

**INTERIM REPORT OF THE
JOINT SUBCOMMITTEE STUDYING**

**Combined Sewer Overflows
in the Commonwealth**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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to
The Governor and General Assembly of Virginia
Richmond, Virginia
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To: The Honorable L. Douglas Wilder, Governor
 and
 The General Assembly of Virginia

I. Introduction

The 1989 Session of the General Assembly passed Senate Joint Resolution No. 198 which authorized the establishment of a joint subcommittee to study combined sewer overflows (CSOs) in the Commonwealth. The subcommittee was composed of fifteen members who were appointed in the following manner: four members of the House of Delegates, three of whom are members of the House Committee on Appropriations; three members of the Senate, two of whom are members of the Senate Committee on Finance; the Secretaries of Finance and of Natural Resources; and six citizen members, appointed by the Governor, to represent the business, professional, engineering, and environmental communities.

The joint subcommittee was specifically charged with determining:

- the need for CSO controls in Virginia's cities, especially the Cities of Richmond, Lynchburg, and Alexandria;
- the financial impacts of these plans on the localities; and
- the appropriateness of providing state grant funds to these localities to assist them in implementing CSO controls.

II. Background

Combined sewers are collection systems that transport domestic and industrial wastewater and storm water to publicly owned treatment works (POTWs). Combined sewer overflows occur when flows from a combined sewer are in excess of the interception or regulator capacity of a treatment plant. During dry weather, properly operated combined systems are able to convey all the sanitary flow to the wastewater treatment plant. During periods of rainfall, the combined flow, in most instances, will exceed sewer and treatment plant capacity, resulting in a portion of the flow being diverted to

the wastewater treatment plant with the overflow being discharged into a stream or river at various overflow or outfall points. The overflow contains organic material, oil and grease, bacteria, and other toxic substances all of which affect water quality, aesthetics, and public health.

The practice of combining sanitary sewers with storm sewers was common until the 1950s. Such systems were predominant in areas which were heavily developed prior to World War I, primarily in the Northeast and Midwest. Those cities with the combined systems built interceptors to carry the flow away from their community and into nearby surface waters, believing that the receiving streams had the ability to assimilate this wastewater discharge. When it became evident that the streams did not have the assimilative capacity, communities began to build plants to treat the sanitary wastewater under dry weather conditions. As wastewater plants have developed effective treatment technologies, attention has begun to focus on the control of CSOs that occur during rainstorms.

The Environmental Protection Agency (EPA) estimates that there are approximately 1,200 combined sewer systems which serve a population of 43,000,000. These systems contain between 15,000 and 20,000 discharge points. Most major municipal areas are served by a combination of sanitary sewers, separate storm sewers, or combined sanitary and storm sewers. The estimated costs of upgrading the 328 CSO systems which have developed correction plans is \$16.4 billion; the total estimated cost to correct the 1,200 systems nationally, ranges between \$50 billion and \$100 billion.

The EPA, recognizing that CSOs are a significant environmental hazard, has developed a national control strategy for CSOs. This strategy mandates that all CSOs be identified and categorized according to their status of compliance with technology and water quality-based regulations. Each state was required by January 1, 1990, to develop a statewide strategy for the development and implementation of measures to reduce pollutant discharges from CSOs. The national control strategy sets forth three objectives:

- to ensure that all CSO discharges occur only as a result of wet weather;
- to bring all wet weather CSO discharge points into compliance with the technology-based requirements of the Clean Water Act and applicable state water-quality standards; and
- to minimize poor water quality, aquatic biota, and human health impacts from the wet weather overflows that do occur.¹

The strategy confirms that CSOs are point sources independent of POTWs and reaffirms that both technology-based and water quality-based requirements apply to CSOs. It emphasizes that CSO point sources which are discharging without a permit are unlawful and must be issued permits or eliminated. According to the EPA, this permitting strategy is designed to complement the control

1. *"Interim Final National Control Strategy for Combined Sewer Overflows," Rebecca W. Hamner, Acting Assistant Administrator for Water, U.S. EPA, Jan. 27, 1989, p. 1.*

programs for sanitary sewers and separate storm sewers. The objective is to establish a uniform, "nationally consistent" approach to developing and issuing National Pollutant Discharge Elimination System (NPDES) permits for CSOs.²

III. Subcommittee Deliberations

The subcommittee met four times and, during the course of its deliberations, received extensive testimony from state officials and representatives of a number of local governments which are experiencing CSO control problems. Much of the subcommittee's effort during this first year was devoted to documenting the extent of the CSO problem and determining the financial impact of correcting the problem in Virginia.

A. CSOs in Virginia

The subcommittee, with the assistance of the State Water Control Board (SWCB) and the Virginia Municipal League, began its work by identifying all existing CSOs in Virginia. Several localities, including Ashland, Bristol, Cape Charles, Colonial Heights, Fredericksburg, Newport News, Radford, Roanoke, and Waynesboro have corrected their CSO problem. The cities with CSOs in need of correction are Richmond, Lynchburg, Alexandria, and Covington (Attachment A). The total cost of correction for these four Virginia localities is estimated to exceed \$450 million.

1. Richmond

The City of Richmond operates a combined sewer system for a major portion of the area to which it provides sewage service. The current conveyance system dates back to the 1800s when culverts were used to collect wastewater in the streets. Sewer systems were constructed later, and in the early 1950s, interceptors were built along the James River to carry wastewater downstream. These interceptors were fitted with flow regulators to discharge excess combined sanitary and storm water directly into the river during heavy rainfall. The sewage treatment plant was completed in 1958 at its current site and was upgraded to a secondary treatment facility in 1973.³ The city has 32 outfalls, which discharge directly or indirectly into the James River, beginning near Powhite Parkway and extending downstream beyond the fall line to the area located near the wastewater treatment plant.

The city began to study the CSO problem in 1971. That study resulted in minor improvements and set the stage for construction of the Shockoe Retention Basin in 1983. Constructed at a cost of \$40.5 million and operated at a cost of \$800,000 annually, the retention basin was designed to capture the first flush of combined sanitary and storm water from the Shockoe drainage area, to be stored for later treatment at the wastewater facility. This first flush contains the majority of contaminants which run off the impervious surfaces during rainstorms.

2. *Ibid*, p. 2.

3. "Richmond Combined Sewer Overflow Study: A Final Report," Virginia Water Control Board Staff Assessment, October 1988, p.2.

In 1985, the city began a further evaluation of the effects of CSOs. The city contracted for an engineering study to determine the appropriate control measures needed to minimize the impact of CSOs on the James River. The study by the city, which was completed in 1988 and presented to the SWCB, analyzed more than 60 alternatives ranging from an upgrading of the wastewater treatment plant at a cost of \$73 million to complete sewer separation at a cost of \$2.6 billion. The correction plan which was selected and approved by the SWCB will cost \$294 million (including the current \$73 million improvement to the treatment facility) over a twelve year period.

2. Lynchburg

Lynchburg's system consists of approximately 8,300 acres or 200 miles of combined sewers. To date, 255 acres of sewers have been separated. Sewer separation in Lynchburg is considered a feasible alternative due to the topography of the city and the unique nature of its combined system. According to the SWCB, Lynchburg has agreed to incorporate into its next permit a plan to correct the 108 CSO discharge points. Since 1980, \$4 million has been expended by the city on correcting the system, with an additional \$1.25 million spent on the update of the plan, CSO data collection, and modeling. It has been estimated that the total cost for correcting the CSO problem will exceed \$153 million, of which \$100 million will be required to complete the sewer separation.

3. Alexandria

In 1972, the City of Alexandria was ordered by the Potomac River Commission to reduce pollution from its combined sewer outfalls. At the time of the order, federal construction funds were being allocated to assist localities in complying with such orders. Using these funds, the city hired a consultant to develop design plans for separation and mitigation of the effects of the combined sewers. The study found that (i) Alexandria had approximately 730 acres in the old section of town which were served by combined sewers and (ii) during the course of a year, the city experienced an average of 78 overflow events. According to city officials, as soon as the study was completed, the federal grant program was terminated. Without the availability of federal funds, the city has adopted a strategy to eliminate the combined sewer system by upgrading existing storm water discharge and sanitary sewer lines as part of urban renewal projects, private development projects, and street renovation. Of the original 31 miles of combined sewers, more than 80 percent (25 miles) have been eliminated at a cost, over the past 20 years, of approximately \$10 million. But the most difficult and expensive separation work remains to be completed. Much of the remaining six miles lies within the Old Town area where the pipelines and surrounding structures are old and are located close to the street. The city estimates that complete separation or a combination of separation and mitigation using a retention tank system will cost between \$50 and \$60 million. The city has committed \$1 million of its annual capital budget to the separation project.

4. Covington

Representatives of the City of Covington did not participate in the deliberations of the subcommittee. In response to a letter from the subcommittee requesting information on the city's plan for correcting their CSO problem, the consultants retained by the city estimated the correction costs will be \$6 million. If state funds were made available to the city, the consultants indicated that it would require 42 months to correct the overflow problem (Attachment B).

B. CSO Policy: Virginia Compared to Neighboring States

The SWCB conducted a survey on behalf of the subcommittee to determine the status of the CSO problem in surrounding states. A review of the survey results has led officials of the SWCB to characterize Virginia's efforts as "generally ahead of its neighbors in addressing CSO problems, with the possible exception of North Carolina." North Carolina had only minor CSOs, all of which have been corrected. Virginia has not only begun to require its cities to correct their CSO problems but also is requiring the affected cities to incorporate their plans for correction into their wastewater discharge permits. Maryland, Tennessee, and West Virginia have neither required that CSOs be corrected nor that plans be developed for doing so. Virginia requires permittees with CSOs to report their overflow discharge occurrences and the duration of each event. This reporting is also required by our neighboring states and will be required of every state under the EPA's proposed guidelines on CSOs. In addition, Virginia is beginning to require some monitoring and flow measurement of the discharges.

Tennessee's CSO problem is similar in scope to that of Virginia's. It has four major CSO systems and some minor ones. The four major systems are in Nashville, Chattanooga, Knoxville, and Memphis. Although Tennessee has not required its cities to develop plans for correcting their CSOs, some corrections are being made during major construction projects.

Maryland has five cities, including Salisbury, Cambridge, and Cumberland, which are experiencing combined sewer overflows. Maryland has incorporated the EPA guidelines into its NPDES permit process. Identifying CSO discharge locations and monitoring the duration and frequency of CSO discharges are required, and each permit contains a reopening clause to allow for additional monitoring requirements.

Among the states surveyed, West Virginia has the greatest CSO problem. The state estimates that 30 percent of its 266 POTWs have CSOs. West Virginia does require reporting of the frequency and duration of overflow discharges.

None of the states surveyed, according to the SWCB, have provided funding nor have they used EPA construction grants for correcting CSOs. However, Tennessee is considering a proposal which would allow the use of its State Revolving Fund for financing the correction of CSOs.

C. Plans for Correction

While the CSO problem is common to older cities, the solutions may vary based on site and specific conditions in each locality. Several alternatives are available. A city can choose total separation which involves replacing the combined system with a separate system of pipes: one for storm water and one for sanitary sewage. The separation usually occurs as part of other major rehabilitation projects which are planned or under way. This approach is not only expensive but also highly disruptive, most times requiring the tearing up of streets and rights-of-way. A second alternative is source control which limits the amount of pollutants in the streets. This is accomplished through such initiatives as frequent street sweeping, better sewer flushing, etc. Other approaches might include erecting screens, disinfection, and increasing the capacity of conventional wastewater treatment facilities. As one engineering consultant testifying before the subcommittee noted, "fundamental to understanding the scope of the CSO problem is the fact that wastewater treatment involves treating people's flushing of their toilet while combined sewer overflows means treating the entire urban river."

The range of alternative strategies for correcting CSOs is reflected in the plans being adopted by Virginia's cities to remedy the CSO problem. The City of Richmond's control plan, which has been agreed to by the SWCB, will take twelve years to implement at an estimated cost of \$294 million in 1987 dollars, with an annual operational cost of \$8 million. The strategy selected by the city consists of a combination of treatment with swirl concentrators, chlorination, dechlorination, retention, and conveyance. It will be implemented in three phases. The objective of Phase A is to upgrade the treatment plant so that the facility will have the capability to treat the solids collected in the retention basin. The financing of this improvement will be accomplished solely by the city at a total cost of \$73 million. According to testimony of city officials, the financing of this project has resulted in approximately a 70 percent increase in wastewater utility rates over the past five years, with projected increases of 12-15 percent over the next two years as the plant facilities come on line and Henrico County leaves the city's system as its plant becomes operational. Phase B of the plan calls for construction of interceptor sewers on the north and south sides of the rapids portion of the James River and the conveyance of the CSOs downstream. These improvements will take place over a five year period at a cost of \$20-\$40 million. With the implementation of Phases A and B, the city's engineering consultant informed the subcommittee that, except during the largest storms, overflows would be eliminated in the upper park areas. Phase C will include construction of remaining conveyance pipelines and additional treatment facilities including swirl concentrators and retention basins. The additional cost of this phase is estimated to be \$181 million.

The City of Lynchburg has been developing a comprehensive update to its CSO control plan. Ray Booth, director of public works for the city,

informed the subcommittee that the plan would be completed and submitted to the SWCB for review by December 1, 1989. The cost of correction is expected to exceed \$153 million and will take a minimum of 20 years to implement. The principal strategy will be total sewer separation. The control plan consists of three elements: (i) interceptor replacement, (ii) a rainleader (downspout) disconnect program, and (iii) separation and rehabilitation. Because interceptors in Lynchburg are an integral part of the combined sewer system, interceptor replacements are needed to prevent dry weather overflows and provide enough capacity to carry the storm water runoff during rainfalls until storm sewers are in place. By replacing and oversizing the interceptors, the frequency and volume of the overflows will be reduced. The rainleader disconnection program is designed to minimize inflow from lateral sewer leaks and roof downspouts. Testimony indicated that 20 percent of all the inflow to the combined sewer system in Lynchburg is from roof downspouts. In Lynchburg, there are approximately 4,000 houses and businesses which have gutter pipes or downspouts which are connected to the same sewer pipes in which all the residential waste is conveyed. Therefore, minimizing inflows and downspout disconnection are seen as the most cost-effective methods to reduce overflow volume during rainfall. The cost of the disconnection program is \$5.2 million. The city intends to set a date for each household and business to complete the disconnection. If the disconnection has not taken place by the deadline, a surcharge will be added to the sewer bill. The third program element is separation and rehabilitation, which involves construction of a separate pipe for storm water and wastewater, and, once separation occurs, assuring that the sewers are maintained. The plan emphasizes separation, given the large number of CSOs (108), the limited capacity of many of the existing combined sewers, and the type of terrain.

City officials presented an initial five year \$17 million correction plan. A five year period was chosen because (i) it represents the length of the city's discharge permit issued by the SWCB and (ii) it is the maximum period of time over which the city believed it could reasonably project available local funding. Assuming during the next five years that only local sources of funding were available, projected increases in sewer rates could generate \$17 million. The city would use these funds during this period to underwrite the costs of the highest priority projects in the CSO plan: \$11.1 million for interceptor replacement, \$5.2 million for the rainleader disconnection program, and the remainder for separation projects. According to city officials, this \$17 million would have to be matched by \$42 million from federal or state assistance during this initial five year phase if the CSO correction plan is to be completed within 20 years.

Since July of 1989, Alexandria officials have been meeting with staff from the regional office of the SWCB in an attempt to reach agreement on a CSO correction plan which would include the permitting of three CSO outfall points and the development of a mitigation schedule. The city, as a result of these meetings, has developed a request for proposal (RFP) in order to update the plan. The consultant is expected to complete the revision of the plan by the fall of 1990. In October 1989, the city received approval from the SWCB and the State Health Department to proceed with a four block, sewer separation

project in the western part of Old Town. The work was to begin November 1, 1989, and was scheduled for completion during the summer of 1990. It is a \$1 million project funded entirely with city funds. With completion of this project, about one-half of the western watershed will have been corrected. Separation of the remaining 20 blocks of this watershed will cost \$6-\$7 million. According to city officials, if only local funds are available to finance the 20 block area, it will take 10 to 15 years to complete. Testimony from these same officials indicated that if state or federal funds were available, the work in the western part of Old Town could be completed in five to six years. City officials have met with representatives of EPA to discuss CSO options and the agency was able to provide the city with a number of less costly options for correcting the CSO problem. The city is allocating \$1 million annually of its capital improvement program to finance the CSO correction and has no financial plan beyond this existing commitment.

D. Current Financing Programs

The subcommittee investigated the sources currently available to finance the wastewater needs of Virginia's localities. The federal government has played a significant role in providing financial assistance, beginning in 1956 with the construction grant program. Its role expanded considerably with the enactment of the Clean Water Act (Federal Water Pollution Control Act of 1972). When this act was passed, federal grants were authorized for 75 percent of a wastewater treatment project's total eligible costs. The criteria used for awarding these federal grants included (i) the severity of the pollution problem, (ii) the purpose for which the affected waters are used (i.e., swimming or public drinking water), (iii) the population to be served, and (iv) the presence of health hazards. In 1985, federal grants were reduced to 55 percent of a project's total eligible costs. Localities were responsible for financing the remaining 45% of the project's cost. The state has offered and continues to offer some assistance in the form of grants to localities. A one time state appropriation of \$3 million was made to the program in 1985, and beginning in 1986, \$200,000 has been appropriated annually to hardship communities. Three projects are currently under consideration for hardship grants totaling \$448,000.

The 1987 amendments to the Clean Water Act changed the nature of the federal construction grant program by requiring states to phase out grants and begin to capitalize a state revolving loan fund, using federal money previously allocated for the state construction grant program matched by state funds. The states were authorized to use 50 percent of the federal grant funds in FY 1987, 75 percent in FY 1988, and up to 100% beginning in FY 1989 to capitalize the new loan program. While federal legislation requires the replacement of the grant program with a loan fund by 1991, the SWCB instituted such a policy in 1987 when it stopped awarding new grants and began placing the federal funds into a statutorily created state revolving loan program known as the Water Facilities Revolving Fund (§ 62.1-224 et seq.). Since the

establishment of the loan fund, the General Assembly has appropriated \$10 million annually as a match for the federal funds. The Fund is administered by the Virginia Resources Authority which serves as the banker for the SWCB. The SWCB sets the policy for use of the funds by deciding who gets the loans, how much they will receive, terms of the loan, and the interest rate. The following chart details the capitalization of the revolving loan fund.

Estimated Flow of Funds to Virginia's Revolving Loan Program

FISCAL YEAR	NATIONAL APPROPRIATION	VIRGINIA'S ALLOTMENT	FEDERAL FUNDS PLACED IN REVOLVING LOAN PROGRAM	STATE LOAN FUNDS
1987	2.4 B	48,726,000	11,846,500	10,000,000
1988	2.3 B	47,004,000	28,090,388	10,000,000
1989	1.9 B	38,596,100	34,824,178	10,000,000
1990	2.4 B	49,675,200	46,943,064	10,000,000
1991	2.4 B	49,675,200	48,184,944	10,000,000
1992	1.8 B	37,256,400	36,138,708	10,000,000
1993	1.2 B	24,837,600	24,092,472	10,000,000
1994	.6 B	12,418,800	12,046,236	10,000,000
TOTAL	15.0 B	308,189,300	242,166,490	80,000,000

Total to Loan Fund: \$320,000,000+

The chart indicates that in its initial year of operation, almost \$12 million was placed in the loan fund. Each year, several million dollars of the federal allotment goes for "set aside" grants, planning and administration of the program. The remainder of the 1987 allotment went to close out some of the existing grants. In FY 1988, \$28 million was placed in the loan program, and \$15-16 million of already committed grant funds were allocated. In FY 1989, virtually all the federal funds went into the loan fund. All the funds

through FY 1989 have been committed to local governments to finance their wastewater projects. Officials of the SWCB characterized the projected allotment of \$49.1 million for FY 1990 as optimistic since Congress has been appropriating about 75 percent of the amount authorized. If Virginia receives the entire authorized amount in the coming years, along with the \$10 million in state matching funds, the loan fund could total \$320 million by FY 1994.

The SWCB has established eligibility criteria for receiving a loan. Considerable weight is given to whether the project improves water quality. Highest priority is afforded those facilities which must be upgraded to meet water quality standards or the National Municipal Policy Act's treatment requirements. Other criteria include a locality's relative financial need, proposed system of user charges which will generate revenue for loan repayment, system operation, maintenance and replacement, and a community's reasonable user charges as they relate to the percentage of the area's median household income. Interest rates are based on the community's financial condition. The SWCB does provide loans at zero percent interest. Of the 32 projects reviewed for funding in FY 1988-FY 1989, no-interest rate loans were recommended for 15 projects. Loans are to be repaid over a 20-year period. Currently, the revolving loan fund is financing 43 projects totaling \$120 million. There have been 11 loan closings for a total of \$22 million. There are binding commitments from 16 communities which total \$56 million and 16 projects are undergoing financial capability analysis representing a potential outlay of \$42.3 million.

While there was a provision in federal law which gave the Governor discretion to set aside up to 20 percent of the federal construction grant funding for upgrading collection systems, Virginia has chosen to direct its federal grant funds into the revolving loan fund. The SWCB did not seek such discretionary, set aside authority for CSO projects because there are, according to testimony of SWCB officials, "too many other more pressing problems which needed funding." However, there have been several exceptions to this policy. The Town of Pocahontas received grant funds to correct its CSO problem, and 75 percent of the Shockoe Retention Basin Project was financed with federal grant funds. As pointed out by Dr. Bernie Caton of the SWCB, under the loan program, the SWCB could give CSO projects consideration, but with only \$30-\$40 million in any one year available in the form of loans, it would be difficult to correct the \$450 million CSO problem and still meet the other wastewater needs of communities statewide.

With the 1984 enactment of legislation creating the Virginia Resources Authority (VRA), the General Assembly recognized that the state had a role to play in financing infrastructure needs. Predating the Water Facilities Revolving Fund by three years, the VRA was established to (i) encourage the investment of both public and private funds, (ii) make loans and grants to local governments, and (iii) finance water sewer, solid waste, and resource recovery projects. The VRA is based on the pool concept where localities borrow funds from the VRA, while the VRA, in turn, borrows money on the open market by issuing bonds at an interest rate lower than that paid on the loan obtained by the locality seeking financing. The VRA bonds may be more

marketable, and by using the VRA as a conduit, the localities are able to secure a loan at a lower interest rate. Bonds are issued on a "moral obligation" basis and are rated solely by Standard and Poor's. This service has typically given moral obligation bonds a rating of one grade below that of the state's, and because Virginia has a AAA rating, VRA's bonds are rated as AA.

Since July 1, 1984, the VRA has had six bond issues totaling \$187,150,557 (Attachment C). The VRA's initial \$22,350,000 issue included \$20 million for Chesterfield County, a AA rated locality, and \$2,350,000 for the Prince William County Service Authority, a nonrated issuer. The issue was undoubtedly aided by the inclusion of highly rated Chesterfield County and helped in establishing the credibility of VRA. In July 1986, the VRA issued \$100 million in variable rate bonds, as part of a blind pool, in order to provide funding for water and sewer projects. Qualified borrowers were offered variable rate, as well as fixed rate, loans for maturities up to the year 2017. Fifteen of the 23 borrowers in the pool were nonrated. Since 1986, 19 loans have been closed totaling \$75,250,000. The four final loans were closed on May 1, 1989, with an aggregate loan size of \$15.25 million. With the closing of these final four loans, the VRA will have utilized or lent out \$90.5 million in available bond proceeds, thus effectively closing out its blind pool.

E. Financial Impact of CSOs

In assessing the financial impacts of CSOs, the subcommittee sought to determine the capacity of the affected cities to assume the long term debt to finance such major capital improvement projects. The subcommittee requested the cities to present their financing strategies along with a proposed implementation schedule. Two cities, Richmond and Lynchburg, responded with analysis of the capacity of their general fund and utility fund to generate the revenues necessary to finance both the CSO projects, as well as current and future services and infrastructure needs.

Gary Breaux, finance director for the City of Richmond, presented the city's CSO financial analysis. Richmond has instituted a policy with respect to use of its general fund revenues which (i) ensures that the city "lives within its means" and (ii) protects the city's AA bond rating. The policy is based on three criteria: debt service incurred should not exceed 10 percent of the general fund budget, total outstanding general obligation debt should not exceed five percent of the taxable real estate value, and per capita general fund debt should not exceed seven percent of the per capita income. According to testimony, the criterion which is being threatened is the 10 percent debt service. This is confirmed by calculations based on figures presented in Comparative Report of Local Government Revenues and Expenditures for FY 1988, which indicates that the percentage of total annual operating revenues used for debt service is 10.04 percent. (Attachment D presents a summary of the CSO cities' financial condition.) The city is well under its policy limits for the other two criteria of debt to assessed value and per capita debt.

Richmond has an annual ongoing capital improvement program of \$20 million which is financed through the sale of general obligation bonds. It has adopted a policy which reserves such debt for nonrevenue-producing projects such as schools, streets, etc. Even if the city dedicated its entire capital program to CSO correction projects, it would still take 11 years to fully implement the correction plan and would result in other essential needs not being met.

The real estate tax rate, which is the primary source of revenue for the city's general fund, is currently \$1.53 per \$100 of assessed value; this rate is significantly higher than that of Henrico (\$.93) and Chesterfield County (\$1.04). If the city assumed the remaining \$221 million of the CSO correction cost and bore this cost through its real estate rate, the city's analysis indicates that the real estate tax rate would have to be significantly increased. The city projects that another \$.035 would be added to the tax rate if it were to assume the \$25 million cost for the first phase of the correction plan. If the city was required to finance the additional \$196 million, the rate is projected to increase by \$.31, to a total of \$1.84. City officials suggested this would have "dire consequences" for economic development in terms of the city's ability to attract and keep new businesses.

The subcommittee was also briefed on the feasibility of using the utility fee structure as an alternative for financing Richmond's needed CSO correction. The current average monthly sewer bill is \$25.42. This represents one of the highest rates in the state. By comparison, the monthly rates for the adjacent counties of Henrico and Chesterfield are \$19.25 and \$12.04, respectively. As noted previously, in the past five years the city has increased rates approximately 70 percent in order to pay for \$73 million in improvements to its treatment plant and to begin to make up for the loss in the rate base due to Henrico County's decision to build its own facility. Figures supplied to the subcommittee indicate that if the city attempts to finance the entire CSO correction cost as well as some non-CSO wastewater requirements (i.e., removal of toxics) through the wastewater utility rates, the monthly charge could be as high as \$68. It was pointed out that the burden of correcting such problems would disproportionately fall on those income groups which could least afford the resulting "rate shock." Such rate increase could represent 3-6% of these individuals' total income.

Whether the revenues were generated through taxes or user fees, those testifying on behalf of the city expressed their concern with the impact that the financing of CSOs could have on Richmond's bond rating. The rating services, in evaluating a city's credit worthiness, look at among other factors the tax base and the level of debt. It is the city's view that having to finance the remaining \$221 million will ultimately result in the loss of tax base. With respect to the debt factor, there is currently \$196 million in outstanding general fund debt. The \$221 million would double the amount of the outstanding debt if the city chose to finance the correction of the CSOs through the general fund. This would, according to officials, affect the city's financial performance in terms of its ability to build a reserve or

even retain its current reserve while providing necessary services and balancing the budget. While the city has committed to a \$294 million CSO correction plan, the city's financial study concluded that \$25 million (in addition to the \$73 million in local funds already committed to upgrading the treatment facility) is the extent of the city's ability to take on additional debt without beginning to cause "serious erosion of its necessary services."

The City of Lynchburg contracted with the accounting firm of Coopers and Lybrand to perform an analysis of the capacity of the city's general fund and its utility fund to undertake additional CSO projects. The preliminary results of that study were presented to the subcommittee by city officials. The study asserts that the general fund "simply does not have the financial capability to undertake any new endeavors such as CSO control without imposing yet another significant tax burden on its residents with the potential for adverse impacts on both existing business and industry and the City's ability to attract new business and industry."⁴

Lynchburg's current real estate tax rate is \$1.16 per \$100 of assessed value. By way of comparison, testimony by Mike Hill, director of finance for the city, indicated that the rates of the neighboring Cities of Charlottesville and Roanoke are slightly higher, but Danville and Buena Vista are lower. When compared to the surrounding Counties of Campbell, Albemarle, Amherst, and Bedford, Lynchburg's rate is considerably higher. If the city were to finance the entire \$153 million correction, the projected tax rate would increase by \$1.02. While city officials acknowledge that the statutory debt limit would allow the city to take on an additional \$78 million in debt, it would be highly unlikely that it could issue that additional portion of debt given the fact that the city's tax base is growing slowly. The city attempts to keep its percentage of debt to assessed value to less than five percent, which, according to testimony, is what the rating services and financial credit markets use as a benchmark indicator of sound financial condition. Its current percentage is 4.85 percent (Attachment D). As is the case with other localities, Lynchburg attempts to keep its general fund debt service below 10 percent of its operating budget. Currently the city's level is at approximately 9 percent if utility debt is not included in the calculation. With the utility debt figured into the overall general obligation debt, the debt figure rises to 12.4 percent. Such debt figures led Coopers and Lybrand to conclude that the "capacity of the General Fund to take on additional CSO debt is severely limited and would harm Lynchburg's ability to balance its budget and to remain economically competitive with the surrounding jurisdictions."⁵

Lynchburg's utility fund debt is serviced by the water and sewer rates. The objective of the fund is 110 percent debt coverage in operating revenues

4. City of Lynchburg, VA: Analysis of Financial Condition, 1981-2009. Coopers and Lybrand, January 1990, p. 2.

5. Ibid, p. 4.

versus debt service. Currently the city's level is at 106 percent. Four years ago, realizing that the city's water and sewer rates were out of line with cost of service principles, the city began to move to a cost of service approach where the cost of providing water was to be underwritten by the water charge and, similarly, the cost of treating sewage would be financed by the sewer charge. The city, concerned that such rate shock might drive some of the industries and businesses out of the city, adopted a transition plan which uses available cash revenues, which have accumulated in the water and sewer fund, to underwrite a portion of the water and sewer rates. The transition plan, which does not address the cost of CSO correction, calls for a 23 percent biennial rate increase over the next 10 to 12 years. This will result in the water rates reaching the true cost of service by 1991 for all users. The sewer rates, which were the most disproportionate, will reach cost of service levels for residential customers by 1991. The commercial and industrial sewer rates, which will be affected significantly by the cost of service policy, are given a 15 year transition period. Based on a rate survey conducted by Robinson, Farmer, Cox Associates (Attachment E), as of January 31, 1989, Lynchburg's water and sewer rates are higher than the surrounding cities of Charlottesville, Danville, and Roanoke and the Counties of Campbell and Amherst; although the combined rate is slightly less than the rate average.⁶ Mr. Hill informed the subcommittee that if the city were to use utility fees to finance the \$153 million correction cost, the average annual water and sewer bill would increase from the current rate of \$283 to \$786.

It would appear that the utility fund represents the best alternative for financing CSO improvements. This is confirmed by the testimony of both city officials and the Coopers and Lybrand study which found that Lynchburg's capacity to take on additional CSO debt is limited and would harm Lynchburg's ability to balance its budget, while at the same time remaining economically competitive with surrounding jurisdictions.⁷ The analysis concludes that the only reasonable source of local funds for CSO projects would be from increases in the utility bills. Such rate increases, according to Coopers and Lybrand's analysis, could fund approximately \$55 million of the total CSO correction program.

IV. Findings and Recommendations

The subcommittee found that a number of localities in Virginia operate antiquated combined sewer systems which under certain conditions discharge untreated sewage and storm water into state waters. Under a new EPA policy, the resulting overflows will be required to be corrected. Up to now, the financing of such corrections has been borne primarily by the individual localities. The Cities of Richmond, Lynchburg, and Alexandria already have spent a combined total of \$100 million in addressing the problem and face the prospect of an additional \$500 million in costs. The two currently available financing mechanisms are limited in their ability to assist the localities in resolving this problem. The Water Facilities Revolving Fund, which receives \$30-40 million annually in federal funds matched by a yearly appropriation

6. *Ibid*, p. 2.

7. *Ibid*, p. 4.

of \$10 million in state funds, has been devoted to financing the estimated \$2 billion in wastewater treatment needs (exclusive of CSOs) faced by Virginia's localities. In addition, the VRA has been authorized to issue \$400 million in bonds to finance not only wastewater treatment projects but an estimated \$4.5 billion of water supply, solid waste, and drainage needs.

Cities such as Richmond and Lynchburg are facing significant correction costs at a time when their tax base is at best stable, with only moderate growth, and with their real estate taxes and utility rates generally higher than those of their neighboring communities. These localities have presented testimony which suggests that to take on such additional long term debt will have significant impact on their financial condition, specifically their capacity to finance essential city services and capital projects. Consequently, they have requested that any state or federal assistance be in the form of grants rather than loans. Richmond's analysis indicates that the city could finance an additional \$25 million of the \$221 million in correction costs. Coopers and Lybrand's financial analysis of the extent of Lynchburg's exposure indicates a capacity of its utility fund to finance \$55 million of the \$153 million CSO costs. The other two affected cities, Alexandria and Covington, have not as yet developed plans for correction. Alexandria is currently involved in negotiations with the SWCB over an implementation schedule. The current commitment of \$1 million annually for CSO correction is obviously inadequate since, at this rate, it would take the city approximately 60 years, without adjusting for inflation, to remedy the problem.

The City of Covington, with a \$6 million correction problem, indicated through its engineering consultants that if outside funding were available its system could be upgraded in three and one half years.

While the joint subcommittee did engage in some discussion regarding the extent of the state's role in financially assisting these localities, it is not prepared at this time to recommend a specific funding formula or mechanism although there is a consensus among members that both the state and federal government should share a portion of the financial burden. The joint subcommittee invited staff representatives of Virginia's congressional delegation to discuss the prospects for federal assistance. It appears that the CSO issue is not one which has received much attention within Congress. The joint subcommittee received assurances from congressional staff that this matter would be discussed not only within the delegation but with staff and members of the committees of jurisdiction in Congress. It was suggested that such discussion focus on the dual concerns of (i) giving localities the flexibility to provide the most cost effective control strategies which at the same time protect water quality and human health and (ii) the appropriate role of the federal, state, and local governments in financing the correction of CSOs.

In conclusion, the joint subcommittee is satisfied that the funding for the correction of combined sewer overflows is beyond the financial

capabilities of the cities alone and believes that the state as well as the federal government must play a role in providing financial assistance. Because it believes that alternative financing structures are necessary and the appropriate local, state, and federal government roles require further review and examination, it is recommended:

- *That the Joint Subcommittee Studying Combined Sewer Overflows in the Commonwealth be continued in order to examine and consider (i) the imposition of a charge or fee for the use of water, or for making discharges into the waters of the Commonwealth; (ii) the appropriate parties to pay any such fee or charge and the equities of making such parties pay; and (iii) the amount of revenue that may reasonably be raised through the creation of such a fee or surcharge mechanism, keeping in mind item (ii) herein. (Attachment F)*

Respectfully submitted,

Benjamin J. Lambert III
A. Victor Thomas
Hunter B. Andrews
Joseph V. Gartlan, Jr.
Franklin P. Hall
Harry J. Parrish
Lacey E. Putney
Stuart Connock
John W. Daniel II
M. Caldwell Butler
Frederick Deane, Jr.
Mary Nightlinger
S. Buford Scott
Arthur R. Temple
Peter L. Trexler

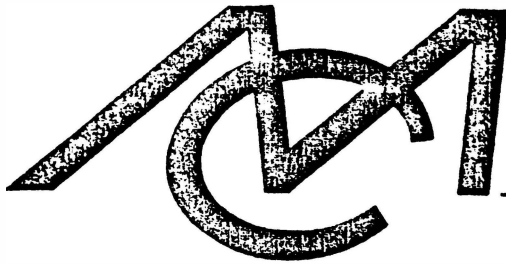
ATTACHMENT A

Corrected CSO'S

LOCALITY	TOTAL COST/ \$ MILLION	COST/ CUSTOMER	SOURCE OF FUNDS USED TO PAY FOR CORRECTION	METHOD OF CORRECTION	COMMENTS
Alexandria	10	\$200	Local Funds	Separation	
Bristol	2	\$285	Local Funds	Separation	
Fredericksburg	Unknown	Unknown	Local Funds	Separation	City gave no cost info; work dates back 75 years.
Newport News	6.35	\$181	Federal Grants/ Local Funds	Separation	Also built new storm sewer.
Radford	5	\$1280	Local Funds	Separation	
Richmond	40.5	\$623	Federal Grants/ Local Funds	Retention Basin	Some CSO-related work is ongoing, funded by city.
Roanoke	20	\$570	Local Funds	Separation	
Waynesboro	0.435	\$66	Local Funds	Separation	

CSO'S in Need of Correction

LOCALITY	TOTAL COST/ \$ MILLION	COST/ CUSTOMER	SOURCE OF FUNDS	COMMENTS
Alexandria	60	\$1200	None identified	
Covington	6	\$2000	None identified	
Lynchburg	153	\$9490	None identified	
Richmond	221	\$3400	\$25 million to come from local funds	Some CSO-related work now being undertaken with local funds is not included in this estimate.



Attachment B

Mattern & Craig
CONSULTING ENGINEERS • SURVEYORS

J. Wayne Craig
Stewart W. Hubbell
Sam H. McGhee, III
Gene R. Cress
Edwin K. Mattern, Jr. 1949-1982

September 25, 1989

Mr. John G. MacConnell
Staff Attorney
Division of Legislative Services
Commonwealth of Virginia
P.O. Box 3-AG
Richmond, Virginia 23208

RE: SJR 198
(Joint Subcommittee Studying
Combined Sewer Overflows)
Commission No. 586V

Dear Mr. MacConnell:

On behalf of the City of Covington, Virginia, I am responding to your letter dated September 1, 1989 regarding combined sewer overflows. To the best of my knowledge, no agreement has been reached on separation of combined sewers. The City is currently operating under the enclosed NPDES permit.

If the \$6,000,000 were available from the State, I believe the following implementation would be reasonable.

<u>Activity</u>	<u>Time Required</u>
1. Preliminary Engineering	3 months
2. Review of Preliminary Engineering	1 month
3. Final Plans and Specifications	9 months
4. Review of Final Plans	2 months
5. Advertisement for Bids	2 months
6. Award of Construction Contract	1 month
7. Construction	24 months
Total Project Completion Time	42 months

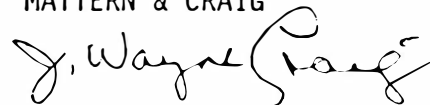
Based on the 42 month Implementation schedule, I estimate that the following schedule of expenditures:

<u>At the end of</u>	<u>Payments</u>
3 months	\$150,000
6 months	\$150,000
9 months	\$150,000
12 months	\$ 50,000
15 months	\$ 50,000
18 months	\$ 50,000
21 months	\$400,000
24 months	\$600,000
27 months	\$700,000
30 months	\$700,000
33 months	\$700,000
36 months	\$700,000
39 months	\$700,000
42 months	\$900,000
Total Project Cost	\$6,000,000

I trust this is an adequate response; however, if we can be of further assistance, please call.

Yours very truly,

MATTERN & CRAIG



J. Wayne Craig

JWC/cs
cc: Michael G. Mahaney

Attachment C

VRA BOND ISSUES:

A. DEFINED POOL FINANCINGS

DATE	ISSUE	LOCAL BORROWER
8/1/85	\$22,350,000 Virginia Resources Authority Water and Sewer System Revenue Bonds, 1985 Series A	•Chesterfield County •Prince William County Service Authority
9/24/85	\$27,915,000 Virginia Resources Authority Sewer System Revenue Bonds, 1985 Series	•Upper Occoquan Sewer Authority
12/11/85	\$13,355,000 Virginia Resources Authority Water and Sewer System Revenue Bonds, 1985 Series B	•Alleghany County •Town of Colonial Beach •City of Emporia •Henry County Public Service Authority •Spotsylvania County •Washington County Service Authority
8/24/88	\$22,230,557 Virginia Resources Authority Water System Revenue Bonds, 1989 Series	•Gloucester County
5/8/89	\$7,993,588 Virginia Resources Authority Water and Sewer System Revenue Bond, 1988 Series A	•Buchanan County

B. 1986 Polled Loan program (sold in July, 1986)

11/01/86	\$4,350,000	•Augusta County Service Authority
04/01/87	2,500,000	•Town of Woodstock
06/01/87	2,000,000	•City of Danville
06/01/87	2,000,000	•Stoney Creek Sanitary District
07/01/87	600,000	•Town of Appomattox
03/01/88	3,000,000	•Caroline County
03/01/88	1,800,000	•City of Manassas Park
03/01/88	5,660,000	•Roanoke County
03/01/88	640,000	•Town of Strasburg
04/01/88	31,500,000	•Fairfax County Water Authority
08/01/88	3,100,000	•Frederick County Sanitation Authority
08/08/88	1,600,000	•Frederick-Winchester Service Authority
08/01/88	2,900,000	•Rapidan Service Authority
10/03/88	4,000,000	•City of Suffolk
02/01/89	400,000	•Wythe County
02/01/89	1,100,000	•Town of Strasburg
02/01/89	2,100,000	•Greensville County Water and Sewer Authority
04/03/89	2,000,000	•Washington County Service Authority
04/03/89	4,000,000	•Bedford County Public Service Authority
05/01/89	1,350,000	•Rivanna Water and Sewer Authority
05/01/89	13,000,000	•City of Virginia Beach
05/01/89	500,000	•Town of Exmore
05/01/89	<u>400,000</u>	•Town of Cape Charles
Total	\$90,500,000	

Financial Data for CSO-Impacted Cities

CITY	ASSESSED VALUE OF REAL ESTATE SUBJECT TO TAXATION*	TOTAL GENERAL OBLIGATION BORROWING	GENERAL OBLIGATION DEBT PER CAPITA	TOTAL ANNUAL OPERATING REVENUES
		PERCENTAGE OF DEBT TO ASSESSED VALUE		PERCENTAGE OF SUCH REVENUES USED FOR DEBT SERVICE
City of Alexandria	7,910,293,745	104,503,126 1.32 %	\$958	225,265,284 8.10 %
City of Covington	143,803,400	5,394,111 3.75 %	\$683	7,029,000 ---
City of Lynchburg	1,532,297,456	74,352,568 4.85 %	\$1,068	78,707,160 12.45 % **
City of Richmond	7,140,000,000	249,856,035 4.00 %	\$905	344,387,123 10.04 %

*10% of this amount represents the locality's constitutional debt limitation.

** Includes utility debt

Attachment E

COMPARISON OF USER CHARGES, FEES
AND PROCEDURESSUMMARY SHEET - # OF CUSTOMERS AND SERVICE COSTS
AS OF: JANUARY 31, 1989

				# ACCOUNTS	COST OF WATER	COST OF SEWER	COMBINED
1	ALBEMARLE	CO SA	VA	7,700	200.00	152.00	352.00
2	ALEXANDRIA	CITY	VA	33,000	155.62	90.36	245.98
3	ALEXANDRIA	SAN AUTH	VA	21,100	-	141.60	-
4	ALTAVISTA	TOWN	VA	1,494	107.72	68.00	175.72
5	AMELIA	COUNTY	VA	254	-	162.00	162.00
6	AMHERST	COUNTY	VA	4,685	125.66	143.99	269.65
7	ARLINGTON	COUNTY	VA	34,500	83.20	142.40	225.60
8	ASHEBORO	CITY	NC	9,500	92.26	92.26	184.52
9	ASHLAND	TOWN	VA	1,565	176.00	176.00	352.00
10	BEDFORD	CITY	VA	2,710	106.10	181.00	287.10
11	BLACKSBURG	CITY	VA	5,730	127.20	156.00	283.20
12	BRISTOL	CITY	VA	5,200	128.00	172.00	300.00
13	CAMPBELL	CO SA	VA	6,400	129.60	120.00	249.60
14	CEARLTSVLE	CITY	VA	14,000	144.88	125.70	270.58
15	CHESTERFLD	COUNTY	VA	52,808	130.88	200.34	331.22
16	COL. BEACH	TOWN	VA	2,980	135.00	135.00	270.00
17	DANVILLE	CITY	VA	19,000	126.00	131.88	257.88
18	DURHAM	CITY	NC	50,000	112.90	143.60	256.50
19	FAIRFAX	CO & WA	VA	160,000	76.00	187.20	263.20
20	FREDERICK	CO SA	VA	3,500	173.84	186.48	360.32
21	FREDRCKSBG	CITY	VA	5,500	123.07	234.81	357.88
22	GLOUCESTER	COUNTY	VA	1,500	195.96	234.96	430.92
23	GREENSVLE	COUNTY SA	VA	1,300	N/A	N/A	N/A
24	HAMPTON RDS	SA	VA	370,000	-	91.22	-
25	HANOVER	COUNTY	VA	6,500	168.80	279.84	448.64
26	HENRICO	COUNTY	VA	60,000	159.00	213.45	372.00
27	HENRY	CO. PSA	VA	8,700	160.00	160.00	320.00
28	HOPEWELL	CITY	VA	7,660	-	93.48	-
29	LOUDOUN	CO SA	VA	12,500	151.76	180.48	332.24
30	LYNCHBURG	CITY	VA	20,000	145.00	138.00	283.00
31	MANASSAS	CITY	VA	8,110	N/A	N/A	N/A
32	MARTINSVLE	CITY	VA	7,250	93.12	67.20	160.32
33	NORFOLK	CITY	VA	65,000	134.36	63.72	198.08
34	PETERSBURG	CITY	VA	12,000	148.38	129.00	277.38
35	PHILIPPI	CITY	WVA	4,400	174.08	177.64	351.72
36	PITTSYL.	COUNTY SA	VA	1,028	161.61	194.01	355.62
37	PORTSMOUTH	CITY	VA	30,743	N/A	N/A	N/A
38	PRINCE WM	COUNTY SA	VA	34,000	136.68	246.00	382.68
39	RADFORD	CITY	VA	4,239	99.96	251.20	351.16
40	RAPIDAN	SA	VA	5,832	N/A	N/A	N/A
41	ROANOKE	CITY	VA	33,000	51.78	92.02	143.72
42	ROANOKE	COUNTY	VA	14,000	167.32	129.48	296.88
43	ROCKBRIDGE	COUNTY PSA	VA	1,182	190.00	184.00	374.00
44	ROCKINGHAM	COUNTY	VA	641	109.56	116.58	226.14
45	SPOTSYL	COUNTY	VA	10,000	98.20	98.20	196.40
46	STAFFORD	COUNTY	VA	9,308	183.44	115.32	298.76
47	STAUNTON	CITY	VA	8,580	138.00	115.56	253.55
48	TAZEWELL	TOWN	VA	1,800	185.50	183.20	368.70
49	VA BEACH	CITY	VA	98,000	228.20	201.26	429.46
50	VIENNA	TOWN	VA	9,000	89.60	184.80	274.40
51	VINTON	TOWN	VA	3,870	112.98	110.88	223.86
52	WASHINGTON	SUB SAN COM	MD	340,000	128.80	185.60	314.40
53	WAYNESBORO	CITY	VA	6,773	118.00	150.00	268.00
54	WINCHESTER	CITY	VA	8,499	75.20	260.80	336.00
55	WISE	TOWN	VA	2,000	N/A	N/A	N/A
56	WYTHE	COUNTY	VA	704	25.23	-	-
57	WYTHEVILLE	TOWN	VA	7,500	190.00	121.60	311.60
58	YORK	COUNTY	VA	6,000	200.00	140.00	340.00

1990 SESSION

LD4009128

Attachment F

SENATE JOINT RESOLUTION NO. 68

Offered January 23, 1990

Continuing the Joint Subcommittee Studying Combined Sewer Overflows in the Commonwealth.

Patrons—Lambert, Gartlan, Schewel and Macfarlane; Delegates: Hall, Thomas and Parrish

Referred to the Committee on Rules

WHEREAS, Senate Joint Resolution No. 198, passed during the 1989 Session of the General Assembly, established a joint subcommittee to study (i) the need for combined sewer overflow controls in Virginia's cities, especially the Cities of Richmond, Lynchburg, and Alexandria, (ii) the financial impacts of the combined sewer overflow control plans on these localities, and (iii) the appropriateness of providing state grant funds to those localities to assist them in implementing combined sewer overflow controls; and

WHEREAS, the joint subcommittee held a number of meetings during 1989 and received testimony from state and local government officials and their employees; and

WHEREAS, Virginia's cities, which are in the process of addressing and correcting their combined sewer overflow problems, have demonstrated that the financial burden of implementing combined sewer overflow corrections at a cumulative estimated cost of \$500 million (in current dollars) exceeds their financial ability to pay for such corrections, considering their total rate-making, tax-raising, and debt-issuing capacities; and

WHEREAS, although Virginia's cities have indicated that they will contribute substantial sums of money to their correction programs, contributions will fall far short of paying for the implementation of such plans on a timely basis; and

WHEREAS, the Commonwealth, which has demonstrated its commitment to implementing the Clean Water Act, ensuring water quality, and protecting and preserving the Chesapeake Bay and its tributaries, has a significant interest in complete implementation of all combined sewer overflow correction plans; and

WHEREAS, the joint subcommittee, before it may recommend the nature and extent of the role to be played by the Commonwealth, must assess the role to be played by the federal government, the likelihood and extent of federal funding, and the possibility of amendments to the Clean Water Act and to the regulations promulgated by the Environmental Protection Agency; and

WHEREAS, the joint subcommittee is satisfied that the Commonwealth must play a role in the funding of the correction of combined sewer overflows, a problem of statewide and national importance, and one which is beyond the financial capabilities of the cities alone, as well as those of the Commonwealth; and

WHEREAS, the joint subcommittee believes that it is necessary to identify and dedicate a revenue source to pay the Commonwealth's share, or a portion thereof, of the cost of correcting combined sewer overflows; and

WHEREAS, the joint subcommittee wishes to examine further the feasibility of charging a user, withdrawal or discharge fee or a surcharge on water use, discharges, and runoffs; and

WHEREAS, the joint subcommittee has determined that alternative financing structures, appropriate state and local strategies and roles, and the Commonwealth's role, financial or otherwise, in the absence of federal participation demand further review and examination; and

WHEREAS, the joint subcommittee believes that the involvement and commitment of the executive branch of government to the goals and objectives set forth herein are imperative and indispensable if the policy objective is to be attained and federal action favorable to the states is to be elicited; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Subcommittee Studying Combined Sewer Overflows in the Commonwealth is hereby

1 continued. The membership of the joint subcommittee shall remain the same, with any
2 vacancy being filled in the same manner as the original appointment; and, be it

RESOLVED FURTHER, That the Joint Subcommittee Studying Combined Sewer
Overflows in the Commonwealth examine and consider (i) the imposition of a charge or
5 fee for the use of water in this Commonwealth, or for making discharges into the waters
6 of the Commonwealth; (ii) the appropriate parties to pay any such fee or charge, and the
7 equities of making such parties pay; and (iii) the amount of revenue that may reasonably
8 be raised through the creation of such a fee or surcharge mechanism, keeping in mind
9 item (ii) herein. In fulfilling this objective, the joint subcommittee should review and
10 consider how other states have attempted to solve their combined sewer overflow problems;
11 and, be it

12 RESOLVED FINALLY, That the Governor is hereby requested to make available to the
13 joint subcommittee and its staff the services of the Virginia Liaison Office to assist in
14 either securing possible federal funding for the correction of combined sewer overflows or
15 obtaining Congressional action to reconsider current EPA policies and regulations and Clean
16 Water Act provisions which do not take into account the burden placed on local
17 governments to deal with combined sewer overflows within the rigid and inflexible
18 regulations and schedules which the EPA is attempting to enforce.

19 The joint subcommittee shall complete its study and submit its findings and
20 recommendations to the 1991 Session of the General Assembly. The indirect costs of this
21 study are estimated to be \$13,465; the direct costs of this study shall not exceed \$13,500.

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Official Use By Clerks	
<p>Agreed to By The Senate</p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>	<p>Agreed to By The House of Delegates</p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>
Date: _____	Date: _____
Clerk of the Senate	Clerk of the House of Delegates

