



City of Palo Alto

City Council Staff Report

(ID # 7919)

Report Type: Consent Calendar

Meeting Date: 4/3/2017

Summary Title: Authorize Staff to Vote “Yes” on the Storm Water Management Fee Ballots

Title: Authorization for the City Manager to Vote on Storm Water Management Fee Ballots Received for Parcels Owned by the City of Palo Alto

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council direct the City Manager to vote “Yes” on the City of Palo Alto’s Storm Water Management Fee for the approximately 85 ballots received for City-owned parcels.

Background

On October 24, 2016, the Palo Alto City Council adopted Resolution 9635, which called a Mail Ballot Election for Tuesday, April 11, 2017, to submit the proposed Storm Water Management Fee to property owners. If approved, this Fee would replace the existing Storm Drainage Fee, effective June 1, 2017. A “Description of the Proposed Storm Water Management Fee” is attached (Attachment A). Staff mailed approximately 20,000 ballots to property owners in February. Property owners of parcels subject to the Fee may cast a ballot for or against the Fee by returning their marked ballot(s) to the City Clerk’s Office by 5:30pm on Tuesday, April 11, 2017. The City received approximately 85 ballots for City-owned parcels.

Policy Implication

Voting in favor of the proposed Storm Water Management Fee is consistent with City Council’s direction to submit the proposed Fee to property owners via a Mail Ballot Election (Resolution 9635), and with the Procedures for the Conduct of Protest Hearing and Mail Ballot Election, (Resolution 9624).

Environmental Review

Council direction to cast Ballots for City-owned parcels in favor of the proposed Palo Alto Storm Water Mangement Fee does not meet the definition of a project with for the California Environmental Quality Act (CEQA) under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5). The level of future CEQA review for projects developed with Fee funds will depend on the scope of the storm drain capital improvement projects that may be funded by the updated Storm Water Management Fee, if approved.

Attachments:

- Attachment A - Atty approved SWMF description 2 7 17

DESCRIPTION OF THE PROPOSED STORM WATER MANAGEMENT FEE

A. Overview

The proposed Storm Water Management Fee of \$13.65 per ERU (Equivalent Residential Unit) per month would replace the existing Storm Drainage Fee of \$13.03 per ERU per month. The Storm Water Management Fee would have two components:

- 1) A Base Component of \$7.48 per ERU per month (adjusted annually for inflation as discussed later in this document), which would continue until terminated by the City Council.
- 2) A Projects and Infrastructure Component of \$6.17 per ERU per month (adjusted annually for inflation as discussed later in this document), which would end after 15 years, on June 1, 2032, unless extended by the voters.

If approved, the Storm Water Management Fee would go into effect June 1, 2017. Proceeds of the Storm Water Management Fee would be available to the City exclusively to pay for:

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

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

B. Background

The Palo Alto City Council established the Storm Drainage Fund and an associated Storm Drainage Fee in 1989 as an independent means to fund municipal storm drain capital improvements, maintenance, and storm water quality protections programs. The fee was last authorized in a 2005 property owner election, and most of the current fee will sunset in June 2017. Revenue generated by the fee since 2005 has funded seven high-priority storm drain capital improvement projects as well as ongoing operational costs. The new Storm Water Management Fee was recommended to the City Council by an appointed Blue Ribbon Storm Drain Committee of residents. Adoption of the proposed new fee will enable the implementation of additional drainage improvements throughout the City, including compliance with state permit requirements mandating green storm water infrastructure. Green storm water infrastructure reduces runoff, improves storm water quality, and restores the natural water cycle by collecting and retaining, and/or treating runoff rather than discharging it directly to storm drains.

C. Budget

1. Base Component

Each Year, the Base Component is anticipated to generate approximately \$3.8 million (to be adjusted for inflation in future years). The Base Component has been calculated based on the City's anticipated ongoing costs for the engineering, maintenance, storm water quality protection, operation and administration of the City's storm water system, including regulatory permit compliance.

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

2. **Projects and Infrastructure Component**

Each Year, the Projects and Infrastructure Component is anticipated to generate approximately \$3.1 million (to be adjusted for inflation in future years). The Projects and Infrastructure Component has been calculated based on anticipated 15-year costs for the Storm Drain Capital Improvement Program (which includes both major capacity upgrade projects and capital improvement repair and rehabilitation), Incentive Projects, and Green Storm Water Infrastructure Projects.

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

* Debt service obligations end in Fiscal Year 2024, after which this budget is available for use for new capital improvements.

The fifteen-year budget for major capital improvements was based on the following projects depicted on the attached exhibit:

- a. Loma Verde Avenue (Louis Road to Sterling Canal) storm drain capacity upgrade (Midtown) \$2,200,000
- b. Corporation Way/East Bayshore Road Pump Station to Adobe Creek (Baylands) \$2,420,000
- c. West Bayshore Road to Adobe Creek storm drain capacity upgrade (Palo Verde) \$1,390,000
- d. West Bayshore Road Pump Station to Adobe Creek (Palo Verde) \$1,040,000
- e. East Charleston Road to Adobe Creek storm drain capacity upgrade (Charleston Terrace) \$1,300,000
- f. East Meadow Circle storm drain connection to Adobe Creek Pump Station (E Meadow Circle)\$360,000
- g. East Meadow Drive to Adobe Creek Pump Station storm drain capacity upgrade (Ortega) \$400,000
- h. Fabian Way storm drain capacity upgrade (Fabian Way) \$580,000
- i. Hamilton Avenue (Center Drive to Rhodes Drive) storm drain capacity upgrade (Duveneck-St Francis) \$3,440,000
- j. Louis Road (Embarcadero Road to Seale-Wooster Canal) storm drain capacity upgrade (Garland/Midtown) \$6,910,000
- k. Louis Road (Seale-Wooster Canal to Matadero Creek) overflow storm drain (Midtown) \$1,560,000
- l. Colorado Pump Station integration with Matadero Pump Station (Midtown) \$430,000
- m. Center Drive storm drain capacity upgrade (Crescent Park) \$1,620,000

Project costs were estimated based upon the best information currently available for the purpose of developing a reasonable and appropriate capital improvement program budget. Final selection and sequencing of individual projects is subject to further study and analysis, such as analysis under the California Environmental Quality Act.

D. **Annual Inflation Adjustment**

In order to offset the effects of inflation on labor and material costs, the maximum rate for the Storm Water Management Fee (and each component of the Storm Water Management Fee) will be increased annually each July 1 (beginning July 1, 2018), by the lesser of (i) the percentage change in the Consumer Price Index [CPI] for the San Francisco-Oakland-San Jose CSMA, published by the United States Department of Labor, Bureau of Labor Statistics during the prior calendar year or (ii) 6%.

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

E. Method of Collection and Calculated

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

Single-Family Residential Parcels:

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

All Other Improved Parcels:

Number of ERU = Impervious Area (Sq. Ft.) / 2,500.

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

Fees are generally collected on water bills. The Storm Water Management Fee would be collected and calculated in the manner set forth in City of Palo Alto Utilities Rule and Regulation No. 25 (available online at www.cityofpaloalto.org/sdbrc), subject to the following exemptions:

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

F. Oversight provision for proposed fee increase

The City Council would appoint an oversight committee to monitor and review expenditures for all storm water funding elements, including, but not limited to, Green Storm Water Infrastructure projects, storm water Capital Improvement Program projects, and Incentive Project funding and ensure that the money raised from the increased storm water management fee is spent properly. The Committee would be empowered to consider and recommend consolidation of Green Storm Water Infrastructure and Incentive Project funding for particular projects. The City Council may choose to retain the members of the existing Council-appointed Storm Drain Oversight Committee to perform this oversight function. The oversight committee would report its findings to the City Council at least annually.

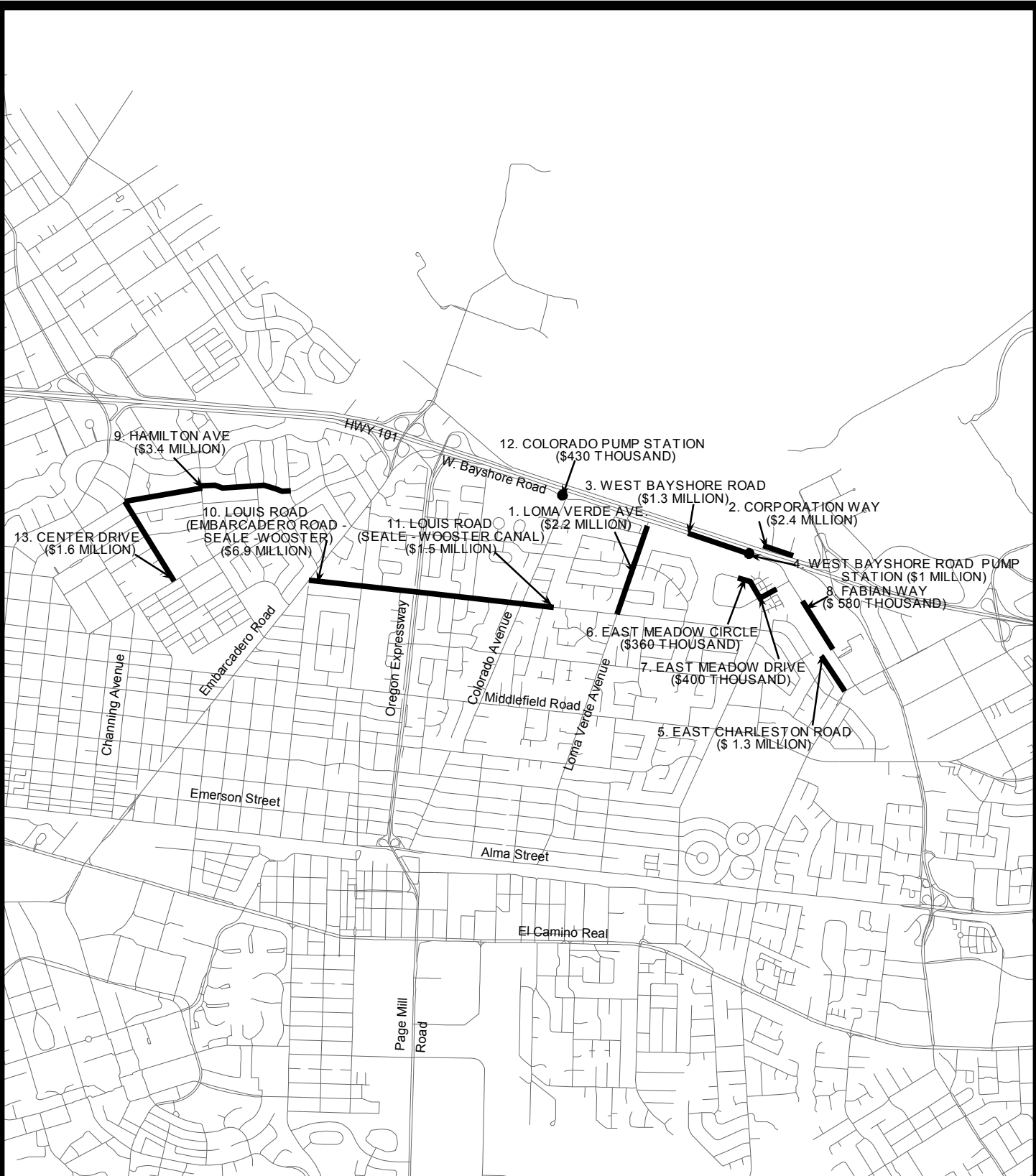
G. Pay-as-you-go funding of capital improvements

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

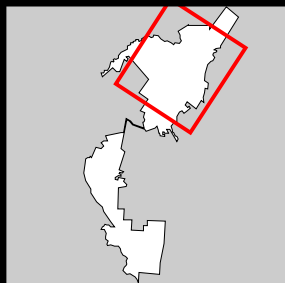
H. Additional Information

Should you have any questions about the public hearing, please call or write to: Beth Minor, City Clerk, P.O. Box 10250, Palo Alto, CA 94303. Telephone: (650) 329-2571.

For questions about the proposed fee, please call Joe Teresi in the Public Works Engineering Services Division at (650) 329-2129 or visit the City's web site at www.cityofpaloalto.org/sdbrc.



The City of
Palo Alto



Proposed
Storm Drain
Capital Improvements
For Storm Water
Management Fee

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

