



Santa Clara Valley Water District

File No.: 17-0161

Agenda Date: 3/28/2017

Item No.: 3.3.

BOARD AGENDA MEMORANDUM

SUBJECT:

Recommended Position on Proposed Renewal and Replacement of the City of Palo Alto's Storm Drainage Fee with a Storm Water Management Fee That Would Apply to One District-Owned Parcel in the City of Palo Alto.

RECOMMENDATION:

- A. Support the renewal and replacement of the existing City of Palo Alto Storm Drainage Fee of \$66.45 per month with a Storm Water Management Fee of \$69.62 per month, and associated annual inflation adjustment, for one District-owned parcel in the City of Palo Alto.
- B. Authorize the Chief Executive Officer to sign the Official Mail Ballot in favor of the proposed fee and associated inflation adjustment.

SUMMARY:

The City of Palo Alto (City) recently provided the District with notice of a mail ballot election that they are conducting between February 24, 2017 and April 11, 2017 to allow property owners to decide whether to renew and replace the City's existing Storm Drainage Fee with a Storm Water Management Fee. This election applies to one District-owned parcel in the City.

If a majority of property owners approve the renewal of the fee, the District's existing fee of \$66.45 per month for that parcel would be replaced with a new fee of \$69.92 per month, plus an annual inflation adjustment of the lesser of: a) 6%, or b) the percentage change in the Consumer Price Index for the San Francisco-Oakland-San Jose area. If the fee is not approved by a majority of Palo Alto property owners, it would revert to its pre-2005 level of funding on June 1, 2017, which is estimated by the City to be approximately \$21.68 per month.

Importance to the District

The proposed renewal and replacement fee would continue to pay for improving the quality of storm and surface water through storm water maintenance and operations, as well as through litter reduction, urban pollution prevention programs, commercial and residential rebates, flooding emergency-response services, and "green" storm water infrastructure projects.

These activities both prevent street flooding and protect the water quality and health of local streams, creeks, and the South San Francisco Bay, which support the Board's Ends Policies that speak to natural flood protection and water resources stewardship, as well as the Board's legislative guiding

principles regarding supporting funding for infrastructure. In recognition of this, staff recommends that the Board support the renewal and replacement of the fee, and authorize the Chief Executive Officer to vote “Yes” on the official mail ballot, a copy of which is included as Attachment 1.

Background

The Palo Alto City Council established the Storm Drainage Fund and an associated Storm Drainage Fee in 1989 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 storm drain capital improvement projects as well as ongoing operational costs. If voters approve the renewal and replacement of the proposed fee, the City will implement additional drainage improvements throughout the City, including compliance with state permit requirements mandating green storm water infrastructure, which 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 into storm drains.

Proposed Fee Structure

If approved by voters, the replacement fee would generate approximately \$6.9 million each year, to be adjusted for inflation in future years, and would be comprised of two components:

1. The Base Component (\$3.8 million per year) would fund items such as storm water quality protection, emergency response, floodplain management, and engineering. This component would continue to be collected until terminated by the City Council.
2. The Projects and Infrastructure Component (\$3.1 million per year) would fund the City’s Green Storm Water Infrastructure Projects, Incentive Projects, and the storm drain capital improvement program. The storm drain capital improvements would be paid for on a pay-as-you-go basis, without debt financing. This component has been calculated based on anticipated 15-year costs for those projects and the capital improvement program; consequently, this component would only run for a 15-year period, and would sunset on June 1, 2032 unless extended by the voters.

This fee applies to all developed parcels in the City of Palo Alto; only undeveloped parcels are exempt from the fee. A detailed breakdown of activities to be funded within each component is on page three of the Proposed Storm Water Management Fee Brochure, which is included as Attachment 2.

Oversight Committee

If the fee renewal and replacement is approved by voters, The City Council would appoint an oversight committee to monitor and review expenditures, and ensure that the money raised is spent properly. The City Council may choose to retain the current 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.

FINANCIAL IMPACT:

If a majority of property owners approve the renewal of the fee, the District's existing fee of \$66.45 per month for that parcel would be replaced with a new fee of \$69.92 per month, plus an annual inflation adjustment of the lesser of: a) 6%, or b) the percentage change in the Consumer Price Index for the San Francisco-Oakland-San Jose area.

In simple terms, the new fee would add \$3.47 per month (or \$41.64 per year) in fees for the District's parcel, plus an annual inflation adjustment.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Copy of Official Mail Ballot

Attachment 2: Proposed Storm Water Management Fee Brochure

UNCLASSIFIED MANAGER:

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