

Keeping the Clean Rivers Impervious Area Charge (CRIAC) Affordable & Equitable

Nine Strategies for Managing the CRIAC's Cost Burden While
Ensuring the Clean Rivers Project's Financial Viability

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COUNCIL of the DISTRICT of COLUMBIA
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This report provides Council with nine policy solutions to address the affordability and equity of rising CRIAC rates

Policy Options:

1. Extend the CRIAC Residential and Nonprofit Relief Programs
2. Alter the rate structure to include a volumetric component
3. Subject public roads, alleys, and sidewalks to the CRIAC
4. Incentivize green solutions by increasing the value of the CRIAC Incentive Program
5. Reduce or eliminate D.C. government's pass-through fees
6. Ensure that all jurisdictions in the Blue Plains Intermunicipal Agreement pay their fair share
7. Lobby Congress to enhance the federal contribution
8. Re-examine D.C. Water's governance structure
9. Amend the terms of the Consent Decree

The report was prepared by the Office of the Budget Director at the request of Chairman Phil Mendelson and Councilmember Mary Cheh

Combined Sewer Overflow (CSO): A hazardous mixture of wastewater and stormwater that spills out of a combined sewer system (CSS) during rainstorms and flows into nearby waterways.

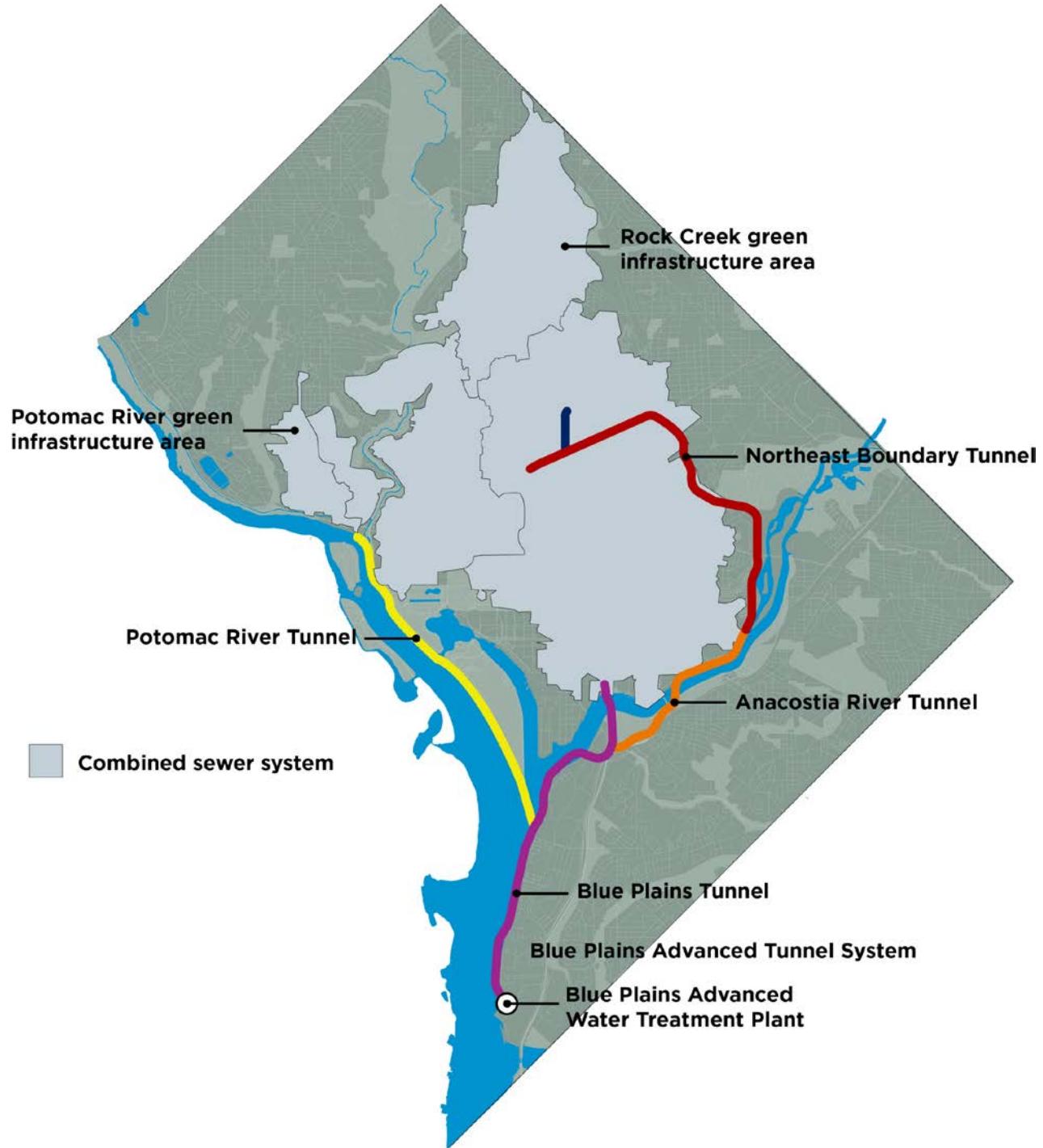
Consent Decree: The 2005 legal settlement with the EPA and advocacy groups which mandates that the District and D.C. Water reduce 96% of CSO by 2030. D.C. Water has to spend \$3.15 billion plus debt service on capital projects to comply.

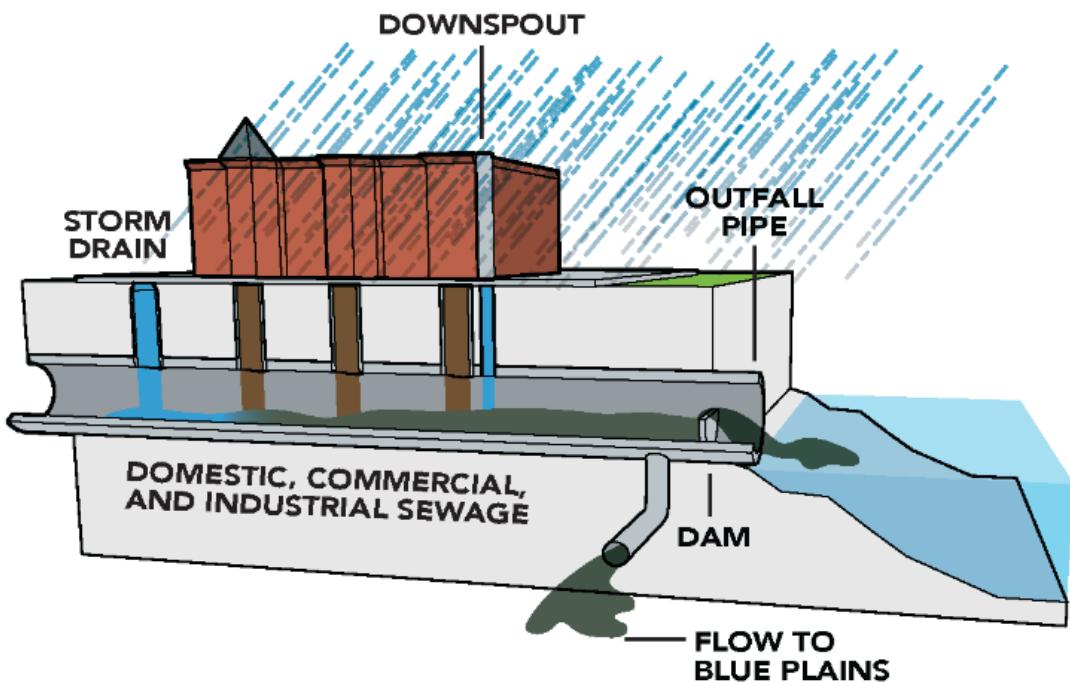
Clean Rivers Project: D.C. Water's infrastructure program to comply with the Consent Decree. It includes a system of underground storage and conveyance tunnels and a number of other upgrades and expansions that will reduce CSO.

Clean Rivers Impervious Area Charge (CRIAC): A fee that D.C. Water assesses on properties in the District which create stormwater runoff.

Key Terms

Map of the Clean Rivers Project

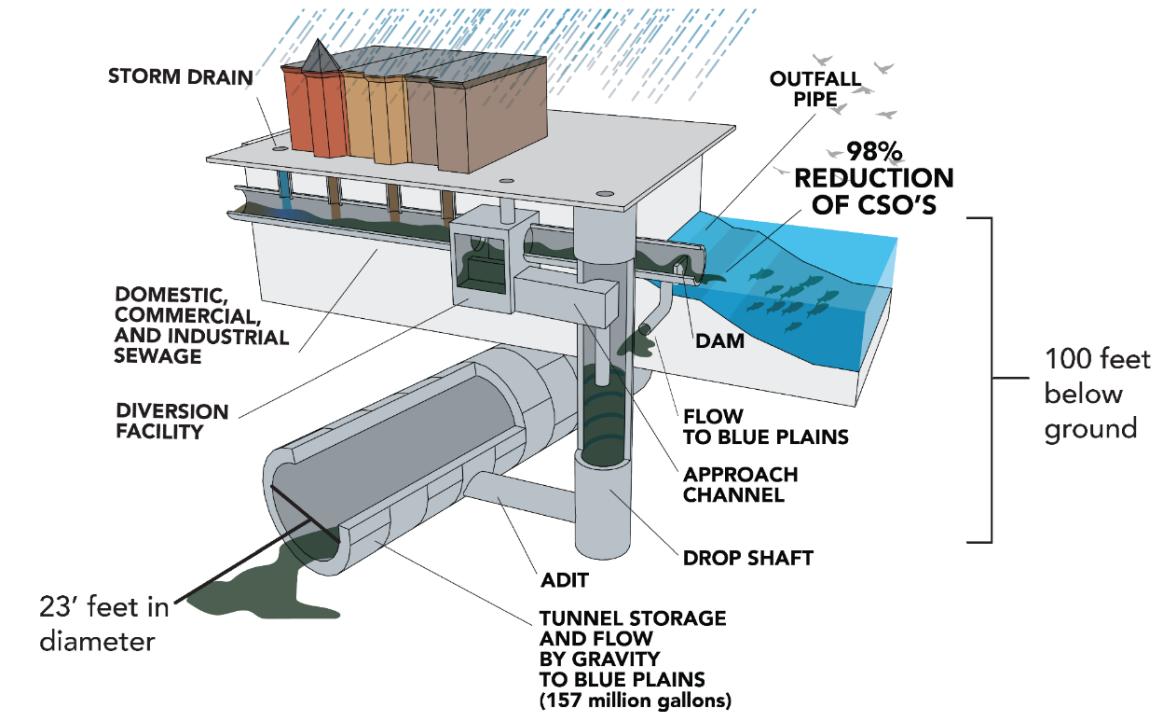




**COMBINED SEWER DURING
RAINY CONDITIONS**

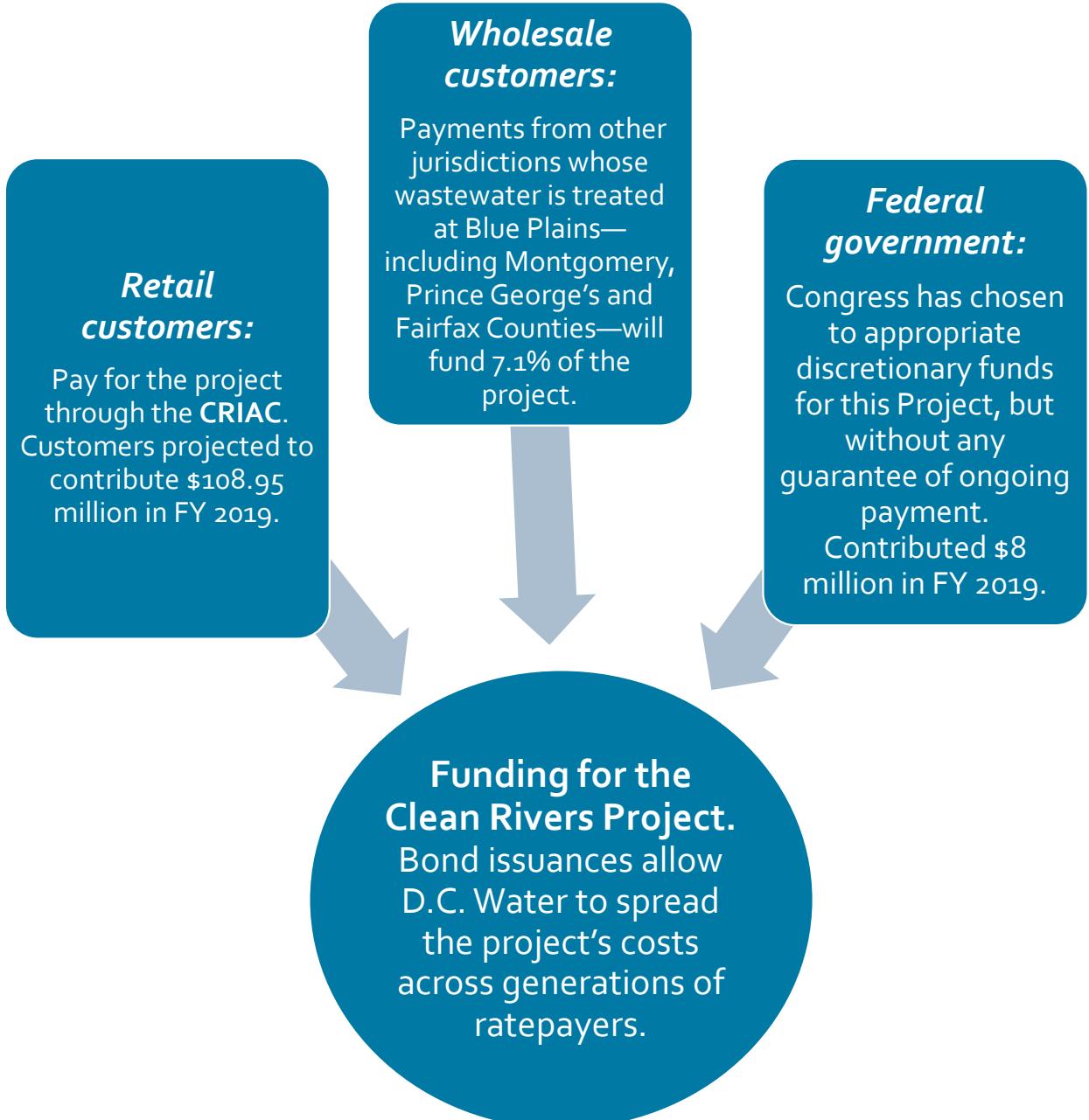
Before CSO Remediation

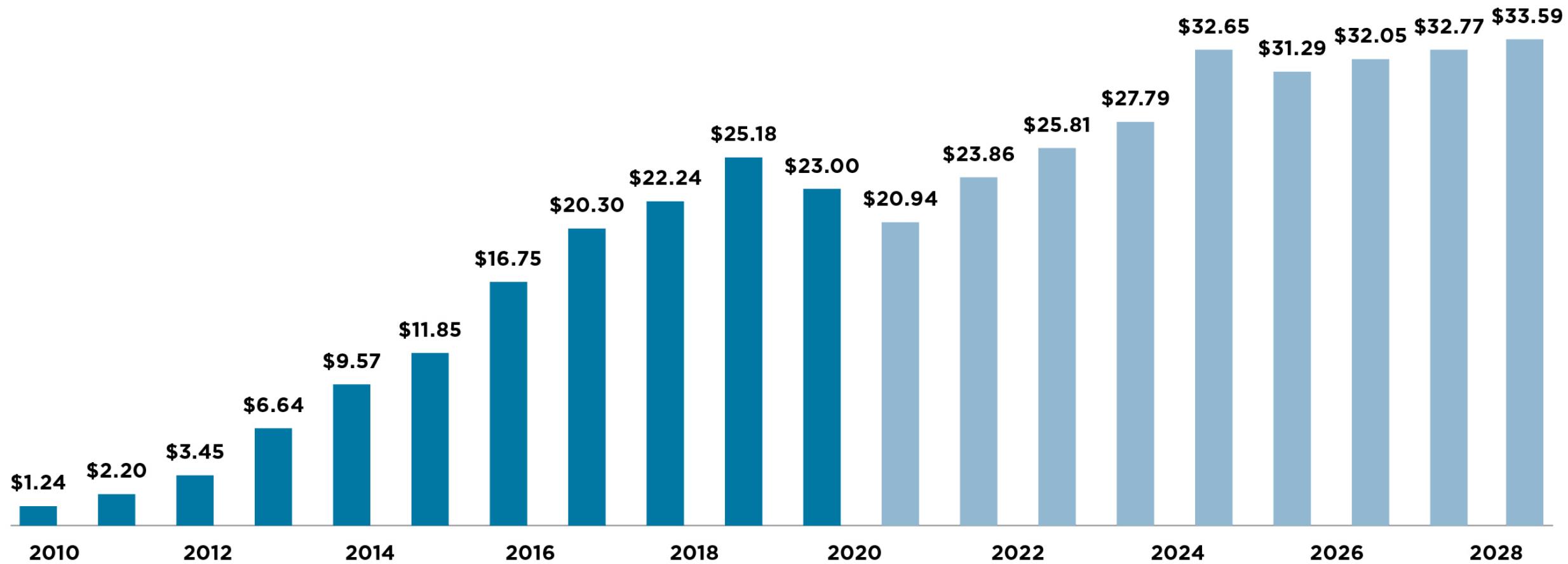
After CSO Remediation



**COMBINED SEWER AND TUNNEL
RAINY CONDITIONS**

Retail customers, through the CRIAC, fund most of the Clean Rivers Project





D.C. Water's Actual & Projected CRIAC Rate (Monthly Fee per ERU)
FY 2009-2028

Fixed Cost: \$3.15 billion + interest must be raised to repay the bonds that were issued to comply with the federally-mandated Consent Decree.

Lowering costs for some ratepayers means that others will be charged more.

Limited Base: D.C. Water only has 125,000 retail customers.

It generates an outsized proportion of its revenues from a few large institutions. For example, federal agencies will be responsible for 10.3% of its FY 2019 revenues.

Any rate change that reduces costs for these large players will raise costs for other ratepayers.

**Limitations
on the
District's
ability to
increase
affordability
and increase
equity**

#1 Extend the CRIAC Residential and Nonprofit Relief Programs

D.C. Government's Fiscal Impact	
\$4 million to \$15 million cost per year (approximate)	
	Ratepayer Impact
LOWER CRIAC BILL	HIGHER CRIAC BILL
<ul style="list-style-type: none">• Low- and moderate-income households• Certain types of non-profit organizations	<ul style="list-style-type: none">• If funded by D.C. gov't, no impact.• If funded by D.C. Water, some may pay more.
<hr/> PROs CONS <hr/>	
<ul style="list-style-type: none">• Easy to implement• Relatively low cost• Targets assistance to those with greatest need• Maintains rate structure• Offers immediate relief• Continues existing programs• Widely-used strategy	<ul style="list-style-type: none">• Residential relief programs have low enrollment• Puts D.C. gov't in position of picking non-profit winners and losers• Lack of generally-accepted standard for defining financially vulnerable non-profits

TABLE 1: CRIAC Residential and Nonprofit Relief Programs

	CAP	CAP2	CAP3	Nonprofit Relief
Eligibility	<ul style="list-style-type: none"> Household income: 0-60% of SMI Max income of 4-person household: \$59,457 	<ul style="list-style-type: none"> Household income: 61% of SMI to 80% of AMI Max income of 4-person household: \$93,750 	<ul style="list-style-type: none"> Household income: 81% to 100% AMI (calibrated for 1 to 4-person households) Max income of 4-person household: \$117,200 	<ul style="list-style-type: none"> Registered nonprofit in DC Real property tax exemption as a charity, house of worship, or cemetery Annual CRIAC is ≥1% of their annual revenue, after expenses Stormwater mitigation project
CRIAC Discount	50%	50%	75%	90%
Additional Discounts	<ul style="list-style-type: none"> First 3,000 gallons of water and sewer services used monthly PILOT and ROW Fees Waiver on the Water Service Replacement Fee 	First 2,250 gallons of water and sewer services used monthly	N/A	N/A
Estimated Average Annual Benefit	\$760	\$520	\$210	\$2,800
FY19 DC Gov't Contribution	\$0	\$3 million, includes \$500k for admin		\$4 million, includes \$150k for admin
FY19 D.C. Water Contribution	\$2.4 million	\$6 million, includes \$500k for admin	\$0	\$0
FY19 Enrollment, YTD	3,281 (FY18)	47	7	61

#2

Alter the CRIAC's rate structure to include the volume of water and sewage usage

D.C. Government's Fiscal Impact	
Savings for most agencies, except those with high water and sewage usage	
	Ratepayer Impact
LOWER CRIAC BILL	HIGHER CRIAC BILL 
<ul style="list-style-type: none">• D.C. and federal government• Single-family homes• Properties with low water and sewer usage	<ul style="list-style-type: none">• Multi-family buildings• Properties with high water and sewer usage
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PROs	
<ul style="list-style-type: none">• Could promote equity since CSO is made up of wastewater and stormwater• Would lower D.C. government's water bills• Incentivize customers to reduce their water consumption	
CONs	
<ul style="list-style-type: none">• Disrupts the rate structure. Could weaken the link between the charge and the source of the pollution it is trying to mitigate• Shifts costs among ratepayers without addressing underlying issues• Increases costs multi-family buildings whose residents are also unlikely to be eligible for relief programs• Lowers the federal gov't's contribution• Could politicize the rate setting process and compromise D.C. Water's independence• Not a widely-accepted practice	

#3 Subject public roads, alleys, and sidewalks to the CRIAC

D.C. Government's Fiscal Impact	
Up to \$45 million cost per year (approximate)	
	Ratepayers Impact
LOWER CRIAC BILL	All retail ratepayers
HIGHER CRIAC BILL	District gov't
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PROs	CONs
<ul style="list-style-type: none">• Provides broad-based relief and/or makes revenue available for targeted interventions• Would apply the “polluter pays” principle to public roadways• Could enhance progressivity by shifting Clean River Project’s costs to taxpayers	<ul style="list-style-type: none">• Large fiscal impact, with costs rising over time. Might require raising tax rates• Provides relief to many customers who do not need it• Lowers the federal gov’t’s contribution• Transfers local tax revenue to the federal gov’t

#4 Incentivize green solutions by increasing the value of the CRIAC Incentive Program

D.C. Government's Fiscal Impact	
Savings if D.C. gov't installs stormwater retention features If D.C. gov't contributes, cost for funding the ratepayer subsidy	
	Ratepayer Impact
LOWER CRIAC BILL	HIGHER CRIAC BILL
Ratepayers who install stormwater retention features	<ul style="list-style-type: none">• If funded by D.C. gov't, no impact• If subsidized by D.C. Water, those who do not install stormwater retention features
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PROs	
<ul style="list-style-type: none">• Incentivizes green solutions to runoff• Better aligns cost of installing water retention features with the value of the CRIAC discount	
CONs	
<ul style="list-style-type: none">• Benefits might primarily accrue to institutions that can afford to install stormwater retention features• Lowering the cost on one group of ratepayers would require charging other ratepayers more	

TABLE 2: Stormwater Retention Incentive Programs

	CRIAC Incentive	Stormwater Fee Incentive
Maximum Credit	4% discount	55% discount
Annual value of maximum credit for residential customers, average	\$11.04	\$17.62
FY19 Enrollment	856 (estimated)	1,276

#5 Reduce or eliminate D.C. government's pass-through fees from D.C. Water customer bills

D.C. Government's Fiscal Impact	
Up to \$33.102 million cost per year	
	Ratepayer Impact
LOWER CRIAC BILL	HIGHER CRIAC BILL
Retail ratepayers	N/A
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PROs	
<ul style="list-style-type: none">• Provides broad-based relief• Eliminates charges not made on other D.C. government instrumentalities	
CONS	
<ul style="list-style-type: none">• Would provide marginal relief. Government pass-throughs make up only 7% of ratepayer costs and costs have remained flat.• Has a fiscal impact, which might require raising tax rates• Does not target benefits at those with greatest need• Provides relief that is not extended to other utilities	

TABLE 3: D.C. Government Pass-Through Fees Charged to D.C. Water Customers

	PILOT Fee	ROW Fee	Stormwater Fee
Average cost for residential customers, monthly	\$3.10	\$1.12	\$2.67
FY19 Rate	\$0.50 per CCF	\$0.19 per CCF	\$2.67 per ERU
FY18 Revenue	\$15.957 million	\$5.1 million	\$12.665 million
D.C. Water's FY18 administrative charge	Unknown	Unknown	\$1.248 million
D.C. government's use of funds	General Fund	Road maintenance	Stormwater Permit Compliance Enterprise Fund

#6 Re-Examine the Blue Plains Intermunicipal Agreement

D.C. Government's Fiscal Impact	
	Savings possible
	Ratepayer Impact
LOWER CRIAC BILL	
Savings possible for retail ratepayers	HIGHER CRIAC BILL
Wholesale ratepayers	
PROs	
<ul style="list-style-type: none">• Could provide broad-based relief without a fiscal impact• Could increase equity between the District and suburban jurisdictions	
CONS	
<ul style="list-style-type: none">• Could take years to negotiate• Positive outcome not guaranteed	

#7 Lobby Congress to enhance the federal contribution

D.C. Government's Fiscal Impact		Savings possible
Ratepayer Impact		
LOWER CRIAC BILL	All ratepayers	HIGHER CRIAC BILL
		
PROs		CONS
<ul style="list-style-type: none">• Could provide broad-based relief without a fiscal impact• Could encourage the federal government to pay its fair share		<ul style="list-style-type: none">• Could take years to achieve• Positive outcome not guaranteed

#8 Re-examine D.C. Water's governance structure

D.C. Government's Fiscal Impact		Ratepayer Impact	
LOWER CRIAC BILL	Savings possible for all ratepayers	HIGHER CRIAC BILL	N/A
PROs	CONs		
<ul style="list-style-type: none">• Could increase transparency and accountability• Could improve D.C. Water's governance structure	<ul style="list-style-type: none">• Could politicize D.C. Water and compromise its independence• Would not necessarily result in lower rates or better outcomes for customers		

#9 Amend the terms of the Consent Decree

D.C. Government's Fiscal Impact		Ratepayer Impact	
LOWER CRIAC BILL	Savings possible for all ratepayers	HIGHER CRIAC BILL	N/A
PROs	CONs		
<ul style="list-style-type: none">• Could provide broad-based relief without a fiscal impact	<ul style="list-style-type: none">• Success unlikely• Would take years to achieve• Positive outcome not guaranteed• Extend the health and safety risks of CSOs		



Weigh the pros and cons of each of the nine strategies and decide which, if any, are worth pursuing. Further research and analysis may be necessary to move ahead with any of these plans.



If any of these strategies should be implemented in the FY 2019, identify necessary funding and legislative changes.



Assess if the Mayor's FY 2020 proposed budget for CRIAC Relief Programs is necessary and/or adequate. She proposes \$4M, a \$3.5 local funds reduction.

Next Steps

Read the full report

<https://www.dccouncilbudget.com/criac>

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