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Stormwater fee options abound

By Reggie Ponder
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Pasquotank County officials remain stymied by a basic conundrum: What is the fairest way to raise funds for stormwater management projects?

Although the county commissioners learned a great deal about stormwater funding options last week from a presentation by Jeff Hughes, an expert from the School of Government at the University of North Carolina at Chapel Hill, the fairness issue is persistently puzzling.

For instance, is it fairer to tax all the county's property owners for stormwater projects, or just those in the watershed area where the work is done?

Individual commissioners offer competing arguments for both approaches. And Hughes' presentation introduced even more questions, as he described other options such as fees and fines.

Hughes told the commissioners that property tax is the most common way local governments in the state pay for stormwater work. While some have special tax districts within the county based on the work that needs to be done, most simply pay for all stormwater projects out of the countywide property tax levy.

Pasquotank already has identified the watershed areas in the county and has begun a process of establishing special tax districts by watershed. But the plan hit a snag of sorts last year when the Knobbs Creek stormwater tax district was established but opposition to the special watershed tax was so intense the commissioners opted not to levy the tax at this time.

At the commissioners' special meeting Wednesday on stormwater funding options, Board Chairman Marshall Stevenson pointed out people in the Weeksville area don't believe it's fair to be taxed for stormwater work in the Knobbs Creek basin at the center of the county.

But Commissioner Matt Wood said there are other ways of looking at it.

Wood said the water quality in the Pasquotank River affects everybody in the county. Just because the biggest problems are in the Knobbs Creek area doesn't mean all the benefits of solving those problems are in one location, he said.

Commissioner Cecil Perry made a similar point. He sketched a scenario in which an ambulance was trying to get from a remote area of the county to the hospital. If flooding hampered the ambulance's travel, then that flooding would affect the person in the ambulance regardless of whether or not that person lived in the watershed area where the flooding occurred.

Of course, Hughes explained stormwater projects can be funded by other means than property taxes. Other methods include stormwater fees; fines and penalties; and assessments.

Stormwater fees are the "new kid on the block," Hughes said. Stormwater utility fees are service-based, rather than property-based, so local governments have some freedom to be creative in how the fee is charged, Hughes said.

By contrast, he said, property tax is calculated based on the tax valuation of property — there's no other way it can be done.

But stormwater fees can be charged to nonprofits, which are exempt from property taxes, and can be assessed based on factors the county wants to consider.

Some fees factor in property type, use or size; impervious surface area; drainage characteristics; or other items.

There are 49 local governments in North Carolina that charge stormwater fees, Hughes said. Most are municipalities.

As an example of how a fee can work differently from a tax, Hughes cited a \$300,000 house in a particular location where the fee is \$54 a year. If the house were being assessed on a property tax basis that had been proposed, the cost to that same homeowner would be \$174 a year.

He also mentioned that the Durham Bulls ballpark pays no property tax but pays more than \$3,000 a year under the stormwater fee structure in Durham.

Hughes said a local government can "mix and match" factors in setting the fees. Pasquotank Stormwater Chairman Bill Trueblood predicted "it's going to be labor intensive to come up with all these numbers" under a fee structure.

But Hughes said he recommends not being too complicated with the formula for the fee.

Hughes said another option is fee and tax both — "a hybrid."

The county needs to take into consideration both who causes the problems and who benefits, he said.

He said the county also could raise stormwater funds through an impact fee on new development.

Stevenson asked if one district could not have a fee at all, while others do.

Hughes said he recommends some fee be charged everywhere, but added it can be higher in a district that needs more work.

Hughes said establishing a stormwater tax district is more expensive upfront because of the cost of sending out notices to property owners. But taxes could be less expensive than fees to collection from year to year.

In response to a question from Stevenson, Hughes said the Federal Emergency Management Agency (FEMA) would deal directly with the county whether the county established tax districts, fee districts, or no districts at all.

But either a fee district or a tax district would allow the county to cost-share with FEMA using just the affected district, Hughes said.

Hughes also said in the case of smaller projects that affect a limited number of properties, the cost can be directly assessed to just those property owners that benefit.

He said other counties and cities weigh similar issues as Pasquotank.

Stevenson asked Hughes about the fairness of a district system compared with a countywide tax or fee.

Hughes said if county officials only want contributions from one subset of the county, then a district could work.

"The fairness is really a political issue or a local issue," Hughes said.

One idea is "everybody gets their fair share over time," Hughes said.

But in other cases, it's clear one area is always going to need more service than other areas, he said.

A rule of thumb is that if various stormwater projects will help all areas over 10 years, then a countywide tax or fee should seem fair, Hughes said.

But if the county is only going to invest in one area, then a district might be the fairest way, he said.

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