



February 1, 2017

Testimony on the Vermont State Treasurer's Clean Water Report

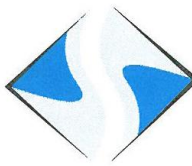
Prepared by Tom DiPietro, City of South Burlington, Deputy Director of Public Works & Stormwater Superintendent, for the House Committee on Natural Resources, Fish and Wildlife

I would like to thank the committee for the opportunity to provide comment on the State Treasurer's recent Clean Water Report (dated 1/15/17). I have had a chance to review this report and would first like to state that Treasurer Pearce and her staff did an admirable job in its preparation. This is a complex topic, with large implications for the State of Vermont. Much of our identity as a State and our State's economic livelihood is tied to a clean environment. Due to this fact, it is imperative that we work together to find a way to fund the water quality work that is required of us by the Lake Champlain TMDL and Vermont Act 64 of 2015. Treasurer Pearce approached this important task with an open mind and led a robust public participation process to gather input for this report. She and her staff deserve to be commended for their efforts.

The report indicates that Vermont's 20-year clean water compliance costs are \$2.3 billion. Once revenues are removed, the total gap in funding is \$1.3 billion, which is roughly \$62.4 million per year over the 20-year period. These are large numbers. If the State of Vermont is truly going to address clean water issues then we will have no choice but to come up with a new funding source to pay for this work. One of the ideas that is proffered in the report is the creation of local, regional, or statewide stormwater utilities.

The City of South Burlington established Vermont's first Stormwater Utility (SWU) in 2003. Since that time, we have undertaken efforts to educate the public on the impacts of uncontrolled stormwater runoff, construct capital projects to address existing stormwater runoff issues, maintain existing stormwater drainage and treatment infrastructure, and complete other water quality related tasks intended to maintain compliance with the City's Municipal Separate Storm Sewer System (MS4) permit. We are able to fund this important initiative because the governing City ordinance establishes a stormwater fee that is charged to all developed property in South Burlington. Currently, all single family residential properties in the City pay a monthly stormwater fee of \$6.54. Non-single-family-residential properties (e.g. commercial properties) are assessed based on the amount of impervious surface located on the parcel. The City collects about \$1.8 million in revenue each year from this fee. These stormwater fees are billed to property owners quarterly using the water and wastewater invoicing system that was already in place when the SWU was created.

It is due to our experience with SWU development and management, as well as our experience constructing water quality improvement projects, that I would like to offer the following comments on the Clean Water Report:



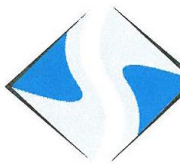
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1. We support a statewide approach to raising the funds necessary to pay for the work required by Vermont Act 64 and the Lake Champlain Phosphorus TMDL.
2. The report suggests that Vermont reprioritize existing general obligation bonds so that they can be used for water quality. This would have the effect of “jump starting” water quality work by providing \$15 million in water quality funding each year for the next two years. We strongly support this recommendation. The report also suggests extending the clean water surcharge on property transfers for an additional year. We also support this recommendation.
3. There should be a strong nexus between how funding is raised for water quality work and how pollution is generated. To this end, when evaluating how to share these costs within the “developed land” category there is a clear connection between the amount of impervious surface located on the property and the amount of pollution generated by that property. That same nexus may not be true for agricultural properties. In addition, utilizing a “flat fee per parcel” billing system would lack this nexus, be very inequitable in the eyes of smaller single family properties, and could make the system susceptible to legal challenge. This would be true even if the system was only instituted for a short term, or interim basis (as suggested on page 67 of the report).
4. We believe that the report is correct in estimating that it will take at least two years to develop an impervious area based billing database and invoicing system for the State of Vermont. These are the core tasks related to development of a SWU and in order to complete them it will require significant effort including, but not limited to, a robust public outreach process, the collection and processing of parcel and impervious area data on a statewide scale, and development of an invoicing and accounting system.
5. Once a SWU is created there continues to be a significant amount of administrative work necessary to manage the SWU on an ongoing basis. This includes, but is not limited to, management of the billing database, review of impervious measurements and fee calculations, collection and processing of payments, and review of stormwater fee credit requests (assuming a credit system is put in place). A table on page 66 of the report compares the administrative burden of managing possible fee structures. It simply lists the administrative burden for an impervious area parcel fee system as “harder” to administer than other potential fee structures. I recommend that these administrative costs be considered in more detail if this recommendation is moved forward. We will want to look at the preferred fee structures and ensure that administrative costs are appropriately removed from the revenue estimates provided.
6. Many of the figures in the report (pages 72, 74, 75 and 77) indicate “Revenue Sources, e.g. parcel or impervious cover fee”, but the manner in which this fee would be collected is not discussed in the report. I believe that the State of Vermont should support and incentivize the creation of SWUs at the local level, but at the same time we need to recognize that this is not a “one size fits all” approach. The majority of municipalities will be unable and unwilling to take on the task of creating and managing a utility. This resistance should not be misinterpreted as municipalities not wanting to participate in the solution or not doing their part to support the State’s “all in” approach. This resistance will be based on practical concerns regarding the time and effort it would take Vermont’s 246 municipalities to develop and manage these entities individually. It seems clear that a regional or statewide entity would be able to achieve significant efficiencies in this regard. In recognition of this fact, the State of Vermont should also support and incentivize the creation of regional SWUs. Ultimately, if establishment of SWUs statewide is determined to be the preferred method for raising money for water quality then the State of Vermont will need to



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develop a method for the establishment and management of fees in those towns that do not have local utilities and are not part of a regional SWU.

7. If statewide or regional SWUs are developed they should exempt municipalities that have already established local stormwater fees and programs. Failure to do this would result in “double charging” and harm the effectiveness of the local utilities. Currently, all property owners in South Burlington pay a stormwater fee to the City. Many also pay an annual stormwater permit fee to Vermont DEC. If relief from a new statewide or regional fee is not provided at the state or regional level, it would be demanded at the local level. This would reduce resources from those municipalities that are actively working to address water quality issues and be counterproductive to our goal of improved water quality.
8. Water quality funding collected on a statewide basis should be spent so that it provides funding to address water quality issues in a cost effective way. Use of funding collected via a statewide entity should not be restricted to the municipality where it was generated. Instead, these funds should be allocated to projects that will be the most cost effective in addressing known water quality impairments throughout the state, or region.
9. It should be reiterated that loans, specifically the Clean Water State Revolving Funding (CWSRF) are not revenue sources. The actual revenue source for these loans is already generated at the municipal level via taxes or utility fees.
10. Cost estimates utilized in the report do not include the ongoing cost of maintenance for the new water quality infrastructure that will be constructed. The cost of this ongoing maintenance will likely fall to the municipalities where the projects are located. I recommend that an estimate for ongoing maintenance costs be developed so that we can evaluate the full cost of this work over the proposed 20 year (and beyond) timeline. In addition, since it will fall to municipalities to maintain this infrastructure in perpetuity it is reasonable for the State to cost share up to 80% of the capital costs for this work through an expanded Clean Water Fund.
11. The report provides four options for administering an expanded Clean Water Fund. It is our opinion that option 1 is the most straight forward, effective, and reliable option. Therefore, it is our preferred alternative with one caveat. The description of this option in the table on page 70 of the report includes a “state utility” in addition to local or regional utilities. This phrase is missing from the figure describing this option on page 72. Per comment #6 above, it must be clear that municipalities can participate in a SWU or stormwater district at the statewide, regional, or local level.

Thank you for the opportunity to provide comment on the State Treasurer’s Clean Water Report. Please contact me if you have any questions, or if you would like to discuss other items related to this topic not covered above. I can be reached at (802) 658-7961 x6108 or tdipietro@sburl.com.