



# City of Palo Alto

## City Council Staff Report

(ID # 7062)

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Report Type: Action Items

Meeting Date: 6/27/2016

Council Priority: City Finances

Summary Title: Blue Ribbon Storm Drain Committee Recommendations Report

Title: Review of Recommendations From the Storm Drain Blue Ribbon Committee Regarding Future Storm Water Management Funding and Request for Council Direction on Whether to Proceed With a Proposition 218 Hearing and Property Owner Ballot-by-Mail to Approve Future Storm Water Management Rates (Continued From June 6, 2016) (Staff Requests This Item be Continued to June 28, 2016)

From: City Manager

Lead Department: Public Works

### Recommendation

Staff recommends that Council:

1. Review and accept a report from the Storm Drain Blue Ribbon Committee on its recommendations for future storm water management funding; and
2. Provide guidance to staff on whether to proceed with a Proposition 218 protest hearing and property owner ballot-by-mail to approve future storm water management rates.

### Executive Summary

The City's storm drain programs are funded through the Storm Drainage Fund, an enterprise fund established by Council in 1989. Revenue to fund the Storm Drainage Fund's programs and projects is currently generated by a Storm Drainage Fee assessed to all developed properties in Palo Alto on monthly utility bills. Council traditionally had the authority to set the Storm Drainage rates as

part of the annual City budget approval process. In November 1996, however, California voters passed Proposition 218, a comprehensive constitutional amendment that set substantive and procedural requirements for property-related fees. As a result, the City must obtain property owner or voter approval before increasing Storm Drainage fees.

In April 2005, Palo Alto property owners approved a ballot-by-mail measure increasing the Storm Drainage Fee to for a typical single-family residential parcel to \$10.00 per month, with provision for annual inflationary increases through FY 2017. If no action is taken to approve updated fees, the fee structure approved in 2005 will sunset in June 2017, and the fee will revert back to its pre-2005 level of \$4.25 per month. Revenue from the post-sunset rate will not support current operational costs for storm drain system maintenance and State-mandated storm water quality protection programs and will provide no funding for continuation of a storm drain capital improvement program.

On October 19, 2015, Council approved staff's recommended conceptual strategy for identifying a funding mechanism for future storm drain improvements and enhanced storm water quality protection programs, including the appointment by the city manager of a Blue Ribbon Committee (Committee) of residents to review storm drain funding needs. The city manager appointed ten community leaders from neighborhoods throughout Palo Alto. The Committee had its first meeting on February 4, 2016 and met for two hours on a weekly or bi-weekly basis through early May. At their final meeting on May 5, 2016, the Committee voted on and approved a summary report containing their findings and recommendations to the city manager for future storm drain funding. The Committee recommends a renamed Storm Water Management Fee of \$13.65 per month for FY 2018, with a provision for annual inflationary increases and a partial 15-year sunset horizon. The fee revenue would support construction of a set of high-priority storm drain capital improvements, preparation and implementation of a green stormwater infrastructure plan, as well as ongoing storm drain system maintenance and storm water quality protection programs. The Committee recommends that a portion of the new fee not be subject to the sunset provision in order to provide a stable funding basis for ongoing non-capital expenditures for engineering, maintenance, and storm water quality staffing, expenses, and permit compliance.

Staff and the Committee concur that the City should proceed with a Proposition 218 protest hearing and property owner ballot-by-mail election to approve future storm water management rates. Staff recommends that the process be timed such that the protest hearing is held in October 2017 and ballots are sent to property owners in early 2017. The following report describes the specifics of the Committee's recommendations and a potential election process and timeline for Council consideration.

## **Background**

The City's storm drain capital improvement, maintenance and water quality protection programs are funded through the Storm Drainage Fund, an enterprise fund established by Council in 1989. Revenue to fund the Storm Drainage Fund's programs and projects is currently generated by a Storm Drainage Fee assessed to all developed properties in Palo Alto on monthly utility bills.

### Description of Current Rate Structure

The Storm Drainage fee schedule is based upon the premise that a property's use of the municipal storm drain system is dependent upon the amount of storm water runoff that it generates during storm events, which in turn is related to the amount of impervious surface (hardscape such as buildings, driveways, patios, parking lots, etc.) on the property. The current Storm Drainage fee schedule has three flat rates for single-family residential parcels based on lot size and a multi-family residential/commercial/industrial rate based on actual measured impervious surface on each parcel (see Attachment A: Utility Rate Schedule D-1 - General Storm and Surface Water Drainage; and Attachment B: Utility Rule and Regulation 25 - General Storm and Surface Water Drainage). The Storm Drainage rate schedule billing unit is the Equivalent Residential Unit (ERU). One ERU equates to 2,500 square feet of impervious surface, the amount of hardscape on a typical Palo Alto single-family residential property. The Storm Drainage Fee was originally set with the establishment of the Storm Drainage Enterprise Fund in 1989 at a rate of \$3.25 per month per ERU. Council increased the monthly rate to \$4.25 per month per ERU as part of the FY 1994 budget approval process.

### History of Earlier Proposition 218 Elections

Council traditionally had the authority to set the Storm Drainage rates as part of the annual City budget approval process. In November 1996, however, California voters passed Proposition 218, a comprehensive constitutional amendment that

set substantive and procedural requirements for many types of property-related fees, assessments, and taxes. Under Proposition 218, most property-related fees (with some exceptions, such as water and sewer) cannot be imposed or increased without the approval of a majority of property owners subject to the fee or a supermajority of voters. California courts have held that storm drainage fees like Palo Alto's are property-related fees subject to Proposition 218's procedural and substantive requirements. As a result, the City must obtain property owner or voter approval before increasing Storm Drainage fees.

After a failed property owner election in September 2000 (which garnered only a 37 percent approval rating), the City conducted a second election in April 2005 seeking approval of an increased Storm Drainage Fee to fund needed storm drain capital improvements and enhanced storm drain maintenance and storm water quality protection. The ballot measure, crafted jointly by staff and a city manager-appointed Blue Ribbon Committee, included the following key elements:

- An initial Storm Drainage Fee of \$10.00 per month per ERU (fee for the typical single-family residential property owner);
- Funding for seven high-priority storm drain capital improvements, estimated to cost approximately \$17 million (2004 dollars);
- Annual funding for innovative projects that reduce storm water runoff and pollutant levels;
- Annual inflation-based adjustments to the proposed fee increase, subject to Council approval, with a maximum annual increase of 6%;
- Twelve-year sunset provision for the proposed fee increase (ending in June 2017); and
- Council appointment of a citizen oversight committee tasked with ensuring that the money raised from the increased Storm Drainage Fee is spent in accordance with the ballot measure.

The 2005 Storm Drainage ballot measure (Attachment C) was approved, with 58 percent of responding property owners voting in favor of the fee increase. This 2005 property owner authorized funding is scheduled to sunset on June 1, 2017.<sup>1</sup> The successful ballot measure has provided enhanced revenue for a fully self-sufficient Storm Drainage Fund, including funding for capital projects and ongoing

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<sup>1</sup> The small pre-Proposition 218 fee amount of \$4.25/month/ERU will not sunset and does not require re-authorization.

operating expenses. Five of the seven storm drain capital improvement projects specified in the ballot measure have been completed to-date. A contract for construction of the final phase of the Lincoln Avenue Storm Drain Improvements Project was submitted to Council for approval on June 20th, and the final project (Matadero Storm Water Pump Station Improvements) will be substantially completed in FY 2017. As described in the proposed FY 2017-2021 Capital Budget, the storm drain pipeline element of the Matadero project will be deferred to FY 2018 due to a funding shortfall. Attachment D provides a status update on the Storm Drainage Fund Capital Improvement Program. The Council-appointed Storm Drain Oversight Committee has performed annual reviews of the Storm Drainage Fund budget and expenditures to ensure compliance with the approved 2005 ballot measure.

As authorized by property owners through the 2005 ballot measure, Council has approved increases in the base single-family residential Storm Drainage rate of \$10.00 per month per ERU each year based on an index representing the local rate of inflation. The single-family residential rate proposed for FY 2017 is \$13.03 per month per ERU, representing an average increase of 2.4 percent per year since 2005. If no action is taken to approve updated fees, the previously-approved fees will sunset, and the fee will revert back to its pre-2005 level of \$4.25 per month per ERU in June 2017. Revenue from the \$4.25 per month fee will not support current operational costs for storm drain system maintenance and State-mandated storm water quality protection programs and will provide no funding for continuation of a storm drain capital improvement program.

#### Basis of Property Owner-Approved Projects

The seven high-priority storm drain capital improvement projects specified for funding in the 2005 Storm Drainage ballot measure were based on recommendations made in the 1993 Storm Drain Master Plan. During the Blue Ribbon Committee's deliberations on the scope and size of the ballot measure, the Committee acknowledged that there were a number of additional capital projects that would need to be funded after the June 2017 sunset date. Much of the City's storm drainage infrastructure was constructed in a poorly coordinated manner as part of multiple individual residential subdivision developments during the high growth years between the mid-1940s and late-1960s. Many elements of the existing storm drain system do not meet the modern design standard of being able to convey the storm runoff from a 10% or 10-year recurrence storm event

without street flooding.

#### 2015 Storm Drain Master Plan Update

In preparation for a potential future Storm Drainage ballot measure, staff completed a Storm Drain Master Plan Update in June 2015 that reexamined and reprioritized the storm drain capital improvements needed to increase the flow capacity of the City's storm drain system to bring it into conformance with current design standards. The Master Plan Update identifies an estimated \$43 million in high- and medium-priority storm drain capital improvement projects needed for flow capacity augmentation (the Storm Drain Master Plan is posted for viewing at: <http://www.cityofpaloalto.org/gov/depts/pwd/stormwater/drains.asp>).

On October 19, 2015, Council approved staff's recommended conceptual strategy for identifying a funding mechanism for future storm drain improvements and enhanced storm water quality protection programs. The approved strategy included the appointment by the city manager of a Blue Ribbon Committee of residents and business representatives to review storm drain funding needs.

#### Water Board's New Municipal Regional Permit

In November 2015, the San Francisco Bay Regional Water Quality Control Board (Water Board) adopted a new Municipal Regional Permit (MRP) that regulates storm water discharges from municipalities and local agencies throughout the Bay Area. The MRP has traditionally included 15 provisions requiring activities to prevent storm water pollution, including business and construction site inspections, control of specific pollutants such as trash, pesticides, copper, PCBs, and mercury, new and redevelopment requirements, potable water discharge practices, public outreach and education.

The renewed MRP continues all of the requirements from the prior permit and adds several new mandates, notably the development of a Green Storm Water Infrastructure Plan. Green storm water infrastructure protects or restores the natural water cycle by collecting and retaining and/or treating runoff rather than discharging it directly to storm drains. Green storm water infrastructure practices, also referred to as low impact development measures, include preserving natural landscapes and utilizing infiltration planters, rain gardens, tree wells, green roofs, pervious pavement, and rainwater harvesting to manage storm water runoff. These practices help to limit the discharge of pollutants from

streets, parking lots, and roofs by infiltrating storm water into soils. Future storm water program budgets will need to include funding for these new MRP requirements.

## **Discussion**

In January 2016, as part of the October 19, 2015 Council-approved strategy for reviewing options for storm drain funding, staff contacted members of the public to solicit their participation on the Storm Drain Blue Ribbon Committee (Committee). The city manager appointed ten residents and community leaders to the Committee (see list of Committee members, Attachment E). The Committee members live in neighborhoods throughout the City and have expertise and interests in a variety of fields.

The Committee had its first meeting on February 4, 2016 and met for two hours on a weekly or bi-weekly basis through early May. The Committee met 10 times for a total of 20 hours. The Committee meetings were open to members of the public, and information about the Committee meetings, including agendas, meeting summaries, and briefing materials, was posted to a special page on the City's web site: <http://www.cityofpaloalto.org/sdbrc>. At the first few meetings, staff presented detailed information to the Committee on a variety of topics relevant to storm drainage, including existing programs, storm drain funding, Proposition 218, recommended storm drain capital improvements, and enhanced storm water quality protection programs, including green storm water infrastructure planning. During the remainder of the meetings, the focus switched to the Committee's internal discussion and analysis of the issues.

At their final meeting on May 5, 2016, the Committee voted on and approved a summary report containing their findings and recommendations to the city manager for future storm drain funding (Attachment F). Members of the Committee will be present at the June 6 Council meeting to address the Council and answer questions regarding their report. The Committee focused particular attention on the following set of key recommendations:

- The name of the enterprise fund and the user fee should be changed to "Storm Water Management Fund" and "Storm Water Management Fee," respectively, to reflect a broader, more holistic approach to storm water management;

- The Storm Water Management Fee structure should include a fee amount sufficient to fund ongoing non-capital expenditures for engineering, maintenance and storm water quality staffing, expenses and permit compliance that does not sunset; and
- The City should place an emphasis on green storm water infrastructure planning and implementation, a paradigm shift in storm water management, in its future storm water program and City-wide capital improvement program scoping and budgeting.

Staff worked cooperatively with the Committee on its summary report and concurs with its findings and recommendations. The following is a complete listing of the recommendations contained in the Committee's summary report:

1) A renewed and renamed "Storm Water Management Fee" should be proposed to Palo Alto property owners for their approval in order to generate funding for storm water infrastructure improvements, system maintenance, and storm water quality protection on a pay-as-you-go basis as follows:

a) Increase the base Storm Water Management Fee from \$4.25 per month per Equivalent Residential Unit (ERU) to \$6.62/month/ERU to cover ongoing non-capital expenditures for engineering, maintenance, and storm water quality staffing, expenses, and permit compliance. This increase would reflect the true cost of storm water management baseline services. The City Council should have the discretion to increase the base fee by the amount of change in the local Consumer Price Index (CPI) or 6% per year, whichever is less, and the base fee should not sunset.

b) Include an additional Capital Improvement Project (CIP), Incentive Project (IP), and Green Storm Water Infrastructure (GSI) Project fee of \$7.03 per month per ERU that would sunset after 15 years. The storm water capital improvement projects listed in Attachment A, totaling \$27.2 million in Year 2015 dollars, should be pursued through renewal of the Storm Water Management Fee over a period of 15 years. These improvements would eliminate street flooding in storms up to the 10-year level in the areas they serve. These improvements also are intended to reduce road/sidewalk/curb/gutter repair costs by reducing subsoil water saturation and to increase traffic safety during storms.



- c) The total monthly fee, including the base fee and CIP/IP/GSI fee, would be \$13.65 per ERU beginning in FY 2018, a 2.3% increase over the current funding model approved in 2005. The City Council should have the discretion to increase the fee by the amount of change in the local Consumer Price Index (CPI) or 6% per year, whichever is less.
  - d) The Storm Water Management Fund should maintain a reserve balance of at least \$1.5 million to cover potential cost overruns on project or operational expenses.
  - e) Further details on the project/program elements to be funded by the \$13.65 monthly fee are contained in Attachment A (List of Proposed Storm Drain Capital Improvement Projects) and Attachment B (Recommended Storm Water Management Program and Funding Plan).
  - f) The Storm Water Management Fee rate structure for single-family residential properties should retain its existing three rate categories, based on parcel size (less than 6,000 square feet; between 6,000 and 11,000 square feet; and greater than 11,000 square feet).
  - g) As is currently the case, a fee reduction appeal process to City staff should be in place for those property owners who can demonstrate that the run-off from their properties drains directly to a creek or another city's storm drain system, and that they have complied with all applicable permit and other legal requirements for such drainage. In addition, this appeal process should apply to those property owners who can demonstrate that they have constructed improvements to their properties to retain storm runoff onsite. In keeping with the present policy, the reduction in fees would not apply to that portion of the monthly fee attributable to City-wide programs.
- 2) The City should take all steps necessary to conduct a property owner, ballot-by-mail election in conformance with the provisions of Proposition 218 as early as possible in CY 2017 so that the fee can be implemented on June 1, 2017, when the existing property owner-approved fee sunsets. The election would require a simple majority vote to pass.

- 3) The fee name should be changed from “Storm Drainage Fee” to “Storm Water Management Fee.”
- 4) The City should develop an Integrated Water Management Plan (Plan) that takes a comprehensive look at how all water-related issues (water supply and demand, storm water, recycled water and groundwater) might be best addressed to achieve multiple benefits. This Plan is intended to complement the Utilities Department’s Urban Water Management Plan and Water Integrated Resources Plan.
- 5) Per the terms of the Municipal Regional Storm Water Discharge Permit, the City should adopt the framework for a Green Storm Water Infrastructure Plan by June 30, 2017. Until the Green Storm Water Infrastructure Plan is completed in 2019, staff should identify and implement opportunities for green storm water infrastructure projects. The framework should also elucidate goals for green infrastructure and consider the interaction between green infrastructure and shallow groundwater.
- 6) The City should implement pilot projects, such as utilizing pervious pavement materials to test their feasibility and effectiveness (e.g. use permeable materials for parking lane or bicycle lane as part of a scheduled street maintenance project). If the pilot projects are successful, the City should implement policies that make use of permeable pavement materials a standard practice.
- 7) Proposed Green Storm Water Infrastructure (GSI) funding will cover both the cost of the Green Storm Water Infrastructure Plan preparation and GSI projects. GSI projects retain, infiltrate and/or treat storm water and include, but are not limited to, rain gardens, green roofs, tree wells, bioswales, bioretention/infiltration basins, and permeable pavement. Incentive Project (IP) funding (as distinguished from GSI funding) will encourage residents and commercial property owners to incorporate green infrastructure measures into their private property projects.
- 8) A Council-appointed Storm Water Management Oversight Committee should be formed to oversee expenditures for all storm water funding elements,

including, but not limited to, Green Storm Water Infrastructure projects, CIP projects, and Incentive Project funding. The Committee should be empowered to consider and recommend consolidation of Green Storm Water Infrastructure and Incentive Project funding for particular projects. The Committee will annually review the Storm Water Management Fund budget and expenditures to ensure they are consistent with the funding plan included in the ballot measure approved by property owners and not used for other purposes.

9) Each new City storm drain capital improvement project should incorporate Green Storm Water Infrastructure measures to the extent practicable.

10) City staff should consider opportunities to include green infrastructure into all appropriate City capital improvement projects that impact storm water. Although GSI funds from the Storm Water Management Fund can be used to fund pilot projects, all City Departments should rapidly include funding for GSI elements when budgeting for their projects, and not be dependent upon funding from the Storm Water Management Fund.

11) The City should develop or participate in the development of green infrastructure design guidelines and standard specifications and drawings that can inform designers of private and public projects as they incorporate these features into their project designs.

12) The ongoing Comprehensive Plan Update, the City Parks Master Plan, Urban Forest Master Plan, and other City planning documents should include green infrastructure goals and policies as required by the Municipal Regional Storm Water Permit.

13) The City should expand the scope of its storm water rebate program to promote the use of green storm water infrastructure measures to reduce storm water runoff from private property, including, but not limited to, new rebates for rain gardens and increased rebate amounts for rain barrels, cisterns, green roofs, and permeable pavement.

14) The City should evaluate the implementation of a user fee for point-source discharges to the storm drain system to reflect their utilization of the system capacity. Exceptions should be provided for artesian well discharges and similar

non-discretionary discharges.

15) The City should look for opportunities to work with the Santa Clara Valley Water District and others to minimize new concrete channels and replace portions of existing concrete channels with more natural creek channel materials, to the extent that flood protection is not compromised. The purposes of such projects are to increase infiltration, protect creek banks, and create recreational and educational opportunities.

Staff has prepared conceptual 15-year revenue and spending plans based upon the Blue Ribbon Committee's recommendations that correspond with the proposed sunset period to be included in the ballot measure. The first financial plan determines the fee amount needed to sustain the ongoing programs proposed to be supported with a permanent (non-sunsetting) base fee (Attachment G). As presented in the Attachment G spreadsheet, the monthly base fee is calculated to be \$6.62 for FY 2018, increasing to \$10.01 in FY 2032 under the assumption of annual 3% inflationary rate increases. Using the Committee's recommended approach, the monthly Storm Water Management Fee would revert to the escalated base fee (estimated at \$10.01 per month), as opposed to the current base fee of \$4.25 per month, when the ballot measure would sunset in FY 2032, thus providing adequate ongoing funding for a base-level storm water management program.

The second financial plan shows how the Committee's recommended rate plan would fund its recommended operational and capital expenditures over the 15-year term of the ballot measure (Attachment H). As presented in the Attachment H spreadsheet, the monthly base fee is calculated to be \$13.65 for FY 2018, increasing to \$20.65 in FY 2032 under the assumption of annual 3% inflationary rate increases. The proposed FY 2018 monthly Storm Water Management Fee of \$13.65 represents a 4.7 percent increase over the proposed FY 2017 rate of \$13.03. The Committee believes that property owners are likely to support this recommended rate proposal, since it represents a one-time increase of only 2.3 percent above the 2.4 percent annual growth that occurred during the term of the 2005 ballot measure.

### Next Steps

Staff and the Blue Ribbon Committee concur that the City should proceed with a

Proposition 218 protest hearing and property owner ballot-by-mail election to approve future storm water management rates. Approval of a new Storm Water Management Fee would require multiple steps, including specific procedures mandated by Proposition 218 (Attachment I). The first step is the tabulation of the specific monthly fee to be charged to each developed land parcel in Palo Alto under the proposed spending plan. Public notices including a detailed description of the spending plan and parcel-specific monthly cost information would then be mailed to each property owner. The mailing of the public notices would initiate a 45-day comment period which would culminate with a majority protest hearing held during a regular Council meeting. Property owners would have the opportunity to appear before Council during the hearing to register their concerns and protest the proposed fee increase. Those opposed to the proposed fee increase would need to submit a written protest to the City Clerk to officially register their opposition. At the end of the hearing, the City Clerk would report the number of valid written protests so the Council could determine whether a majority protest had been received. If Council were to determine, at the close of the public testimony portion of the public hearing, that written protests had been received from property owners representing a majority of the parcels subject to the proposed fee increase, the Mayor would declare the proceedings closed, and the fee increase would not be approved. If, however, Council were to determine that less than a majority of property owners have submitted written protest, Council could choose to move forward to the next stage of the Proposition 218 approval process, the mailing of ballots to eligible property owners.

If Council were to decide to call for a mail ballot proceeding, the ballots would then be mailed to all eligible property owners. Ballots for the Storm Water Management Fee ballot proceeding would consist of a single question that requires a checkmark either for or against the proposed fee increase. The ballots would be supplemented with a summary of the balloting procedures and a description of the proposed fee and storm water management spending plan. The ballot measure would be approved if a simple majority of property owners returning ballots voted in favor of the measure. If the ballot measure were approved, Council could proceed to approve the new fee schedule consistent with the ballot measure.

Staff recommends that the implementation of a Storm Water Management Fee increase proposal be timed such that the ballots are sent to property owners and received in early 2017. This schedule would ensure that the voting period is

outside the distractions of the hectic general election cycle and the holiday season and provides adequate time for a resident-driven outreach and advocacy campaign. The proposed schedule would also provide timely financial information about the Storm Water Management Fund for preparation of the FY 2018 budget. A potential implementation schedule for a Storm Drainage ballot measure is provided in the Timeline section of this report.

If Council recommends that the City proceed with a property owner ballot-by-mail election, staff will return to Council after the summer recess to seek approval of the necessary Council resolutions specifying the scope and timing of the ballot measure. Staff will incorporate feedback from the Council into the final implementation of the balloting process.

### **Timeline**

The following is a potential timeline for implementation of a Storm Drainage ballot measure:

- 8/15/16 Council adoption of resolutions proposing a Storm Water Management Fee increase and establishing procedures for protest hearing/mail ballot proceeding
- 9/2/16 Legal notices mailed; start of 1st 45-day noticing period
- 10/17/16 Protest hearing  
(Need at least 45-day protest period)
- 1/16/17 Ballots mailed
- 2/13/17 Ballots due back to City Clerk  
(Need at least 45 days between protest hearing & final balloting day)
- 3/20/17 Council certification of election results
- 6/1/17 Effective date of new rate

### **Resource Impact**

To maintain the self-sufficiency of the Storm Drainage Fund, the City must secure

property owner approval of a ballot measure authorizing increased storm drain funding before the 2005 ballot measure sunsets in June 2017. If the Storm Drainage Fee reverts back to its pre-2005 level of \$4.25 per month per ERU, it will generate approximately \$2.2 million per year. This amount of revenue would not support a minimum level of storm drainage service, which would cost approximately \$4.3 million per year. (Please note that the \$4.3 million figure includes \$950,000 in annual debt service that will end in FY 2024.) In addition, the pre-2005 level of funding would preclude any further storm drain capital improvement projects. If a new ballot measure is not approved, storm drain system operations would need to be significantly curtailed.

If the rate schedule recommended by the Committee were approved, it would generate the following revenue for storm water management programs and capital improvement projects in FY 2018:

Base Fee (\$6.62/month/ERU):	\$3.3 million
CIP/IP/GSI Fee (\$7.03/month/ERU):	<u>\$3.6 million</u>
Total Storm Water Management Fee Revenue:	\$6.9 million

### **Policy Implications**

Identification of funding for storm drain capital improvements is consistent with Policy N-24 of the Comprehensive Plan, which states that the City should “improve storm drainage performance by constructing new system improvements where necessary and replacing undersized or otherwise inadequate lines with larger lines or parallel lines.” Program N-36 further states that the City should “complete improvements to the storm drainage system consistent with the priorities outlined in the City’s 1993 Storm Drainage Master Plan, provided that an appropriate funding mechanism is identified and approved by the City Council.”

### **Environmental Review**

Review and adoption of of a funding mechanism for storm water management projects does not constitute a project subject to California Environmental Quality Act (CEQA) review, and no environmental analysis is required at this time. The level of future CEQA review will depend on the scope of the storm drain capital improvement projects that may be funded by the updated storm water management fees.

## Courtesy Copies

### Storm Drain Oversight Committee

#### Attachments:

- A - Utility Rate Schedule D-1 (PDF)
- B - Utility Rule and Regulation 25 (PDF)
- C - 2005 Storm Drain Ballot (PDF)
- D - Status of Storm Drainage Fund Capital Projects Listed in 2005 Ballot Measure (PDF)
- E - Blue Ribbon Storm Drain Committee Members (PDF)
- F - Blue Ribbon Storm Drain Committee Recommendations Report (PDF)
- G - Ongoing Storm Water Management Funding/Spending Plan (PDF)
- H - Recommended Storm Water Management Funding/Spending Plan (PDF)
- I - Timeline for Potential Storm Drain Protest Hearing & Ballot Measure (PDF)



**GENERAL STORM AND SURFACE WATER DRAINAGE**

UTILITY RATE SCHEDULE D-1

**A. APPLICABILITY:**

This schedule applies to all storm and surface water drainage service, excepting only those users and to the extent that they are constitutionally exempt under the Constitution of the State of California or who are determined to be exempt pursuant to Rule and Regulation 25.

**B. TERRITORY:**

Inside the incorporated limits of the city of Palo Alto and land owned or leased by the city.

**C. RATES:**

Per Month:

Storm Drainage Fee per Equivalent Residential Unit (ERU).....\$12.63

**D. SPECIAL NOTES:**

1. An Equivalent Residential Unit (ERU) is the basic unit for computation of storm drainage fees for residential and non-residential customers. All single-family residential properties shall be billed the number of ERUs specified in the following table, based on an analysis of the relationship between impervious area and lot size for Palo Alto properties.

<b>RESIDENTIAL RATES (Single-Family Residential Properties)</b>	
<b>PARCEL SIZE (sq.ft.)</b>	<b>ERU</b>
<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 properties will have ERU's computed to the nearest 1/10 ERU using the following formula:

$$\text{No. of ERU} = \frac{\text{Impervious Area (Sq. Ft.)}}{2,500 \text{ Sq. Ft.}}$$

2. For more details on the storm drainage fee, refer to Utilities Rule and Regulation 25.

*{End}*



**SPECIAL STORM AND SURFACE WATER  
DRAINAGE UTILITY REGULATIONS**

RULE AND REGULATION 25

A. GENERAL:

For the purpose of CPAU Rate Schedule D-1 and this Rule and Regulation, the following words and terms shall be defined as follows, unless the context in which they are used clearly indicates otherwise. The definitions of words and terms set forth in Titles 12 and 13 of the Palo Alto Municipal Code shall also apply herein to the extent that they are not inconsistent herewith:

1. “Developed Parcel” shall mean any lot or parcel of land altered from its natural state by the construction, creation, or addition of impervious area, except public streets and highways.
2. “Equivalent Residential Unit (ERU)” shall mean the basic unit for the computation of storm drainage fees.

The ERU's for all parcels other than single-family residential properties shall be computed to the nearest 1/10 ERU using the following formula:

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

The ERU's for single-family residential properties shall be computed as set forth in CPAU Rate Schedule D-1.

3. “Impervious Area” shall mean any part of any developed parcel of land that has been modified by the action of persons to reduce the land's natural ability to absorb and hold rainfall. This includes any hard surface area which either prevents or retards the entry of water into the soil mantle as it entered under natural conditions pre-existent to development, and/or a hard surface area which causes water to run off the surface in greater quantities or at an increased rate of flow from the flow present under natural conditions pre-existent to development.

By way of example, common impervious areas include, but are not limited to roof tops, walkways, patios, driveways, parking lots or storage areas, concrete or asphalt paving, gravel roads, or any cleared, graded, paved, graveled, or compacted surface or packed earthen materials, or areas covered with structures or other surfaces which similarly impede the natural infiltration of surface water into the soil mantle.



**SPECIAL STORM AND SURFACE WATER  
DRAINAGE UTILITY REGULATIONS**

RULE AND REGULATION 25  
(Continued)

4. “Non-Single-Family Residential Property” shall include all developed parcels zoned or used for multi-family, commercial, industrial, retail, governmental, or other non-single family residential purposes and shall include all developed parcels in the City of Palo Alto not defined as single-family residential property herein.
  
5. “Parcel” shall mean the smallest separately segregated lot, unit or plot of land having an identified owner, boundaries, and surface area which is documented for property tax purposes and given a tax lot number by the Santa Clara County Assessor.
  
6. “Primary CPAU Account” shall mean that CPAU account, as determined below, that will be assessed the storm drainage fee for a given developed parcel:
  - (A) If there is only one CPAU account associated with a developed parcel, then that account is the Primary CPAU Account.
  
  - (B) If there is more than one CPAU account associated with a developed parcel, then the Primary CPAU account shall be the account listed below, in order of preference:
    - (1) The CPAU account designated as the “house account” or, if none or more than one, then;
    - (2) The CPAU account in the name of the owner of the parcel, or if none, then;
    - (3) The CPAU account(s) in the name of the occupier(s) of the parcel.
    - (4) If more than one account, then the CPAU account that includes the most CPAU services.
  
7. “Single-Family Residential Property” shall include all developed parcels with either one or two single-family detached housing units or one two-unit attached dwelling structure commonly known as a “duplex.”
  
8. “Storm and Surface Water Control Facilities” shall mean all man-made structures or natural water course facility improvements, developments, properties or interest therein, made, constructed or acquired for the conveyance of storm or surface water runoff for the purpose



**SPECIAL STORM AND SURFACE WATER  
DRAINAGE UTILITY REGULATIONS**

RULE AND REGULATION 25  
(Continued)

of improving the quality of, controlling, or protecting life or property from any storm, flood, or surplus waters.

9. “Storm Drainage Facilities” shall mean the storm and surface water drainage systems comprised of storm and surface water control facilities and any other natural features which store, control, treat and/or convey storm and surface water. Storm Drainage Facilities shall include all natural and man-made elements used to convey storm water from the first point of impact with the surface of the earth to the suitable receiving body of water or location internal or external to the boundaries of the City of Palo Alto. Such facilities include all pipes, appurtenant features, culverts, streets, curbs, gutters, pumping stations, channels, streams, ditches, wetlands, detention/retention basins, ponds, and other storm water conveyance and treatment facilities whether public or private. See CPAU Rule and Regulation No. 8 “Access to Premises.”
10. “Storm and Surface Water” shall mean water occurring on the surface of the land, from natural causes such as rainfall, whether falling or flowing onto the land in question.
11. “Undeveloped Parcel” shall mean any parcel which has not been altered from its natural state by the construction, creation, or addition of impervious area.

**B. STORM DRAINAGE FEES:**

1. There is hereby imposed on each and every developed parcel of land within the City of Palo Alto, and the owners and occupiers thereof, jointly and severally, a storm drainage fee. This fee is deemed reasonable and is necessary to pay for:
  - (A) Improving the quality of storm and surface water;
  - (B) The operation, maintenance, improvement and replacement of the existing City storm drainage facilities; and
  - (C) The operation, maintenance, and replacement of future such facilities.

It is the intent of the City of Palo Alto, and the City has calculated the storm drainage fee in such a manner, that the amount of the fee imposed upon any parcel shall not exceed the proportional cost of the service attributable to the parcel. It is the further intent of the City

**SPECIAL STORM AND SURFACE WATER  
DRAINAGE UTILITY REGULATIONS**

RULE AND REGULATION 25  
(Continued)

that revenues derived from the fee shall not exceed the funds required to provide the property-related services described in this Rule and Regulation 25, and that revenues derived from the fee shall not be used for any purpose other than those described in this Rule and Regulation 25.

2. All of the proceeds of these fees are deemed to be in payment for use of City storm drainage facilities by the developed parcel on, and with respect to, which the fee is imposed, and the owners and/or occupiers thereof.
3. The storm drainage fee shall be payable monthly and shall be paid to CPAU, as billed by CPAU, for each and every developed parcel in the City by the owner or occupier responsible for the Primary CPAU account for other CPAU services for the subject parcel, unless otherwise agreed in writing by CPAU.

The method of billing described in this Rule and Regulation 25 has been designed for administrative efficiency. However, because the storm drainage fee is a "property-related fee" as defined by Article XIID, Section 6 of the California Constitution, a property owner may in writing request that the storm drainage fee for a parcel owned by the property owner be billed directly to the owner, notwithstanding the typical method of billing. Because the storm drainage fee is a "property-related fee," the parcel owner shall be responsible to pay all unpaid or delinquent storm drainage fees.

For administrative efficiency, the storm drainage fee for condominium and townhouse-style developments is typically billed to the CPAU account of the Homeowners' Association.

4. If a developed parcel does not have a CPAU account on the effective date of this Rule and Regulation, a new account shall be established for that parcel and billed to the owner as shown on the latest County Assessor's property tax rolls until such time as a Primary CPAU account is established for other CPAU services.
5. When an undeveloped parcel is developed, a new account shall be established and billed to the owner of that parcel as shown on the latest property tax rolls of the Santa Clara County Assessor until such time as a Primary CPAU account is established for other CPAU services.
6. **BASIS FOR CALCULATION**

**SPECIAL STORM AND SURFACE WATER  
DRAINAGE UTILITY REGULATIONS**

RULE AND REGULATION 25  
(Continued)

- (A) The storm drainage fee shall be based on the relative contribution of storm and surface water from a given developed parcel to City storm drainage facilities.
- (B) The relative contribution of storm and surface water from each developed parcel shall be based on the amount of impervious area on that parcel and shall determine that parcel's storm drainage fee.
- (C) For administrative efficiency, the impervious area of condominium and townhouse-style developments is typically calculated for the entire development rather than on a per-parcel basis.
- (D) The extent of impervious area will be established to the nearest square foot by any of the following methods:
  - (1) Computation of the impervious area using on-site measurements of the apparent outside boundaries of the impervious area in or on such developed parcels made by CPAU or on its behalf; or
  - (2) Computation of the impervious area using the dimensions of the impervious area in or on the developed parcels which are set forth and contained in the records of the office of the County Assessor.
  - (3) Estimation, calculation and computation of the impervious area using aerial photography or photogrammetry, or using the information and data from on-site measurements of like or similar property or features or as contained in City or County records.
  - (4) Computation of the impervious area using information submitted by building permit Applicants on forms provided by the City, subject to review and correction by the City.

7. CALCULATION OF MONTHLY FEE

Monthly fees for all developed parcels shall be computed in accordance with the following formula:

**SPECIAL STORM AND SURFACE WATER  
DRAINAGE UTILITY REGULATIONS**

RULE AND REGULATION 25  
(Continued)

Number of ERU's x Rate per ERU as set forth in CPAU Rate Schedule D-1.

8. APPLICATION

- (A) Developed Parcels: Storm drainage fees shall apply to all developed parcels within the City, including those classified as non-profit or tax-exempt for ad valorem tax purposes. The fees shall apply to all government properties, to the full extent permitted by the constitutions of the United States and the State of California, including developed parcels of the City of Palo Alto, City-owned buildings and parks, but excluding public streets and highways.
- (B) Undeveloped Parcels: Storm drainage fees shall not be levied against undeveloped parcels that have not been altered from their natural state as defined herein under "Impervious Areas."
- (C) Proportional Reduction of Fees: Developed parcels that have their own maintained storm drainage facility or facilities, and which do not utilize City facilities or which make no substantial contribution of storm or surface water to the City's storm drainage facilities shall be liable to pay only that portion of the storm drainage fee attributable to the generic discharge of storm runoff (e.g. coordination with the Santa Clara Valley Water District on regional flood control projects, administration of the City's flood hazard regulations, and implementation of the urban runoff pollution prevention program) and shall not be liable to pay for the portion of the fee attributable to the actual usage of (i.e. drainage into) the City's storm drain system (e.g. storm drain system capital improvements and maintenance). Developed parcels that have a portion of their impervious area within City of Palo Alto shall be charged only for that portion of impervious area which is in the City of Palo Alto. Developed parcels that drain totally or partially into an area outside the City of Palo Alto shall be liable to pay only that portion of the storm drainage fee attributable to the generic discharge of storm runoff (e.g. coordination with the Santa Clara Valley Water District on regional flood control projects, administration of the City's flood hazard regulations, and implementation of the urban runoff pollution prevention program) and shall not be liable to pay for the portion of the fee attributable to the actual usage of (i.e. drainage into) the City's storm drain system (e.g. storm drain system capital improvements and maintenance).

The City of Palo Alto has calculated the storm drainage fee for each parcel based on information available to the Public Works Department as to the amount of



**SPECIAL STORM AND SURFACE WATER  
DRAINAGE UTILITY REGULATIONS**

RULE AND REGULATION 25  
(Continued)

impervious area for the parcel, as well as other relevant information regarding the parcel. However, it is the intent of the City of Palo Alto that no fee shall exceed the proportional cost of services attributable to the parcel. Therefore, a parcel owner has the right, through Administrative Review, to request a proportional reduction in the storm drainage fee if the owner believes that the parcel contributes less water to the City's storm drainage facilities or uses fewer storm or surface water treatment services, notwithstanding the amount of the parcel's impervious area.

9. ADMINISTRATIVE REVIEW

- (A) Any person who owns or pays the storm drainage fee for a developed parcel and who disputes the amount of any storm drainage fee for the parcel, or who requests a deferred payment schedule therefor may request a revision or modification of such fee from the City Engineer.
- (B) The person seeking Administrative Review shall make such request in writing pursuant to Rule and Regulation 11 Section F. The request for Administrative Review must be signed by the property owner. The City Engineer shall conduct the review.
- (C) The City Engineer shall review the request and all data and documentation deemed by the City Engineer to be relevant to the request, and shall make a written determination as to whether the fee for the parcel exceeds the proportional cost of the service attributable to the parcel. If the City Engineer determines that the fee is proportional to the cost of service, no adjustment shall be made. If the City Engineer determines that the fee exceeds the proportional cost of service, the fee shall be adjusted accordingly.

*{End}*





April 4, 2005

Dear Property Owner:

On March 7, 2005, the City Council held a public hearing on a proposed Storm Drainage Fee increase for properties within the City of Palo Alto. In January, you were mailed a notice and informational flyer regarding this public hearing and the specific fee increase proposed for your property. After receiving public testimony, the City Council took action to submit the proposed fee increase to property owners for approval.

Enclosed with this letter is an official City of Palo Alto Property Owner Ballot and an official postage paid Return Envelope. Please mark your ballot “yes” or “no” and return it in the Return Envelope to the City Clerk by no later than 8:00 p.m. on April 26, 2005, to 250 Hamilton Avenue, Palo Alto.

The City must **receive** mailed ballots by April 26, 2005. **Postmarks do no count.**

The votes cast as “yes” or “no” will determine the fate of this fee increase. Ballots that are not returned or are returned late cannot be counted, **so please return your ballot.**

Two items are enclosed with these ballot materials for your information. First, a summary of the procedures for the ballot proceeding is provided on the back of this letter. The complete procedures for this process are on file at the City Clerk’s office and are posted on the City’s web site ([www.cityofpaloalto.org/stormdrain](http://www.cityofpaloalto.org/stormdrain)). The second enclosure is a copy of Resolution 8483, which the City Council passed on December 6, 2004, to formally establish the terms and amount of the proposed fee increase, and the projects/programs on which funds will be spent if property owners approve the fee increase.

**If you have any questions about the ballot proceeding**, or if you are disabled and need special accommodation to vote, please call City Clerk Donna Rogers at (650) 329-2571.

**If you have questions regarding the fee increase**, please call Matt Raschke in the Public Works Department at (650) 617-3183, or visit the City’s web site at [www.cityofpaloalto.org/stormdrain](http://www.cityofpaloalto.org/stormdrain).

**Please Vote!**

RESOLUTION NO. 8483

RESOLUTION OF THE COUNCIL OF THE CITY OF PALO ALTO ADOPTING THE AMOUNT OF THE PROPOSED STORM DRAINAGE FEE INCREASE, DESCRIBING THE STORM DRAIN CAPITAL IMPROVEMENTS AND PROGRAM ENHANCEMENTS ON WHICH THE PROPOSED FEE WILL BE SPENT IF APPROVED, AND ADOPTING A SCHEDULE FOR THE PROTEST HEARING AND MAIL BALLOT PROCEEDING ON THE PROPOSED FEE INCREASE

[Approved By Palo Alto City Council on December 6, 2004]

**EXHIBIT "A"**  
**Description Of Amount Of The Proposed Storm Drainage Fee Increase**

A. Summary of current storm drainage fee system

The City's current storm drainage billing system is based on Equivalent Residential Units ("ERU"), which are generally determined by the square footage of impervious surface area on a property. One ERU equals 2500 square feet of impervious surface area on a property, and the current fee for one ERU is four dollars and twenty-five cents (\$4.25). The ERU calculation was based on a sampling of single-family and duplex properties in the City, in which the typical impervious surface area was 2500 square feet. Thus, all single-family and duplex residential properties in the City are presumed to have one ERU of impervious surface area and are currently charged \$4.25 per month for that ERU, regardless of the actual impervious surface area of their property. Commercial, industrial, institutional, government, and multi-family residential properties are charged for their actual amounts of impervious surface area, at a rate of one ERU per 2500 square feet of impervious area.

B. Proposed storm drainage fee increase

1. *New residential rate structure and increased fee*

The proposal to increase storm drainage fees involves two components. First, the charge per ERU would be raised from four dollars and twenty-five cents (\$4.25) to ten dollars (\$10). Second, the impervious surface area would no longer be presumed to be one ERU for all single-family and duplex properties. Instead, those properties would be placed into one of three ERU tiers based on the size of the property. Commercial, industrial, institutional, government, and multi-family residential properties would continue to be charged based on actual impervious surface area, but at the increased rate of \$10 per ERU.

The following tables describe the changed rate structure and proposed fee increase:

<b>RESIDENTIAL RATES (Single-Family &amp; Duplex)</b>		
PARCEL SIZE (sq.ft.)	ERU	PROPOSED RATE
< 6,000 sq.ft.	.8 ERU	\$8.00
6,000-11,000 sq.ft.	1 ERU	\$10.00
> 11,000 sq.ft.	1.4 ERU	\$14.00

<b>COMMERCIAL RATES (Commercial, industrial, multifamily res.)</b>
\$10.00 per 2,500 square feet of impervious surface area (ERU), rounded to the nearest 0.1 ERU.

2. *Annual inflation adjustments to proposed fee increase*

In order to offset the effects of inflation on labor and material costs, the proposed fee increase would be subject to annual increases beyond the initial \$10.00 per ERU rate as of July 1 of each year, starting in 2006. Inflation adjustments would be based on the lesser of the local rate of inflation (based on the 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) or 6 percent. The City Council would have the authority and discretion to implement inflation adjustments on an annual basis as part of the City budget process.

3. *Twelve year sunset provision for proposed fee increase*

The proposed storm drainage fee increase would sunset twelve (12) years from the date the fee increase is implemented, as the storm drain capital improvements to be funded by the increase would be completed by that time.

4. *Oversight provision for proposed fee increase*

The City Council would appoint an oversight committee to monitor and review the proposed storm drain capital improvements and insure that the money raised from the increased Storm Drainage Fee is spent in accordance with this resolution. The oversight committee would report its findings to the City Council at least annually.

5. *Applicability of the Rate Assistance Program*

The City's existing Rate Assistance Program, which provides a 20% discount to qualified low-income utility customers, would apply to the Storm Drainage Fee.

6. *Pay-as-you-go funding of capital improvements*

The storm drain capital improvements to be funded through the proposed Storm Drainage Fee increase would be paid for on a pay-as-you-go basis, without debt financing.

7. *Up-front payment of Storm Drainage Fees by City of Palo Alto*

In order to accelerate the construction of the proposed storm drain capital improvements, the City of Palo Alto would pre-pay in advance the Storm Drainage Fees attributable to City-owned properties for a period of twelve years, upon approval of the increased Storm Drainage Fee.

## **EXHIBIT "B"**

### **List Of Storm Drain Capital Improvements And Program Enhancements To Be Completed With Funding From The Proposed Fee Increase**

A. Seven proposed storm drain capital improvement projects

1. Construct pump station at 96" storm drain outfall to San Francisquito Creek (estimated cost = \$4.5 million)
2. Install new storm drain pipelines to increase drainage capacity on Channing and Lincoln Avenues (from Channing/Heather to Lincoln/Alma) (estimated cost = \$4.6 million)
3. Install Southgate neighborhood storm drain system (estimated cost = \$2.0 million)
4. Extend Gailen Avenue/Bibbits Drive storm drain outfall to the Adobe Storm Water Pump Station (estimated cost = \$650 thousand)
5. Connect the Clara Drive storm drains to the Matadero Storm Water Pump Station (estimated cost = \$900 thousand)
6. Construct improvements to the Matadero Storm Water Pump Station and install new storm drain pipelines to increase drainage capacity leading to the Matadero Storm Water Pump station (estimated cost = \$3.0 million)
7. Install storm drainage improvements along southbound Alma Street (estimated cost = \$1.5 million)

A map of the proposed projects is included in this exhibit.

B. Proposed funding for enhanced maintenance of the City's storm drain system

1. \$500,000 budgeted annually (subject to annual adjustment for inflation) to replace and/or rehabilitate deteriorated components of the City's storm drain system, including pipelines, catch basins, and manholes.
2. \$90,000 budgeted annually (subject to annual adjustment for inflation) to fund additional storm drain maintenance resources, including staff and/or contract services, to perform services including, but not limited to, storm drain cleaning, minor storm drain repairs, video inspection of storm drain pipelines, and/or curb and gutter repairs.

C. Funding of innovative projects

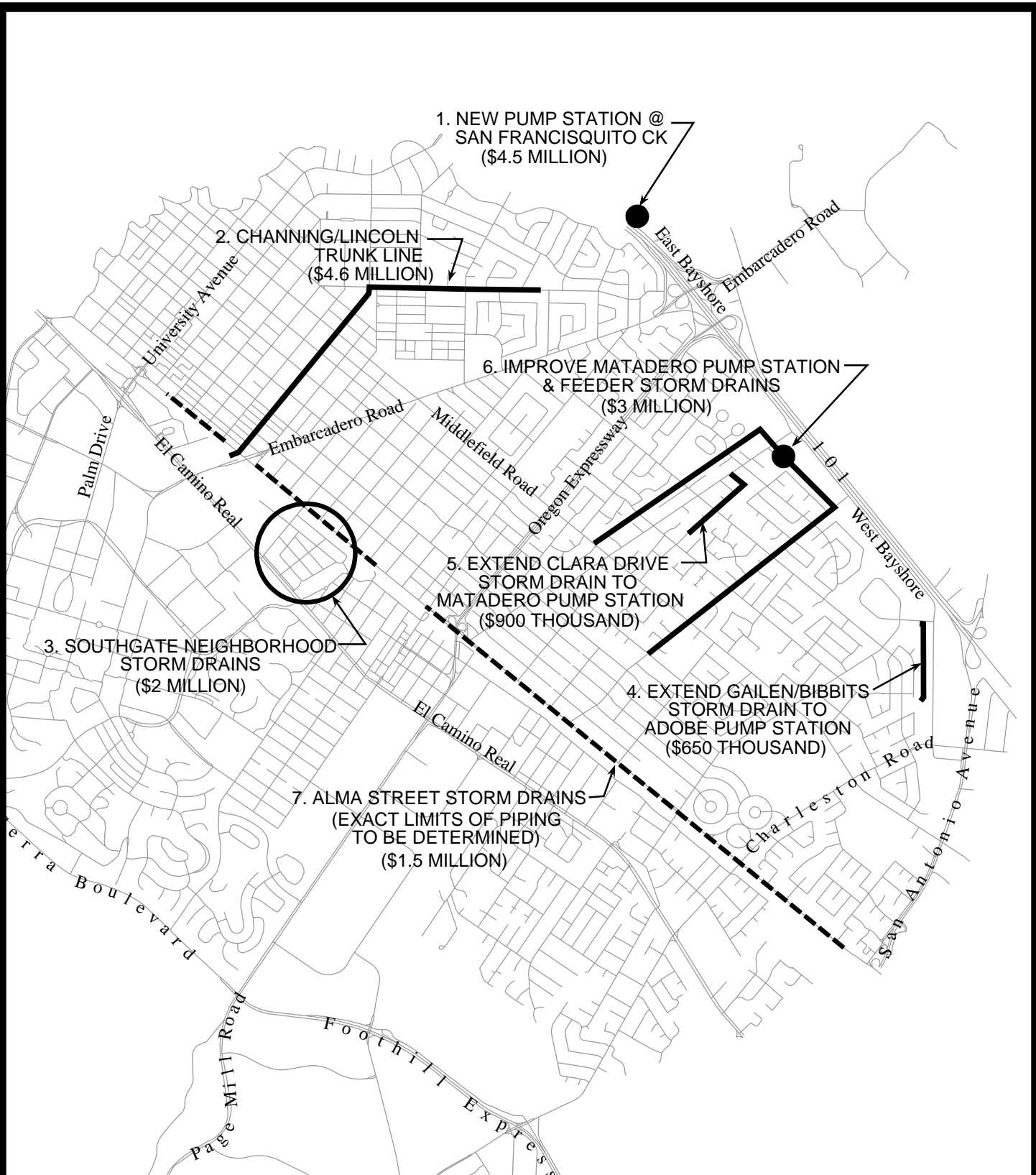
1. \$125,000 budgeted annually (subject to annual adjustment for inflation) for innovative projects to reduce the amount of storm water runoff and environmental pollutants that enter storm drains and creeks.

D. Funding of storm water quality protection activities

1. \$100,000 budgeted annually (subject to annual adjustment for inflation) to pay for existing services related to storm water quality protection currently funded through the Wastewater Treatment Fund.

E. Funding of additional engineering staff

1. \$115,000 budgeted annually (subject to annual adjustment for inflation) for an additional staff engineer to assist with implementation of the recommended storm drain capital improvements.



The City of Palo Alto



## Proposed Storm Drain Capital Improvements

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



# City of Palo Alto

## Proposed Storm Drainage Fee Increase

### SUMMARY OF BALLOTING PROCEDURES

If you are the owner of the property described on the enclosed Return Envelope, or a voting representative designated according to the City's procedures for this ballot proceeding, you may submit the enclosed ballot to the City to support or oppose the proposed Storm Drainage Fee increase. Please follow the instructions below to complete and return your ballot. The full text of the procedures governing the fee increase proceedings is available on the City's website at [www.cityofpaloalto.org/stormdrain/docs/2005-voting-procedure.pdf](http://www.cityofpaloalto.org/stormdrain/docs/2005-voting-procedure.pdf).

1. Register your vote on the enclosed ballot in favor of or against the proposed fee increase by placing an "X" in the corresponding box. Mark your ballot in ink, not pencil.
2. Place the marked ballot in the official Return Envelope, and seal the envelope.
3. Mark, sign and date the Return Envelope in ink. Do not use pencil. **Ballots received in a Return Envelope without a signature will not counted.**
4. Mail or personally deliver your ballot to the City Clerk's office at P.O. Box 51470, 250 Hamilton Avenue, Palo Alto, CA 94303 (The Return Envelope provides postage prepaid). The City **must receive** all ballots by April 26, 2005. **Postmarks do not count.**
5. Ballots must be received by the City Clerk prior to 8:00 p.m. on Tuesday, April 26, 2005. Any ballots received after this time cannot legally be counted (ballots may be hand-delivered to the City Clerk any time prior to this date and time).
6. After 8:00 p.m., the City Clerk and her designees will tabulate the ballots. Only one ballot may be submitted for each property.
7. If the results of the balloting indicate that a majority of the property owners voting upon the fee increase voted in favor of the increase, the City Council may adopt the fee increase.

*The information in this notice and the accompanying materials were compiled and are distributed at public expense by the City of Palo Alto in compliance with Article XIID of the California Constitution, the Proposition 218 Omnibus Implementation Act and procedures adopted by the City of Palo Alto Resolution No. 8484. This information is presented in the public interest. It is not intended to influence or attempt to influence the actions of the voters to vote "yes" or "no" on the enclosed ballot.*

Shall the monthly Storm Drainage Fee for developed residential and non-residential properties be increased to \$10.00 per Equivalent Residential Unit (ERU) for a period of 12 years, subject to an annual adjustment for inflation up to a maximum of six percent per year?

The storm drainage fee will be used to improve local drainage and prevent street flooding by funding:

- high-priority storm drain system capacity upgrades,
- drainage system repairs,
- enhanced storm drain maintenance, and
- storm water quality protection activities

**YES**

**NO**

## Status of Storm Drainage Fund Capital Projects Listed in 2005 Ballot Measure

<u>Project Name</u>	<u>Project Status</u>	<u>Project Expenditure</u>
1. San Francisquito Creek Pump Station	Complete	\$ 9,135,000
2. Gailen Ave/Bibbits Ave SD Improvements	Complete	\$ 650,000
3. Alma Street Storm Drain Improvements	Complete	\$ 785,000
4. Clara Drive Storm Drain Improvements	Complete	\$ 750,000
5. Southgate Neighborhood SD Improvements	Complete	\$ 2,026,000
6. Channing Ave/Lincoln Ave SD Improvements	2 of 3 Phases Complete*	\$ 6,415,000 (est.)
7. Matadero Creek Pump Station Upgrade	Design Stage Near Complete <sup>†</sup>	<u>\$ 6,060,000 (est.)</u>
TOTAL		\$ 25,821,000

\* Construction is completed along Channing Avenue (Heather Lane to Lincoln Avenue) and Lincoln Avenue (Channing Avenue to Middlefield Road. Phase 3 (Lincoln Avenue – Middlefield Road to Alma Street will be constructed starting in July 2016.

<sup>†</sup> Design of the Matadero Creek Pump Station Upgrade began in June 2015; pipeline element of project deferred to FY 2018 due to funding shortfall; pump station construction is scheduled to start in Fall 2016.

All seven projects will be substantially completed prior to the sunset of the Storm Drainage Fee in June 2017.



**Blue Ribbon Storm Drain Committee Membership List**

<u>Name</u>	<u>Address</u>
Beamer, Norm	1005 University Avenue
Bower, David	868 Boyce Avenue
Clark, Nancy	225 Addison Avenue
Drekmeier, Peter	311 Fulton Street
Rosenberg, Susan	1425 Stanford Avenue
Wenzlau, Bob	1409 Dana Avenue
Elliott, Claire	271 Chestnut Ave
McGraw, Stepheny	3303 Thomas Drive
Mickelson, Hal	167 Greenmeadow Way
Whaley, Richard	4240 Briarwood Way

## **2016 STORM DRAIN BLUE RIBBON COMMITTEE RECOMMENDATIONS REPORT**

### **To the City Manager:**

The Storm Drain Blue Ribbon Committee is pleased to provide this report recommending a package of storm water capital improvement projects, storm drain system maintenance actions, and storm water quality protection programs for the City of Palo Alto (City) to be paid for by a renewal of the Storm Drainage Fee (to be renamed the “Storm Water Management Fee”).

### **BACKGROUND**

The City’s storm drain capital improvement, maintenance and water quality protection programs are funded through the Storm Drainage Fund, an enterprise fund established by Council in 1989. Revenue is generated through a Storm Drainage Fee, which is collected through monthly City utility bills. Before the current Storm Drainage Fee rate structure was approved in 2005 by a majority of property owners in a ballot-by-mail election, the fee was \$4.25 per month per Equivalent Residential Unit (ERU). An ERU is the billing unit for the Storm Drainage Fee and is based on the average amount of impervious surface on a typical single-family residential property (2,500 square feet). Single-family residential (SFR) parcels are billed a flat rate of 0.8 to 1.4 ERUs based on parcel size, while non-SFR parcels are billed the number of ERUs corresponding to the actual measured quantity of impervious surface on the parcel. The 2005 property owner approval increased the fee to \$10.00 per month per ERU, with provisions for an annual adjustment for inflation at the discretion of the City Council. The fee, which is set at \$12.63 per month per ERU for FY 2016, is scheduled to sunset on June 1, 2017. Without renewal of the increased Storm Drainage Fee, the monthly fee would revert back to the base fee of \$4.25 per month, which is insufficient to cover the storm drain program’s base operating costs.

The Storm Drainage Fee is a property-related fee subject to the provisions of Proposition 218, requiring a majority of voting property owners to approve a fee increase. In 2000, the City conducted a property owner election seeking approval to increase the Storm Drainage Fee from \$4.25 per month up to \$9.00 per month to cover needed storm drain improvements. The ballot measure was unsuccessful.

In 2002, the City Manager appointed a Blue Ribbon Committee to work with staff to review storm drain funding needs and identify a funding mechanism for future storm drain operational and capital improvement program expenses. The Committee recommended funding a storm drain program including augmented maintenance activities, expanded storm water quality protection activities, and a specific set of seven prioritized storm drain capital improvement projects on a pay-as-you-go basis by increasing the Storm Drainage Fee to \$10.00 per month. The Committee also endorsed the creation of an oversight committee, the capping of annual inflationary rate increases at 6%, sunseting of the higher fees after a program duration of 12 years, and funding for innovative projects. The Committee’s proposals were approved by the City Council and presented to property owners in a ballot-by-mail election in Spring 2005. The ballot measure passed with an approval rate of 58%.

The 2005 ballot measure provided for funding of the storm drain program through June 1, 2017. The resulting ratepayer revenues have enabled Public Works staff to implement a successful set of operational enhancements and storm drain capital improvements. All seven of the high-priority capital improvements specified in the ballot measure will be substantially completed or under construction by the June 1, 2017 sunset date. The following is a summary of the accomplishments achieved since passage of the 2005 ballot measure. Photos of some of the improvements are shown on pages 3 and 4 of this report.

- Implementation of Storm Drain Capital Improvement Projects
  - San Francisquito Creek Storm Water Pump Station (\$9.1 million)  
Completed in 2009
  - Channing Ave/Lincoln Ave Storm Drain Improvements (\$6.4 million)  
Completed in 2011 through 2016 (three phases)
  - Matadero Creek Storm Water Pump Station Upgrade (\$6.1 million)  
To be completed in 2017<sup>1</sup>
  - Southgate Neighborhood Storm Drain Improvements (\$2.0 million)  
Completed in 2014
  - Alma Street Storm Drain Improvements (\$785K)  
Completed in 2010
  - Clara Drive Storm Drain Improvements (\$750K)  
Completed in 2014
  - Gailen Ave/Bibbits Drive Storm Drain Improvements (\$650K)  
Completed in 2006
  
- Operational enhancements implemented over the 12-year funding period
  - \$7 million in storm drain system replacement and rehabilitation projects
  - \$1 million in enhanced storm drain system maintenance (pump and equipment maintenance and replacement)
  - \$1.2 million for increased staffing and expenses for storm water quality protection
  - \$55,000 in incentive rebates to residents and businesses for rain barrels, cisterns, green roofs, and permeable pavement

Storm water discharge regulations designed to protect local creeks and the Bay are stricter than those in place at the time of the 2005 ballot measure. Palo Alto received its first municipal storm water permit from the San Francisco Bay Regional Water Quality Control Board (Water Board) in June 1990. In 2009, the Water Board issued a single Municipal Regional Storm Water NPDES Permit (MRP) to regulate storm water discharges from municipalities and local agencies throughout the Bay Area. The MRP expanded regulatory requirements and included 15 provisions requiring activities to prevent storm water pollution, including business and construction site inspections, control of specific pollutants such as trash, pesticides, copper, PCBs, and mercury, new and redevelopment requirements, potable water discharge practices, public outreach and education. The storm water quality protection regulations were further strengthened with the Water Board's issuance of an updated MRP in November 2015.

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<sup>1</sup> excepting the associated pipeline improvement project, which will be deferred to FY2018

**Examples of Completed Storm Drain Capital Improvement Projects**



**San Francisquito Creek Pump Station**



**Channing Avenue box culvert**



**Southgate neighborhood bioretention planter**



**Southgate neighborhood permeable crosswalk**



**Gailen/Bibbits storm drain pipeline**

**Examples of Storm Runoff Reduction Measures Funded  
Through the City's Storm Water Rebate Program**



**Rain Barrel Installation**



**Permeable Interlocking Concrete Pavers**



**Rain Barrel Installation**



**Pervious Concrete Driveway**



**Residential Green Roof**

## **THE FUTURE OF STORMWATER MANAGEMENT**

Looking to the future, the City's storm water management program will place a growing emphasis on activities and measures that protect and enhance the quality of the storm water entering our local creeks and San Francisco Bay. The updated MRP added a new focus on managing storm water runoff generated by the built environment using "green storm water infrastructure." The following paragraphs provide background information and context for this new concept.

### *Green Storm Water Infrastructure*

A new Municipal Regional Storm Water permit was issued in November 2015 and went into effect on January 1, 2016. The new permit continues all of the requirements from the prior permit and adds several new mandates, including the development of a Green Storm Water Infrastructure Plan. Green storm water infrastructure protects or restores the natural water cycle by collecting and retaining, and/or treating, runoff rather than discharging it directly to storm drains. Green storm water infrastructure practices, also referred to as low impact development measures, include preserving natural landscapes and utilizing infiltration planters, rain gardens, tree wells, green roofs, pervious pavement, and rainwater harvesting to manage storm water runoff. These practices help to limit the discharge of pollutants from streets, parking lots, and roofs by infiltrating storm water into soils. Furthermore, green infrastructure provides amenities with many benefits beyond water quality improvement and groundwater replenishment, including creation of attractive tree-lined streetscapes, wildlife habitat, reduction of heat island effect, bicycle and pedestrian accessibility, and enhanced public health. The recently completed Southgate Neighborhood Storm Drain Improvement and Green Street Project, with its bioretention planters and permeable crosswalks, is a local example of a green storm water infrastructure project.

### *Green Storm Water Infrastructure Plan*

The MRP's green infrastructure requirement includes development of a Council-approved Green Storm Water Infrastructure Plan (Plan) framework by June 2017, and development of a full Plan by June 2019, that includes a mechanism and set of criteria to prioritize projects for inclusion of green infrastructure, a list of prioritized projects and targets for green infrastructure implementation, design guidelines/standard specifications, ordinance changes, and a funding plan. The permit also requires annual review of proposed capital projects for green storm water infrastructure integration.

Other City plans are also incorporating the concept of green storm water infrastructure. For example, the City's draft Sustainability and Climate Action Plan (S/CAP) includes a strategy to create and implement a Green Infrastructure Plan that prioritizes green streets infrastructure (W-2.1):

- Create policies that integrate the design of green infrastructure into City and private sector projects to store, infiltrate, cleanse and evapotranspire storm water.
- Expand permeable paving and reduce impermeable paving.
- Increase rainfall infiltration, replenish groundwater, utilize soil to filter pollutants, increase habitat, retain and detain storm water and meet State and Federal permit requirements.

- Utilize: bioswales, raingardens, infiltration basins, retention basins, rain barrels cisterns, green roofs, vegetation, and permeable blocks, pavement and systems.

Development of a Green Storm Water Infrastructure Plan and implementation of green infrastructure projects is a key new element of the Committee’s recommended storm water program and funding plan.

*Storm Drain System Capacity Upgrades*

In anticipation of the sunseting of the 2005 ballot measure, Public Works Department staff retained an engineering consultant to update the Storm Drain Master Plan in 2015. The consultant updated the digital storm drain system model and identified a prioritized list of storm drain system improvements needed to enable the system to convey the runoff from a 10-year storm without street flooding over the top of the curb. The Master Plan Update lists approximately \$98 million of recommended storm drain pipeline and pump station upgrades, including approximately \$43 million of high- and medium-priority projects, which are those projects that address areas currently subject to street flooding depths over 6 inches over an extended period of time. The Committee sought to provide funding for as many of the projects as possible within the recommended rate structure and revenue stream, starting with the highest-priority projects.

**RECOMMENDATIONS**

The Storm Drain Blue Ribbon Committee recommends the following:

- 1) A renewed and renamed “Storm Water Management Fee” should be proposed to Palo Alto property owners for their approval in order to generate funding for storm water infrastructure improvements, system maintenance, and storm water quality protection on a pay-as-you-go basis as follows:
  - a) Increase the base Storm Water Management Fee from \$4.25 per month per Equivalent Residential Unit (ERU) to \$6.62/month/ERU to cover ongoing non-capital expenditures for engineering, maintenance, and storm water quality staffing, expenses, and permit compliance. This increase would reflect the true cost of storm water management baseline services. The City Council should have the discretion to increase the base fee by the amount of change in the local Consumer Price Index (CPI) or 6% per year, whichever is less, and the base fee should not sunset.
  - b) Include an additional Capital Improvement Project (CIP), Incentive Project (IP), and Green Storm Water Infrastructure (GSI) Project fee of \$7.03 per month per ERU that would sunset after 15 years. The storm water capital improvement projects listed in Attachment A, totaling \$27.2 million in Year 2015 dollars, should be pursued through renewal of the Storm Water Management Fee over a period of 15 years. These improvements would eliminate street flooding in storms up to the 10-year level in the areas they serve. These improvements also are intended to reduce road/sidewalk/curb/gutter repair costs by reducing subsoil water saturation and to increase traffic safety during storms.

- c) The total monthly fee, including the base fee and CIP/IP/GSI fee, would be \$13.65 per ERU beginning in FY 2018, a 2.3% increase over the current funding model approved in 2005. The City Council should have the discretion to increase the fee by the amount of change in the local Consumer Price Index (CPI) or 6% per year, whichever is less.
  - d) The Storm Water Management Fund should maintain a reserve balance of at least \$1.5 million to cover potential cost overruns on project or operational expenses.
  - e) Further details on the project/program elements to be funded by the \$ 13.65 monthly fee are contained in Attachment A (List of Proposed Storm Drain Capital Improvement Projects) and Attachment B (Recommended Storm Water Management Program and Funding Plan).
  - f) The Storm Water Management Fee rate structure for single-family residential properties should retain its existing three rate categories, based on parcel size (less than 6,000 square feet; between 6,000 and 11,000 square feet; and greater than 11,000 square feet).
  - g) As is currently the case, a fee reduction appeal process to City staff should be in place for those property owners who can demonstrate that the run-off from their properties drains directly to a creek or another city's storm drain system, and that they have complied with all applicable permit and other legal requirements for such drainage. In addition, this appeal process should apply to those property owners who can demonstrate that they have constructed improvements to their properties to retain storm runoff onsite. In keeping with the present policy, the reduction in fees would not apply to that portion of the monthly fee attributable to City-wide programs.
- 2) The City should take all steps necessary to conduct a property owner, ballot-by-mail election in conformance with the provisions of Proposition 218 as early as possible in CY 2017 so that the fee can be implemented on June 1, 2017, when the existing property owner-approved fee sunsets. The election would require a simple majority vote to pass.
  - 3) The fee name should be changed from "Storm Drainage Fee" to "Storm Water Management Fee."
  - 4) The City should develop an Integrated Water Management Plan (Plan) that takes a comprehensive look at how all water-related issues (water supply and demand, storm water, recycled water and groundwater) might be best addressed to achieve multiple benefits. This Plan is intended to complement the Utilities Department's Urban Water Management Plan and Water Integrated Resources Plan.
  - 5) Per the terms of the Municipal Regional Storm Water Discharge Permit, the City should adopt the framework for a Green Storm Water Infrastructure Plan by June 30, 2017. Until the Green Storm Water Infrastructure Plan is completed in 2019, staff should



identify and implement opportunities for green storm water infrastructure projects. The framework should also elucidate goals for green infrastructure and consider the interaction between green infrastructure and shallow groundwater.

- 6) The City should implement pilot projects, such as utilizing pervious pavement materials to test their feasibility and effectiveness (e.g. use permeable materials for parking lane or bicycle lane as part of a scheduled street maintenance project). If the pilot projects are successful, the City should implement policies that make use of permeable pavement materials a standard practice.
- 7) Proposed Green Storm Water Infrastructure (GSI) funding will cover both the cost of the Green Storm Water Infrastructure Plan preparation and GSI projects. GSI projects retain, infiltrate and/or treat storm water and include, but are not limited to, rain gardens, green roofs, tree wells, bioswales, bioretention/infiltration basins, and permeable pavement. Incentive Project (IP) funding (as distinguished from GSI funding) will encourage residents and commercial property owners to incorporate green infrastructure measures into their private property projects.
- 8) A Council-appointed Storm Water Management Oversight Committee should be formed to oversee expenditures for all storm water funding elements, including, but not limited to, Green Storm Water Infrastructure projects, CIP projects, and Incentive Project funding. The Committee should be empowered to consider and recommend consolidation of Green Storm Water Infrastructure and Incentive Project funding for particular projects. The Committee will annually review the Storm Water Management Fund budget and expenditures to ensure they are consistent with the funding plan included in the ballot measure approved by property owners and not used for other purposes.
- 9) Each new City storm drain capital improvement project should incorporate Green Storm Water Infrastructure measures to the extent practicable.
- 10) City staff should consider opportunities to include green infrastructure into all appropriate City capital improvement projects that impact storm water. Although GSI funds from the Storm Water Management Fund can be used to fund pilot projects, all City Departments should rapidly include funding for GSI elements when budgeting for their projects, and not be dependent upon funding from the Storm Water Management Fund.
- 11) The City should develop or participate in the development of green infrastructure design guidelines and standard specifications and drawings that can inform designers of private and public projects as they incorporate these features into their project designs.
- 12) The ongoing Comprehensive Plan Update, the City Parks Master Plan, Urban Forest Master Plan, and other City planning documents should include green infrastructure goals and policies as required by the Municipal Regional Storm Water Permit.

- 13) The City should expand the scope of its storm water rebate program to promote the use of green storm water infrastructure measures to reduce storm water runoff from private property, including, but not limited to, new rebates for rain gardens and increased rebate amounts for rain barrels, cisterns, green roofs, and permeable pavement.
- 14) The City should evaluate the implementation of a user fee for point-source discharges to the storm drain system to reflect their utilization of the system capacity. Exceptions should be provided for artesian well discharges and similar non-discretionary discharges.
- 15) The City should look for opportunities to work with the Santa Clara Valley Water District and others to minimize new concrete channels and replace portions of existing concrete channels with more natural creek channel materials, to the extent that flood protection is not compromised. The purposes of such projects are to increase infiltration, protect creek banks, and create recreational and educational opportunities.

#### **STORM DRAIN BLUE RIBBON COMMITTEE MEMBERS**

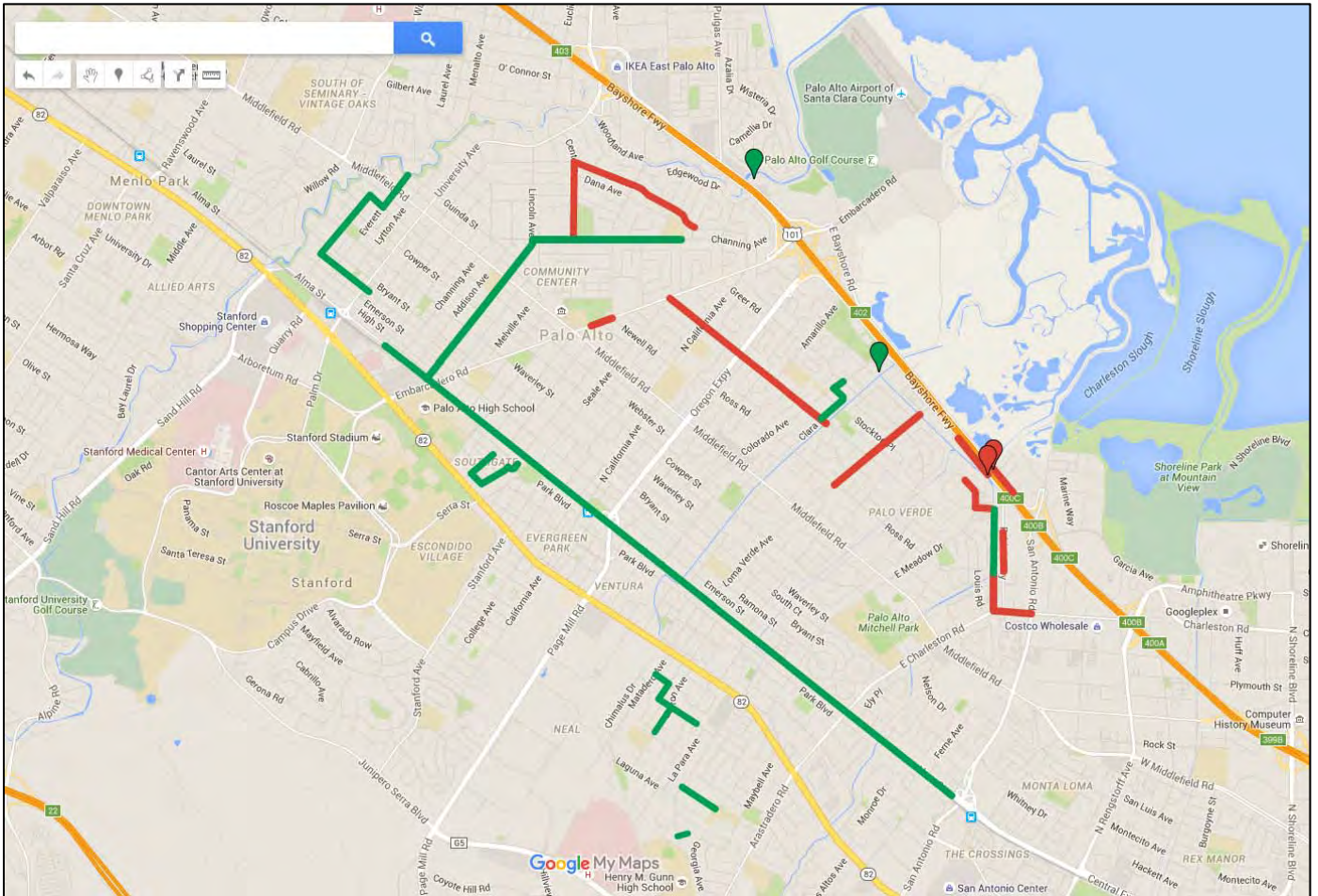
Peter Drekmeier, Co-Chair  
Claire Elliott, Co-Chair  
Norm Beamer  
David Bower  
Nancy Clark  
Stephany McGraw  
Hal Mickelson  
Susan Rosenberg  
Bob Wenzlau  
Richard Whaley

## ATTACHMENT A

### STORM DRAIN BLUE RIBBON COMMITTEE'S RECOMMENDED LIST OF STORM DRAIN CAPITAL IMPROVEMENT PROJECTS

<b>Project Name</b>	<b>Location</b>	<b>Cost (2016\$K)</b>
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 Canal) capacity upgrade	Garland/Midtown	\$6,910
11. Louis Rd (Seale-Wooster Canal to Matadero Ck) overflow pipe	Midtown	\$1,560
12. Colorado Pump Station removal	Midtown	\$ 430
13. Loma Verde Ave (Ross to Louis) capacity upgrade	Midtown/Palo Verde	\$1,340
14. Center Drive capacity upgrade	Crescent Park	\$1,620
15. E. Charleston Rd (San Antonio to Fabian) capacity upgrade	Charleston Terrace	\$1,030
16. Embarcadero Road (Fulton to Newell) capacity upgrade	Leland Manor	<u>\$1,200</u>
<b>TOTAL</b>		<b>\$27,200</b>

# Map of Completed and Proposed Storm Drain Improvements



= Previously completed storm drain capital improvements



= Proposed storm drain capital improvements

**Examples of Street Flooding to be Addressed by  
Proposed Storm Drain Capital Improvements**



**Ashby Drive**



**East Meadow Circle**



**East Bayshore Road**



**E. Charleston Road**



**Fabian Way**

## ATTACHMENT B

### STORM DRAIN BLUE RIBBON COMMITTEE'S RECOMMENDED STORM WATER MANAGEMENT PROGRAM AND FUNDING PLAN

#### A) Base (Ongoing) Components

- 1) Ongoing storm drain maintenance & water quality programs
- 2) New **Regulatory** Water Quality Protection Requirements (Municipal Regional Permit from State)
- 3) Resulting new Base Fee Amount: starts at **\$ 6.62/month**
- 4) Escalates by Consumer Price Index (CPI) or 6%, whichever is less, each year
- 5) **No Sunset** provision on Base (goes on indefinitely)

#### B) Project/Green Infrastructure Components

- 1) Funding for listed **Storm Drain Capital Improvement Projects (CIP)**
- 2) Annual **Green Stormwater Infrastructure (GSI)** funding (starting at \$450K/year) (unused funding goes to capital improvement projects, unless it is to be carried forward to an identified GSI project in subsequent years)
- 3) Annual **Incentive Project (IP) funding** component (starting at \$154K/year)
- 4) Annual **Storm Drain Repair/Rehabilitation CIP** funding (starting at \$500K/year)
- 5) Maintain reserve balance of \$1.5M (~15% of annual expenditures) to cover potential cost overruns on project or operational expenses
- 6) Project/Green Infrastructure Fee Amount: starts at **\$ 7.03/month**
- 7) Escalates by CPI or 6%, whichever is less, each year
- 8) **Sunsets after 15 years**

#### C) Total Fee Amount for All Components

- 1) Resulting new Total Fee Amount (Ongoing + Project/GI Components): starts at **\$ 13.65/month in FY 2018**
- 2) Equates to **2.3% increase** from projected FY 2018 Fee under current funding scenario (which is estimated to be \$ 13.34/month in FY 2018)

**STORM DRAIN PROGRAM FINANCIAL MODEL**

(All dollars expressed in thousands)

**ONGOING FUNDING SCENARIO: PERMANENT FUNDING FOR ONGOING NON-CAPITAL EXPENSES**

	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Year 6 2023	Year 7 2024	Year 8 2025	Year 9 2026	Year 10 2027	Year 11 2028	Year 12 2029	Year 13 2030	Year 14 2031	Year 15 2032
<b>Annual Revenues</b>															
Fee Revenue	3,356	3,457	3,561	3,667	3,777	3,891	4,007	4,128	4,252	4,379	4,510	4,646	4,785	4,929	5,077
Interest Earnings	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130
Storm Drain Violation Fines	3	3	3	3	3	3	4	4	4	4	4	4	4	4	5
Storm Drain Development Review Fees	90	93	95	98	101	104	107	111	114	117	121	125	128	132	136
From Fund Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>3,579</b>	<b>3,683</b>	<b>3,789</b>	<b>3,899</b>	<b>4,012</b>	<b>4,129</b>	<b>4,249</b>	<b>4,372</b>	<b>4,499</b>	<b>4,630</b>	<b>4,765</b>	<b>4,904</b>	<b>5,048</b>	<b>5,195</b>	<b>5,347</b>
<b>Annual Expenses - Base Program</b>															
Flood Control Improvement	95	98	101	104	107	110	113	117	120	124	128	132	135	140	144
Capital Program Support	193	199	205	211	217	224	230	237	244	252	259	267	275	283	292
Storm Water Quality Protection	1,087	1,120	1,153	1,188	1,223	1,260	1,298	1,337	1,377	1,418	1,461	1,505	1,550	1,596	1,644
Storm Drainage Maintenance	1,153	1,188	1,223	1,260	1,298	1,337	1,377	1,418	1,461	1,504	1,550	1,596	1,644	1,693	1,744
Emergency Response	116	119	123	127	131	134	139	143	147	151	156	161	165	170	175
Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administrative Support Costs	937	965	994	1,024	1,055	1,086	1,119	1,152	1,187	1,223	1,259	1,297	1,336	1,376	1,417
To Fund Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal - Base Expenses</b>	<b>3,581</b>	<b>3,688</b>	<b>3,799</b>	<b>3,913</b>	<b>4,030</b>	<b>4,151</b>	<b>4,276</b>	<b>4,404</b>	<b>4,536</b>	<b>4,672</b>	<b>4,813</b>	<b>4,957</b>	<b>5,106</b>	<b>5,259</b>	<b>5,417</b>
<b>Annual Expenses - Proposed Additional Program Elements</b>															
Green Municipal Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Capital Improvements</b>	<b>(2)</b>	<b>(6)</b>	<b>(10)</b>	<b>(14)</b>	<b>(18)</b>	<b>(23)</b>	<b>(27)</b>	<b>(32)</b>	<b>(37)</b>	<b>(42)</b>	<b>(47)</b>	<b>(52)</b>	<b>(58)</b>	<b>(64)</b>	<b>(69)</b>
Storm Drain System Repairs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Add'l Engineering staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Innovative Projects	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal - Proposed New Program Elements</b>	<b>(2)</b>	<b>(6)</b>	<b>(10)</b>	<b>(14)</b>	<b>(18)</b>	<b>(23)</b>	<b>(27)</b>	<b>(32)</b>	<b>(37)</b>	<b>(42)</b>	<b>(47)</b>	<b>(52)</b>	<b>(58)</b>	<b>(64)</b>	<b>(69)</b>
<b>Total Current and Proposed Expenses</b>	<b>3,579</b>	<b>3,683</b>	<b>3,789</b>	<b>3,899</b>	<b>4,012</b>	<b>4,129</b>	<b>4,249</b>	<b>4,372</b>	<b>4,499</b>	<b>4,630</b>	<b>4,765</b>	<b>4,904</b>	<b>5,048</b>	<b>5,195</b>	<b>5,347</b>
<b>Monthly Fee Per ERU</b>	<b>\$6.62</b>	<b>\$6.82</b>	<b>\$7.02</b>	<b>\$7.23</b>	<b>\$7.45</b>	<b>\$7.67</b>	<b>\$7.90</b>	<b>\$8.14</b>	<b>\$8.39</b>	<b>\$8.64</b>	<b>\$8.90</b>	<b>\$9.16</b>	<b>\$9.44</b>	<b>\$9.72</b>	<b>\$10.01</b>

**STORM DRAIN PROGRAM FINANCIAL MODEL**

(All dollars expressed in thousands)

**FINAL SCENARIO: ENHANCED STORM DRAIN PROGRAM + NEW WATER QUALITY MANDATES + \$27.2M HIGH- & MEDIUM-PRIORITY CIPs (15 years) + \$450/YEAR GREEN INFRASTRUCTURE (ANNUALLY ADJUSTED FOR INFLATIO**

	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Year 6 2023	Year 7 2024	Year 8 2025	Year 9 2026	Year 10 2027	Year 11 2028	Year 12 2029	Year 13 2030	Year 14 2031	Year 15 2032
<b>Annual Revenues</b>															
Fee Revenue	6,920	7,128	7,342	7,562	7,789	8,022	8,263	8,511	8,766	9,029	9,300	9,579	9,867	10,163	10,467
Interest Earnings	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130
Storm Drain Violation Fines	3	3	3	3	3	3	4	4	4	4	4	4	4	4	5
Storm Drain Development Review Fees	90	93	95	98	101	104	107	111	114	117	121	125	128	132	136
From Fund Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>7,143</b>	<b>7,354</b>	<b>7,570</b>	<b>7,794</b>	<b>8,023</b>	<b>8,260</b>	<b>8,504</b>	<b>8,755</b>	<b>9,014</b>	<b>9,281</b>	<b>9,555</b>	<b>9,838</b>	<b>10,129</b>	<b>10,429</b>	<b>10,738</b>
<b>Annual Expenses - Base Program</b>															
Flood Control Improvement	95	98	101	104	107	110	113	117	120	124	128	132	135	140	144
Capital Program Support	193	199	205	211	217	224	230	237	244	252	259	267	275	283	292
Storm Water Quality Protection	1,087	1,120	1,153	1,188	1,223	1,260	1,298	1,337	1,377	1,418	1,461	1,505	1,550	1,596	1,644
Storm Drainage Maintenance	1,153	1,188	1,223	1,260	1,298	1,337	1,377	1,418	1,461	1,504	1,550	1,596	1,644	1,693	1,744
Emergency Response	116	119	123	127	131	134	139	143	147	151	156	161	165	170	175
Debt Service	947	947	950	951	950	947	947	0	0	0	0	0	0	0	0
Administrative Support Costs	937	965	994	1,024	1,055	1,086	1,119	1,152	1,187	1,223	1,259	1,297	1,336	1,376	1,417
To Fund Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal - Base Expenses</b>	<b>4,528</b>	<b>4,635</b>	<b>4,749</b>	<b>4,864</b>	<b>4,980</b>	<b>5,098</b>	<b>5,223</b>	<b>4,404</b>	<b>4,536</b>	<b>4,672</b>	<b>4,813</b>	<b>4,957</b>	<b>5,106</b>	<b>5,259</b>	<b>5,417</b>
<b>Annual Expenses - Proposed Additional Program Elements</b>															
Green Municipal Infrastructure	450	464	477	492	506	522	537	553	570	587	605	623	642	661	681
<b>Capital Improvements</b>	<b>1,351</b>	<b>1,416</b>	<b>1,480</b>	<b>1,548</b>	<b>1,620</b>	<b>1,697</b>	<b>1,772</b>	<b>2,796</b>	<b>2,876</b>	<b>2,959</b>	<b>3,044</b>	<b>3,131</b>	<b>3,221</b>	<b>3,314</b>	<b>3,409</b>
Storm Drain System Repairs	500	515	530	546	563	580	597	615	633	652	672	692	713	734	756
Add'l Engineering staff	160	165	170	175	180	185	191	197	203	209	215	222	228	235	242
Innovative Projects	154	159	163	168	173	179	184	189	195	201	207	213	220	226	233
<b>Subtotal - Proposed New Program Elements</b>	<b>2,615</b>	<b>2,718</b>	<b>2,821</b>	<b>2,929</b>	<b>3,043</b>	<b>3,162</b>	<b>3,281</b>	<b>4,351</b>	<b>4,478</b>	<b>4,608</b>	<b>4,743</b>	<b>4,881</b>	<b>5,024</b>	<b>5,170</b>	<b>5,322</b>
<b>Total Current and Proposed Expenses</b>	<b>7,143</b>	<b>7,354</b>	<b>7,570</b>	<b>7,794</b>	<b>8,023</b>	<b>8,260</b>	<b>8,504</b>	<b>8,755</b>	<b>9,014</b>	<b>9,281</b>	<b>9,555</b>	<b>9,838</b>	<b>10,129</b>	<b>10,429</b>	<b>10,738</b>
<b>Monthly Fee Per ERU</b>	<b>\$13.65</b>	<b>\$14.06</b>	<b>\$14.48</b>	<b>\$14.92</b>	<b>\$15.36</b>	<b>\$15.82</b>	<b>\$16.30</b>	<b>\$16.79</b>	<b>\$17.29</b>	<b>\$17.81</b>	<b>\$18.34</b>	<b>\$18.89</b>	<b>\$19.46</b>	<b>\$20.05</b>	<b>\$20.65</b>
Capital improvements completed per year:	1,351	1,416	1,480	1,548	1,620	1,697	1,772	2,796	2,876	2,959	3,044	3,131	3,221	3,314	3,409
Year-end capital improvement program balance:	27,200	26,665	26,048	25,350	24,562	23,678	22,692	21,601	19,453	17,160	14,716	12,113	9,346	6,405	3,283
<b>Assumed annual inflation rate</b>			<b>3.00%</b>												
<b>Total capital improvement program total</b>			<b>27,200</b>												



**Attachment I**

**Proposition 218 Property Owner Election Process and Timeline**

- Start            Council adoption of ordinance authorizing mail ballot process and resolution establishing procedures for protest hearing/election
- 3 weeks        Legal notices/brochures mailed; start of 1<sup>st</sup> 45-day noticing period
- 7 weeks        Protest hearing  
(Need at least 45-day protest period)
- 3 weeks        Ballots mailed
- 4 weeks        Ballots due back to City Clerk  
(Need at least 45 days between protest hearing and ballot due day)
- 5 weeks        Council certification of election results  
(Need time to process staff report)
- 4 weeks        Effective date of new rate

Minimum 26 weeks elapsed time