

City of Palo Alto Storm Water Management Fee

Background and Frequently Asked Questions

Palo Alto's Storm Water Management Fee funds projects and services that reduce street flooding and protect creeks. Property owners will be voting on whether to continue the monthly fee that fund these critical construction projects and services. **Ballots will be mailed to Palo Alto property owners on February 24, 2017.**

Voting “yes” on the ballot to renew the Storm Water Management Fee would increase the existing monthly Fee by an average of 62 cents. The monthly Fee would be approximately \$13.65 for a typical home. The Fee would fund new projects and rebates that reduce flooding, water pollution, and the maintenance of existing storm drain infrastructure and programs. This Fee amounts to a 2.3% increase above the pattern of annual rate increases that has occurred since 2005.

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Background

In 1989, the City of Palo Alto established the “Storm Drainage Fee” to pay for storm drain system construction, maintenance, and water quality protection. Voters approved the continuation of this “enterprise fund” fee in 2005 which is similar to fees for other utilities such as the sanitary sewer, gas, electricity, water, and refuse.

Palo Alto's current monthly “Storm Drainage Fee” for a typical single family residence is \$13.03 and is included in the monthly utility bill. The Fee funds the maintenance and improvements to Palo Alto's storm water system, in addition to urban pollution prevention services and [rebate programs](#). Several of these services are mandated by the State of California. This Fee sunsets on June 1, 2017. If continued funding is not approved by a majority of property owners, it will revert to its pre-2005 level of \$4.25 per month. Without a continuation of the current Fee, funding to make all of the necessary storm water system repairs and improvements would not be available.

To address this funding concern, Palo Alto City Manager Jim Keene appointed a Storm Drain Blue Ribbon Committee comprised of Palo Alto residents in January 2016. The Committee recommended a Storm Water Management Fee of approximately \$13.65 per month for a typical home (62 cents more than the current Fee). This proposed Fee amounts to a 2.3% increase above the pattern of annual rate increases that have occurred since 2005. The Fee would fund new projects and rebates that reduce flooding, water pollution, and allow for the maintenance of existing storm water system infrastructure and continuation of programs. Palo Alto City Council approved the recommendations in August 2016.

Frequently Asked Questions

1. How would the proposed Storm Water Management Fee be approved?

The City will mail the Storm Water Management Fee ballot to all owners of developed properties on February 24, 2017. The Storm Water Management Fee will be approved if a simple majority, (50% + 1), of the returned ballots are marked “yes” or in favor of the fee.

2. What happens if the proposed Storm Water Management Fee is not approved by Palo Alto property owners? If the Fee is not approved by a majority of property owners, it will revert to its pre-2005 level of \$4.25 per month. Since the pre-2005 level is less than the current cost to maintain and improve the existing storm drain system, the City would have to identify other funding sources. A likely funding source is the General Fund, but the City would potential have to reprioritize other City programs and projects to fund the existing storm drain services and critical improvements.

3. How is the City’s current “Storm Drainage Fee” collected?

The Fee is collected through the City’s monthly utility bills. The existing “Storm Drainage Fee” is property-related and subject to the provisions of California’s Proposition 218. Consequently, any proposed Fee increase is subject to approval by a majority of property owners.

Note that the name of the proposed Fee that would go into effect in 2017 has been revised to “Storm Water Management Fee” reflecting that the Fee covers many aspects of storm water management and not solely storm drain system maintenance and construction improvements.

4. What specific projects were completed over the past 12 years with revenue from the current “Storm Drainage Fee”? Since 2005, the following storm drain system improvements have been completed or are underway:

- Matadero Storm Water Pump Station Upgrades (underway)
- Alma Street Storm Drain Improvements (completed)
- Channing Avenue/Lincoln Avenue Storm Drain Improvements (completed)
- Clara Drive Storm Drain Improvements (completed)
- Gailen Drive/Bibbits Drive Storm Drain Improvements (completed)
- Southgate Neighborhood Green Street Project (completed)
- San Francisquito Creek Storm Water Pump Station (completed)

[View project locations.](#)

5. What projects and services will the proposed Fee provide? If approved, The Fee will fund projects and services that reduce street flooding and protect water quality. These include:

- a) **Storm drain system construction projects** that improve the effectiveness of Palo Alto’s 80- to 100-year-old undersized storm drain system;
- b) **Green storm water infrastructure projects** filter and absorb storm water that is directed into them. Implementing these will reduce street flooding and capture pollution before it reaches the creeks or Bay by mimicking natural environment to slow, spread and sink storm runoff;
- c) **Commercial and residential rebate programs** that encourage installation of green storm water infrastructure such as pervious pavers, rainwater cisterns, rain barrels and green roofs. Information

about the Palo Alto’s storm water rebate programs can be found at cityofpaloalto.org/stormwater.

- d) **Floodplain management programs** including:
 - a. public outreach about flood risks;
 - b. enforcement of construction requirements for projects located within FEMA-designated Special Flood Hazard Areas;
 - c. coordination with Regional Flood Management Agencies such as the Santa Clara Valley Water District and the San Francisquito Creek Joint Powers Authority (JPA);
- e) **Debris and litter reduction** including the installation of trash capture devices, litter booms in creeks, street sweeping, creek clean-ups, new development requirements for trash enclosures, and outreach;
- f) **Public and residential Integrated Pest Management.** Integrated Pest Management uses effective, pest management strategies that are safer for people and the environment.

6. Why does the storm water system need repairs and upgrades?

Most of Palo Alto’s storm water system carries rain runoff through a network of inlets, pipes and pumps to local creeks that drain to San Francisco Bay. Most of the City’s storm water system is between 40 and 100 years old. The system was designed to meet the City’s needs, engineering standards and available funding at that time. The current minimum engineering standards require storm water systems to handle "10-year storms." The existing system does not meet the minimum standards in many areas. As a result, even moderate storms can lead to street flooding, driving hazards, property damage and increased street repair costs. This warrants the need to repair or replace the existing systems.

7. What new storm water system projects would be funded by the Fee? The following projects would be considered for implementation over the next 15 years using revenue from the proposed Storm Water Management Fee:

| <u>Project Name</u> | <u>Location</u> | <u>Approximate Cost in Millions (\$000)</u> |
|---|---------------------|---|
| Loma Verde Ave (Louis to Sterling Canal) capacity upgrade | Midtown | \$2,200 |
| Corporation Way/E Bayshore Road Pump Station to Adobe Ck | Baylands | \$2,400 |
| W. Bayshore Rd. to Adobe Ck capacity upgrade | Palo Verde | \$1,400 |
| W. Bayshore Rd. Pump Station to Adobe Creek | Palo Verde | \$1,000 |
| E. Charleston Rd to Adobe Creek capacity upgrade | Charleston Terrace | \$1,300 |
| E. Meadow Cir connection to Adobe Ck PS | E Meadow Circle | \$ 400 |
| E. Meadow Dr. to Adobe Creek PS capacity upgrade | Ortega | \$ 400 |
| Fabian Way capacity upgrade | Fabian Way | \$ 600 |
| Hamilton Ave (Center to Rhodes) capacity upgrade | Duveneck-St Francis | \$3,500 |
| Louis Rd (Embarcadero to Seale-Wooster) capacity upgrade | Garland/Midtown | \$6,900 |
| Louis Rd (Seale-Wooster Cnl to Matadero Ck) overflow pipe | Midtown | \$1,600 |
| Colorado Pump Station integration | Midtown | \$ 500 |
| Center Drive capacity upgrade | Crescent Park | \$1,600 |
| TOTAL | | \$23,800 |

Project costs were estimated based upon the best information available for the purpose of developing a reasonable capital improvement project budget. The final selection and sequencing of individual projects is subject to further study and analysis. [View the project locations](#)

- 8. How do the proposed storm water system projects funded by the ballot measure relate to creek flooding?** Projects funded by the ballot measure would include the construction of new storm water inlets, pipes, pumps and the system maintenance. These projects are needed to quickly get rainfall off streets and to meet the minimum 10-year storms event engineering standard. Separately, regional flood control projects, funded by the Santa Clara Valley Water District and other agencies, increase creek capacity to prevent them from overflowing. Together, projects funded by the two sources reduce the overall flooding risk to the community.

- 9. What is Green Storm Water Infrastructure?** Green storm water infrastructure mimics the natural environment to slow, spread, sink and filter storm runoff through native or engineered soils rather than discharging it directly into storm drains inlets. Green storm water infrastructure elements include bio-retention planters, rain gardens, tree wells, green roofs, pervious pavement, and rainwater harvesting (rain barrels and cisterns) to manage storm water runoff. Green Infrastructure creates beautiful neighborhoods, replenishes groundwater, creates habitat, reduces heat island effects, and improves bicycle and pedestrian accessibility. Palo Alto implemented a green storm water infrastructure project in Palo Alto's Southgate Neighborhood in 2014.

- 10. How would Green Storm Water Infrastructure rebates be used?**
If approved, rebate programs will help residents and businesses install green roofs, rain gardens, rain barrels and cisterns, patios, and permeable walkways and parking surfaces. Current rebate information is available at www.cityofpaloalto.org/stormwater.

- 11. How does the Storm Water Management Fee relate to the Municipal Regional Storm Water Permit (MRP)?** Many of the projects and services covered under the proposed ballot are requirements of the Municipal Regional Storm Water Permit. The City of Palo Alto is a co-permittee with 76 other Bay Area cities and local agencies. Permit requirements include design requirements for new and remodeled buildings, green storm water infrastructure development, business and construction site inspections; reducing pollution from pesticides, copper, PCBs, and mercury; water quality monitoring, and public education.

- 12. Does Stanford University pay the Fee?**
Yes. The University and its lessees pay the current "Storm Drainage Fee" and would pay the proposed Storm Water Management Fee for all Stanford-owned land parcels within the City of Palo Alto. These would include the Stanford Shopping Center, Stanford hospitals, and Stanford Research Park properties.

Funding Structure Questions

- 13. How does the proposed Storm Water Management Fee rate compare to the existing "Storm Drainage Fee"?** The proposed monthly fee for a typical home would increase by 62 cents from fiscal year 2017 to fiscal year 2018. This amounts to a 2.3% increase above the pattern of annual rate increases that have occurred since 2005. Note that the name of the proposed Fee that would go into effect in 2017 has been

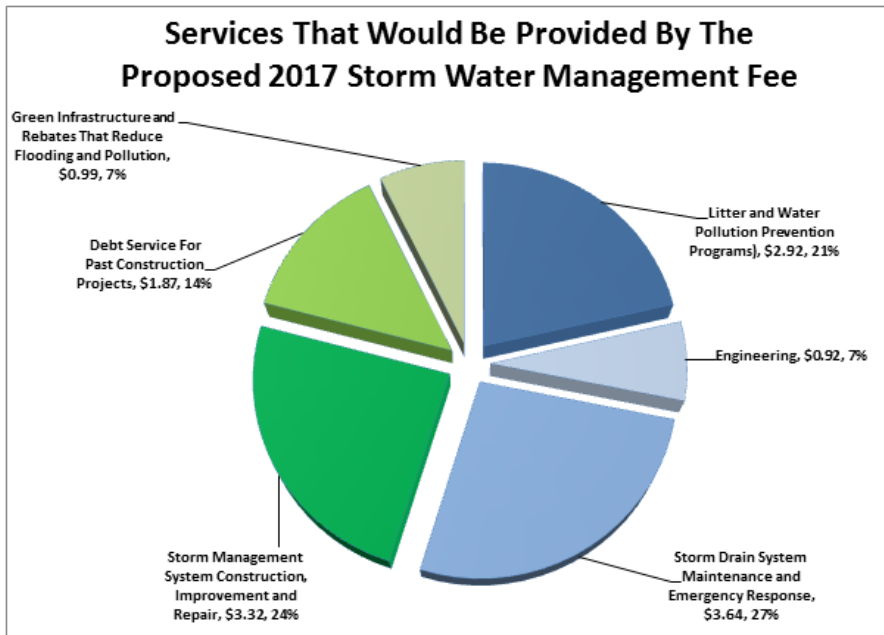
revised to “Storm Water Management Fee” reflecting that the Fee covers many aspects of storm water management and not solely storm drain system maintenance and construction improvements.

14. How was the proposed 2017 Storm Water Management Fee determined and what would it include? The proposed Fee was based on the recommendations of the Storm Drain Blue Ribbon Committee which was comprised of residents and appointed by Palo Alto’s City Manager, Jim Keene. The Committee proposed two components for the Fee:

- a) **A Base Component of \$7.48 per “Equivalent Residential Unit (ERU)” per month.** This portion of the Fee would pay for ongoing expenditures for engineering, maintenance, and storm water quality staffing, expenses, and regulatory compliance. This component would be subject to an annual City Council-approved adjustment for [inflation](#).

An “Equivalent Residential Unit (ERU)” is the billing unit for the proposed Storm Water Management Fee and is a measure of storm water runoff from a developed property. An ERU is defined as 2,500 square feet of impervious surface (such as building roofs, parking lots, driveways, patios, etc.), which is the amount of impervious area on a typical Palo Alto single-family residential property.

- b) Other property types are charged an ERU total based on actual measured impervious area on the property, at a rate of 1.0 ERU per 2,500 square feet of measured impervious surface.
- c) **A Projects and Infrastructure Component of \$6.17 per ERU per month.** This Fee component would initially generate \$3.1 million annually for storm water system capacity improvements, system replacement and rehabilitation, and green storm water infrastructure projects. This portion of the fee would be subject to an annual City Council-approved [adjustment for inflation](#) and would end in 15 years (on June 1, 2032) unless extended by a subsequent ballot measure. Revenue from this component would fund:
 - \$1,281,000 in the initial year for storm water system capacity improvements. Over the 15-year life of the ballot measure, it is projected that there will be adequate funding for approximately 13 projects with a present day value of \$23.8 million;
 - \$947,000 for debt service for past storm water system improvements through FY 2024;
 - \$400,000 annually for storm water system replacement and rehabilitation;
 - \$375,000 annually for green storm water infrastructure projects;
 - \$125,000 annually for residential and commercial rebates to install green storm water infrastructure measures such as the installation of cisterns, rain barrels, pervious paving and green roofs.



■ Blue indicates funding for current programs (\$7.48/month, 55% of total typical monthly fee).
■ Green indicates funding for new construction, "green infrastructure" projects, and rebate programs (\$6.17 and 45% of total monthly typical fee).

Notes:

- Funding for storm drain capital improvements will increase by the rate of the inflationary adjustment approved by the City Council for the Storm Water Management Fee each fiscal year. Over the 15-year life of the ballot measure, it is projected that there will be adequate funding for approximately 13 capital projects with a present day value of \$23.8 million.
- Annual debt service payments will end in FY 2024, thus freeing up additional funding for new storm drain capital improvements.
- Funding for storm drain system replacement and rehabilitation, green storm water infrastructure projects, and residential and commercial green storm water infrastructure rebates will increase by the rate of the inflationary adjustment approved by the City Council for the Storm Water Management Fee each fiscal year.

15. How are rates for specific parcels determined?

Storm water management rates are based upon the amount of rainfall runoff a parcel produces, as measured by the square footage of impervious surface (e.g. building roofs, parking lots, driveways, patios, etc.) on the property. The billing unit is the Equivalent Residential Unit (ERU). One ERU equals 2,500 square feet of impervious surface, the amount of impervious area on a typical single-family or duplex residential parcel in Palo Alto. The ERU size was based on a sampling of single-family and duplex properties in the City. Currently, all single-family and duplex residential properties in the City are billed a fixed number of ERUs based upon the lot size, per the rate table below.

| <u>Single-Family Residential Lot Size</u> | <u>ERU charge</u> |
|---|-------------------|
| <6,000 square feet | 0.8 ERU |
| 6,000 to 11,000 square feet | 1.0 ERU |
| >11,000 square feet | 1.4 ERU |

Commercial, industrial, and multi-family residential properties are charged for storm drainage based on their actual amounts of impervious surface area, at a rate of one ERU per 2,500 square feet of impervious area.

16. How is the proposed Fee structured to ensure fiscal responsibility and accountability? The ballot measure for the proposed Fee includes several safeguards, including a:

a. Sunset Clause.

The proposed fee would be broken into two components: a “base” fee to cover ongoing engineering, maintenance, and water quality protection programs, and a “project and infrastructure” fee to cover one-time expenses for capital improvements, green storm water infrastructure, and incentive projects. The ballot measure provides that the fee will partially “sunset” in 15 years; it will revert to the base rate unless renewed by another vote;

b. Cap on Annual Fee Increases

The ballot measure allows the City Council to increase the fee each year as part of the City’s budget process. The amount of the annual increase is limited to the increase in the rate of local inflation or 6 percent, whichever is less;

c. Proposed List of Capital Improvement Projects

The ballot measure includes a description and map of 13 storm drain system capital improvement projects to be considered for possible implementation over the 15-year duration of the “project and infrastructure” component of the fee; Final selection and sequencing of individual projects is subject to further study and analysis, such as analysis under the California Environmental Quality Act;

d. Oversight Committee

The City Council would appoint an Oversight Committee to ensure that the money raised from the Storm Water Management Fee is spent in accordance with the ballot measure language.

17. What provisions are incorporated into the ballot measure to keep the Storm Water Management Fee low? The ballot measure provides that annual rate increases will be limited to the local rate of inflation or 6%, whichever is less. The Storm Drainage Fee has increased by the rate of local inflation over the past 12 years at an average rate of 2.4% per year. The proposed Storm Water Management Fee of \$13.65 per month represents a 2.3% increase over the current funding model (i.e. a one-time increase of 4.7% over the existing rate). Per the recommendations of the Storm Drain Blue Ribbon Committee, all capital improvements will be constructed on a pay-as-you-go basis. Financing this project through revenue bonds, another alternative, would have nearly doubled the cost to ratepayers because of interest costs.

18. Can the Fee be paid from the City’s General Fund instead of having a separate fee?

Enterprise funds, such as Palo Alto’s gas and electric utilities, charge customers for services in proportion to their use or consumption. If the Storm Water Management Fee was financed by the General Fund, the costs would be spread among all taxpayers, regardless of use. In the case of storm water management, those who create the most runoff are the ones who pay most of the fees. Because two-thirds of the impervious surfaces in Palo Alto are on commercial and multi-family residential properties, those property owners pay in proportion to the runoff they create, and very large single-family residential parcels pay more than standard lots.

19. Do other enterprise funds have reserves that could pay for storm drain improvements?

The City is prohibited from transferring money from one enterprise to another, since this would mean that one set of customers, for example, electric ratepayers, would be subsidizing storm drain users.

20. Why does the current “Storm Drainage Fund” pay the General Fund for services?

In order to avoid having general taxpayers subsidize ratepayers, accounting practices require that enterprise funds reimburse the General Fund for all services provided by the City to the enterprise. As a result, in addition to payments for salaries, benefits, supplies, materials and contract services devoted exclusively to storm water management, the FY 2017 Storm Drainage Fund budget includes \$1,080,000 in reimbursements to the General Fund for costs associated with the utility billing system, information technology support, computer replacement, mailing and printing, liability insurance, vehicle maintenance and replacement, and the Storm Drain Enterprise’s share of accounting, budget, payroll and legal services.

21. Does the proposed ballot measure allow the City Council to increase the Storm Water Management Fee by six percent every year?

No. The six percent is a *cap* on the annual increases. The ballot measure allows the City Council the discretion to increase the fee each year by the local rate of inflation. This allows the funds to keep up with increases in costs of operating the system. However, should annual inflation exceed six percent, the increase in the fee can be no more than six percent in any single year.

The local inflation rate for the last 12 years it has averaged only 2.4 percent per year, and 1982 was the last time it exceeded six percent.

22. How much of the revenue from the Storm Water Management Fee would come from single-family residential parcels? The percentages are as follows:

- Multi-family residential and commercial: 45%
- Single-family residential and duplexes: 37%
- Industrial: 12%
- City-owned property: 6%

23. Do properties that drain directly into a creek still pay the Storm Water Management Fee?

No. Properties that drain directly into a creek or a neighboring jurisdiction are exempt from the fee.

24. How can I learn more? To learn more, visit cityofpaloalto.org/stormwaterfee, call (650) 329-2129, or email stormwater@cityofpaloalto.org.