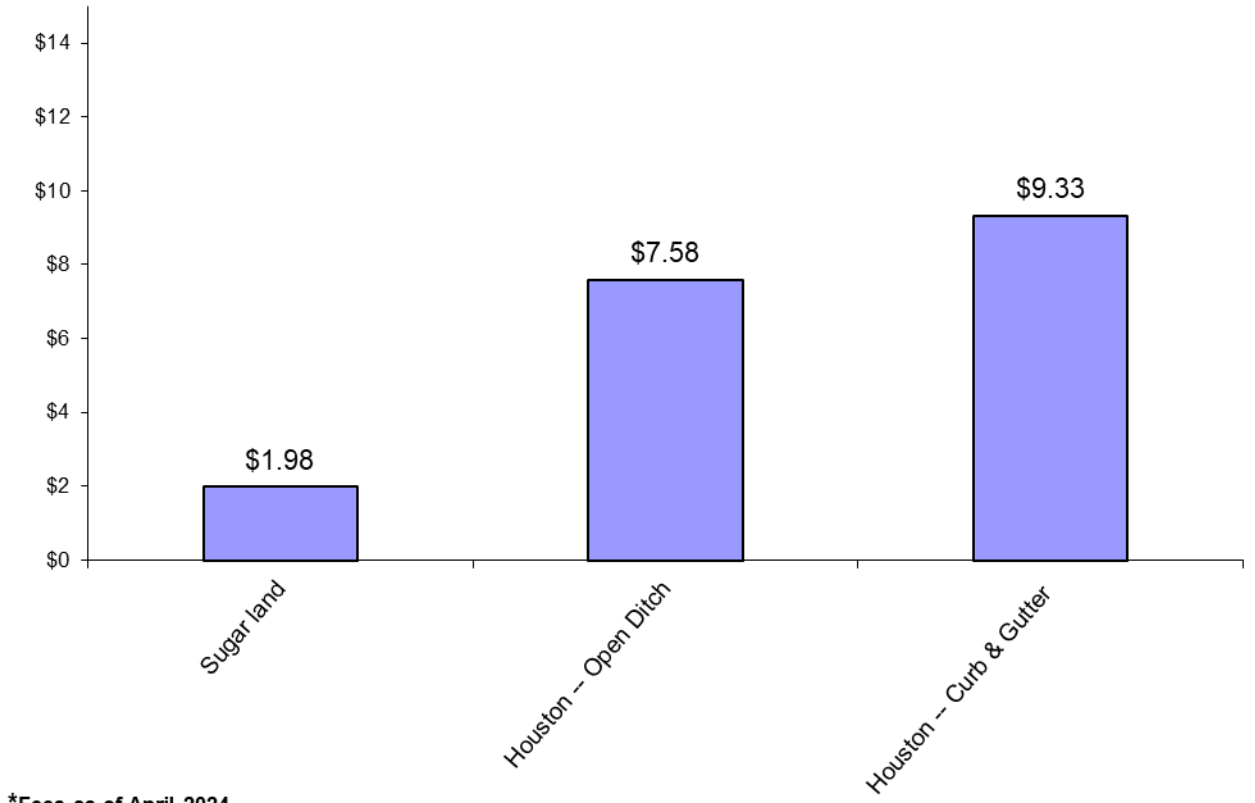
City of Bellaire

- Currently, the City doesn't have a Drainage utility (PW department is managing drainage projects)
- Over 95% of properties in Bellaire are at risk of flooding*
- City Staff has identified up to **$9** million of stormwater capital improvements to address flooding issues and improve drainage systems in the City (CIP project DR2202 - Regional Drainage Program).
- Combination of above factors results in need to create a Drainage utility and implement a new long-term drainage fee rate plan

Source: riskfactor.com

Stormwater Rate Comparison

City of Bellaire



*Fees as of April 2024

* Based on a single residence with ISA of 3,500 sq. ft.

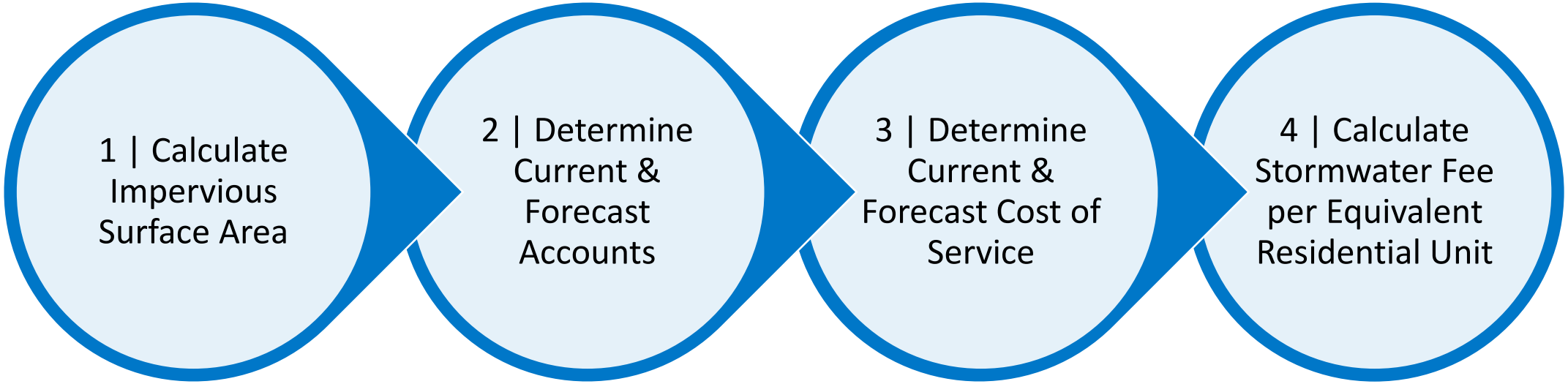
**** No Stormwater fee data was found for other neighboring cities**

PRELIMINARY & SUBJECT TO CHANGE

STUDY METHODOLOGY

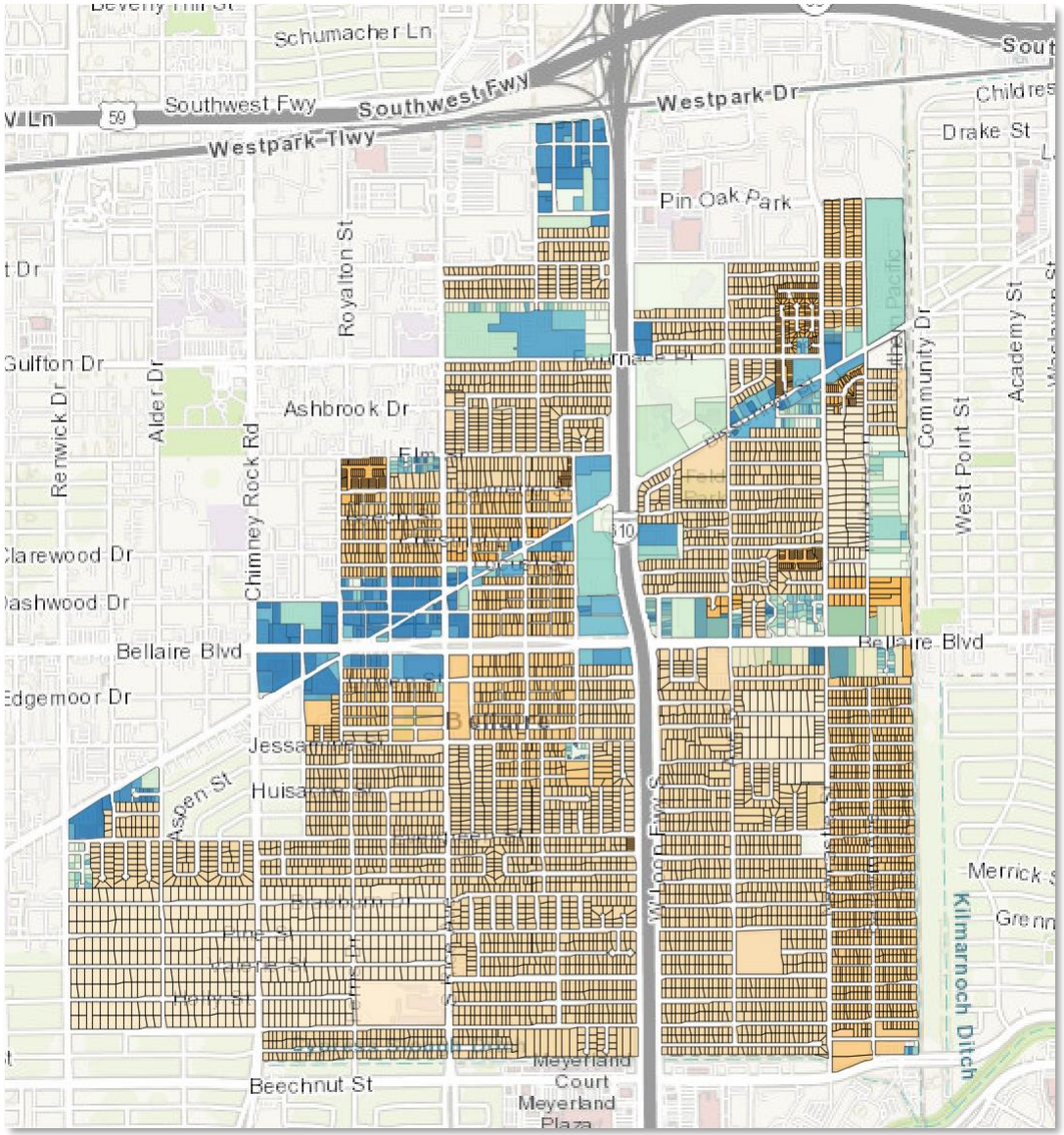
Stormwater Fee Calculation Methodology

City of Bellaire



Impervious Surface Area Calculation

City of Bellaire



Total Residential accounts: 6,189

Total Non-Residential accounts: 308

Project team estimates that the number of accounts will remain relatively constant over the forecast period.

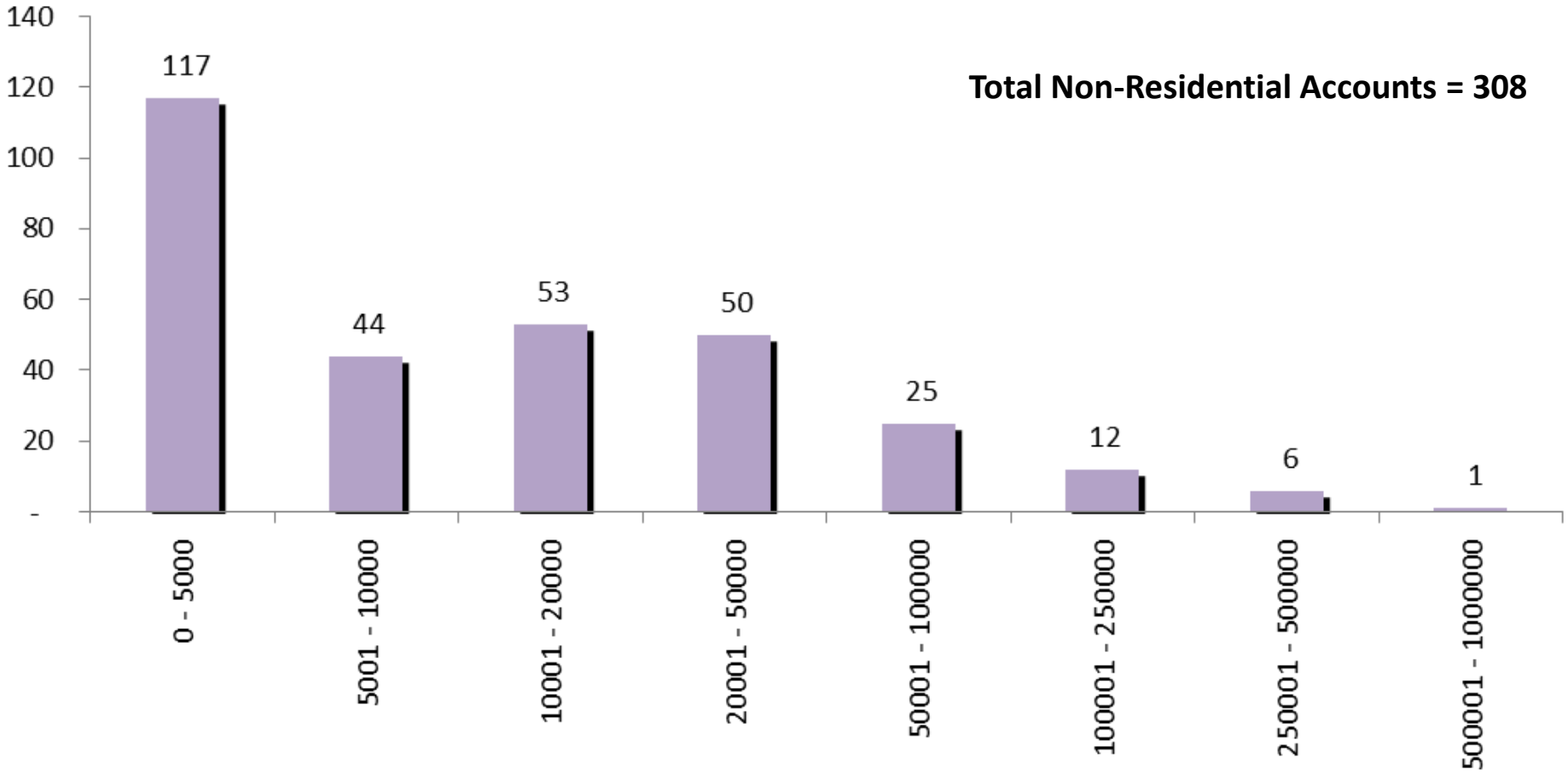
Top 6 largest non-residential customers by ISA (250k+ sq. ft.) :

1. **CenterPoint Energy**
2. **SLS Properties**
3. **Episcopal High School**
4. **Houston ISD**
5. **CCI Bellaire (aka. Capital Commercial Investments, Inc.)**
6. **Protestant Episcopal Church**

PRELIMINARY & SUBJECT TO CHANGE

Impervious Surface Area (ISA) in sq. ft.

City of Bellaire

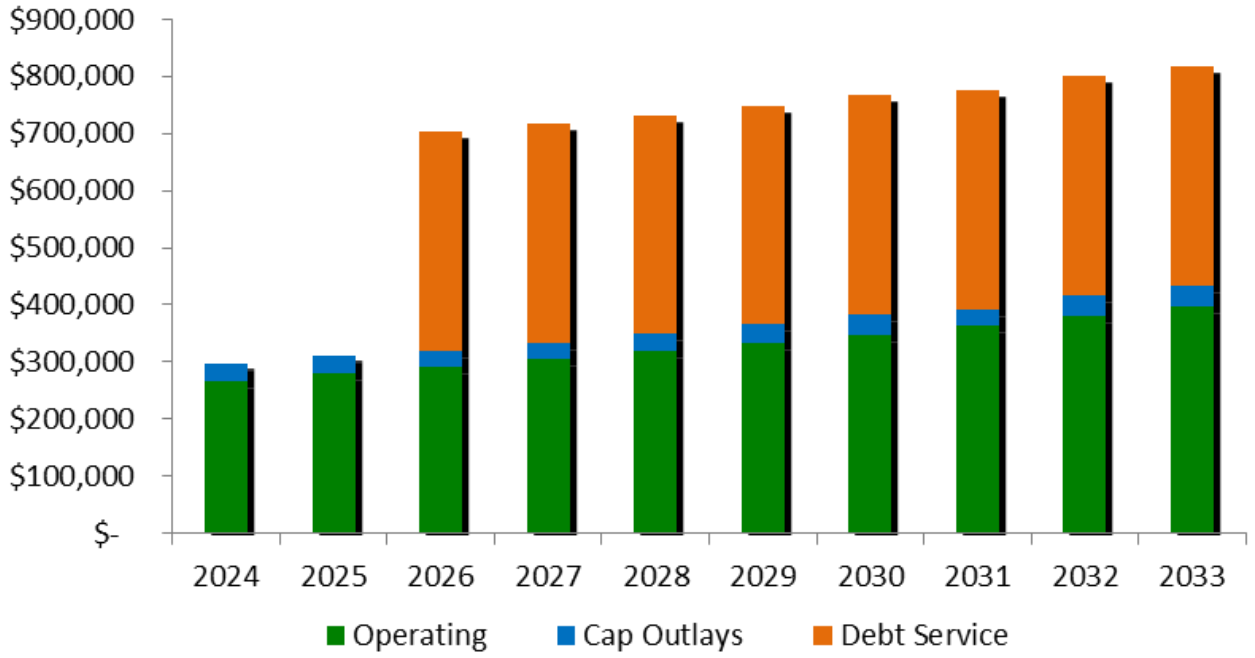


Total Non-Residential Accounts = 308

PRELIMINARY & SUBJECT TO CHANGE

Forecast Cost of Service

City of Bellaire



20% of PW Budget is allocated to Drainage Utility (this number is highly preliminary)

Operating and personnel expenses are forecast to increase 3-5% per year (some expenses are increasing at a higher rate than others)

City is expected to fund $9 million in stormwater capital improvement projects (CIP) (this number is subject to change pending stormwater study results)

Founding Sources: $3M from GF and $6M with new debt in FY2025. The debt will have a 25-year term and 4.0% APR

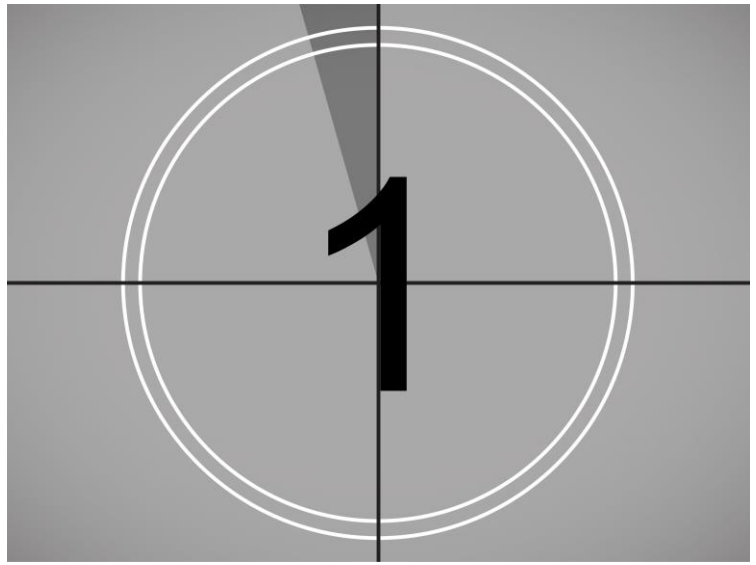
PRELIMINARY & SUBJECT TO CHANGE

STORMWATER PROPOSED RATE PLANS

Notes on Proposed Rate Plan – O&M Plan

City of Bellaire

- Generates sufficient revenue to fund only O&M expenditures and Capital Outlays of the Drainage Facility
- 5-year rate plan with adjustments assumed to be effective October 1st of each year
- Assumes a flat rate for Residential customers and Tier-based rate structure for Non-Residential
- Tier structure is based on the Impervious Surface Area (ISA) in sq. ft.



Recommended Monthly Fees – O&M Plan

City of Bellaire

		Current	2025	2026	2027	2028	2029
Stormwater Monthly Fees							
Residential		$ -	$ 4.00	$ 4.25	$ 4.50	$ 4.75	$ 5.00
Non-Residential							
-	10,000	$ -	$ 4.00	$ 4.25	$ 4.50	$ 4.75	$ 5.00
10,001	50,000	-	4.80	10.20	16.20	22.80	30.00
50,001	100,000	-	12.00	25.50	40.50	57.00	75.00
100,001	250,000	-	28.00	59.50	94.50	133.00	175.00
250,001	500,000	-	56.00	119.00	189.00	266.00	350.00
500,001	Above	-	120.00	255.00	405.00	570.00	750.00

A new fee structure with fixed rates for Residential customers and tier-based rates for Non-Residential customers based on the average imperious surface area (ISA)

Net Revenue Forecast – O&M Plan

City of Bellaire

	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues	$ 323,328	$ 357,420	$ 396,442	$ 437,463	$ 480,481	$ 506,267	$ 530,471	$ 554,675	$ 578,879
Less Cost of Service									
Operating Costs	279,174	292,382	305,439	319,102	333,401	348,364	364,024	380,415	397,571
Capital Outlays	30,760	27,031	27,553	29,345	31,826	34,877	28,242	36,002	36,564
Debt Service	-	-	-	-	-	-	-	-	-
Total Cost of Service	309,934	319,413	332,992	348,448	365,226	383,241	392,267	416,417	434,135
Net Revenues	**13,394**	**38,007**	**63,450**	**89,015**	**115,255**	**123,026**	**138,204**	**138,258**	**144,744**
	4.1%	10.6%	16.0%	20.3%	24.0%	24.3%	26.1%	24.9%	25.0%
Drainage Fund Balance	**13,394**	**51,401**	**114,851**	**203,866**	**319,121**	**442,147**	**580,351**	**718,609**	**863,353**

The proposed rate plan fully funds O&M Expenditures and Capital Outlays

Notes on Proposed Rate Plan – CIP Plan

City of Bellaire

- In addition to the revenue required for O&M expenditures and Capital Outlays, generates additional revenue to fund the debt service
- Allows the City to issue up to **$6M** in new debt to fund Stormwater CIP
- Requires significantly higher base rates, may create the shock among customers
- This rate plan also assumes a flat rate for all Residential customers and Tier-based rates for Non-Residential
- Tier structure is based on the Impervious Surface Area (ISA) in sq. ft.

Recommended Monthly Fees – CIP Plan

City of Bellaire

		Current	2025	2026	2027	2028	2029
Stormwater Monthly Fees							
Residential		$ -	$ 6.00	$ 7.00	$ 8.00	$ 9.00	$ 9.50
Non-Residential							
-	10,000	$ -	$ 6.00	$ 7.00	$ 8.00	$ 9.00	$ 9.50
10,001	50,000	-	7.20	16.80	28.80	43.20	57.00
50,001	100,000	-	18.00	42.00	72.00	108.00	142.50
100,001	250,000	-	42.00	98.00	168.00	252.00	332.50
250,001	500,000	-	84.00	196.00	336.00	504.00	665.00
500,001	Above	-	180.00	420.00	720.00	1,080.00	1,425.00

A new fee structure with fixed rates for Residential customers and tier-based rates for Non-Residential customers based on the average imperious surface area (ISA)

Net Revenue Forecast – CIP Plan

City of Bellaire

	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues	$ 484,992	$ 584,729	$ 700,859	$ 824,981	$ 912,721	$ 919,752	$ 919,752	$ 919,752	$ 919,752
Less Cost of Service									
Operating Costs	279,174	292,382	305,439	319,102	333,401	348,364	364,024	380,415	397,571
Capital Outlays	30,760	27,031	27,553	29,345	31,826	34,877	28,242	36,002	36,564
Debt Service	-	384,072	384,072	384,072	384,072	384,072	384,072	384,072	384,072
Total Cost of Service	309,934	703,485	717,064	732,520	749,298	767,313	776,338	800,489	818,207
Net Revenues	**175,058**	**(118,756)**	**(16,205)**	**92,461**	**163,423**	**152,439**	**143,414**	**119,263**	**101,545**
	36.1%	-20.3%	-2.3%	11.2%	17.9%	16.6%	15.6%	13.0%	11.0%
Drainage Fund Balance	**175,058**	**56,302**	**40,097**	**132,559**	**295,982**	**448,421**	**591,835**	**711,098**	**812,643**

The proposed rate plan fully funds O&M Expenditures, Capital Outlays and New Debt Service

PRELIMINARY & SUBJECT TO CHANGE

SUMMARY

Presentation Summary

City of Bellaire

- Increasing stormwater costs are a result of urbanization and compliance with EPA regulations
- Rate plan implementation is required to ensure that drainage utility recovers its cost of service
- Drainage fees should be reviewed next year after collecting 12-months of COS data for drainage utility

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QUESTIONS & DISCUSSION