



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** APRIL 18, 2018

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of an Agreement with Alexandria Renew Enterprises to Transfer Ownership of the City's Four Combined Sewer Outfalls to Alexandria Renew Enterprises.

**ISSUE:** Proposed transfer of City's four Combined Sewer Outfalls to Alexandria Renew Enterprises.

**RECOMMENDATION:** That City Council authorize the City Manager to enter into an Outfall Transfer Agreement outlining the process and terms by which the City will transfer the ownership of the CSO's to Alexandria Renew Enterprises consistent with the terms of the agreement attached to as Attachment 1 to the docket memo.

**DISCUSSION:** The City owns four Combined Sewer Outfalls (CSOs) which are operated under a permit issued by the Virginia Department of Environmental Quality (VDEQ). In 2017, the Virginia General Assembly enacted a law which requires the City to bring the four CSO's into compliance with State and Federal laws on an accelerated schedule using specific provisions of these laws, with completion required by 2025. The City and Alexandria Renew Enterprises (AlexRenew) agree that transferring ownership of the CSO's to AlexRenew will result in the identification of the optimal solution to bring the CSO's into compliance within the exceedingly tight statutory deadline.

For the reasons described herein, the City and AlexRenew agree that transferring the ownership of the CSO's to AlexRenew will provide the best approach to identifying the optimal solution to comply with the level of CSO control and implementation schedule mandated by the State Legislature. The Transfer Agreement outlines the terms by which the City and Alexandria Renew agree to the transfer. The transfer will be of the outfall infrastructure and any rights needed to continue to locate the facilities on the City's property. This is a similar ownership structure to other AlexRenew facilities such as the Potomac Yard and Holmes Run Trunk sewers. AlexRenew will then be responsible for the financing, design, construction and operation of appropriate control

facilities to meet the substantive control requirements and schedule dictated by the Legislature. AlexRenew will also be responsible for the long-term maintenance of the outfall structures. The City's permit for the CSOs will be transferred by VDEQ to AlexRenew.

Land use approvals such as Development Special Use Permits and Building Permits will be required for the anticipated projects and the City will continue to have this regulatory review authority over the project. The Agreement includes a requirement for AlexRenew to continue community engagement during implementation of the project.

The Agreement includes mechanisms to continue collaboration between the City and AlexRenew throughout the process. A "Team Approach" is established to recognize the partnership between the agencies and facilitate approvals and implementation. This approach includes a regulatory team to expedite the City's regulatory approval process and a project coordination team to enable the City to provide input on the project development. Additionally, the agreement establishes an advisory work group made up of two members of City Council and two members of the AlexRenew Board. The advisory work group will review and guide the plans, implementation, costs and financing to minimize community impacts and maximize overall community benefits. This advisory group is similar to the City-ARHA Redevelopment Workgroup in structure.

If authorized by City Council, the next steps to facilitate the transfer of ownership will be consideration of 1) an ordinance authorizing the transfer; 2) an amended Service Agreement between the City and AlexRenew; and 3) an amendment to AlexRenew's charter to extend the period of its existence to 2068 to allow for the necessary bond time to finance this project, and clarify CSO management as an authorized activity by AlexRenew. These actions will come before City Council likely in May or June.

**BACKGROUND:** A new State law enacted in 2017 requires the City to update its Long Term Control Plan to meet the 2017 legislation. The legislation requires the City to remediate all of its combined sewer outfalls, requires that construction of future combined sewer infrastructure projects begin no later than July 1, 2023 and that construction of these projects be completed by July 1, 2025. The City intends to submit its Long Term Control Plan Update to VDEQ by June 1, 2018. The new legislation requires VDEQ to determine, by July 1, 2018, what actions are required by the City in order to comply with the legislation.

As the mitigation solution has been further developed over the past several months, the City has been in discussions with AlexRenew regarding which entity is most appropriate to design, construct, finance and operate the City's combined sewer outfalls. As the design has progressed, it has become apparent that there are many advantages associated with AlexRenew becoming the lead agency in these efforts. It is important that a project of this magnitude have a single entity leading the project to ensure a unified, comprehensive approach that provides opportunities for efficiencies.

The mitigation strategy being recommended by both the technical staff and community stakeholders would involve a tunnel system that would serve as storage and conveyance to bring combined sewer flows to the AlexRenew facility. Construction of this tunnel system is anticipated to be constructed from the AlexRenew site and involve upgrades to facility treatment systems. While this allows the full benefits of the treatment facility to be leveraged to mitigate the combined sewer overflows, it will necessitate operation of the system from AlexRenew once it has been constructed.

**FISCAL IMPACT:** The planning level capital cost (i.e., early, but not yet engineered cost estimates) for the combined sewer system mitigation is estimated to be \$356 million. It is hoped that the State will pay up to 20% of project costs, as the State paid for a portion of Lynchburg's and Richmond's CSO mitigation costs. The cost

estimate of \$365 million is preliminary based on conceptual level planning, and could possibly be as high as an additional 50%. With the transfer of ownership, this infrastructure will be financed by AlexRenew through their sanitary sewer rates. It is estimated that the average household sanitary sewer bill will increase by approximately \$20 to \$40 per month over the implementation period in addition to the current average sanitary sewer bill of approximately \$50 per month. The City's sanitary sewer rate will not be used to finance this project. This transfer will be largely invisible to the City's rate payers. The cost of the implementation will be added to the AlexRenew portion of the bill, but the rate payers receive a single sewer bill for both entities.

**ATTACHMENTS:**

1. Outfall Transfer Agreement
2. Exhibit A to Outfall Transfer Agreement

**STAFF:**

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