

City of Palo Alto
Proposed
Storm Water Management Fee
Financial Analysis

I. General Description of Proposed Storm Water Management Fee

A. Overview

The proposed Storm Water Management Fee would have two components:

- 1) A Base Component
- 2) A Projects and Infrastructure Component

The Base Component has been calculated based on the City's anticipated ongoing costs for the engineering, maintenance, storm water quality protection, operation and administration of the City's storm water system, including regulatory permit compliance.

The Projects and Infrastructure Component has been calculated based on anticipated 15-year costs for the Storm Drain Capital Improvement Program (CIP) (which includes both major capacity upgrade projects and capital improvement repair and rehabilitation), Incentive Projects (IP), and Green Storm Water Infrastructure (GSI) Projects.

B. Proposed Rates effective June 1, 2017

The Proposed Rate for the Storm Water Management Fee effective June 1, 2017 is:

\$13.65 per ERU (Equivalent Residential Unit) per month.

This is comprised of:

- 1) Base Component of \$7.48 per ERU per month and
- 2) Projects and Infrastructure Component of \$6.17 per ERU per month.

C. Inflation Adjustment

In order to offset the effects of inflation on labor and material costs, the maximum rate for the Storm Water Management Fee (and each component of the Storm Water Management Fee) will be increased annually each July 1 (beginning July 1, 2018), by the lesser of (i) the percentage change in the Consumer Price Index [CPI] for the San Francisco-Oakland-San Jose CSMA,

published by the United States Department of Labor, Bureau of Labor Statistics during the prior calendar year or (ii) 6%.

The City Council would have the authority to set the rate for the Storm Water Management Fee (and each component of the Storm Water Management Fee) at any rate that is less than or equal to the inflation adjusted maximum rate.

D. Duration

1) Base Component

The Base Component would be charged monthly, beginning June 1, 2017, until terminated by the City Council.

2) Projects and Infrastructure Component

The Projects and Infrastructure Component would be charged monthly, beginning June 1, 2017. Unless further extended by the voters, the Projects and Infrastructure Component would no longer be charged beginning June 1, 2032.

E. Method of Collection and Calculated

The Storm Water Management Fee would be collected and calculated in the manner set forth in City of Palo Alto Utilities Rule and Regulation No. 25, subject to the exemptions set forth in this Section E.

As a general rule, ERU's are assigned to each parcel subject to the fee on the following basis:

Single-Family Residential Parcels:

<u>Lot Size</u>	<u>ERU's</u>
<6,000 sq.ft.	0.8 ERU
6,000 - 11,000 sq.ft.	1.0 ERU
>11,000 sq.ft.	1.4 ERU

All Other Improved Parcels:

$$\text{Number of ERU} = \text{Impervious Area (Sq. Ft.)} / 2,500 \text{ Sq. Ft.}$$

Assigned ERU's are rounded to the nearest one-tenth of an ERU.

Unimproved parcels are not subject to the Storm Water Management Fee, and the fee is not charged for developed parcels that (i) have their own maintained storm drainage facility or facilities, and which do not utilize City facilities or (ii) make no substantial contribution of storm or surface water to the City's storm drainage facilities.

For a more complete description of the manner of collection and calculation of the Storm Water Management Fee, reference is made City of Palo Alto Utilities Rule and Regulation No. 25.

F. Use of Funds

Proceeds of the Storm Water Management Fee would be available to the City exclusively to pay for:

- (A) Improving the quality of storm and surface water;
- (B) The operation, maintenance, improvement and replacement of existing City storm drainage facilities; and
- (C) The operation, maintenance, and replacement of future such facilities.

Permissible uses would include, but not be limited to, Green Storm Water Infrastructure programs (including financial incentives to property owners) intended to reduce the quantity of storm water entering the City's public storm water system or to improve the quality of storm water before it enters that system through measures including, but not limited to, rain gardens, rain barrels/cisterns, green roofs, tree wells, bioretention/infiltration basins and planters, and permeable pavement.

II. Cost Estimate

The initial rate for the Storm Water Management Fee was calculated based upon the following proposed budget for FY2018:

Base Component

Floodplain Management	\$ 101,000
Engineering	\$ 255,000
Storm Water Quality Protection	\$1,135,000
Storm Drain System Maintenance	\$1,293,000
Emergency Response	\$ 119,000
Administrative Support	<u>\$1,112,000</u>
SUBTOTAL	\$4,015,000

Projects and Infrastructure Component

Storm Drain Capital Improvements	\$1,104,000
Debt Service for Past Capital Projects	\$ 947,000
Storm Drain System Repairs	\$ 400,000
Capital Program Engineering Support	\$ 177,000
Green Storm Water Infrastructure Projects	\$ 375,000
Incentive Projects	<u>\$ 125,000</u>
SUBTOTAL	\$3,128,000

TOTAL PROPOSED BUDGET \$7,143,000

Proposed Green Storm Water Infrastructure (GSI) funding has been calculated based on the estimated cost of preparation of a City of Palo Alto Green Storm Water Infrastructure Plan and GSI projects. GSI projects retain, infiltrate and/or treat storm water and include, but are not limited to, rain gardens, rain barrels/cisterns, green roofs, tree wells, bioretention/infiltration basins and planters, and permeable pavement. Incentive Project (IP) funding has been calculated based on estimated cost for financial incentives (such as rebates) that encourage private residents and commercial property owners to incorporate green infrastructure measures into their private property projects.

Based on this budget, the Storm Water Management Fee must generate revenue of \$6,920,000 in FY2018 in order to fund \$7,143,000 in expenses (offset by \$223,000 in anticipated other available funds).

III. Calculation of Rate per ERU

According to the City’s existing billing records, there are 42,250 served by the City’s storm drainage facilities. These ERU’s break down as follows:

Single-Family Residential	15,717 ERU
Commercial/Multi-Family Residential	19,055 ERU
Industrial	5,197 ERU
City-Owned Facilities	2,281 ERU

The monthly rate per ERU for FY 2018 was calculated by dividing the amount of annual revenue necessary to fund the storm water management program (\$6,920,000) by the total number of ERU’s 42,250 and dividing the result by 12 months per year.

IV. Discussion of Rationale for Fee

The Storm Water Management Fee is a property-related fee that is subject to the requirements of Article XIII D, Section 6 of the California Constitution (which was added to the Constitution in 1996 by the adoption of Proposition 218).

The City imposes the Storm Water Management Fee in order to provide storm water management services to each parcel of real property that is subject to the Storm Water Management Fee. The purpose of the storm water management services is to accept storm and surface water from parcels in the City, and properly discharge or otherwise dispose of that water in an environmentally appropriate manner. These services reduce risks of flooding and impediment of access for parcels subject to the Storm Water Management Fee.

The City's system of storm drainage facilities operates as a unified system that serves all parcels receiving storm water management services. The proper operation of the system requires that the City maintain the quality of water discharged from the system and that the City mitigate the impacts of discharge from the storm drainage facilities to the San Francisco Bay and to natural streams and creeks in accordance with the requirements of the regional storm water discharge permit issued by the San Francisco Bay Regional Water Quality Control Board. Therefore, costs of operating the system can include costs associated with "green storm water infrastructure" facilities that retain, infiltrate and/or treat storm water (including, but not limited to, rain gardens, rain barrels/cisterns, green roofs, tree wells, bioretention/infiltration basins and planters, and permeable pavement). System costs can also include costs associated with programs that reduce water discharge from the system by providing financial incentives to property owners to implement storm water management best practices or install "green" improvements on their property.

Parcels are charged based on the estimated impervious area on the parcel. Impervious area is used as a proxy for storm and surface water discharge because the improvement of parcels with impervious surfaces eliminates or retards the natural ability of unimproved land to absorb water into the soil mantle. Each ERU assigned to a parcel represents 2,500 sq. feet of impervious surface. City of Palo Alto Utilities Rule and Regulation No. 25 provides a mechanism by which a property owner can appeal the number of ERU's assigned if they believe that the assigned number of ERU's inaccurately reflects the impervious area of their parcel or improperly reflects their use of the storm water management services.

V. Definitions.

All terms used herein, if defined in City of Palo Alto Utilities Rule and Regulation No. 25, shall have the meaning therein defined.

Exhibit "A"

List of Expenses and Full-time Equivalent (FTE) Staffing Used to Develop the Cost-Basis for the Proposed Storm Water Management Fee

1. Base Component of Proposed Storm Water Management Fee

(Cost figures based on assumed FY2018 Storm Drainage Fund budget)

Base Component Overview

<u>Expense Category</u>	<u>Annual Expenses</u>	<u># of Staff Positions</u>
Floodplain Management	\$ 101,000	0.49 FTE
Engineering	\$ 255,000	1.37 FTE
Storm Water Quality Protection	\$ 1,135,000	5.19 FTE
Storm Drain System Maintenance	\$ 1,293,000	4.47 FTE
Emergency Response	\$ 119,000	0.53 FTE
Administrative Support	<u>\$ 1,112,000</u>	<u>0.60 FTE</u>
TOTALS	\$ 4,015,000	12.65 FTE

Key Base Component Staffing

- Senior Engineer
- Project Engineer
- 1/2- Time Manager Maintenance Operations
- 1/2 - Time Manager Environmental Control Programs
- Associate Engineer
- 1/2- Time Environmental Specialist
- 1/2- Time Program Assistant II
- Heavy Equipment Operator – Lead
- Heavy Equipment Operator
- Electrician -Lead
- Industrial Waste Investigator

Base Component Breakdown

Floodplain Management

- Expenses for supplies, materials, and services for floodplain management activities (coordination with Santa Clara Valley Water District & San Francisquito Creek JPA, enforcement of FEMA-based development regulations, etc.)
- Salaries and benefits for applicable PW Engineering Services staff
- Salary/Benefits Expenses = \$95,000
- Non-Salary Expenses = \$6,000
- 0.49 Full-Time Equivalent Positions
 - Senior Engineer: 0.16 FTE
 - Project Engineer: 0.08 FTE
 - Engineering Tech III: 0.10 FTE
 - Engineering Tech III: 0.10 FTE
 - Engineering Tech III: 0.05 FTE

Engineering

- Expenses for supplies, materials, and services for CIP projects (no capital project funding in Base Component)
- Salaries and benefits for applicable PW Engineering Services staff
- Salary/Benefits Expenses = \$246,000
- Non-Salary Expenses = \$9,000
- 1.37 Full-Time Equivalent Positions
 - Senior Engineer: 0.30 FTE
 - Project Engineer: 0.65 FTE
 - Management Analyst: 0.10 FTE
 - Administrative Associate III: 0.10 FTE
 - Administrative Associate I: 0.10 FTE
 - Surveyor: 0.12 FTE

Storm Water Quality Protection

- Expenses for supplies, materials, and services for storm water quality protection activities (site and facility inspections, public outreach, regulatory compliance and reporting, etc.)
- Annual payments to Santa Clara Valley Pollution Prevention Program and State Water Resources Control Board
- Salaries and benefits for applicable PW Engineering Services and PW Environmental Services staff
- Salary/Benefits Expenses = \$785,000

- Non-Salary Expenses = \$350,000
- 5.19 Full-Time Equivalent Positions
 - Assistant Director, Environmental Svcs: 0.10 FTE
 - Watershed Protection Manager: 0.20 FTE
 - Senior Engineer: 0.10 FTE
 - Project Engineer: 0.10 FTE
 - Manager Environmental Control Programs: 0.50 FTE
 - Manager Environmental Control Programs: 0.20 FTE
 - Associate Engineer: 1.00 FTE
 - Associate Engineer: 0.19 FTE
 - Senior Industrial Waste investigator: 0.10 FTE
 - Industrial Waste Investigator: 0.80 FTE
 - Industrial Waste Investigator: 0.20 FTE
 - Industrial Waste Inspector: 0.15 FTE
 - Industrial Waste Inspector: 0.15 FTE
 - Industrial Waste Inspector: 0.10 FTE
 - Environmental Specialist: 0.50 FTE
 - Program Assistant II: 0.50 FTE
 - Program Assistant II: 0.10 FTE
 - Management Specialist (Intern): 0.20 FTE

Storm Drain System Maintenance

- Expenses for supplies, materials, and services for maintenance and minor repairs to storm drain infrastructure (pipelines, manholes, storm drain inlets, pump stations, etc.)
- Salaries and benefits for storm drain maintenance staffing in PW Public Services Division (1/2-time manager + 2-person crew + miscellaneous support)
- Salary/Benefits Expenses = \$718,000
- Non-Salary Expenses = \$575,000
- 4.47 Full-Time Equivalent Positions
 - Manager Maintenance Operations: 0.50 FTE
 - Assistant Director, Public Services: 0.05 FTE
 - Technologist: 0.30 FTE
 - Project Manager: 0.15 FTE
 - Heavy Equipment Operator – Lead: 0.90 FTE
 - Heavy Equipment Operator – Lead: 0.10 FTE
 - Heavy Equipment Operator: 0.70 FTE
 - Equipment Operator: 0.06 FTE
 - Equipment Operator: 0.36 FTE
 - Electrician – Lead: 1.00 FTE
 - Electrician: 0.10 FTE

- Management Analyst: 0.10 FTE
- Administrative Associate II: 0.15 FTE

Emergency Response

- Expenses for supplies, materials, and services for response during flood emergencies
- Salaries and benefits for applicable PW Public Services staff
- Salary/Benefits Expenses = \$118,000
- Non-Salary Expenses = \$1,000
- 0.53 Full-Time Equivalent Positions
 - Heavy Equipment Operator – Lead: 0.10 FTE
 - Heavy Equipment Operator – Lead: 0.05 FTE
 - Heavy Equipment Operator: 0.10 FTE
 - Heavy Equipment Operator: 0.10 FTE
 - Equipment Operator: 0.03 FTE
 - Equipment Operator: 0.09 FTE
 - Traffic Control Maintenance Worker: 0.06 FTE

Administrative Support

- Allocated charges from other City departments (City Manager, City Attorney, Administrative Services, Information Technology, Utility Billing, etc.)
- Salaries and benefits for Storm Drainage Fund managers and accounting staff
- Salary/Benefits Expenses = \$131,000
- Non-Salary Expenses (including allocated charges) = \$981,000
- 0.60 Full-Time Equivalent Positions
 - Assistant Director, Engineering Services: 0.15 FTE
 - Senior Engineer: 0.20 FTE
 - Senior Accountant: 0.10 FTE
 - Accountant: 0.05 FTE
 - Accounting Specialist: 0.10 FTE

2. Projects/Infrastructure Component of Proposed Storm Water Management Fee

(Cost figures based on assumed FY2018 Storm Drainage Fund budget)

Projects/Infrastructure Component Overview

<u>Expense Category</u>	<u>Annual Expenses</u>	<u># of Staff Positions</u>
Storm Drain Capital Improvements	\$1,104,000	---
Debt Service for Past Capital Projects*	\$ 947,000	---
Storm Drain System Repairs	\$ 400,000	---
Capital Program Engineering Support	\$ 177,000	1.0 FTE
Green Storm Water Infrastructure Projects	\$ 375,000	---
Incentive Projects	\$ 125,000	---
TOTALS	\$ 3,128,000	1.0 FTE

* = Debt will be fully retired in FY2024, and funds will be available for work on capital projects subsequent to that date.

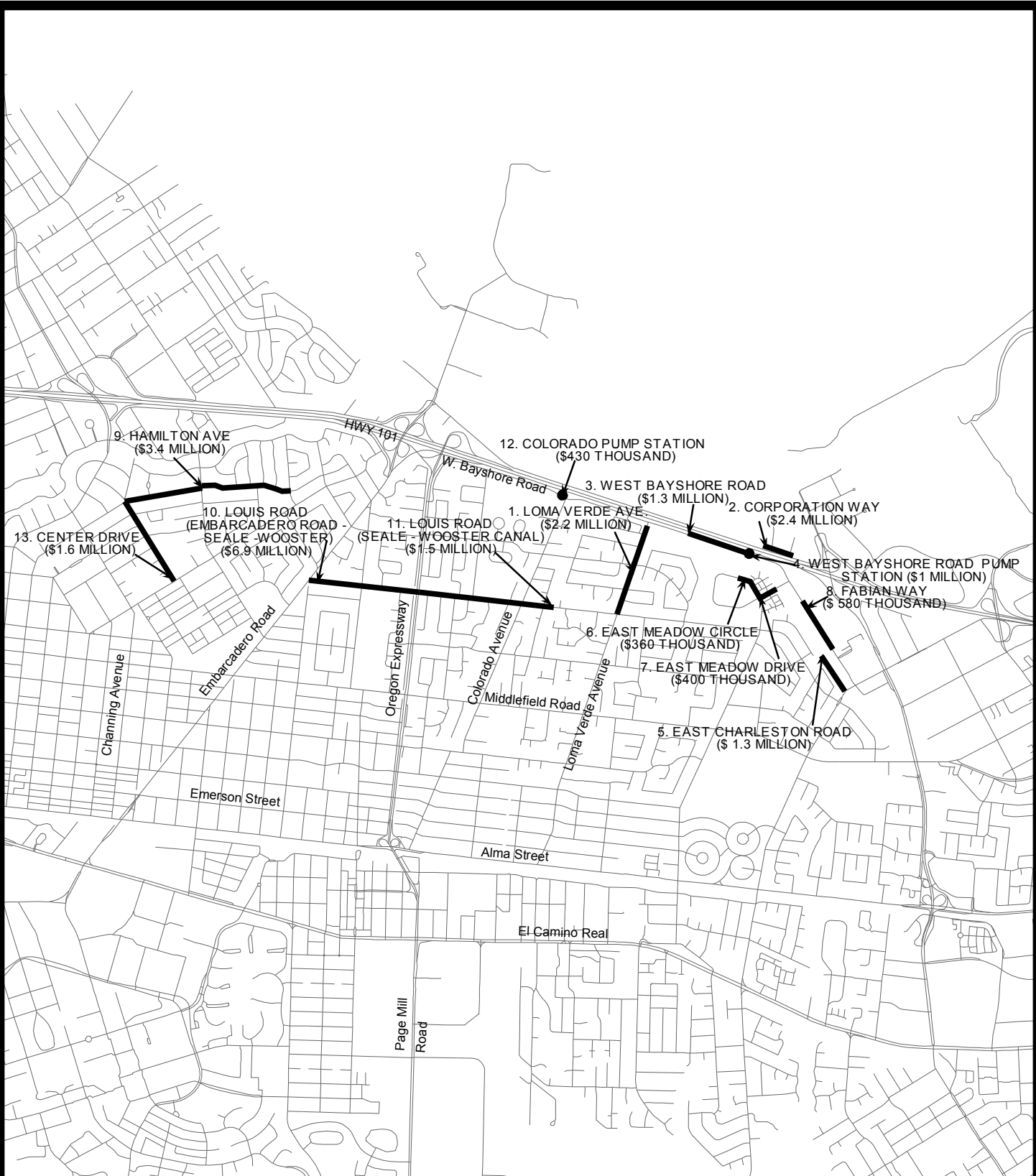
Projects/Infrastructure Staffing

- Engineer

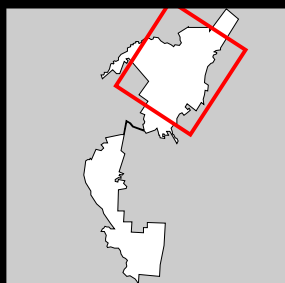
EXHIBIT “B”
LIST OF STORM DRAIN CAPITAL IMPROVEMENTS USED TO DEVELOP THE COST-BASIS FOR THE PROJECTS/INFRASTRUCTURE COMPONENT OF THE PROPOSED STORM WATER MANAGEMENT FEE

Project Name	Location	Cost (\$000)
1. Loma Verde Ave (Louis to Sterling Canal) capacity upgrade	Midtown	\$2,200
2. Corporation Way/E Bayshore Road Pump Station to Adobe Ck	Baylands	\$2,420
3. W. Bayshore Rd to Adobe Ck capacity upgrade	Palo Verde	\$1,390
4. W. Bayshore Rd Pump Station to Adobe Creek	Palo Verde	\$1,040
5. E. Charleston Rd to Adobe Ck capacity upgrade	Charleston Terrace	\$1,300
6. E. Meadow Cir connection to Adobe Ck PS	E Meadow Circle	\$ 360
7. E. Meadow Dr to Adobe Ck PS capacity upgrade	Ortega	\$ 400
8. Fabian Way capacity upgrade	Fabian Way	\$ 580
9. Hamilton Ave (Center to Rhodes) capacity upgrade	Duveneck-St Francis	\$3,440
10. Louis Rd (Embarcadero to Seale-Wooster) capacity upgrade	Garland/Midtown	\$6,910
11. Louis Rd (Seale-Wooster Cnl to Matadero Ck) overflow pipe	Midtown	\$1,560
12. Colorado Pump Station removal	Midtown	\$ 430
13. Center Drive capacity upgrade	Crescent Park	<u>\$1,620</u>
TOTAL		\$23,650

A map of the above-listed projects is included in this exhibit. Project costs were estimated based upon the best information currently available for the purpose of developing a reasonable and appropriate CIP budget. Final selection and sequencing of individual projects is subject to further study and analysis, such as analysis under the California Environmental Quality Act.



The City of
Palo Alto



Proposed
Storm Drain
Capital Improvements
For Storm Water
Management Fee
(2016)

This map is a product of the
City of Palo Alto GIS

