

**CITY OF FULLERTON
PROFESSIONAL SERVICES AGREEMENT
WITH
SCI CONSULTING GROUP**

THIS AGREEMENT is made and entered into this ___ day of _____, 2021 ("Effective Date"), by and between the CITY OF FULLERTON, a California municipal corporation ("City"), and SCI Consulting Group Public Finance Consulting Services, a California Chapter S Corporation ("Consultant").

WITNESSETH:

A. City proposes to utilize the services of Consultant as an independent contractor to provide financial consulting services, as more fully described herein.

B. Consultant represents that it has that degree of specialized expertise contemplated within California Government Code section 37103, and holds all necessary licenses to practice and perform the services herein contemplated.

C. City and Consultant desire to contract for the specific services described herein, and desire to set forth their rights, duties and liabilities in connection with the services to be performed.

D. No official or employee of City has a financial interest, within the provisions of Sections 1090-1092 of the California Government Code, in the subject matter of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

1.0. SERVICES PROVIDED BY CONSULTANT

1.1. Scope of Services. Consultant shall provide the professional services described in the City's Request for Proposals ("RFP"), attached hereto as Exhibit "A," and Consultant's Response to City's RFP ("Consultant's Proposal"), attached hereto as Exhibit "B," both incorporated herein by this reference.

1.2. Professional Practices. All professional services to be provided by Consultant pursuant to this Agreement shall be provided by personnel experienced in their respective fields and in a manner consistent with the standards of care, diligence and skill ordinarily exercised by professional consultants in similar fields and circumstances in accordance with sound professional practices. Consultant also warrants that it is familiar with all laws that may affect its performance of this Agreement and shall advise City of any changes in any laws that may affect Consultant's performance of this Agreement.

1.3. Performance to Satisfaction of City. Consultant agrees to perform all the work to the reasonable satisfaction of the City, in accordance with the applicable professional standard of care and City specifications and within the hereinafter specified. Evaluations of the work will be done by the City Manager or his designee. If the quality of work is not satisfactory, City in its discretion has the right to:

- (a) Meet with Consultant to review the quality of the work and resolve the matters of concern;
- (b) Require Consultant to repeat the work at no additional fee until it is satisfactory; and/or
- (c) Terminate the Agreement as hereinafter set forth.

1.4. Warranty. Consultant warrants that it shall perform the services required by this Agreement in compliance with all applicable and non-conflicting Federal and California employment laws, including, but not limited to, those laws related to minimum hours and wages; occupational health and safety; fair employment and employment practices; workers' compensation insurance and safety in employment; and all other Federal, State and local laws and ordinances applicable to the services required under this Agreement. Consultant shall indemnify and hold harmless City from and against all claims, demands, payments, suits, actions, proceedings, and judgments of every nature and description including attorneys' fees and costs, presented, brought, or recovered against City for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of Consultant's performance under this Agreement.

1.5. Non-discrimination. In performing this Agreement, Consultant shall not engage in, nor permit its agents to engage in, discrimination in employment of persons because of their race, religion, color, national origin, ancestry, age, physical handicap, medical condition, marital status, sexual gender or sexual orientation, except as permitted pursuant to Section 12940 of the Government Code.

1.6. Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other consultants for services similar to the services that are subject to this Agreement or may have its own employees perform services similar to those services contemplated by this Agreement.

1.7. Delegation and Assignment. This is a personal service contract, and the duties set forth herein shall not be delegated or assigned to any person or entity without the prior written consent of City. Consultant may engage a subcontractor(s) as permitted by law and may employ other personnel to perform services contemplated by this Agreement at Consultant's sole cost and expense.

1.8. Confidentiality. Employees of Consultant in the course of their duties may have access to financial, accounting, statistical, and personnel data of private individuals and employees of City. Consultant covenants that all data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without written authorization by City. City shall grant such authorization if disclosure is required by law. All City data shall be returned to City upon the termination of this Agreement. Consultant's covenant under this Section shall survive the termination of this Agreement.

2.0. COMPENSATION AND BILLING

2.1. Compensation. Consultant shall be paid in accordance with the fee schedule as set forth on page 25 and page 26 of Exhibit "B". Consultant's total compensation is anticipated to be up to two hundred thirty-nine thousand four-hundred forty seven dollars (\$239,447) which

includes postage and mailing costs and optional tasks that may or may not be utilized at City's sole discretion.

2.2. Additional Services. Consultant shall not receive compensation for any services provided outside the scope of services specified in the Consultant's Proposal unless the City or the Project Manager for this Project, prior to Consultant performing the additional services, approves such additional services in writing. It is specifically understood that oral requests and/or approvals of such additional services or additional compensation shall be barred and are unenforceable.

2.3. Method of Billing. Consultant may submit invoices to the City for approval on a progress basis, but no more often than two times a month. Said invoice shall be based on the total of all Consultant's services which have been completed to City's sole satisfaction. City shall pay Consultant's invoice within forty-five (45) days from the date City receives said invoice. Each invoice shall describe in detail the services performed, the date of performance, and the associated time for completion. Any additional services approved and performed pursuant to this Agreement shall be designated as "Additional Services" and shall identify the number of the authorized change order, where applicable, on all invoices.

2.4. Records and Audits. Records of Consultant's services relating to this Agreement shall be maintained in accordance with generally recognized accounting principles and shall be made available to City or its Project Manager for inspection and/or audit at mutually convenient times from the Effective Date of this Agreement until three (3) years after the termination date.

2.5. W-9. Consultant must provide City with a current W-9 form, to be attached hereto as Exhibit "D." It is the Consultant's responsibility to provide to the City any revised or updated W-9 form.

3.0. TIME OF PERFORMANCE

3.1. Commencement and Completion of Work. The professional services to be performed pursuant to this Agreement shall commence within five (5) days from the Effective Date of this Agreement. The professional services to be performed pursuant to this Agreement shall be completed in accordance with Exhibit "A." Failure to commence work in a timely manner and/or diligently pursue work to completion may be grounds for termination of this Agreement.

3.2. Excusable Delays. Neither party shall be responsible for delays or lack of performance resulting from acts beyond the reasonable control of the party or parties. Such acts shall include, but not be limited to, acts of God, fire, strikes, material shortages, compliance with laws or regulations, riots, acts of war, or any other conditions beyond the reasonable control of a party.

4.0. TERM AND TERMINATION

4.1. Term. This Agreement shall commence on the Effective Date and continue for a period of 18 months unless terminated as provided herein.

4.2. Notice of Termination. The City reserves and has the right and privilege of canceling, suspending or abandoning the execution of all or any part of the work contemplated by this Agreement, with or without cause, at any time, by providing written notice to Consultant. The termination of this Agreement shall be deemed effective upon receipt of the notice of

termination. In the event of such termination, Consultant shall immediately stop rendering services under this Agreement unless directed otherwise by the City.

4.3. Compensation. In the event of termination, City shall pay Consultant for reasonable costs incurred and professional services satisfactorily performed up to and including the date of City's written notice of termination. Compensation for work in progress shall be prorated based on the percentage of work completed as of the effective date of termination in accordance with the fees set forth herein. In ascertaining the professional services actually rendered hereunder up to the effective date of termination of this Agreement, consideration shall be given to both completed work and work in progress, to complete and incomplete drawings, and to other documents pertaining to the services contemplated herein whether delivered to the City or in the possession of the Consultant.

4.4. Documents. In the event of termination of this Agreement, all documents prepared by Consultant in its performance of this Agreement including, but not limited to, finished or unfinished design, development and construction documents, data studies, drawings, maps and reports, shall be delivered to the City within ten (10) days of delivery of termination notice to Consultant, at no cost to City. Any use of uncompleted documents without specific written authorization from Consultant shall be at City's sole risk and without liability or legal expense to Consultant.

5.0. INSURANCE

5.1. Insurance Required. Consultant shall procure and maintain throughout the duration of this Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by Consultant, its agents, representatives, employees or subcontractors. Consultant shall provide current evidence of the required insurance in a form acceptable to City and shall provide replacement evidence for any required insurance which expires prior to the completion, expiration, or termination of this Agreement.

Nothing in this section shall be construed as limiting in any way, the Indemnification and Hold Harmless clause contained herein in Section 6.8 or the extent to which Consultant may be held responsible for payments of damages to persons or property.

5.2. Minimum Scope and Limits of Insurance.

A. Commercial General Liability Insurance. Consultant shall maintain commercial general liability insurance coverage in a form at least as broad as ISO Form #CG 00 01, with a limit of not less than \$1,000,000 each occurrence. If such insurance contains a general aggregate limit, it shall apply separately to the Agreement or shall be twice the required occurrence limit.

B. Business Automobile Liability Insurance. Consultant shall maintain business automobile liability insurance coverage in a form at least as broad as ISO Form # CA 00 01, with a limit of not less than \$1,000,000 each accident. Such insurance shall include coverage for owned, hired and non-owned automobiles.

C. Workers' Compensation and Employers' Liability Insurance. Consultant shall maintain workers' compensation insurance as required by the State of California and employers' liability insurance with limits of not less than \$1,000,000 each accident.

D. Professional Liability Insurance. Consultant shall maintain professional liability insurance appropriate to Consultant's profession with a limit of not less than \$2,000,000, per occurrence or claim, \$2,000,000 aggregate. Architects' and engineers' coverage shall be endorsed to include contractual liability. If policy is written as a "claims made" policy, the retro date of the policy shall be prior to the start of the contract work.

5.3. Deductibles and Self-Insured Retentions. Any deductible or self-insured retention must be declared to and approved by City.

5.4. Other Insurance Provisions. The required insurance policies shall contain or be endorsed to contain the following provisions:

A. Commercial General Liability. City, its elected or appointed officials, officers, employees and volunteers are to be covered as additional insureds with respect to liability arising out of work or operations performed by or on behalf of Consultant, including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Consultant's insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 forms if later revisions used). Such coverage as an additional insured shall not be limited to the period of time during which Consultant is conducting ongoing operations for City but rather, shall continue after the completion of such operations. The coverage shall contain no special limitations on the scope of its protection afforded to City, its officers, employees and volunteers.

B. Commercial General Liability. This insurance shall be primary insurance at least as broad as ISO CG 20 01 04 13 as respects City, its officers, employees and volunteers and shall apply separately to each insured against whom a suit is brought or a claim is made. Any insurance or self-insurance maintained by City, its officers, employees and volunteers shall be excess of this insurance and shall not contribute with it.

C. Professional Liability. If the Professional Liability policy is written on a "claims made" form, the Retroactive Date must be shown and must be before the date of the contract or beginning of contract work. The insurance must be maintained and evidence of insurance must be provided for at least (5) years after completion of the contract work. If the coverage is canceled or non-renewed and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Consultant must purchase "extended reporting coverage" for a minimum of five (5) years after completion of contract work.

D. Consultant hereby grants to City a waiver of any right to subrogation which any insurer of said Consultant may acquire against the City by virtue of payment of any loss under such insurance. Consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

E. All Coverages. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to City.

If Consultant maintains higher limits or has broader coverage than the minimums shown above, City requires and shall be entitled to all coverage, and to the higher limits maintained by Consultant. Any available insurance proceeds in excess of the specified minimum limits of

insurance and coverage shall be available to City.

F. Subcontractors. Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein and Consultant shall ensure that City is an additional insured on insurance required from subconsultants.

G. Special Risks or Circumstances. City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage or other special circumstances.

5.5 Acceptability of Insurers. All required insurance shall be placed with insurers acceptable to City with current BEST'S ratings of no less than A, Class VII. Workers' compensation insurance may be placed with the California State Compensation Insurance Fund. All insurers shall be licensed by or hold admitted status in the State of California. At the sole discretion of City, insurance provided by non-admitted or surplus carriers with a minimum BEST'S rating of no less than A- Class X may be accepted if Consultant evidences the requisite need to the sole satisfaction of City.

5.6 Verification of Coverage. Consultant shall furnish City with certificates of insurance which bear original signatures of authorized agents and which reflect insurers names and addresses, policy numbers, coverage, limits, deductibles and self-insured retentions. Additionally, Consultant shall furnish copies of all policy endorsements required herein. All certificates and endorsements must be received and approved by City before work commences. City reserves the right to require at any time complete, certified copies of any or all required insurance policies and endorsements.

6.0. GENERAL PROVISIONS

6.1. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to any matter referenced herein and supersedes any and all other prior writings and oral negotiations. This Agreement may be modified only in writing, and signed by the parties in interest at the time of such modification. The terms of this Agreement shall prevail over any inconsistent provision in any other contract document appurtenant hereto, including exhibits to this Agreement.

6.2. Representatives. The City Manager or his designee shall be the representative of City for purposes of this Agreement and may issue all consents, approvals, directives and agreements on behalf of the City, called for by this Agreement, except as otherwise expressly provided in this Agreement.

Consultant shall designate a representative for purposes of this Agreement who shall be authorized to issue all consents, approvals, directives and agreements on behalf of Consultant called for by this Agreement, except as otherwise expressly provided in this Agreement.

6.3. Project Managers. City shall designate a Project Manager to work directly with Consultant in the performance of this Agreement.

Consultant shall designate a Project Manager who shall represent it and be its agent in all consultations with City during the term of this Agreement. Consultant or its Project Manager shall attend and assist in all coordination meetings called by City.

6.4. Notices. Any notices, documents, correspondence or other communications concerning this Agreement or the work hereunder may be provided by personal delivery, facsimile or mail and shall be addressed as set forth below. Such communication shall be deemed served or delivered: a) at the time of delivery if such communication is sent by personal delivery; b) at the time of transmission if such communication is sent by facsimile; and c) 48 hours after deposit in the U.S. Mail as reflected by the official U.S. postmark if such communication is sent through regular United States mail.

IF TO CONSULTANT:
John W. Bliss, President

4745 Mangels Blvd
Fairfield, CA 94534

IF TO CITY:
Meg McWade, Public Works Director

303 West Commonwealth
Fullerton, CA 92832

6.5. Attorneys' Fees. In the event that litigation is brought by any party in connection with this Agreement, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the exercise of any of its rights or remedies hereunder or the enforcement of any of the terms, conditions, or provisions hereof.

6.6. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California without giving effect to that body of laws pertaining to conflict of laws. In the event of any legal action to enforce or interpret this Agreement, the parties hereto agree that the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California.

6.7. Assignment. Consultant shall not voluntarily or by operation of law assign, transfer, sublet or encumber all or any part of Consultant's interest in this Agreement without City's prior written consent. Any attempted assignment, transfer, subletting or encumbrance shall be void and shall constitute a breach of this Agreement and cause for termination of this Agreement. Regardless of City's consent, no subletting or assignment shall release Consultant of Consultant's obligation to perform all other obligations to be performed by Consultant hereunder for the term of this Agreement.

6.8. Indemnification and Hold Harmless. To the fullest extent of the law, Consultant agrees to defend, indemnify, hold free and harmless the City, its elected officials, officers, agents, and employees, at Consultant's sole expense, from and against claims, actions, suits or other legal proceedings brought against the City, its elected officials, officers, agents, and employees arising out of the performance of the Consultant, its employees, and/or authorized subcontractors, of the professional services undertaken pursuant to this Agreement. The defense obligation provided for hereunder shall apply without any advance showing of negligence or wrongdoing by the Consultant, its employees, and/or authorized subcontractors, but shall be required whenever any claim, action, complaint, or suit asserts as its basis the negligence, errors, omissions or misconduct of Consultant, its employees, and/or authorized subcontractors, and/or whenever any claim, action, complaint or suit asserts liability against the City, its elected officials, officers, agents, and employees based upon the work performed by Consultant, its employees, and/or authorized subcontractors under this Agreement, whether or not Consultant, its employees, and/or authorized subcontractors are specifically named or otherwise asserted to be liable. Notwithstanding the foregoing, the Consultant shall not be liable for the defense or indemnification of the City for claims, actions, complaints, or suits arising out of the sole or active negligence or

willful misconduct of the City. This provision shall supersede and replace all other indemnity provisions contained either in the City's specifications or Consultant's Proposal, which shall be of no force and effect.

6.9. Independent Contractor. Consultant is and shall be acting at all times as an independent contractor and not as an employee of City. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise act on behalf of City as an agent. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not, at any time, or in any manner, represent that it or any of its or employees are in any manner agents or employees of City. Consultant shall secure, at its sole expense, and be responsible for any and all payment of Income Tax, Social Security, State Disability Insurance Compensation, Unemployment Compensation, and other payroll deductions for Consultant and its officers, agents, and employees, and all business licenses, if any are required, in connection with the services to be performed hereunder. Consultant shall indemnify and hold City harmless from any and all taxes, assessments, penalties, and interest asserted against City by reason of the independent contractor relationship created by this Agreement. Consultant further agrees to indemnify and hold City harmless from any failure of Consultant to comply with the applicable worker's compensation laws. City shall have the right to offset against the amount of any fees due to Consultant under this Agreement any amount due to City from Consultant as a result of Consultant's failure to promptly pay to City any reimbursement or indemnification arising under this paragraph.

6.10. PERS Eligibility Indemnification. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

6.11. Cooperation. In the event any claim or action is brought against City relating to Consultant's performance or services rendered under this Agreement, Consultant shall render any reasonable assistance and cooperation which City might require.

6.12. Ownership of Documents. All findings, reports, CAD drawings, documents, information and data, including, but not limited to, computer tapes or discs, files and tapes furnished or prepared by Consultant or any of its subcontractors in the course of performance of this Agreement, shall be and remain the sole property of City. Consultant agrees that any such documents or information shall not be made available to any individual or organization without the prior consent of City. Any use of such documents for other projects not contemplated by this Agreement, and any use of incomplete documents, shall be at the sole risk of City and without

liability or legal exposure to Consultant. City shall indemnify and hold harmless Consultant from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from City's use of such documents for other projects not contemplated by this Agreement or use of incomplete documents furnished by Consultant. Consultant shall deliver to City any findings, reports, documents, information, data, in any form, including but not limited to, computer tapes, discs, files, audio tapes or any other Project related items as requested by City or its authorized representative, at no additional cost to the City.

6.13. Public Records Act Disclosure. Consultant has been advised and is aware that this Agreement and all reports, documents, information and data, including, but not limited to, computer tapes, discs or files furnished or prepared by Consultant, or any of its subcontractors, pursuant to this Agreement and provided to City may be subject to public disclosure as required by the California Public Records Act (California Government Code Section 6250 *et seq.*). Exceptions to public disclosure may be those documents or information that qualify as trade secrets, as that term is defined in the California Government Code Section 6254.7, and of which Consultant informs City of such trade secret. The City will endeavor to maintain as confidential all information obtained by it that is designated as a trade secret. The City shall not, in any way, be liable or responsible for the disclosure of any trade secret including, without limitation, those records so marked if disclosure is deemed to be required by law or by order of the Court.

6.14. Conflict of Interest. Consultant and its officers, employees, associates and subconsultants, if any, will comply with all conflict of interest statutes of the State of California applicable to Consultant's services under this agreement, including, but not limited to, the Political Reform Act (Government Code Sections 81000, *et seq.*) and Government Code Section 1090. During the term of this Agreement, Consultant and its officers, employees, associates and subconsultants shall not, without the prior written approval of the City Representative, perform work for another person or entity for whom Consultant is not currently performing work that would require Consultant or one of its officers, employees, associates or subconsultants to abstain from a decision under this Agreement pursuant to a conflict of interest statute.

6.15. Responsibility for Errors. Consultant shall be responsible for its work under this Agreement. Consultant, when requested, shall furnish clarification and/or explanation as may be required by the City's representative, regarding any services rendered under this Agreement at no additional cost to City. In the event that an error or omission attributable to Consultant occurs, without prejudice to any other remedy to which City may be entitled to at law or equity, Consultant shall, at no cost to City, provide all necessary design drawings, estimates and other Consultant professional services necessary to rectify and correct the matter to the sole satisfaction of City and to participate in any meeting required with regard to the correction. In addition, Consultant shall reimburse City for any and all costs, expenses and/or damages, if any, that the City has incurred due to the aforementioned error or omission.

6.16. Prohibited Employment. Consultant will not employ any regular employee of City while this Agreement is in effect.

6.17. Order of Precedence. In the event of an inconsistency in this Agreement and any of the attached Exhibits, the terms set forth in this Agreement shall prevail. If, and to the extent this Agreement incorporates by reference any provision of any document, such provision shall be deemed a part of this Agreement. Nevertheless, if there is any conflict among the terms and conditions of this Agreement and those of any such provision or provisions so incorporated by reference, this Agreement shall govern over the document referenced.

6.18. Costs. Each party shall bear its own costs and fees incurred in the preparation and negotiation of this Agreement and in the performance of its obligations hereunder except as expressly provided herein.

6.19. No Third Party Beneficiary Rights. This Agreement is entered into for the sole benefit of City and Consultant and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

6.20. Headings. Paragraphs and subparagraph headings contained in this Agreement are included solely for convenience and are not intended to modify, explain or to be a full or accurate description of the content thereof and shall not in any way affect the meaning or interpretation of this Agreement.

6.21. Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

6.22. Amendments. Only a writing executed by the parties hereto or their respective successors and assigns may amend this Agreement.

6.23. Waiver. The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought. The waiver of any right or remedy in respect to any occurrence or event shall not be deemed a waiver of any right or remedy in respect to any other occurrence or event, nor shall any waiver constitute a continuing waiver.

6.24. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance. Notwithstanding the foregoing, if the value of this Agreement, based upon the substantial benefit of the bargain for any party, is materially impaired, which determination made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

6.25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

6.26. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by doing so the parties hereto are formally bound to the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their respective authorized officers, as of the date first above written.

CITY OF FULLERTON

[Name and title]

Date: _____

CONSULTANT

Signature

Date: _____

Name and Title

Social Security or Taxpayer ID Number

APPROVED AS TO FORM:

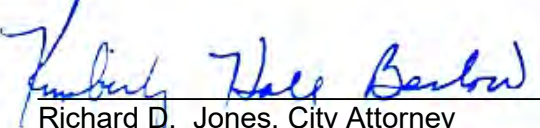
 for
Richard D. Jones, City Attorney

EXHIBIT A
REQUEST FOR PROPOSALS

CITY OF FULLERTON
REQUEST FOR QUALIFICATIONS



RFQ# 4364 STORMWATER/DRAINAGE SYSTEM
COST-OF-SERVICE STUDY

**SUBMIT YOUR
PROPOSAL BY 4:00 PM PST
ON MONDAY, JUNE 21, 2021 TO:**

**City of Fullerton - Public Works Department
Attn: Jimmy Armenta, Buyer
303 W. Commonwealth Avenue
Fullerton CA, 92832-1775**

RFQ Posted: Friday, May 28, 2021
Proposals must be received by: Monday, June 21, 2021 at 4:00 PM PST

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SECTION I
NOTICE OF REQUEST FOR QUALIFICATIONS
Stormwater/Drainage Cost-of-Service Study

NOTICE IS HEREBY GIVEN that the City of Fullerton is requesting a statement of qualifications from professional consulting firms to perform a comprehensive stormwater/drainage cost-of-service study, make recommendations of an appropriate rate structure plan, and assist in the implementation of a plan to rebuild and adequately maintain the City's current inadequate storm drain system to ensure efficient drainage and make sure it is not polluting local creeks and drinking water supplies.

This Request for Qualifications (RFQ) provides information about the City of Fullerton, the required scope of services, the consultant selection process, and the minimum information that must be included in the RFQ Response. Proposals will be evaluated on the basis of the overall best value to the City based on quality, service, price, and any other criteria set out herein including but not limited to, to the Proposer's ability to meet the requirements, qualifications, and competencies set out herein.

BACKGROUND

The City of Fullerton is located 22 miles southeast of metropolitan Los Angeles, in the center of North Orange County. Fullerton is a full-service, general law city that was incorporated in 1904. Fullerton is renowned for its unique mix of residential, commercial, industrial, educational, and cultural environments and is known for being "the education community". Fullerton has 52 City parks, a museum, a cultural center, a public library, a golf course, and 29 miles of recreational trails. Fullerton provides an outstanding quality of life for both residents and businesses. At 22.4 square miles, Fullerton is also one of the largest cities in Orange County by area and is the sixth most populous.

The City owns and maintains a storm water collection system throughout the City limits. The system consists of above ground swales and underground pipes, box culverts, catch basins, etc. The City drainage systems ultimately connect to Orange County Flood County District facilities. There are also two dams – Brea Dam and Fullerton Dam owned and operated by the U.S. Army Corp of Engineers within the City.

The City is currently in the process of updating its Drainage Master Plan. For more information about the City's storm drain system, please visit the city website and refer to [Data Sheet – Storm Drain](#).

SUBMITTAL DEADLINE

TO BE CONSIDERED, SEALED PROPOSALS MUST BE SUBMITTED NO LATER THAN **Monday, June 21, 2021 at 4:00 PM** to the Public Works Department, 303 W. Commonwealth Avenue, Fullerton, CA. Failure of, or disturbances in any mail is not a legitimate reason for proposals submitted after the above due date. The City may extend the deadline at its discretion.

It is not the responsibility of the City to notify potential bidders. Prospective bidders shall be notified via the Public Purchase site at www.publicpurchase.com, in which you must first register as a vendor. Registration for City of Fullerton eProcurement's platform is free, and you can select to be notified of all future ~~bid~~ posted by the City.

SECTION II

SCOPE OF SERVICES/SCOPE OF WORK

The City of Fullerton is seeking proposals from qualified firms to perform a cost-of-service study, make recommendations of an appropriate rate structure plan, and assist in the implementation of a plan to rebuild and adequately maintain the City's current inadequate storm drain system to ensure efficient drainage and make sure it is not polluting local creeks and drinking water supplies. This plan will include a funding approach for the City's storm drain system including; maintenance and operations, capital improvements, and vehicles/equipment based on industry best practices, as well as, compliance to all state and federal regulations associated with the National Pollutant Discharge Elimination System (NPDES).

It is the City's goal to establish and maintain a sufficient storm drain system, minimize the risk of flooding and property damage in Fullerton particularly as we face financial uncertainty, and ultimately protect the City's water and water safety.

In 1969, the City Council established the Sanitation Fund to finance various maintenance services and projects. Currently, the Sanitation Fund revenues supports various storm water related programs. The City allocates the largest share of the Sanitation Charge Revenues to operations, maintenance and regulatory compliance including but not limited to: stormwater catch basins; underpasses; drain/channel maintenance; street sweeping, tree trimming, and median landscaping and maintenance to protect against and prevent debris and pollutants in storm drains, and NPDES Stormwater compliance and inspection. The remaining share of the revenue is utilized for drainage capital improvements. This Fund is separate from Sewer Enterprise Fund, which was established in 2005 as a revenue source from sewer service charges in order to finance operation and maintenance, compliance with regulatory agency requirements, and capital improvement/replacement of the sanitary sewer system.

The City's Sanitation Charge was originally established, and last set in 1978, as a percentage of total water charges; thus, the revenues for the Sanitation Charge have escalated with each water rate adjustment until 2019. The Sanitation Charge does not generate sufficient revenue to adequately provide for the needs of each of the City's sanitation-related programs. Additionally, legislative changes and court rulings over time have affected the structure and requirements for these types of fees.

In 2020, the City and its Infrastructure and Natural Resources Advisory Committee (INRAC) completed the Public Works Infrastructure Asset Report to provide an assessment of infrastructure deficiencies, funding level recommendations and priorities¹. One of recommendations is improvement to the City's storm drain systems to alleviate localized flooding and pollution, which includes additional funding of at least \$1.5 million needed annually. With the current annual revenue level of \$8 million from Sanitation Charge on average, the annual funding requirement would be at least \$9.5 million.

The City would need to revise its storm drainage fee structure to rebuild and adequately maintain the

¹ The City needs to complete a Drainage Master Plan that reviews current infrastructure and its deficiencies related to a sustainable and reliable storm water infrastructure. This figure is a rough estimate. Through a cost-of-service study, the City would require a clear understanding of funding requirements.

City's storm drain system.

A selected consultant will work closely with staff and legal counsel to conduct a cost of service study for these programs. Recommendations will be presented to the Infrastructure and Natural Resources Advisory Committee (INRAC) and ultimately brought forward to the City Council, along with any appropriate public process for approval, from the start to finish.

The following scope of services describes some of the specific tasks to be performed by the Consultant in conducting a comprehensive storm drainage fee study that would include recommendations to update the City's storm drainage fees and the strategic plans to meet the City's storm drainage regulatory compliance requirements. If the firm believes that the study can be enhanced in any way by the addition of other tasks or the deletion of any specified tasks, such information should be included in the proposal.

1. Project Management and Administration

This task includes Project Management including internal Consultant staff coordination, billing activities, and regular budget and status updates that will be provided monthly to the City. The monthly billing, and accounting services will be provided by the Consultant to the City. This also includes but is not limited to kick-off and progress meetings, minutes, and communications.

2. Data Collection and Document Review

The City shall provide a comprehensive list of data requirements for the City staff to provide that will support the study.

- Provide sufficient information and the necessary findings to help the City determine the appropriate stormwater fee to ensure revenues cover annual operating, capital, and debt service expenses, and proportionality of fees and/or reasonable relation of fees to payors, services and/or benefits received, and/or burdens imposed.

3. Revenue Requirement Analysis

Perform a revenue requirement analysis utilizing a generally accepted approach for a twenty-year projected time period. Revenue requirements include operations and maintenance, basic repair and replacement needs, capital improvement projects, and reserve funds.

- Assessment of different approaches to implementing a revenue collection methodology (tax, assessment, fee, etc.).
- Determine revenue measures from various land use categories such as single-family residential parcels, multi-unit parcels, condominiums, commercial, office, school, church, retail, and industrial; cost allocation; and proportionality of fees charged.

4. Cost of Service Study

Perform a cost-of-service analysis to equitably allocate the previously developed revenue requirements to various customer classes by each revenue collecting methodology.

- Meet with staff and conduct interviews as needed to gain understanding of the City's processes and operations.

- Evaluate the costs of all the programs and services – direct stormwater and non-stormwater services supported by the Sanitation Charges.
- Include benchmark comparisons to at least five Orange County cities or other agencies with similar populations and utility structures.
- The Consultant shall prepare a Draft Stormwater Fee Study and prepare and present findings at community meetings, to select City staff, the INRAC, and the City Council as deemed necessary by staff.
 - Expected deliverables must include but are not limited to:
 - Executive Summary outlining options for the Council to consider (i.e. parcel-based fee, or any other mechanism that funds various components of storm-related services by the City).
 - A rate structure for a stormwater utility fee program that is designed to be in compliance with all applicable laws and regulations.
 - Comparison between the existing payment vs. recommended rate payment
- Experience – programmatic, legal and regulatory understanding of stormwater system
- Revise the draft as recommended by City staff based on feedback received through proposed community engagement process.
- Assist City staff and another specialized consultant to evaluate and establish annual fees related to the National Pollutant Discharge Elimination System (NPDES) and submittal to Orange County as appropriate.
- Prepare a final study and provide ten (10) bound copies, one (1) unbound copy and a digital file copy in PDF format to the City.

5. Conduct outreach and education with public, staff, and elected officials

- Participate in public outreach meetings to present the rate study to interested parties. Assist City staff in preparing and presenting materials.
- Assist City with materials that may be necessary for selected and/or required public processes, including potential preparation and administering of mail-in-ballots, Proposition 218 hearings, and all other necessary activities associated with Proposition 218 processes, and/or any election-related activities, and associated public outreach and meetings, as needed, to establish new or changed stormwater fees.
- Assist City with developing public information documents to help educate and inform the public.
- Attend up to at least seven (7) public meetings, including City Council meetings, to present report highlights and findings.

Notwithstanding the inclusion of services in this RFQ, the final scope of services negotiated between the City and the successful proposer shall be set forth in the Professional Services Agreement (“Agreement”) executed by and between the City and the successful proposer, after award by the City in response to this Request for Qualifications, if any award is given.

SECTION III

INSTRUCTIONS TO PROPOSERS

Examination of Proposal Documents

By submitting a proposal, proposer(s) represents that it has thoroughly examined and become familiar with the work requested as outlined in the scope of work and is capable of performing quality work to achieve the City's objectives.

Addenda

Any changes to the requirements will be made by written addendum to this RFQ. Any written addenda issued pertaining to this RFQ shall be incorporated into the terms and conditions of any resulting Agreement. City will not be bound to any modifications to or deviations from the requirements set forth in this RFQ as the result of oral instructions. Proposers shall acknowledge receipt of addenda in their proposals.

If a proposer discovers any ambiguity, conflict, discrepancy, omission, or other error in the RFQ, the proposer should immediately provide the City written notice of the problem and request that the RFQ be clarified or modified. Without disclosing the source of the request, the City may modify the documents prior to the date fixed for submission of proposals by issuing an addendum.

If prior to the date fixed for submissions, a proposer(s) knows of or should have known of an error in the RFQ but fails to notify the City of the error, the proposer shall submit a proposal at their own risk, and if awarded a contract, shall not be entitled to additional compensation or time by reason of the error or its later correction.

California Public Records Act (CPRA)

All proposals submitted in response of this RFQ become the property of the City and under the Public Records Act (Government Code Section 6250 et. Seq.) are public record, and as such, may be subject to public review. However, the proposals shall not be disclosed until negotiations are complete and recommendation for action is made to the City Council.

If a proposer claims a privilege against public disclosure for trade secret or other proprietary information, such information must be clearly identified in the proposal. Note that under California Law, price proposal to a public agency is not a trade secret.

Request for Information

Submitting Questions

All questions must be submitted and received by the City no later than 4:00 P.M. PST on Thursday, June 3, 2021.

Request for clarifications, questions and comments must be submitted through the City's eProcurement Portal via Public Purchase (www.publicpurchase.com), a third-party website that hosts the City's eProcurement's. Registration is free and interested proposers can select to receive automatic bid notifications from the City.

City Responses

Responses from the City will be posted on the City's bid webpage and the City's eProcurement Portal, Public Purchase, tentatively scheduled to be posted on Thursday, June 10, 2021.

City's bid webpage: (https://www.cityoffullerton.com/biz/bids_n_rfps.asp)

City's eProcurement Portal – Public Purchase: (www.publicpurchase.com)

CITY CONTACT

General questions regarding this RFQ are to be directed to the following:

City of Fullerton - Public Works Department
Attn: Jimmy Armenta, Buyer
303 W. Commonwealth Avenue
Fullerton CA, 92832-1775
Phone: 714-460-6533
Email: JArmenta@cityoffullerton.com

Any contact outside of the City staff/representative shall be cause for disqualification

Submission of Proposals

Date and Time

Proposals must be submitted at or before 4:00 PM, Monday, June 21, 2021. Proposals received after the above specified date and time will not be accepted by the City and will be returned to the Proposer unopened.

How to Submit

Proposer(s) shall submit four (1) complete electronic proposal on a (1) USB flash drive. The proposal must be submitted in a sealed package bearing the proposer's name and address and clearly marked as follows:

City of Fullerton - Public Works Department
RFQ #4364 Stormwater/Drainage System Cost-of-Service Study
Attn: Jimmy Armenta, Buyer
303 W. Commonwealth Avenue
Fullerton CA, 92832-1775
Email: jarmenta@cityoffullerton.com

Proposer shall ensure that proposals are received by the City on or before the specified ~~date~~ and time. Failure to adhere to the deadline will result in disqualification.

Acceptance of Proposals

1. City reserves the right to accept or reject any and all proposals, or any item or part thereof, or to waive any informalities or irregularities in proposals.
2. City reserves the right to withdraw or cancel this RFQ at any time without prior notice, and the City makes no representations that any contract will be awarded to any proposer responding to this RFQ.
3. City reserves the right to postpone proposal openings for its own convenience.
4. Proposals received by the City are public information
5. Submitted proposals are not to be copyrighted.

Pre-Contractual Expenses

City shall not, in any event, be liable for any pre-contractual expenses incurred by proposer in the preparation of its proposal. Proposer shall not include any such expenses as part of its proposal.

Pre-contractual expenses are defined as expenses incurred by proposer in:

1. Preparing its proposal in response to this RFQ;
2. Submitting that proposal to the City;
3. Negotiating with the City any matter related to this proposal; or any other expenses incurred by proposer prior to date of award, if any, of the Agreement.

Joint Offers

Where two or more proposers desire to submit a single proposal in response to this RFQ, they should do so on a prime-sub-consultant basis rather than as a joint venture. City intends to contract with a single firm and not with multiple firms doing business as a joint venture.

Exceptions and Deviations

The proposer(s) shall enter into an agreement with the City based upon the contents of the RFQ and the firm's proposal. The City's standard form of agreement is included in **Section VI**. The proposer(s) shall carefully review the agreement, especially with regard to the indemnity and insurance provisions, and include with the proposal a description of any exceptions, technical or contractual, requested to the standard contract. **If there are exceptions or are no exceptions, a statement to the effect shall be included in the proposal as well. See the exceptions attachment included in Section VIII that must be included with your proposal.**

Insurance Requirements

The consultant shall procure and maintain throughout the duration of this Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the consultant, his agents, representatives, employees or subcontractors. Consultant shall provide current evidence of the required insurance in a form acceptable to the City and shall provide replacement evidence for any required insurance which expires prior to the completion, expiration or termination of this Agreement.

Nothing in this section shall be construed as limiting in any way, the Indemnification and Hold Harmless clause contained herein within the Professional Services Agreement or the extent to which consultant may be held responsible for payments of damages to persons or property.

Minimum Scope and Limits of Insurance

- a. **Commercial General Liability Insurance.** Consultant shall maintain commercial general liability insurance coverage in a form at least as broad as ISO Form #CG 00 01, with a limit of not less than \$1,000,000 each occurrence. If such insurance contains a general aggregate limit, it shall apply separately to the Agreement or shall be twice the required occurrence limit.
- b. **Business Automobile Liability Insurance.** Consultant shall maintain business automobile liability insurance coverage in a form at least as broad as ISO Form # CA 00 01, with a limit of not less than \$1,000,000 each accident. Such insurance shall include coverage for owned, hired and non-owned automobiles.
- c. **Workers' Compensation and Employers' Liability Insurance.** Consultant shall maintain workers' compensation insurance as required by the State of California and employers' liability insurance with limits of not less than \$1,000,000 each accident.
- d. **Professional Liability Insurance.** Consultant shall maintain professional liability insurance appropriate to consultant's profession with a limit of not less than \$2,000,000. Architects' and engineers' coverage shall be endorsed to include contractual liability. If policy is written as a "claims made" policy, the retro date of the policy shall be prior to the start of the contract work.

Deductibles and Self-Insured Retentions, or Similar Forms of Coverage Limitations or Modifications must be declared to and approved by the City.

Other Insurance Provisions

The required insurance policies shall contain or be endorsed to contain the following provisions:

- a. **Commercial General Liability.** The City, its elected or appointed officials, officers, employees and volunteers are to be covered as additional insureds with respect to

liability arising out of work or operations performed by or on behalf of consultant, including materials, parts or equipment furnished in connection with such work or operations. Such coverage as an additional insured shall not be limited to the period of time during which the consultant is conducting ongoing operations for the City but rather, shall continue after the completion of such operations. The coverage shall contain no special limitations on the scope of its protection afforded to the City, its officers, employees and volunteers.

- b. Commercial General Liability.** This insurance shall be the primary insurance as respects the City, its officers, employees and volunteers and shall apply separately to each insured against whom a suit is brought or a claim is made. Any insurance or self-insurance maintained by the City, its officers, employees and volunteers shall be excess of this insurance and shall not contribute with it.
- c. Professional Liability.** If the Professional Liability policy is written on a "claims made" form, consultant shall maintain similar coverage for three consecutive years following completion of the project and shall thereafter, submit annual evidence of coverage. Additionally, consultant shall provide certified copies of the claims reporting requirements contained within the policies.
- d. Workers' Compensation and Employers' Liability Insurance.** Insurer shall waive their right of subrogation against City, its officers, employees and volunteers for work done on behalf of the City.
- e. All Coverages.** Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City. If the consultant maintains higher limits or has broader coverage than the minimums shown above, the City requires and shall be entitled to all coverage, and to the higher limits maintained by the consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.
- f. Subcontractors.** Consultant shall require and verify that all subcontractor maintain insurance meeting all the requirements stated herein and consultant shall ensure that City is an additional insured on insurance required from subcontractors.
- g. Special Risks or Circumstances.** City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage or other special circumstances.

Acceptability of Insurers

All required insurance shall be placed with insurers acceptable to the City with current BEST'S ratings of no less than A, Class VII. Workers' compensation insurance may be placed with the California State Compensation Insurance Fund. All insurers shall be licensed by or hold

admitted status in the State of California. At the sole discretion of the City, insurance provided by non-admitted or surplus carriers with a minimum BEST'S rating of no less than A- Class X may be accepted if consultant evidences the requisite need to the sole satisfaction of the City.

Verification of Coverage

Consultant shall furnish the City with certificates of insurance which bear original signatures of authorized agents and which reflect insurers names and addresses, policy numbers, coverage, limits, deductibles and self-insured retentions. Additionally, consultant shall furnish copies of all policy endorsements required herein. All certificates and endorsements must be received and approved by City before work commences. The City reserves the right to require at any time complete, certified copies of any or all required insurance policies and endorsements.

SECTION IV

REQUIRED PROPOSAL CONTENT

Proposal Format and Content

Although no specific formatting is required by the City, this section is intended to provide guidelines to the proposer regarding features which the City will look for and expect to be included in the proposal.

The completed electronic proposal uploaded in (1) USB flash drive shall be typed with a 12 point font, single spaced and submitted in a format that will print on 8 ½" x 11" size paper. Charts and schedules may be included in a format that will print on an 8 ½" x 11" size paper. The firm(s) should not include any unnecessary elaborate or promotional material. Lengthy narrative is discouraged, and presentations should be brief and concise.

Letter of Transmittal

The Letter of Transmittal shall be addressed to the City of Fullerton and, at a minimum, contain the following:

- (1) Identification of proposer that will have contractual responsibility with the City. Identification shall include legal name of company, corporate address, telephone and fax number. Include name, title, address, email and telephone number of the contact person identified during period of proposal evaluation.
- (2) Identification of all proposed sub-consultants (if known) including legal name of company, contact person's name and address, phone number and fax number. Relationship between proposer and sub-consultant if applicable.
- (3) Acknowledgment of receipt of all RFQ addenda, if any.
- (4) A statement to the effect that the proposal shall remain valid for a period of no less than 90 days from the date of submittal.
- (5) Signature of a person authorized to bind proposer to the terms of the proposal.
- (6) Signed statement attesting that all information submitted with the proposal is true and correct.

Technical Proposal

Qualifications, Related Experience, and References of Proposer

This section of the proposal should establish the ability of proposer to satisfactorily perform the required work by reasons of: experience in performing work of the same or similar nature; demonstrated experience working with other public agencies; strength and stability of the proposer; staffing capability; work load; record of meeting schedules on similar contracts; and supportive client references. Most recent references preferred.

Proposer to:

- (1) Provide an overview of the proposal (including the firm's relevant experience), a summary of the proposer's understanding of the requested Scope of Work, and its approach to providing those services.
- (2) A brief description of your firm's background, size, office locations in California, and history as it may be relevant to the services required.
- (3) Describe your experience conducting a cost-of-service study for other public agencies and authorities, with an emphasis on California jurisdictions and agencies, any related projects and studies related to stormwater/drainage system.
- (4) Provide two (2) completed sample reports of similar projects that your firm has previously developed for cities, counties, or local government agencies that are comparable to the scope of work outlined in this RFQ. Provide examples of surveys, forms, assessments, metrics, or other documents you propose to use on this project.
- (5) References – Please provide at least three (3) client references for whom your firm has performed similar work to that requested in this RFQ during the past five years. For each client, please provide the name, street address, telephone number, and email address.

Proposed Staffing and Organization

This section of the proposal should establish the method that will be used by the proposer to manage the contract as well as identify key personnel assigned. Proposed staffing and organization are to be presented by proposer identified in the Scope of Work.

Proposer to:

- (1) Provide education, experience and applicable professional credentials of contract staff. Include applicable professional credentials of "key" contract staff.
- (2) Furnish brief resumes (no more than one page each) for key personnel.
- (3) Identify key personnel proposed to perform the work in the specified tasks and include major areas of subcontract work. Include the person's name, current location, and proposed position for this project, current assignment, and level of commitment to that assignment, availability for this assignment and how long each person has been with the firm.

(4) Include an organization chart that clearly delineates communication/reporting relationships among the staff, including sub-consultants.

(5) Include a statement that key personnel will be available to the extent proposed for the duration of the project, acknowledging that no person designated as "key" to the contract shall be removed or replaced without the prior written concurrence of the City.

Detailed Work Plan

Proposer shall provide a narrative that addresses the Scope of Work and shows proposer's understanding of City's needs and requirements.

The proposer shall:

(1) Describe the proposed approach and work plan for completing the services specified in the Scope of Work. The description of the approach shall discuss the services in sufficient detail to demonstrate the proposer's ability to accomplish the City's objectives.

(2) Describe the timeline for the work plan for completing the services specified in Scope of Work.

(3) Describe approach to managing resources, including a description of the role(s) of any sub-consultants, if applicable, their specific responsibilities, and how their work will be supervised. Identify methods that proposer will use to ensure quality, budget, and schedule control.

Fee Proposal

Submit a rate sheet of key personnel who will be assigned to perform the services outlined in the "Scope of Work" of this RFQ. Provide a total, "Not-To-Exceed" amount to complete the services outlined in the scope of work, including; number of hours and estimated costs per task. Describe how customary reimbursable expenses will be charged, including attendance at meetings in the City. Respondents verify the proposed costs are their best offer. The City may seek to enter into cost negotiations over various aspects of the fee proposal with the selected firm(s) based on the needs of the City.

Appendices

Information considered by proposer to be pertinent to this contract and which has not been specifically solicited in any of the aforementioned sections may be placed in a separate appendix section. Please note that this does not constitute an invitation to submit large amounts of extraneous materials. Appendices should be relevant and brief.

Status of Past and Present Contracts Form

Proposer is required to complete and sign the form entitled "Status of Past and Present Contracts" provided in this RFQ and submit as part of the proposal. Proposer shall list the status of past and

present contracts where either the firm has provided services as a prime contractor or a sub-consultant during the past 5 years and the contract has ended or will end in termination, settlement or litigation. A separate form shall be completed for each contract. If the contract was terminated, list the reason for termination. Proposer must also identify and state the status of any litigation, claims or settlement agreements related to any of the identified contracts. Each form must be signed by the proposer confirming that the information provided is true and accurate. Proposer is required to submit a copy of the completed form(s) as part of the proposal.

SECTION V

EVALUATION AND AWARD

Evaluation Criteria

City will evaluate the proposals received based on the following criteria outlined below. Respondents who are not actively engaged in providing services of the nature proposed in their response to this request and/or who cannot clearly demonstrate to the satisfaction of the City their ability to satisfactorily perform the work in accordance with the requirements set forth in this request will not be considered. The City shall be the sole judge of the qualifications and services and its decision shall be final. Discussions may be conducted with respondents who submit qualifications determined to be reasonably acceptable of being selected for award. Any changes to the RFQ requirements will be made by addendum. All addenda shall be signed by proposers and attached to the proposal. Failure to attach any addenda may render the proposal non-responsive and cause it to be eliminated from consideration.

City will evaluate the proposals received based on the following criteria:

1. Qualifications of the Firm - technical experience in performing work of a similar nature; experience working with public agencies is mandatory; strength and stability of the firm; and assessment by client references.
2. Project Management Approach - qualifications of proposed key personnel; logic of organization; and adequacy of labor commitment and resources to satisfactorily perform the requested services and meet the City's needs.
3. Detailed Work Plan - thorough understanding of the City's requirements and objectives; logic, clarity, specificity, and overall quality of work plan.
4. Fee Proposal - reasonableness of proposed fees.

The City will select a firm based upon the responding firms' qualifications and experience, together with its responses to the requests for information set forth above. It should be noted that none of these factors in and of themselves are determinative, and the City reserves the right to select a firm on any basis that is in the best interests of the City. The City may contact firms in response to questions raised in their proposals and the City reserves the right to cancel this solicitation without selecting any firms.

After the submittals are evaluated. The City, at its sole discretion, may elect to interview all, some, or none of the proposers. The interview will help to clarify each proposal, approach and qualifications for the project. Proposers may be asked to submit additional documentation at or after the interview stage. Based upon the interview and evaluation of the proposals, the top-ranked firm will be recommended to the City Council. In addition, the City reserves the right to select a proposal without conducting interviews or abandon this RFQ. Final selection of a firm and authority awarding the contract to proceed with these services shall be at the sole discretion of the City Council.

Evaluation Procedure

An Evaluation Committee will review all proposals. The committee may be comprised of City staff, members of the City's Infrastructure and Natural Resource Advisory Committee (INRAC) and may include outside consultants. The City of Fullerton reserves the right to request clarification of additional information from any firm at any time. The committee will recommend to the City Manager the firm(s) whose proposal is most advantageous to the City of Fullerton. The City Manager will then forward its recommendation to the City Council for final action.

Award

The City of Fullerton may negotiate contract terms with the selected proposer(s) prior to award, and expressly reserves the right to negotiate with several proposers simultaneously. However, since the selection and award may be made without discussion with any proposer, the proposal submitted should contain proposer's most favorable terms and conditions.

City Manager or City Council action will be requested by City staff to award contract to the selected proposer(s).

Notification of Award

Proposers who submit a proposal in response to this RFQ shall be notified regarding the proposer(s) awarded a contract. Such notification shall be made within seven (7) days of the date the contract is awarded. Notification of Intent to Award will be emailed to firms who submitted a proposal, and will also be available on the City's bid webpage (https://www.cityoffullerton.com/biz/bids_n_rfps.asp) and on the City's eProcurement platform (www.publicpurchase.com).

Tentative Schedule

**** Tentative Schedule may be changed at the City's discretion, Interviews and Negotiations will be scheduled if required ****

Release of RFQ	Fri.,, May 28, 2021
Question Submittal Deadline	Thurs., June 3, 2021 at 4:00 P.M. PST
Response to Questions Posted	Thurs. June 10, 2021
RFQ Submittal Deadline	Mon., June 21, 2021 at 4:00 P.M. PST
Consultant Interviews/Contract Scope Negotiations	TBD **
Contract Award	July 2021

SECTION VI
SAMPLE PROFESSIONAL SERVICES AGREEMENT

**CITY OF FULLERTON
PROFESSIONAL SERVICES AGREEMENT
WITH
[VENDOR/CONSULTANT BUSINESS NAME]**

THIS AGREEMENT is made and entered into this day of [MONTH, YEAR] ("Effective Date"), by and between the CITY OF FULLERTON, a California municipal corporation ("City"), and [VENDOR/CONSULTANT BUSINESS NAME], a [California corporation] ("Consultant").

W I T N E S S E T H :

A. City proposes to utilize the services of Consultant as an independent contractor to provide certain [INSERT BRIEF DESCRIPTION OF SCOPE OF SERVICE] services, as more fully described herein.

B. Consultant represents that it has that degree of specialized expertise contemplated within California Government Code section 37103, and holds all necessary licenses to practice and perform the services herein contemplated.

C. City and Consultant desire to contract for the specific services described herein, and desire to set forth their rights, duties and liabilities in connection with the services to be performed.

D. No official or employee of City has a financial interest, within the provisions of Sections 1090-1092 of the California Government Code, in the subject matter of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

1.0. SERVICES PROVIDED BY CONSULTANT

1.1. Scope of Services. Consultant shall provide the professional services described in the [Services & Fees Schedule attached hereto as Exhibit "A"] and incorporated herein by this reference.

1.2. Professional Practices. All professional services to be provided by Consultant pursuant to this Agreement shall be provided by personnel experienced in their respective fields and in a manner consistent with the standards of care, diligence and skill ordinarily exercised by professional consultants in similar fields and circumstances in accordance with sound professional practices. Consultant also warrants that it is familiar with all laws that may affect its performance of this Agreement and shall advise City of any changes in any laws that may affect Consultant's performance of this Agreement.

1.3. Performance to Satisfaction of City. Consultant agrees to perform all the work to the reasonable satisfaction of the City, in accordance with the applicable professional standard of care and City specifications and within the hereinafter specified. Evaluations of the work will be done by the City Manager or his designee. If the quality of work is not satisfactory, City in its discretion has the right to:

SAMPLE ONLY – NOT REQUIRED WITH PROPOSAL

- (a) Meet with Consultant to review the quality of the work and resolve the matters of concern;
- (b) Require Consultant to repeat the work at no additional fee until it is satisfactory; and/or
- (c) Terminate the Agreement as hereinafter set forth.

1.4. Warranty. Consultant warrants that it shall perform the services required by this Agreement in compliance with all applicable and non conflicting Federal and California employment laws, including, but not limited to, those laws related to minimum hours and wages; occupational health and safety; fair employment and employment practices; workers' compensation insurance and safety in employment; and all other Federal, State and local laws and ordinances applicable to the services required under this Agreement. Consultant shall indemnify and hold harmless City from and against all claims, demands, payments, suits, actions, proceedings, and judgments of every nature and description including attorneys' fees and costs, presented, brought, or recovered against City for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of Consultant's performance under this Agreement.

1.5. Non-discrimination. In performing this Agreement, Consultant shall not engage in, nor permit its agents to engage in, discrimination in employment of persons because of their race, religion, color, national origin, ancestry, age, physical handicap, medical condition, marital status, sexual gender or sexual orientation, except as permitted pursuant to Section 12940 of the Government Code.

1.6. Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other consultants for services similar to the services that are subject to this Agreement or may have its own employees perform services similar to those services contemplated by this Agreement.

1.7. Delegation and Assignment. This is a personal service contract, and the duties set forth herein shall not be delegated or assigned to any person or entity without the prior written consent of City. Consultant may engage a subcontractor(s) as permitted by law and may employ other personnel to perform services contemplated by this Agreement at Consultant's sole cost and expense.

1.8. Confidentiality. Employees of Consultant in the course of their duties may have access to financial, accounting, statistical, and personnel data of private individuals and employees of City. Consultant covenants that all data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without written authorization by City. City shall grant such authorization if disclosure is required by law. All City data shall be returned to City upon the termination of this Agreement. Consultant's covenant under this Section shall survive the termination of this Agreement.

2.0. COMPENSATION AND BILLING

2.1. Compensation. Consultant shall be paid in accordance with the [fee schedule set forth in Exhibit A].

2.2. Additional Services. Consultant may perform the [additional services described in Exhibit "B"] attached hereto and incorporated herein by this reference if

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specifically engaged to do so by City. Consultant shall not receive compensation for any services provided outside the scope of services specified in **[Exhibit A]** unless the City or the Project Manager for this Project, prior to Consultant performing the additional services, approves such additional services in writing. It is specifically understood that oral requests and/or approvals of such additional services or additional compensation shall be barred and are unenforceable.

2.3. Method of Billing. Consultant may submit invoices to the City for approval on a progress basis, but no more often than two times a month. Said invoice shall be based on the total of all Consultant's services which have been completed to City's sole satisfaction. City shall pay Consultant's invoice within forty-five (45) days from the date City receives said invoice. Each invoice shall describe in detail, the services performed, the date of performance, and the associated time for completion. Any additional services approved and performed pursuant to this Agreement shall be designated as "Additional Services" and shall identify the number of the authorized change order, where applicable, on all invoices.

2.4. Records and Audits. Records of Consultant's services relating to this Agreement shall be maintained in accordance with generally recognized accounting principles and shall be made available to City or its Project Manager for inspection and/or audit at mutually convenient times from the Effective Date of this Agreement until three (3) years after the termination date.

2.5. W-9. Consultant must provide City with a current W-9 form, to be attached hereto as Exhibit "D." It is the Consultant's responsibility to provide to the City any revised or updated W-9 form.

3.0. TIME OF PERFORMANCE

3.1. Commencement and Completion of Work. The professional services to be performed pursuant to this Agreement shall commence within five (5) days from the Effective Date of this Agreement. Failure to commence work in a timely manner and/or diligently pursue work to completion may be grounds for termination of this Agreement.

3.2. Excusable Delays. Neither party shall be responsible for delays or lack of performance resulting from acts beyond the reasonable control of the party or parties. Such acts shall include, but not be limited to, acts of God, fire, strikes, material shortages, compliance with laws or regulations, riots, acts of war, or any other conditions beyond the reasonable control of a party.

4.0. TERM AND TERMINATION

4.1. Term. This Agreement shall commence on the Effective Date and continue through **[INSERT TERMINATION DATE (i.e. December 31, 2020)]**, unless terminated as provided herein.

4.2. Notice of Termination. The City reserves and has the right and privilege of canceling, suspending or abandoning the execution of all or any part of the work contemplated by this Agreement, with or without cause, at any time, by providing written notice to Consultant. The termination of this Agreement shall be deemed effective upon receipt of the notice of termination. In the event of such termination, Consultant shall immediately stop rendering services under this Agreement unless directed otherwise by the City.

4.3. Compensation. In the event of termination, City shall pay Consultant for reasonable costs incurred and professional services satisfactorily performed up to and including

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the date of City's written notice of termination. Compensation for work in progress shall be prorated based on the percentage of work completed as of the effective date of termination in accordance with the fees set forth herein. In ascertaining the professional services actually rendered hereunder up to the effective date of termination of this Agreement, consideration shall be given to both completed work and work in progress, to complete and incomplete drawings, and to other documents pertaining to the services contemplated herein whether delivered to the City or in the possession of the Consultant.

4.4. Documents. In the event of termination of this Agreement, all documents prepared by Consultant in its performance of this Agreement including, but not limited to, finished or unfinished design, development and construction documents, data studies, drawings, maps and reports, shall be delivered to the City within ten (10) days of delivery of termination notice to Consultant, at no cost to City. Any use of uncompleted documents without specific written authorization from Consultant shall be at City's sole risk and without liability or legal expense to Consultant.

5.0. INSURANCE

5.1. Insurance Required. Consultant shall procure and maintain throughout the duration of this Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by Consultant, its agents, representatives, employees or subcontractors. Consultant shall provide current evidence of the required insurance in a form acceptable to City and shall provide replacement evidence for any required insurance which expires prior to the completion, expiration, or termination of this Agreement.

Nothing in this section shall be construed as limiting in any way, the Indemnification and Hold Harmless clause contained herein in Section 6.8 or the extent to which Consultant may be held responsible for payments of damages to persons or property.

5.2. Minimum Scope and Limits of Insurance.

A. Commercial General Liability Insurance. Consultant shall maintain commercial general liability insurance coverage in a form at least as broad as ISO Form #CG 00 01, with a limit of not less than \$1,000,000 each occurrence. If such insurance contains a general aggregate limit, it shall apply separately to the Agreement or shall be twice the required occurrence limit.

B. Business Automobile Liability Insurance. Consultant shall maintain business automobile liability insurance coverage in a form at least as broad as ISO Form # CA 00 01, with a limit of not less than \$1,000,000 each accident. Such insurance shall include coverage for owned, hired and non-owned automobiles.

C. Workers' Compensation and Employers' Liability Insurance. Consultant shall maintain workers' compensation insurance as required by the State of California and employers' liability insurance with limits of not less than \$1,000,000 each accident.

D. Professional Liability Insurance. Consultant shall maintain professional liability insurance appropriate to Consultant's profession with a limit of not less than \$1,000,000. Architects' and engineers' coverage shall be endorsed to include contractual liability. If policy is written as a "claims made" policy, the retro date of the policy shall be prior to the start of the contract work.

5.3. Deductibles and Self-Insured Retentions. Any deductible or self-insured retention

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must be declared to and approved by City.

5.4. Other Insurance Provisions. The required insurance policies shall contain or be endorsed to contain the following provisions:

A. Commercial General Liability. City, its elected or appointed officials, officers, employees and volunteers are to be covered as additional insureds with respect to liability arising out of work or operations performed by or on behalf of Consultant, including materials, parts or equipment furnished in connection with such work or operations. Such coverage as an additional insured shall not be limited to the period of time during which Consultant is conducting ongoing operations for City but rather, shall continue after the completion of such operations. The coverage shall contain no special limitations on the scope of its protection afforded to City, its officers, employees and volunteers.

B. Commercial General Liability. This insurance shall be primary insurance as respects City, its officers, employees and volunteers and shall apply separately to each insured against whom a suit is brought or a claim is made. Any insurance or self-insurance maintained by City, its officers, employees and volunteers shall be excess of this insurance and shall not contribute with it.

C. Professional Liability. If the Professional Liability policy is written on a "claims made" form, Consultant shall maintain similar coverage for three consecutive years following completion of the project and shall thereafter, submit annual evidence of coverage. Additionally, Consultant shall provide certified copies of the claims reporting requirements contained within the policies.

D. Workers' Compensation and Employers' Liability Insurance. Insurer shall waive their right of subrogation against City, its officers, employees and volunteers for work done on behalf of City.

E. All Coverages. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to City.

If Consultant maintains higher limits or has broader coverage than the minimums shown above, City requires and shall be entitled to all coverage, and to the higher limits maintained by Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to City.

F. Subcontractors. Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein and Consultant shall ensure that City is an additional insured on insurance required from subconsultants.

G. Special Risks or Circumstances. City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage or other special circumstances.

5.5 Acceptability of Insurers. All required insurance shall be placed with insurers acceptable to City with current BEST'S ratings of no less than A, Class VII. Workers' compensation insurance may be placed with the California State Compensation Insurance Fund. All insurers shall be licensed by or hold admitted status in the State of California. At the sole discretion of City, insurance provided by non-admitted or surplus carriers with a minimum BEST'S rating of no less than A- Class X may be accepted if Consultant evidences the requisite need to

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the sole satisfaction of City.

5.6 Verification of Coverage. Consultant shall furnish City with certificates of insurance which bear original signatures of authorized agents and which reflect insurers names and addresses, policy numbers, coverage, limits, deductibles and self-insured retentions. Additionally, Consultant shall furnish copies of all policy endorsements required herein. All certificates and endorsements must be received and approved by City before work commences. City reserves the right to require at any time complete, certified copies of any or all required insurance policies and endorsements.

6.0. GENERAL PROVISIONS

6.1. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to any matter referenced herein and supersedes any and all other prior writings and oral negotiations. This Agreement may be modified only in writing, and signed by the parties in interest at the time of such modification. The terms of this Agreement shall prevail over any inconsistent provision in any other contract document appurtenant hereto, including exhibits to this Agreement.

6.2. Representatives. The City Manager or his designee shall be the representative of City for purposes of this Agreement and may issue all consents, approvals, directives and agreements on behalf of the City, called for by this Agreement, except as otherwise expressly provided in this Agreement.

Consultant shall designate a representative for purposes of this Agreement who shall be authorized to issue all consents, approvals, directives and agreements on behalf of Consultant called for by this Agreement, except as otherwise expressly provided in this Agreement.

6.3. Project Managers. City shall designate a Project Manager to work directly with Consultant in the performance of this Agreement.

Consultant shall designate a Project Manager who shall represent it and be its agent in all consultations with City during the term of this Agreement. Consultant or its Project Manager shall attend and assist in all coordination meetings called by City.

6.4. Notices. Any notices, documents, correspondence or other communications concerning this Agreement or the work hereunder may be provided by personal delivery, facsimile or mail and shall be addressed as set forth below. Such communication shall be deemed served or delivered: a) at the time of delivery if such communication is sent by personal delivery; b) at the time of transmission if such communication is sent by facsimile; and c) 48 hours after deposit in the U.S. Mail as reflected by the official U.S. postmark if such communication is sent through regular United States mail.

IF TO CONSULTANT:

[VENDOR/CONSULTANT NAME]
[MAILING ADDRESS]
Attn: [NAME AND TITLE]

IF TO CITY:

City of Fullerton
303 W. Commonwealth Ave.
Fullerton, CA 92832
Attn: [NAME AND TITLE]

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6.5. Attorneys' Fees. In the event that litigation is brought by any party in connection with this Agreement, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the exercise of any of its rights or remedies hereunder or the enforcement of any of the terms, conditions, or provisions hereof.

6.6. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California without giving effect to that body of laws pertaining to conflict of laws. In the event of any legal action to enforce or interpret this Agreement, the parties hereto agree that the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California.

6.7. Assignment. Consultant shall not voluntarily or by operation of law assign, transfer, sublet or encumber all or any part of Consultant's interest in this Agreement without City's prior written consent. Any attempted assignment, transfer, subletting or encumbrance shall be void and shall constitute a breach of this Agreement and cause for termination of this Agreement. Regardless of City's consent, no subletting or assignment shall release Consultant of Consultant's obligation to perform all other obligations to be performed by Consultant hereunder for the term of this Agreement.

6.8. Indemnification and Hold Harmless. To the fullest extent of the law, Consultant agrees to defend, indemnify, hold free and harmless the City, its elected officials, officers, agents, and employees, at Consultant's sole expense, from and against claims, actions, suits or other legal proceedings brought against the City, its elected officials, officers, agents, and employees arising out of the performance of the Consultant, its employees, and/or authorized subcontractors, of the professional services undertaken pursuant to this Agreement. The defense obligation provided for hereunder shall apply without any advance showing of negligence or wrongdoing by the Consultant, its employees, and/or authorized subcontractors, but shall be required whenever any claim, action, complaint, or suit asserts as its basis the negligence, errors, omissions or misconduct of Consultant, its employees, and/or authorized subcontractors, and/or whenever any claim, action, complaint or suit asserts liability against the City, its elected officials, officers, agents, and employees based upon the work performed by Consultant, its employees, and/or authorized subcontractors under this Agreement, whether or not Consultant, its employees, and/or authorized subcontractors are specifically named or otherwise asserted to be liable. Notwithstanding the foregoing, the Consultant shall not be liable for the defense or indemnification of the City for claims, actions, complaints, or suits arising out of the sole or active negligence or willful misconduct of the City. This provision shall supersede and replace all other indemnity provisions contained either in the City's specifications or Consultant's Proposal, which shall be of no force and effect.

6.9. Independent Contractor. Consultant is and shall be acting at all times as an independent contractor and not as an employee of City. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise act on behalf of City as an agent. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not, at any time, or in any manner, represent that it or any of its or employees are in any manner agents or employees of City. Consultant shall secure, at its sole expense, and be responsible for any and all payment of Income Tax, Social Security, State Disability Insurance Compensation, Unemployment Compensation, and other payroll deductions for Consultant and its officers, agents, and employees, and all business licenses, if any are required, in connection with the services to be performed hereunder. Consultant shall indemnify and hold City harmless from any and all taxes, assessments, penalties, and interest asserted against City by reason of the independent contractor relationship created by this Agreement. Consultant further agrees to

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indemnify and hold City harmless from any failure of Consultant to comply with the applicable worker's compensation laws. City shall have the right to offset against the amount of any fees due to Consultant under this Agreement any amount due to City from Consultant as a result of Consultant's failure to promptly pay to City any reimbursement or indemnification arising under this paragraph.

6.10. PERS Eligibility Indemnification. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

6.11. Cooperation. In the event any claim or action is brought against City relating to Consultant's performance or services rendered under this Agreement, Consultant shall render any reasonable assistance and cooperation which City might require.

6.12. Ownership of Documents. All findings, reports, CAD drawings, documents, information and data, including, but not limited to, computer tapes or discs, files and tapes furnished or prepared by Consultant or any of its subcontractors in the course of performance of this Agreement, shall be and remain the sole property of City. Consultant agrees that any such documents or information shall not be made available to any individual or organization without the prior consent of City. Any use of such documents for other projects not contemplated by this Agreement, and any use of incomplete documents, shall be at the sole risk of City and without liability or legal exposure to Consultant. City shall indemnify and hold harmless Consultant from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from City's use of such documents for other projects not contemplated by this Agreement or use of incomplete documents furnished by Consultant. Consultant shall deliver to City any findings, reports, documents, information, data, in any form, including but not limited to, computer tapes, discs, files, audio tapes or any other Project related items as requested by City or its authorized representative, at no additional cost to the City.

6.13. Public Records Act Disclosure. Consultant has been advised and is aware that this Agreement and all reports, documents, information and data, including, but not limited to, computer tapes, discs or files furnished or prepared by Consultant, or any of its subcontractors, pursuant to this Agreement and provided to City may be subject to public disclosure as required by the California Public Records Act (California Government Code Section 6250 *et seq.*). Exceptions to public disclosure may be those documents or information that qualify as trade secrets, as that term is defined in the California Government Code Section 6254.7, and of which Consultant informs City of such trade secret. The City will endeavor to maintain as confidential all information obtained by it that is designated as a trade secret. The City shall not, in any way, be liable or responsible for the disclosure of any trade secret including, without limitation, those records so marked if disclosure is deemed to be required by law or by order of the Court.

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6.14. Conflict of Interest. Consultant and its officers, employees, associates and subconsultants, if any, will comply with all conflict of interest statutes of the State of California applicable to Consultant's services under this agreement, including, but not limited to, the Political Reform Act (Government Code Sections 81000, *et seq.*) and Government Code Section 1090. During the term of this Agreement, Consultant and its officers, employees, associates and subconsultants shall not, without the prior written approval of the City Representative, perform work for another person or entity for whom Consultant is not currently performing work that would require Consultant or one of its officers, employees, associates or subconsultants to abstain from a decision under this Agreement pursuant to a conflict of interest statute.

6.15. Responsibility for Errors. Consultant shall be responsible for its work under this Agreement. Consultant, when requested, shall furnish clarification and/or explanation as may be required by the City's representative, regarding any services rendered under this Agreement at no additional cost to City. In the event that an error or omission attributable to Consultant occurs, without prejudice to any other remedy to which City may be entitled to at law or equity, Consultant shall, at no cost to City, provide all necessary design drawings, estimates and other Consultant professional services necessary to rectify and correct the matter to the sole satisfaction of City and to participate in any meeting required with regard to the correction. In addition, Consultant shall reimburse City for any and all costs, expenses and/or damages, if any, that the City has incurred due to the aforementioned error or omission.

6.16. Prohibited Employment. Consultant will not employ any regular employee of City while this Agreement is in effect.

6.17. Order of Precedence. In the event of an inconsistency in this Agreement and any of the attached Exhibits, the terms set forth in this Agreement shall prevail. If, and to the extent this Agreement incorporates by reference any provision of any document, such provision shall be deemed a part of this Agreement. Nevertheless, if there is any conflict among the terms and conditions of this Agreement and those of any such provision or provisions so incorporated by reference, this Agreement shall govern over the document referenced.

6.18. Costs. Each party shall bear its own costs and fees incurred in the preparation and negotiation of this Agreement and in the performance of its obligations hereunder except as expressly provided herein.

6.19. No Third Party Beneficiary Rights. This Agreement is entered into for the sole benefit of City and Consultant and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

6.20. Headings. Paragraphs and subparagraph headings contained in this Agreement are included solely for convenience and are not intended to modify, explain or to be a full or accurate description of the content thereof and shall not in any way affect the meaning or interpretation of this Agreement.

6.21. Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

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6.22. Amendments. Only a writing executed by the parties hereto or their respective successors and assigns may amend this Agreement.

6.23. Waiver. The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought. The waiver of any right or remedy in respect to any occurrence or event shall not be deemed a waiver of any right or remedy in respect to any other occurrence or event, nor shall any waiver constitute a continuing waiver.

6.24. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance. Notwithstanding the foregoing, if the value of this Agreement, based upon the substantial benefit of the bargain for any party, is materially impaired, which determination made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

6.25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

6.26. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by doing so the parties hereto are formally bound to the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their respective authorized officers, as of the date first above written.

CITY OF FULLERTON

Kenneth A. Domer, City Manager

CONSULTANT

[NAME AND TITLE]

Social Security or Taxpayer ID Number

APPROVED AS TO FORM:

Richard D. Jones, City Attorney

Date: _____

Date: _____

SECTION VII

STATUS OF PAST AND PRESENT CONTRACT FORM

Proposer is required to complete and sign the form entitled "Status of Past and Present Contracts" provided in this RFQ and submit as part of the proposal. Proposer shall list the status of past and present contracts where either the firm has provided services as a prime contractor or a sub-consultant during the past 5 years and the contract has ended or will end in termination, settlement or litigation. A separate form shall be completed for each contract. If the contract was terminated, list the reason for termination. Proposer must also identify and state the status of any litigation, claims or settlement agreements related to any of the identified contracts. Each form must be signed by the proposer confirming that the information provided is true and accurate. The proposer is required to submit a copy of the completed form(s) as part of the electronic proposal on the (1) USB flash drive requested.

Public Agency city/county/other:	
Contact name:	Phone:
Project award date:	Original Contract Value:
Term of Contract:	
1) Status of contract:	
2) Identify claims/litigation or settlements associated with the contract:	

By signing this Form entitled "Status of Past and Present Contracts," I am affirming that all of the information provided is true and accurate.

Signature_____

Date_____

Name: _____

Title:_____

SECTION VIII
EXCEPTIONS FORM

If your company is taking exception to any of the specifications, terms or conditions (including insurance indemnification and/or proposed contract language) stated in this Request for Qualifications, please indicate below and describe details: (check any that apply).

- ☐ No exceptions taken
- ☐ Exception taken to the scope of work or specifications
- ☐ Exception taken to indemnification and insurance requirements
- ☐ Exception to proposed contract language
- ☐ Other

Please explain any of the checked items

PROPOSING FIRM _____ DATE _____

BUSINESS ADDRESS _____

SIGNATURE OF REPRESENTATIVE: _____

BY: _____ TITLE _____

INSTRUCTION REGARDING SIGNATURE: If proposer is an individual, state "Sole Owner" after signature. If proposer is a partnership, signature must be by a general partner, so stated after "Title". Names of all other partners and their business addresses must be shown below. If proposer is a corporation, signature must be by an authorized officer, so stated after "Title", and the names of the President and Secretary and their business addresses must be shown below:

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EXHIBIT B
CONSULTANT'S PROPOSAL

June 17, 2021

Jimmy Armenta, Buyer
City of Fullerton – Public Works Dept.
303 W. Commonwealth Ave.
Fullerton, CA 92832-1775

**Re: Statement of Qualifications for RFQ# 4364 Stormwater/Drainage System
Cost-of-Service Study**

Dear Mr. Armenta:

There is no greater challenge for California municipalities than securing new and necessary revenue, especially for the implementation of stormwater management programs, services, and infrastructure. To be successful, a strategic approach, sound financial, engineering and organizational analyses, and a well-executed outreach plan are essential.

SCI Consulting Group (“SCI”) in partnership with S. Groner Associates (“SGA”) and Larry Walker Associates (“LWA”) have direct experience analyzing existing stormwater program revenues and expenditures, and identifying, developing, and implementing successful and comprehensive long-term revenue approaches. Our three firms (hereto collectively referred to as “SCI Team”) are pleased to submit this Statement of Qualifications (“SOQ”) to assist the City of Fullerton (“City”) with the analysis and implementation of fair and robust funding for stormwater services and infrastructure. We have thoroughly reviewed the Request for Qualifications (“RFQ”), and the additional related information to ensure this SOQ and fee schedule covers all the work described therein.

SCI has teamed up with SGA and/or LWA on several other projects throughout California in recent years, including stormwater, flood control, or groundwater projects from San Diego County to Siskiyou County and many locations in between. For stormwater rate implementation projects, the following list summarizes recent clients and the results of those projects.

<u>Clients</u>	<u>SFR Rate</u>	<u>%Support</u>	<u>Year</u>
City of Davis	\$ 157.20	tbd June	2021
City of Alameda	\$ 74.00	56.96%	2019
City of Cupertino	\$ 44.42	51.15%	2019
City of Los Altos	\$ 88.00	44.24%	2019
City of Berkeley	\$ 42.89	60.75%	2018
Town of Moraga	\$120.38	47.96%	2018

Additionally, the SCI Team is currently under contract to provide similar stormwater fee implementation services to the following agencies:

City of Belmont	City of Santa Clara	West Valley Clean Water Authority
City of Del Mar	City of South Lake Tahoe	- City of Campbell
City of Palo Alto	County of El Dorado	- City of Los Gatos
City of Sacramento	County of Placer	- City of Monte Sereno
City of Salinas	County of San Mateo	- City of Saratoga
City of San Mateo	Tahoe RCD*	

*Tahoe Resource Conservation District

The SCI Team is positioned to strategically assist the City and uniquely qualified to provide these services as demonstrated below:

CLEAN WATER FUNDING AND PROPOSITION 218 EXPERTISE

SCI is a leader in California in stormwater policy, funding, management, and implementation. We understand and appreciate every aspect of the City's clean water program and how funding can be leveraged to meet local programmatic and infrastructure needs and to ensure compliance with the municipal stormwater permit. Also, through designing and establishing new Proposition 218-compliant fees and working on these projects with many of the leading specialized attorneys in the State, we have gained unparalleled legal and Proposition 218 compliance expertise.

EXCEPTIONAL KNOWLEDGE OF THE CITY OF FULLERTON AND ORANGE COUNTY AGENCIES

SCI has provided consulting and revenue engineering services to many public agencies in Orange County and nearby areas, including cities and other special districts. All City parcels are also within the boundary of our client Orange County Vector Control District.

Below is a partial listing of our current and recent local clients:

- City of Orange (Landscape and Lighting Ballot Proceeding)
- City of Placentia (Landscape and Lighting Ballot Proceeding and other services)
- City of Diamond Bar (Landscape and Lighting Ballot Proceeding and other services)
- Midway Sanitary District (Service Fee Administration)
- Orange County Vector Control District (Assessment Administration)
- Mesa Water District (Opinion Survey and other services)

UNIQUE STRATEGIC APPROACH

SCI understands that specific Proposition 218 limitations on funding for stormwater management, combined with the general public's lack of understanding of these critical programs, exacerbate the clean water funding challenge. Traditional political approaches likely will not work. Accordingly, SCI proposes a unique, "hands-on" strategic plan that incorporates the development of messaging and branding throughout the project. (We also recommend that the City consider conducting community polling, as described below.) This will set the stage for implementing a Proposition 218 funding mechanism that will need to include direct engagement

with stakeholders, refinement of the messaging and branding through the polling, and finally, effective and authentic community outreach.

In addition, rate-setting for stormwater is considerably different than for other municipal utilities by virtue of the requirement for a ballot measure. SCI is uniquely qualified and experienced to infuse those nuanced, yet profound, differences into this project.

SUCCESSFUL BALLOT RESULTS

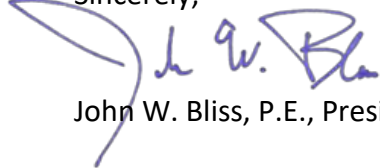
SCI's expertise in the political arena will enable us to guide this project in the right direction. For large agency-wide ballot measures, such as may be proposed for the City, SCI has a success rate of over 94% with over 140 successful Proposition 218-compliant ballot measures. This is more than the number of new agency-wide Proposition 218-compliant measures by all other consulting firms in California, combined. We attribute this success rate to our survey methodology tailored to the Proposition 218 mailed ballot.

SUBMITTAL REQUIREMENTS

- SCI will be the lead consultant and will hold the primary contract with the City.
- The SCI Team also includes the following firms:
 - SGA, Inc., Stephen Groner, President, (562) 673-8437
 - LWA, Inc., Karen Ashby, Vice President, (530) 753-6400
- SCI is in receipt of all questions and answers and confirm that no Addenda were issued through the website of Publicpurchase.com.
- This SOQ shall remain in effect for a period of 90 days from the date of this submittal.
- SCI has reviewed the "Professional Services Agreement" form and has no exceptions to the content.
- All information submitted with this SOQ is true and correct.

We look forward to the opportunity to assist the City with this important project and stand ready to proceed. If you have any questions or require additional information, please do not hesitate to contact me. I can be reached at (707) 430-4300 or via email at john.bliss@sci-cg.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "John W. Bliss".

John W. Bliss, P.E., President

john.bliss@sci-cg.com

(707) 430-4300 (office)

(707) 208-0940 (cell)

(707) 430-4319 (fax)

4745 Mangels Blvd.

Fairfield, CA 94534

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TEAM QUALIFICATIONS, RELATED EXPERIENCE, AND REFERENCES

Any new revenue measure is a challenge – residents are very protective of their pocketbooks. Any such initiative must have a compelling message and involve an issue of distinct importance to the voter. In the case of stormwater fees, the challenge is heightened because the average resident is not familiar with what storm drainage is, how it is different than sanitary sewer, and why it should matter. Even when drainage is a commonly known problem (flooding, sink holes, dirty waterways), there is still the strong sentiment that their taxes should already be paying for it. In fact, how have you been paying for it for the past 100 years?

Over the past 20 years, there have been very few attempts in the Orange County and Los Angeles area to have voters approve a stormwater funding measure. SCI is aware of only five municipalities that have taken up the challenge, and only three in the past ten years: Cities of Culver City (2016) and San Clemente (2013), and the County of Los Angeles (2018), and two of those were parcel taxes instead of the traditional user fee, and the other was re-authorization of an existing fee.

There are two things to draw from that background: 1) Stormwater funding measures are very rare, and the general public has little-to-no awareness of the concept; and 2) There are very few consultant teams with substantial experience to guide the City of Fullerton through the process. The good news is that the SCI Team possesses that experience and expertise with more stormwater funding projects in its resume than any other firm in the state – possibly more than all the others combined. The Team’s qualifications and experience that are most related to this project are summarized below.

SCI CONSULTING GROUP (“SCI”) is a Chapter S Corporation public finance consulting firm with over 35 years of expertise in assisting public agencies in California with planning, justifying, and



successfully establishing new revenues for their service and capital improvement needs and objectives and managing special assessment levies. SCI also offers extensive expertise with the important legal and procedural issues involving benefit assessments, special taxes and fees. The principals at

SCI are acknowledged experts on these public financing mechanisms and were involved with the cleanup legislation for Proposition 218.

SCI has been actively working in the specific field of clean water and stormwater funding for over 14 years. At the annual CASQA conference in 2006, SCI introduced non-balloted approaches including the realignment of traditional NPDES services. SCI is an active member of Senator Hertzberg’s SB 231 Working Group. SCI continues to explore, review, and promote a wide variety of approaches to funding while ensuring the clients do not incur unacceptable levels of risk. SCI

was the principal author and architect of the recently launched stormwater funding resources web-portal for CASQA.¹

SCI understands the City's desire to establish a new revenue source dedicated to its stormwater program including operations and maintenance, NPDES permit compliance, and capital needs. Our deep understanding is gained through the many previous projects of similar scope that SCI has done for several cities in recent years.² In addition to the six fully-completed stormwater rate studies cited in our cover letter, we are currently under contract for the same services for the Cities of Del Mar, Salinas, and the four member cities of the West Valley Clean Water Authority (Campbell, Los Gatos, Monte Sereno, and Saratoga). We have also completed rigorous financial analyses complete with revenue requirements, preliminary rate structures and "road maps forward" for the cities of Salinas and San Mateo and have worked on green stormwater infrastructure funding assessments for the City of Palo Alto and the collective agencies in the Counties of Contra Costa, San Mateo and Santa Clara. We believe this is more stormwater funding work than any other consultant in the State – possibly more than all others combined.

It is worth noting that stormwater rate-setting is fundamentally different than that of other utilities such as water, sewer and solid waste rates. While those other utilities' rates can (and must) be revisited every five years, the ballot requirement for stormwater rates sets it apart. Stormwater rates are not bound by the five-year rate setting limitation. That, combined with the voter approval requirement, means that stormwater rate structures are "permanent" in that they can only be changed with a subsequent ballot measure. This profound difference affects every aspect of the rate-setting process. SCI's vast experience and expertise with stormwater funding and rate-setting gives us a significant advantage over other rate-setting firms.

S. GRONER ASSOCIATES, INC.

Founded in 1998, SGA, located in Long Beach, CA, has been in the environmental and community-based fields for over two decades. We are a full-service strategic marketing and communication corporation with an emphasis on public education and outreach. We have a proven track record in developing, managing, and implementing public outreach, education, and awareness programs, almost exclusively around environmental or community issues. Almost all of our clients are government agencies, and the vast majority of our work involves the engagement of residents with environmental issues that can improve the quality of their lives, protect the environment, or make their communities more sustainable.



¹ <https://www.casqa.org/resources/funding-resources>

² Recent Examples of SCI's Stormwater Fee Report can be found at the three following locations:

- City of Davis (2021): <http://documents.cityofdavis.org/Media/Default/Documents/PDF/Stormwater/Stormwater-Utility-Cost-of-Service-Rate-Study-ATT1-Fee-Report.pdf>
- City of Alameda (2019): <https://www.alamedaca.gov/files/sharedassets/public/public-works/misc/exhibit-1-draft-stormwater-fee-report.pdf>
- City of Cupertino (2018): <https://www.cupertino.org/home/showdocument?id=23893>

SGA has won multiple awards including the Public Relations Society of America's Silver Anvil Award for the best public service campaign in the country. In 2018, they won the California Stormwater Quality Association (CASQA) Award for Outstanding Stormwater News, Information, Outreach, and Media Project in California for a rebranding public education and outreach campaign we did for the San Bernardino County Stormwater Program (Santa Ana River Watershed Permit). Most recently, they won the 2020 CASQA Award for Outstanding Stormwater News, Information, Outreach, and Media Project in California for the San Mateo Countywide Water Pollution Program.

Due to our extensive experience with developing public education and outreach campaigns for many municipal stormwater, water, and climate change programs, SGA has worked or is currently working with many municipal agencies and departments across the state:

- City of Los Angeles Watershed Protection Program
- San Bernardino County Stormwater Program
- Riverside County Watershed Protection Program
- Orange County Stormwater Program
- San Mateo Countywide Water Pollution Program
- Contra Costa Water District
- Flood and Sea Level Rise Resiliency District (San Mateo County)
- Bay Area Stormwater Management Agency Association
- City of Lincoln Stormwater Program
- City of Palo Alto Watershed Protection Outreach
- San Joaquin County Stormwater Program
- San Diego County Water Conservation Incentive Program
- City of Thousand Oaks Stormwater Management Services
- Mojave River Watershed Group

LARRY WALKER ASSOCIATES, INC.

LWA, an S Corporation, is a privately-owned firm headquartered in Davis, CA, with regional offices in Santa Monica, Ventura, Carlsbad, San Jose, and Berkeley, California and Seattle, Washington.



Services will be performed primarily from our Davis office with support from our other offices as needed. LWA currently has a permanent staff of about 50 employees who provide a wide range of consulting services for municipal stormwater programs statewide, including program management, regulatory, and stormwater permit assistance. For 40 years, LWA has been a partner, innovator, and an industry leader, assisting municipalities in navigating and solving complex and important environmental and public policy challenges. LWA's technical expertise and services address all phases of stormwater management with extensive experience in the planning, implementation, and cost estimating of stormwater management and compliance programs. Key services related to the SOQ include:

- **National Pollutant Discharge Elimination System (NPDES) Permit and Regulatory Assistance.** LWA has the demonstrated ability to evaluate and develop regulatory

solutions for complex water quality issues, as we have worked with staff from the USEPA, State Water Resources Control Board, and various Regional Water Boards to effect change in regulatory outcomes. Notably, we have significant experience with Northern California Permittees, providing technical and regulatory support during the adoption of the applicable stormwater permits.

- **Stormwater Program Implementation and Cost Estimations.** LWA has a successful history of supporting Phase I and Phase II municipalities throughout California with the development and implementation of key stormwater program elements, including preparation of annual reports; BMP guidance manuals, Low Impact Development (LID) standards and post-construction requirements; water quality monitoring, training, municipal operations program, illicit discharge and illicit connection detection and elimination, public outreach, and program effectiveness assessment. In addition, LWA has developed cost estimates for the implementation of Phase I and Phase II stormwater programs so that Permittees can use the information for a range of purposes, including ballot measures, fiscal reporting, unfunded mandates, and/or the establishment of regulatory fees. LWA's guidance, implementation tools, and recommendations reflect our staff's real-world practical experience in implementing the program since its inception.

THE SCI TEAM

SCI has teamed with SGA and/or LWA on no less than twelve projects over the past decade as shown at right. Not only do our areas of expertise complement each other, the expertise of individuals for the three firms are broad enough that there is meaningful overlap that further enhances our team. The SCI Team proposed for this project is not only uniquely qualified but has worked as a highly functioning team for many years.

Project	SCI	SGA	LWA
City of Cupertino	X		X
City of Davis	X		X
City of Del Mar	X		X
City of Los Angeles	X	X	
City of Salinas	X		X
City of San Mateo	X		X
Contra Costa County Clean Water	X		X
San Mateo County Clean Water	X	X	
Siskiyou County Groundwater	X		X
Sonoma County Groundwater	X	X	X
Ukiah Valley Groundwater	X		X
West Valley Cities (Santa Clara County)	X		X

Below are summaries of the work from recent and relevant projects. We encourage you to contact these clients regarding our experience and approach.

SCI Projects

City of Alameda: Water Quality and Flood Protection Initiative

City of Alameda, Public Works Department, 950 West Mall Square, Alameda, CA 94501

Contact: Jim Barse, Clean Water Program Specialist

Telephone: (510) 747-7950

E-mail: jbarse@alamedaca.gov

Dates: 10/18 through 11/19

Project Staff: Jerry Bradshaw and Melanie Lee, SCI

The City of Alameda desired to explore and possibly implement a stormwater funding mechanism to fund an array of stormwater-related needs as outlined in several planning documents compiled since 2008. The City of Alameda hired SCI to work through the process in three stages: 1) Program needs evaluation and funding options; 2) Public opinion survey to ascertain the community's priorities and willingness to fund this critical infrastructure program; and 3) Implementation of a funding mechanism if sufficient support existed. After completing the first phase, SCI conducted an opinion survey that showed approximately 59% of the community supported an investment in the City's stormwater infrastructure to protect the environment and improve the aging storm drain system.

SCI was authorized to proceed with a Stormwater Fee Rate Study and implementation of a property-related fee process. Property owners approved the fee initiative with 57% support.

SCI has just been retained by the City of Alameda to administer the new (and existing) fees.

SCI & LWA Joint Projects

City of San Mateo: Stormwater Funding Analysis

1949 Pacific Blvd, San Mateo, CA 94403

Contact: Sarah Scheidt, Regulatory Compliance Manager

Telephone: (650) 522-7385

E-mail: sscheidt@cityofsanmateo.org

Dates: First Phase, 11/19 to 05/21

Project Staff: Jerry Bradshaw (SCI); Karen Ashby and Airy Krich-Brinton (LWA)

The City of San Mateo solicited for the full scope of a stormwater fee study and implementation in 2019. After selecting SCI, the trimmed the scope to the financial analysis phase only. This included rigorous financial analysis where the SCI Team developed a planning level cost analysis and constructed a complete hypothetical stormwater utility complete with revenue requirements, preliminary rate range, and options for next steps toward a Proposition 218 implementation. Upon receiving the completed report³ on May 18, 2021, the City Council fully endorsed proceeding to the next step – a community opinion survey.

³ San Mateo Stormwater Funding Analysis can be found here: file:///C:/Users/jerry.SCI-CG/Downloads/Storm%20Systems%20%E2%80%93%20Funding%20Analysis%20Overview_20210611210931618.pdf

City of Cupertino: Clean Water and Storm Protection Fee

10300 Torre Avenue, Cupertino, CA 95014

Contact: Roger Lee, Public Works Director

Telephone: (408) 777-3354

E-mail: RogerL@cupertino.org

Dates: 10/18 through 10/19

Project Staff: Jerry Bradshaw and Susan Barnes (SCI); Karen Ashby and Airy Krich-Brinton (LWA)

The City of Cupertino desired to implement a storm drainage funding mechanism to fund an array of storm drainage-related needs as outlined in their 2018 Storm Drain Master Plan. The Team conducted a revenue analysis and developed a planning level cost estimate for the full cost of implementing the stormwater program. This document was used to support a funding measure for the City's storm drain operations and maintenance and Clean Water Program needs. The Team then conducted a public opinion survey testing three options: Funding for ongoing operations and maintenance ("O&M"), funding for O&M and capital improvements, and funding for O&M, capital improvements, and green infrastructure. The City chose to go forward with a ballot measure for the option that garnered the most support, which was for funding O&M, even though the survey results showed only 49% support for such a measure, slightly below the 50% support needed. SCI proceeded with a Clean Water and Storm Protection Fee Rate Study. The initiative passed with over 51% support.

City of Berkeley: Clean Storm Drain Fee

2180 Milvia Street, 3rd Floor, Berkeley, CA 94704

Contact: Sean O'Shea, Administrative & Fiscal Manager

Telephone: (213) 485-0587

E-mail: soshea@cityofberkeley.info

Dates: 11/17 through 6/18

Project Staff: Jerry Bradshaw and Susan Barnes (SCI); Karen Ashby and Airy Krich-Brinton (LWA)

The City of Berkeley sought to explore and possibly implement a storm drainage funding mechanism to fund an array of stormwater-related needs as outlined in their 2012 Watershed Management Plan. The SCI Team worked through the process in three stages: Program needs evaluation and funding options; public opinion survey to ascertain the community's priorities and willingness to fund this critical infrastructure program, and implementation of a funding mechanism if enough support existed. After completing the first phase, SCI conducted an opinion survey that showed approximately 60% of the community supported investment in Green Infrastructure. SCI developed a Stormwater Fee Rate Study and implemented a property-related fee process.

The initiative was overwhelmingly supported with 60% support. It should be noted that this project had the added complexity of being combined with a streetlight assessment proceeding simultaneously. While the street lighting was required to follow a different procedure (stipulated for benefit assessments as opposed to property-related fees), the ballots contained both questions.

Rural Community Engagement Strategies, Polling & Revenue Recommendations - Sonoma County Groundwater Sustainability Agencies

SGA is currently working with SCI to actively engage, educate, and solicit feedback and input from rural groundwater users in Petaluma Valley, Santa Rosa Plain and Sonoma Valley. The goals of the program are:

- Soliciting rural (primarily residential) well-owners' input regarding concerns, interests and understanding about groundwater and groundwater management.
- Developing information about the range of groundwater use(s), practices and knowledge of rural residents in the local groundwater basin, and the elements of groundwater use and management that are perceived to be of high value.
- Informing effective implementation of programs, including the preferred means and methods of outreach messaging and engagement.
- Ensuring people understand that by July 2022, it is likely that a fee will be implemented to pay for local groundwater management programs and projects to sustain groundwater uses.

Water Conservation Rebates and Incentives Program

San Diego County Watershed Protection Program

The County of San Diego Department of Public Works – Watershed Protection Program needed help in developing and implementing its Rebates & Incentives Program that will provide water quality and/or water conservation incentives and rebates associated with the implementation of non-structural Best Management Practices to the unincorporated portions of the County of San Diego. SGA has been helping the County with leading the research and market analysis, developing a community-based social marketing plan, developing a new brand, implementing outreach and advertising campaigns, promoting the program at community events, including neighborhood council meetings and festivals, engaging “early adopters” to champion the program, focusing on community groups and members of environmental organizations, facilitating interest in news media outlets and online communities, and spreading interest in the program through friend referrals.

Rain Barrel Communication Strategy

San Mateo Countywide Water Pollution Prevention Program (SMCWPPP)

SGA has been helping SMCWPPP increase community participation with its Rain Barrel Rebate Program by promoting a \$100 rebate. The goals of the program are to increase water conservation and capture and prevent pollution. Before COVID-19, SGA held in-person workshops on how to properly install rain barrels and the benefits of using a rain barrel. Promotional efforts for the program included the creation of postcards, posters, and rain barrel applications. Materials were displayed and distributed at various outreach events throughout the County. SGA also held raffles to win a rain barrel at community events and workshops as a strategy to expand the reach of the program.

SGA also promoted the rain barrel rebate program via social media channels like Facebook and Twitter. Educational posts were created to inform residents about the functions and benefits of rain barrels. As a result of SGA's outreach efforts, residents have requested more than a thousand rain barrel rebates.

During the pandemic, they switched to online and virtual engagement with huge success. On average, the in-person workshops would get around 35-40 participants. The attendance more than doubled when we switched to virtual workshops. We offered workshops with topics about rain barrels, water pollution prevention, and rain gardens.

CLIENT REFERENCES

SCI References

C/CAG of San Mateo County

Contact: Matt Fabry, NPDES Stormwater Runoff Program
555 County Center, 5th Floor Redwood City, CA 94063
Telephone: (650) 599-1419
E-mail: mfabry@smcgov.org

SCI & LWA Joint References

City of Alameda: Water Quality and Flood Protection Initiative

Contact: Jim Barse, Clean Water Program Specialist
City of Alameda, Public Works Department, 950 West Mall Square, Alameda, CA 94501
Telephone: (510) 747-7950
E-mail: jbarse@alamedaca.gov

City of Berkeley: Clean Storm Drain Fee

Contact: Sean O'Shea, Administrative & Fiscal Manager
2180 Milvia Street, 3rd Floor, Berkeley, CA 94704
Telephone: (213) 485-0587
E-mail: soshea@cityofberkeley.info

City of Cupertino: Clean Water and Storm Protection Fee

Contact: Roger Lee, Public Works Director
10300 Torre Avenue, Cupertino, CA 95014
Telephone: (408) 777-3354
E-mail: RogerL@cupertino.org

City of Davis: Comprehensive Stormwater/Drainage Rate Study

Contact: Stan Gryczko, Utilities and Operations Director
1717 5th Street, Davis, CA 95616
Telephone: (530) 747-8292
E-mail: SGryczko@cityofdavis.org

City of Salinas: Clean Storm Drain Fee

Contact: Heidi Niggemeyer, NPDES Program Manager
200 Lincoln Avenue, Salinas, CA 93901
Telephone: (831) 758-7988
E-mail: heidin@ci.salinas.ca.us

SGA References

City of Los Angeles Stormwater Pollution Prevention Program

Contact: Joyce Neal Amaro, Public Education Manager
1149 South Broadway, 101st Floor, Los Angeles, CA 90015
Telephone: 323.342.1570
Email: joyce.amaro@lacity.org

San Bernardino County Stormwater Program

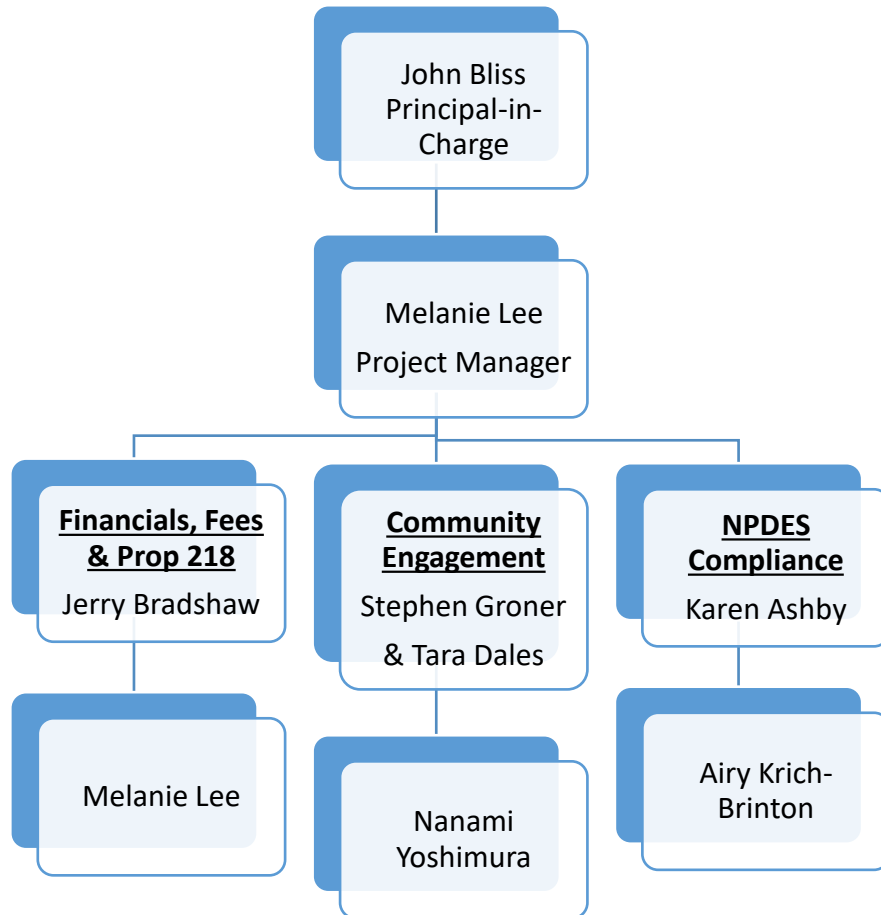
Contact: Arlene Chung, Stormwater Program Manager
825 East Third Street, San Bernardino, CA 92415
Telephone: (909) 387-8109
Email: Arlene.Chun@dpw.sbcounty.gov

PROPOSED STAFFING AND ORGANIZATION

The SCI Team is comprised of highly qualified professionals to support the City with this project. Our team includes engineers and task leads who possess the qualifications and experience to perform their respective role/function successfully. The key staff are indicated in the organizational chart below followed by brief professional biographies. Resumes are included in Appendix B.

SCI will be the prime consultant for this project, with SGA and LWA as subconsultants for specific tasks. The Project Manager will be Melanie Lee, who recently led the successful implementation of a stormwater fee for the City of Alameda. She is also the project manager on the ongoing multi-agency, stormwater funding project for the West Valley Clean Water Authority. As the Project Manager, Ms. Lee will be the primary point-of-contact.

The assigned team members do not have work commitments that would interfere with their ability to complete this project in the timeframe given. If selected for a project, SCI will not assign other projects to them that would interfere with our ability to perform the scope of work. Each team member is available to focus primarily on this project, with between 20% and 50% of their time. None of the key staff identified below will be removed or replaced on the project without prior written concurrence of the City.



John Bliss, P.E., Principal-in-Charge, SCI President, License No. C52091

SCI

john.bliss@sci-cg.com

Location: Fairfield, CA

Years with SCI: 19

Mr. Bliss, a professional engineer and President of SCI, specializes in fee and assessment engineering, special and general benefit analysis, crafting legally compliant, robust Engineer's Reports, assessment administration, cost estimating and budgeting, database design and implementation, regulatory compliance, and revenue measure formations. He has 18 years of experience in this field of expertise. Moreover, Mr. Bliss is a recognized expert assessment engineer and Proposition 218 compliance specialist who has served as an expert witness and technical City. He also has worked with most of the leading Proposition 218 specialized attorneys in the State, which has further expanded his professional and technical expertise.

During his tenure at SCI, Mr. Bliss has served as the responsible Assessment Engineer on over 300 Fee Studies and Engineer's Reports for new or increased fees and assessments, comprising more post-Proposition 218 new assessment engineering than any other assessment engineer in the State.

Mr. Bliss graduated from Brown University with a Bachelor of Science Degree in Engineering and holds a master's degree in Civil Engineering from The University of California, Berkeley, where he was a Regent's Scholar. He is a licensed Professional Civil Engineer in the State of California and is a LEED accredited professional.

Melanie Lee, Senior Consultant

SCI

melanie.lee@sci-cg.com

Location: Fairfield, CA

Years with SCI: 14

Ms. Lee contributes over ten years of experience in new local revenue measure balloting projects and opinion research to SCI. She has extensive experience with all phases of a new revenue project, from the initial feasibility analysis to opinion research and through balloting and educational outreach. She has been the project manager on several stormwater projects including the Cities of Los Altos and Alameda as well as the West Valley Clean Water Authority (four member cities of Campbell, Los Gatos, Monte Sereno, and Saratoga). Ms. Lee graduated from St. Mary's College with a Bachelor of Arts degree in Business Management.

Jerry Bradshaw, P.E., LICENSE NO. C45884

SCI

jerry.bradshaw@sci-cg.com

Location: Spokane, WA

Years with SCI: 7

Jerry Bradshaw is the retired Public Works Director from the City of El Cerrito with over 30 years' experience in public works management and funding. Since 2014 he has worked with SCI Consulting Group, where he has worked with dozens of client cities and special districts to develop and administer funding sources for all sorts of public works improvements. His specialty at SCI is stormwater funding, where he has been the project manager for over ten agency efforts for stormwater funding, including opinion surveys, ballot measures, and community engagement. He has also been a regional leader in green infrastructure funding.

On the topic of stormwater funding, Mr. Bradshaw has spoken at several conferences and workshops, authored two white papers, and was the principal architect of the CASQA Funding Resource website. He was recently among 20 expert stormwater funding consultants appointed to a nationwide EPA stormwater funding task force and is considered an expert in the field. He is a licensed Civil Engineer and has a BS in Civil Engineering from the University of Colorado at Denver.

Stephen Groner, Project Director

SGA

sgroner@sga-inc.net

Location: Long Beach, CA

Years with SGA: 20

Stephen has more than 25 years of public and private sector experience, formerly as a manager for Los Angeles County Public Works and then as a consultant to municipal, state, and federal agencies. Through his work, Stephen has helped shape and implement many of the major

pollution prevention, water conservation, and community outreach programs in California. He has served as chair of the Statewide Stormwater Taskforce Committee on Public Involvement and Public Participation, a program that helped coordinate public education efforts Statewide on water quality issues.

Tara Dales, Project Manager

SGA

tdales@sga-inc.net

Location: Long Beach, CA

Years with SGA: 2

Tara is an experienced Project Manager successfully developing and executing effective marketing, communication, and public education campaigns for a wide variety of clients. She can effectively lead clients through strategic planning and then implementing project goals and objectives. Relevant project experience includes:

- City of Los Angeles Watershed Protection Program – citywide water conservation and pollution prevention public education and communication campaign.
- Los County Department of Public Works – branding and marketing campaign to promote clean water and water pollution prevention.
- CA Dept of Food and Agriculture – Virulent Newcastle Disease – communication and public education campaign about viral poultry disease.
- City of Stockton Park and Libraries – branding and marketing campaign to increase community engagement and awareness to parks and libraries.

Tara has a Master of Fine Arts from the American Film Institute and a Bachelor of Social Science – International Relations from the University of Cape Town.

Nanami Yoshimura, Project Coordinator

nyoshimura@sga-inc.net

Location: Long Beach, CA

Years with SGA: 1

Nanami is as well-rounded marketer with hands-on experience in public relations, social media, and digital marketing. She also has years of experience with multicultural marketing. She has the ability to plan, develop, and conduct comprehensive social media and digital campaigns by utilizing online advertising platforms as well as by collaborating with influencers and publications to increase awareness and engagement. Relevant project experience includes:

- City of Los Angeles Watershed Protection Program – citywide water conservation and pollution prevention public education and communication campaign.
- Los County Department of Public Works – branding and marketing campaign to promote clean water and water pollution prevention.
- CA Dept of Food and Agriculture – Virulent Newcastle Disease – communication and public education campaign about viral poultry disease.
- City of Stockton Park and Libraries – branding and marketing campaign to increase community engagement and awareness to parks and libraries.

Nanami has a Master of Business Administration from Cal State Long Beach and a Bachelor of Arts – Design and Visual Communications from Cal State Long Beach.

Karen Ashby, Task Lead – NPDES Compliance

LWA

karena@lwa.com

Location: Davis, CA

Years with LWA: 23

Ms. Ashby is a Vice President at LWA and has over 25 years of experience serving in the capacity of Project Manager on stormwater and water management projects. She has a B.S. in Biological Sciences from the University of California, Irvine, and is a Certified Professional in Storm Water Quality (CPSWQ). Ms. Ashby has been responsible for facilitating permit renewals, reviewing and commenting on policies, guidance materials and permits, developing and implementing watershed and stormwater programs and TMDLs, developing program effectiveness strategies, developing program cost analyses for various funding initiatives and fee assessments, developing and providing stormwater-related adult learning-based training modules, and preparing technical reports.

Airy Kritch-Brinton, Task Support – NPDES Compliance

LWA

airyk@lwa.com

Location: Davis, CA

Years with LWA: 21

Ms. Krich-Brinton is a Project Engineer II and has 21 years of experience as a water quality engineer with LWA. She has provided regulatory assistance with NPDES permitting and compliance for over fifty municipalities in California. She has recently performed funding analyses for the City of Santa Ana, Napa County Stormwater Pollution Prevention Program, and the City of Berkeley, in which she compiled and compared historical and current funding information for program elements and estimated future permit term costs and necessary annual revenue. She has also provided stormwater program assistance by preparing annual reports and program effectiveness assessments, developing and implementing effectiveness assessment tracking tools, and analyzing water quality data and presenting the results graphically to show spatial and temporal trends.

DETAILED WORK PLAN AND APPROACH

The following scope of services described below are specific tasks the SCI Team will perform to conduct a comprehensive storm drainage fee study.

SCI will provide comprehensive project management for all project tasks, including internal consultant staff coordination, invoicing and other support activities, and monthly budget and status updates for the City. These responsibilities are not shown separately; they are incorporated into each functional task.

SCI will initiate the project with a kick-off meeting and prepare a comprehensive agenda for a productive and efficient meeting. The goal of this meeting will be to review the scope as well as discuss strategic objectives and identify key decision points and milestones. Also, SCI has well-developed approaches and processes to ensure control over overall project costs, schedules and quality assurance/quality control, which will be discussed and customized for this project.

SCI will schedule periodic project meetings with appropriate City staff throughout the project. Each session will be preceded by an agenda to identify the subject of the meeting and followed up by action notes. This SOQ is based on the assumption that in-person meetings will be allowed during the life of the project. If COVID restrictions are still in place for portions or all of the project, then SCI is prepared to conduct all business through a virtual format without diminishing our communication, effectiveness or the deliverables outlined below.

Task 1 – Data Collection and Document Review**Co-Leads: SCI and LWA**

Every city with which the SCI Team works provides a different starting point – particularly with stormwater projects where financial systems are not typically tailored for easy access to the full costs of the program. Documentation of capital needs are another area that differs from city to city. It is the Team’s understanding that the pending Stormwater & Drainage Master Plan will not be completed prior to beginning this project and may run concurrent with (or even lag) this project. The SCI Team is accustomed to these types of individual differences and will work in stride with the data and documents provided.

We will develop and provide a comprehensive list of data requirements for the City staff to provide. These data items will support the Task 2 and Task 3 work, including budget information, levels of service, program elements, the INRAC findings, etc. We will interview key city staff and other stakeholders to confirm and augment the information contained in the various documents. This task’s primary goal is to catalog and vet previous documents as well as ensure that the City’s approaches are in full harmony with various strategic goals set out by the INRAC and City Council.

Deliverables

- *List of data requirements*
- *A brief summary of essential discussion items, decisions, and findings*
- *In-Person Meetings: One (kick-off meeting) group*

Timeline Implications:

- *Will run mostly concurrently with Tasks 2 and 3 after several weeks of lead time*

Task 2 – Revenue Requirement Analysis**Co-Leads: SCI and LWA**

SCI and LWA have comprehensive and extensive experience estimating existing and future stormwater program costs and has completed similar analyses for numerous other municipal clients. As noted above, stormwater rate-setting is unique among utility rates because of the voter-approval requirement and absence of the five-year rate limitation. The initial rate structure must be extremely durable for the long haul since the only adjustments in future years will be as prescribed by an inflationary index (such as the Consumer Price Index). Accordingly, rates will

automatically be smooth for future years, but the challenge is to build an expenditure plan that will fit sustainably within those “locked-in” revenues. For this to work, a robust long-range model is essential. Based on the data collection effort described above, SCI will utilize its long-range, 30-year financial forecasting tool to develop future stormwater program annual costs and the revenue requirement necessary to fund the program.

The SCI Team will also carefully analyze the current funding scheme (Sanitary Charges estimated at \$500,000 per year) and work with the City and legal counsel to ascertain whether the new rate will replace that revenue stream or simply layer on top of it. Recent Proposition 218-based litigation regarding franchise fees (Long Beach) and other proportionality (San Juan Capistrano) may have a bearing on the City’s plans for the current Sanitation Charge structure.

The work in this task will be iterative inasmuch as City staff will be interviewed and continually involved in working through and coordinating the expenditure forecasting of costs in the three main areas of concern: operations and maintenance, NPDES Permit compliance, and capital needs. Without a recent storm drainage master plan available, it will be incumbent on City staff to provide current and valid information on which to base our financial forecasts.

Also, within this task, a variety of potential additional funding mechanisms will be evaluated, including special taxes, user taxes, transient occupancy taxes, sales taxes, balloted property-related-fees, non-balloted property-related fees, benefit assessments, regulatory fees, new development fees, service fees, and other non-balloted fees and revenues. Each potential source will be studied and evaluated along with important attributes such as political viability, legal rigor, reliability, legislative factors, costs of implementation and maintenance, future reliability, timeline, and compatibility with other funding mechanisms.

One area of interest to most municipalities is the impact of Senate Bill 231 (Hertzberg) on storm drainage funding. On its face, SB 231 provides a rate-setting path forward that avoids the voter-approval requirement – making it identical to water and sewer rates. However, there are constitutional and separation of powers questions surrounding this important legislation. The authors of Proposition 218, Howard Jarvis Taxpayers Association, has vowed to bring suit against any municipality that proceeds along the SB 231 route.⁴ As an active member of Senator Hertzberg’s SB 231 Working Group, SCI is currently not encouraging cities to pursue SB 231 unless they have the appetite to be a test case along with the time and resources that would involve. This SOQ is based on the City pursuing a mail ballot proceeding in accordance with Proposition 218 and the 2002 *Salinas*⁵ decision.

This task will provide the City with all options, including balloted (fees or parcel taxes) and several non-balloted options. This effort will enable the City to answer the following question: “Have you done all you can before asking me for a new fee?” The results of this analysis will provide the City with many options to consider before proceeding to a costly, risky, and time-consuming ballot measure.

⁴ SCI is aware of at least one warning letter received by a small city along the Central Coast warning of that very outcome. That city subsequently ceased their effort.

⁵ A lawsuit was decided by the Sixth Appellate District against the City of Salinas (2002), which established a legal requirement to submit stormwater fees to a ballot proceeding.

Deliverables:

- *Spreadsheet-level summary of costs and revenue requirements*
- *PowerPoint summarizing financial findings, funding options, and initial recommendations*

In-Person Meetings:

- *Staff Interviews, as needed*
- *One PowerPoint presentation to Senior Staff, INRAC, or other group*

Timeline Implications:

- *Will run mostly concurrently with Tasks 1 and 3*

Task 3 – Cost of Service Study

Lead: SCI

Building on the information from Tasks 2 and 3 (including interviews with staff), the SCI Team will prepare a comprehensive Proposition 218-compliant property-related fee engineering and nexus/justification report (“Fee Report”) for the proposed programs and improvements to be funded. The preliminary work will include at least four (4) rate structure options incorporating all necessary revenues, costs, fund balance targets, reserves, debt service considerations, and capital improvement scenarios. The Report will include a detailed description of the programs and improvements as identified in Tasks 2 and 3 as well as the rationale used for the fee apportionment (likely to be based on impervious area) and calculation of the specific proposed fee amount for each parcel in the City.

The Fee Report may also include rate credit provisions to incentivize on-site runoff abatement that could apply to traditionally impervious large sites such as commercial, industrial and institutional parcels as well as newly developed sites to help the City implement structural BMPs and hydrograph modification practices. Examples of this can be found in our recent Fee Reports for the cities of Cupertino, Alameda, and Davis. Additionally, the Report will include legal considerations and issues for the fee methodology, appeal processes, and alternative revenue enhancement options. The process will build on the data gathered in previous tasks, including parcel data, community priorities, and budgets, cost estimates, and multi-year proforma for all services and improvements. The Fee Report will also include storm drainage rate levels for various similar and nearby municipalities.

A large part of this task will be the compilation of the parcel attributes. In particular, SCI will need to perform an audit of parcel lot coverage of impervious surfaces for the various land classes. The parcel audit is a time-consuming task that will require looking at all our data sources, viewing aerial photos, and possibly some site visits. The data generated in this effort will be the backbone of the analysis that follows, where the nexus of parcel attributes to the fee structure is developed. This analysis uses many layers of statistical work and a reasoned and stout rationale for the resulting nexus.

The Fee Report’s development is an iterative process and will be interwoven with the recommended early stakeholder outreach. This process varies depending on the community and

will be tailored to fit the City's situation. SCI will present these fiscal plans, data review and analysis, and various fee scenarios to the City in up to three review sessions. Issues uncovered by the reviews will be highlighted and remedies suggested. Depending on the iterative path decided upon, new scenarios may be presented to internal (and possibly selected external) stakeholders to help refine the rate structure and incorporate the community's priorities.

Once City staff (and possibly the City's legal counsel) have reviewed the data and information, we will prepare a Draft Fee Report for a consolidated review by City staff of the recommended rate structure and fee levels. After that review, SCI will prepare the Final Fee Report that satisfies the requirements of Articles XIIC and XIID of the California Constitution (Proposition 218), the Government Code, and other relevant code sections. The Report will be prepared and signed by Jerry Bradshaw, PE, a registered Civil Engineer with extensive experience in this field. The Report will include a detailed description of the proposed fee structure for the programs and improvements, future capital and facility improvement needs, a detailed cost estimate, the rationale used for the fee apportionment, calculation of the specific proposed fee amount for each parcel in the City, any necessary maps or diagrams, and other elements.

Deliverables:

- *Preliminary Rate Scenarios – Spreadsheet & PowerPoint level*
- *Draft Stormwater Fee Report*
- *Final Draft Stormwater Fee Report⁶ and supporting PowerPoint for City Council Study Session*
- *Final Fee Report for City Council Approval*

In-Person Meetings:

- *One Presentation to Senior Staff (possibly in virtual format)*
- *One Study Session with City Council*

Timeline Implications:

- *Will run mostly concurrently with Tasks 1 & 2*

Task 4 – Proposition 218 Fee Implementation

Lead: SCI

Implementation of a property-related fee includes several steps:

⁶ Recent Examples of SCI's Stormwater Fee Report can be found at the three following locations:

- City of Davis:
<http://documents.cityofdavis.org/Media/Default/Documents/PDF/Stormwater/Stormwater-Utility-Cost-of-Service-Rate-Study-ATT1-Fee-Report.pdf>
- City of Alameda (2019): <https://www.alamedaca.gov/files/sharedassets/public/public-works/misc/exhibit-1-draft-stormwater-fee-report.pdf>
- City of Cupertino (2018): <https://www.cupertino.org/home/showdocument?id=23893>

- a. City Council approval of the Fee Report, setting a public hearing⁷ date and time, and authorizing the mailing of notices.
- b. Printing and mailing of notices.
- c. Conduct a public hearing no less than 45 days after the mailing of notices.
- d. City Council authorization of mailing of ballots (*if no majority protest is formed*).
- e. Printing and mailing of ballots.
- f. Tabulation of ballots after close of ballot period (*at least 45 days after public hearing*).
- g. City Council certification of results of the balloting, authorizing the fee structure if support is over 50%.
- h. Roll out of fees into utility billing system (or County property tax bill system).

As noted above, the Proposition 218 process for stormwater fees included a ballot proceeding. The final step is the tabulation of ballots, and the City Clerk will be designated as the official tabulator. Since State law does not prescribe a detailed procedure for conducting the proceeding, one of the first actions of this task is to develop a Proposition 218 Procedures resolution to be adopted by the City Council. This kicks off a stream of documents that will require input and review by the City Clerk, City Attorney, Finance Director and other senior staff. SCI recognizes that this process is new for each of our clients, so we will bring our extensive experience in this regard to draft documents and advise (and, in many cases, train) City staff on these procedures.

The SCI Team will draft all notices, resolutions, and staff reports required for each step in the process as well as the final ballot packet. City staff, including the City Clerk and legal counsel, will review and finalize all these documents. We will also assist the City and its legal counsel with a public hearing script for the Mayor and responses to property owner testimony at the public hearing.

The design of the official notices, ballot, and supporting informational items and mailers is one of the most important elements of a successful ballot outcome. The SCI Team will utilize its unmatched expertise and track record to design these items that clearly and concisely explain the reason for the stormwater fee while meeting all legal requirements.

After the designs of the notices and ballots are finalized, the SCI Team will oversee the printing, addressing and mailing of the notices and then the ballot packets. (This work will be performed by our reliable mail house, Admail West, a printing and mailing firm with industry-leading experience with registered voter elections and mail ballot proceedings.) Throughout the noticing and balloting periods, the SCI Team will also field and respond to property owner inquiries, will research and confirm new owners that are not reflected on the official county property ownership records, and will issue replacement ballots upon request.

⁷ These public hearings are prescribed by Proposition 218, and commonly called “protest hearing” because if protests are received from owners of a majority of parcels, the rate implementation process is blocked.

Tabulation is required by law to be done either by an impartial third party (which the City Clerk is defined to be), or in public view. For a tabulation of this size (estimated at up to 10,000 ballots), SCI recommends the City hire an outside auditing or accounting firm. The SCI Team will provide all necessary training to that firm on managing SCI's bar scan system and tabulation software. (Alternately, the City may choose to perform the tabulation under the direction of the City Clerk (or in public view, or both) using City staff. For this, SCI would provide a Senior Consultant to train and oversee the process for a modest extra fee. This will require approximately 50 person-hours of City staff over a two- or three-day time span.)

Deliverables:

- *Management of noticing and balloting process*
- *Designing, printing, mailing of Fee Notices (Approx. 34,000)*
- *Designing, printing, mailing of Fee Ballots (Approx. 34,000)*
- *Supporting resolutions and staff reports*
- *Property owner support throughout process*
- *Training tabulation consultant on balloting process and tabulation*

Exclusion:

- *Integration of parcel-based fee data (required for balloting) with the account-based utility billing system. If the fees are approved by the voters, SCI can assist the City in this effort for an extra fee*

In-Person Meetings:

- *Two City Council meetings (Fee Report Approval and Public Hearing)*

Timeline Implications:

- *Will run mostly concurrently with Tasks 1 & 2*

Task 5 – Community Outreach

Lead: SGA

Whether it is a capital infrastructure project, a rate or fee increase, or new rules and regulations, getting public support can be a daunting task. In this instance, where the City currently has a virtually unknown part of the infrastructure with no existing dedicated stormwater fee mechanism in place, this challenge will be even greater. Accordingly, the SCI Team is proposing a higher level of community engagement than may have been expected.

To increase awareness and win over the hearts and minds of constituents, the SCI Team uses social marketing. We first want to understand the barriers and motivators that influence their decisions to oppose or support the project. The first step is to create awareness of the issue and give people a reason to care. After that, we will work to change their knowledge, attitudes, and beliefs on the issue – hopefully moving them to support the project. Here are the overall steps we will take to develop a strategic outreach plan:

1. Identify the Audience (with specificity!)

2. Do Research - one of the most important pieces of social marketing is having a deep understanding of the target audience. How they think, feel, act; how they talk; who they trust; etc.
3. Outline Approach
4. Change the Perception; Change the Game - To increase support, we need to alter the perception of the project and its benefits.
5. Find the Barriers (then “crush ‘em”) - what are the barriers preventing people from supporting the project?
6. Encourage Baby Steps (there is no quick fix) - convincing constituents to support a project is a steep hill to scale. Instead, we will break the larger task into smaller parts to make an insurmountable task possible.
7. Dig Deeper than a Headline (an integrated approach works best) – Garnering support requires an integrated approach that includes digital, traditional, and interactive tools.
8. Make Sure to Measure (and then measure again)

The SCI Team will help the City with engaging, educating, and informing target audiences about the City’s proposed stormwater fees. Based on our experience, we have included some essential tactics associated with developing and implementing a successful public education and outreach program. We will work with the City to determine the deliverables and the final budget based on priorities and need.

Conduct a small market research study to understand the perceptions, attitudes, needs, and priorities.

SGA will conduct some market research and message testing for the City. We will drill down and understand the barriers and motivators to the proposed fees. We will use the results to develop key messaging and then test the effectiveness of the messaging. From there, we can help the City use this information to develop a public outreach and education campaign.

A/B test the messaging.

Based on the market research and survey data, the SCI Team will develop various message options to test and determine the messaging that resonated most with the target audiences. The message testing will be conducted on small groups and then rolled out on a wider scale. This way we don’t develop outreach material with messaging that is ineffective or does not move the needle towards project support.

Design and develop traditional, digital, and multimedia assets and collateral to increase awareness with the City’s proposed fee plan.

We will develop various print and digital assets as needed by the City to provide summary program information and also increase awareness. These assets can be ads, brochures, fact sheets, flyers, newsletters, door hangers, and direct mail.

Safely facilitate community meetings and special events or host virtual engagements.

Since many of the SCI Team's clients are multi-agency programs representing a range of cities, counties, and stakeholders, we have learned how to coordinate and organize meetings, workshops, or events. We know that when a project's complexity, longevity, or public interest warrants it, the City should seek out, encourage, and facilitate public input/engagement opportunities early and often. We can assist the City in providing target audiences the opportunity for input and discussion about the proposed fees.

Develop social media strategy to increase followers and engagement.

SGA can develop and execute a social media strategy to help the City achieve its goals of increasing engagement and participation.

Develop email marketing campaign.

Digital tools such as email marketing enable a program to sustain a deeper level of engagement with a wider audience and reach that audience at time intervals when the audience is ready to be reached. We can develop an effective drip email marketing campaign sending periodic emails to target audiences about the importance of water protection.

Review and recommend webpage updates.

SGA will review and provide recommendations for revisions of the City's Stormwater Program webpages including improvements to layout, text, and photos.

Deliverables:

- *Outreach Action Plan*
- *Draft messaging documents, updated as needed (website content, FAQ, fact sheet, handouts, PowerPoint, adaptable messaging)*
- *Curation of stakeholders list and meeting schedules*

Exclusions: *This SOQ and pricing do not include the printing, mailing, or media buy for any outreach material.*

Virtual or In-Person Meetings: *Three virtual or in-person community /stakeholder meetings (in addition to Task 4 meetings)*

Timeline Implications:

- *Will run mostly concurrently with all other Tasks until after the ballots are mailed*

Task 6 – Community Polling (optional)**Lead: SCI**

The SCI Team recommends the City consider conducting community polling or at least engage in formal community input processes (e.g., community meetings, online forums, focus groups, etc.). Such input has proven to be very effective in reducing risk and optimizing the revenue measure implementation. This will be particularly true in a post-COVID19 world where many of the "rules" may need to be re-written to predict community priorities and acceptance of new fees. We are happy to discuss this further.

The following is a scope for a typical storm drain-related community poll:

A community poll and opinion research phase would provide the City with a highly accurate projection of ballot support for a new storm drain fee or tax. Also, the opinion research will provide a clear insight into the community's priorities to enable the City to finalize a set of services and improvements that will best meet the community's needs. This insight will support the refinement of branding and communication with the community.

The SCI Team has developed a sophisticated research methodology for identifying the priorities of registered voters and property owners, their support for a local funding measure and how best to package it for success. One of the primary strengths of the recommended approach is its proven ability to identify support most accurately from different types of property owners, such as single family residential, business, industrial, apartment, and investment property owners. Moreover, the recommended approach and methodology have proven to provide accurate and reliable research findings in a wide range of social and economic environments. These include rural areas and urban communities, ranges of income, and a variety of ethnic backgrounds.

Due to the demonstrated higher level of accuracy and improved ability to reach all types of property owners and voters, the SCI Team recommends a mailed survey approach specifically tailored to account for the unique aspects of the potential property-related fee, or special tax, services and other specifics. (The methodology developed by the SCI Team has proven to be materially more accurate than standard phone surveys in predicting actual ballot results for property-related fees, and special taxes.)

Based on the scenarios and the potential services and improvements developed in the previous section, the SCI Team would develop a preliminary storm drain fee/tax structure. The fee/tax structure will allow us to assign each parcel an actual fee or tax amount to be tested in the survey phase. This is important because Proposition 218 requires the City to inform property owners about the fees that will be voted on by property owners. Unlike water, sewer and solid waste fees that are not required to go to the ballot, individual storm drain fees will appear on the final ballot. Therefore, an effective survey should show the same information in order to be predictive of the ultimate balloting. By developing a preliminary fee/tax structure and printing the individual fee/tax on each survey form, the SCI Team would ensure the opinion research accurately measures support from all types of property owners and is based on the specific fee or tax they may be asked to support for their property, instead of an average rate that may have no relation to their proposed fee.

After the period allowed for the mailing and postage-paid return of the surveys, the SCI Team would conduct complex analysis and modeling of the survey results for the City as they relate to the expected property owner ballot participant profile and balloting scenario. After completing this detailed modeling and analysis, the SCI Team would prepare a comprehensive Polling Report that summarizes the opinion research findings and makes recommendations regarding residents' and owners' storm drain improvement and service priorities, as well as the feasibility of moving forward with a ballot measure to fund such priorities. The Polling Report will also include additional value-added elements such as the recommended ballot measure alternatives and services to be funded, an outline of the recommended action plan for proceeding with local

funding measures, profiles of likely supporters and opponents, service priorities, support by geographic area, and key messaging elements and strategies. The SCI Team recommends mailing 8,000 survey questionnaires to achieve a +/-3% margin of error.

Again, this task is optional but recommended. The SCI Team looks forward to the opportunity to discuss community polling and other input approaches with the City.

Deliverables:

- *Conduct statistically-valid mailed community survey*
- *Printing, addressing, mailing, return postage of 8,000 surveys*
- *PowerPoint presentation of survey findings and recommendations*

In-Person Meetings: *PowerPoint presentation to City Council*

Timeline Implications:

- *The addition of the Survey task will add approximately two months to the overall timeline of the project.*
- *Will occur after preliminary revenue requirements and rate estimates*
- *Will likely occur after some initial stakeholder engagement is conducted*
- *Will conclude with a presentation to City Council for decision whether to move forward with Fee Report and ballot proceeding*
- *Final drafting of Revenue Requirements (Task 2) and the Fee Report (Task 3) will await the survey findings*

Task 7 – Stormwater Rate Ordinance (*optional*)

Lead: SCI

Municipal codes for each city is structured differently, and ordinance practices vary. Many cities choose to adopt a stormwater rate ordinance that clearly defines the City's authority to do so, the services and service area, initial rates, and other elements to demonstrate adherence to the California Constitution (e.g., Article XIID) and statutes. The timing of the ordinance is also variable. Some cities have adopted on first reading prior to the ballot proceeding, thus making the ordinance part of the voter approval process. However, this calls into question the ability of the City Council to make administrative changes at a later date. Another timing option is to adopt the ordinance after the successful balloting.

Under this task, SCI will provide a draft ordinance and any other associated documents (staff reports, notices, resolutions).

Deliverables:

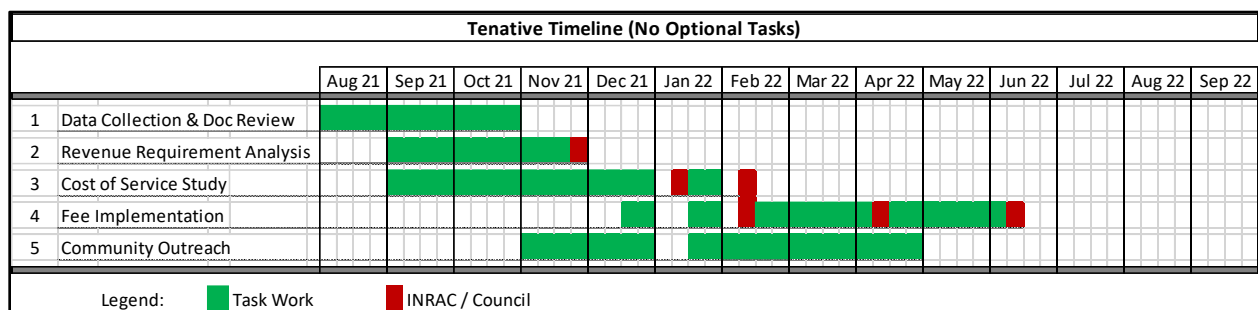
- *Draft Ordinance and related documents*

In-Person Meetings: *City Council presentation of Ordinance at first reading*

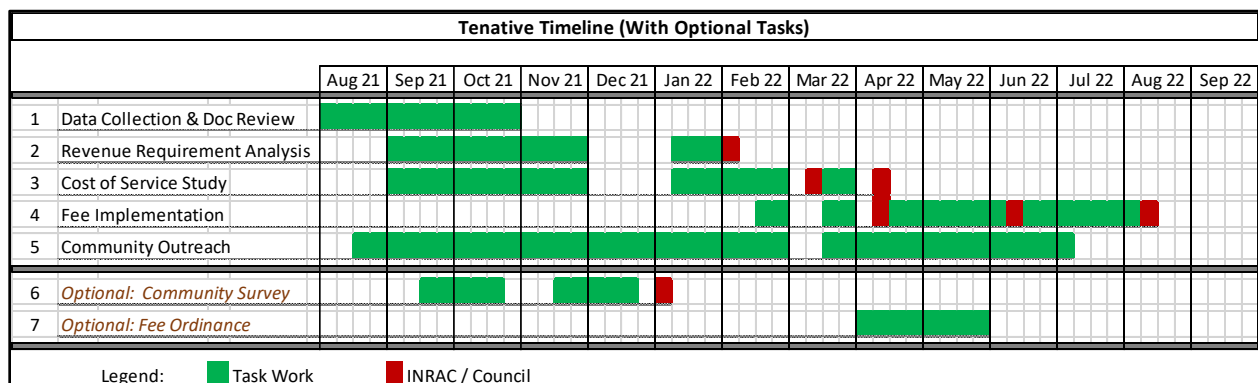
Timeline

The timeline for this type of project can vary considerably by municipality. The basic work of determining objects, developing service and cost data, making long-range forecasts, creating a viable and sustainable rate structure, and implementing the Proposition 218-compliant ballot proceeding can be relatively well known early on in the project and usually takes ten to twelve months. The most significant unknown is the community engagement, which can vary by municipality depending on community expectations, the amount of trust residents have in “City Hall” and the amount of support (or lack thereof) that exists. For a city considering a new fee not seen by residents before, this effort can require even more time and energy. Many of the unknowns can be sorted out through the survey task, but the preferences of the City Council and staff combined with the expectations of the community can greatly affect the timeline.

SCI shows two timelines below. The first one is based on the baseline scope (Tasks 1 through 5) with one stop at the INRAC (or other committee) and a total of four City Council meetings. In this first timeline the community engagement would run concurrent with all other tasks including an early stakeholder engagement phase and a later community education phase. This timeline runs about ten months and assumed to proceed without interruption.



If the timeline is adjusted to allow for the three optional tasks, the overall timeline grows by approximately two months. Note that only the community survey, Task 6, adds time to the overall schedule. The other optional task adds no time. This timeline is shown below.



It is worth noting both timelines show the ballots going out in the spring or summer of an election year when some Council seats and a plethora of other measures will be on the November ballot. SCI typically advises client agencies to avoid this type of scheduling as a general election can be a major distraction from the issues at hand. This is an example of an overriding factor in plotting

out the timeline. Other examples include other City or external priorities such as funding measures, land use controversies, or any of a number of other issues that may take priority. Such issues can cause a stormwater initiative to be delayed or accelerated.

Another significant variable is the preference for community engagement. The RFQ indicates a relatively streamline community engagement process, which is reflected in the timelines above. However, SCI can accommodate a prolonged community engagement process that can extend the timeline up to a year or more.

SCI is accustomed to navigating such issues and providing realistic recommendations to our clients. We commit to being flexible in crafting the timeline and making real-time adjustments as the project continues.

FEE PROPOSAL

The costs shown on the following page represent the best offer of the SCI Team based on the proposed scope and hours shown. The SCI Team is open to further negotiation on any of the proposed scope and terms contained herein. In particular, the level of effort shown for Task 5, Community Engagement may vary significantly from our proposed work plan. To the extent possible, the SCI Team will work with the City prior to finalizing the contract to ascertain the level of effort desired. However, because of this uncertainty, SCI recommends that the City Council authorize staff, in the form of a contingency, to amend the contract to enable variances in scope that may occur through the duration of the project. A 10% contingency authorization may be adequate.

Attendance at meetings is accounted for through the hours shown for each task. Direct costs for travel (e.g., mileage and airfare) will be billed as incidentals.

Hourly rates for key personnel are shown within the table on the previous page. Other support staff may be used on the project at rates other than shown. However, the not-to-exceed amounts agreed to will be observed for the contract scope regardless of other support staff costs.

Costs shown as incidentals will be billed as they are incurred. All other costs will be billed either on an hourly basis or as lump sum/fix fee (e.g., printing, mailing, postage).

SCI TEAM
City of Fullerton
Stormwater / Drainage System Cost-of-Service Study

Assigned Staff	SCI			SGA				LWA		SCI Admin
Classification	President	Senior Engineer	Senior Consultant	Project Director	Project Manager	Project Coordinator	SGA Support Staff	NPDES Task Lead	NPDES Task Support	
Fully Loaded Hourly Rate	John Bliss	Jerry Bradshaw	Melanie Lee	Stephen Groner	Tara Dales	Nanami Yoshimura		Karen Ashby	Airy Krich-Brinton	
Subcontractor Markup	\$275	\$255	\$195	\$189	\$167	\$131	\$125	\$274	\$212	\$70
				10%	10%	10%	10%	10%	10%	

Scope of Work

Work Plan		Hours									Total Hours	Total Costs	
1	Data Collection and Doc Review	4	12	20					5	29		70	\$ 16,330
2	Revenue Requirement Analysis	4	36	28					16	8		92	\$ 22,428
3	Cost of Service Study	4	40	24					6		4	78	\$ 18,068
4	Fee Implementation	4	20	40								64	\$ 14,000
5	Community Outreach & Education	6	10	20	32	62	92	112				334	\$ 54,195
TOTAL DIRECT HOURS		22	118	132	32	62	92	112	27	37	4	638	\$ 125,021
												Total Labor Cost	\$125,021
Direct Costs								Number of Units	Cost per Unit			Total Costs	
Incidentals	Travel, property data, maps and other out-of-pocket expenses							1	\$ 4,500			\$ 4,500	
P-218 Notices	Printing, mailing & postage							34,000	\$ 0.95			\$ 32,300	
P-218 Ballots	Printing, mailing & postage							34,000	\$ 1.25			\$ 42,500	
								Direct Costs \$ 79,300					
												TOTAL BASE COSTS \$ 204,321	

Optional Tasks											Total Hours	Total Costs	
6	Community Survey	4	16	48	2	8	2				40	120	\$ 19,476
7	Fee Ordinance	2	10	6							4	22	\$ 4,550
TOTAL DIRECT HOURS		6	26	54	2	8	2				44	142	\$ 24,026
											Total Labor Cost \$ 24,026		
Direct Costs								Number of Units	Cost per Unit			Total Costs	
Incidentals	Travel, property data, maps and other out-of-pocket expenses							1	\$ 1,500			\$ 1,500	
Survey	Printing, mailing & postage							8,000	\$ 1.20			\$ 9,600	
								Direct Costs \$ 11,100					
								TOTAL OPTIONAL COSTS \$ 35,126					

Proposal Summary		Total Costs
Base Tasks 1 - 5	Labor Costs	\$ 125,021
	Direct Costs	\$ 79,300
	TOTAL	\$ 204,321
Optional Tasks 6 - 7	Labor Costs	\$ 24,026
	Direct Costs	\$ 11,100
	TOTAL	\$ 35,126
Total Estimated Project		\$ 239,447

STATUS OF PAST AND PRESENT CONTRACTS FORM

SECTION VII STATUS OF PAST AND PRESENT CONTRACT FORM

Proposer is required to complete and sign the form entitled "Status of Past and Present Contracts" provided in this RFQ and submit as part of the proposal. Proposer shall list the status of past and present contracts where either the firm has provided services as a prime contractor or a sub-consultant during the past 5 years and the contract has ended or will end in termination, settlement or litigation. A separate form shall be completed for each contract. If the contract was terminated, list the reason for termination. Proposer must also identify and state the status of any litigation, claims or settlement agreements related to any of the identified contracts. Each form must be signed by the proposer confirming that the information provided is true and accurate. The proposer is required to submit a copy of the completed form(s) as part of the electronic proposal on the (1) USB flash drive requested.

Public Agency city/county/other:	NONE		
Contact name:	Not applicable	Phone:	
Project award date:		Original Contract Value:	
Term of Contract:	Not applicable		
1) Status of contract:	Not applicable		
2) Identify claims/litigation or settlements associated with the contract:	Not applicable		

By signing this Form entitled "Status of Past and Present Contracts," I am affirming that all of the information provided is true and accurate.

Signature  _____

Date June 16, 2021

Name: John Bliss, P.E.

Title: President

APPENDIX A: OTHER INFORMATION

Independent Contractor

SCI shall perform all services included in this SOQ as an independent contractor.

Insurance

SCI carries professional Errors and Omissions insurance in the amount of \$2 million per occurrence and \$2 million aggregate. SCI also carries general liability insurance in the amount of \$2 million per occurrence and \$4 million aggregate. Proof of insurance will be provided.

Employment Policies

SCI does not and shall not discriminate against any employee in the workplace or against any applicant for such employment or against any other person because of race, religion, sex, color, national origin, handicap, or age or any other arbitrary basis. SCI ensures compliance with all civil rights laws and other related statutes. SCI complies with all State and Federal regulations concerning employment. SCI attests to its current internal policies which are aimed at eliminating unlawful discrimination.

Conflict of Interest Statements

SCI has no known past, ongoing or potential conflicts of interest for working with the City, performing the Scope of Work or any other work for this project.

Suspension and Disbarment Statements

There are currently no suspensions, disbarments, voluntary exclusions or ineligibility determinations by any government agencies towards SCI.

Termination of Contract Statement

SCI has not had any contracts terminated within the last five years.

Additional Scope of Work

In the event the City elects to request optional, additive scope of work, SCI will work with the City to negotiate compensation for these additional tasks and execute an Addendum to the Agreement.

APPENDIX B: RESUMES

On the following pages are resumes for following key staff:

- SCI
 - John Bliss
 - Jerry Bradshaw
 - Melanie Lee
- SGA
 - Stephen Groner
 - Tara Dales
 - Nanami Yoshimura
- LWA
 - Karen Ashby
 - Airy Krich-Brinton



JOHN BLISS, P.E.

PRESIDENT



JOHN W. BLISS, P.E. (#C52091)

4745 MANGELS BLVD.

FAIRFIELD, CA 94534

EDUCATION

UNIVERSITY OF CALIFORNIA, BERKELEY, CALIFORNIA

Masters of Engineering, Civil Engineering, 1990

BROWN UNIVERSITY, PROVIDENCE, RHODE ISLAND

Bachelors of Science, Engineering, 1986

EMPLOYMENT EXPERIENCE

SCI CONSULTING GROUP, *President*

4/2002 to Present

President with full managerial responsibility for all SCI operations.

Leads SCI's fee and assessment engineering; special and general benefit analysis; Fee Reports and Engineer's Reports development; cost estimating and budgeting, database design and implementation, regulatory compliance, and revenue measure formations.

Identified as a recognized expert fee and assessment engineer and Proposition 218 compliance specialist who has served as an expert witness and technical authority and has worked with most of the leading Proposition 218 specialized attorneys in the State.

Served as the responsible Assessment Engineer on over 300 Engineer's Reports for new or increased assessments – comprising more post-Proposition 218 new assessment engineering than any other assessment engineer in the State.

Current Storm Drainage Fee clients include:

- City of San Mateo
- El Dorado County
- San Mateo County
- City of South Lake Tahoe
- Placer County

Previous Employment

- CONSTRUCTIONPRICE, INC. 8/1999 to 2/2002
 - Product Manager/Director of Operations
- US COMPONENTS, LLC 8/1997 to 7/1999
 - Product Manager
- SHIMMICK CONSTRUCTION COMPANY, INC. 9/1990 to 12/1996
 - Project Manager
- TAISEI CORPORATION 6/1990 to 8/1990
 - TECHNOLOGY RESEARCHER
- FEDERAL HIGHWAY ADMINISTRATION 4/1987 to 8/1988
 - HIGHWAY ENGINEER



JERRY BRADSHAW

SENIOR ENGINEER



JERRY BRADSHAW, P.E., RCE (#48845)

4745 MANGELS BLVD.

FAIRFIELD, CA 94534

EDUCATION

UNIVERSITY OF COLORADO, DENVER

Bachelors of Science, Engineering, 1979

STATE OF CALIFORNIA

Registered Professional Civil Engineer

EMPLOYMENT EXPERIENCE

SCI CONSULTING GROUP, Senior Engineer

2014 to Present

Stormwater Funding: Leads the state-leading SCI stormwater funding business practice focused on assisting public agencies throughout California to meet their stormwater services funding needs. Principal author of stormwater fee studies conforming to best practices and California's very challenging legal arena.

- Active member of the California Stormwater Quality Association (CASQA)
- Principal author of CASQA's website
- Author of two State grant program white papers on removing barriers to stormwater funding
- Member of several stormwater funding committees
- Presented on stormwater funding at numerous professional conferences

Fee Reports, Ballot Measures & Community Engagement: Leads SCI's turnkey financial services to local governmental agencies throughout California, with many requiring elections or ballot proceedings, as well as development of fee reports, public opinion polling, community engagement, ballot documents and proceedings for projects relating to a wide variety of services including stormwater, flood control, landscaping & lighting, parks & recreation, and fire protection.

Recent Stormwater Funding clients include:

City of Alameda	City of Sacramento	San Mateo County (C/CAG)
City of Berkeley	City of Salinas	Santa Clara County (SCVURPPP)
City of Cupertino	City of San Mateo	West Valley Clean Water Authority Cities
City of Davis	City of Santa Clara	• City of Campbell
City of Del Mar	Town of Moraga	• City of Los Gatos
City of Los Altos	Contra Costa County	• City of Monte Sereno
City of Palo Alto	San Joaquin County	• City of Saratoga

Previous Employment

- | | |
|--|--------------|
| • CITIES OF EL CERRITO & SAN BRUNO, CALIFORNIA | 1992 to 2014 |
| ◦ City Engineer/Public Works Director | |
| • CREM ENGINEERS; W.W. DEAN & ASSOCIATES | 1988 to 1991 |
| ◦ Land Development/Project and Site Engineer | |



MELANIE LEE

SENIOR CONSULTANT



MELANIE LEE

4745 MANGELS BLVD.
FAIRFIELD, CA 94534

EDUCATION

ST. MARY'S COLLEGE, MORAGA, CALIFORNIA
Bachelors of Arts, Business Management

EMPLOYMENT EXPERIENCE

SCI CONSULTING GROUP, *Senior Consultant* 9/2007 to Present

- Formation and administration of local revenue measures including property-related fees, benefit assessments, parcel taxes and community facility districts.
- Public opinion research and educational outreach projects
- Database management and data analysis
- General project management and administration

Melanie Lee contributes over thirteen years of experience in new local revenue measure balloting projects and public opinion research to the SCI team. She has extensive experience in all phases of a new revenue project, from the initial feasibility analysis to public opinion research and throughout the balloting and educational outreach process. She has managed formation projects for a wide range of services including mosquito and vector control, fire protection, park and recreation, and stormwater. Ms. Lee also possesses experience with GIS software.

Recent Stormwater Funding projects include:

- City of Alameda
- City of Los Altos
- West Valley Clean Water Authority Cities:
 - City of Campbell
 - Town of Los Gatos
 - Town of Monte Sereno
 - City of Saratoga

Previous Employment

- NEGOCIANTS USA 1999 to 2007
 - Sales Analyst



STEPHEN GRONER, P.E.

PRESIDENT/PROJECT DIRECTOR



EDUCATION

B.S. in Civil Engineering and
Environmental Engineering
University of Wisconsin

California Registered Civil Engineer
Certificate Number 50884

EXPERIENCE

SUMMARY:

- 25 years water quality issues
- 20 years communication strategy

WORK HISTORY:

S. Groner Associates, Inc. (SGA)
Founder, President, 1998 – Present

LA County Dept. of Public Works,
Environmental Affairs
Program Manager, 1989 – 1998

SKILLSET

Strategy

Management

Leadership

Communication

ABOUT STEPHEN

Stephen Groner is the founder and president of S. Groner Associates, Inc., a communications consulting firm specializing in community outreach and environmental education. Stephen has more than 25 years of public and private sector experience, formerly as a manager for Los Angeles County Public Works and then as a consultant to municipal, state, and federal agencies. Through his work, Stephen has helped shape and implement many of the major pollution prevention and community outreach programs in Southern California over the past decade.

RELATED PROJECT EXPERIENCE

EPA FISH CONTAMINATION EDUCATION COLLABORATIVE

Stephen directed the fish contamination education collaborative for the US Environmental Protection Agency, which in 2010 won the national PR industry award for best community service campaign in the country (PRSA Silver Anvil).

STATEWIDE PLASTICS DEBRIS PROJECT

Stephen served on the advisory board for the Statewide Plastics Debris Project a joint project sponsored by the State Water Resources Control Board, the California Coastal Commission, the Algalita Marine Research Foundation, and the H. John Heinz Center for Science, Economics, and the Environment.

SANTA MONICA BAY

Stephen chaired the Santa Monica Bay regional task force to address water quality issues from wastewater treatment systems in the northern Santa Monica Bay. The task force included stakeholders from the State, County, and local officials in addition to environmental groups and community leaders. The task force released its recommendations and was able to obtain a State grant of approximately \$1 million to implement its key recommendations.

STATE WATER RESOURCES CONTROL BOARD

Stephen participated as a part of a stakeholder group assisting the State Water Resources Control Board on the development of regulations for AB 885, addressing on-site wastewater management statewide.

STATEWIDE STORMWATER TASKFORCE

Stephen served as chair of the Statewide Storm Water Taskforce Committee on Public Involvement and Public Participation, a program that helped coordinate public education efforts Statewide on water quality issues.

WORKSHOPS AND SPEAKING ENGAGEMENT

Collaborated with Professor P. Wesley Schultz to conduct workshops on outreach and behavior change for local municipalities across the State and country sponsored by CalRecycle on the west coast and on the east coast by US EPA's superfund program.



TARA DALES, MFA

PROJECT MANAGER



EDUCATION

The American Film Institute, MFA

University of Cape Town,
Bachelor of Social Science

EXPERIENCE

SUMMARY:

- 5 years project management experience
- 6 years marketing and advertising experience

WORK HISTORY:

S. Groner Associates, Inc. (SGA)
Project Manager 2019 – Present

BBDO Advertising,
Content Producer

SKILL SET

Management



Creativity



Advertising



Organization



ABOUT TARA

As an experienced Project Manager, Tara has successfully developed and executed effective marketing, communication, and public education campaigns for a wide variety of clients. She is capable of communicating, concepting, strategizing, and implementing 360 marketing campaigns across a variety of initiatives including but not limited to videos, brand, and organizational initiatives to drive awareness, increase engagement, and foster behavior change.

RELATED PROJECT EXPERIENCE

CITY OF LOS ANGELES WATERSHED PROTECTION PROGRAM

Tara manages the Program's community and digital outreach efforts. She organizes and staff community events to promote public stormwater education. She also manages the content for the program's blog and e-newsletter and is in charge of collateral management of all branded materials. She combines online and offline engagement, including the LA Watershed Moments campaign, to communicate the core message of stormwater pollution prevention to various stakeholders in the City of Los Angeles.

CITY OF LOS ANGELES RYLAN PROGRAM

The City's Emergency Management Department launched the Ready Your LA Neighborhood (RYLAN) program to assist individuals, families and neighborhoods prepare for disasters and create neighborhood emergency response plans. Tara is conducting market research, developing messaging and creative content, and implementing a strategic marketing campaign for RYLAN.

CITY OF STOCKTON

Tara is helping the City to create a marketing and community engagement program that includes prioritizing both short- and long-term objectives, employ a variety of communication tools, engage Stockton's residents, businesses and visitors, enable two-way communication between the Department, the community and stakeholders, establish and build upon the Community Services Department's brand and provide opportunities for target audiences to become advocates.

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Tara is managing and conducting a concise, focused outreach and education campaign about virulent Newcastle disease (vND), a primary threat to California poultry and other birds is a deadly virus. This foreign animal disease has been detected in Los Angeles, Riverside, San Bernardino, and Ventura counties. The outreach campaign is focused on poultry producers, backyard bird owners, elected officials, and surrogates who can help deliver messages about the program.



NANAMI YOSHIMURA, MBA

SR. PROJECT COORDINATOR



S. GRONER ASSOCIATES, INC.

EDUCATION

Master of Business Administration,
California State University, Long Beach

Bachelor of Arts, Design,
California State University, Long Beach

EXPERIENCE

SUMMARY:

- 6 years social media experience
- 4 year marketing and communications experience

WORK HISTORY:

S. Groner Associates, Inc. (SGA)
Project Coordinator, 2020 – Present

H&Y Planning Inc.
Account Manager, 2019 – 2020

SKILLSET

Social Media



Planning/Organizing



Digital Outreach



Communication



ABOUT NANAMI

Nanami is a well-rounded marketer with hands-on experience in public relations, social media, and digital marketing. She also has years of experience with multicultural marketing. She has the ability to plan, develop, and conduct comprehensive social media and digital campaigns by utilizing online advertising platforms as well as by collaborating with influencers and publications to increase awareness and engagement.

RELATED PROJECT EXPERIENCE

CITY OF LOS ANGELES WATERSHED PROTECTION PROGRAM

Nanami manages the social media as well as the ad placement for the City's program. She is responsible for developing social media content for Facebook, Instagram, and Twitter. She also writes the City's blog articles and tracks ad performance. She is coordinating and managing the marketing efforts for the City's pet waste program.

CITY OF LOS ANGELES RYLAN PROGRAM

The City's Emergency Management Department launched the Ready Your LA Neighborhood (RYLAN) program to assist individuals, families, and neighborhoods prepare for disasters and create neighborhood emergency response plans. Nanami is coordinating the market research, the development and production of collateral materials, and managing the community engagement for RYLAN.

LOS ANGELES COUNTY DEPARTMENT OF PUBLIC WORKS

Nanami is currently coordinating the Water for LA Stormwater Pollution Program for LA County DPW. This involves developing campaign concept, communications and advertisement strategy, and editorial calendar including email, radio, digital, print, out-of-home, streaming television, social media advertisements and engagement, and participation in relevant community events for both English- and Spanish-language media.

SAN MATEO COUNTYWIDE WATER POLLUTION PREVENTION PROGRAM

The San Mateo Countywide Water Pollution Prevention Program (SMCWPPP) was established in 1990 to reduce the pollution carried by stormwater into local creeks, the San Francisco Bay, and the Pacific Ocean. Nanami has been working with the County's public education program helping them implement targeted pollutant reduction strategies. She is also involved in the monitoring program to help characterize local water quality conditions and evaluating the overall effectiveness of the program's implementation.



Karen Ashby, CPSWQ

Vice President

#

EDUCATION

B.S., Biological Sciences,
1991, University of California,
Irvine

REGISTRATIONS

Certified Professional in
Storm Water Quality, 2004,
CPSWQ, Inc. #0081

Hazardous Materials
Management Certificate,
1997, University of California,
Irvine

YEARS OF EXPERIENCE

With LWA: 18
With other Firms/Agencies:
13

PROFESSIONAL AFFILIATIONS

CASQA Leadership Award
2018

Executive Program
Committee Effectiveness
Assessment

Co-Chair, CASQA
2015–2020

Chair, CASQA,
Jan 2004–Dec 2005

Vice Chair, CASQA,
Nov 2001–Dec 2003

Board of Directors, CASQA
September 2002–Dec 2008

Member, CASQA,
1999–Present

Ms. Ashby is a Vice President and serves as a Project Manager for LWA's work in the stormwater and watershed management fields. She has almost 30 years of experience in the development, implementation, assessment, and reporting associated with watershed and stormwater management programs (Phase I and Phase II) as well as Total Maximum Daily Loads (TMDLs) throughout California. Ms. Ashby has also successfully led/facilitated numerous discussions and groups addressing complex environmental or regulatory issues. She has been responsible for facilitating permit renewals, reviewing and commenting on numerous policies, guidance materials and regulatory documents, developing and implementing watershed and stormwater management programs and TMDLs, conducting assessments and developing implementation plans to comply with the Trash Amendments, developing program effectiveness assessment strategies and evaluating the effectiveness of stormwater programs, developing program cost analyses for various funding initiatives, developing and providing adult learning-based training modules, and preparing numerous technical and annual reports. Representative projects are listed below.

Stormwater Utility Study, City of Salinas, CA. 2018 - Present.

Project Manager responsible for the development of a revenue and expenditure analysis to support an overarching fee study and funding strategy. The work effort included a review and revision of existing regulatory fees (commercial and industrial facility inspections, parcel-scale development plan review, construction plan review, construction inspections, and post construction control assessments) an evaluation of the nexus between sanitary sewer rates and stormwater program funding, and evaluating the feasibility of a City stormwater utility. The work effort resulted in the development of a Technical Memorandum summarizing a planning level cost estimate for the full cost of implementing the stormwater program and a Technical Memorandum summarizing the fees that could be charged to support the stormwater program activities.

Stormwater Funding Initiative, City of Cupertino, CA. 2019.

Project Manager responsible for the development of a regulatory and cost and revenue analysis to support an overarching fee study and funding strategy. The work effort included the development of a Technical Memorandum summarizing a planning level cost estimate for the full cost of implementing the stormwater program. This document was used to support a funding measure for the City's storm drain operations and maintenance and Clean Water Program needs. The assessment included a summary of known revenues and estimates of prior year, current year, and future implementation costs of the stormwater program to determine what the funding needs and gaps were for the stormwater program and the range of funding mechanisms available.

Clean Stormwater Fee Study, City of Berkeley, CA. 2017– 2018.

Project Manager responsible for the development of a regulatory and cost and revenue analysis to support an overarching funding strategy. The work effort included an assessment of current and projected stormwater program expenditures and revenue sources, evaluation of feasible funding sources and range of alternatives. The information developed was used to determine what the funding needs and gaps are for the stormwater program and the range of funding mechanisms available.

Personnel Experience & Qualifications



Airy Krich-Brinton

Project Engineer II

EDUCATION

M.S., Civil & Environmental Engineering, 2005, University of California, Davis

B.S., Civil Engineering, 1998, Rensselaer Polytechnic Institute, Troy

B.A., Physics, 1998, Pitzer College, Claremont

REGISTRATIONS

Passed the Fundamentals of Engineering exam.
Professional exam is pending.

YEARS OF EXPERIENCE

With LWA: 20
Other: 0

Ms. Krich-Brinton serves as a Project Engineer for LWA, performing specialized work in the stormwater, regulatory, and water quality areas. Over the past 20 years, she has applied her organizational, statistical, and analytical skills to provide assistance to over 50 municipalities in California. Representative projects include the following. Representative projects are presented below.

Stormwater Utility Study, City of Salinas, CA. 2018 - Present.

Ms. Krich-Brinton assisted with the development of a regulatory and cost and revenue analysis to support an overarching fee study and funding strategy. She reviewed the current inspection fees, then calculated the necessary fees to fund actions taken by the City to perform fee-generating activities such as inspections and reviews. She also developed a spreadsheet to calculate the full cost of implementing the stormwater program (current and future), for the purpose of calculating a reasonable stormwater utility fee. She assisted with the preparation of two Technical Memorandums summarizing this work.

Stormwater Funding Initiative, City of Cupertino, CA. 2019.

Ms. Krich-Brinton assisted with the development of a regulatory and cost and revenue analysis to support an overarching funding strategy. She developed a spreadsheet to estimate the planning level full cost for implementing the stormwater program and assisted with the Technical Memorandum summarizing the results. The assessment included a summary of known revenues and estimates for the prior and current years and predicted future implementation costs to determine the funding needs for the stormwater program.

Clean Stormwater Fee Study, City of Berkeley, CA. 2017– 2018.

Ms. Krich-Brinton assisted with the development of a regulatory and cost and revenue analysis to support an overarching funding strategy. She developed a spreadsheet to calculate the full cost of implementing the current and projected stormwater program, including an assessment of expenditures and revenue sources, and assisted with the Technical Memorandum summarizing the results.

Napa Countywide Stormwater Pollution Prevention Program Funding Assessment: Estimated Costs of the Phase II Stormwater Program, County of Napa, CA. 2017– 2018.

Ms. Krich-Brinton assisted with the development of a regulatory and cost analysis. She developed a spreadsheet to calculate the full cost of implementing the current and anticipated stormwater program based on regulatory requirements, including an assessment of expenditures and revenue sources, and assisted with the Technical Memorandum summarizing the planning level estimates of the cost of complying with the 2013 Phase II Small MS4 Permit. The assessment included estimates of both shared and individual program costs.

Stormwater Program Support, City of Stockton and County of San Joaquin, CA. 2009-2019 (ongoing).

Ms. Krich-Brinton has assisted with and/or prepared Program Effectiveness Assessments (PEAs) for the clients' Stormwater Management Plan annual reports, compiling and tracking historic program effectiveness measurements and creating relevant graphs which portray positive temporal trends. She graphs correlated information together to display cause and effect whenever possible. These correlations, percents, long-term effectiveness trends, and specific annual information were also described and presented textually.

APPENDIX C: WORK EXAMPLES

On the following pages are the following documents offered as work examples. The first two documents (City of Davis and City of Alameda) are the required completed sample reports of similar projects previously developed for other agencies. The remaining documents are examples of related or ancillary work product.

- Stormwater Fee Report, City of Davis (SCI, 2020) – Pages 39 - 95
 - Includes Technical Memorandum by LWA (Appendix A)
 - This report was presented at five public meeting including the City Council (12/15/20) and four Utility Commission meetings (May, June, July and October 2020). Those PowerPoint presentations can be found on their website or can be furnished upon request.

- Stormwater Fee Report, City of Alameda (SCI, 2019) – Pages 96 – 129

- Stormwater Funding Analysis, City of San Mateo (SCI, 2021) – Pages 130 - 192
 - Includes Technical Memorandum by LWA (Appendix A)
 - Public presentations for this project were made at the Sustainability & Infrastructure Committee (2/10/21) and City Council (5/18/21) and can be found on the City's Website or can be furnished upon request.
- Example of Notice and Ballot documents, City of Alameda (SCI, 2019) – Pages 193 - 201
- Example of Opinion Survey, City of Alameda (SCI, 2019) – Pages 202 - 204



CITY OF DAVIS

FEE REPORT

STORMWATER FEE

NOVEMBER 2020

PURSUANT TO THE ARTICLES XIIIC & D OF THE CALIFORNIA CONSTITUTION,
AND THE GOVERNMENT CODE SECTIONS 38900 – 38901 ET AL.

ENGINEER OF WORK:
SCIConsultingGroup
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FAIRFIELD, CALIFORNIA 94534
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CITY COUNCIL

Gloria Partida, Mayor
Lucas Frerichs, Vice Mayor
Will Arnold, Councilmember
Dan Carson, Councilmember
Brett Lee, Councilmember

UTILITIES COMMISSION

Johannes Troost, Chair
Olof Bystrom, Vice Chair
Gerald Braun, Committee Member
Linda Deos, Committee Member
Lorenzo Kristov, Committee Member
Elaine Roberts-Musser, Committee Member
Matt Williams, Committee member
Jacques Franco, Alternate Committee Member

CITY MANAGER

Mike Webb

PUBLIC WORKS – UTILITIES & OPERATIONS DEPARTMENT

Stan Gryczko, Director
Jennifer Cariglio, Project Manager
Adrienne Heinig, Management Analyst
Brian Mickelson, Assistant City Engineer

ENGINEER OF WORK

Jerry Bradshaw, SCI Consulting Group

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OVERVIEW

The City of Davis (“City”) has engaged SCI Consulting Group to study, make recommendations, and assist in the implementation of a funding approach for its municipal separate storm sewer system¹ (“MS4”) **including** environmental programs, maintenance and operations, capital improvements, and compliance with all state and federal regulations associated with the National Pollutant Discharge Elimination System² (“NPDES”) permit.

In the early 1990s the City established its first storm drainage fee. Since that time the City has operated its MS4 as a municipal utility akin to its water and sewer systems, where dedicated revenues are spent on the operations associated with the stormwater enterprise. Subsequently, the City established a second fee, the Storm Sewer Fee, to fund the increasing costs of NPDES compliance. Although the City has no comprehensive asset management plan or master plan, the City’s **Public Works Department has** developed two key planning documents pertaining to its Storm Drainage Program (“Program”). **These** include the Stormwater and Sewer Stations Assessment (2016) and the Stormwater Operations Assessment Report (2018). These assessments made it clear that the Program would need to expand its levels of service to achieve the goals of responsible environmental **stewardship and smart investment in the City’s aging infrastructure.**

In 2019, the City embarked on a project to consolidate its two existing storm drainage fees into a new, single fee structure in conformance with current law and contemporary rate-setting practices. The new rate structure is intended to establish the current minimum rate revenue needed to ensure the ongoing fiscal requirements of the Program including standard operation and maintenance of the collection system and pump stations, basic repair and replacement needs, capital improvement enhancements, and appropriate reserves.

CITY’S FACILITIES

The City operates and maintains a storm drainage system, as it is empowered to do per Government Code Sections 38900 and 38901. This complex system is comprised of integrated storm drainage pipes, inlets, outfalls, culverts, channels, pump stations, force mains, detention ponds, siphons and access roads to prevent flooding. As the community

¹ In this report, the terms “storm sewer,” “storm drainage,” “storm protection,” and “stormwater” are used interchangeably, and are considered to be synonymous.

² Created in 1972 by the Clean Water Act, the NPDES permit program is authorized by the EPA to allow state governments to perform many permitting, administrative, and enforcement aspects of the program.

grew and neighborhoods and business districts expanded, the **City's storm** drainage system was developed. Parts of the system may date back over 100 years.

In 2003 the State Water Resources Control Board (“State Water Board”) issued a Phase II Small MS4 General **Permit (“Permit”)** to the City of Davis, which was renewed in 2013. “This Permit regulates stormwater and non-stormwater discharges from the **City's MS4** and requires implementation of eleven key elements. Over the years, the range of actions and necessary level of effort to implement the stormwater program has increased in response to the evolving regulatory **requirements and community needs.**”³

The operations and maintenance (“O&M”) side of the Program has also developed many activities that support clean water goals and **maintain the City's aging infrastructure to protect** the neighborhoods and businesses from local flooding. On average, the industry-standard life expectancy of a storm drain system is approximately 60 years. The majority of the **City's** storm drainage pipes were installed more than 50 years ago, leaving the City with a system that is approaching the end of its useful life. At least two of the nine pump stations are more than 60 years old.

The City's complex storm drainage system has evolved to meet the unique needs dictated by the City's flat topography and location near the Yolo Bypass, a large drainage path with a system of weirs that diverts floodwaters from the Sacramento River away from the city of Sacramento and other nearby riverside communities. The system's **balance has historically** protected the City from flooding from storm runoff. Climate change is bringing about new challenges with a predicted rise in sea level of more than two feet of elevation as well as **more frequent and more intense storms.** While the **City's storm drainage system** must adapt to these changes, it alone cannot supply the full scope of remedies to meet these climate change challenges. Therefore, the fee recommendations in this Report will not fully address climate change.

STORMWATER FUNDING BACKGROUND

Since the City established its first storm drainage fee in the early 1990s, the City has used these dedicated revenues to fund the Program. Due to changes in the law the City can no longer increase the fee without the approval of property owners through a ballot measure.⁴ For that reason, the storm drain fees have not been increased in nearly 15 years. As a result, the City has needed to limit capital expenditures and keep operations and maintenance activities to a less than desirable level of service, mostly responding to storm-related emergencies and basic regulatory compliance.

³ From LWA technical memorandum, dated June 10, 2020, found in Appendix A.

⁴ This “freeze” on the stormwater fees is due primarily to the stringent requirements of Proposition 218 for a ballot measure to increase fees. See next section for more details.

The scale and projected needs of the storm drainage system point toward the need for asking property owners to approve an increase in storm drainage fees in order to ensure a sufficient and sustainable funding stream. The City of Davis is considering increasing the existing fees along with modifications to the underlying fee structure. This Fee Report is the first step in that process, should the City decide to proceed.

LEGAL REQUIREMENTS OF STORMWATER FEES

This Report calculates the Stormwater Fee as a property-related fee. Property-related fees are subject to the requirements of Articles XIIC and D of the State Constitution, which were approved by voters in 1996 through Proposition 218, as well as the Proposition 218 Omnibus Implementation Act (Government Code Sections 53750 – 53758).

Any property-related fee must comply with requirements of Article XIID, Section 6. These include the following:

- Revenues derived from the fee shall not exceed the funds required to provide the property-related service;
- Revenues derived from the fee shall not be used for any purpose other than that for which the fee was imposed;
- The amount of a fee upon any parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel;
- No fee may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees based on potential or future use of service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments and shall not be imposed without compliance with the assessment section of the code; and
- No fee may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to the property owners.

The procedural requirements of Proposition 218 require that new or increased property-related fees submit to the following two-step process: 1) a 45-day public protest period culminating in a public hearing, and 2) a ballot proceeding whereby it must be approved by a 50% simple majority of property owners (or a two-thirds supermajority of registered voters) before new or increased fees could be authorized. However, fees for water, sewer and refuse collection were exempt from the second step. In the years following the passage of Proposition 218, there was uncertainty whether stormwater fees qualified as a type of sewer fee and therefore were not subject to the ballot proceeding requirement. The California Sixth Appellate District Court clarified the question in a 2002 ruling⁵ that found stormwater fees

⁵ Howard Jarvis Taxpayers Association v. City of Salinas, No. H022665.Sixth Dist. June 3, 2002.

did not qualify as a type of sewer fee, and new or increased fees must be approved through a ballot proceeding. Subsequent to that date, the City Davis did not authorize any further inflation adjustments.

FACILITIES AND SERVICES

The City operates and maintains a municipal separate storm sewer system within the **City's** boundaries. The system is made up of man-made drainage systems including, but not limited to, curbs and gutters, integrated storm drainage pipes, inlets, outfalls, culverts, channels, pump stations, force mains, detention ponds, siphons and access roads. The system serves the entire City.

The primary storm drainage service provided by the City is the collection, conveyance, and overall management of stormwater and non-stormwater runoff from parcels. By definition, all parcels that shed stormwater into the **City's** system, either directly or indirectly, utilize, or are served by, the **City's** storm drainage system. The need and necessity of this service are derived from property improvements, which historically have increased the amount of stormwater runoff from the parcel by constructing impervious surfaces such as rooftops, pavement areas, and certain types of landscaping that restrict or retard the percolation of water into the soil beyond the conditions found in the natural, or unimproved, state. As such, open space land (in a natural condition) and agricultural lands that demonstrate stormwater absorption equal to or greater than natural conditions, are not charged a fee. Other vacant land that was once improved or has been prepared for future improvements do not qualify as open space or natural land and will typically be charged a fee.

A critical service provided by management of the City's storm drainage system is compliance with all water quality requirements through the City's NPDES permit. This service ensures that all parcels within the City are monitored and, in some cases, individually regulated to ensure such compliance. This applies to parcels that may drain directly to non-City receiving waters as well as all other parcels in the City. For this reason, all parcels (other than natural open space and qualifying agricultural) are included in the fee structure.

The storm drainage assessment documents referenced above contain thorough sets of maps and lists of various elements within the stormwater system. Those descriptions are the basis for this Report.

FINANCIAL NEEDS AND REVENUE REQUIREMENTS

SUMMARY OF CLEAN WATER AND STORM PROTECTION SYSTEM NEEDS

As part of the fee implementation task, the SCI team conducted an analysis of the City's Stormwater system needs. This analysis included information from several source planning documents as well as recommendations from City staff members.

FINANCIAL STRUCTURE

The City's financial structure includes the following four separate funds for the storm sewer enterprise: 541, 542, 543, and 544 (as shown below in an excerpt from the two year adopted 2019-21 budget, on Page 3-13). Only Funds 541 and 544 are part of this Report; Funds 542 and 543 are only for use with special projects outside the scope of this analysis.

FUND		WORKING CAPITAL	FY 2019/20 ADOPTED BUDGET			WORKING CAPITAL
NO	TITLE	LESS ENCUMB June 30, 2019	REVENUES	EXPENDITURES	ADJUSTMENTS AND TRANSFERS	LESS ENCUMB June 30, 2020
STORM SEWER FUNDS						
541	STORM SWR/DRN - MAINT & OPER	327,748	1,304,988	991,289	(393,625) ¹	247,822
542	STORM SWR/DRN - CAP REPL RESRV	721,265	22,400	1,500,444	393,625 ¹	(363,154)
543	STORM SWR/DRN - CAP EXP RESRV	2,159,357	68,880	65,794		2,162,443
544	STORM SEWER - QUALITY	763,978	626,080	975,724	0	414,334

Within those funds, there are several accounts that track storm sewer financial activity. They are itemized in the Table below, which also shows the budgeted expense for Fiscal Year 2019-20 ("FY 20") for reference. This report does not recommend any changes to this financial structure as it already is established as an enterprise fund within the City's accounting system.

TABLE 1 – FULL LIST OF ACCOUNTS WITHIN STORM SEWER ENTERPRISE (FY 20)

Division	Name	Category	Acct	Budget
Fund 541 - Storm Drainage				
City Manager Office	General Management	O & M	1110	\$ 3,750
City Manager Office	Community Info & Outreach	O & M	1115	5,000
Finance Division	Utility Accounting	O & M	2850	59,404
Planning Division	Natural Resources Comm	O & M	3250	398
Parks Division	Street Tree Planting & Mtce	O & M	4486	10,000
Admin Division (E&T)	Public Information	CIP	6155	2,558
Engr Division (E&T)	Preliminary Engineering	CIP	6602	17,543
Engr Division (E&T)	Planning Entitlement	CIP	6605	114
Engr Division (E&T)	Engineering Development	CIP	6642	48,975
Engr Division (E&T)	Public Works Permits	CIP	6643	8,235
Engr Division (E&T)	Mapping	CIP	6660	881
Admin Division (U&O)	General Administration	O & M	7101	56,574
Admin Division (U&O)	Public Works Info Mgt	O & M	7160	26,074
Transportation Division	Corporation Yard Facility	O & M	7244	2,294
Transportation Division	Street Mtce & Repair	O & M	7252	237
Storm Drainage Division	El Macero Mtce District	O & M	7411	95,244
Storm Drainage Division	Storm Drain Facility Mtce	O & M	7414	594,983
Storm Drainage Division	SD Inter-Dept Charges	O & M	7465	36,324
Environmental Resources	Integrated Pest Management	O & M	7715	14,062
Fleet Services Division	Fleet Purchase and Disposal	O & M	7811	20,000
Fund 541 Total				\$ 1,002,650
Fund 544 - Storm Sewer / Quality				
Stormwater	El Macero Mtce District	O & M	7411	\$ 110,714
Stormwater	Storm Drain Facility Mtce	O & M	7414	466,721
Stormwater	SD Inter-Dept Charges	O & M	7465	22,496
Environmental Resources	Stormwater Regulatory Mgt	O & M	7730	380,762
Fund 544 Total				\$ 980,693
Storm Sewer Enterprise Total (FY 2019-20)				\$ 1,983,343

PROGRAM REVENUES

The first step of the analysis was to review the revenues available to the City's Program. Based on information from the City's 2019-20 budget, the existing revenues are projected through Fiscal Year 20-21 as shown in the Table below.

TABLE 2 – SUMMARY OF PROGRAM REVENUES

<i>Shown in thousands</i>		
Revenue Source	FY 20	FY 21
Storm Drainage Fees	\$ 1,235	\$ 1,173
Storm Sewer (Water Quality) Fees	610	580
Interest & Other Misc Revenue	86	76
Total Budgeted Revenues	\$ 1,931	\$ 1,828

The adopted budget reflects a decrease in projected revenues for FY 21 due to recent impacts from the ongoing COVID-19 pandemic.

A comparison of the total expenses shown in Table 1 and the total revenues in Table 2 reveal a small deficit. With revenue growth limited, this deficit is expected to grow in future years. This is a primary reason for proposing a new fee structure that can be more flexible and better meet future Program needs.

PROGRAM COSTS

The City's Program is influenced primarily by the requirements to prevent local flooding and to comply with the NPDES Permit. Cost estimates were based on budgetary and supplemental information provided by the City including two recent studies:

- Stormwater and Sewer Stations Assessment (2016)
- Stormwater Operations Assessment Report (2018)

In broadly assessing the Program's costs and following the City's current financial structure, the following **two main categories were used: Operations and Maintenance ("O&M") Costs**, which include NPDES **compliance**, and **Capital Improvement Program ("CIP") costs**. These categories reflect how the City generally allocates funds to implement its day-to-day storm drainage-related programs.

SCI worked closely with City staff from both the Engineering Division and the Utilities and Operations Department to develop priorities for a sustainable Stormwater program.

O&M costs are relatively stable from year to year (approximately \$2 million annually) and present a firm baseline. However, the SCI Team worked with City staff to evaluate the

activities and identified several areas where levels of service and compliance activities should be increased. When projected forward to FY 22,⁶ the operating costs of the Program grow to nearly \$3 million.

The Table below shows the budgeted O&M expenditures for FYs 20 and 21 as well as projected costs for FY 22.

TABLE 3 – SUMMARY OF OPERATIONS & MAINTENANCE COSTS

<i>Shown in thousands</i>			
Element	FY 20	FY 21	FY 22
Operations & Maintenance			
El Macero Mtce District	\$ 206	\$ 211	\$ 216
Storm Drain Facility Mtce	1,062	1,103	1,134
Stormwater Regulatory	381	387	398
Support Costs	335	312	319
Baseline Subtotal	<u>\$ 1,983</u>	<u>\$ 2,013</u>	<u>\$ 2,067</u>
Add'l Regulatory Needs ^A			397
Add'l Operational Needs ^B			469
Total Operations & Maintenance Costs	<u>\$ 1,983</u>	<u>\$ 2,013</u>	<u>\$ 2,934</u>

A - Taken from LWA memorandum dated 6/10/20 (Appendix A)

B - Derived from Staff interviews, summarized in Appendix B

The **Capital Improvement Program** (“CIP”) costs shown in the Table below are a compilation of priority capital improvement projects or programs derived from the assessments listed above and staff recommendations. The costs for the first four projects were originally estimated in 2016 and included basic design costs. The first step was to escalate those cost estimates using the Construction Cost Index from the Engineering News Record. The second step was to include additional costs for environmental evaluation, permits, **construction administration, and project administration. These “soft costs” were assumed to add another 20% to the project total.** The final two projects were added as allowances for various studies and assessments⁷, and for annual minor projects aimed at making the physical system work more effectively. These projects were planned to be implemented over a ten-year period. A full description of projects is shown in Appendix C.

⁶ Fiscal Year 21-22 is the target year since any new fee structure will not be in place prior to that time.

⁷ These include: Needs Assessment, Condition Assessment (hydro-jet and CCTV), and Climate Change and Capacity Study.

TABLE 4 – SUMMARY OF PRIORITY CAPITAL IMPROVEMENT PROJECTS / PROGRAMS

Shown in thousands				
Projects / Programs	2015-16 Cost	2019-20 Cost		
	Base Costs	Base Costs	Soft Costs	Total Cost
SDS #6 Replacement	\$ 1,400	\$ 1,602	\$ 320	\$ 1,922
SDS #3 Replacement	12,200	13,960	2,792	16,752
SDS #5 Raising & Upgrades	5,200	5,950	1,190	7,140
Covell Channel Widening	1,150	1,316	263	1,579
Plans & Studies (Asset, Capacity, Ponds, Basins)				1,000
Annual Misc Upgrades (inlets, trash racks, siphons, sumps)				900
Total Capital Improvement Program	\$ 19,950	\$ 22,828	\$ 4,566	\$ 29,293

ANNUAL REVENUE REQUIREMENT

Since stormwater fees are subject to voter approval, it is recommended that a fee be structured in the beginning to be sustainable as well as steady over the long term. Unlike other utilities (e.g., water and sewer) where the fees can be reviewed and re-set at five-year (or less) intervals, stormwater fees are better set at an initial level that can be increased annually in accordance with a predetermined formula or index for many years to come. As a result, the revenue requirements must be expressed in annual terms that will reflect future years' needs (with the formulaic adjustments).

While the O&M costs are shown in Table 3 as annual costs, the CIP costs in Table 4 are shown as lump-sum, one-time costs. Therefore, the CIP costs must be annualized. This presents a significant challenge because City staff prefers to execute the primary projects in the first six years. In order to establish rates high enough to pay directly for this approach would likely be 1) too high to gain voter approval, and 2) higher than necessary after the six-year interval. A more common method of financing a front-loaded CIP is to incur debt that would provide early cash for project implementation and be paid back over time. This approach works best within a utility rate structure as it smooths out the cash flow peaks and provides for a steadier rate.

30-YEAR MODEL

In order to model the various options of debt versus pay-as-you-go ("PayGo"), SCI developed a 30-year rate model. This time frame was chosen as it allowed for either long-term debt or multiple shorter-term debt issuances. The 30-year period begins with FY 22 as the earliest time that a new fee structure could be implemented.

The model elements are as follows: two kinds of revenue (user fees and interest/miscellaneous) and four types of obligations (operating costs, debt service costs, reserves, and PayGo CIP expenses). These are shown in the graphic at the right.



All elements are managed in the model as predetermined calculations with one exception: the PayGo CIP is computed only after all revenues and other obligations are accounted for. In other words, the PayGo CIP is the cushion used to balance each year's figures.

On a parallel track, the overall \$29 million CIP is managed in two ways:

- It is reduced each year by the amount of:
 - Debt proceeds available for projects, and
 - PayGo expenditures.
- The remaining balance each year is escalated by the projected rate of change in the **Construction Cost Index ("CCI")**.⁸

The overall goal of the model is for the \$29 million CIP balance to be reduced to zero at the end of the 30-year period. This is managed by inputting sufficient revenue in the first year and balancing the debt amounts (and, thus, the debt service amount) to accomplish that goal.

In addition to the primary inputs, there are several assumptions⁹ that must be incorporated into the model. These are detailed in the following Table.

⁸ The CCI is published by the Engineering News Record.

⁹ **FINANCIAL ADVICE DISCLAIMER:** Any reference to indebtedness is strictly an exercise in engineering economics for the purpose of forecasting revenue requirements in connection to the rate setting process. Neither SCI nor any of its employees are a registered municipal advisor under the SEC rules. This is not a recommendation with respect to any specific municipal financial products or the issuance of any specific municipal securities. In that regard, we 1) are not recommending an action to the City, 2) are not acting as an advisor to the City, and 3) do not owe a fiduciary duty to the City pursuant to Section 15B of the Exchange Act. The City should discuss any information and material contained in this communication with any and all internal or external advisors and experts that the City deems appropriate before acting on this information or material.

TABLE 5 – FINANCIAL PROJECTION ASSUMPTIONS

Escalation Rates		
Revenues	2.60%	Based on Consumer Price Index ("CPI") average over past 30 years, with an annual cap of 3% and "banking" allowed
O & M Costs	2.78%	Based on the "Leland Model" with personnel at 3.26% and other operating costs at 2.0%
CIP Costs	2.60%	Based on Construction Cost Index average over past 30 years
Interest Earned		
Reserve Interest	2.00%	As recommended by City staff
Debt Assumptions		
Interest	4.00%	
Debt Issuance Cost	2.00%	
Debt Reserve Amount		One year's debt service
Debt Service Structure		Level payments
Debt Service Coverage	110%	Ratio of pledged revenue to debt service

This set of assumptions is derived from the following two important City documents: The reserve policy for enterprise funds, and the Leland Model. As applied to Storm Sewer Funds, the three elements of the reserve policy are as follows:

- Operating – a three-month reserve of operation expenses. A figure of 25% of annual operating costs was used.
- Emergency Capital – Annual amount equal to the five-year average PayGo CIP expenditures. Due to fluctuations in the CIP amounts, a starting figure of \$1 million was used. This was increased in certain scenarios when PayGo CIP expenditures increased significantly.
- Rate Stabilization – 5% of annual operating revenue.

For use in the 30-year model, the Operating and Rate Stabilization reserves were combined into a single amount of (25% + 5% =) 30% of operating costs. The full reserve policy can be found in Appendix D.

The Leland Model was developed to provide the City with a financial model for general fund expenditures. Recent utility cost of service studies have used the escalation rates from the general fund model (where applicable) to remain as consistent as possible across the City's funds. These were useful in establishing the escalation rate for operating expenditures in the 30-year model. The recommendations for personnel costs such as salaries and benefits were applied to the 7714 account (as the largest and most representative account in the Storm Sewer Funds) to compute a blended rate, which was computed as 3.26% per year. Other operating costs were assigned a 2% escalation rate based on the discretionary nature of many of those costs. When those two escalation rates were applied to the overall expenditures, the final blended escalation rate for all operating costs was 2.78%.

A question that arises about taking on municipal debt is that of added cost. To evaluate the impact of debt costs, SCI initially ran four debt models:

- A. \$20 million debt, 30-year term, remainder as PayGo
- B. \$10 million debt, 30-year term, remainder as PayGo
- C. Two succeeding 10-year debts (\$6 and \$7 million), remainder as PayGo
- D. No debt – all PayGo

As expected, the larger the debt, the higher the rate needed to be to pay for it. However, the spread between the \$20 million debt and no debt options was only 3%. This is primarily due to how close the debt interest rate (4%) was to the rate of construction cost escalation (2.6%). Further, the debt interest rate is likely more conservative than necessary. As the debt interest approaches the value of the CIP escalation, the smaller the variations in revenue requirements. The conclusion is that the rates are not very sensitive to whether, and how much, debt is taken on in the future. This allows the City the flexibility of deferring the answer to that question until a future time.

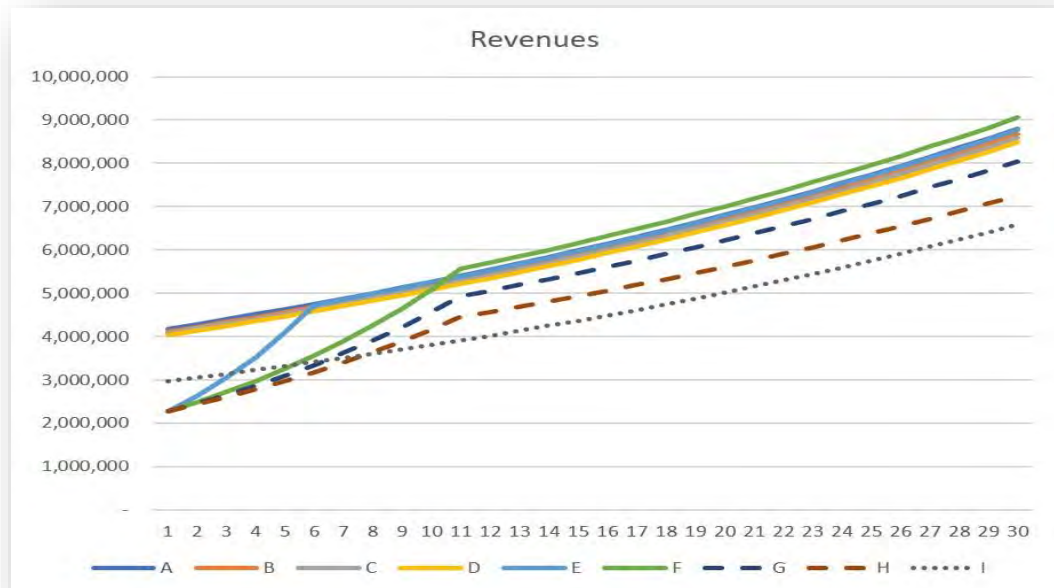
REVENUE REQUIREMENT FINDINGS

For the four scenarios listed above, the FY 22 revenue requirement ranged from \$4.03 to \$4.18 million. This is approximately double the current revenue levels, which would lead new user fees to increase significantly. This initial finding led to the development of additional scenarios where 1) revenues would be increased gradually, or ramped, over a period of years (scenarios E through H), and 2) CIP expenditures would be reduced (scenarios G, H and I). They are summarized in the Table below.

TABLE 6 – SUMMARY OF REVENUE SCENARIOS

Scenario	CIP Amt (millions)	Rev Req't (millions)	Yr-31 CIP (millions)	Ramp % Increase
A LT-20m Debt	\$ 29.3	\$ 4.178	\$ 2.264	
B LT-10m Debt	\$ 29.3	\$ 4.115	\$ 2.339	
C Multi-Debt	\$ 29.3	\$ 4.080	\$ 2.264	
D PayGo	\$ 29.3	\$ 4.031	\$ 2.158	
E Ramp 5	\$ 29.3	\$ 2.270	\$ 2.450	15.9%
F Ramp 10	\$ 29.3	\$ 2.270	\$ 2.740	9.4%
G Ramp 10	\$ 20.0	\$ 2.270	\$ 0.879	8.1%
H Ramp 10	\$ 10.0	\$ 2.270	\$ 0.453	7.0%
I No CIP	\$ -	\$ 2.974	\$ 0.231	

The way in which these scenarios fluctuate over time is shown in the graphic below. Scenarios E through H are ramped up over five or ten years, and the starting revenue is approximately 10% higher than current levels. The only significant deviation from the first four scenarios is F (10-year ramp) which ends up with a higher revenue requirement due to the deferral of early revenues. Also, scenarios G, H and I are significantly lower due to the reduced CIP expenditures.



This graphic illustrates the negligible variation among the differing debt levels (A through D). It also illustrates that the revenue requirements are much more sensitive to the CIP expenditure levels (F through I; \$29 million, \$20 million, \$10 million, and zero, respectively). It must be noted that these scenarios were crafted to evaluate these sensitivities. There are many other iterations of these factors that can also be explored.

REVENUE REQUIREMENT RECOMMENDATIONS

After consideration of the alternatives and consultation with the City, it is recommended that a blend of Scenarios A through D be the basis of the revenue requirement for a new fee, or \$4.1 million for FY 22. This scenario has the following advantages:

- The entire CIP can be completed within the 30-year planning window.
- Due to the low sensitivity to how (if any) debt is employed, this scenario allows flexibility to the City regarding debt and the pace of delivering the CIP.
- **The City’s Reserve Policy can be implemented within the first three years.**
- The CIP can begin early in the planning window. (All other options require delayed implementation of major CIP projects.)

The primary drawback of the recommended scenario is the immediate jump in rates from approximately \$6.00 to \$13.10 per month for the average home. A review of the utility bill for the average home in the City (summary at right) shows that this increase will cause the overall utility bill to increase approximately 5%. The two current stormwater fees account for approximately 4% of the bill; the proposed rate would increase that share to 8%.

	<u>Existing</u>	<u>Proposed</u>
Water	\$ 53.15	\$ 53.15
Storm	\$ 6.00	\$ 13.10
Other	\$ 15.04	\$ 15.04
Trash	\$ 38.95	\$ 38.95
Sewer	\$ 44.11	\$ 44.11
	<u>\$ 157.25</u>	<u>\$ 164.35</u>

Proposition 218 states that the amount of a fee upon any parcel shall not exceed the proportional costs of the service attributable to that parcel. It also states that no fee may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property. In compliance with Proposition 218, the proposed Stormwater Fee will only be imposed on properties that shed water, directly or indirectly, into the **City's** system or are otherwise served by the system. Additionally, the amount of use attributed to each parcel is proportionate to the amount of stormwater runoff contributed by the parcel, which is, in turn, proportionate to the amount of impervious surface area on a parcel (such as building roofs and pavements).

SINGLE-FAMILY RESIDENTIAL PARCELS AS BENCHMARK

The most widely used method of establishing storm drainage rates¹⁰ is to use the average or median single-family residential parcel¹¹ (**"SFR"**) as the basic unit of measure, or benchmark, which is called the single-family equivalent, or **"SFE."** **Since the metric for this fee structure is impervious surface area, a benchmark amount of impervious surface area ("ISA") must be established.**

Davis has a wide range of sizes of SFR parcels, which have varying percentages of **impervious area ("IA"). Generally, smaller, denser parcels** tend to have a higher proportion of impervious area than larger, less dense parcels, which tend to have a lower percentage of impervious area. (This can be best visualized by the fact that larger residential properties tend to have a larger *proportion of pervious* landscaping, and therefore a smaller *proportion of impervious* area.) A random sample of 243 SFR parcels was selected, and the ISA of each sample parcel was measured using aerial photographs. This sample data forms the basis for determining the median ISA, which will then be the basis for determining the SFE.

The range of SFR parcels was grouped into four size categories based on trends that emerged in the %IA data. The median sized SFR parcel is 0.17 acre (approximately 7,405 square feet), which is also the median parcel size for the medium SFR rate category. The average %IA for the medium size group was found to be 46.84%. Therefore, the median parcel in Davis contains **3,468 square feet of impervious surface area ("ISA")** as shown in

¹⁰ *Stormwater Utility Survey, 2017, page 2, Western Kentucky University. Other common names for this benchmark unit are Equivalent Runoff Unit (ERU) and Equivalent Drainage Unit (EDU).*

¹¹ The SFR category also includes multiplex parcels of two, three or four units, since the lot development characteristics do not vary significantly from the SFR parcels of similar size. In all, this includes the approximately 564 multiplex parcels in the City, which were distributed to the same four parcel size categories as the other SFRs. Any residential parcel with five or more units is categorized as apartments, which is calculated separately.

the calculation below. This will be used as the benchmark (1 SFE) for all other size categories and other non-residential land uses.

$$\begin{aligned}
 1 \text{ SFE} &= \%IA \times \text{Median Parcel Size} \\
 &= 46.84\% \times 7,405 \text{ sf} \\
 &= 3,468 \text{ sf}
 \end{aligned}$$

This becomes the basis for calculating the SFEs for all other types of land uses. The %IA for each size category was applied to the median size parcel in that category to calculate its median ISA. The SFE per parcel for each size category is a simple ratio of the median ISA for each category to the ISA (3,468 sf) for the benchmark category of medium-sized parcels as shown in the following formula:

$$\text{SFE per Parcel} = \frac{\text{Median ISA}}{3,468}$$

CONDOMINIUMS

Condominium units are particularly difficult to categorize as they are often on very small individual parcels yet share larger common areas that are made up of landscaped (pervious) areas, parking lots and shared roofs, and other recreational uses (either pervious or impervious). The data for these variables is not readily available, so some assumptions are made about their characteristics.

Condominiums can be grouped into two categories: Medium-density where there is only one level of residential units (e.g., townhomes) and high-density where there are multiple levels of residential units (similar to apartment buildings).

There are four sites containing 88 units of high-density condominiums in the City. Each of these sites were measured for ISA and analyzed as a class. The average ISA per unit was 1,045 square feet which equates to 0.30128 SFE per parcel.

Medium-density condominiums are more numerous (2,682 units). They share site characteristics with both the high-density condominium and single-family residences. Therefore, they are assigned an ISA value equal to the average ISA for high-density condominium (1,045 sf) and medium size SFR (3,468 sf), or 2,257 sf. This equates to 0.65064 SFE per parcel.

The Table below shows a summary of the SFEs for residential parcels.

TABLE 7 – SUMMARY OF RESIDENTIAL PARCELS

Lot Type	Parcel Size Range		# of Parcels ^A Acres ^A		Median ISA (sf) ^B	SFE per Parcel
	<u>Acres</u>	<u>Square Footage</u>				
Small	under 0.14	under 5,881	2,557	269.37	2,710	0.7812
Medium	0.14 to 0.22	5,881 to 9,800	7,603	1,306.12	3,468	1.0000
Large	0.23 to 0.27	9,801 to 11,978	1,350	329.98	4,622	1.3325
Very Large	over 0.27	over 11,978	782	328.40	5,156	1.4865
Condo - Med Density ^C		na	2,682	174.15	2,257	0.6506
Condo - Hi Density		na	88	2.74	1,045	0.3013
TOTAL			15,062	2,410.76		

A Numbers of Parcels and Acres do not factor into the basis of the SFE calculation; they are shown for informational purposes only.

B From Table 10, Appendix E.

C Medium-density condominiums are the average of Hi-Density Condo and Medium SFR

NON-RESIDENTIAL PARCELS

Unlike the residential parcels, the non-residential parcels can vary widely in size as well as impervious characteristics. For this reason, the parcels have been grouped into land use categories according to their %IA characteristics (as shown in Appendix E). The SFE for each land use category is based on a per-acre basis, so size can be a variable in the calculation of the fee. The SFE-per-acre can be computed for each category using the following formula:

$$\frac{(43,560 \text{ sf} / \text{acre}) \times \% \text{ IA}}{3,468 \text{ sf} / \text{SFE}} = \text{SFE per Acre}$$

where 3,468 square feet is the amount of ISA in one SFE.

The Table below shows a summary of resulting SFEs for each non-residential land use category.

TABLE 8 – SUMMARY OF NON-RESIDENTIAL PARCELS

Land Use Category	# of Parcels ^A	Acres ^A	% Imperv Area ^B	SFE per Acre
Mobile Home Park	3	43.10	59.7%	7.499
Apartment	221	471.22	63.3%	7.948
Comm / Industrial / Retail	372	396.49	83.8%	10.527
Office	275	136.53	69.1%	8.677
Institutional	58	118.16	59.7%	7.499
Institutional w/ Field	16	202.71	41.9%	5.261
Park	280	580.77	5.0%	0.628
Vacant (developed)	135	187.40	5.0%	0.628
Open Space / Agricultural	421	275.07	not charged	
TOTAL	1781	2,411.45		

A Aggregate numbers of Parcels and Acres do not factor into the basis of the SFE calculation; they are shown for informational purposes only.

B %IA is from Table 10, Appendix E.

Each individual parcel's SFE is then calculated by multiplying the parcel size (in acres) times the SFE per acre for that land use category, as shown in the following formula:

$$\text{Parcel Size (acres)} \times \text{SFE per Acre} = \text{SFE}$$

NON-RESIDENTIAL CONDOMINIUMS

Non-residential condominium parcels such as commercial or office condominiums cannot be charged on the acreage of the individual unit because that would omit the acreage of the common areas, which are often parking lots with high %IA. In turn, the common area acreage data is sometimes duplicative of the acreages assigned to the individual units. For these reasons, and because there are relatively few such condominiums in the City, the full site acreage for each complex of condominiums has been apportioned to the individual units, **prorated on the basis of the individual unit's floor space**. From that, their SFEs are calculated in the normal method.

DEVELOPED VACANT¹² PARCELS

Developed vacant parcels are devoid of obvious structures or improvements but are distinguished from natural open space by one of several characteristics. Typically, a developed vacant parcel has been graded to be ready for building construction (possibly as

¹² "Vacant" in this Report refers to land that is devoid of improvements. It does not refer to land with vacant buildings or improvements, which would continue to shed water to the MS4 the same as if they were occupied.

part of the original subdivision or adjacent street grading). In some cases, the parcel previously contained a structure or improvement that has been removed, but its fundamental alteration from a natural state remains. Although developed vacant parcels may have significant vegetative cover, the underlying soil conditions resulting from grading work or previous improvements usually cause some rainfall to runoff into the storm drainage system. The %IA for developed vacant parcels is reasonably assumed to be 5%, which is also used as a minimum value of imperviousness for any land use type (excluding open space and agricultural land – see next section). Vacant parcels that have significant impervious paving remaining from prior improvements may be classified as Commercial or some other classification best representing the %IA of the parcel.

OPEN SPACE AND AGRICULTURAL PARCELS ARE NOT CHARGED

The **City's** storm drain system was developed in response to land development over many decades. Tracts of land that have not yet been developed, or have been used primarily for agricultural purposes, have not created an impact on the system beyond the natural condition, and are therefore considered to receive no service from the system. In practical terms, these parcels generate no additional storm runoff beyond the natural condition. For these reasons, open space and agricultural parcels are not charged a Fee.

HYBRID PARCELS

Some parcels may have both improvements as well as significant open space areas. For such parcels that contain a residence, the open space acreage does not increase the fee because residential parcels are not charged on a per-acre basis. Rather, they are charged based on the median ISA for that size category.

For such parcels that contain non-residential improvements (which are charged on a per-acre basis), the chargeable acreage should be adjusted downward to reflect the improved **area only, leaving the open space area “invisible” to the fee calculation**. Where parcels have been found in this category, that acreage adjustment has been made.

OTHER PARCELS

Parcels that do not fall within the land use descriptions listed above may be placed into the category having the closest %IA characteristics.

RATE CREDITS

LOW IMPACT DEVELOPMENT RATE CREDIT

The NPDES Permit requires certain properties to construct stormwater treatment and attenuation facilities, also known as low impact **development (“LID”)**. **These facilities** are typically designed to capture a portion of the storm flows, retain them, and enable them to filter through a landscape, be used as an alternative water supply, or infiltrate into the ground. While this is intended to help filter pollutants from the water, it also can reduce the **parcel's stormwater runoff quantity to some extent, which in turn can reduce a parcel's**

impact on the system. In addition to Permit-required LID, other parcel owners may elect to follow LID guidelines voluntarily.

The section of the Permit that requires LID facilities is Provision E.12 (Post Construction Stormwater Management Program). Compliance with E.12 is a well-established and convenient metric on which to base customer activities that further Program goals and affect Program costs. E.12 compliance can have impacts to many of the Program elements. Based on a detailed study done for a similar city in the Bay Area¹³ it has been determined that compliance with Provision E.12 equates to a reduction of Program impacts of approximately 25% based on the overall Program costs. Based on that analysis, E.12-compliant parcels shall receive a credit of 25% of their otherwise-calculated fee.

Some non-residential parcels may implement LID for only a portion of the parcel acreage. **Since that effort and reduction in impacts to the City's storm drainage system** should be recognized, those parcels should receive a partial credit. For any parcel that implements LID for 26% to 50% of the site acreage, the credit shall be 12.5%. For any parcel that implements LID for 25% or less of the site acreage, the credit shall be 6.3%.

STORMWATER FEE CALCULATION

The primary metric in this analysis is the SFE as illustrated above. To arrive at the fee amount for the various land use categories, the total City-wide SFEs must be divided into the total revenue requirement to arrive at the rate per SFE. Using the analysis above, that calculation is represented by the following formula:

$$\begin{aligned} SFE \text{ Rate} &= \frac{\text{Annual Revenue Req't}}{\text{Total SFEs}} \\ &= \frac{\$4,100,000}{26,089.90} \\ &= \$157.15 \text{ per SFE per year} \\ \text{or} &= \$13.10 \text{ per SFE per month} \end{aligned}$$

This SFE rate amount is then multiplied by the SFEs per parcel or per acre for the various land use categories to arrive at the Stormwater Fee Rate Schedule shown in the Table below. It should also be noted that the proposed rates shown below are proposed to replace

¹³ City of Cupertino, CA, 2019 Clean Water and Storm Protection Fee Report, February 2019, pages 11 and 12, as reproduced in Appendix F of this Report.

the two existing rates currently in effect, which total approximately \$72 per year, or \$6 per month, for the average residence.

Appendix G has information about stormwater rate initiatives implemented by other municipalities and rates adopted by other municipalities.

TABLE 9 – PROPOSED FY 22 STORMWATER FEE SCHEDULE

Land Use Category				Proposed Monthly Rate FY 2022		
Residential ^A						
Small	Under	0.14	ac	\$	10.23	per parcel
Medium	0.14 to	0.22	ac	\$	13.10	per parcel
Large	0.23 to	0.27	ac	\$	17.45	per parcel
Very Large	Over	0.27	ac	\$	19.47	per parcel
Condo - 1 Level				\$	8.52	per parcel
Condo - 2+ Levels				\$	3.95	per parcel
Non-Residential ^B						
Mobile Home Park				\$	98.20	per acre
Apartment				\$	104.08	per acre
Comm / Industrial / Retail				\$	137.86	per acre
Office				\$	113.63	per acre
Institutional				\$	98.20	per acre
Institutional w/ Field				\$	68.89	per acre
Park				\$	8.22	per acre
Vacant (developed)				\$	8.22	per acre
Open Space / Agricultural				not charged		

A - Residential category also includes duplex, triplex and four-plex.

B - Non-Residential parcel size is calculated to the hundredth of an acre.

These rates are proposed to be maximum rates. If the City chooses to propose, adopt or implement rates that are lower than these, the reductions should be uniform across all rate classes in order to preserve the proportionality and remain in compliance with Proposition 218.

ANNUAL COST INDEXING

The 2019 Stormwater Fee is subject to an annual adjustment tied to the Consumer Price Index-U for the San Francisco Bay Area as of December of each succeeding year (the “CPI”), with a maximum annual adjustment not to exceed 3%. Any change in the CPI in excess of 3% shall be cumulatively reserved as the “Unused CPI” and shall be used to increase the maximum authorized rate in years in which the CPI is less than 3%. The maximum authorized rate is equal to the maximum rate in the first fiscal year the Fee was approved adjusted annually by the lower of either 3% or the change in the CPI plus any Unused CPI as described above.

MANAGEMENT AND USE OF STORMWATER FUNDS

The City shall deposit into a separate account(s) all Stormwater Fee revenues collected and shall appropriate and expend such funds only for the purposes outlined by this Report. The specific assumptions utilized in this Report, the specific programs and projects listed, and the division of revenues and expenses between the two primary categories (O&M and CIP) are used as a reasonable model of future revenue needs and are not intended to be binding on future use of funds.

Dated: October 14, 2020

Engineer of Work

By _____
Jerry Bradshaw, License No. C48845

APPENDIX A – TECHNICAL MEMORANDUM BY LWA

On the following pages is a technical memorandum, dated June 10, 2020, by SCI Team member LWA. **This memorandum contains an analysis of the City of Davis' NPDES Permit compliance including additional needs.**



Memorandum

DATE: June 10, 2020

TO: Stan Gryczko, City of Davis

SUBJECT: City of Davis – Comprehensive Stormwater/Drainage Rate Study

Cc: Brian Mickelson, City of Davis
Jennifer Cariglio, City of Davis
Adrienne Heinig, City of Davis
Susan Barnes, SCI Consulting Group
Jerry Bradshaw, SCI Consulting Group
Karen Ashby, Larry Walker Associates

Rachel Warren
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1. INTRODUCTION

In response to the federal Clean Water Act (CWA) amendment of 1987 to address urban stormwater runoff pollution from Municipal Separate Storm Sewer Systems (MS4s), and the federal National Pollutant Discharge Elimination System (NPDES) regulations, the State Water Resources Control Board (State Water Board) issued a Phase II Small Municipal Separate Storm Sewer System (MS4) General Permit¹ (Phase II Permit) to the City of Davis (City) in 2003. This permit was subsequently renewed in 2013.²

The Phase II Permit regulates stormwater and non-stormwater discharges from the City's MS4 and requires implementation of/compliance with the following key components:

- Program Management (E.6)
- Education and Outreach Program (E.7)
- Public Involvement and Participation Program (E.8)
- Illicit Discharge Detection and Elimination (E.9)
- Construction Site Stormwater Runoff Control Program (E.10)
- Pollution Prevention/Good Housekeeping (E.11)
- Post Construction Stormwater Management Program (E.12)
- Water Quality Monitoring (E.13)

¹ NPDES Permit No. CAS000004, Order No. Order 2003-0005-DWQ

² State Water Resources Control Board Water Quality Order No. 2013-0001-DWQ National Pollutant Discharge Elimination System (NPDES) General Permit No. CAS000004 Waste Discharge Requirements (WDRS) for Storm Water Discharges from Small Municipal Separate Storm Sewer Systems (MS4s) (Phase II MS4 Permit)

- Program Effectiveness Assessment and Improvement (E.14)
- Total Maximum Daily Loads Compliance Requirements (E.15)
- Annual Reporting Program (E.16)

The City implements the stormwater program within its jurisdiction. Over the years, the range of actions and necessary level of effort to implement the stormwater program has increased in response to the evolving regulatory requirements and community needs.

The purpose of this Technical Memorandum (TM) is to present the results of a planning-level cost estimate that has been developed to identify the full costs of implementing the stormwater program by the City over the next ten years. The results of this analysis may be used to support an evaluation of the need for and feasibility of a stormwater utility or other fee-based options. The cost estimate includes a summary of current year (FY 19-20) and future projected (FY 20-21 through FY 29-30) implementation costs of the stormwater program and is accompanied by an Excel spreadsheet-based model.³

This memorandum is organized as follows:

1. Introduction
2. Approach
3. Results and Discussion
 - 3.1 Summary of Costs
 - 3.2 Detailed Costs

2. APPROACH

In order to understand the funding needs for the stormwater program, the costs for full implementation of the permit requirements must be understood and compiled. However, tracking and compiling staff time and resources across multiple departments and budget funds and accounts can be a complex and time-consuming process. To identify the implementation costs for the City as comprehensively and efficiently as possible, an interview was conducted with key staff that included structured questions and discussions regarding the agency's staffing, implementation approach(es) for the range of permit requirements, and the estimated costs for program implementation and compliance. *It should be noted that the costs described within this TM are for the regulatory, programmatic staff, and resource needs to manage and comply with the Phase II Permit. These costs do not include ancillary operations and maintenance (O&M) costs or capital improvement costs⁴.*

³ The City does not have a dedicated source of revenue for stormwater programmatic costs (i.e., regulatory, operations and maintenance). The City does have various potential sources of revenue for capital improvement project (CIP) costs, which are not detailed in this technical memorandum.

⁴ The O&M and CIP related costs are summarized in a separate TM.

3. RESULTS AND DISCUSSION

A summary of the total City costs for full implementation of the stormwater program during the current year (FY 19-20), and future years (FY 20-21 through FY 29-30), is provided within this section. The information is presented in two ways: a summary of City revenues and costs (**3.1. Summary of Costs**) and a detailed breakdown of costs (**3.2. Detailed Costs**). The approach and assumptions used to develop each of these summaries are described below. All costs are in present-value dollars.

3.1. Summary of Costs

Costs for the current and projected full implementation of the stormwater program were estimated based on budgetary and supplemental information provided by the City, as well as best professional judgement regarding future, anticipated requirements. The costs were compiled and organized by:

- Existing Identified Expenses, including the Phase II permit fees and baseline costs for the management and implementation of the program, which includes all “regulatory” portions of the stormwater program.
 - The baseline costs were identified by the estimated amount of time spent by City personnel conducting the related regulatory activities within each fund [Fund 541 (Programs 7411, 7414, and 7715), Fund 544 (Program 7730)]⁵.
 - The percent of time spent within each program fund by each position was identified by the City, and the resulting hours (a percentage of 2080 hours was assumed for full time employees, and of 1040 hours for part time employees) were further divided by the City into the percent of time spent on direct costs, O&M, and CIP. The FY 19-20 Step 5 (maximum level) fully burdened hourly rates were assumed for each personnel position. The baseline current cost for FY 19-20 was calculated as the sum of the regulatory costs for each personnel position.
 - Other operating costs were calculated as 21.74% of the baseline costs.
- Additional Needs, including current and future anticipated needs.
 - The current identified implementation needs are related to Phase II Permit components (e.g., illicit discharge detection and elimination, construction, annual reporting) as well as currently adopted and effective additional regulatory requirements (Statewide Trash Amendments).
 - Future anticipated needs include additional requirements pursuant to the renewal of the Phase II Permit as well as the adoption of the Pyrethroid Pesticides Total Maximum Daily Load (TMDL) and Basin Plan Amendment.

⁵ Regulatory activities were identified across all four programs (7411, 7414, 7715, and 7730), with additional support from operations and maintenance (O&M) and CIP activities within program 7730 and O&M within program 7715.

In addition, a 2.78% annual escalation factor⁶ was included for specific costs starting in FY 20-21. The escalation factor was calculated using information provided by the City and is the weighted average of the specific annual escalators for each aspect of personnel costs (e.g., salary, retirement, leave, health insurance) and other operating costs.

The Existing Identified Expenses for FY 19-20 and the Additional Needs for FY 20-21 through FY 29-30 are summarized in **Table 1** and **Figure 1**. Below are a few key observations regarding the overall estimated costs:

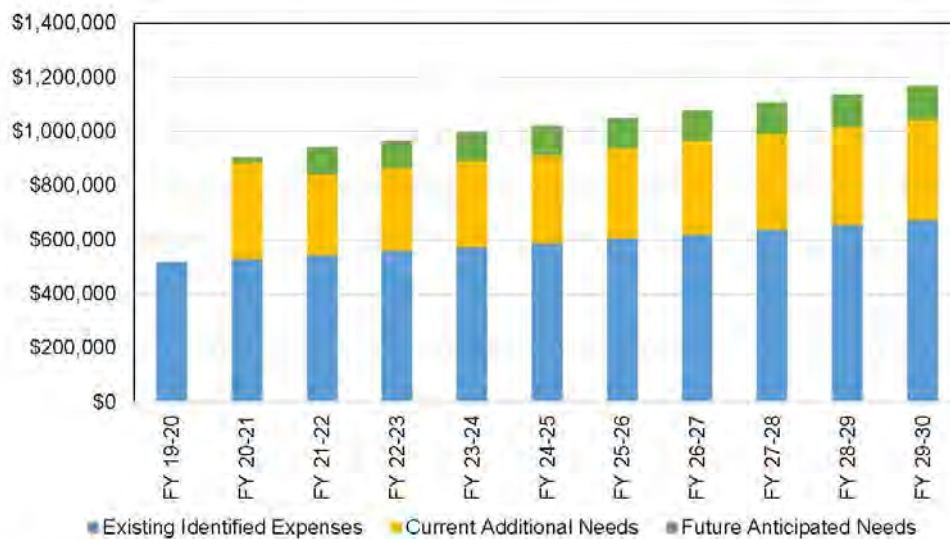
- In FY 20-21, the *Additional Needs* represent a 71% increase above the *Existing Identified Expenses*. In FY 21-22 through FY 29-30, the *Additional Needs* represent a 73% increase (on average) above the *Existing Identified Expenses* (**Table 1**).
- Based on the information available and the assumptions made, between FY 19-20 and FY 29-30, the total cost of the stormwater program may increase significantly (i.e., from \$516,000 to \$1,167,000) (**Table 1** and **Figure 1**).
 - Between FY 19-20 and FY 20-21, a significant increase in the total cost of the stormwater program is anticipated to occur due to the *Additional Needs*. This increase is based on a thorough evaluation of the City personnel costs required to implement the current Phase II Permit provisions.

⁶ Since the permit fee is based on the City's population from the most recently published U.S. Census, it is not subject to the percent increase.

Table 1. Summary of Total Estimated Costs for Stormwater Program, by Cost Category and Fiscal Year

Cost Category	Current	Projected Future									
	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Existing Identified Expenses	\$516,470	\$530,235	\$544,382	\$558,923	\$573,887	\$589,227	\$605,015	\$621,241	\$637,918	\$655,058	\$672,676
Additional Needs											
Current Additional Needs	\$0	\$355,895	\$299,760	\$308,093	\$316,658	\$325,461	\$334,509	\$343,808	\$353,366	\$363,190	\$373,287
Future Anticipated Needs	\$0	\$18,261	\$97,224	\$99,927	\$102,705	\$105,560	\$108,495	\$111,511	\$114,611	\$117,797	\$121,072
Total Additional Needs	\$0	\$374,156	\$396,984	\$408,020	\$419,363	\$431,022	\$443,004	\$455,320	\$467,977	\$480,987	\$494,359
Total Regulatory Expenses^[a]	\$516,000	\$904,000	\$941,000	\$967,000	\$993,000	\$1,020,000	\$1,048,000	\$1,077,000	\$1,106,000	\$1,136,000	\$1,167,000

[a] Rounded values.

**Figure 1. Total Estimated Costs for Stormwater Program, by Cost Category and Fiscal Year**

3.2. Detailed Costs

Costs for stormwater program implementation for the Phase II Permit were estimated based on budgetary and supplemental information provided by the City, as well as estimates for the anticipated future costs. The approach and assumptions used were as follows:

- Information used to determine the Existing Identified Expenses shown in **Table 2** was primarily provided by the City during the interview and follow-up communications.
 - The stormwater permit fee is determined by the California Code of Regulations (CCR) Fee Schedule for NPDES Storm Water Fees.⁷ The fee is based on the population from the most recently published United States (U.S.) census, which was 2010. The City is in one bracket (population between 50,000 and 74,999) based on the 2010 U.S. Census, and the most recent estimate (2018) places the City in the same bracket. Thus, it can reasonably be assumed that the City's fee will remain at \$21,344 after the 2020 U.S. Census is published, and minor adjustments the regulatory authorities may make to that amount are not expected to be significant.
- Additional Needs identified are shown in **Table 2** and are as follows:
 - Current Additional Needs
 - Beginning with FY 20-21, costs for ongoing stormwater program implementation activities not included in existing costs were identified. These include:
 - Implementation costs related to Phase II Permit provisions, including illicit discharge detection and elimination, construction, and annual reporting.
 - Implementation costs associated with the requirements of the Statewide Trash Amendments, in particular, the City's *Track 2 – Implementation Plan for the State Water Resources Control Board's Trash Amendments*.
 - Costs were allocated to FY 20-21 for specific one-time activities associated with implementing the Statewide Trash Amendments that are not included in existing expenses. These costs are higher in FY20-21 then reduced to a lower ongoing value.
 - Future Anticipated Needs included the following:
 - Costs related to the requirements of the Basin Plan Amendment (BPA) for the Control of Pyrethroid Pesticide Discharges⁸, including the development and implementation of a Pyrethroid Management Plan.

⁷ 23 CCR § 2200. Annual Fee Schedules

⁸ Central Valley Regional Water Quality Control Board, Resolution R5-2017-0057. Basin Plan Amendment (BPA) for the Control of Pyrethroid Pesticide Discharges. Approved by OAL on February 19, 2019. Available at: https://www.waterboards.ca.gov/rwqcb5/water_issues/tmdl/central_valley_projects/central_valley_pesticides/pyrethroid_tmdl_bpa/

- Costs associated with the renewal of the Phase II Permit were estimated using best professional judgment, assuming that the renewal would result in increased and/or new requirements that would require additional funds. These costs were estimated at 15% of the baseline current costs (estimated at \$64,445, beginning in FY 21-22).
- Future cost projections were based on the Existing Identified Expenses (from FY 19-20), Additional Needs (from the years they began, primarily FY 20-21), and an annual escalation factor of 2.78%, to account for inflation/cost of living increases and other operating costs. The costs that were affected by the 2.78% annual escalation factor are shaded purple in **Table 2**.
 - No future cost projections were made for the one-time additional costs in FY 20-21 associated with the Statewide Trash Amendments.
- Other operating expenses were calculated as 21.74% of personnel costs for all categories, based on the percentage of the calculated operating expenses for Fund 7730 (\$64,178, not including the permit fee) out of total costs (\$380,762). Other operating expenses in Fund 7730 included O&M, contracts and professional services, and inter-department transfers.

Table 2. Detailed Costs for Stormwater Program, by Cost Category and Fiscal Year

Cost Category	Current			Projected Future ^(a)							
	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Existing Identified Expenses											
Phase II Permit											
Phase II Permit fees ^(b)	\$21,344	\$21,344	\$21,344	\$21,344	\$21,344	\$21,344	\$21,344	\$21,344	\$21,344	\$21,344	\$21,344
Baseline Costs ^(c)	\$406,708	\$418,015	\$429,635	\$441,579	\$453,855	\$466,472	\$479,440	\$492,769	\$506,468	\$520,547	\$535,019
Other Operating Costs ^(d)	\$88,418	\$90,876	\$93,403	\$95,999	\$98,668	\$101,411	\$104,230	\$107,128	\$110,106	\$113,167	\$116,313
Total Existing Identified Expenses	\$516,470	\$530,235	\$544,382	\$558,923	\$573,867	\$589,227	\$605,015	\$621,241	\$637,918	\$655,058	\$672,676
Additional Needs											
Current Additional Needs^(e)											
Phase II Permit											
Environmental Resources Specialist for Discharge Prohibitions (10% FTE) ^(f)	-	\$17,680	\$18,172	\$18,677	\$19,196	\$19,730	\$20,278	\$20,842	\$21,421	\$22,017	\$22,629
Construction Inspector (100% FTE) ^(f)	-	\$176,800	\$181,715	\$186,767	\$191,959	\$197,295	\$202,780	\$208,417	\$214,211	\$220,166	\$226,287
Assistance with Annual Reporting (20% FTE) ^(f)	-	\$35,360	\$36,343	\$37,353	\$38,392	\$39,459	\$40,556	\$41,683	\$42,842	\$44,033	\$45,257
Statewide Trash Amendments ^(g)	-	\$62,500	\$10,000	\$10,278	\$10,564	\$10,857	\$11,159	\$11,469	\$11,788	\$12,116	\$12,453
Other Operating Costs ^(d)	-	\$63,555	\$53,530	\$55,018	\$56,548	\$58,120	\$59,736	\$61,396	\$63,103	\$64,857	\$66,661
Total Current Additional Needs	\$0	\$355,895	\$299,760	\$308,093	\$316,658	\$325,461	\$334,509	\$343,808	\$353,366	\$363,190	\$373,287
Future Anticipated Needs^(h)											
Pyrethroid Pesticides TMDL and Basin Plan Amendment	-	\$15,000	\$15,417	\$15,846	\$16,286	\$16,739	\$17,204	\$17,682	\$18,174	\$18,679	\$19,199
Renewed Phase II Permit Requirements (15% of baseline current costs)	-	\$0	\$64,445	\$66,237	\$68,078	\$69,971	\$71,916	\$73,915	\$75,970	\$78,082	\$80,253
Other Operating Costs ^(d)	-	\$3,261	\$17,362	\$17,845	\$18,341	\$18,851	\$19,375	\$19,913	\$20,467	\$21,036	\$21,621
Total Future Anticipated Needs	\$0	\$18,261	\$97,224	\$99,927	\$102,705	\$105,560	\$108,495	\$111,511	\$114,611	\$117,797	\$121,072
Total Additional Needs	\$0	\$374,156	\$396,984	\$408,020	\$419,363	\$431,022	\$443,004	\$455,320	\$467,977	\$480,987	\$494,359
Total Regulatory Expenses (Rounded)	\$516,000	\$904,000	\$941,000	\$967,000	\$993,000	\$1,020,000	\$1,048,000	\$1,077,000	\$1,106,000	\$1,136,000	\$1,167,000

[a] Light purple shading indicates that an annual escalator of 2.78% was applied to estimate inflation. This value was determined using information provided by the City and is considered to be the weighted average of the specific annual escalators for each aspect of personnel costs (e.g., salary, retirement, leave, health insurance) and other operating costs.

[b] Permit fees were determined by the California Code of Regulations (CCR) Fee Schedule for NPDES Storm Water Fees (23 CCR § 2200, Annual Fee Schedules) and the population from the most recently published United States (U.S.) census, which was 2010.

[c] Calculated from fully burdened hourly rates at the Step 5 level (per the Excel file provided by the City, "Labor Rates Step 5 April 2020") and the percent of each position's annual hours spent on regulatory activities from each fund.

[d] Other operating costs are calculated as 21.74% of personnel costs for that category.

[e] Additional expenses were identified by the City through the interview process with LWA and via review of the City's Trash Implementation Plan.

[f] FTE: Full Time Employee, assuming \$85/hour fully burdened rate.

[g] Compliance with the Trash Implementation Plan requires two additional assessment field personnel and a designated office person as point-of-contact (from the Track 2 – Implementation Plan for the State Water Resources Control Board's Trash Amendments, City of Davis' Public Works Department Environmental Resources Division, December 2, 2018, Revised March 21, 2019). The City estimates this cost at between \$50,000-\$75,000 for the first year and \$10,000 for subsequent years, subject to the annual escalator.

[h] Future anticipated needs are based on best professional judgment.

APPENDIX B – ADDITIONAL NEEDS FOR OPERATIONS AND MAINTENANCE

TABLE 10 – ADDITIONAL NEEDS FOR OPERATIONS & MAINTENANCE

Item	Description	FY 20	FY 21
Increase Salaries	Increase 10% to achieve market rate	\$ 43,562	\$ 44,773
Additional Staff	* MWI	\$ 263,058	\$ 270,371
	* Collection System Tech		
Contract Services	* Hydro Cleaning Storm Pipes	\$ 150,000	\$ 154,170
	* Channel Cleaning		
Total Additional Costs for O & M		\$ 456,620	\$ 469,314

APPENDIX C – CIP PROJECT DESCRIPTIONS

On the following pages is a staff report to the Utilities Commission on September 16, 2020 that provides background on capital project priorities and details about the projects.



Memorandum

Date: September 16, 2020
To: Utilities Commission
From: Stan Gryczko, Public Works Utilities and Operations Director
Brian Mickelson, Assistant City Engineer
Adrienne Heinig, Management Analyst
Subject: Item 6D – Stormwater Capital Improvement Projects – Priority and Risk

Recommendation

Receive informational report.

Background

For the past few months, the Utilities Commission has been reviewing the financial plan for the Stormwater Utility, one of three cost of service studies that are currently underway. The City's stormwater rates have been in place since the mid-1990's, prior to the adoption of Proposition 218 in November of 1996, and the resulting changes to the rate implementation process associated with the proposition's approval. The current rate revenue does not fully cover the financial needs of the Stormwater program, as the system is aging, and needs upgrades and replacements to reflect the changing stormwater landscape of the City of Davis. It has been recommended that stormwater rates should be raised to capture current and planned future costs. To that end, staff have completed and presented a 30-year capital improvement project plan, although the majority of projects would be scheduled for completion within the first 10 years of the potential rate adoption. This project list, amounting to about \$34 Million dollars over 30 years, is one of the largest drivers of the necessary rate increase.

Project Prioritization

Through the evaluation of the financial plan of the Stormwater Utility, questions arose as to whether City staff could rank or prioritize the capital projects, to smooth out necessary rate adjustments or reduce those adjustments. Staff has consistently indicated that all of the capital projects included within the financial plan are necessary and high priority. The projects are based on recommendations from a study conducted in February 2015. This study was used to understand the anticipated timelines, cost and priority for each project.

Within the study, prioritization is focused as follows: *The most problematic and immediate issues should be addressed first. Problematic issues include an inadequately sized pump station, safety concerns for the City's Staff or the general public, or regular and significant staff maintenance efforts.*

The City has 9 pump stations, with three that need extensive work as described below, and the remaining 6 in good working order. While the stations not identified as the highest priority could benefit from some renovation, it would not be appropriate to focus limited resources on those projects at this time, and that work is included as maintenance and smaller-cost efforts budgeted over time (captured in the study as Annual Misc. Upgrades). All of the capital projects listed in the financial plan have either inadequate sizing, safety concerns, and/or significant staff maintenance effort needed, making them high priority projects.

Each of these projects, with immediate hazards and risks, along with longer-term hazards and risks, are included below:

Note: *While the full failure of the stations might be an unlikely occurrence, even with the age of the infrastructure, staff were asked to include information on all risks associated with the CIP projects. Each of these sections will include information on what would occur in a full failure scenario.*

Capital Improvement Projects Listing and Detail

Storm Drainage Station No. 6

Year Constructed: 1924

Pump Type: Electric

SDS (Storm Drainage Station) #6 is the City's oldest station, and is located at Richards Blvd. and Olive Drive. The station was developed just after the construction of the undercrossing. The station is well past its useful life, as typically the useful life of pump station equipment is around 20-30 years, with structures having a useful life of around 50 years. Although the station has been maintained well by stormwater staff, the station needs to be replaced to address a number of safety issues and capacity concerns.

Immediate Hazards/Risks:

- Accessing the station – access is a walkway which is only separated from close large traffic by a chain. The access itself is below accepted requirements for operations and maintenance needs.
- Hazardous materials – The discharge pipe is comprised of asbestos cement.

Long-term Risks

As the station is the oldest in the Stormwater Utility, the surrounding needs of the City have changed considerably since construction. The station does not have the capacity to address the volume of stormwater needed to prevent flooding in the Richards Blvd undercrossing.

Failure of the Station

Failure of the station would result in flooding of the Richards Boulevard tunnel and would cut off this route into and out of the City. This would be an immediate impact to safety, as there is no interconnect to alert staff to the flooding. If flooding occurs and is not reported, this leaves drivers in an unsafe condition, especially at night when the flooding is less visible. In addition, this eliminates this route if needed for an evacuation, reduces in the ability to get goods into and

out of the City, and effects operations on Interstate 80 as northbound traffic would not have access to central Davis from this interchange, shifting traffic to other interchanges.

Storm Drainage Station No. 5 (El Macero Drainage Station)

Year Constructed: 1966

Pump Type: Electric

This station drains South Davis, Willowbank, El Macero, a large portion of unincorporated area comprised of agricultural lands and extends into Solano County. This station protects structures, Interstate 80 and adjacent properties from property and crop damage.

Immediate Hazards/Risks:

- Flooding - During larger storms, the station floods. This can be evidenced by a steel plate which was welded into the doorway which stands approximately 2 and a half feet tall in order to keep flood water from entering the door and flooding the station. If water enters the station, the control equipment will short out and cause the station to fail. During these times of water inundation, the only way staff can access the pump station is to wear waders and wade out to it. This presents a number of hazards to staff attempting to access the station, detailed below.
 - Shock hazard – The steel plate protecting the station can present a shock hazard for staff in flooding events.
 - Hazards to staff – Include drowning risks, as well as back or other injuries.
- Risk to equipment - the pumps themselves are at risk of being flooded causing them to short out and fail. Vegetation growth can cause issues by blocking the pumps, preventing staff from accessing them.
- Aging Equipment - station has seen wear and its components are wearing out.
- Frequent power outages occur, necessitating more maintenance work by staff, and requiring access during periods when the conditions may not be safe.

Long-term Risks

The station needs to be raised in order to proactively prevent the flooding events, and remove safety hazards for staff. In addition, the station location and service area (largely impacted by surrounding agricultural properties) necessitate a close review of the placement of the station, as well as protection for the station against material more likely to occur in a non-urban setting, such as ongoing sediment runoff requiring frequent cleanouts.

Failure of the Station

Failure of the station would result in significant flood damage to adjacent crops, structures and if flooding continued long enough, it could reach Interstate 80, causing safety and operational issues. In addition as failure of this station would flood the station, this would result in the large cost of loss of the mechanical, electrical and computer equipment in the station.

Storm Drainage Station No. 3 (H Street Pump Station)

Year Constructed: 1948

Pump Type: Diesel

This station is the largest of the City's pump stations, and is centrally located in town. With the changes around the station since the initial installation, including the construction of the Covell overpass, and the buildout of the Cannery development, the station is at risk for structural damage in a seismic event, and inadequately sized to meet the required capacity.

Immediate Hazards/Risks:

- Capacity - this station is responsible for draining a large area from approximately State Route 113 to Pole Line and from just north of Covell to Russell Boulevard, there is a large potential for flooding with only one station conveying all the stormwater. At times in the past, during larger storms, flooding has occurred on several streets including H Street, 14th Street, and L flooding has occurred on several streets including H Street, 14th Street, and L Street, as well as other areas. This flooding has been several feet deep and has inundated cars and yards.
- Aging Equipment - The overall pump station is aging. This includes control panels, pumps and overall structure. This is the City's second-oldest station, and is well past the 30 to 50-year operational period for equipment and station infrastructure.
- Difficult to backup - As this station runs diesel powered pumps, they do not lend themselves to backup power like electricity powered pumps. This leaves the largest station without backup power.
- Structural concerns - The structure is also built under the fill of Covell Boulevard which covers the majority of the north side of the structure. Seismic standards have changed over time and the facility should be evaluated based upon current seismic structural standards.
- Air quality concerns - The Yolo-Solano Air Quality district has been emphasizing that the City should convert the diesel-powered pumps to electric for some time.

Long-term Risks

Flooding already occurs with this station, as detailed above. Small equipment failures in the station could greatly increase the flooding that is already occurring.

Failure of the Station

Failure of this station would result in significant and widespread flooding within the area from State Route 113 to Pole Line and from just north of Covell to Russell Boulevard. This would present many safety issues for residents and would also result in extensive property damage. It would also compromise the transportation system making it difficult or impossible for emergency response and other users to traverse the system in a central portion of town.

Covell Channel Widening

Year Constructed: 1966

The Covell Channel, along the edge of Covell Blvd. in West Davis has been overflowing into City streets more and more frequently in recent years, and in some cases shut down the roadway to traffic. Planned improvements include the installation of box culverts across the west and north sides of Covell and Lake intersection, and widening and realigning the channel from Lake to Riesling. This will increase the capacity of the channel, move it farther from the edge of roadway, and align it with the improved section of channel in front of the hospital.

Immediate Hazards/Risks

- **Capacity** – This channel can no longer handle the flow of stormwater from the unincorporated areas west of the city limits. The original design was to divert stormwater from the west of Davis around developed areas to prevent flooding. With the changes to land use west of town, this amount of water entering this channel has increased significantly over the past 2 decades.
- **Flooding** – During larger storms the channel overflows and floods onto Covell Blvd. posing a significant hazard to vehicles traveling on Covell. This is most significant at the intersection of Lake and Covell and in front of Sutter Hospital. With the water covering the street, there is no indication of where the street is and the deep stormwater channel next to the street. This flooding is hazardous to drivers traversing next to this deep channel.

Long-term Risks

The largest long-term risk associated with the delay of this CIP project would be the recurrence and magnitude of flooding in the area, which is adjacent to residential areas and the City's only hospital with emergency services (flooding also occurred in the hospital parking lot in recent years, which was not directly related to the Covell Channel issues).

Necessary Assessments & Studies

The age of the infrastructure and equipment associated with the stormwater utility is a challenge, and highlights the need for the City to conduct studies to determine the most efficient and effective updates and upgrades to the system to best reflect the current and future needs of the City. In addition to the equipment and facilities already discussed, more than half of the City's drainage piping is over 40 years old, and 18 percent is over 60 years old. While there have been no piping failures, the continued assessment of the pipeline conditions is critical to planning out replacements and repairs moving forward. Without proper planning, failures within the stormwater system are more likely to occur, and can cause damage via flooding, as well as incur emergency repair costs.

In addition to infrastructure aging, there have been significant changes in hydrologic conditions in Davis, particularly in the West of Davis, which have in turn increased stormwater runoff and introduced unpredictable flow of stormwater. Studies need to be conducted to determine both the capacity of the City's system within each area of town, and what replacements or upgrades are necessary to meet the current and future demand. Also, the region's changing weather patterns will likely have a significant effect on runoff and will need to be evaluated.

Once the utility is able to conduct the necessary studies to determine the baseline needs for the infrastructure and capacity, the City can best prioritize and plan the projects and look for additional funding sources (grants, loans) as needed.

Funding Challenges

One of the most significant challenges associated with grant awards for stormwater has been the availability of implementation grants, and the lack of availability of planning grants. As discussed, stormwater staff need to conduct studies to determine the capacity and needs of each station, rather than replace the station in-kind, which requires planning activity. Without a “shovel ready” project, the City has been unable to apply for recent stormwater grants from the State. In recent years, the City has applied for planning grants now available through the Federal Management Agency (FEMA) Flood Mitigation Assistance program, however these applications have to date been unsuccessful. A planning grant was awarded to the City to look at meeting regulatory requirements for stormwater drainage in the downtown area at the Core Area Pond instead of individual developments. The City continues to apply for planning grants when opportunities arise.

Agencies with limited funding for stormwater infrastructure may look to other enterprise funds or general fund sources to offset expenditures. While one-time loans from other enterprise funds is possible, it is poor practice to rely on loans from other funds for standard operations and maintenance needs, and not a sustainable funding source. General fund dollars are subject to a different set of priorities – as the funds are not focused on a single utility (as with enterprise funds) and are more likely to retract with economic impacts to the region, such as recent recessions and the stay-at-home orders associated with the COVID-19 pandemic.

Future Costs/Challenges

Due to the fact that so much of the needs of the Stormwater utility are unknown, it is likely that there will be additional costs identified and additional projects necessary to bring the system into full and efficient functioning. As discussed in the details of the financial plan, should the rate adjustments be approved, the City would create a reserve for the Stormwater Fund, so funding associated with most of these projects (smaller operations and maintenance activities) would be taken from fund balance, and would not directly impact ratepayers. Larger projects identified would necessitate additional discussions around how the projects should be funded, likely during annual fund updates with the Commission and City Council.

APPENDIX D – CITY OF DAVIS RESERVE POLICY

On the following pages is a copy of the adopted financial reserve policy for City of Davis Enterprise Funds.



CITY OF DAVIS WATER, WASTEWATER, SOLID WASTE, AND STORMWATER FUND RESERVE POLICY

1. PURPOSE

The purpose of this policy is to establish targeted levels of Water, Wastewater, Solid Waste and Stormwater Utility fund reserves, a crucial component in the financial resilience of public owned utilities. Strong and transparent financial policies, including maintaining adequate reserves for emergencies, rate stability, and working capital, are consistent with best practices in the utility industry, as they help to:

- 1) Ensure cash for daily financial needs to counter revenue volatility and unanticipated expenses is readily available
- 2) Fund equipment and infrastructure purchases to mitigate damages related to a catastrophic event such as a natural disaster
- 3) Protect constituents from rate increases due to unexpected variances from forecasted results that arise from non-recurring events or factors

2. BACKGROUND

The City of Davis Public Works Utilities and Operations Department provides water, wastewater, stormwater and solid waste services for citizens, businesses, and organizations. Public owned utilities are expected to provide uninterrupted service 24 hours a day, 7 days a week while relying largely on service-based revenue. As highlighted by the American Water Works Association, cash reserve balances are a critical component to the utility's financial resiliency and sustainability.

3. DEFINITIONS

Operating Reserve: liquid, unrestricted assets that an organization can utilize to support its operations in the event of an unanticipated loss of revenue, working capital deficiencies, or an increase in expenses.

Emergency Capital Reserve: Funds reserved in this category shall be used to mitigate costs associated with capital purchases due to unforeseen emergencies, including natural disasters. Should unforeseen and unavoidable events occur that require expenditure of City resources beyond those provided in the annual budget, the City Manager shall have authority to approve appropriation of Emergency Reserve funds. The City Manager shall then present to the City Council – as soon as possible – a resolution confirming the nature of the emergency and formally authorizing the appropriation of Emergency Reserve funds.

Rate Stabilization Reserve: Rate stabilization reserves are established to cover wide fluctuations in projected revenue from season to season or year to year. A rate stabilization reserve allows a utility to draw on the fund balance during revenue shortfalls that result from lower than expected revenue. When use of the fund is deemed necessary, the City Manager shall present to the City Council a resolution confirming the nature of the need and authorizing the appropriation of Rate Stabilization Reserve funds.

4. POLICY

The policy illustrated below is the framework established for the Water, Sewer and Stormwater fund. The Public Works Utilities and Operations Director in conjunction with the City Treasurer shall review the Utility reserve balances annually and provide any updates as necessary to the Finance and Budget Commission, Utilities Commission and the City Council.

Reserve Type	Key Considerations	Policy	Methods to Achieve Funding Levels
Operating	<ul style="list-style-type: none"> • Revenue fluctuations • Working capital • Potential risks • Risk management • Daily financial needs • Operating expenditures 	The City will maintain a target 3-month reserve balance for each utility.	As part of the annual utility review, the Public Works Utility and Operations Director will report the target reserves and actual balances in the operating funds.
Emergency Capital	<ul style="list-style-type: none"> • Cost of critical assets • Critical facilities • Catastrophic events such as natural disasters • Availability of other funds • Address unanticipated, nonrecurring needs. 	Target reserve for each utility shall be the average of the planned expenditures in the 5-year Capital Improve Program as provided in each Utility Cost of Service Study (not including any debt-financed projects).	As part of the annual utility review, the Public Works Utility and Operations Director will report the target reserves and actual balances in the capital funds.
Rate Stabilization	<ul style="list-style-type: none"> • Impacts of revenue shortfalls • Drought restrictions • Revenue volatility • Weather • Regional economic conditions • Rate variability • Sharp demand reduction 	Target reserve shall be 5% of annual operating revenue for Stormwater and Wastewater, and 10% of operating revenue for Water.	As part of the annual utility review, the Public Works Utility and Operations Director will report the target reserves and actual balances in the rate stabilization funds.

Solid Waste Reserve Fund Policy: The City of Davis Solid Waste Division is responsible for recycling, garbage, organics collections, street sweeping, and landfill tipping. Eighty-

six percent of the total cost in the fund is a franchise agreement with the waste hauler and the other fourteen percent accounts for state mandated programs, city administrative costs related to operations, and debt service requirements. The solid waste utility does not have assets or large capital expenditures similar to the other City utilities. Due to this difference, and to ensure the fiscal sustainability of the fund, the target reserve is **12** months of **non-contractual** operating expenditures. Non-contractual expenditures are defined as expenditures relating to obligations not expressed in a contract. This allows a reserve for changes in contracted service, emergency services, and revenue fluctuations.

Solid Waste Reserve Policy

Reserve Type	Key Considerations	Policy	Methods to Achieve Funding Levels
Operating	<ul style="list-style-type: none"> • Revenue fluctuations • Working capital • Potential risks • Risk management 	Target reserve is 12 months of non-contractual operating expenditures.	As part of the annual utility review, the Public Works Utility and Operations Director will report the target reserves and actual balances in the operating funds.

APPENDIX E – PERCENTAGE OF IMPERVIOUS AREA CALCULATIONS

For most land use categories, a sample of parcels was analyzed using aerial photography and other data to determine the average **percentage of impervious area** (“%IA”).

The Table below shows the results of that analysis.

TABLE 11 – PERCENTAGE OF IMPERVIOUS AREA CALCULATIONS

Land Use Category					# of Parcels	# Parcels Analyzed	Total Acres Sampled	Total Acres Impervious Area	Impervious Area ^A	
Single-Family Residential										
Small	under	0.14	ac	2,557	50	5.34	3.02	2,710	sf	
Medium	0.14	to	0.22	ac	7,603	151	25.95	12.15	3,468	sf
Large	0.23	to	0.27	ac	1,350	27	6.60	2.92	4,622	sf
Very Large	over	0.27		782	15	5.45	2.02	5,156	sf	
Condo Med-Density ^B					2,682	not sampled				
Condo Hi-Density					88	88	2.58	2.11	1,045	sf
Non-Single-Family Residential										
Mobile Home Park ^C					3	not sampled				
Apartment					221	33	66.05	41.80	63.28%	
Comm / Industrial / Retail					372	31	21.51	18.03	83.82%	
Office					275	19	11.58	8.00	69.09%	
Institutional					58	19	28.38	16.95	59.71%	
Institutional w/ Field					16	16	202.71	84.91	41.89%	
Park ^D					280	not sampled				
Vacant (developed) ^D					135	not sampled				
TOTAL					16,422	449	376.15	191.90	na	

A For Residential, impervious area for each category is the average %IA applied to the median parcel size. For Non-Residential, impervious area is expressed as a percentage of parcel area (Total IA/Total Acres sampled).

B Condominium – Not sampled as explained on Page 16 of this Report.

C Mobile home parks were determined to be similar in imperviousness to Institutional parcels.

D Park and Vacant – Park and Vacant parcels were estimated to have a 5% impervious area based on other similar municipalities.

APPENDIX F – LOW IMPACT DEVELOPMENT RATE CREDIT ANALYSIS

On the following pages is an analysis done for the City of Cupertino in February 2019 that estimated the extent to which **low impact development (“LID”) reduces the impact on the City’s storm drain system. Cupertino is similar to the City of Davis** in that both are mid-sized cities with similar land use patterns, storm drainage systems, and magnitude of costs and needs.



CITY OF CUPERTINO

FEE REPORT

2019 CLEAN WATER AND STORM PROTECTION FEE

FEBRUARY 2019

PURSUANT TO THE ARTICLES XIII C & D OF THE CALIFORNIA CONSTITUTION,
AND THE GOVERNMENT CODE SECTIONS 38900 – 38901 ET AL.

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OPEN SPACE AND AGRICULTURAL PARCELS ARE NOT CHARGED

The City's storm drain system was developed in response to land development over the many decades. Tracts of land that have not yet been developed, or have been used primarily for agricultural purposes, have not created an impact on the system beyond the natural condition, and are therefore considered to receive no service from the system. In practical terms, these parcels generate no additional storm runoff beyond the natural condition. For these reasons, open space and agricultural parcels are not charged a Fee.

HYBRID PARCELS

Some parcels may have both improvements as well as significant open space areas. For such parcels that contain a residence, the open space acreage does not increase the fee because residential parcels are not charged on a per-acre basis. Rather, they are charged based on the median ISA for that size category.

For such parcels that contain non-residential improvements (which are charged on a per-acre basis), the chargeable acreage should be adjusted downward to reflect the improved area only, leaving the open space area "invisible" to the fee calculation. Where parcels have been found in this category, that acreage adjustment has been made.

LOW IMPACT DEVELOPMENT RATE ADJUSTMENT

The current NPDES Permit requires certain properties to construct stormwater treatment and attenuation facilities, also known as low impact development ("LID"). These facilities are typically designed to capture a portion of the storm flows, retain them, and enable them to infiltrate into the ground. While this is intended to help filter pollutants from the water, it also can reduce the parcel's stormwater runoff quantity to some extent, which in turn can reduce a parcel's impact on the system. In addition to NPDES-required LID, other parcel owners may elect to follow LID guidelines voluntarily.

The section of the MRP that requires LID facilities is Provision C.3 (New Development and Redevelopment). Compliance with C.3 is a well-established and convenient metric on which to base customer activities that further Program goals and affect Program costs. C.3 compliance can have impacts to many of the Program elements. In order to analyze the extent to which C.3 compliance will impact Program costs, each Program element was rated with one of four impact levels: none (0%), minor (25%), medium (50%), and major (80%). By applying those impact levels to the costs of each Program element, it was determined that compliance with Provision C.3 equates to approximately 25% of the overall Program costs. Table 6 below shows the results of that analysis.

Based on that analysis, a commensurate reduction in the fees for certain C.3-compliant parcels is warranted. However, C.3 compliance brings with it some additional administrative burdens to verify ongoing compliance. While this burden is relatively minor, for single-family parcels where the annual fee is also relatively small, the administrative burden negates the LID benefits to the program. Therefore, single-family residential parcels do not qualify for the reduced fee. Conversely, C.3 compliance for condominiums is typically accomplished on a collective basis, so the minor administrative burden is spread across many parcels.

making it insignificant. Therefore, a 25% reduction in fees will be applied to all C.3-compliant parcels that are either non-single-family or condominium.

TABLE 6 – LOW IMPACT DEVELOPMENT RATE ADJUSTMENT ANALYSIS

MRP Provision		Impact Level				Notes
		None	Minor	Medium	Major	
Operations & Maintenance						
C.2	Program Management					Does not lessen Program Management burden
	Municipal Operations					Reduces storm flows in minor storm, reducing burden on operations
Clean Water Program						
C.1	Permit Compliance					Is a small part of overall Program Compliance
C.2	Municipal Operations					Does not lessen Municipal Operations compliance burden
C.3	New Development and Redevelopment					Is all about C.3
C.4	Industrial and Commercial Site Controls					Provides controls
C.5	Illicit Discharge Detection and Elimination					Does not lessen Illicit Discharge burden
C.6	Construction Site Control					Does not lessen Construction Controls burden
C.7	Public Information and Outreach					Aids in educating property owners
C.8	Water Quality Monitoring					Does not lessen WQ Monitoring burden
C.9	Pesticides Toxicity Control					Capture & infiltration may filter out pesticides
C.10	Trash Load Reduction					Many C.3 devices are considered a partial trash capture device
C.11	Mercury Controls					Capture & infiltration may filter out pollutants
C.12	PCBs Controls					Capture & infiltration may filter out pollutants
C.13	Copper Controls					Capture & infiltration may filter out pollutants
C.17	Annual Reports					Does not lessen reporting requirements

STORMWATER FEE CALCULATION

The primary metric in this analysis is the SFE as illustrated above. To arrive at the fee amount for the various land use categories, the total City-wide SFEs must be divided into the total revenue requirement to arrive at the rate per SFE. Using the analysis above, that calculation is represented by the following formula:

Table 4. City Estimated Expenditures for MRP, by Cost Category (Fund) and Fiscal Year

Fund		Prior ^(a)	Current ^(a)	Future – Projected ^(b)				
MRP Provision		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Fund 100-85, Operations & Maintenance								
	Program Management			\$59,000	\$61,000	\$63,000	\$65,000	\$67,000
C.2	Municipal Operations			\$493,000	\$508,000	\$523,000	\$539,000	\$555,000
	Fund Total	\$449,950	\$476,503	\$552,000	\$569,000	\$586,000	\$603,000	\$622,000
Fund 230-81, Clean Water Program								
C.1	Permit Compliance			\$23,000	\$24,000	\$25,000	\$25,000	\$26,000
C.2	Municipal Operations			\$148,000	\$153,000	\$157,000	\$162,000	\$167,000
C.3	New Development and Redevelopment			\$70,000	\$72,000	\$77,000	\$80,000	\$82,000
C.4	Industrial and Commercial Site Controls			\$83,000	\$86,000	\$88,000	\$91,000	\$94,000
C.5	Illicit Discharge Detection and Elimination			\$129,000	\$133,000	\$137,000	\$141,000	\$145,000
C.6	Construction Site Control			\$43,000	\$44,000	\$46,000	\$47,000	\$49,000
C.7	Public Information and Outreach			\$118,000	\$122,000	\$126,000	\$129,000	\$133,000
C.8	Water Quality Monitoring			\$11,000	\$11,000	\$12,000	\$12,000	\$13,000
C.9	Pesticides Toxicity Control			\$21,000	\$21,000	\$22,000	\$23,000	\$23,000
C.10	Trash Load Reduction			\$130,000	\$134,000	\$148,000	\$152,000	\$157,000
C.11	Mercury Controls			\$24,000	\$25,000	\$27,000	\$27,000	\$28,000
C.12	PCBs Controls			\$51,000	\$52,000	\$57,000	\$59,000	\$61,000
C.13	Copper Controls			\$11,000	\$11,000	\$12,000	\$12,000	\$13,000
C.17	Annual Reports			\$29,000	\$30,000	\$33,000	\$34,000	\$35,000
	Fund Total	\$761,720	\$720,785	\$891,000	\$918,000	\$964,000	\$994,000	\$1,025,000
Total		\$1,211,670	\$1,197,288	\$1,443,000	\$1,487,000	\$1,550,000	\$1,598,000	\$1,646,000

- [a] Values are from the City's *Fiscal Year 2018-2019 Adopted Budget*⁹ (2018 Adopted Budget and 2019 Adopted Budget for both Non-Point Source (Fund 230-81) (p. 407-409) and Storm Drain Maintenance (Fund 100-85) (p. 434-435)).
- [b] Each value for the fiscal years under the "Future – Projected" column is considered to be estimated and has been rounded to the nearest \$1,000; thus, summing individual values may result in a slightly different total than those shown in the "Fund Total" and "Total" rows.

⁹ <https://www.cupertino.org/home/showdocument?id=21776>

APPENDIX G – STORMWATER RATES FROM OTHER MUNICIPALITIES

There have been relatively few voter-approved local revenue measures in the past 15 years to support stormwater programs in California. A summary of those efforts plus some others in process or being studied is shown in Table 12 on the following page, in roughly chronological order. Amounts are annualized and are for single family residences or the equivalent.

TABLE 12 – RECENT STORM DRAIN BALLOT MEASURES

Municipality	Status	Annual Rate	Year	Mechanism
San Clemente	Successful	\$ 60.15	2002	Balloted Property Related Fee
Carmel	Unsuccessful	\$ 38.00	2003	Balloted Property Related Fee
Palo Alto	Unsuccessful	\$ 57.00	2003	Balloted Property Related Fee
Los Angeles	Successful	\$ 28.00	2004	Special Tax - G. O. Bond
Palo Alto	Successful	\$ 120.00	2005	Balloted Property Related Fee
Rancho Palos Verde	Successful , then recalled and reduced	\$ 200.00	2005, 2007	Balloted Property Related Fee
Encinitas	Unsuccessful	\$ 60.00	2006	Non-Balloted Property Related Fee adopted in 2004, challenged, balloted and failed in 2006
Ross Valley	Successful, Overturned by Court of Appeals, Decertified by Supreme Court	\$ 125.00	2006	Balloted Property Related Fee
Santa Monica	Successful	\$ 87.00	2006	Special Tax
San Clemente	Successfully renewed	\$ 60.15	2007	Balloted Property Related Fee
Solana Beach	Non-Balloted, Threatened by lawsuit, Balloted, Successful	\$ 21.84	2007	Non-Balloted & Balloted Property Related Fee
Woodland	Unsuccessful	\$ 60.00	2007	Balloted Property Related Fee
Del Mar	Successful	\$ 163.38	2008	Balloted Property Related Fee
Hawthorne	Unsuccessful	\$ 30.00	2008	Balloted Property Related Fee
Santa Cruz	Successful	\$ 28.00	2008	Special Tax
Burlingame	Successful	\$ 150.00	2009	Balloted Property Related Fee
Santa Clarita	Successful	\$ 21.00	2009	Balloted Property Related Fee
Stockton	Unsuccessful	\$ 34.56	2009	Balloted Property Related Fee
County of Contra Costa	Unsuccessful	\$ 22.00	2012	Balloted Property Related Fee
Santa Clara Valley Water District	Successful	\$ 56.00	2012	Special Tax
City of Berkeley	Successful	varies	2012	Measure M - GO Bond
County of LA	Deferred	\$ 54.00	2012	NA
San Clemente	Successful	\$ 74.76	2013	Balloted Property Related Fee
Vallejo San & Flood	Successful	\$ 23.00	2015	Balloted Property Related Fee
Culver City	Successful	\$ 99.00	2016	Special Tax
Palo Alto	Successful	\$ 163.80	2017	Balloted Property Related Fee Reauthorization of 2005 Fee
Town of Moraga	Unsuccessful	\$ 120.38	2018	Balloted Property Related Fee
City of Berkeley	Successful	\$ 42.89	2018	Balloted Property Related Fee
County of Los Angeles	Successful	\$ 83.00	2018	Special Tax
Town of Los Altos	Unsuccessful	\$ 88.00	2019	Balloted Property Related Fee
City of Cupertino	Successful	\$ 44.42	2019	Balloted Property Related Fee
City of Alameda	Successful	\$ 78.00	2019	Balloted Property Related Fee
City of Del Mar	Studying	NA	NA	Balloted Property Related Fee
City of Davis	Studying	NA	NA	Balloted Property Related Fee
City of Hillsborough	Studying	NA	NA	TBD
City of Sacramento	Studying	NA	NA	Balloted Property Related Fee
City of Salinas	Studying	NA	NA	TBD
City of San Clemente	Studying	NA	NA	Balloted Property Related Fee
City of San Mateo	Studying	NA	NA	TBD
City of Santa Clara	Studying	NA	NA	TBD
County of El Dorado	Studying	NA	NA	NA
County of Orange	Studying	NA	NA	NA
County of San Joaquin	Studying	NA	NA	Balloted Property Related Fee
County of San Mateo	Studying	NA	NA	NA
County of Ventura	Studying	NA	NA	NA

In addition to the agencies listed above in Table 12 that have gone to the ballot for new or increased Stormwater Fees, there are several other municipalities throughout the State that have existing Stormwater Fees in place. Some of these rates are summarized in Table 13 below. Amounts are annualized and are for single family residences or the equivalent.

The City's proposed \$157.15 SFR rate falls within the range of stormwater rates adopted by other municipalities.

TABLE 13 – SAMPLE OF RATES FROM OTHER MUNICIPALITIES

Municipality	Annual Rate	Type of Fee
Alameda	\$ 134	Property-Related Fee
Bakersfield	\$ 200	Property-Related Fee
Culver City	\$ 99	Special Tax
Davis	\$ 85	Property-Related Fee
Elk Grove	\$ 70	Property-Related Fee
Hayward	\$ 29	Property-Related Fee
Los Angeles	\$ 27	Special tax
Los Angeles County	\$ 83	Special tax
Palo Alto	\$ 164	Property-Related Fee
Redding	\$ 16	Property-Related Fee
Sacramento (City)	\$ 136	Property-Related Fee
Sacramento (County)	\$ 70	Property-Related Fee
San Bruno	\$ 46	Property-Related Fee
San Clemente	\$ 60	Property-Related Fee
San Jose	\$ 92	Property-Related Fee
Santa Cruz	\$ 109	Special Tax
Stockton *	\$ 221	Property-Related Fee
Vallejo Sanitation and Flood Control District	\$ 24	Property-Related Fee
West Sacramento	\$ 144	Property-Related Fee
Woodland	\$ 6	Property-Related Fee

* This is the calculated average rate for the City of Stockton, which has 15 rate zones with rates ranging from \$3.54 to \$651.68 per year.

APPENDIX H - LIST OF ACRONYMS AND ABBREVIATIONS

%IA	Percent Impervious Area
CIP	Capital Improvement Program
CPI	Consumer Price Index (from the Bureau of Labor & Statistics)
E.12	Provision E.12 of the MRP – New Development and Redevelopment
FY	Fiscal Year, designated by the year in which it concludes (e.g., FY 21 refers to the year from 7/1/20 to 6/30/21)
G.I.	Green Infrastructure
GO Bond	General Obligation Bond
ISA	Impervious surface area
LID	Low impact development
MFR	Multi-family residential
MRP	Municipal Regional Permit (current version is MRP 2.0)
NPDES	National Pollution Discharge Elimination System (EPA)
O&M	Operations and maintenance
Permit	City of Davis NPDES Permit No. CAS000004, Order No. Order 2013-0001-DWQ
Program	General term for the City's Storm Drainage (Storm Sewer, Stormwater) enterprise activities
sf	Square feet
SFE	Single-family equivalent
SFR	Single-family residential



CITY OF ALAMEDA

FEE REPORT

WATER QUALITY AND FLOOD PROTECTION FEE

JULY 2019

PURSUANT TO THE ARTICLES XIII C & D OF THE CALIFORNIA CONSTITUTION,
AND THE GOVERNMENT CODE SECTIONS 38900 – 38901 ET AL.

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OVERVIEW

The City of Alameda (“City”) has engaged SCI Consulting Group to study, make recommendations, and assist in the implementation of a funding approach for its municipal separate storm sewer system¹ (“MS4”) **including** environmental programs, maintenance and operations, capital improvements, and compliance with all state and federal regulations associated with the National Pollutant Discharge Elimination System² (“NPDES”) permit.

Since 2008 the City’s **Public Works Department** has developed several planning documents pertaining to its Storm Drainage Program (“Program”). **These include the** Storm Drain Master Plan (2008), Storm Drain Pump Station Study (2011), Storm Drain Outfall Assessment (2013), Long-Term Trash Load Reduction Plan (2014), South Shore and Bay Farm Island Lagoon Operations Studies (2015), 18-Inch and 55-Inch Sea Level Rise Studies (2008 and 2016), and the Storm Drain Master Plan Update Memorandum (2017). Other planning documents currently in development include the Green Infrastructure Plan and the Climate Action and Resiliency Plan. These plans made it clear that the Program would need to expand its levels of service to achieve the goals of responsible environmental stewardship **and smart investment in the City’s aging infrastructure.**

In 2018, the City embarked on a two-phase project to determine the feasibility of implementing **an increase to the City’s storm drain fees** to fund the City’s Clean Water and Flood Protection needs. The first phase **evaluated the feasibility of increasing the City’s** storm drainage fees and included exploring potential funding sources, estimating user rate ranges for various budget scenarios, and conducting a public opinion survey of Alameda residents and property owners to determine storm drain-related priorities and willingness to support a fee increase for these services. The results of the feasibility evaluation showed that the community valued the storm drainage system and was willing to invest in improvements to service and pursuing projects that would ensure environmental stewardship and protection from flooding.

The City Council has now embarked on the second phase: implementation of a funding mechanism. This Fee Report, the first step in that process, incorporates information from the feasibility phase, establishes needs and associated revenues required, and presents a fee structure that is fair and meets all legal requirements. Subsequent steps in this implementation phase include a public hearing and a ballot proceeding over the coming months.

¹ In this report, the terms “storm sewer,” “storm drainage,” “storm protection,” and “stormwater” are used interchangeably, and are considered to be synonymous.

² Created in 1972 by the Clean Water Act, the NPDES permit program is authorized by the EPA to allow state governments to perform many permitting, administrative, and enforcement aspects of the program.

CITY'S FACILITIES

The City operates and maintains a storm drainage system, as it is empowered to do per Government Code Sections 38900 and 38901. This complex system is comprised of integrated storm drainage pipes, inlets, outfalls, culverts, pump stations, lagoons and sea walls and perimeter levees to prevent flooding. As the community grew and neighborhoods and business districts expanded, the **City's storm** drainage system was developed. Parts of the system may date back nearly 100 years.

When the first NPDES permit was issued in the early 1990s, the City recognized the fiscal burden these new clean water requirements would bring and established a property fee on most parcels to fund this activity. Since that time the City has worked diligently and efficiently to continue meeting the ever-increasing requirements of the NPDES permit, **while the State's** clean water requirements have evolved into a comprehensive environmental stewardship program.

The operations and maintenance ("O&M") side of the Program has also developed many activities that support clean water goals and **maintain the City's aging infrastructure to protect** the neighborhoods and businesses from local flooding. On average, the industry-standard life expectancy of a storm drain system is approximately 60 years. The majority of the **City's** storm drainage pipes were installed more than 50 years ago, leaving the City with a system that is approaching the end of its useful life. Moreover, as noted in the storm drainage planning documents, some of the drainage system does not have adequate capacity.

The City's complex storm drainage system has evolved to meet the unique needs dictated by the City's flat topography and location along the tidal waters of San Francisco Bay. The system's **balance has historically protected** the City from flooding from storm runoff as well as tidal influences. Climate change is bringing about new challenges with a predicted rise in sea level of more than two feet of elevation as well as more frequent and more intense storms. These challenges were summarized in the 2017 Storm Drain Master Plan Update Memorandum and are also being incorporated into the Climate Action and Resiliency Plan **being drafted this year. While the City's** storm drainage system (designed primarily to convey storm runoff to the Bay) must adapt to these changes, it alone cannot supply the full scope of remedies to meet these climate change challenges. Therefore, the fee recommendations in this Report will not fully address climate change.

STORMWATER FUNDING BACKGROUND

The City historically has funded its storm drainage program primarily through two sources: The General Fund and the Storm Water Utility Fee established in 1992. Although it was increased over the years, the last inflation adjustment, authorized in 2001, was implemented in 2005. Due to changes in the law the City can no longer increase the fee without the approval of property owners through a ballot measure.³ For that reason, the storm drain

³ This "freeze" on the stormwater fees is due primarily to the stringent requirements of Proposition 218 for a ballot measure to increase fees. See next section for more details.

fees have not been increased in nearly 15 years. As a result, the City has needed to limit capital expenditures and keep operations and maintenance activities to a less than desirable level of service, mostly responding to storm-related emergencies and basic regulatory compliance.

The scale and projected needs of the storm drainage system point toward the need for asking property owners to approve an increase in storm drainage fees in order to ensure a dedicated and sustainable funding stream. As many other municipalities in California have done, including Berkeley, Culver City, Palo Alto and San Jose, the City of Alameda is considering developing a new, additional, more secure and predictable source of funding for the Program. This Fee Report is the first step in that process, should the City decide to proceed.

LEGAL REQUIREMENTS OF STORMWATER FEE

This Report calculates the Stormwater Fee as a property-related fee. Property-related fees are subject to the requirements of Articles XIIC and D of the State Constitution, which were approved by voters in 1996 through Proposition 218, as well as the Proposition 218 Omnibus Implementation Act (Government Code Sections 53750 – 53758).

Any property-related fee must comply with requirements of Article XIID, Section 6. These include the following:

- Revenues derived from the fee shall not exceed the funds required to provide the property-related service;
- Revenues derived from the fee shall not be used for any purpose other than that for which the fee was imposed;
- The amount of a fee upon any parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel;
- No fee may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees based on potential or future use of service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments and shall not be imposed without compliance with the assessment section of the code; and
- No fee may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to the property owners.

The procedural requirements of Proposition 218 require that new or increased property-related fees submit to a two-step process: 1) a 45-day public protest period culminating in a public hearing, and 2) a ballot proceeding whereby it must be approved by a 50% simple majority of property owners (or a two-thirds supermajority of registered voters) before new or increased fees could be authorized. However, fees for water, sewer and refuse collection were exempt from the second step. In the years following the passage of Proposition 218, there was uncertainty whether stormwater fees qualified as a type of sewer fee and therefore

were not subject to the ballot proceeding requirement. The California Sixth Appellate District Court clarified the question in a 2002 ruling⁴ that found stormwater fees did not qualify as a type of sewer fee, and new or increased fees must be approved through a ballot proceeding. Subsequent to that date, the City Alameda did not authorize any further inflation adjustments.

FACILITIES AND SERVICES

The City operates and maintains a municipal separate storm sewer system within the **City's** boundaries. The system is made up of man-made drainage systems including, but not limited to, curbs and gutters, ditches, culverts, pipelines, manholes, catch basins (inlets), outfall structures, pump stations, lagoons, and sea walls and perimeter levies. The system serves the entire City.

The primary storm drainage service provided by the City is the collection, conveyance, and overall management of the stormwater runoff from parcels. By definition, all parcels that shed stormwater into the **City's** system, either directly or indirectly utilize, or are served by, the **City's** storm drainage system. The need and necessity of this service are derived from property improvements, which historically have increased the amount of stormwater runoff from the parcel by constructing impervious surfaces such as rooftops, pavement areas, and certain types of landscaping that restrict or retard the percolation of water into the soil beyond the conditions found in the natural, or unimproved, state. As such, open space land (in a natural condition) and agricultural lands that demonstrate stormwater absorption equal to or greater than natural conditions, are not charged a fee. Other vacant land that was once improved or has been prepared for future improvements do not qualify as open space or natural land and will typically be charged a fee.

A critical service provided **by management of the City's storm drainage system is compliance with all water quality requirements through the City's NPDES permit. This service ensures** that all parcels within the City are monitored and, in some cases, individually regulated to ensure such compliance. This applies to parcels that drain directly to the Bay as well as all other parcels in the City. For this reason, all parcels (other than natural open space and agricultural) are included in the fee structure.

The storm drainage planning documents referenced above contain thorough sets of maps and lists of various elements within the stormwater system. Those descriptions are the basis for this Report.

⁴ Howard Jarvis Taxpayers Association v. City of Salinas, No. H022665.Sixth Dist. June 3, 2002.

SUMMARY OF CLEAN WATER AND STORM PROTECTION SYSTEM NEEDS

As part of the fee implementation task, the SCI team conducted an **analysis of the City's** Water Quality and Flood Protection system needs. This analysis included information from several source planning documents as well as recommendations from City staff members.

PROGRAM REVENUES

The first step of the analysis was to review **the revenues available to the City's** Program. Based on information provided by **in the City's draft 2019-21** budget, the existing revenues are projected through Fiscal Year 2020-21 as shown in Table 1 below. Revenues are projected to not increase with the exception of the existing Storm Water Utility Fee, which will experience growth only through the addition of new properties to the rate base.

TABLE 1 – SUMMARY OF PROGRAM REVENUES

Revenue Source	Shown in thousands	
	FY 2019-20	FY 2020-21
Storm Water Utility Fees	\$ 2,197	\$ 2,237
Base Reuse Properties	238	238
Lagoon Service Agreement	50	50
Interest & Other	8	8
Transer In - General Fund	67	67
Transer In - Re-Use	-	-
Total Budgeted Revenues	\$ 2,559	\$ 2,599

PROGRAM COSTS

The **City's Program** is influenced primarily by the requirements to prevent local flooding and to comply with the **Municipal Regional Permit ("MRP 2.0")**.⁵ Cost estimates were based on budgetary and supplemental information provided by the City as well as the following storm drainage planning documents:

- Storm Drain Master Plan (2008)
- Storm Drain Pump Station Study (2011)
- Storm Rain Outfall Assessment (2013)
- Long-Term Trash Load Reduction Plan (2014)

⁵ NPDES permits for most Bay Area cities are administered by the Bay Area Water Quality Control Board. In 2009, they brought all those cities in this region under a single permit called the Municipal Regional Permit. The renewed MRP, 2015, is referred to as MRP 2.0.

- South Shore and Bay Farm Island Lagoon Operations Studies (2015)
- 18-Inch and 55-Inch Sea Level Rise Studies (2008 and 2016)
- Storm Drain Master Plan Update Memorandum (2017)

In broadly assessing the Program's costs and following the City's current Budget structure, two main categories were used: Operations and Maintenance ("O&M") Costs, which include compliance with the MRP 2.0, and Capital Improvement Program ("CIP") costs. These categories reflect how the City generally allocates funds to implement its day-to-day storm drainage-related programs.

In addition, SCI worked closely with City staff from both the Engineering Division and the Storm Drain Maintenance Division to develop priorities for a sustainable Water Quality and Flood Protection program. These documents and additional input from City staff resulted in the following needs recommendations.

O&M costs are relatively stable from year to year and present a firm basis for a fee structure. Table 2 below shows the budgeted O&M expenditures contained in the City's draft 2019-21 budget.

TABLE 2 – SUMMARY OF OPERATIONS & MAINTENANCE COSTS

Element	<i>Shown in thousands</i>	
	FY 2019-20	FY 2020-21
Operations & Maintenance		
Storm Drainage O & M	\$ 2,920	\$ 3,066
Street Sweeping	1,326	1,383
Total Operations & Maintenance Costs	<u>\$ 4,246</u>	<u>\$ 4,449</u>

The CIP costs shown in Table 3 below are a compilation of high-priority capital improvement projects derived from all sources totaling approximately \$30 million. Costs are shown as one-time project expenses and include all phases such as environmental, permitting, design, and construction. Costs are expressed in 2019 dollars. These projects are taken from a larger list of project needs including 87 high-, moderate- and low-priority projects totaling approximately \$170 million. A full listing of all projects is shown in Appendix A.

TABLE 3 – SUMMARY OF HIGH-PRIORITY CAPITAL IMPROVEMENT PROJECTS

Shown in thousands		Shown in thousands	
Category / Project	2019 Cost	Category / Project	2019 Cost
Pipes / Lagoons		Environmental	
Shoreline Culvert	\$ 400	Green Infrastructure	\$ 2,100
BFI Gate Opener	400	Trash Capture	1,025
Bayview Weir Rehab	200	Environmental Subtotal	\$ 3,125
Tidal Protection of Outfalls	1,800		
Veterans Court	1,910	Operational Enhancements	
Lagoon Walls	7,500	Outfall Upgrades	\$ 197
Seawall @ BFI Gate	500	Intersection Culverts	2,100
Dredge Lagoon - South	600	Ponding Improvements	1,500
Dredge Lagoon - BF	600	Line Clean & Video	788
Pipes / Lagoons Subtotal	\$ 13,910	Lagoon	1,082
Pump Stations		Ops Enhancement Subtotal	\$ 5,667
Arbor	\$ 3,570		
Webster	1,050		
Central/Eastshore	2,700		
Pump Stations Subtotal	\$ 7,320	TOTAL High-Priority CIP	
			\$ 30,022

ANNUAL REVENUE REQUIREMENT

Since stormwater fees are subject to voter approval, it is recommended that a fee be structured in the beginning to be steady over the long term as well as sustainable. Unlike other utilities (e.g., water and sewer) where the fees can be reviewed and re-set at five-year (or less) intervals, stormwater fees are usually set at a level that can be increased annually in accordance with a predetermined formula or index for many years to come. As a result, the revenue requirements must be expressed in annual terms that will reflect future years' needs (with the formulaic adjustments).

While the O&M costs are shown in Table 2 as annual costs, the CIP costs in Table 3 are shown as lump-sum, one-time costs. Therefore, the CIP costs must be annualized. Further, the \$30 million CIP costs are more than can be paid for through a reasonable fee amount. As a result, portions of the CIP are identified for funding from other sources such as General Fund, other City funds, grants or future bond funds. Finally, the revenue needs shown below in Table 4 convert the CIP costs to annual amounts based on an assumed 15-year, pay-as-you-go expenditure plan.

TABLE 4 – ESTIMATE OF ANNUAL REVENUE REQUIREMENT

Shown in thousands				
Element	Estimated Current Costs	Less Costs Funded By Other Sources	Net Program Costs	Net Program Annualized Costs ^A
Operations & Maintenance				
Storm Drainage O & M	\$ 2,920	\$ -	\$ 2,920	\$ 2,920
Street Sweeping	1,326	-	1,326	1,326
O & M Subtotal	<u>\$ 4,246</u>	<u>\$ -</u>	<u>\$ 4,246</u>	<u>\$ 4,246</u>
Capital Improvement Program				
CIP Pipes & Lagoons	\$ 13,910	\$ (4,692)	\$ 9,218	\$ 615
CIP Pumps Stations	7,320	(3,750)	3,570	238
CIP - G.I. & Trash Capture	3,125	(1,000)	2,125	142
CIP - Operational Enhancements	5,667	(2,500)	3,167	211
Capital Improvement Subtotal	<u>\$ 30,022</u>	<u>\$ (11,942)</u>	<u>\$ 18,080</u>	<u>\$ 1,205</u>
Total Annual Rev Req't				<u>\$ 5,451</u>
Less Existing Revenue				
Total Budgeted Revenues (Existing Fees + misc)				(2,559)
Net Revenue Requirement				<u>\$ 2,892</u>

A - Capital costs are amortized over a 15-year pay-as-you-go period

Proposition 218 states that the amount of a fee upon any parcel shall not exceed the proportional costs of the service attributable to the parcel. It also states that no fee may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property. In compliance with Proposition 218, the proposed Water Quality and Flood Protection Fee will only be imposed on properties that shed water, directly or indirectly, into the **City's** system or are otherwise served by the system. Additionally, the amount of use attributed to each parcel is proportionate to the amount of stormwater runoff contributed by the parcel, which is, in turn, proportionate to the amount of impervious surface area on a parcel (such as building roofs and pavements).

SINGLE-FAMILY RESIDENTIAL PARCELS AS BENCHMARK

The most widely used method of establishing storm drainage rates⁶ is to use the average or median single-family residential parcel⁷ (“SFR”) as the basic unit of measure, or benchmark, which is called the single-family equivalent, or “SFE.” **Since the metric for this fee structure is impervious surface area, a benchmark amount of impervious surface area (“ISA”) must be established.**

Alameda has a wide range of sizes of SFR parcels, which have varying percentages of **impervious area (“%IA”). Generally, smaller, denser parcels tend to have a higher proportion of impervious area than larger, less dense parcels, which tend to have a lower percentage of impervious area.** (This can be best visualized by the fact that larger residential properties tend to have a larger *proportion of pervious* landscaping, and therefore a smaller *proportion of impervious* area.) A random sample of 279 SFR parcels was selected, and the ISA of each sample parcel was measured using aerial photographs. This sample data forms the basis for determining the median ISA, which will then be the basis for determining the SFE.

The range of SFR parcels was grouped into three size categories based on trends that emerged in the %IA. The median sized SFR parcel is 0.11 acre (approximately 4,792 square feet), which is also the median parcel size for the medium SFR rate category. The average %IA for the medium size group was found to be 59.33%. Therefore, the median parcel in Alameda contains 2,843 square feet of impervious surface **area (“ISA”)** as shown in the calculation below. This will be used as the benchmark (1 SFE) for all other size categories and other non-residential land uses.

⁶ *Stormwater Utility Survey*, 2017, page 2, Western Kentucky University. Other common names for this benchmark unit are Equivalent Runoff Unit (ERU) and Equivalent Drainage Unit (EDU).

⁷ The SFR category also includes multiplex parcels of two, three or four units, since the lot development characteristics do not vary significantly from the SFR parcels of similar size. In all, this includes the approximately 1,783 multiplex parcels in the City, which were distributed to the same three parcel size categories as the other SFRs. Any residential parcel with five or more units is categorized as apartments, which is calculated separately.

$$\begin{aligned}
 1 \text{ SFE} &= \%IA \times \text{Median Parcel Size} \\
 &= 59.33\% \times 4,792 \text{ sf} \\
 &= 2,843 \text{ sf}
 \end{aligned}$$

This becomes the basis for calculating the SFEs for all other types of land uses. The %IA for each size category was applied to the median size parcel in that category to calculate its median ISA. The SFE per parcel for each size category is a simple ratio of the median ISA for each category to the ISA (2,843 sf) for the benchmark category of medium-sized parcels as shown in the following formula:

$$\text{SFE per Parcel} = \frac{\text{Median ISA}}{2,843}$$

CONDOMINIUMS

Condominium units are particularly difficult to categorize as they are often on very small individual parcels yet share larger common areas that are made up of landscaped (pervious) areas, parking lots and shared roofs, and other recreational uses (either pervious or impervious). The data for these variables is not readily available, so some assumptions are made about their characteristics.

Condominiums can be grouped into two categories: Medium density where there is only one level of residential units (e.g., townhomes) and high density where there are multiple levels of residential units (similar to apartment buildings). For the medium-density condominium units, the presence of common areas with landscape features make them very similar to the small-lot SFR parcels, and therefore they are assigned the same ISA (1,739 sf) and SFE (0.6118) per parcel as a small-lot SFR parcel.

For the high-density condominium units, further analysis was done. Twelve condominium complexes with 1,246 units were sampled throughout the City. Using aerial photographs, measurements were made of the impermeable areas. The average ISA per unit was 895 square feet. Therefore, the high-density condominiums are assigned an ISA of 895 square feet. This is 31.48% of the ISA for the median SFR, resulting in an SFE of 0.3148 per parcel.

Table 5 below shows a summary of the SFEs for residential parcels.

TABLE 5 – SUMMARY OF RESIDENTIAL PARCELS

Lot Type	Parcel Size Range		# of Parcels ^A Acres ^A		Median ISA (sf) ^B	SFE per Parcel
	<u>Acres</u>	<u>Square Footage</u>				
Small	under 0.08	under 3,266	2,171	133.74	1,739	0.6118
Medium	0.08 to 0.14	3,266 to 6,316	9,899	1,052.35	2,843	1.0000
Large	over 0.14	over 6,316	2,164	394.08	3,100	1.0906
Condo - Med Density ^C		na	2,899	665.68	na	0.6118
Condo - Hi Density		na	1,419	497.98	na	0.3148
TOTAL			18,552	2,743.83		

A Numbers of Parcels and Acres do not factor into the basis of the SFE calculation; they are shown for informational purposes only.

B From Table 12, Appendix B.

C Medium-density condominiums are assumed to be similar to Small category of SFR

NON-RESIDENTIAL PARCELS

Unlike the residential parcels, the non-residential parcels can vary widely in size as well as impervious characteristics. For this reason, the parcels have been grouped into land use categories according their %IA characteristics (as shown in Appendix B). The SFE for each land use category is based on a per-acre basis, so size can be a variable in the calculation of the fee. The SFE-per-acre can be computed for each category using the following formula:

$$\frac{(43,560 \text{ sf} / \text{acre}) \times \% IA}{2,843 \text{ sf} / \text{SFE}} = \text{SFE per Acre}$$

where 2,843 square feet is the amount of ISA in one SFE.

Table 6 below shows a summary of resulting parcel SFEs for each non-residential land use category.

TABLE 6 – SUMMARY OF NON-RESIDENTIAL PARCELS

Land Use Category	# of Parcels ^A	Acres ^A	% Imperv Area ^B	SFE per Acre
Apartments	719	295.42	76.0%	11.643
Commercial / Retail / Industrial	662	1,093.01	90.7%	13.894
Office	131	211.06	64.0%	9.808
Church / Institutional	146	127.81	72.5%	11.110
School w/Playfield	20	384.84	51.8%	7.938
Park	163	336.39	5.0%	0.766
Vacant (developed)	185	224.96	5.0%	0.766
Open Space / Agricultural	691	1,701.61	not charged	
TOTAL	2717	4,375.10		

A Aggregate numbers of Parcels and Acres do not factor into the basis of the SFE calculation; they are shown for informational purposes only.

B %IA is from Table 12, Appendix B.

Each individual parcel's SFE is then calculated by multiplying the parcel size (in acres) times the SFE per acre for that land use category, as shown in the following formula:

$$\text{Parcel Size (acres)} \times \text{SFE per Acre} = \text{SFE}$$

NON-RESIDENTIAL CONDOMINIUMS

Non-residential condominium parcels such as commercial or office condominiums cannot be charged on the acreage of the individual unit because that would omit the acreage of the common areas, which are often parking lots with high %IA. In turn, the common area acreage data is partially duplicative of the acreages assigned to the individual units. For these reasons, and because there are relatively few such condominiums in the City, the full site acreage for each complex of condominiums has been apportioned to the individual units. From that, their SFEs are calculated in the normal method.

DEVELOPED VACANT⁸ PARCELS

Developed vacant parcels are devoid of obvious structures or improvements but are distinguished from natural open space by one of several characteristics. Typically, a developed vacant parcel has been graded to be ready for building construction (possibly as part of the original subdivision or adjacent street grading). In some cases, the parcel previously contained a structure or improvement that has been removed, but its fundamental alteration from a natural state remains. Although developed vacant parcels may have significant vegetative cover, the underlying soil conditions resulting from grading work or previous improvements usually cause some rainfall to runoff into the storm drainage system.

⁸ "Vacant" in this Report refers to land that is devoid of improvements. It does not refer to land with vacant buildings or improvements, which would continue to shed water to the MS4 the same as if they were occupied.

The %IA for developed vacant parcels is reasonably assumed to be 5%, which is also used as a minimum value of imperviousness for any land use type (excluding open space and agricultural land – see next section). Vacant parcels that have significant impervious paving remaining from prior improvements may be classified as Commercial or some other classification best representing the %IA of the parcel.

OPEN SPACE AND AGRICULTURAL PARCELS ARE NOT CHARGED

The **City's** storm drain system was developed in response to land development over the many decades. Tracts of land that have not yet been developed, or have been used primarily for agricultural purposes, have not created an impact on the system beyond the natural condition, and are therefore considered to receive no service from the system. In practical terms, these parcels generate no additional storm runoff beyond the natural condition. For these reasons, open space and agricultural parcels are not charged a Fee.

HYBRID PARCELS

Some parcels may have both improvements as well as significant open space areas. For such parcels that contain a residence, the open space acreage does not increase the fee because residential parcels are not charged on a per-acre basis. Rather, they are charged based on the median ISA for that size category.

For such parcels that contain non-residential improvements (which are charged on a per-acre basis), the chargeable acreage should be adjusted downward to reflect the improved **area only, leaving the open space area “invisible” to the fee calculation. Where parcels have** been found in this category, that acreage adjustment has been made.

OTHER PARCELS

Parcels that do not fall within the land use descriptions listed above may be placed into the category having the closest %IA characteristics.

RATE CREDITS

LOW IMPACT DEVELOPMENT RATE CREDIT

The MRP 2.0 (as well as previous permits) requires certain properties to construct stormwater treatment and attenuation facilities, also known as low impact development (“LID”). **These facilities** are typically designed to capture a portion of the storm flows, retain them, and enable them to filter through a landscape, be used as an alternative water supply, or infiltrate into the ground. While this is intended to help filter pollutants from the water, it **also can reduce the parcel's stormwater runoff quantity** to some extent, which in turn can reduce a **parcel's impact on the** system. In addition to MRP 2.0-required LID, other parcel owners may elect to follow LID guidelines voluntarily.

The section of the MRP 2.0 that requires LID facilities is Provision C.3 (New Development and Redevelopment). Compliance with C.3 is a well-established and convenient metric on which to base customer activities that further Program goals and affect Program costs. C.3 compliance can have impacts to many of the Program elements. Based on a detailed study

done for a similar city in the Bay Area⁹ (operating under the same MRP 2.0), it has been determined that compliance with Provision C.3 equates to a reduction of Program impacts of approximately 25% based on the overall Program costs. Based on that analysis, C.3-compliant parcels shall receive a credit of 25% of their otherwise-calculated fee.

Some non-residential parcels may implement LID for only a portion of the parcel acreage. **Since that effort and reduction in impacts to the City's storm drainage system** should be recognized, those parcels should receive a partial credit. For any parcel that implements LID for 26% to 50% of the site acreage, the credit shall be 12.5%. For any parcel that implements LID for 25% or less of the site acreage, the credit shall be 6.3%.

DIRECT DRAIN RATE CREDIT

Some parcels along or near the shoreline drain directly into the Bay and do not contribute **flows to the City's storm drain system**. Those parcels do not place additional burden on the physical storm drainage infrastructure, but the City does provide a certain level of storm drainage system service in two significant ways:

- NPDES Compliance: Compliance with the MRP 2.0 applies to all parcels within the **City limits including those that drain directly to the Bay. The City's Program must** continue to perform task such as monitoring compliance with pollutant and trash generation, illicit discharges and Provision C.3 regulation. In addition, certain activities such as beach clean-ups provide a direct benefit to shoreline parcels. The impact to this Program element is not reduced due to a direct-drain status.
- Shared Facilities: All parcels in the City benefit from a well-maintained storm drainage system that keeps roads clear of flooding and infrastructure failures that could impede the movement of people, goods and emergency vehicles. These parcels also benefit from a reduced chance of flooding and the damage to private property that can accompany such instances.

An estimate of the costs of the various O&M Program elements determined that approximately 33% of the costs are related to NPDES compliance as shown in Table 7 below. CIP costs were not included in this analysis due to the variability of the funding and project impacts on the NPDES program.

In addition, it is conservatively estimated that an additional 10% of the costs can be linked to the shared facilities element. Therefore, it is determined that direct-drain parcels shall receive a credit of $(100\% - 33\% - 10\% =) 57\%$ of their otherwise-calculated fee.

⁹ City of Cupertino, CA, *2019 Clean Water and Storm Protection Fee Report*, February 2019, pages 11 and 12, as reproduced in Appendix C of this Report.

TABLE 7 – NPDES COMPLIANCE COST FACTOR

Element	Net Program Annualized Costs	% NPDES Compliance	NPDES Costs
Operations & Maintenance			
Storm Drainage O & M	\$ 2,920	25%	\$ 730
Street Sweeping	1,326	50%	663
Operations & Maintenance Subtotal	\$ 4,246		\$ 1,393
Portion of Costs Attributable to NPDES Compliance			33%

ALAMEDA POINT RATE CREDIT

The **City's existing** storm drainage infrastructure does not serve some parcels on Alameda Point similar to the direct-drain situation discussed above. While the reach of City storm drainage infrastructure may be extended in the future, it is determined that such parcels be treated as direct-drain parcels until such time as they are served by City storm drainage infrastructure. **This type of reclassification of a parcel's landuse shall not require further** balloting under Proposition 218.¹⁰

CUMULATIVE CREDITS

There are two independent types of credits available under this rate structure: LID and direct drain (including both shoreline parcels and certain Alameda Point parcels). Accordingly, a parcel may qualify for both credits. In such cases, the credit multipliers are compounded in the following manner:

$$\begin{aligned}
 \text{LID Multiplier} &= 0.75 \\
 \text{Direct Drain Multiplier} &= 0.43 \\
 \text{Multiplier for dual credit} &= 0.75 \times 0.43 = 0.32
 \end{aligned}$$

This equates to a credit of (100% - 32% =) 68% for parcels qualifying for both credits.

STORMWATER FEE CALCULATION

The primary metric in this analysis is the SFE as illustrated above. To arrive at the fee amount for the various land use categories, the total City-wide SFEs must be divided into the total revenue requirement to arrive at the rate per SFE. Using the analysis above, that calculation is represented by the following formula:

¹⁰ California Government Code Section 53750(h)(3).

$$\begin{aligned}
 SFE \text{ Rate} &= \frac{\text{Annual Revenue Req't}}{\text{Total SFEs}} \\
 &= \frac{\$2,892,100}{37,079.320} \\
 &= \textbf{\$78.00 per SFE}
 \end{aligned}$$

This SFE rate amount is then multiplied by the SFEs per parcel or per acre for the various land use categories to arrive at the Stormwater Fee Rate Schedule shown in Table 8 below. It should also be noted that the proposed rates shown below *are in addition to* the existing storm water utility fees charged by the City.

Appendix D has information about stormwater rate initiatives done by other municipalities and rates adopted by other municipalities.

TABLE 8 – PROPOSED 2019 WATER QUALITY & FLOOD PROTECTION FEE SCHEDULE

Land Use Category		SFE Rate	Proposed Fee FY 2019-20	
Residential ^A				
Small	<i>Under 0.08 ac</i>	0.6118	\$ 47.72	per parcel
Medium	<i>0.08 to 0.14 ac</i>	1.0000	\$ 78.00	per parcel
Large	<i>over 0.14 ac</i>	1.0906	\$ 85.06	per parcel
Condo - Med Density		0.6118	\$ 47.72	per parcel
Condo - Hi Density		0.3148	\$ 24.55	per parcel
Multiple SFR on single parcel pays 16% higher rate				
Non-Residential ^B				
Apartment		11.6429	\$ 908.12	per acre
Commercial / Retail / Industrial		13.8945	\$1,083.74	per acre
Office		9.8081	\$ 765.01	per acre
Church / Institutional		11.1096	\$ 866.52	per acre
Institutional w/Playfield		7.9385	\$ 619.18	per acre
Park		0.7662	\$ 59.76	per acre
Vacant (developed)		0.7662	\$ 59.76	per acre
Open Space / Agricultural		no fee		

A - Residential category also includes duplex, triplex and four-plex units.

B - Non-Residential parcel size is calculated to the hundredth of an acre.

These rates are proposed to be maximum rates. If the City chooses to propose, adopt or implement rates that are lower than these, the reductions should be uniform across all rate classes in order to preserve the proportionality and remain in compliance with Proposition 218.

ANNUAL COST INDEXING

The 2019 Water Quality and Flood Protection Fee is subject to an annual adjustment tied to the Consumer Price Index-U for the San Francisco Bay Area as of December of each **succeeding year (the “CPI”), with a maximum annual adjustment not to exceed 3%. Any** change in the CPI in excess of 3% shall be **cumulatively reserved as the “Unused CPI”** and shall be used to increase the maximum authorized rate in years in which the CPI is less than 3%. The maximum authorized rate is equal to the maximum rate in the first fiscal year the Fee was approved adjusted annually by the lower of either 3% or the change in the CPI plus any Unused CPI as described above. **NOTE: In order for the City’s dedicated storm drainage** revenue sources to satisfy cost requirements into the future, the annual adjustment for each property may be calculated based upon the sum of the Water Quality and Flood Protection Fee and the existing Storm Water Utility Fee.

MANAGEMENT AND USE OF STORMWATER FUNDS

The City shall deposit into a separate account(s) all Water Quality and Flood Protection Fee revenues collected and shall appropriate and expend such funds only for the purposes outlined by this Report. The specific assumptions utilized in this Report, the specific programs and projects listed, and the division of revenues and expenses between the two primary categories (O&M and CIP) are used as a reasonable model of future revenue needs and are not intended to be binding on future use of funds.

Dated: July 03, 2019

Engineer of Work

By 
Jerry Bradshaw, License No. C48845

APPENDIX A – FULL LIST OF CAPITAL PROJECT NEEDS

All figures are shown in thousands

TABLE 9 – LIST OF CAPITAL IMPROVEMENT PROJECTS – ALL PRIORITIES

Category / Project	Area	2019 Cost	Priority Levels		
Pipes / Lagoons			High	Moderate	Low
1 Shoreline Culvert		400	400		
2 Bay Farm Island Gate Opener	Bay Farm	400	400		
3 Bayview Weir Rehab	Bayview	200	200		
4 Tidal Protection of Outfalls	Citywide	1,800	1,800		
5 Veterans Court	Bay Farm Island	1,910	1,910		
6 Lagoon Walls	South Shore	15,000	7,500	7,500	
7 Seawall @ BFI Gate	Bay Farm Island	500	500		
8 Dredge Lagoon - South Shore	South Shore	600	600		
9 Dredge Lagoon - BFI	Bay Farm Island	600	600		
10 Bayview Weir	Bay Farm Island	12,000		12,000	
11 Gibbons	Eastside	3,180		3,180	
12 Thompson	Eastside	1,170			1,170
13 High	Eastside	3,390		3,390	
14 Fernside	Eastside	1,910			1,910
15 Washington	Eastside	850			850
16 Calhoun	Eastside	320			320
17 Grand	North Central	3,500		3,500	
18 Willow	North Central	3,070		3,070	
19 Walnut	North Central	2,440			2,440
20 Oak Ave	North Central	2,120			2,120
21 Park	North Central	640			640
22 Everett	North Central	950			950
23 Broadway	North Central	640		640	
24 Pearl	North Central	850		850	
25 Tilden	North Central	530			530
26 Cambridge	North Central	950			950
27 Constitution	Northside	4,660		4,660	
28 West Atlantic	Northside	4,130			4,130
29 East Atlantic (1)	Northside	850			850
30 East Atlantic (2)	Northside	640			640
31 New Outfall	Northside	4,980		4,980	
32 Main St	Northside	530			530
33 Webster (2)	Northside	150			150
34 3rd Street	Northside	850			850
35 Webster (3)	Northside	1,170			1,170

Category / Project	Area	2019 Cost	Priority Levels		
Pipes / Lagoons (continued)			High	Moderate	Low
36 Chapin	Northside	320			320
37 Paru	Northside	1,800			1,800
38 Bay Sherman	Northside	1,910			1,910
39 Main St (2)	Northside	850			850
40 5th Street	Northside	1,480			1,480
41 Pacific St	Northside	1,170			1,170
42 Fountain	South Shore	1,590			1,590
43 Mound	South Shore	530			530
44 Franciscan	South Shore	1,590			1,590
45 Harbor Light	South Shore	2,440		2,440	
46 Rosewood	South Shore	1,170		1,170	
47 Pearl	South Shore	950			950
48 Alameda Park	South Shore	1,800		1,800	
49 3rd	South Shore	530			530
50 Willow	South Shore	50			50
51 S Shore Center W	South Shore	1,170			1,170
52 Regent	South Shore	530			530
53 Park	South Shore	530			530
54 Page	South Shore	1,590			1,590
55 Webster	South Shore	950			950
56 Ballena	South Shore	850			850
57 Paru	South Shore	100			100
58 Shoreline	South Shore	640			640
59 Dublin Way	Bay Farm Island	950			950
60 Island Drive	Bay Farm Island	80			80
61 Verdemar Drive	Bay Farm Island	1,170			1,170
62 Robert Davey Jr Dr	Bay Farm Island	210			210
63 Mecartney Road	Bay Farm Island	1,270			1,270
64 Arvington	Bay Farm Island	950			950
65 Camelia	Bay Farm Island	1,270			1,270
66 Fitchburg	Bay Farm Island	640			640
67 Holly	Bay Farm Island	1,170			1,170
68 Pipe Extension No	Northside	1,480			1,480
69 Pipe Extension NC	North Central	1,590			1,590
70 Pipe Extension So	South	1,910			1,910
71 Pipe Extension Ea	Eastside	210			210
Pipes / Lagoons Subtotal		115,320	13,910	49,180	52,230
Pump Stations					
72 Arbor	North Central	3,570	3,570		
73 Webster	Westside	1,050	1,050		
74 Central/Eastshore	Eastside	2,700	2,700		
75 Golf Course	Bay Farm Island	1,170		1,170	

Category / Project	Area	2019 Cost	Priority Levels		
			High	Moderate	Low
Pump Stations (continued)					
76 Harbor Bay I	Bay Farm Island	950		950	
77 Harbor Bay II	Bay Farm Island	1,170		1,170	
78 Main Street	Westside	320		320	
79 Northside	Westside	2,440		2,440	
80 Third Street	Westside	640		640	
Pump Stations Subtotal		14,010	7,320	6,690	-
Environmental					
81 Green Infrastructure	Citywide	2,100	2,100		
82 Trash Capture	Citywide	1,025	1,025		
Environmental Subtotal		3,125	3,125	-	-
Operational Enhancements					
83 Outfall Upgrades	Citywide	1,319	197	363	759
84 Intersection Culverts	Citywide	16,500	2,100	5,700	8,700
85 Ponding Improvements	Citywide	3,500	1,500	1,500	500
86 Line Clean & Video	Citywide	3,150	788	1,103	1,260
87 Lagoon	South Shore & Bay Farm Island	13,376	1,082	12,294	-
Ops Enhancements Subtotal		37,845	5,667	20,960	11,219
TOTALS					
		170,300	30,022	76,830	63,449

APPENDIX B –PERCENTAGE OF IMPERVIOUS AREA ESTIMATIONS

For most land use categories, a sample of parcels was analyzed using aerial photography and other data to determine the average percentage of impervious area (“%IA”). Table 10 below shows the results of that analysis.

TABLE 10 – PERCENT OF IMPERVIOUS AREA FROM SAMPLING RESULTS

Land Use Category		# of Parcels	# Parcels Analyzed	Total Acres Sampled	Total Acres Impervious Area	Impervious Area ^A
Single-Family Residential						
Small	<i>Under 0.08 ac</i>	2,171	47	2.84	1.89	1,739 sf
Medium	<i>0.08 to 0.14 ac</i>	9,899	189	19.94	11.83	2,843 sf
Large	<i>over 0.14 ac</i>	2,164	43	8.79	3.68	3,100 sf
Condo Med-Density ^B		2,899		not sampled		
Condo Hi-Density		1,419	1,048	27.55	21.53	895 sf
Non-Single-Family Residential						
Multi-Family Residential		719	35	61.83	46.98	75.98%
Commercial / Retail / Industrial		662	58	16.41	14.88	90.68%
Office		131	23	42.26	27.05	64.01%
Church / Institutional		146	31	24.62	17.85	72.50%
Institutional w/Playfield		20	9	48.70	25.23	51.81%
Park ^C		163		not sampled		
Vacant (developed) ^C		185		not sampled		
TOTAL		20,578	1,483	252.94	170.92	na

A For Residential, impervious area for each category is the average %IA applied to the median parcel size. For Non-Residential, impervious area is expressed as a percentage of parcel area (Total IA/Total Acres sampled).

B Condominium – Not sampled as explained on Page 11 of this Report.

C Park and Vacant – Park and Vacant parcels were estimated to have a 5% impervious area based on other similar municipalities.

APPENDIX C – LOW IMPACT DEVELOPMENT RATE CREDIT ANALYSIS

On the following pages is an analysis done for the City of Cupertino in February 2019 that estimated the extent that low impact development (“LID”) **reduces the impact on the City’s** storm drain system. Cupertino is similar to the City of Alameda in that both are mid-sized cities with similar land use patterns, storm drainage systems, and magnitude of costs and needs. Further, both cities operate under the same MRP 2.0.



CITY OF CUPERTINO

FEE REPORT

2019 CLEAN WATER AND STORM PROTECTION FEE

FEBRUARY 2019

PURSUANT TO THE ARTICLES XIII C & D OF THE CALIFORNIA CONSTITUTION,
AND THE GOVERNMENT CODE SECTIONS 38900 – 38901 ET AL.

ENGINEER OF WORK:
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OPEN SPACE AND AGRICULTURAL PARCELS ARE NOT CHARGED

The City's storm drain system was developed in response to land development over the many decades. Tracts of land that have not yet been developed, or have been used primarily for agricultural purposes, have not created an impact on the system beyond the natural condition, and are therefore considered to receive no service from the system. In practical terms, these parcels generate no additional storm runoff beyond the natural condition. For these reasons, open space and agricultural parcels are not charged a Fee.

HYBRID PARCELS

Some parcels may have both improvements as well as significant open space areas. For such parcels that contain a residence, the open space acreage does not increase the fee because residential parcels are not charged on a per-acre basis. Rather, they are charged based on the median ISA for that size category.

For such parcels that contain non-residential improvements (which are charged on a per-acre basis), the chargeable acreage should be adjusted downward to reflect the improved area only, leaving the open space area "invisible" to the fee calculation. Where parcels have been found in this category, that acreage adjustment has been made.

LOW IMPACT DEVELOPMENT RATE ADJUSTMENT

The current NPDES Permit requires certain properties to construct stormwater treatment and attenuation facilities, also known as low impact development ("LID"). These facilities are typically designed to capture a portion of the storm flows, retain them, and enable them to infiltrate into the ground. While this is intended to help filter pollutants from the water, it also can reduce the parcel's stormwater runoff quantity to some extent, which in turn can reduce a parcel's impact on the system. In addition to NPDES-required LID, other parcel owners may elect to follow LID guidelines voluntarily.

The section of the MRP that requires LID facilities is Provision C.3 (New Development and Redevelopment). Compliance with C.3 is a well-established and convenient metric on which to base customer activities that further Program goals and affect Program costs. C.3 compliance can have impacts to many of the Program elements. In order to analyze the extent to which C.3 compliance will impact Program costs, each Program element was rated with one of four impact levels: none (0%), minor (25%), medium (50%), and major (80%). By applying those impact levels to the costs of each Program element, it was determined that compliance with Provision C.3 equates to approximately 25% of the overall Program costs. Table 6 below shows the results of that analysis.

Based on that analysis, a commensurate reduction in the fees for certain C.3-compliant parcels is warranted. However, C.3 compliance brings with it some additional administrative burdens to verify ongoing compliance. While this burden is relatively minor, for single-family parcels where the annual fee is also relatively small, the administrative burden negates the LID benefits to the program. Therefore, single-family residential parcels do not qualify for the reduced fee. Conversely, C.3 compliance for condominiums is typically accomplished on a collective basis, so the minor administrative burden is spread across many parcels

making it insignificant. Therefore, a 25% reduction in fees will be applied to all C.3-compliant parcels that are either non-single-family or condominium.

TABLE 6 – LOW IMPACT DEVELOPMENT RATE ADJUSTMENT ANALYSIS

MRP Provision		Impact Level				Notes
		None	Minor	Medium	Major	
Operations & Maintenance						
	Program Management					Does not lessen Program Management burden
C.2	Municipal Operations					Reduces storm flows in minor storm, reducing burden on operations
Clean Water Program						
C.1	Permit Compliance					Is a small part of overall Program Compliance
C.2	Municipal Operations					Does not lessen Municipal Operations compliance burden
C.3	New Development and Redevelopment					Is all about C.3
C.4	Industrial and Commercial Site Controls					Provides controls
C.5	Illicit Discharge Detection and Elimination					Does not lessen Illicit Discharge burden
C.6	Construction Site Control					Does not lessen Construction Controls burden
C.7	Public Information and Outreach					Aids in educating property owners
C.8	Water Quality Monitoring					Does not lessen WQ Monitoring burden
C.9	Pesticides Toxicity Control					Capture & infiltration may filter out pesticides
C.10	Trash Load Reduction					Many C.3 devices are considered a partial trash capture device
C.11	Mercury Controls					Capture & infiltration may filter out pollutants
C.12	PCBs Controls					Capture & infiltration may filter out pollutants
C.13	Copper Controls					Capture & infiltration may filter out pollutants
C.17	Annual Reports					Does not lessen reporting requirements

STORMWATER FEE CALCULATION

The primary metric in this analysis is the SFE as illustrated above. To arrive at the fee amount for the various land use categories, the total City-wide SFEs must be divided into the total revenue requirement to arrive at the rate per SFE. Using the analysis above, that calculation is represented by the following formula:

Table 4. City Estimated Expenditures for MRP, by Cost Category (Fund) and Fiscal Year

Fund		Prior ^(a)	Current ^(a)	Future – Projected ^(b)				
MRP Provision		2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Fund 100-85, Operations & Maintenance								
Program Management				\$59,000	\$61,000	\$63,000	\$65,000	\$67,000
C.2	Municipal Operations			\$493,000	\$508,000	\$523,000	\$539,000	\$555,000
Fund Total		\$449,950	\$476,503	\$552,000	\$569,000	\$586,000	\$603,000	\$622,000
Fund 230-81, Clean Water Program								
C.1	Permit Compliance			\$23,000	\$24,000	\$25,000	\$25,000	\$26,000
C.2	Municipal Operations			\$148,000	\$153,000	\$157,000	\$162,000	\$167,000
C.3	New Development and Redevelopment			\$70,000	\$72,000	\$77,000	\$80,000	\$82,000
C.4	Industrial and Commercial Site Controls			\$83,000	\$86,000	\$88,000	\$91,000	\$94,000
C.5	Illicit Discharge Detection and Elimination			\$129,000	\$133,000	\$137,000	\$141,000	\$145,000
C.6	Construction Site Control			\$43,000	\$44,000	\$46,000	\$47,000	\$49,000
C.7	Public Information and Outreach			\$118,000	\$122,000	\$126,000	\$129,000	\$133,000
C.8	Water Quality Monitoring			\$11,000	\$11,000	\$12,000	\$12,000	\$13,000
C.9	Pesticides Toxicity Control			\$21,000	\$21,000	\$22,000	\$23,000	\$23,000
C.10	Trash Load Reduction			\$130,000	\$134,000	\$148,000	\$152,000	\$157,000
C.11	Mercury Controls			\$24,000	\$25,000	\$27,000	\$27,000	\$28,000
C.12	PCBs Controls			\$51,000	\$52,000	\$57,000	\$59,000	\$61,000
C.13	Copper Controls			\$11,000	\$11,000	\$12,000	\$12,000	\$13,000
C.17	Annual Reports			\$29,000	\$30,000	\$33,000	\$34,000	\$35,000
Fund Total		\$761,720	\$720,785	\$891,000	\$918,000	\$964,000	\$994,000	\$1,025,000
Total		\$1,211,670	\$1,197,288	\$1,443,000	\$1,487,000	\$1,550,000	\$1,598,000	\$1,646,000

[a] Values are from the City's *Fiscal Year 2018-2019 Adopted Budget*⁹ (2018 Adopted Budget and 2019 Adopted Budget for both Non-Point Source (Fund 230-81) (p. 407-409) and Storm Drain Maintenance (Fund 100-85) (p. 434-435)).

[b] Each value for the fiscal years under the "Future – Projected" column is considered to be estimated and has been rounded to the nearest \$1,000; thus, summing individual values may result in a slightly different total than those shown in the "Fund Total" and "Total" rows.

⁹ <https://www.cupertino.org/home/showdocument?id=21776>

APPENDIX D – STORMWATER RATES FROM OTHER MUNICIPALITIES

There have been relatively few voter-approved local revenue measures in the past 15 years to support stormwater programs in California. A summary of those efforts plus some others in process or being studied is shown in Table 11 on the following page, in roughly chronological order. Amounts are annualized and are for single family residences or the equivalent.

TABLE 11 – RECENT STORM DRAIN BALLOT MEASURES

Municipality	Status	Annual Rate	Year	Mechanism
San Clemente	Successful	\$ 60.15	2002	Balloted Property-Related Fee
Carmel	Unsuccessful	\$ 38.00	2003	Balloted Property-Related Fee
Palo Alto	Unsuccessful	\$ 57.00	2003	Balloted Property-Related Fee
Los Angeles	Successful	\$ 28.00	2004	Special Tax - G. O. Bond
Palo Alto	Successful	\$ 120.00	2005	Balloted Property-Related Fee
Rancho Palos Verde	Successful , then recalled and reduced	\$ 200.00	2005, 2007	Balloted Property-Related Fee
Encinitas	Unsuccessful	\$ 60.00	2006	Non-Balloted Property-Related Fee adopted in 2004, challenged, balloted and failed in 2006
Ross Valley	Successful, Overturned by Court of Appeals, Decertified by Supreme Court	\$ 125.00	2006	Balloted Property-Related Fee
Santa Monica	Successful	\$ 87.00	2006	Special Tax
San Clemente	Successfully renewed	\$ 60.15	2007	Balloted Property-Related Fee
Solana Beach	Non-Balloted, Threatened by Lawsuit, Balloted, Successful	\$ 21.84	2007	Non-Balloted & Balloted Property-Related Fee
Woodland	Unsuccessful	\$ 60.00	2007	Balloted Property-Related Fee
Del Mar	Successful	\$ 163.38	2008	Balloted Property-Related Fee
Hawthorne	Unsuccessful	\$ 30.00	2008	Balloted Property-Related Fee
Santa Cruz	Successful	\$ 28.00	2008	Special Tax
Burlingame	Successful	\$ 150.00	2009	Balloted Property-Related Fee
Santa Clarita	Successful	\$ 21.00	2009	Balloted Property-Related Fee
Stockton	Unsuccessful	\$ 34.56	2009	Balloted Property-Related Fee
County of Contra Costa	Unsuccessful	\$ 22.00	2012	Balloted Property-Related Fee
Santa Clara Valley Water District	Successful	\$ 56.00	2012	Special Tax
City of Berkeley	Successful	varies	2012	Measure M - GO Bond
County of LA	Deferred	\$ 54.00	2012	NA
San Clemente	Successful	\$ 74.76	2013	Balloted Property-Related Fee
Vallejo San & Flood	Successful	\$ 23.00	2015	Balloted Property-Related Fee
Culver City	Successful	\$ 99.00	2016	Special Tax
Palo Alto	Successful	\$ 163.80	2017	Balloted Property-Related Fee Reauthorization of 2005 Fee
Town of Moraga	Unsuccessful	\$ 120.38	2018	Balloted Property-Related Fee
City of Berkeley	Successful	\$ 42.89	2018	Balloted Property-Related Fee
City of Los Altos	In Process	NA	NA	Balloted Property-Related Fee
County of San Joaquin	Studying	NA	NA	Balloted Property-Related Fee
City of Sacramento	Studying	NA	NA	Balloted Property-Related Fee
City of Salinas	Studying	NA	NA	NA
City of Santa Clara	Studying	NA	NA	Balloted Property-Related Fee
County of San Mateo	Studying	NA	NA	NA
County of El Dorado	Studying	NA	NA	NA
County of Orange	Studying	NA	NA	NA
County of Ventura	Studying	NA	NA	NA

In addition to the agencies listed above in Table 11 that have gone to the ballot for new or increased Stormwater Fees, there are several other municipalities throughout the State that have existing Stormwater Fees in place. Some of these rates are summarized in Table 12 below. Amounts are annualized and are for single family residences or the equivalent.

The City's proposed \$78.00 SFR rate is well within the range of stormwater rates adopted by other municipalities.

TABLE 12 – SAMPLE OF RATES FROM OTHER MUNICIPALITIES

Municipality	Annual Rate	Type of Fee
Bakersfield	\$ 200	Property-Related Fee
Culver City	\$ 99	Special Tax
Davis	\$ 85	Property-Related Fee
Elk Grove	\$ 70	Property-Related Fee
Hayward	\$ 29	Property-Related Fee
Los Angeles	\$ 27	Special tax
Los Angeles County	\$ 83	Special tax
Palo Alto	\$ 164	Property-Related Fee
Redding	\$ 16	Property-Related Fee
Sacramento (City)	\$ 136	Property-Related Fee
Sacramento (County)	\$ 70	Property-Related Fee
San Bruno	\$ 46	Property-Related Fee
San Clemente	\$ 60	Property-Related Fee
San Jose	\$ 92	Property-Related Fee
Santa Cruz	\$ 109	Special Tax
Stockton *	\$ 221	Property-Related Fee
Vallejo Sanitation and Flood Control District	\$ 24	Property-Related Fee
West Sacramento	\$ 144	Property-Related Fee
Woodland	\$ 6	Property-Related Fee

* This is the calculated average rate for the City of Stockton, which has 15 rate zones with rates ranging from \$3.54 to \$651.68 per year.

APPENDIX E - LIST OF ACRONYMS AND ABBREVIATIONS

%IA	Percent Impervious Area
C.3	Provision C.3 of the MRP – New Development and Redevelopment
CIP	Capital Improvement Program
CPI	Consumer Price Index (from the Bureau of Labor & Statistics)
FY	Fiscal Year
G.I.	Green Infrastructure
GO Bond	General Obligation Bond
ISA	Impervious surface area
LID	Low impact development
MFR	Multi-family residential
MRP	Municipal Regional Permit (current version is MRP 2.0)
NPDES	National Pollution Discharge Elimination System (EPA)
O&M	Operations and maintenance
sf	Square feet
SFE	Single-family equivalent
SFR	Single-family residential



CITY OF SAN MATEO

****DRAFT****

STORMWATER FUNDING ANALYSIS

JANUARY 2021

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INTRODUCTION

The City of San Mateo, through its Public Works Department, operates and maintains various stormwater facilities and performs activities necessary to prevent flooding, preserve surface water quality, enhance recreation, and ensure compliance with all legal requirements. Facilities include Marina Lagoon and other creeks and channels, underground stormwater conveyance and pumping systems, and trash capture devices. Necessary activities include operations, maintenance, capital improvement master planning, infrastructure and green infrastructure construction, compliance with the Municipal Regional Stormwater Permit, and overall system management and administration.

Through the years of the City's growth and up to the early 1990s, the City's stormwater system was primarily viewed as a drainage system that collected rainwater and conveyed it away from developed areas. However, beginning in the early 1990s the City was required to comply with newly-enacted environmental laws that have evolved over the past three decades into a comprehensive set of regulations. These regulations, embodied by the Municipal Regional Stormwater Permit, have significantly changed how the City and private property owners approach land use decisions. This new paradigm has placed stormwater management at the leading edge of land use practices – on par with other community priorities such as transportation, housing, and major utility services. The result is that many municipalities across the state and nation are now considering stormwater as a major utility.

As the scope of stormwater management has grown, so, too, has the costs of these **activities. Stormwater management has historically been funded through the City's General Fund – unlike the City's other** utilities (water, wastewater and garbage) that all rely on separate, dedicated user fees to fund necessary activities. As the cost of stormwater management grows, it places greater stress on the General Fund where it must compete with a wide range of other priorities such as public safety and community services.

Among the stormwater management activities in the City of San Mateo, one has emerged as paramount: stewardship of Marina Lagoon. As the receiving body of most of **the City's** stormwater flows, the Lagoon has an important drainage role. In addition, it plays a large role as a recreational amenity for swimming, boating, and other water activities. However, both the drainage and recreational aspects are being degraded due to the accumulation of silt and sediment coming from upstream sources that are causing other environmental problems. In recognition of these challenges, the City conducted an analysis in 2018 that showed that dredging the Lagoon to its original state would cost as much as \$85 million – more than all other stormwater capital needs combined.

FUNDING ANALYSIS

In response to this information, the City engaged the services of SCI to perform a funding analysis that will evaluate financial needs for stormwater activities and explore funding

options and sources for the dredging of Marina Lagoon as well as other stormwater system activities. This work was divided into three tasks:

1. Evaluation of Projected Financial Needs
2. Evaluation of Potential Funding Sources
3. Preparation of Preliminary Rate Structure and Recommendations for Funding Implementation

Future tasks (not part of this work) may include community polling, revenue report and action plan, funding implementation assistance, and community outreach and education.

FINANCIAL REVIEW

The City's **Public Works Department ("Department")** is organized into two sections: Environmental and Engineering. Both sections consist of several divisions and perform various stormwater program activities; there is no single section in Public Works that performs all stormwater-related activities. For the purpose of conducting this analysis, the SCI Team created a hypothetical stormwater utility that would fund the City's resources required to conduct all necessary and beneficial stormwater activities. Based on a review of the related financial accounts and in-depth interviews of various supervisory staff, the SCI Team developed planning level estimates of costs and the revenues required to fund the stormwater utility.

The financial review was done in three parts: 1) Establish current operating costs as a baseline; 2) Estimate additional operating needs; and 3) Estimate and amortize capital needs. For current operating costs, the Team reviewed 57 separate financial accounts across six of the City's funds (10, 21, 26, 28, 72, 82). The Team identified eight accounts – across three funds – that supported stormwater activities to some degree. Baseline operating costs were estimated at approximately \$3.01 million for Fiscal Year 2021-22 ("FY 22").

The next step identified potential additional operating needs, including basic operations and regulatory compliance that should be included in a future utility structure. The Team estimated that an additional \$625,000 would be needed annually by FY 22. When combined with current baseline operating costs, the total revenue required for basic operations and maintenance of the stormwater system is estimated to be \$3.64 million for FY 22.

The final step identified capital costs using information from three primary sources: 1) The FY 21 Budget (Capital Improvement Program); 2) The 2018 Marina Lagoon Dredging Assessment; and 3) The 2004 Storm Drain Master Plan (where costs were escalated to 2020 values). The results were compiled into a single **Capital Improvement Program ("CIP")** totaling \$139 million.

The most expensive project, by far, was the Marina Lagoon dredging, programmed at \$80 million.¹ This project has two distinguishing features: 1) It lends itself well to an incremental approach; and 2) It will need to be repeated on a periodic basis as sediments continue to accumulate. By applying a life-cycle approach to this unique project, analysis showed that an annual amount of \$1.9 million² would be adequate to fund this ongoing capital maintenance project.

By converting the MLD project to an annual program, its large, one-time capital cost can be removed from the CIP resulting in an adjusted CIP of \$68 million.³ This amount was then incorporated into the 30-year financial model resulting in an annual capital cost beginning at approximately \$2.9 million.

A summary of the financial analysis is shown in Table 1 below.

TABLE 1 – SUMMARY OF FINANCIAL ANALYSIS

<i>in thousands</i>	
Estimated FY 22 Revenue Needs	
Baseline Costs	\$ 3,014
Additional Needs	625
Subtotal Operating Costs	<u>\$ 3,638</u>
Marina Lagoon Dredging	1,900
Capital Improvement Program *	2,877
TOTAL Revenue Requirement	<u>\$ 8,415</u>
<i>* CIP is amortized over 30 years</i>	

STORMWATER UTILITY FUNDING SOURCE

A stormwater utility can be viewed as a fully self-supporting entity similar to most municipal water and sewer utilities, where all the services and programs are funded primarily by a user fee.⁴ In municipal financial parlance, this is also called an enterprise fund. However, such user fees are governed by Proposition 218, which, in the case of stormwater fees, requires voter approval (unlike similar fees for water and sewer services).

¹ The cost of the Marina Lagoon Dredging project is shown to be as high as \$85 million in the 2018 analysis but was rounded down to \$80 million in the FY 21 CIP Budget. This Report relies on the \$80 million amount for CIP programming and financial forecasting.

² The annual amount would need to be escalated each year to keep pace with the cost of dredging. In addition, this cost assumes that dredging spoils cannot be accepted at the nearby landfill site (Ox Mountain) and would need to be transported to a more distant location. If Ox Mountain can accept the dredging spoils, the costs would be cut approximately in half (or \$950,000 annually).

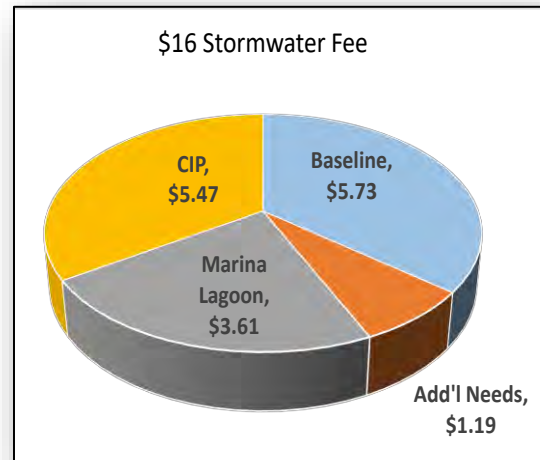
³ The \$68 million amount includes \$9.7 million for the MLD dredging, which will enable the program to start without waiting for annual funding to accumulate.

⁴ Refer to Appendix B for a detailed discussion of the effects of Proposition 218 and other potential funding mechanisms.

Stormwater fees are based on annual revenue requirements and a fair-share apportionment of costs to all properties according to the amount of their impervious surface.⁵ Revenue requirements were estimated using a 30-year forecasting tool (“model”) that included various escalation factors, establishing a 20% operating reserve balance, and, for some scenarios, allowances for debt costs (annual debt service, finance charges, and a debt reserve). The model required an initial rate revenue sufficient to support estimated operating costs and to fund the CIP over the 30-year planning horizon.

The initial revenue requirement of \$8.4 million is projected to result in a user fee of approximately \$16 per month for the average residential parcel. Fees for other types of parcels would vary depending on the amount of impervious surface. This is a planning level estimate and could vary by 10% to 20%. However, it is sufficiently accurate to use as a basis for a community survey.

The chart at right shows how the hypothetical stormwater fee would pay for the four stormwater cost elements.



ROADMAP FORWARD AND RECOMMENDATIONS

The path to establishing a stormwater utility has many steps. The final and necessary steps for establishing a stormwater fee are dictated by Proposition 218, and usually require four to eight months to complete. But there is much more work that is recommended before those final procedural steps are taken.

Because of the ballot requirement, a stormwater fee should be introduced to the community early in the process through stakeholder outreach, community opinion surveys, and other types of community engagement. At the same time, the City must clearly define the services the money will be spent on, perform a rigorous needs analysis, and, finally, prepare a rate study. Only then can a municipality make a solid case to the community through a Proposition 218 ballot measure.

Analysis shows that the full cost of the stormwater program is approximately \$8.4 million per year (current value). A typical rate structure would require a fee as high as \$16 per month (or \$187 per year) for the average home to fund such a program – a rate that is higher than

⁵ Impervious surfaces are those which do not allow rain to soak into the ground such as roofs, driveways, parking lots, sidewalks, and patios.

for most communities in the State.⁶ Strategies for right-sizing the rate to as low as \$10 per month are discussed in a later section.

Based on that, the SCI team makes the following recommendations:

- Update the 2004 Storm Drain Master Plan including a condition assessment to help fine-tune the system needs and cost estimates
- Conduct a thorough community engagement program, possibly involving the community in the Master Plan update and needs analysis
- Conduct a **community survey to help determine the community's values** and priorities, messaging focal points, and, ultimately, their willingness to pay such a fee
- Prepare a rigorous rate study
- Submit the proposed rates to a Proposition 218 ballot proceeding

This process will take at least 18 months to complete - possibly as much as two years depending on the level of community engagement. Because of the anticipated high level of financial need with its resulting rate levels, it is possible that the full cost of the Stormwater utility cannot be funded from a stormwater fee – at least initially. However, other potential funding sources to supplement a basic fee should be sought.

In summary, this is a substantial process involving planning, engineering, rate analysis, ballot proceedings, and community engagement. However, not only can it provide a funding source for these important stormwater services, but it can also be a community focal point that can benefit **the City's residents' and business' quality of life.**

⁶ See Appendix C for examples of stormwater rates adopted by other cities.

The City's Public Works Department ("Department") is organized into two sections: Environmental and Engineering. Both sections consist of several divisions and perform various stormwater program activities; there is no single section in Public Works that performs all stormwater-related activities. For the purpose of conducting this analysis, the SCI Team created a hypothetical stormwater utility that would fund the City's resources required to conduct all necessary and beneficial stormwater activities. Based on a review of the City's stormwater services and related financial accounts as well as in-depth interviews of various supervisory staff, the SCI Team developed planning level estimates of costs and the revenues required to fund the stormwater utility.

In addition to basic drainage and flood control aspects of the stormwater program, the City is also required to comply with state and federal clean water regulations in accordance with the National Pollution Discharge Elimination System ("NPDES"); a framework of laws and regulations governed by the federal Clean Water Act. In the San Francisco Bay region, these regulations are embodied in the Municipal Regional Permit ("MRP")⁷ which is issued to 76 cities on a five-year cycle.

The financial review was done in three parts: 1) Establish current operating costs as a baseline; 2) Evaluate additional operating needs and associated costs; and 3) Estimate and amortize capital needs. These costs were then used to develop a 30-year forecasting tool, or model, that would enable the Team to create various cost/revenue scenarios and perform various analyses.

1.1 – BASELINE OPERATING COSTS

For current operating costs, the Team reviewed 57 separate financial accounts across six of the City's funds (10, 21, 26, 28, 72, 82). From those, the Team identified eight accounts – across three funds – that supported stormwater activities to some degree. The expenditures on those accounts that relate to the hypothetical stormwater utility were compiled to form a baseline for operating costs, which were estimated at approximately \$3.01 million for Fiscal Year 2021-22 ("FY 22").⁸

The SCI Team further analyzed stormwater finances: Project team member LWA evaluated the City's true costs of compliance with the MRP. This planning-level cost estimate includes a summary of prior year expenditures and current year and future implementation costs of the stormwater program. Based on that evaluation, LWA projected all associated costs out

⁷ The MRP is the NPDES permit issued by the Water Board to all Phase 1 permittees in the San Francisco Bay area. The first MRP was issued in 2009. The second MRP was issued in 2015 and is referred to as MRP 2.0. A new MRP (3.0) is expected to be issued in late 2021 or early 2022.

⁸ In this report, fiscal years are denoted by the year in which it ends. For example, FY 2021-22 would be denoted as FY 22.

to FY 30. This forms a solid foundation for the financial needs of the stormwater regulatory program, and is summarized in a technical memorandum dated April 23, 2020, which is attached as Appendix A of this Study.

The MRP compliance evaluation estimated the costs at \$841,000 for FY 22.⁹ It should be noted that these costs are included in the \$3.01 million estimated for all operating costs; they are not additive. Therefore, the MRP compliance effort represents 27% of all baseline operating costs.

1.2 – ADDITIONAL FUTURE OPERATING NEEDS

The next step was to establish whether there were any additional needs that should be included in a future utility structure. These were reviewed on two fronts: Basic operations and MRP compliance. Critical information and data points were gathered during iterative interviews with staff, review of past planning documents, and guidance from the SCI Team. The estimated costs for these additional operating needs for FY 22 are summarized as follows:

- \$288,200 for Operations and Maintenance¹⁰
 - 2.2 full-time equivalent Maintenance Worker II for creek and inlet cleaning
 - Green infrastructure maintenance (contract services)
- \$225,200 for MRP Trash Capture Compliance¹¹
- \$111,300 for other MRP Compliance
 - Additional industrial / commercial inspections
 - Allowance for MRP renewal costs

The results of that analysis showed that approximately \$625,000 additional funding would be needed annually by FY 22. This, combined with the baseline operating costs, would bring the total FY 22 operating budget to \$3.64 million. These amounts are summarized in Table 2 below.

⁹ From LWA memo, Appendix A, Table 2.

¹⁰ Based on information from Operations staff in an email dated April 29, 2020.

¹¹ From LWA memo, Appendix A, Table 2

TABLE 2 – SUMMARY OF ESTIMATED OPERATING COSTS

<i>in thousands</i>					
Program	Fund	Prog #	Sub- Prog	FY 21	FY 22
Stormwater Pollution	10	4676	1	\$ 452	\$ 466
Marina Lagoon	10	4677	1	497	499
Storm & Flood	10	4679	1	186	189
Waste Mgt- Disposal	21	4678	1	384	393
Waste Mgt - Special Events	21	4678	2	32	35
Envir Compl - Pollution Prev	72	4672	1	226	232
Sewer Mtce - Pump Repair	72	4675	3	307	312
Storm Sewer Mtce	72	4675	5	876	887
Baseline Costs				\$ 2,959	\$ 3,014
Additional Costs				\$ 481	\$ 625
TOTAL COSTS				\$ 3,440	\$ 3,638

1.3 – CAPITAL IMPROVEMENT PROGRAM

Capital costs were evaluated using information from three primary sources: 1) The FY 21 **Capital Improvement Program (“CIP”)**; 2) The 2018 Marina Lagoon Dredging Assessment; and 3) The 2004 Storm Drain Master Plan. Cost estimates for the latter were escalated from 2004 to 2020 using the Construction Cost Index published by the Engineering News Record.

The results were compiled into a single CIP totaling \$139 million as shown in Table 3 below. The most expensive project, by far, was the Marina Lagoon dredging project estimated at \$80 million. This project is discussed in more detail in the next section.

TABLE 3 – SUMMARY OF CAPITAL NEEDS

<i>in thousands</i>		
Source	Project	Cost
Current CIP	Storm Drain Condition Assessment	\$ 1,000
	Storm Drain Master Plan Update	115
	Pacific Blvd Drainage Channel Rehabilitation	600
	Creek & Lagoon Routine Maintenance Permitting	380
2018 Assessment	Marina Lagoon Dredging	80,000
2004 Storm Drain Master Plan	16th Avenue Drainage Area	9,521
	19th Avenue Drainage Area	11,972
	Laurel Creek Drainage Area	9,567
	Coyote Point Drainage Area	17,050
	Detroit Drive Drainage Area	5,728
	San Mateo Creek Drainage Area	2,620
TOTAL		\$138,553

1.4 – MARINA LAGOON DREDGING PROJECT

One primary focus of this Stormwater Funding Analysis project was how to deal with the large capital costs for **the Marina Lagoon Dredging (“MLD”) project**. **The costs were drawn** from an assessment conducted on behalf of the City by the firm of Moffat Nichol in 2018. The assessment identified five alternatives for the project with the following variables:

- Quantity of dredging
 - Full design depth, or minimum navigation depth, or shallow locations only
- Method of dredging
 - Mechanical or hydraulic
- Method of transport
 - Truck, or pump, or barge
- Disposal site
 - In-lagoon, or Ox Mountain landfill, or a more distant destination

The Moffat Nichol cost estimates varied widely, ranging from \$8.6 million to \$84.5 million. The costs were most sensitive to the disposal site variable. The nearest disposal site is the Ox Mountain landfill along Highway 92, approximately 15 miles away from Marina Lagoon. However, Ox Mountain has restrictions on the makeup of landfill soil it can accept, and it is possible that the MLD spoils will not meet those strict requirements. In that case, the spoils would need to be hauled to a distant landfill as yet unidentified. The unit costs of disposal varied accordingly: \$77 per cubic yard for Ox Mountain versus \$233 per cubic yard for a distant site. When incorporated into the full-scope costs for each alternative, the higher disposal cost effectively doubled the cost of the overall project for each alternative.

The next biggest impact on cost was the quantity of dredging. The largest alternative estimated 275,000 cubic yards while the smallest alternative estimated 77,500 cubic yards.

The MLD project is not a one-time project; ongoing deposit of silt (estimated at the rate of 5,781 cubic yards per year) will require this dredging work to be done periodically for the foreseeable future. Therefore, SCI conducted a life-cycle cost analysis using the Moffat Nichol cost parameters and consideration of all variables.

By approaching the MLD project on a life-cycle basis, three variables became insignificant:

- Quantity of dredging fell away as each project was based on dredging 5,781 cubic yards per year on average.
- The variations of transport and dredging methods were found to be minimal.

The final variable to deal with was the method of disposal, of which there are three: 1) Ox Mountain; 2) Distant landfill; or 3) Infill within the lagoon itself. The latter is, by far, the least

expensive. However, it can only be used for the smaller dredging amounts (space is limited). In addition, it can only be used for the first dredging cycle; for subsequent dredging cycles the infill locations would have been previously filled and all spoils would need to be hauled offsite. Therefore, the only significant variable for a life-cycle approach is the Ox Mountain versus distant landfill option – with its 2-to-1 cost ratio. For the purpose of the analysis, the higher cost option was used as shown in Table 4 below.

The life-cycle analysis involves three steps:

- Calculate the life of each project by dividing the cubic yards by the annual deposition rate of 5,871 cubic yards. *Example: The 275,000 cubic yard alternative works out to a 47.6-year life.*
- Adjust costs to reflect a no-infill option. Since disposing of the dredging spoils by filling in parts of the Lagoon can only be done once, that is not an option for an ongoing life-cycle approach. For the project alternatives that rely on the infill option for disposal (3a, 3b, and 4c), those costs were re-calculated for a haul-to-landfill option using Moffat-Nichols cost parameters.
- Divide adjusted project cost by its life. *Example: The \$84.5 million, 47.6-year project works out to \$1.78 million per year.*

TABLE 4 – MARINA LAGOON LIFE-CYCLE COST ANALYSIS

Alternative	2	3a	3b	4a	4b	4c	
Project	large	Medium		Small			
Volume (CY)	275,000	100,000		77,500			
Life (Years)	47.6	17.3		13.4			
Cost Estimates (in millions)							
Orig Proj Cost	\$ 84.5	\$ 9.5	\$ 9.7	\$ 25.6	\$ 24.3	\$8.6	
Adjusted Proj Cost	\$ 84.5	\$ 31.1	\$ 33.0	\$ 25.6	\$ 24.3	\$ 25.6	\$ 24.3
Annual Cost	\$ 1.78	\$ 1.80	\$ 1.91	\$ 1.91	\$ 1.81	\$ 1.91	\$ 1.81
Dredging Information							
Method	Hydr	Hydr	Mech	Mech	Hydr	Mech	Hydr
Transport *	Haul	Pump *	Barge *	Haul	Haul	Pump *	
Disposal *	Landfill	Infill *	Infill *	Landfill	Landfill	Infill *	
* Transport and disposal descriptions are for the original project. All Adjusted project costs are for haul to landfill disposal							

The annual cost of all options,¹² as adjusted for to a no-infill disposal, varied only slightly, ranging from \$1.78 million to \$1.91 million. The minor variance is due to the variables of

¹² The Moffat Nichol Assessment included five alternatives. However, Alternative 1 was a do-nothing option with no costs, and Alternative 5 pointed to performing any of the other alternatives on an incremental basis (again with no costs stipulated). Therefore, only Alternatives 2, 3 and 4 are shown here.

dredging and transport methods remaining in the costs. Rounded off to the higher end of this range, the MLD project is assumed to cost the City \$1.9 million annually (present value). As will be demonstrated in a later section of this Report, this approach provides the City much more flexibility in conducting the dredging work as well as provides prospective rate payers lower fees and more rate stability.

1.5 – ADJUSTED CAPITAL IMPROVEMENT PROGRAM

By treating the MLD project as an ongoing capital maintenance program, the CIP can be adjusted by eliminating (or greatly reducing) the MLD cost. If the MLD is reduced to \$9.7 million, the overall CIP is then adjusted downward to \$68 million. This would enable the City to perform the work identified in Alternative 3b (mechanical dredging of 100,000 cubic yards and barge transport to infill disposal locations). Subsequent dredging work could be done at regular intervals to maintain (or improve) the depth of water in the Lagoon using the \$1.9 million annual set-aside funding.

TABLE 5 – ADJUSTED CAPITAL IMPROVEMENT PROGRAM

			<i>in thousands</i>		
Source	Project	Cost	Tier 1	Tier 2	Tier 3
Current CIP	Storm Drain Condition Assessment	\$ 1,000	\$ 2,095		
	Storm Drain Master Plan Update	115			
	Pacific Blvd Drainage Channel Rehabilitation	600			
	Creek & Lagoon Routine Maintenance Permitting	380			
2018 Asmnt	Marina Lagoon Dredging	9,700		9,700	-
2004 Storm Drain Master Plan	16th Avenue Drainage Area	9,521	32,627		23,830
	19th Avenue Drainage Area	11,972			
	Laurel Creek Drainage Area	9,567			
	Coyote Point Drainage Area	17,050			
	Detroit Drive Drainage Area	5,728			
	San Mateo Creek Drainage Area	2,620			
TOTAL		\$ 68,253	\$34,722	\$ 9,700	\$23,830

The adjusted CIP shown in Table 5 includes three tiers of projects. Tier 1 (\$34.7 million) includes the current CIP projects and the high-priority projects from the 2004 Master Plan. Tier 2 (\$9.7 million) includes the MLD project as described above in Section 1.4. Tier 3 (\$23.8 million) includes the medium- and low-priority projects from the 2004 Master Plan. Tiers 1, 2, and 3 total \$68.2 million.

It is worth noting three significant variables associated with the CIP cost estimating that may ultimately affect the capital cost estimates:

- The first project is a condition assessment which will likely bring to light additional needs, thereby increasing costs.
- The second project is a master plan update, which would update the cost estimates for the last six projects. It is possible this may increase or decrease the scope (and funding needs) for these projects.
- The Marina Lagoon costs are based on worst-case disposal costs and could come in significantly lower. This variable would not affect the CIP estimates – it would only affect the \$1.9 million annual amount for the MLD project. This could result in reducing that annual amount to approximately \$950,000.

The first item is likely under-estimated, the second one could go either way, and the last item may be over-estimated. On balance, this information is offered as a reasonable planning-level estimate.

2 – EVALUATION OF POTENTIAL FUNDING SOURCES

2.1 – REVIEW OF UTILITY FEE STRUCTURES AND PROPOSITION 218 REQUIREMENTS

The legal requirements for establishing and increasing municipal utility fees are governed by Proposition 218. Fees for water, sewer, refuse collection (or solid waste) and stormwater services are defined as property-related fees. As noted above, the first three types of fees are not required to be approved by voters, while the latter is required to do so. This voter approval requirement creates a significant barrier for municipalities to set stormwater fees. As a result, municipalities typically look for other, non-balloted funding options to assist in the funding for stormwater activities. Various options are reviewed below.

2.2 – SUMMARY OF FUNDING OPTIONS

There is a wide array of options available for funding a stormwater program. There are several ways to categorize funding: Ongoing funding, one-time funding, or debt financing (one-time funds that are repaid in an ongoing manner). The difference between balloted and non-balloted is important, as any funding source that requires a ballot measure will obviously bring with it more challenges and risks. The matrix below helps to categorize these along two axes and illustrates a few examples of each.

	Sustainable / Ongoing	One-Time	Long-Term Debt
Balloted	Taxes, Fees & Assessments		GO Bonds *
Non-Balloted	Regulatory Fees Re-Alignment Developer Fees	Grants	COPs ** Revolving Fund

** General Obligation Bonds; ** Certificates of Participation*

A thorough description of the various funding sources is contained in Appendix B, which contains detailed discussions on the following types of funding:

- Ballot Approaches
 - Special Taxes
 - Property-Related Fees
 - General Obligation Bonds
 - Benefit Assessments
- Non-Balloted Approaches
 - Realignment of Stormwater Services
 - Regulatory Fees
 - Special Financing Districts
 - Development-Driven Approaches

- Partnerships

2.3 – OPTIMAL FUNDING STRATEGIES

Any funding analysis should include a broad overview of all funding options. This Analysis will highlight a few high-potential funding strategies. A technical memorandum that describes a wide variety of funding options for stormwater activities was written on February 24, 2020 and is included herein as Appendix B. A few of those options were considered optimal for the City, which are discussed below.

- Balloted Property-Related Fee
- Marina Lagoon Funding Options
- Re-Alignment
- Regulatory Fees
- Opportunistic Options
- Senate Bill 231 Approach

For other funding resources, the reader is referred to the Funding Resources web page¹³ on the website of the California Stormwater Quality Association (“CASQA”). The reader is also directed to a handy stormwater funding matrix in Appendix B (also found on the CASQA website¹⁴).

2.3.1 – BALLOTTED PROPERTY-RELATED FEE – PRIMARY OPTIONS

The premise of this Financial Analysis was to create a hypothetical stormwater utility (or enterprise fund). In general, a municipal utility is a self-supporting government enterprise that provides services to the public for a fee. The City currently has enterprise funds established for wastewater service and a special fund for solid waste services. Each use a set of user fees as their primary funding source – fees that are categorized under Proposition 218 as property-related fees. In addition to being the most common, this type of user fee is recognized as legitimate by rate payers, is the most flexible in what it can fund (all enterprise-related costs), is legally stout, and is highly sustainable to meet future needs.

In the case of Stormwater, a property-related fee must be approved by voters as noted above. While this increases the difficulty and risk of enacting such a fee, it is the most common type of dedicated, sustainable funding source used by stormwater utilities throughout the State (indeed, throughout the Country). Other balloted mechanisms typically require a higher approval threshold (i.e., two-thirds majority). Non-balloted funding mechanisms can rarely generate the level of revenue required.

¹³ <https://www.casqa.org/resources/funding-resources>

¹⁴ https://www.casqa.org/sites/default/files/downloads/funding_matrix.pdf

For these reasons, SCl recommends the balloted property-related fee as the primary option to consider moving forward. However, other options should not be discarded. To the extent that other sources of revenue are established, the rate-payers' burden will be lessened. For that reason, a portfolio approach is typically recommended with multiple sources of revenue to the extent practical.

2.3.2—MARINA LAGOON – SEPARATE FUNDING OPTIONS

The dredging needs for Marina Lagoon present unique opportunities and challenges. The challenges are addressed in Section 1.4, but the opportunities for a separate approach to funding is addressed here.

Marina Lagoon functions not only as a drainage facility, but also as a recreational amenity for the community. There are three public beaches as well as many other public access points. Boating is allowed on this waterway, and there is one public boat launch ramp as well as many other access points for portable watercraft. Nearly all water frontage is held by private property owners, many of which have boat docks or piers. On the other hand, the high degree of siltation has made some areas of the waterway too shallow for certain types of boating, and maintaining swimmable water quality is a struggle.

Because of the recreational aspects, the cost of Lagoon maintenance can be funded by a benefit assessment, particularly when the benefits conferred are so localized (as in the case of the many private water frontages). Benefit assessments must also be approved through a ballot proceeding, but the voting (by property owners) requires only a simple majority for passage (with **the ballots weighted by the amount of each property's assessment level**).

An analysis was conducted of how a benefit assessment might be structured along with assessment rates that would likely be approvable by the property owners. The hypothetical annual assessment structure is summarized in the table below.

TABLE 6 – MARINA LAGOON – HYPOTHETICAL ASSESSMENT

Zone	Parcels	Rate	Revenue
Frontage	943	\$ 150	\$ 141,450
Walkable	2,000	\$ 50	\$ 100,000
All Others	25,945	\$ 10	\$ 259,450
	28,888		\$ 500,900

This analysis results in a possible annual revenue of approximately \$501,000, which represents 26% of the annual costs of the MLD project. This will be considered further in the next section.

Other options could be considered for this recreational amenity such as a special tax or a community facilities district (CFD). However, both of those mechanisms would require a two-thirds majority in a ballot measure and would be less likely to pass than a benefit assessment.

2.3.3 – RE-ALIGNMENT – NEXUS BETWEEN STORMWATER AND OTHER UTILITY

Realignment is the term used to describe how non-balloted-fee revenue can pay for certain stormwater functions. This is sometimes possible through an interpretation of Proposition 218 where property-related fees can pay for all associated activities that support the services provided under those fees. Re-alignment works best when both participating utilities are **within the City's jurisdiction**. These are discussed in more detail in Appendix B.

As part of the analysis, the City also examined current activities in Fund 21, the Solid Waste Fund, and Fund 72, the Sewer Enterprise Fund, to determine if any aligned with the scope of the hypothetical Stormwater Utility. Within both, staff found activities that combined stormwater efforts with those specific to each of the funds. For example, in the Solid Waste Fund, several of the currently funded positions work to prevent litter throughout the City through various programs and activities. Many of these trash reduction efforts benefit the stormwater system by keeping debris out of the system and allowing stormwater to flow cleanly and properly.

Similarly, within the Sewer Enterprise Fund, the City has staff who accomplish important outcomes for both the stormwater system and the sanitary system through their activities. For example, the Environmental Compliance Inspectors educate and work with local businesses and property owners to ensure that sanitary sewer discharges are properly released, and that stormwater is protected from possible contaminants. The inspectors also work to eliminate sanitary sewer overflows through activities like identifying and correcting illicit connections to both stormwater and sanitary sewer systems. Within the Field Maintenance group, there are maintenance workers who conduct wet weather preparation work, such as cleaning creeks and storm drains, to make sure that storm drain systems are not clogged and thus that stormwater does not travel into the sanitary sewer system. In addition, staff share the maintenance of the storm drain pumps that help prevent flooding and ensure that stormwater does not end up in the wastewater collection system.

2.3.4 – REGULATORY FEES (PROP 26 FEES)

Regulatory fees are those charged for specific services requested by the public. They **typically appear in a city's master fee schedule**. **As they relate to stormwater activities**, they usually include fees for plan reviews, plan checks, site inspections, and related administrative and enforcement activities. Fee amounts must be correlate to the actual cost of service; they cannot cover costs of other operations, maintenance, or capital expenses.

A review of the City's Comprehensive Fee Schedule shows that construction inspections and annual inspections for MRP compliance and investigation are already in place. Not found were any fees specifically for stormwater plan review or plan checking for new development or for encroachment activities. However, those activities are being performed and are included in various other fees. If the resources (staff or contractor) are paid from a non-stormwater source, then this fee structure is entirely appropriate. Since there is no actual stormwater utility at this time, there would not be any possible conflict. However, if a

stormwater utility were formed in the future, care should be taken to ensure that revenues for these activities flow to the financial division that pays for the resource.

2.3.5 – OPPORTUNISTIC OPTIONS

There are two primary types of opportunistic options to watch for: Grants and partnerships. While the City may not want to rely heavily on opportunistic options when designing a financial system or rate structure, it should keep abreast of these opportunities and be sure to take advantage to the extent possible.

GRANTS

Grant funding is typically applied to capital projects but can occasionally become available for other programmatic activities. These opportunities for stormwater have been rare in the past but are becoming more common. It is worth noting that grants often come with other financial requirements such as matching funds or requirements to fund post-project maintenance. For these reasons, an underlying revenue stream (e.g., user fee) is very important to have in place to leverage these opportunities.

PARTNERING

One of the most common forms of partnering is participation in multi-benefit projects such as street improvements where transportation funding can help pay for stormwater facilities such as pipeline upgrades or installation of green infrastructure. If stormwater features cannot be paid for by the primary funding source, there are usually other efficiencies that can make the stormwater elements less expensive than for stand-alone projects. Examples of efficiencies can include avoiding the cost of general project mobilization and management, demolition, restoration of surface improvements, or piggy-backing onto the expertise of design and construction resources.

Partnering opportunities are best applied when the stormwater elements are integrated into a project at the beginning – during the concept and planning phases. This requires the stormwater staff to be present early and often during the CIP planning process.

2.4 – SENATE BILL 231 POTENTIAL

Senate Bill (“SB”) could be a significant game-changer by eliminating the voter-approval requirement for stormwater fees. SB 231 changed the Government Code by providing a definition for sewer that includes surface waters. In doing so, it opens the door to classifying fees for the stormwater activities as a type of sewer fee and would therefore be exempt from voter approval. Based on that, a municipality could move forward to establish a stormwater fee without a ballot measure.

However, SCI recommends great caution in this area. **Prominent taxpayers’ organizations** object to the premise of SB 231 citing legislative limits on amending the State constitution (such as Proposition 218). As a result, any municipality that proceeds down that path can expect a legal challenge and possibly become a test case for the constitutionality of SB 231. In response to that likelihood, Senator Hertzberg (sponsor of SB 231) has created a working

group to help interested municipalities move forward strategically in an effort to shape any test case in a way favorable to intent of SB 231.

Based on this, SCI has been advising municipalities to not use the SB 231 path, but rather to move forward with a ballot measure. This is the recommendation for the City of San Mateo as well.

3 – PRELIMINARY RATE STRUCTURE AND RECOMMENDATIONS

Around the Country, a stormwater utility is the term used to describe a governmental entity in which a defined set of services within a defined geographical area are provided and paid for through a user fee structure. Examples are water and sewer utilities where the average property owner is accustomed to paying monthly or annual bills for those services. For California municipalities, another common term is an “enterprise fund,” where revenues are kept separately from the municipality’s general fund and other special funds, and proceeds from the user fees are used strictly for the defined services.

Proposition 218 provides additional clarity for such utility fees in the California Constitution, Article XIID, Section 6 – property-related fees. This requires any property-related fee to be used only for the stated purpose, costs to be apportioned in a fair and reasonable manner, and the municipality to collect no more revenues than are required to provide the service. This Section also requires that new or increased property-related fees must be approved by property owners through a ballot proceeding. This requirement has proven to be a significant hurdle throughout the State, where fewer than 30 property-related fees have been submitted to voters since the 2002¹⁵, and where approximately one-third of those attempts have failed at the ballot box. These examples are listed in Appendix D along with other current efforts either in progress or under consideration.

A stormwater utility may also consider other revenue mechanisms such as taxes. Taxes do not have the same strict requirements as property-related fees, but generally require a two-thirds majority voter approval.

In this section, the discussion will focus on the typical process required to establish a new **stormwater utility, estimate rate levels for the City’s stormwater program needs**, look at various funding options, discuss the importance of community involvement, and make recommendations for moving forward.

3.1 – PROCESS OF FORMING A STORMWATER UTILITY

There are three primary procedural steps in forming a new stormwater utility:¹⁶ Understanding your needs; preparing a rigorous rate study; and implementing a revenue mechanism. On a parallel track, community engagement and education steps are equally important. These two tracks are illustrated in the graphic below¹⁷ with the procedural steps in green (left) and the community engagement in blue (right).

¹⁵ In 2002, the State Court of Appeals, Sixth District, issued a decision in *Howard Jarvis Taxpayers Association versus the City of Salinas* affirming the requirement for voter approval for stormwater fees.

¹⁶ The California Stormwater Quality Association (CASQA) has a thorough discussion of this process on its website at <https://www.casqa.org/resources/funding-resources/creating-stormwater-utility>.

¹⁷ Utility formation process graphic is taken from the CASQA website.



UNDERSTANDING YOUR NEEDS - OVERVIEW

Any successful effort requires thorough preparation including the following:

- Storm Drain Infrastructure Needs: This often includes an up-to-date storm drain master plan, asset management plan, watershed management plan, or some other needs analysis of the capacity, condition, trouble spots and projected needs for operations, maintenance, and capital projects.
- NPDES Permit Compliance: This would evaluate the current and future needs for **all the requirements of the City's NPDES Permit with projections of future requirements**.
- Organizational Review: This affords an opportunity to review how the City's stormwater program is structured within the organizational chart and within the financial structure.
- Financial Analysis: This often flows from (or is included in) a master plan or asset management plan and identifies costs required to satisfy the infrastructure and regulatory needs.

Another important aspect of knowing your needs is to ask the community what they think. Since any revenue mechanism ultimately requires voter approval, it is important to assess the priorities of the community early in the process. The four bullet points above will help define what the City believes its needs are, but if they do not align with the priorities of the community a ballot measure may be doomed. Two early steps can help ascertain what the **community's priorities are: stakeholder outreach, and community-wide opinion survey.**

The City of San Mateo has a storm drain master plan prepared in 2004. While many of the needs identified in that plan may still be valid, the cost estimates will be out of date, some needs may have been fulfilled, and other needs may have arisen – particularly in light of a greater understanding of the impacts of climate change. Additionally, NPDES Permit requirements have escalated significantly in the past 16 years. It is typically recommended that an updated master plan or asset management plan be prepared. The CIP has already identified the need for a master plan update and a condition assessment, but they are not yet funded. By completing those two tasks prior to bringing the funding proposal to the community, it would help **bolster both the City's understanding** of its needs as well as the **community's confidence in the City's planning and preparation**.

Only when the infrastructure and financial needs have been ascertained can the City make informed decisions about which direction to proceed. In order to garner voter approval, the community will need to have confidence that the municipality has done its “homework”, thoroughly understands its needs and has evaluated its options. This Analysis provides a roadmap of how the City might navigate all the necessary steps toward establishing a stormwater utility. It also includes specific recommendations to help it become prepared.

3.2 – RATE ANALYSIS

To estimate user rates for a property-related fee mechanism, two elements are considered: 1) Financial needs and revenue requirements; and 2) Apportionment of those costs across the various types of parcels in compliance with Proposition 218.

The financial needs expressed in the tables above must be converted to an annual revenue requirement. That calculation must account for other revenue sources such as the General Fund, developer contributions, transfers from other internal funds, and potential one-time contributions such as grants. In situations where there is a large capital improvement need, the way that need is financed must also be considered. The two primary options are pay-as-you-go (“PayGo”) or debt financing. **Under PayGo, the City would build** projects as funds are accumulated to pay for them. Debt financing provides funds up front to build the projects early, and the debt is paid off over time. In the latter case, the debt service would replace the actual CIP costs in the annual revenue requirement calculation. This may not be determined ahead of time, but both options, or a blend of the two, should be considered.

3.2.1 – 30-YEAR REVENUE MODEL

Due to the relatively large CIP, a 30-year model was used. This planning horizon allows for evaluation of long-term debt options, which can smooth the rates while delivering major projects sooner. The model was designed to include a utility fund reserve equal to 20% of the annual operating expenditures.

The goal of the model is to complete the full CIP within the 30-year period. Several scenarios were developed including all three tiers of the adjusted CIP (Table 5) and various levels of debt versus PayGo. Recent sensitivity analyses have shown that the use of debt does not increase the rate levels more than 2% to 3%.

The graphic below shows the 30-year chart of revenues (blue bars) versus the four types of expenditures (O&M, Lagoon set-aside, PayGo and debt service). The scenario below requires an initial revenue of \$8.415 million and funds the \$68 million CIP using a \$40 million (30-year) debt with the remainder funded with PayGo. A lower debt level would not decrease the overall expenditures significantly; it would primarily trade the debt service (gold) area for the PayGo (gray) area. The primary difference with a lower debt level would be a substantially slower delivery of capital projects.

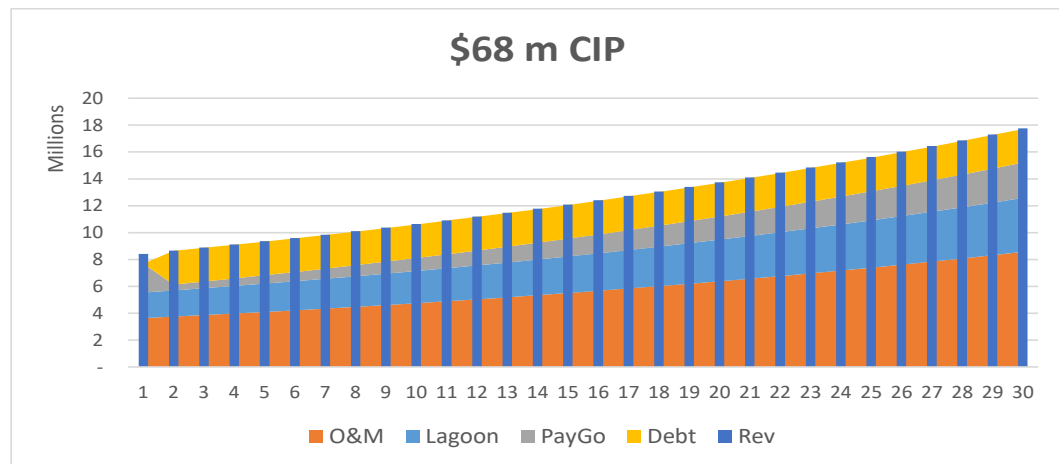


Table 7 below shows the net costs – and revenue requirement – for FY 22, the initial year of the 30-year model.

TABLE 7 – FY 22 REVENUE REQUIREMENT

<i>in thousands</i>	
Program Element	FY 22 Cost
Operations & Maintenance	\$ 3,638
Lagoon Set-Aside	1,900
Capital Projects / Debt *	2,877
TOTAL FY 22 Expenditures	\$ 8,415
<i>* also includes first-year set aside to create a 20% operating reserve</i>	

This revenue model makes several assumptions:

- Revenues are not ramped up in the early years; they are set only to escalate at a rate equal to the Consumer Price Index (assumed to average 2.6% annually).
- Expenses escalate at 3.0% annually.
- CIP project costs escalate 2.6% each year that they are not built (remaining balance on CIP).

3.2.2 – RATE CALCULATION

Stormwater utility rates are typically, and appropriately, based on impervious area of each parcel of land, although the approach and unique features can vary among municipalities and rate study professionals. The benchmark for user rates such as these is the average single-family home, defined here as the single-family equivalent¹⁸ (“SFE”). Other types of land uses are calculated based on a multiplier of the SFE. A rate study will sum the SFEs for all parcels within the municipality, then divide the annual revenue requirement by that number to arrive at the SFE rate.

SCI has conducted a preliminary survey of parcels in the City of San Mateo and estimates the following:

- 28,694 parcels within the City
- ~ 28,586 eligible to be charged a fee¹⁹
- ~ 45,000 SFEs

Assuming an annual revenue requirement of \$8.415 million²⁰, the annual SFE rate is expressed as,

$$\begin{aligned} \text{SFE Rate} &= \frac{\text{Annual Revenue Req't}}{\text{Total SFEs}} \\ &= \frac{\$8,415,000}{45,000} \\ &= \text{\textbf{\$187 per Year}} \\ &(\text{ = } \text{\textcolor{brown}{\$16 per Month}}) \end{aligned}$$

This is a planning level estimate that could vary by 10% to 20%. It is worth noting that \$187 per year (or \$16 per month) is relatively high for municipalities in California. Appendix E contains a list of adopted stormwater rates for various cities in the State.

Strategies for lowering the annual fee level closer to the \$100 level should be considered. These could include continuing the financial support from the General Fund, Solid Waste Fund, or Wastewater Fund, reducing CIP costs, or phasing in the rates over a period of time. Evaluating these and other strategies will be discussed in Section 3.5.3.

¹⁸ Other names for this metric are the equivalent residential unit (ERU) or drainage measurement unit (DMU).

¹⁹ Some parcels may not be charged a fee based on the land use or conditions of the soil.

²⁰ Based on a five-year accumulative total escalating at 3% per year.

3.3 – MULTIPLE FUNDING SOURCES FOR MARINA LAGOON

In an earlier section there was a discussion of funding a portion of the MLD project through a benefit assessment. The estimated rate and revenue calculation showed that most properties in the City would pay a \$10/year fee with a few others paying more (\$50 or \$150) based on proximity to the Lagoon. If that funding mechanism were enacted, the stormwater fee-based revenues estimated above would be reduced by the same \$501,000 resulting in an annual rate savings of \$11 (using the same formula shown above). This appears to be a relatively even trade-off: Reduce fees by \$11 and enact a \$10 assessment.

On the downside, the benefit assessment would require an entirely separate city-wide ballot measure. This presents challenges in costs, logistics, messaging to the community, and political realities. Two ballot measures for the same (or similar) reasons might be confusing to voters. In addition, if only one of the measures passed there would be a financial void to fill. For no apparent financial gain (i.e., \$11 trade-off) such a strategy would seem ill-advised unless some other unforeseen factor emerged that added credence to this strategy.

3.4 – COMMUNITY SUPPORT AND ENGAGEMENT

As noted earlier, there are two parallel tracks recommended for a successful funding initiative: Procedural and community engagement. A robust community engagement process is critical to the success of any stormwater program for two basic reasons: Community members often do not understand how their stormwater infrastructure and pollution prevention program are important to their quality of life; and, with a ballot measure being the ultimate test of whether a funding initiative succeeds, informing and bringing the community along cannot be overlooked.

The California Stormwater Quality Association's website contains an excellent section on community engagement.²¹ Some of the highlights include the following:

- **Start with "Why:"** What changes have caused the City to ask for support and funding? Focus on topics such as aging infrastructure whose upkeep has been long-deferred, local flooding that can be addressed, and environmental concerns that are important to the community.
- **Branding:** Most communities are unaware of what a stormwater program does and why it is important. Branding will help get the message out to the community – preferably BEFORE it is time to ask for support in a funding initiative.
- **Public Opinion Survey:** While an opinion survey is also **incorporated into the "know your needs"** section of the procedural track, it is an important community engagement tool. Opinion surveys can be done in multiple, iterative steps with early versions surveying for general community priorities (public safety, traffic, roads and environmental issues) to help gauge where stormwater concerns lie in the overall

²¹ <https://www.casqa.org/resources/funding-resources/creating-stormwater-utility/community-engagement>

scheme. Later surveys can focus on specific stormwater program elements and willingness to pay.

- Stakeholder Outreach: Gathering feedback from stakeholders and opinion leaders in the community early in the process is valuable. It helps when they know they can influence the direction the City moves before a potential funding measure is finalized. Continuing stakeholder involvement can reinforce and bolster that value.
- Community Outreach: This refers to the more general outreach such as mailers, social media and townhall-type meetings. This often occurs later in the process once a funding initiative is in motion and program priorities and funding/fees are relatively set.

Any Proposition 218 process necessarily includes two direct mailings to the voting community at large: Notice of the proposed fees and public hearing; and a mailed ballot packet. These public contacts are inevitable, come near the end of the process, and may **be considered “bad news” (i.e., asking to approve a new fee)**. Therefore, it is advantageous if the community has already heard of the stormwater program, has been exposed to its community importance, and had some objective interaction **with the City prior to the “bad news” portion** of community engagement.

3.5 – RECOMMENDATIONS AND NEXT STEPS

This Analysis inventories the City’s current levels of service and associated costs for a stormwater utility. It goes on to forecast those costs using a 30-year model based on the **information gathered from City staff as well as the consultant team’s expertise** in financial forecasting and MRP requirements. As such, this Analysis forms a solid foundation to move to the next step: Develop a communication strategy and conduct a community opinion survey. These and subsequent steps should be conducted with sights set on the goal of forming a stormwater utility and establishing a dedicated, sustainable revenue stream.

3.5.1 – COMMUNICATION STRATEGY

Prior to conducting a survey, the City should develop a strategic communication plan that includes several elements:

- Identify primary stakeholders and open a dialogue. Early input can help formulate messaging strategies. This can range from selected individuals to existing groups to the formation of a blue-ribbon committee. It could also include study sessions by the City Council or selected committees.
- Begin branding the stormwater program through existing media channels with information about the extent and value of the program. Branding is intended to allow the community to learn about this critical program, but without broaching the subject of a possible revenue measure. This could be as simple as periodic articles in the newsletters and on existing website and social media outlets.
- Develop messaging elements that can be tested in a community opinion survey.

3.5.2 – COMMUNITY OPINION SURVEY

Most successful ballot measures are preceded by statistically valid opinion surveys. Well-crafted surveys can scientifically calibrate several metrics simultaneously:

- Community values and priorities
- Effectiveness of messaging strategies
- Willingness to pay for various levels of service

As the nation struggles with the COVID-19 pandemic, it is more important than ever to **measure a community's position on** all these elements. What civic leaders thought they knew about public opinion may no longer be accurate in a post-COVID world. And while a survey can provide the City with valuable information, it will also be an opportunity to begin **getting the stormwater “brand” out into the community** – a valuable early step in this process.

3.5.3 – STRATEGIES FOR RIGHT-SIZING THE RATES

As noted above, stormwater rates sufficient to fund the full cost of the program would run as high as \$16 per month for the typical home – higher than most other municipalities in the State making it difficult to obtain voter approval. The community survey would be an opportunity **to test the community's cost-indexed** priorities. In other words, the survey could test two or three rate scenarios paired to their respective levels of service or improvements.

To assist in this exercise, the cost components are presented in a slightly different format in Table 8 below.

- In the blue rows, the FY 22 operating costs from Table 2 are grouped by current funding source: Wastewater Enterprise Fund (72); Solid Waste Fund (21); and General Fund (10). *(These are shown in a different order than Table 2.)* The Additional Needs cost is also shown from Table 2 and 6.
- In the gray row, the annual set-aside cost for the Marina Lagoon Dredging is shown from Table 7 and as described in Section 1.4 of this Report.
- In the orange rows, the FY 22 capital funding from Table 7 is broken out by CIP tiers.

The monthly rate components corresponding to each cost element is shown in the right half of the table. These are simply the \$16 monthly rate pro-rated to each group of cost elements.

From these components, three rate scenarios are built and are summarized below.

- \$16.00 – This scenario is the full rate that includes all identified costs and services.
- \$12.47 – This scenario reduces the rates by relying on the current funding from Funds 21 and 72 (light blue) thereby reducing the revenue requirement and rates.
- \$9.78 – This scenario further reduces the revenue requirement by eliminating 1) the lower priority projects recommended in the 2004 Storm Drain Master Plan (Tier 1)

and 2) the \$9.7 million Lagoon “kick-start” project (Tier 2). The latter would essentially defer the first lagoon dredging project by five years.

The \$9.78 scenario represents the minimum level of service that could responsibly be recommended, although it would mean deferring several important CIP projects and rely on existing funding from the Wastewater and Solid Waste Funds.

TABLE 8 – RIGHT-SIZING THE RATES

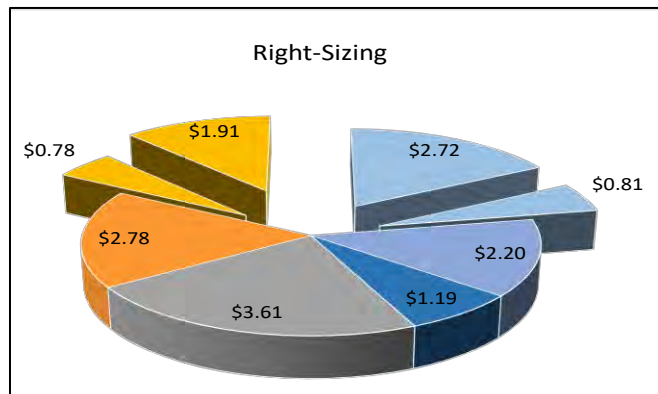
Program Element	<i>in thousands</i>		Monthly Rate Components		
	Fund	Cost			
Environmental Compliance	72	\$ 232	\$ 2.72		
Sewer Maintenance - Pump Repair	72	312			
Storm Sewer Maintenance	72	887			
Waste Mangement - Disposal	21	393	0.81		
Waste Management - Special Events	21	35			
Stormwater Pollution	10	466	2.20	2.20	2.20
Marina Lagoon	10	499			
Storm and Flood	10	189			
Additional Needs		625	1.19	1.19	1.19
Lagoon Set-Aside		1,900	3.61	3.61	3.61
CIP Tier 1		1,464	2.78	2.78	2.78
CIP Tier 2		409	0.78	0.78	
CIP Tier 3		1,004	1.91	1.91	
TOTAL		\$ 8,415	\$ 16.00	\$ 12.47	\$ 9.78

The prospective \$16 rate is broken into its components in the pie chart below. The costs and respective rate components are color coded to assist in following the logic of this exercise.

These are offered as examples, but using the components shown are useful building blocks to construct other scenarios as the planning and implementation process advances.

Other strategies cold include pursuing supplemental revenue streams as identified above. Most of these can (and should) move forward regardless of the status of the stormwater utility funding initiative. Any additional revenue will only help to reduce the user rates needed to fund the stormwater utility. These include:

- Additional regulatory fees (plan review, inspections, etc.)
- Additional re-alignment opportunities



- Grants
- Partnering

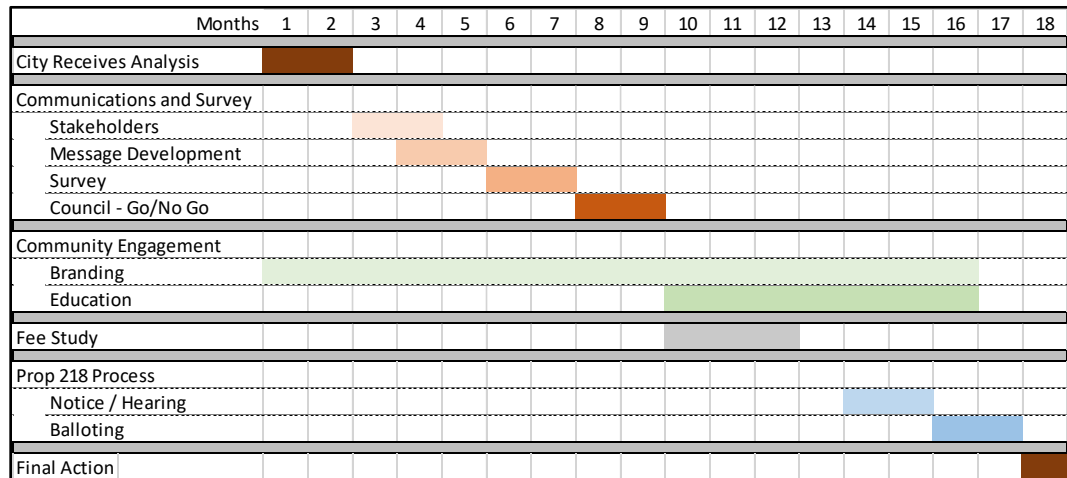
3.5.4 – ADDITIONAL PLANNING WORK

While this Analysis forms a solid foundation for any funding initiative, there are opportunities for the City to add to the information used for this planning effort. The most important opportunity is updating the 2004 master plan combined with a condition assessment. This effort will take considerable money and time to complete – both of which are in short supply currently. Nevertheless, **being more confident in the City’s needs will only help to bolster the community’s confidence when it matters the most** – at ballot time.

Another valuable piece of information is to learn whether Ox Mountain will be able to accept the dredging spoils from the MLD project. This would be a challenging task and will not erase all risk. But if this variable could be confirmed, it will further help the City to firm up the CIP costs (hopefully in a positive direction).

3.6 – TIMELINE

A detailed timeline cannot be formulated at this early stage. However, the City may want to allow for at least 18 months to complete the process. The preliminary timeline below shows an aggressive schedule. This could easily extend longer depending on time spent making policy decisions, additional public engagement, or calendar conflicts (e.g., general elections, holiday seasons).



APPENDIX A – CLEAN WATER ACTIVITIES FUNDING ANALYSIS

On the following pages is a technical memorandum from Larry Walker Associates dated April 23, 2020 containing a planning-level cost estimate for the full costs of compliance with the current (and future) Municipal Regional Permit pursuant to the NPDES.

Memorandum



DATE: April 23, 2020

TO: Sarah Scheidt, City of San Mateo

SUBJECT: Storm System Activities Funding Analysis

Cc: Matthew Zucca, City of San Mateo
Jerry Bradshaw, SCI Consulting Group
Kyle Tankard, SCI Consulting Group
Karen Ashby, Larry Walker Associates

Airy Krich-Brinton
Rachel Warren

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1. INTRODUCTION

In the early 1990s, in response to the federal Clean Water Act (CWA) amendment of 1987 to address urban stormwater runoff pollution from Municipal Separate Storm Sewer Systems (MS4s) and the pending federal National Pollutant Discharge Elimination System (NPDES) regulations that would implement the amendment, the San Francisco Bay Regional Water Quality Control Board (Regional Water Board) issued municipal stormwater Phase I NPDES permits to the countywide urban areas of Santa Clara, Alameda, San Mateo and Contra Costa. These countywide areas had individual permits until 2009, when the Regional Water Board issued a Municipal Regional Stormwater Permit (MRP).¹ The MRP was subsequently reissued in 2015² and is anticipated to be renewed again in 2020-2021.

The MRP regulates stormwater discharges from municipalities in Alameda, Contra Costa, San Mateo, and Santa Clara counties, as well as the cities of Fairfield, Suisun City, and Vallejo in Solano County, and requires the following components, which includes a focus on specific pollutants/persistent water quality issues:

- C.1 Discharge Prohibitions and Receiving Water Limitations
- C.2 Municipal Operations
- C.3 New Development and Redevelopment
- C.4 Industrial and Commercial Site Controls
- C.5 Illicit Discharge and Elimination
- C.6 Construction Site Controls
- C.7 Public Information and Outreach

¹ Order R2-2009-0074, as amended by Order No. R2-2011-0083

² Order No. R2-2015-0049, as amended by Order No. R2-2019-0004

- C.8 Water Quality Monitoring
- C.9 Pesticides Toxicity Controls
- C.10 Trash Reduction
- C.11 Mercury Controls
- C.12 PCBs Controls
- C.13 Copper Controls
- C.14 Bacterial Controls
- C.15 Exempted and Conditionally Exempted Discharges
- C.16 Discharges to Areas of Special Biological Significance
- C.17 Annual Reports

The City of San Mateo (City) implements the stormwater program within its jurisdiction. Over the years, the range of actions and necessary level of effort to implement the stormwater program has increased in response to the evolving regulatory requirements and community needs. The City is able to offset some of the costs by participating in a comprehensive countywide effort, the San Mateo Countywide Water Pollution Prevention Program (SMCWPPP),³ which was established in 1990. The program is a partnership of the City/County Association of Governments (C/CAG), each incorporated city and town in the county, and the County of San Mateo, which share a common NPDES permit, the MRP. As a result of the partnership, some of the MRP requirements are implemented directly by the municipalities, while others, such as public education and outreach and water quality monitoring, are addressed by SMCWPPP on behalf of the member agencies.

The purpose of this Technical Memorandum is to present the results of a planning-level cost estimate that has been developed to identify the full costs of implementing the stormwater program by the City over the next ten years. The results of this analysis may be used to support an evaluation of the need for and feasibility of a stormwater utility or other fee-based options. The cost estimate includes a summary of prior year expenditures (2018-2019) and current year (2019-2020) and future projected (2020-2021 – 2029-2030) implementation costs of the stormwater program.⁴

This memorandum is organized as follows:

1. Introduction
2. Approach
3. Results and Discussion
 - 3.1. Summary of Costs
 - 3.2. Detailed Costs

³ <https://www.flowstobay.org>

⁴ The City does not have a dedicated source of revenue for stormwater programmatic costs (i.e., regulatory, operations and maintenance). The City does have various potential sources of revenue for capital improvement project (CIP) costs, which are not detailed in this technical memorandum.

2. APPROACH

In order to understand the funding needs for the stormwater program, the costs for full implementation of the permit requirements must be understood and compiled. However, tracking and compiling staff time and resources across multiple departments and budget funds and accounts can be a complex and time-consuming process. To identify the implementation costs for the City as comprehensively and efficiently as possible, an interview was conducted with key staff that included structured questions and discussions regarding the agency's staffing, implementation approach(es) for the range of permit requirements, and the estimated costs for program implementation and compliance. *It should be noted that the costs described within this TM are for the regulatory, programmatic staff, and resource needs to comply with the MRP. These costs do not include ancillary operations and maintenance costs or capital improvement costs.*

The costs were compiled and organized by:

- Existing overarching program management costs (e.g., permit fees, CASQA, countywide efforts);
- Existing specific implementation costs related to MRP components (e.g., municipal operations, new development and redevelopment, construction); and
- Additional needs of the stormwater program (e.g., staff needs, future anticipated regulatory requirements).

Costs were then categorized by MRP provision, as applicable and feasible.

3. RESULTS AND DISCUSSION

A summary of the total City costs for full implementation of the stormwater program during the prior year (2018-2019), current year (2019-2020), and future years (2020-2021 through 2029-2030) is provided within this section. The information is presented in two ways: an overarching summary of costs (**3.1. Summary of Costs**) and a detailed breakdown of costs (**3.2. Detailed Costs**). The approach and assumptions used to develop each of these summaries are described below. All costs are in present-value dollars.

3.1. Summary of Costs

Costs for the existing and projected full implementation of the stormwater program were estimated based on budgetary and supplemental information provided by the City as well as best professional judgement regarding future, anticipated requirements. The approach used and assumptions made were as follows:

- Information used to determine existing costs was primarily provided by the City during the interview and follow-up communications.
 - Costs for the C/CAG countywide program are from the C/CAG Countywide Program Budget and were provided by the City for 2018-2019 and 2019-2020.

- The stormwater permit fee is determined by the California Code of Regulations (CCR) Fee Schedule for NPDES Storm Water Fees.⁵ The fee is based on the population from the most recently published United States (U.S.) census, which was 2010. The City is in one bracket (population between 75,000 and 99,999) based on the 2010 U.S. Census, but the most recent estimate (2018) places the City in the next bracket (population between 100,000 and 149,999).⁶ Thus, it can reasonably be assumed that the City's fee will increase to \$35,577 after the 2020 U.S. Census is published.
- Anticipated additional future costs included the following:
 - Provision C.10 requirements for trash - from the Draft Technical Memorandum, *Stormwater Trash Control Measures Cost-Benefit Evaluation* (December 2019).
 - Industrial and commercial inspections (Provision C.4) during 2019-2020 were identified by the City during the interview and follow-up conversations.
 - Costs associated with the renewal of the MRP were estimated using best professional judgment, assuming that the renewal would result in increased/new requirements that would require additional funds – estimated at 10% of the total existing costs beginning in 2021-2022.
- A 3% annual escalation factor (for personnel and equipment costs)⁷ was included for the costs starting in 2019-2020.

Additional details regarding assumptions for potential cost increases related to specific Permit provisions are provided in **3.2. Detailed Costs**.

The total estimated costs for the previous year (2018-2019) and the current year (2019-2020), as well as the total projected future costs for the next ten years (2020-2021 through 2029-2030), are summarized in **Table 1** and **Figure 1**.

Below are a few key observations regarding the overall estimated costs:

- In 2020-2021, the estimated, total additional needs represent a 25% increase above the projected, total existing costs.
- In 2021-2022 through 2029-2030, the estimated, total additional needs represent a 40% increase above the projected, total existing costs for each year.
- Based on the information available and the assumptions made, between 2019-2020 and 2029-2030, the total cost of the stormwater program may increase significantly (i.e., from \$758,000 to \$1,482,000).

⁵ 23 CCR § 2200. Annual Fee Schedules

⁶ <https://www.census.gov/quickfacts/sanmateocitycalifornia> (Population, Census, April 1, 2010: 97,207; Population estimates, July 1, 2018: 105,025)

⁷ Since the permit fee is based on the City's population from the most recently published U.S. Census, it is not subject to the percent increase.

Table 1. Overall Summary of Total Estimated Costs (Rounded) for Stormwater Program, by Cost Category and Fiscal Year

Year Type	Year	Cost Category ^[a]		
		Total Existing Costs ^[b]	Total Additional Needs ^[c]	Total Estimated Costs
Previous Year	2018-2019	\$758,000	\$0	\$758,000
Current Year	2019-2020	\$780,000	\$0	\$780,000
Future Years	2020-2021	\$803,000	\$203,000	\$1,006,000
	2021-2022	\$841,000	\$337,000	\$1,177,000
	2022-2023	\$865,000	\$347,000	\$1,211,000
	2023-2024	\$890,000	\$357,000	\$1,247,000
	2024-2025	\$915,000	\$368,000	\$1,283,000
	2025-2026	\$942,000	\$379,000	\$1,320,000
	2026-2027	\$969,000	\$390,000	\$1,359,000
	2027-2028	\$997,000	\$402,000	\$1,399,000
	2028-2029	\$1,026,000	\$414,000	\$1,440,000
	2029-2030	\$1,055,000	\$426,000	\$1,482,000

[a] All values rounded to the nearest thousand.

[b] Total existing costs include – overall program management (stormwater permit fee, CASQA/conference/training budget, and countywide program budget) and MRP program components.

[c] Total additional needs include – renewal of the MRP, industrial and commercial inspections, and trash implementation.

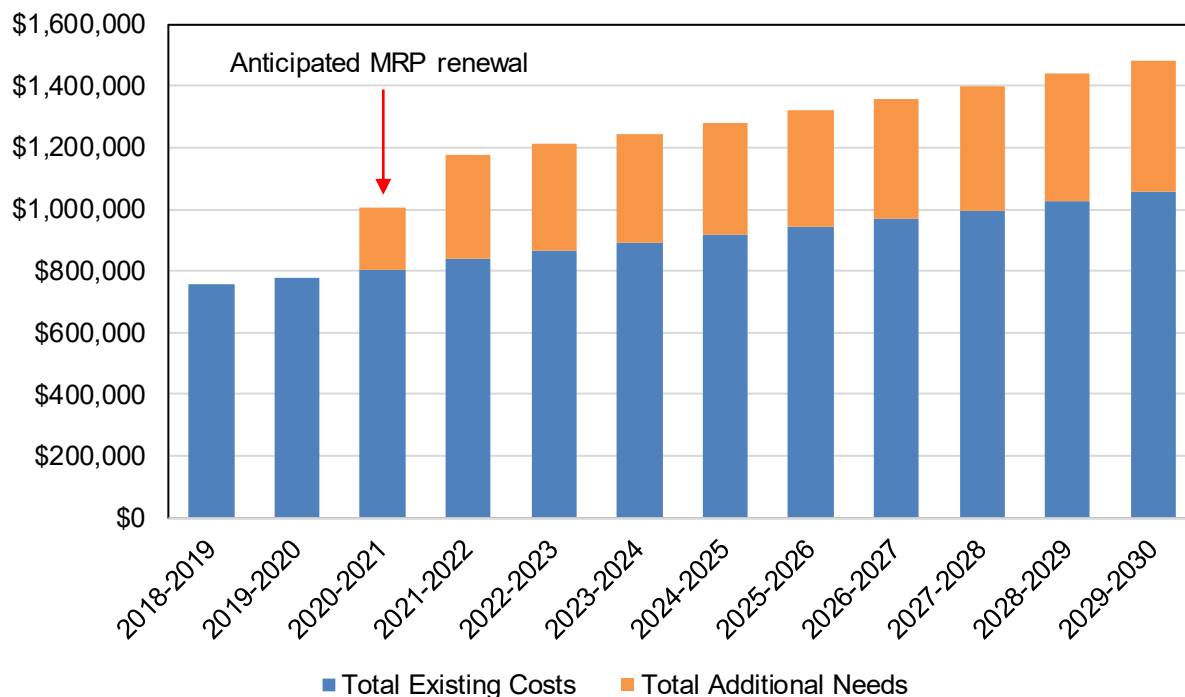


Figure 1. Summary of Total Existing Costs and Additional Needs, by Fiscal Year

3.2. Detailed Costs

Costs for stormwater program implementation for the MRP were estimated based on budgetary and supplemental information provided by the City, as well as estimates for the anticipated future costs.

The approach and assumptions used were as follows:

- Existing costs identified during interview with the City and/or follow up communications are shown in **Table 2**, organized by MRP provision.
- Additional future needs identified are shown in **Table 2** and are as follows:
 - Upon the renewal of the MRP, it is anticipated that there will be additional requirements that will need to be met. As such, it is assumed that there will be a 10% annual increase to the existing costs (estimated at \$84,069, beginning in 2021-2022).
 - Beginning with fiscal year 2020-2021, costs for ongoing MRP implementation activities not included in existing costs were identified. These include:
 - Additional industrial/commercial inspection costs (Provision C.4), estimated at \$26,499, beginning in 2020-2021;
 - Multiple trash-related requirements (Provision C.10), including ensuring full trash capture for private properties, enhanced street sweeping, enhanced public education, enhanced inspection, and additional creek and shoreline cleanups. These activities involve both one-time and ongoing costs.
 - One-time additional costs for specific trash-related activities were allocated to 2020-2021. These represent costs for one-time activities associated with implementing the current MRP provisions that are not included in existing costs. These one-time costs are higher in 2020-2021, then are reduced to a lower ongoing value for the following activities:
 - C.10 Trash: Full Capture Requirement for Private Properties
 - C.10 Trash: Enhanced Street Sweeping Program
- Future cost projections were based on the existing costs (from 2018-2019), additional annual costs (from the years they began, mainly 2021-2022), and an annual escalation factor of 3%, to account for inflation/cost of living increases. The costs that were affected by the 3% annual escalation factor are shown in green shading in **Table 2**.
 - No future cost projections were made for the one-time additional costs.

Table 2. Total Estimated Costs for Stormwater Permit Compliance, by Fiscal Year

Cost Description		Assumptions	2018-2019	2019-2020 ^[a]	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Existing Costs														
General Program Management														
	Stormwater Permit Fee	Fee based on 2010 U.S. Census; will increase after 2020	\$21,344	\$21,344	\$21,344	\$35,577	\$35,577	\$35,577	\$35,577	\$35,577	\$35,577	\$35,577	\$35,577	\$35,577
	CASQA/conference/training Budget		\$4,000	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,919	\$5,067	\$5,219	\$5,376
	C/CAG (Countywide Program Budget)	Includes costs for C.8, C.9, C.11, C.13	\$103,697	\$107,571	\$110,798	\$114,122	\$117,546	\$121,072	\$124,704	\$128,445	\$132,299	\$136,268	\$140,356	\$144,566
	Total General Program Management Costs		\$129,041	\$132,915	\$136,262	\$153,943	\$157,494	\$161,151	\$164,918	\$168,799	\$172,795	\$176,912	\$181,152	\$185,519
Existing Costs by MRP Provision														
PM	Program Management		\$231,486	\$238,431	\$245,584	\$252,951	\$260,540	\$268,356	\$276,407	\$284,699	\$293,240	\$302,037	\$311,098	\$320,431
C.2	Municipal Operations	Primarily accounted for in O&M activities	\$29,057	\$29,929	\$30,827	\$31,751	\$32,704	\$33,685	\$34,696	\$35,736	\$36,809	\$37,913	\$39,050	\$40,222
C.3	New Development and Redevelopment		\$82,807	\$85,291	\$87,850	\$90,486	\$93,200	\$95,996	\$98,876	\$101,842	\$104,898	\$108,045	\$111,286	\$114,625
C.4	Industrial and Commercial Site Controls	250 inspections annually	\$24,978	\$25,728	\$26,499	\$27,294	\$28,113	\$28,957	\$29,825	\$30,720	\$31,642	\$32,591	\$33,569	\$34,576
C.5	Illicit Discharge Detection and Elimination		\$12,269	\$12,637	\$13,016	\$13,407	\$13,809	\$14,223	\$14,650	\$15,090	\$15,542	\$16,008	\$16,489	\$16,983
C.6	Construction Site Control	Costs recovered by fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C.7	Public Information and Outreach													
	Clean-Up Events		\$51,140 ^[b]	\$5,737	\$5,909	\$6,087	\$6,269	\$6,457	\$6,651	\$6,850	\$7,056	\$7,268	\$7,486	\$7,710
	Illegal Dumping		\$156,572 ^[c]	\$161,269	\$166,107	\$171,090	\$176,223	\$181,510	\$186,955	\$192,564	\$198,341	\$204,291	\$210,420	\$216,732
	Materials		\$25,000	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619	\$33,598	\$34,606
C.8	Water Quality Monitoring	Included in C/CAG	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C.9	Pesticides Toxicity Control	Some activities included in C/CAG	\$3,584	\$3,691	\$3,802	\$3,916	\$4,033	\$4,154	\$4,279	\$4,407	\$4,540	\$4,676	\$4,816	\$4,961
C.10	Trash Load Reduction		\$2,531	\$2,607	\$2,685	\$2,766	\$2,849	\$2,934	\$3,022	\$3,113	\$3,206	\$3,303	\$3,402	\$3,504
	Hauling waste for cleanups		\$2,400	\$2,472	\$2,546	\$2,623	\$2,701	\$2,782	\$2,866	\$2,952	\$3,040	\$3,131	\$3,225	\$3,322
C.11	Mercury Controls	Included in C/CAG	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C.12	PCBs Controls	Some activities included in C/CAG	\$6,645 ^[d]	\$6,844	\$7,050	\$7,261	\$7,479	\$7,704	\$7,935	\$8,173	\$8,418	\$8,670	\$8,930	\$9,198
C.13	Copper Controls	Included in C/CAG	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C.17	Annual Reports	Accounted for in other elements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total MRP Provision Costs		\$628,470	\$647,324	\$666,744	\$686,746	\$707,348	\$728,569	\$750,426	\$772,939	\$796,127	\$820,011	\$844,611	\$869,949
Total Existing Costs (Rounded)			\$758,000	\$780,000	\$803,000	\$841,000	\$865,000	\$890,000	\$915,000	\$942,000	\$969,000	\$997,000	\$1,026,000	\$1,055,000

Cost Description		Assumptions	2018-2019	2019-2020 ^[a]	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Additional Needs														
MRP costs (after renewal)		10% of Total Existing Costs, beginning in 2021-2022	\$0	\$0	\$0	\$84,069	\$86,591	\$89,189	\$91,864	\$94,620	\$97,459	\$100,383	\$103,394	\$106,496
C.4	Increased Ind/Comm Inspections	From 250 to 550	\$0	\$0	\$26,499 ^[e]	\$27,294	\$28,113	\$28,957	\$29,825	\$30,720	\$31,642	\$32,591	\$33,569	\$34,576
C.10	Trash: Full Capture Requirement for Private Properties		\$0	\$0	\$53,189 ^[f]	\$1,732	\$1,784	\$1,837	\$1,893	\$1,949	\$2,008	\$2,068	\$2,130	\$2,194
C.10	Trash: Enhanced Street Sweeping Program		\$0	\$0	\$72,205 ^[f]	\$42,145	\$43,409	\$44,712	\$46,053	\$47,435	\$48,858	\$50,323	\$51,833	\$53,388
C.10	Trash: Enhanced Public Education		\$0	\$0	\$50,930	\$52,930	\$54,518	\$56,153	\$57,838	\$59,573	\$61,360	\$63,201	\$65,097	\$67,050
C.10	Trash: Enhanced Inspection Program		\$0	\$0	\$0	\$87,529	\$90,155	\$92,860	\$95,645	\$98,515	\$101,470	\$104,514	\$107,650	\$110,879
C.10	Trash: Additional Creek and Shoreline Cleanups		\$0	\$0	\$0	\$40,812	\$42,036	\$43,297	\$44,596	\$45,934	\$47,312	\$48,732	\$50,194	\$51,699
Total Additional Needs (Rounded)			\$0	\$0	\$203,000	\$337,000	\$347,000	\$357,000	\$368,000	\$379,000	\$390,000	\$402,000	\$414,000	\$426,000
Total Estimated Costs (Existing & Additional, Rounded)			\$758,000	\$780,000	\$1,006,000	\$1,177,000	\$1,211,000	\$1,247,000	\$1,283,000	\$1,320,000	\$1,359,000	\$1,399,000	\$1,440,000	\$1,482,000

[a] Green shading indicates that costs have been projected by an increase of 3% as an annual escalation factor.

[b] Estimated fully loaded rates for Recycling Programs Coordinator (\$77), Recycling Coordinator (\$77), Administrative Assistant (\$50), and City Volunteer Coordinator (\$77).

[c] Estimated fully loaded rates for Recycling Programs Coordinator (\$77), Recycling Coordinator (\$77), and Administrative Assistant (\$50).

[d] Estimated fully loaded rate for Building/Planning Position (\$77).

[e] The cost required to inspect 250 sites is \$24,978 (375 hours). Because most of the overhead costs (e.g., new business review, quarterly meetings, and training) remain the same, the cost required to inspect and perform enforcement on 550 sites is anticipated to be \$49,956 (750 hours), twice the original amount for 2018-2019. However, inspection of the additional 300 sites is assumed to begin in 2020-2021; therefore, it must be escalated by 3% twice (from \$24,978 in 2018-2019 to \$26,499 in 2020-2021).

[f] One-time cost.

APPENDIX B – EVALUATION OF POTENTIAL FUNDING SOURCES FOR STORMWATER COSTS

On the following pages is a technical memorandum from SCI Consulting Group dated February 24, 2020 containing an overview of various funding options for the City's hypothetical stormwater utility.

Date: February 24, 2020

To: Sarah Scheidt, Regulatory Compliance Manager
Public Works Department, City of San Mateo

Copy: Karen Ashby, Vice President, LWA.

From: Jerry Bradshaw, Senior Engineer

Subject: **Evaluation of Potential Funding Sources for Stormwater Costs**

SCI Consulting Group, in partnership with LWA (“SCI Team”), was engaged by the City of San Mateo to 1) analyze the true cost of delivering stormwater services to the City, 2) evaluate options for funding mechanisms to fund those costs, and 3) estimate the range of potential fees for service and plot a pathway forward. This memorandum summarizes the second task: Potential Funding Sources for Stormwater Costs.

This memorandum is intended to be a brief overview of stormwater funding options. For a more in-depth discussion of funding options, the City is referred to a report issued by the San Mateo Countywide Water Pollution Prevention Program: *Green Infrastructure Funding Nexus Evaluation*, October 2018. While that report was aimed at green infrastructure, it overlaps well with general stormwater funding. In particular, Appendix A of that report provides a matrix of funding options and includes pros and cons for each option. That appendix is attached to this memorandum for reference.

This memorandum is structured in the following way:

- Background
- Legal Landscape
- Overview of Funding Options for Stormwater Activities
 - Sorted by balloted or non-balloted
- Optimal Funding Approaches
- Other Revenue Mechanisms – Reasons for Not Considering
 - Consider as opportunities arise
 - Not practical
- Attachment: Matrix of Funding Options

BACKGROUND

The SCI Team is currently underway on Task 1 (true cost of stormwater services). While that effort continues, it is evident that the cost of delivering stormwater services to the properties in the City is significant, and would likely require a direct, property-related fee or tax to furnish the majority of that funding. It is also evident that such a substantial, dedicated funding source would require some restructuring of the financial and budgetary system currently in place; likely creating a new enterprise fund similar to the Sewer Fund. Our work is based on that assumption.

LEGAL LANDSCAPE

New sources of revenues for municipalities typically come in the form of taxes, fees, assessments and other charges, which are governed by two voter-approved initiatives: Propositions 218 and 26. Proposition 218 requires all taxes, fees and assessments to be approved through a ballot measure (with the exception of user fees for water, sewer and refuse collection services and a few other types of user fees as listed in Proposition 26). Obtaining voter or property owner approval through a ballot measure can be difficult and often puts many revenue mechanisms out of reach.

Proposition 218

Proposition 218, approved by California voters in 1996, addresses taxes, fees and assessments, with taxes and fees being pertinent to this Study. Most stormwater revenue mechanisms in the State are considered to be property-related fees under Proposition 218 (Article XIID, Section 6). This category includes fees for water, sewer and refuse collection services, which must meet certain criteria to be in compliance:

- Revenues derived from the fee shall not exceed the funds required to provide the property-related service.
- Revenues derived from the fee shall not be used for any purpose other than that for which the fee was imposed.
- The amount of a fee upon any parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.
- No fee may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees based on potential or future use of service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments and shall not be imposed without compliance with the assessment section of the code.
- No fee may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to the property owners.

Proposition 218 imposes certain procedural requirements for imposing or increase property-related fees. There are two distinct steps:

1. A protest period that begins with a notice of the fee mailed to each property owner and a 45-day period where property owners may file a written protest culminating in a public hearing. If the owners of a majority of the parcels affected by the rates file a written protest, the agency cannot impose the fee. If a majority protest is not formed, the agency may move to the second step.
2. A ballot proceeding where the agency submits the fees to the electorate consisting of the owners of the affected properties. Based on each parcel counting as a vote, a fee is approved if more votes are cast for the fee than against it. Alternately, the agency may submit to the registered voters in the area affected in which case a two-thirds majority is required for passage.

Proposition 218 goes on to exempt fees for water, sewer and refuse collection from the second step. While there was no mention of stormwater fees in that list of exemptions, some municipalities considered stormwater (sometimes called “storm sewers”) to be in the category of sewers. The City of

Salinas was one of these municipalities and moved ahead with a stormwater fee in 1999 without submitting it to a ballot proceeding. A subsequent lawsuit was decided by the Sixth Appellate District against the City (2002), which established a legal requirement to submit stormwater fees to a ballot proceeding.

Senate Bill 231, passed by the California State legislature and signed by the Governor in October 2017, modified the Proposition 218 Omnibus Act, by adding a definition of sewer that included storm drainage. By doing this, stormwater fees would enjoy the same exemption from the ballot proceeding as do sewer fees. However, the legality of the statute will be tested by the sponsors of Proposition 218 (the Howard Jarvis Taxpayers Association) who have promised to sue any municipality that takes advantage of SB 231 by enacting or increasing stormwater fees without a balloting. So, unless a municipality is willing to risk becoming an SB 231 test case, it should continue to submit stormwater fees to a ballot measure.

Proposition 26

Proposition 26, approved by California voters in 2010, tightened the definition of regulatory fees. It defined a special tax to be “any levy, charge, or exaction of any kind imposed by a local government” with certain exceptions. Pursuant to law, all special taxes must be approved by a two-thirds vote of the electorate.

Regulatory fees are thus defined through the cited exceptions to the broad, all-encompassing assertion that all levies are taxes. The pertinent exception is “a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.” Hence, it seems that a portion of the City’s stormwater costs (e.g., plan checks and inspections) may be funded through regulatory fees.

The other pertinent exception is, “assessments and property-related fees imposed in accordance with the provisions of Article XIII D.” The Proposition goes on to state that, “the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.”

OVERVIEW OF STORMWATER FUNDING OPTIONS: BALLOTTED VERSUS NON-BALLOTTED

In accordance with the legal requirements above, funding mechanisms are traditionally divided into two categories: balloted and non-balloted. Generally speaking, balloted approaches are less desirable because of the additional cost of the balloting and community outreach as well as the inherent risk of non-approval by the voters and the limitation on revenue associated with proposing a politically viable rate. Hence, non-balloted approaches generally should be researched, pursued and employed first as long as they can satisfy legal, administrative and other political requirements –unfortunately, California law requires balloted funding mechanisms in most cases. There are also other special financial mechanisms that are worth noting.

Balloted Mechanisms

There are two basic types of balloted measures appropriate for stormwater funding, namely, property-related fees and special taxes. Successfully implemented balloted approaches have the greatest capacity

to significantly and reliably fund stormwater management, but they are often very challenging to enact. Generally, the most important key to a successful ballot measure is to propose a project or program that is seen by the voting community to have a value commensurate with the tax or fee. The two greatest challenges are to craft a measure that meets this threshold, and then to effectively communicate the information to the community.

Since balloted funding mechanisms tend to be the most comprehensive, flexible, sustainable and defensible, they are often seen as underpinning an agency's entire program. Not only can they pay directly for services or projects, but a dedicated and sustainable revenue stream can also be leveraged to help secure grants, loans, partnerships, and many other opportunities that present themselves. Without such a dedicated revenue stream, those opportunities must often be missed. Ballot-based measures include:

- Property-related fees are similar to fees imposed for water, sewer and solid waste services. The primary difference between those fees and fees for stormwater services are that stormwater fees are required to be approved through a ballot measure in accordance with Proposition 218 where a simple 50% majority is required for passage (where one parcel equals one vote). In all other ways they are identical to the other utility fees: they require a fair-share apportionment of costs to rate payers as detailed in a rate study or other cost of service analysis; they cannot charge more than the proportionate cost of service (e.g., discounts or exemptions cannot be subsidized by other ratepayers); and all revenues must be spent only on the stormwater services. Property-related fees are the most common sustainable revenue mechanism employed by municipalities for stormwater management services.
- Special taxes are decided by registered voters and require a two-thirds majority for approval. Special taxes are well known to Californians and are utilized for all manner of services, projects, and programs. They are usually legally very stout and flexible and can support an issuance of debt such as loans or bonds in most cases. There are several types of special taxes, but the most common for stormwater services are parcel taxes. Other types of special taxes include sales, business license, vehicle license, utility users, and transient occupancy taxes. These types can also be implemented as a general (not special) tax, where they would only require a simple 50% majority for passage. But to qualify as a general tax, it must be pledged only for an agency's general fund with no strings attached, in which case any stormwater services must compete with other general funded services such as police, fire and parks. Although a general tax requires only a simple majority, voters tend to show better support for special taxes where the purpose of the tax is explicitly identified.
- General obligation bonds are familiar to the voting public. Such bond measures require a two-thirds majority for passage. Bonds are issued to raise funding up front and are repaid through a tax levied against property on the annual property tax bill. One primary restriction on GO bonds is that they can only be used for capital projects. While that includes land acquisition, planning, design and construction, the costs for maintenance and operations cannot be paid from the bond proceeds.

Challenges with balloted approaches extend beyond the requirement for voter approval; they include a lack of familiarity by stormwater professionals, the need for extensive community engagement and education, and a certain amount of political strategizing. Over the past 15 years, there have been fewer than three dozen community-wide measures attempted for stormwater throughout California, and the success rate is just over 50%.

	Property-Related Fee	Special Tax
Who Pays	Property Owners	Property Owners
Who Votes	Property Owners	Registered Voters
Vote Threshold	50%	66.70%
Votes When	Any Time	Established Voting Dates
Fairness of Rates	Strict Fairness Requirements	No Fairness Requirements
Other Features	<ul style="list-style-type: none"> * Tenants excluded from vote * No exemptions or discounts for low-income or seniors * Government and non-profit must pay * Each parcel gets a vote, unweighted 	<ul style="list-style-type: none"> * Out-of-town owners excluded from vote * Exemptions or discounts allowed for low-income or seniors * Tax-exempt properties do not pay * Exemptions cut into revenues

Non-Balloted Mechanisms

Non-balloted funding mechanisms include regulatory fees, developer impact fees, and other opportunistic approaches to funding. While these funding approaches do not require voter approval, they still impact various segments of the community and therefore will be subject to the effects of local political forces.

Of these mechanisms, regulatory fees and realignment are the most applicable to the City in connection to compliance with the Municipal Regional Permit¹ (“MRP”), which is primarily a set of operational tasks (as contrasted with capital improvement projects).

- Regulatory fees are those which recover the actual cost of “issuing licenses and permits, performing investigations, inspections and audits, and the administrative enforcement and adjudication thereof.”² In terms of the City’s stormwater activities, this might include development plan checks and inspections, commercial and industrial inspections, and compliance with Senate Bill 205 requirements.
- Realignment is the term applied to reorganizing the internal workflow and/or financial tracking of revenues and expenditures of certain stormwater management activities that support other non-balloted fee structures (water, sewer and refuse collection). The most common examples are street sweeping and trash capture.
 - The MRP, as a stormwater pollutant reduction permit, requires the City to implement a trash load reduction plan. However, collecting trash/litter is a function of a community's solid waste collection system, whose fees do not require voter approval for increases. Therefore, the City could charge all of its trash capture expenses (capital, operations and maintenance, and administrative) directly to properties that contribute to the trash burden through an existing or new solid waste fee.

¹ The Municipal Regional Permit (MRP) is issued by the San Francisco Bay Area Water Quality Control Board pursuant to the National Pollution Discharge Elimination System (NPDES). The current permit is the second regional permit issues, and is known as MRP 2.0.

² Proposition 26, California Constitution, Article XIII C, Section 1 (e)(3).

- Street sweeping is no longer required by the MRP, but the City continues that important function. However, street sweeping costs are already embedded into the City's solid waste rates, so no realignment is needed.

Grants and Loans

Grants and loans are typically one-time funds from an outside source. Because of their one-time nature, they are best suited for finite projects or programs (rather than ongoing and recurring operational and maintenance programs). Grants do not have to be repaid whereas loans do require repayment (usually with interest). Both require an agency to submit an application, which can be time-consuming and costly, and are usually competitive.

While grants and loans cannot be relied upon for the backbone funding for stormwater activities, they should be considered as a way to augment any other source of funding as opportunities arise.

Special Financing Districts

Special financing districts are financial structures created by local agencies for the purpose of levying taxes, fees or assessment for specific improvements and/or services provided. While most special financing districts require voter or property owner approval, they are often employed with new development projects when all the properties (and votes) are controlled by one entity (the developer). As such, the balloting becomes an administrative function with an assured outcome. To create a special financing district in established areas or neighborhoods would be much more politically challenging due to the balloting becoming a true ballot measure.

There are four basic types of special financing districts that apply to MRP activities: Benefit assessments; community financing districts (CFDs, or Mello-Roos); business improvement districts (BIDs); and enhanced infrastructure financing districts (EIFDs). Each of these can be used to support debt service. And each is examined below:

- Benefit assessments are relatively restrictive in that they must account for any general benefit to property not within the district, which in turn cannot be included in the assessment calculation for the properties. With stormwater, the general benefits could be considerable thereby diluting the funding potential for this option. This option requires a simple 50% majority (with ballots weighted by the amount of the assessment), and public or tax-exempt properties cannot be exempted. Since stormwater services are typically considered necessary rather than simply beneficial, they are usually viewed as a utility with user fees instead of an optional service that benefits property. Thus, benefit assessments have not been widely used to fund stormwater costs.
- CFDs utilize a tax (not an assessment) and are the most flexible. There is no "general benefit" restriction, and there is flexibility in exempting various types of properties (government, tax exempt, etc.). As a special tax, a two-thirds majority is required for approval. As with benefit assessments, these are most often used in new developments where the only voter is the developer.
- BIDs are limited to business districts, and some can be inclusive of a specified residential area/district. They can be used to assess property owners and/or business owners for certain improvements and services. Stormwater features can function as aesthetic improvements that are popular with business districts (e.g., permeable pavers on streets, bioswale bulb-outs, and rain gardens). A recent use of a BID in relation to stormwater activities is a "Green Benefits

District,” which has been successfully pioneered by the City of San Francisco/SFPUC. Because they are limited to business areas or local neighborhoods, they are usually viewed as supplemental funding sources.

- EIFDs are a form of tax increment financing that captures the increase in property tax as properties within the district are developed to a higher assessed value (similar to the now-defunct redevelopment agencies). This is a relatively new mechanism (signed into law in 2014) and has only been implemented a handful of times around the state. The proceeds are intended to be used to enhance the properties within the district, usually through infrastructure improvements, which, in turn, fuels the property assessment increase. The most common infrastructure enhancements have been in the areas of transportation and parks, but utilities have also benefited. There is a potential for using this mechanism for stormwater infrastructure, although there hasn't been a successful implementation along those lines yet. One challenge is that EIFD funds cannot be used for operations and maintenance activities.

Development

Stormwater funding opportunities from the development community happen in one of two ways: Impact fees and/or in-lieu fees. Both pathways are heavily influenced by the MRP and do not usually become a significant revenue stream in a built-out community like San Mateo. They are discussed below.

- Impact fees must be crafted carefully to comply AB 1600 with a rigorous nexus to the type of development assessed the fee. For stormwater, most significant develop is governed by Provision C.3 which requires most new development to incorporate low impact development features on site. This results in development projects that typically do not create significant impacts on the City's stormwater infrastructure. Often, the result is that the new development has less burden on the stormwater system than the previous land use.
- In-lieu fees can be imposed either on a case-by-case basis or through an adopted program. The concept is that some developments cannot mitigate their impacts or meet their conditions of approval on-site and must mitigate off-site or contribute financially to the City's project or program that meets those requirements in lieu of the developer. An in-lieu program must be based on a City-sponsored project or program that can meet those requirements on behalf of certain development projects, and then monetize the impacts in some way. For stormwater requirements these usually involve the C.3 requirements mentioned above, and the City projects or programs are identified in the Green Infrastructure Plan (adopted in 2019). At this time, the City has not developed any such projects or programs.

Partnerships

By teaming up with other entities, an agency may not generate additional funding directly, but partnerships offer many other benefits that can aid in the overall resources needed to deliver stormwater projects and programs. These can come in the form of economy-of-scale savings or multi-benefit projects that can achieve multiple goals for a single price. Strategies include the following:

- Multi-agency Partnerships: These can create economies of scale and provide access to additional funding and other resources.
- Transportation Opportunities: Multi-benefit projects can deliver more outcomes cost-effectively. In some cases, transportation projects can provide all the funding for the stormwater elements.

- Public-Private-Partnerships (P3): These typically require a dedicated revenue stream to finance the project, but a P3 can create cost efficiencies as well as import needed expertise and other resources.
- Volunteers and Not-for-Profits: Some stormwater tasks such as trash capture and minor watershed stewardship can be performed by outside groups. Often these can be done for little or no cost (other than supervisory). When a n-f-p group charges for their skilled labor, the costs are often less than market rate.

OPTIMAL APPROACHES FOR THE PROGRAM

The funding needs of the City's stormwater program are a blend of operational, regulatory, and capital costs. Therefore, not all of the potential funding approaches listed above are practical. Some funding approaches might work well with certain aspects of the program, while others are more difficult to match to a funding mechanism. This section identifies the most practical approaches and identifies the pros and cons of each.

Property-Related Fee – Balloted

The most common funding mechanism for stormwater activities is the property-related fee. In accordance with Proposition 218, it would need to be balloted and voted on by all affected property owners.

Features

- Requires ballot proceeding. A 50% majority is required, with each parcel equal to a vote.
- Must allocate costs in a fair manner, usually documented in a cost of allocation analysis or fee study.
- Revenues can be used for all stormwater program costs such as operations, maintenance, capital improvements or equipment, and administration.

Pros

- Common fee mechanism.
- Legally stout.
- Flexible, can be used for any or all stormwater expenses.
- Can be used to secure debt.

Cons

- Must be approved in a ballot measure.
- Would require significant community outreach effort.
- Increasing or adding to existing fees is unpopular with property owners.
- Proposition 218 ballot process is unfamiliar to property owners.

Re-alignment

The two most common opportunities for re-alignment is in the area of trash or solid waste collection: Trash load reduction (MRP mandate); and street sweeping. The latter is already funded through the City's solid waste fees. Trash load reduction has two cost elements: Capital costs for purchasing and installing trash capture devices, and annual maintenance of those devices. The capital costs have been funded through a grant associated with the solid waste fund, but the annual maintenance will be an ongoing burden on the City. It is this last element that is an opportunity for realignment.

Annual maintenance costs of keeping the trash capture devices clear and operational will be considerable. These costs can justifiably be embedded into the existing solid waste fee mechanism or can be the basis for a stand-alone fee. These activities are considered refuse collection, and therefore a fee to fund these activities would not be required to go to the ballot. Instead, it would be subject to the same process as the existing solid waste fees.

Features

- If costs are added to the existing solid waste fee mechanism, they could be included at the next rate setting process.
- If costs are the basis for a stand-alone fee, rate setting must follow the same Proposition 218 process as the existing solid waste including the following:
 - Mailed notice of public hearing to all rate payers.
 - Conduct public hearing on proposed rates.
 - A majority protest can stop the rate setting process.
- Revenues can be used for all associated trash load reduction costs such as operations, maintenance, capital improvements or equipment, and administration.

Pros

- Common fee mechanism (similar to water & sewer rate setting).
- Balloting not required for refuse collection enterprise.
- Legally sound.
- Flexible, can be used for any or all expenses.
- Can be used to secure debt.

Cons

- Increasing or adding to existing fees is unpopular with property owners.
- Would require significant community outreach effort.
- Likely limited to only funding trash related activities.
- Few examples of a stand-alone fee for trash and litter in waterways.

Regulatory Fees

Proposition 26 limits regulatory fees to cost recovery only. As such, a rigorous cost of service study is recommended. A municipality should look closely at any and all costs associated with regulating private properties under the MRP such as plan checks, construction inspections, and ongoing certification of structural BMPs.³

Features

- A cost of service study is recommended to validate the amount of the fees and compliance with Proposition 26.
- Adoption by governing board.
- Usually included in a municipality's master fee schedule.
- Limited to cost recovery only.

Pros

- Balloting not required.
- Legally stout.

Cons

- Can only cover the cost of regulation; cannot cover costs of operations, maintenance, or capital expenses.
- Collecting inspection fees for post-project structural BMPs is difficult as the property owner has no more permits to obtain.

OTHER REVENUE MECHANISMS – REASONS FOR NOT CONSIDERING

Below is a summary of reasons why various funding mechanisms are not good candidates for funding MRP tasks. These are broken into two categories: May be applicable as opportunities arise; and not applicable or practical.

Applicable as Opportunities Arise

- Grants
 - As one-time money, they can be very useful for funding projects or programs as applicable or available.
 - They cannot be relied upon for dedicated and sustainable revenue.

³ BMP is an acronym that stands for best management practices. In the context of the MRP, BMPs are specific measures set forth in the permit and various guidance documents. Structural BMPs refer to permanent treatment controls such as bioswales, rain gardens, and retention/detention facilities.

- They typically require matching funds and post-project obligation for additional operations and maintenance activities and costs.
- General Obligation Bonds
 - GO Bonds are only used for capital projects; operations and maintenance cannot be funded with bond proceeds.
 - The two-thirds voter requirement make this approach impractical for MRP-related activities.
 - Repayment of bonds require a dedicated and sustainable revenue stream.
- Development (Impact or In-Lieu Fees)
 - Most developer-paid fees for stormwater impacts or facilities are usually overshadowed by their MRP requirements and do not usually result in the need for off-site or regional mitigation.
 - If any developer fees become feasible, they would most likely revolve around a focused project or program such as a Green Infrastructure program. As such, it could be handled off-budget from a stormwater enterprise financial structure.
- Special Financing Districts (BID or CFD)
 - BIDs and CFDs are typically applicable to local neighborhoods or new developments. These are usually formed to cover a variety of costs (not just stormwater).
 - They should be considered on a case-by-case basis with stormwater costs being part of the discussion.
- EIFD
 - EIFDs are not authorized to fund operations and maintenance activities.
 - The effort to study and implement an EIFD takes considerable resources.
 - An EIFD is geared toward self-improving an area, and MRP tasks do not usually directly support that objective.
 - If an EIFD is considered, MRP activities including drainage and watershed management and green infrastructure should be included as appropriate.
- Partnerships
 - The various partnerships approaches do not typically furnish funding directly.
 - As available, any help furthering the MRP goals and objects would be helpful.

Not Applicable or Practical

- Special Taxes
 - The two-thirds voter requirement make this approach impractical for MRP-related activities.

- Senate Bill 231 Path
 - The risk of litigation until it has been judicially confirmed makes this approach currently impractical.
- Benefit Assessments
 - Any general benefits must be funded by other sources such as the General Fund.
 - Stormwater services are more suited for a property-related fee instead of benefit assessment.

ATTACHMENT – MATRIX OF FUNDING OPTIONS

The attached matrix was developed by the California Stormwater Quality Association (CASQA) as is found on their website (link shown below). It provides a summary matrix of funding options and includes pros and cons for each option.

https://www.casqa.org/sites/default/files/downloads/funding_matrix.pdf

Stormwater Funding Matrix

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Summary Matrix Contents

Traditional Mechanisms

- 1.01 Parcel Taxes
- 1.02 Other Special Taxes
- 1.03 Property-Related Fees
- 1.04 General Obligation Bonds
- 1.05 Senate Bill 231
- 1.06 Regulatory Fees
- 1.07 Developer Impact Fees
- 1.08 Re-Alignment
- 1.09 Grants
- 1.10 Loans

Special Financing Districts

- 2.01 Benefit Assessments
- 2.02 Community Facilities District
- 2.03 Business Improvement Districts
- 2.04 Enhanced Infrastructure Financing Districts (EIFD)

Alternative Compliance

- 3.01 Alternative Compliance
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- 4.01 Multi-Agency
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- 4.05 Financial Capability Assessment
- 4.06 Volunteers

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Funding Category	Applicability	Requirements	Pros	Cons	Staff	Planning	Capital	O&M
Traditional Mechanisms								
1.01 Parcel Taxes	Can fund all or any parts of a stormwater program as stipulated in the ballot question and authorizing ordinance	Usually a 2/3 majority of voters (general taxes require only 50% majority, but can only go to General Fund)	<ul style="list-style-type: none"> * Flexible and legally stout; * Debt can be issued in most cases; * Most voters are familiar with Parcel Taxes 	<ul style="list-style-type: none"> * Requires voter approval at the 2/3 level; * Must compete with other ballot measures 	X	X	X	X
1.02 Other Special Taxes	<ul style="list-style-type: none"> * Business License Tax; * Vehicle License Fees; * Sales Tax; * Utility Users Tax; * Transit Occupancy Tax 	Typically require a 2/3 voter approval	<ul style="list-style-type: none"> * Most are flexible in how they can be used; * 50% threshold can be used if a general tax; 	<ul style="list-style-type: none"> * 2/3 voter approval is difficult to attain; * Ballot measure can be expensive; * If a general tax, then stormwater must compete with other General Fund needs; * Must compete with other ballot questions 	X	X	X	X
1.03 Property-Related Fees	Establishes Storm Drainage as a separate utility service and can fund all or any parts of a stormwater program	Prop 218 compliance; <ul style="list-style-type: none"> * Rigorous rate study; * Must define services and service area; * Property owners approval for non-Water, -Sewer, and -Garbage 	<ul style="list-style-type: none"> * Flexible and legally stout; * Debt can be issued in most cases 	<ul style="list-style-type: none"> * Ballot measure required if for a Storm Drain service - usually voted on by property owners (Not registered voters); * Ballot measure requires significant public outreach; * Public not familiar with balloted property-related fees 	X	X	X	X
1.04 General Obligation Bonds	Can fund Capital Projects through debt taken on by municipality	<ul style="list-style-type: none"> * Voter approval at 2/3 level; * Will need Financial Advising Consultant 	<ul style="list-style-type: none"> * Can fund capital projects or programs with debt paid back over time through property taxes; * Typically easier to pass than a parcel tax; * Taxes based on property value, so annual obligation of individual prop owner is vague 	Can only be used for capital costs - Cannot be used for O&M or staff costs		X	X	
1.05 Senate Bill 231	Allows for adoption of property-related fees without having to go to ballot	<ul style="list-style-type: none"> * Cost of Service Analysis * Rate Study * Prop 218 Protest Hearing 	Avoids the cost and risk of a ballot measure	<ul style="list-style-type: none"> * Taxpayers groups vow to sue on grounds of constitution / court provisions * Governing boards will still have political pressure to not raise rates 	X	X	X	X
1.06 Regulatory Fees	Fees and charges for performing administrative activities related to GI	Cannot exceed the actual cost of performing activities such as permit issuance, inspections, on-site mitigation, etc.	<ul style="list-style-type: none"> * No voter approval is needed; * Usually included in Master Fee Schedule; * Most municipalities already have these in place 	Does not pay for capital improvements or O&M	X			
1.07 Developer Impact Fees	Could incorporate fees for mitigating stormwater impacts - Would not relieve developer of NPDES requirements	Must comply with AB 1600 and include a rigorous nexus study	Could help fund projects and programs	<ul style="list-style-type: none"> * Requires a nexus study, often times by a consultant; * Nexus study must demonstrate connection between development and GI need; * Administration of funds requires resources; * AB 1600 requires 5-year window for programming funds; 		X	X	

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Funding Category	Applicability	Requirements	Pros	Cons	Staff	Planning	Capital	O&M
1.08 Re-Alignment	Stormwater services that support groundwater recharge, diversion to wastewater treatment, or trash capture can be incorporated into existing property-related fee structures without need for ballot measure	Prop 218 compliance for realignment to Water, Sewer or Garbage - must demonstrate applicability	<ul style="list-style-type: none"> * Existing non-balloted fee mechanisms can help pay for stormwater services; * Enhances integration of stormwater into other municipal activities; * Causes other utilities to recognize the value of stormwater programs 	<ul style="list-style-type: none"> * Limited to activities attributable to other funded revenue centers; * Prop 218 hawks could challenge; * Outside revenue center will need to raise rates to fund GI activity - politically unpopular; * Has not been widely used; * May be unpopular with Water, Sewer and Garbage managers; * Water or sewer may be handled by separate agencies, making realignment impossible 	X	X	X	X
1.09 Grants	One-time infusion of funds for qualifying projects from State or other granting authority	<ul style="list-style-type: none"> * Project concept must conform to grant requirements; * Most grants are competitive with limit funding available 	<ul style="list-style-type: none"> * Grants are outside sources of funding that do not need to be repaid; * Readiness is a plus, so can benefit a project or program that is well developed and possibly designed; * Some State Revolving Fund loans can be converted to grants through forgiveness clauses 	<ul style="list-style-type: none"> * Projects must be tailored to grant requirements, possibly causing scope and schedule creep; * Most grants require matching funds from other sources; * Most grants require commitment to post-project O&M, but do not fund those activities; * Little control over timing - can be difficult to coordinate with other funding sources; * Competitive nature lowers chances of obtaining grant; * Applying for grants can be time-consuming and require outside help from a grant writer; * Grant administration requires significant resources 	X	X	X	???
1.10 Loans	Debt instruments can help accelerate project deliver while paying off debt over time	<ul style="list-style-type: none"> * Must have dedicated revenue stream to pay off debt; * Must have adequate credit rating to secure reasonable interest rates; * Some Bonds require voter approval 	<ul style="list-style-type: none"> * Can leverage a modest revenue stream by borrowing money up front for rapid project delivery while paying off debt over longer periods of time; * Accelerates project delivery and makes coordination with other funding or projects easier 	<ul style="list-style-type: none"> * Must have dedicated revenue stream to service debt; * Some debt mechanisms require voter approval (GO Bonds, Revenue Bonds, EIFD Bonds) 	???	X	X	

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Funding Category	Applicability	Requirements	Pros	Cons	Staff	Planning	Capital	O&M
Special Financing Districts								
2.01 Benefit Assessments	Can fund the construction and maintenance of stormwater projects and programs	Prop 218 compliance; * Rigorous Engineer's Report; * Must deduct general benefit from special benefit; * Property owners approval is required through a ballot proceeding (weighted voting); * Works best with new development due to voting requirement	* Flexible and legally stout; * Can fund both construction and maintenance; * Can use bonded indebtedness	* General Benefit must be separated and paid for by other sources; * Votes are weighted by assessment amount, favoring large land owners		X	X	X
2.02 Community Facilities District	Can fund the construction and maintenance of stormwater projects and programs	Requires vote by majority of landowners or 2/3 majority of registered voters	* Usually formed by developer, so only one ballot is cast; * Very flexible - can fund all aspects; * Subsequent annexation is simple; * Tax rate can be tiered to allow for retirement of debt yet continue with O&M; * Annual administration is more streamline than benefit assessments	* Difficult to form in an existing community due to 2/3 majority requirement; * Known as a Mello-Roos tax - which can have a negative connotation		X	X	X
2.03 Business Improvement Districts	Business and property owners tax themselves to build and maintain stormwater improvements	Formed by a municipality through a notice and protest hearing process.	* Flexible and legally stout; * Can fund both construction and maintenance; * Local improvements can generate local support and involvement * Stormwater improvements can also be amenities; * Can enhance sense of ownership and pride in the neighborhood when results are visible	* Cannot use debt financing; * Opposing businesses can disrupt the progress; * Can burden businesses & property owners so they are unwilling to support other funding measures		X	X	X
2.04 Enhanced Infrastructure Financing Districts (EIFD)	Captures property tax increment similar to redevelopment (RDA) for building and maintaining infrastructure	<u>With No Debt:</u> * Establish a Public Finance Authority; * Adopt a Financing Plan; * Resolution(s) from participating agencies <u>With Debt:</u> * All of the above; * Get approval from at least 55% of voters in District	* Can fund many types of projects; * Does not require a vote (unless debt is part of the plan, then a 55% majority is required); * Can include multiple municipalities and special districts, so area can be tailored to needs (e.g. watersheds, high legacy pollutant areas, countywide); * Does not require a blight finding; * Can overlap with former RDA areas; * Works well with master planned community with a single land owner; * Planning costs can be paid for from proceeds (with limitations); * EIFD can go for up to 45 years	* Education districts are not permitted to participate, so revenues would be much less than RDA; * If overlapping a former RDA area, then cannot proceed until RDA is issued a finding of completion from the State; * Stormwater is only a small piece of what an EIFD can do - it may take a back seat to other, larger community concerns; * Some agencies (i.e. special districts) may not agree to their portion of tax increment to be diverted thereby reducing revenue potential	???	X	X	X

Stormwater Funding Matrix

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Funding Category	Applicability	Requirements	Pros	Cons	Staff	Planning	Capital	O&M
Alternative Compliance								
3.01 Alternative Compliance	Allows developers who cannot meet on-site LID requirements to build (or pay for) off-site construction of LID elements	Municipality would need to have alternative projects ready - could be done case-by-case	<ul style="list-style-type: none"> * Enables higher density development in certain areas (such as TOD and PDA); * Enables LID in public spaces that private developers would not normally participate in; * Funds can be pooled to finance larger or regional projects that can be more effective; * Post-project O&M can be added in the form of a cash payment or other consideration; * Municipality can be flexible in enforcement to allow hybrid compliance; 	<ul style="list-style-type: none"> * Ad hoc negotiation with developers can be challenging * Agency will need to have off-site or regional projects ready to bring to negotiation 	X	X	X	X
3.02 In-Lieu Fee Challenges	Allows developers who cannot meet LID requirements to pay into fund that would finance off-site or regional projects	Municipality would need to estimate the costs of mitigation - could be done case-by-case	<ul style="list-style-type: none"> * Enables higher density development in certain areas (such as TOD and PDA); * Enables LID in public spaces that private developers would not normally participate in; * Funds can be pooled to finance larger or regional projects that can be more effective; * Municipality can be flexible in enforcement to allow hybrid compliance; * Municipality may consider informal fee process, negotiating each individual developer through COA; * Funds can be leveraged for grants or loans 	<ul style="list-style-type: none"> * Case-by-case approach can be difficult; * Developers will try to evade costs; * May need to comply with AB 1600 	X	X	X	X

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Funding Category	Applicability	Requirements	Pros	Cons	Staff	Planning	Capital	O&M
3.03 Credit Trading Programs	Creates LID Credit program for developers and others to trade GI responsibilities to others who have better capability to meet LID goals	A municipality (or regional entity) must create credit trading program including: * Definition of LID Credits; * Relative Value of Credits; * Timing of responsibilities; * Eligibility	* Allows developers who cannot meet NPDES or LID requirements to buy credits created by other entities; * Encourages developers or other entities who have greater LID capacity to over-build LID in order to sell credits in future; * Present value of future O&M costs can be incorporated into credit value; * Allows for flexibility to guide LID to areas with greater pollutant loading need; * May save developers money	* Very few Programs (to use as an example) have been implemented - particularly in California; * Credits may need to stay within same watershed; * Overbuilding LID in some areas may not help other areas; * Overbuilding LID can lead to overlapping LID zones; * Unclear if developers are willing to overbuild on speculation of future sale of credits; * Unclear how value of credits would be established; * Unclear if municipality would be credit broker, or if developers can deal directly with each other; * May be difficult to apply credits to public rights of way; * Costing future O&M is difficult		X	X	X
Partnerships								
4.01 Multi-Agency	Encourages partnerships with non-Stormwater agencies to explore GI co-benefits in their work	Examples may include: * Spreading basins for groundwater agencies; * GI project sites on school grounds; * GI on housing authority sites	* Can generate credits for Credit Trading Program; * Expands GI potential and awareness; * Flexible; * Can leverage limited GI funding to greater benefit	* Not cookie-cutter; requires customization; * May be difficult to find partners	X	X	X	???
4.02 Transportation	Encourages partnerships with transportation agencies to explore GI co-benefits in their work and take advantage of Complete Streets or Green Streets programs	Examples may include: * Permeable pavements; * Roadside rain gardens; * Cisterns	* Most municipalities are also transportation agencies, so internal project coordination more likely; * Can generate credits for Credit Trading Program; * Expands GI potential and awareness; * Can leverage limited GI funding to greater benefit; * Recent increase in Gas Tax may make more room for GI elements	* Not cookie-cutter; requires customization; * May be difficult to find partners; * Road condition woes prevail, making it difficult to shift funding to GI and other amenity-type elements; * Transportation grants may preclude using funds for GI	X	X	X	???
4.03 Caltrans Mitigation	Caltrans looks for opportunities for off-site mitigation of stormwater impacts of their highways	Local municipalities may enter in a cooperative agreement with Caltrans to build GI as a way for them to mitigate stormwater impacts of their highways	* Caltrans may furnish funding for local or regional projects that help them meet their obligations; * Locals can propose solutions that benefit both Caltrans and the local agencies	* Caltrans cooperative agreements can be cumbersome and bureaucratic; * Projects that work for Caltrans may be difficult to develop		X	X	???

Stormwater Funding Matrix

2018

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Funding Category	Applicability	Requirements	Pros	Cons	Staff	Planning	Capital	O&M
4.04 Public-Private ("P3")	Private enterprises can provide overall solutions to GI programs through better access to resources and capital	P3 is primarily a deliver system for projects where debt provides near-term funding and project acceleration	<ul style="list-style-type: none"> * Bypasses some of the bureaucracy; * Can make existing funding sources work more efficiently; * Draws on private sector expertise and financing; * Debt may be tax-exempt; * Debt accelerates project delivery; * Can include design, build, finance, operate; * Debt is private - may not affect public agency's debt capacity 	<ul style="list-style-type: none"> * Does not provide additional funding; * Dedicated revenue stream is needed - cash flow is an important element 		X	X	X
4.05 Financial Capability Assessment	Can allow an agency to delay compliance with certain NPDES permit requirements	Follow EPA guidelines for application	Allows a qualifying agency to defer compliance with certain Permit compliance requirements	<ul style="list-style-type: none"> * Not a source funding - only can grant time extensions to Permit compliance; * Communities must meet several criteria such as poverty rates, income distributions, bond ratings, etc. 				
4.06 Volunteers	Volunteer groups can be a resource for certain stormwater operations and maintenance (O&M) as well as program planning	<ul style="list-style-type: none"> * To be effective, volunteers need organization and oversight; * Can be used to supplement paid contractors, or perform entire projects 	<ul style="list-style-type: none"> * "Free" labor; * Some volunteers provide needed expertise; * Increases awareness of stormwater program; * Some non-profit organizations have ready-made volunteer groups that are trained and organized; * Can build public support for dedicated revenue mechanism such as a fee; * Education program for community 	<ul style="list-style-type: none"> * Requires significant staff resources to recruit, organize, train and plan & supervise the work; * Can be unreliable - hard to build schedule and cost forecasts around volunteer work force; * Can create conflict with prevailing wage requirements; * Difficult to incorporate into project construction work 		X	???	X

APPENDIX C – RECENT STORMWATER BALLOT MEASURES

TABLE 9 – RECENT STORMWATER BALLOT MEASURES

Municipality	Status	Annual Rate	Year	Mechanism
San Clemente	Successful	\$ 60.15	2002	Balloted Property Related Fee
Carmel	Unsuccessful	\$ 38.00	2003	Balloted Property Related Fee
Palo Alto	Unsuccessful	\$ 57.00	2003	Balloted Property Related Fee
Los Angeles	Successful	\$ 28.00	2004	Special Tax - G. O. Bond
Palo Alto	Successful	\$ 120.00	2005	Balloted Property Related Fee
Rancho Palos Verde	Successful , then recalled and reduced	\$ 200.00	2005, 2007	Balloted Property Related Fee
Encinitas	Unsuccessful	\$ 60.00	2006	Non-Balloted Property Related Fee adopted in 2004, challenged, balloted and failed in 2006
Ross Valley	Successful, Overturned by Court of Appeals, Decertified by Supreme Court	\$ 125.00	2006	Balloted Property Related Fee
Santa Monica	Successful	\$ 87.00	2006	Special Tax
San Clemente	Successfully renewed	\$ 60.15	2007	Balloted Property Related Fee
Solana Beach	Non-Balloted, Threatened by lawsuit, Balloted, Successful	\$ 21.84	2007	Non-Balloted & Balloted Property Related Fee
Woodland	Unsuccessful	\$ 60.00	2007	Balloted Property Related Fee
Del Mar	Successful	\$ 163.38	2008	Balloted Property Related Fee
Hawthorne	Unsuccessful	\$ 30.00	2008	Balloted Property Related Fee
Santa Cruz	Successful	\$ 28.00	2008	Special Tax
Burlingame	Successful	\$ 150.00	2009	Balloted Property Related Fee
Santa Clarita	Successful	\$ 21.00	2009	Balloted Property Related Fee
Stockton	Unsuccessful	\$ 34.56	2009	Balloted Property Related Fee
County of Contra Costa	Unsuccessful	\$ 22.00	2012	Balloted Property Related Fee
Santa Clara Valley Water District	Successful	\$ 56.00	2012	Special Tax
City of Berkeley	Successful	varies	2012	Measure M - GO Bond
County of LA	Deferred	\$ 54.00	2012	NA
San Clemente	Successful	\$ 74.76	2013	Balloted Property Related Fee
Vallejo San & Flood	Successful	\$ 23.00	2015	Balloted Property Related Fee
Culver City	Successful	\$ 99.00	2016	Special Tax
Palo Alto	Successful	\$ 163.80	2017	Balloted Property Related Fee Reauthorization of 2005 Fee
Town of Moraga	Unsuccessful	\$ 120.38	2018	Balloted Property Related Fee
City of Berkeley	Successful	\$ 42.89	2018	Balloted Property Related Fee
County of Los Angeles	Successful	\$ 83.00	2018	Special Tax
Town of Los Altos	Unsuccessful	\$ 88.00	2019	Balloted Property Related Fee
City of Cupertino	Successful	\$ 44.42	2019	Balloted Property Related Fee
City of Alameda	Successful	\$ 78.00	2019	Balloted Property Related Fee
City of Del Mar	Studying	NA	NA	Balloted Property Related Fee
City of Davis	Studying	NA	NA	TBD
City of Hillsborough	Studying	NA	NA	TBD
City of Sacramento	Studying	NA	NA	Balloted Property Related Fee
City of Salinas	Studying	NA	NA	Balloted Property Related Fee
City of San Clemente	Studying	NA	NA	Balloted Property Related Fee
City of San Mateo	Studying	NA	NA	TBD
City of Santa Clara	Studying	NA	NA	TBD
County of El Dorado	Studying	NA	NA	NA
County of Orange	Studying	NA	NA	NA
County of San Joaquin	Studying	NA	NA	Balloted Property Related Fee
County of San Mateo	Studying	NA	NA	NA
County of Ventura	Studying	NA	NA	NA

APPENDIX D – COMPARABLE STORMWATER RATES

TABLE 10 – SAMPLE OF RATES FROM OTHER MUNICIPALITIES

Municipality	Annual Rate	Type of Fee
Stockton *	\$ 221	Property-Related Fee
Bakersfield	\$ 200	Property-Related Fee
Palo Alto	\$ 164	Property-Related Fee
West Sacramento	\$ 144	Property-Related Fee
Sacramento (City)	\$ 136	Property-Related Fee
Santa Cruz	\$ 109	Special Tax
Culver City	\$ 99	Special Tax
San Jose	\$ 92	Property-Related Fee
Davis	\$ 85	Property-Related Fee
Los Angeles County	\$ 83	Special tax
Elk Grove	\$ 70	Property-Related Fee
Sacramento (County)	\$ 70	Property-Related Fee
San Clemente	\$ 60	Property-Related Fee
San Bruno	\$ 46	Property-Related Fee
Hayward	\$ 29	Property-Related Fee
Los Angeles	\$ 27	Special tax
Vallejo Sanitation and Flood Control District	\$ 24	Property-Related Fee
Redding	\$ 16	Property-Related Fee
Woodland	\$ 6	Property-Related Fee

* This is the calculated average rate for the City of Stockton, which has 15 rate zones with rates ranging from \$3.54 to \$651.68 per year.



August 14, 2019

Dear Property Owner:

We are writing about Alameda's *Clean Water Program* and the public process regarding the proposed 2019 Water Quality and Flood Protection Fee.

Since the early 1990s, the City's *Clean Water Program* has maintained our storm drainage infrastructure which **protects our homes, properties and streets from local flooding, and ensures our beaches and the Bay are protected from trash and pollutants** caused by urban runoff during rain events.

The program is currently funded by an annual storm drainage utility fee that has not increased in 15 years, while costs have increased significantly. As a result, expenses exceed revenues and operating reserves are nearly depleted. Without any action, Alameda's *Clean Water Program* could fall into disrepair, risking an increase of flooding, the safety of our neighborhoods, and the cleanliness of our water and beaches. The existing fee, which appears on annual property tax bills, is \$56 per year for the typical Alameda home. To continue to maintain our storm drainage infrastructure, the City is proposing an additional storm drainage fee called the ***2019 Water Quality and Flood Protection Fee.*** This additional fee would be \$78 for the typical Alameda home, for total fees of \$134 per year - which is \$11.17 per month.

Attached is additional information about the fee's purpose, its amount, and the process by which property owners decide whether to approve the fee including community meetings and a public hearing. If the measure is approved, the fee would fund a balanced approach to meeting our storm drainage infrastructure challenges such as repairing and updating pump stations (some of which date back to the 1940s), maintaining 250 new trash capture devices, and improving our lagoon system to keep our neighborhoods safe and healthy. As with the existing fee, the proposed new fee would be **dedicated only to our storm drainage system and cannot be used for any other purposes.** Without additional revenue, the City will not be able to meet these challenges and will be forced to eliminate and/or significantly cut existing programs such as street sweeping and storm drain maintenance.

Please visit our website for more information at www.alamedaca.gov/cleanwater. If you have any questions about this process, contact Sarah Henry at 510-747-4714 or shenry@alamedaca.gov.

Sincerely,

Liam Garland
Public Works Director

Please contact the City of Alameda at (510) 747-4700 if you would like to receive the enclosed materials translated in the following languages: Spanish, Korean, Tagalog, Vietnamese, Chinese or other.

Comuníquese con la Ciudad de Alameda al (510) 747-4700 si desea recibir los materiales adjuntos traducidos a los siguientes idiomas: español, árabe, farsi, coreano, tagalo, vietnamita, chino u otros idiomas.

스페인어, 아랍어, 페르시아어, 한국어, 타갈로그어, 베트남어, 중국어 또는 기타 언어로 번역 된 동봉 자료를 받으려면 Alameda시 (510) 747-4700으로 연락하십시오.

Mangyaring makipag-ugnay sa Lungsod ng Alameda sa (510) 747-4700 kung nais mong matanggap ang nakapaloob na mga materyales na isinalin sa mga sumusunod na wika: Espanyol, Arabic, Farsi, Koreano, Tagalog, Vietnamese, Tsino o iba pa.

Vui lòng liên hệ với Thành phố Alameda theo số (510) 747-4700 nếu bạn muốn nhận các tài liệu kèm theo được dịch theo các ngôn ngữ sau: Tây Ban Nha, Ả Rập, Farsi, Hàn Quốc, Tagalog, Việt Nam, Trung Quốc hoặc khác.

如果您希望收到以下语言翻译的随附材料，请联系阿拉米达市（510）747-4700：西班牙语，阿拉伯语，波斯语，韩语，他加禄语，越南语，中文或其他语言。

Notice of Public Hearing

2019 Water Quality and Flood Protection Fee

PUBLIC HEARING

Notice is hereby given that the City Council will hold a public hearing on a proposed 2019 Water Quality and Flood Protection Fee for properties within the City of Alameda. The Public Hearing will be held:

October 1, 2019, at 7:00 p.m.
Alameda City Council Chambers
2263 Santa Clara Avenue, 3rd Floor

At this public hearing, the City Council will consider the proposed fee and hear all persons interested in the matter. The public is encouraged to attend.

The public hearing is held in accordance with Article XIID of the California Constitution (Proposition 218) and with the procedures adopted by resolution of the City Council on July 16, 2019. The procedures and other related documents can be found on the City's website at www.alamedaca.gov/cleanwater.

Any owner of a parcel of real property subject to the proposed 2019 Water Quality and Flood Protection Fee may object to the proposed fee by filing with the City Clerk, at or before the time of the hearing, a written protest containing a legible signature of the property owner and identifying the parcel by address or assessor's parcel number. The mailing address for a written protest is as follows: 2019 Water Quality and Flood Protection Fee Protest, c/o City Clerk, 2263 Santa Clara Ave., Room 380, Alameda, CA 94501. The property owner may also appear at the hearing and be heard on the matter.

The storm drainage system is managed by the City of Alameda, and the proposed 2019 Water Quality and Flood Protection Fee would be collected and used strictly for the storm drainage system as summarized below and cannot be used for any other purposes.

PROPOSITION 218 PROCESS

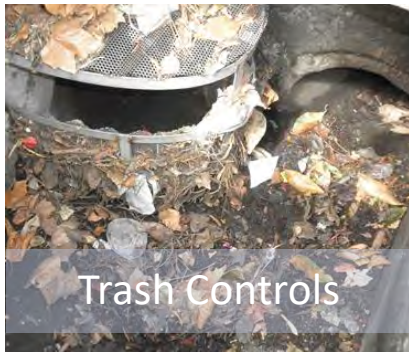
There are two steps in the Proposition 218 approval process, a public hearing and a mail-in ballot process. If written protests against the fee are presented by the owners of a majority of properties, then the City cannot impose the fee. If the City Clerk does not receive written protests from the owners of a majority of properties regarding the proposed 2019 Water Quality and Flood Protection Fee before the close of the public testimony portion of the public hearing, the City Council may authorize proceeding to the second step, a mail-in ballot proceeding whereby property owners subject to the fee can vote on the question of whether to approve the fee. A majority vote of the property owners of the properties subject to the fee is needed for approval, with each parcel counting for one vote.

COMMUNITY MEETINGS

The City will also be conducting two community meetings to provide additional opportunities for the public to receive information and provide input regarding the stormwater drainage system in Alameda. The date, time and place of the meetings are shown below:

Community Meeting #1	Community Meeting #2
<ul style="list-style-type: none">• Wednesday, August 28, 2019• 6:00 – 7:30 p.m.• Mastick Senior Center, Social Hall• 1155 Santa Clara Avenue	<ul style="list-style-type: none">• Tuesday, September 10, 2019• 6:30 – 8:00 p.m.• Leydecker Park Recreation Center• 3225 Mecartney Road

OVERVIEW OF PROPOSED 2019 WATER QUALITY AND FLOOD PROTECTION FEE



Reason for the Proposed 2019 Water Quality and Flood Protection Fee. Over the last several years, the City has conducted a series of engineering studies to determine the best ways to keep the storm drainage system working properly to protect streets and properties from local flooding and our beaches clean and safe for our children and future generations. These studies have identified inadequacies, including the need for increased investments in operations, maintenance, and capital improvements.

The City's *Clean Water Program* operates the local storm drainage system. As costs have increased in the last ten years, our revenues have remained flat resulting in an annual deficit. (California state law prevents the City from increasing the storm drainage utility fee without proposing the increase to local properties owners through a ballot measure.) The City's storm drainage reserve fund, designed to be used during flood emergencies, has now been spent down. An increase in the fee will support the costs of maintaining and operating our aging infrastructure.

The City currently spends approximately \$4.2 million annually on the operations and maintenance of the local storm drainage system. Recent studies show \$5.4 million per year is needed to prevent further system degradation. Yet current revenues generated by the existing fee are only \$2.5 million resulting in a significant annual deficit that is projected to grow.

Additionally, there are at least \$30 million of capital improvements and replacements needed to ensure homes are not flooded and roads remain clear for the movement of people, goods, and emergency vehicles - and to achieve strict water quality standards.

Failure to secure the funding will mean cutting back on essential services, such as street sweeping, drain and pipe cleaning, beach cleanups, and pump station upgrades that keep our neighborhoods dry and our Bay and lagoons healthy.



Amount of the Fee. If approved, these fees will be collected on the annual property tax bill along with other fees and charges. The fee for a single-family home on a typical medium-sized parcel (0.08-0.14 acre / 3,267-6,316 square feet), which is the most common fee, is proposed to be an additional **\$78.00 per year**, or \$6.50 per month. The entire schedule of proposed fees is shown in the table to the right. Properties that drain directly to the Bay or meet the Low Impact Development standards will be given rate credits of 57% and 25%, respectively.

The amount of the proposed fee is *in addition* to the existing stormwater utility fees paid by each property. For example, if approved, the owner of a typical home will pay \$56 (current fee) plus \$78.00 (proposed new fee) for a total of \$134.00, per year, or \$11.17 per month. The total additional amount to be collected by the proposed 2019 Water Quality and Flood Protection Fee in Fiscal Year 2020-21 is \$2.89 million bringing total *Clean Water Program* revenues to \$5.45 million.

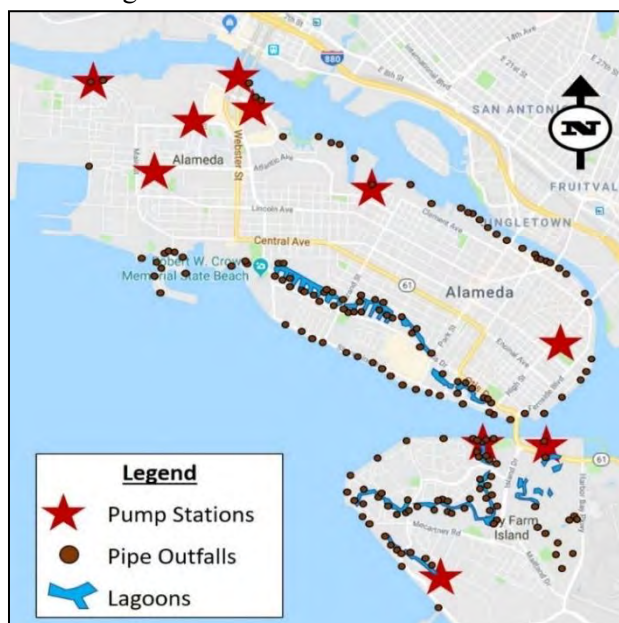
Land Use Category		Proposed Annual Fee FY 2019-20
Residential *		
Small	Under 0.08 ac**	\$ 47.73 per parcel
Medium	0.08 to 0.14 ac	\$ 78.00 per parcel
Large	over 0.14 ac	\$ 85.07 per parcel
Condo - Med Density		\$ 47.73 per parcel
Condo - Hi Density		\$ 24.55 per parcel
<i>Multiple homes on single parcel pays 16% higher rate</i>		
Non-Residential ***		
Apartment		\$ 908.18 per acre
Commercial / Retail / Industrial		\$1,083.80 per acre
Office		\$ 765.06 per acre
Church / Institutional		\$ 866.58 per acre
Institutional w/Playfield		\$ 619.22 per acre
Park		\$ 59.76 per acre
Vacant (developed)		\$ 59.76 per acre
Open Space / Agricultural		exempt

* Residential category also includes du- tri- and four-plex units
 ** ac = acre; 1 acre = 43,560 square feet
 *** Non-Residential parcel size is calculated to a hundredth of an acre

DESCRIPTION OF STORM DRAINAGE SYSTEM NEEDS

Flood Protection

- **Intersection Flooding** - With such flat terrain and topography in our neighborhoods, the City of Alameda experiences frequent flooding of street intersections that also flow onto nearby properties. Addressing these problems often requires reconfiguring the pavement, curbs and gutters and sidewalks in those areas which can be expensive and time-consuming. The proposed fee includes funding to begin addressing these problems citywide.
- **Pump Stations** – The City of Alameda relies on ten pump stations – some of which date back to the 1940s. These stations “lift” the storm water from our low-lying areas high enough to flow into the Bay. If any of these pump stations fail, there would be significant flooding in the surrounding neighborhoods. The proposed fee includes funding to keep these facilities reliable and operational.
- **Other Facilities** – The City also relies on 126 miles of pipelines, 4,846 inlets and manholes, 96 acres of lagoons, 278 outfalls, and numerous tide gates and seawalls to control flows and convey our stormwater safely and reliably to the Bay (see map at right).



The proposed fee includes funding for enhanced operations and improvements to keep this critical, and aging, system working reliably. While the proposed fee will not be able to fully address the impacts of sea level rise and climate change, all projects and operational enhancements are designed to address those impacts as much as possible.

Trash Capture and Pollutant Reduction

Polluted storm water runoff is the largest source of contaminants in the Bay. The City's storm water system must comply with strict state and federal clean water standards to ensure that water discharged from the system is safe, clean, and healthy enough to protect our beaches and the Bay. The City has a strong compliance program, which includes installing and maintaining 250 trash capture devices, beach cleanup events, and street sweeping that can help capture pollutants before they enter the system. Without additional funding, some of these important services will need to be reduced, and the City risks falling out of compliance with these increasing water quality standards.



Fiscal Accountability

The proposed 2019 Water Quality and Flood Protection Fee is a property-related utility fee as defined in Proposition 218, similar to water, sewer, and garbage utility fees. Proposition 218 ensures that costs are apportioned to each property in a fair and equitable manner. The funds generated from the proposed fees cannot be used for general City purposes – they can only be used for storm drainage services – and the revenues cannot exceed the cost of providing storm drainage services. Finally, the City Council must review the rates each year to determine whether a Consumer Price Index adjustment is justified, and the adjustment is limited the lesser of 3% or the area's Consumer Price Index.

ADMINISTRATION OF THE 2019 WATER QUALITY AND FLOOD PROTECTION FEE

How the Fee Is Calculated. The proposed 2019 Water Quality and Flood Protection Fee is based on the quantity of storm water runoff produced by each parcel or category of parcel. This runoff is based upon the proportional impervious area (e.g. roof tops and pavements) on each category of parcel. A copy of the full 2019 Water Quality and Flood Protection Fee Report can be found online at the Public Works Department's website at www.alamedaca.gov/cleanwater.

Properties Subject to the Fee. All properties are subject to the fee except for open space, agricultural land, and other parcels that are part of the stormwater collection and conveyance system.

Annual Inflation Adjustment. In order to offset the effects of inflation on the cost of labor, materials, and utilities, the proposed fee is subject to an annual increase based on the change in the Consumer Price Index but will be limited to 3% in any single year.

Accountability. The proposed 2019 Water Quality and Flood Protection Fee revenues will be collected and deposited into a separate account that can only be used for specified storm drainage projects, maintenance and operations, and regulatory activities. The City Council must approve the fee level each year in a public meeting based on estimated costs.

OFFICIAL PROPERTY OWNER BALLOT

CITY OF ALAMEDA WATER QUALITY AND FLOOD PROTECTION PROGRAM FEE

In order to protect our streets and property from local flooding, prepare our community for climate change and sea level rise, and to ensure clean, healthy local beaches and the Bay, by:

- Repairing and maintaining critical pump stations, levees, pipes, and lagoons; and
- Removing trash and pollutants from rain runoff using sustainable methods; and
- Investing in the highest-priority storm drainage infrastructure projects for our aging system;

shall the City of Alameda enact an additional stormwater fee in the amount listed on the other side of this ballot, with mandatory public oversight provisions, future cost of living increases capped at 3% per year, and dedicated only to the local storm drainage system?

☐ **YES**, I approve the proposed annual stormwater fee.*

☐ **NO**, I do not approve the proposed annual stormwater fee.*

I hereby declare, under penalty of perjury, that I am the property owner(s) or authorized representative of the owner(s) for the parcel(s) identified on this official ballot.

Signed _____ Date _____ Print Name _____

Signature of Recorded Property Owner or Authorized Representative

**(The proposed fee amount is printed on the back of this ballot)*

INSTRUCTIONS FOR THE COMPLETION AND RETURN OF OFFICIAL BALLOTS

An explanation of who is authorized to complete the ballot on behalf of the recorded property owner(s) and additional instructions are provided on the other side of this Official Property Owner Ballot. It **MUST** be received by **Monday, November 25, 2019 at 6:00 p.m. at the City Clerk's Office, 2263 Santa Clara Ave #380, Alameda, CA 94501.**

You may return your fee ballot in the following ways: 1) Mail your fee ballot to the address shown on the enclosed return envelope so that it is received on or before November 25, 2019 by 6:00 p.m. 2) Deliver it in person to the Alameda City Clerk's Office address on or before November 25, 2019 by 6:00 p.m.

FOLD THE BALLOT SO THAT THIS SIDE IS ON THE INSIDE OF THE FOLD BEFORE PLACING THIS BALLOT IN THE RETURN ENVELOPE.

Who May Complete This Official Property Owner Ballot

1. If the property is owned by an individual, the individual may sign.
2. If the property is held by more than one person, any one person may sign for all.
3. If the property is owned by a corporation, the property owner ballot may be signed for the corporation by an officer or officers authorized to make contracts or by resolution of the corporation's Board of Directors.
4. If the property is owned by another legal entity, the property owner ballot may be signed by any person authorized by law to make contracts for the entity.
5. If the property is owned by a public agency, the property owner ballot may be signed by any person authorized by law to make contracts for the agency or by resolution of the agency's Governing Board or City Council.

**Please see other side to complete this
property owner ballot.**

DOE JOHN & JANE
123 ELM STREET
ALAMEDA CA 94501

Steps for Completing the Official Property Owner Ballot

1. Verify that the owner name(s), address, and parcel number(s) listed on the ballot are correct. If they are not correct, please call (510) 747-4714.
2. Fill in or clearly mark the oval next to the word "YES" or "NO" to approve or disapprove the proposed fee. You may use a pencil or pen.
3. Sign and date the property owner ballot. Only official property owner ballots which are signed and marked with the property owner's support or opposition will be counted. **After marking your vote, simply FOLD the property owner ballot so that your vote is on the inside of the fold. Then place the property owner ballot in the return envelope provided.** No postage is necessary to mail back your property owner ballot.
4. If you make a mistake in completing your ballot or wish to change or withdraw your ballot, please call (510) 747-4714.
(See enclosed notice for further information)

PARCEL NUMBER	PROPOSED FEE
071 -0234-001-00	\$78.00
071 -0234-002-00	\$78.00
071 -0258-001-00	\$47.73
071 -0799-021-00	\$235.50

← **FOLD HERE** (this side should be on the outside after fold)

Please Complete Your Ballot And Mail It Back Promptly

Method Of Voting

To complete the enclosed ballot, mark the oval next to either "Yes" or "No." Then sign the ballot, place it in the provided postage-paid return envelope, and mail or hand deliver it to:

City of Alameda
City Clerk's Office
2263 Santa Clara Ave #380
Alameda, CA 94501

Only official ballots that are signed and marked with the property owner's support or opposition, and are received before 6:00 p.m. on Monday, November 25, 2019, will be counted. Postmarks will not be accepted.

The fee shall not be imposed if votes submitted in opposition to the fee exceed the votes submitted in favor of the fee. If a majority of votes returned are in support, the fee may be levied beginning in fiscal year 2020-21 and continuing in future years, as authorized by the City Council, to fund stormwater capital improvement projects, maintenance and operations, and clean water and pollution control services.

If you lose your ballot, require a replacement ballot, or want to change your vote, contact Sarah Henry at (510) 747-4714 or by email at shenry@alamedaca.gov for another ballot. See the enclosed ballot for additional instructions.



The City's Clean Water Program removes 823 dump truck loads of debris, including debris from the City's streets by sweeping 24,000 miles annually.

Public Accountability

The proposed 2019 Water Quality and Flood Protection Fee revenues will be collected and deposited into a separate account that can only be used for authorized storm drainage activities and will undergo annual independent audits. The City Council must approve the fee each year in a public meeting, and the fee can never exceed actual estimated costs.



The City cleans and inspects 250 trash capture devices quarterly, removing 40 cubic yards of debris annually.

Ballot Tabulation

Each parcel with a proposed fee greater than zero will count for a vote. Ballots will be tabulated under the direction of the City Clerk at a location accessible to the public. The tabulation will commence at 9:00 am on Tuesday, November 26, 2019, in City Hall at 2263 Santa Clara Avenue Room 380 and continue between the hours of 9:00 am and 4:00 p.m. until the tabulation is complete.



The City has conducted a series of engineering studies to determine the best ways to protect neighborhoods during big storms and sea level rise.

Additional Information

Please contact Sarah Henry at (510) 747-4714 or by email at shenry@alamedaca.gov or visit our website at www.alamedaca.gov/cleanwater.



City of Alameda Water Quality & Flood Protection Initiative Official Ballot Information Guide

Why Did You Receive This Ballot?

In the early 1990s, the City of Alameda established its Clean Water Program to manage all City-owned storm drainage infrastructure including 11 pump stations (some dating back to the 1940s), 126 miles of pipelines, miles of drainage lagoons, 278 outfalls to the San Francisco Bay and numerous tide gates and seawalls. This infrastructure collects and conveys our stormwater runoff during rain events safely and reliably to the Bay while protecting our waterways from trash and other pollutants.

The Program is currently funded only by an annual storm drainage utility fee. This fee has not been increased in 15 years, while costs have increased significantly. At the same time, we face increasing challenges such as local flooding, deferred maintenance on our aging infrastructure, and the impacts of climate change. As a result, expenses exceed revenues and operating reserves are now depleted.

The Program currently provides approximately \$4.2 million annually for the operations and maintenance of our storm drainage system. Several recent engineering studies have determined that \$5.4 million per year is needed in Alameda to prevent further system degradation. The current revenue generated by the existing fee is only \$2.5 million, resulting in a significant annual structural deficit. In addition, the City faces:

- Enhanced operations and maintenance needs to ensure homes are not flooded and roads remain clear for the movement of people, goods and emergency vehicles;
- \$30 million in high-priority capital project needs due to aging infrastructure; and
- Increasingly rigorous water quality standards.

To continue to maintain our storm drainage infrastructure and avoid eliminations and/or significant cuts to existing programs, the Clean Water Program is proposing **The 2019 Water Quality and Protection Initiative**. This additional storm drainage fee is dedicated to our storm drainage system and funds cannot be used for any other purposes.



The City of Alameda's Clean Water Program maintains the storm drainage infrastructure which protects homes, property, and streets from flooding and protects the City's beaches and the Bay from trash and pollutants caused by urban runoff during rain events.

What Would This Fee Provide?

Capital Improvements To Prevent Flooding - High Priority Local Projects

The Water Quality and Flood Protection Initiative details \$30 million in high-priority capital improvements and replacements including pump station upgrades and replacements, installing trash capture devices, outfall upgrades, and enhancements to intersections to reduce flooding.

Ongoing Operations & Maintenance of this Aging Infrastructure

The Water Quality and Flood Protection Fee initiative specifies an annual program to perform repairs and replacements of aging infrastructure, system cleaning and inspections. This operation and maintenance program will ensure the storm drainage system provides a high level of protection against flooding, and keeps trash and pollutants out of the Bay.

State and Federal Clean Water Requirements: The City's stormwater system must comply with important state and federal clean water standards to ensure that water discharged from the system is safe, clean, and healthy enough to protect our beaches and the Bay.

Funding Protections: Revenues from the proposed fees cannot be taken by the Federal, State, or County governments. Even the City Council cannot allocate these funds to non-storm drainage uses.

All Ballots Must Be Received By 6:00 pm November 25, 2019 To Be Counted

Please Complete Your Ballot And Mail It Back Promptly
All Ballots Must Be Received By 6:00 pm November 25, 2019 To Be Counted



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How Much Is The Proposed Fee?

If approved, the Water Quality and Flood Protection Fee will be collected on the annual property tax bill. The fee for a single-family home on a typical medium-sized parcel (i.e. 0.08-0.14 acre, or 3,267-6,316 square feet), which is the most common fee, is proposed to be an additional \$78.00 per year, or \$6.50 per month. The entire schedule of proposed fees is shown in the table below. Properties that drain directly to the Bay or meet the Low Impact Development standards will be given rate credits of 57% and 25%, respectively.

The amount of the proposed fee is in addition to the existing stormwater utility fees paid by each property. For example, the owner of a typical home will pay \$56.00 (current fee) plus \$78.00 (proposed new fee) for a total of \$134.00 per year, or \$11.17 per month. The total additional amount to be collected by the proposed 2019 Water Quality and Flood Protection Fee in Fiscal Year 2020-21 is \$2.89 million, bringing total Clean Water Program revenues to \$5.45 million.

Land Use Category	Proposed Annual Fee FY 2020-21
Residential *	
Small Under 0.08 ac**	\$ 47.73 per parcel
Medium 0.08 to 0.14 ac	\$ 78.00 per parcel
Large over 0.14 ac	\$ 85.07 per parcel
Condo - Med Density	\$ 47.73 per parcel
Condo - Hi Density	\$ 24.55 per parcel
* Multiple homes on single parcel pays 10% higher rate.	
Non-Residential ***	
Apartment	\$ 908.18 per acre
Commercial / Retail / Industrial	\$1,083.80 per acre
Office	\$ 765.06 per acre
Church / Institutional	\$ 866.58 per acre
Institutional w/Playfield	\$ 619.22 per acre
Park	\$ 59.76 per acre
Vacant (developed)	\$ 59.76 per acre
Open Space / Agricultural	exempt

* Residential category also includes the 1/2- and four-plus units

** ac = approx 1 acre = 43,560 square feet

*** Non-Residential parcel size is calculated to a hundredth of an acre

How Was The Fee Determined?

The proposed 2019 Water Quality and Flood Protection Fee is based on the quantity of stormwater runoff produced by each parcel or category of parcel. This runoff is based upon the proportional impervious area (e.g. roof tops and pavements) on each category of parcel. A copy of the full 2019 Water Quality and Flood Protection Fee Report can be found online at the Public Works Department's website at www.alamedaca.gov/cleanwater.

Properties Subject To The Fee

All properties are subject to the fee except for open space and agricultural land.

Will The Fee Increase In The Future?

In order to offset the effects of inflation on the cost of labor, materials, and utilities, the proposed fee is subject to an annual increase based on the change in the Consumer Price Index but capped at no more than 3% in any single year.

Don't My Property Taxes Already Pay for This?

No. The Clean Water Program started in 1992 with a fee charged to properties. This has been the only revenue source for the Program since its inception. This is similar to water and sewer rates where the activities to provide those services are supported solely by user rates. This ensures that the rates are fair and equitable, and funds cannot be used for other purposes.



With such flat terrain and topography in our neighborhoods, the City of Alameda experiences frequent flooding of streets that also flow onto nearby properties. As shown in the City's recently adopted Climate Action and Resiliency Plan, this flooding will only grow in frequency and severity with climate change and sea level rise.

Clean Water Program Elements

Operations & Maintenance (O&M):

Storm response, street sweeping, lagoon maintenance & monitoring, storm drain inspection & cleaning

Water Quality (WQ):

Trash reduction, green infrastructure, planting shoreline/beach clean-ups, pollution prevention, illegal discharge investigations, development oversight, public education

Drainage Improvements (DI):

Retrofit or upsize pump stations, pipe, culvert and catch basin replacement, lagoon dredging, green infrastructure & trash capture devices

Coastal Flooding & Sea Level Rise

Protection (CF&SLR): Climate change planning, improved and increased capacity pump stations & pipes, perimeter levee infrastructure, shoreline improvements



Map of Storm Drainage Infrastructure



If 'The Initiative Fails ...

A Depleted Fund Means Cuts to Services:

- Clean Water Program would be more reactive (less proactive)
- Longer Response Times
- Reduced Storm Drain Maintenance
- Less Street Sweeping
- No Stormwater Capital Projects

Higher Risk of Catastrophic Failures

Inability to Adapt to Climate Change

High Priority Capital Improvement Projects

Category/Project	Area
Flood Protection / Pipes / Lagoons	
Shoreline Culvert	South Shore
Bay Farm Island Gate Opener	Bay Farm Island
Bayview Weir Rehab	Bayview
Tidal Protection of Outfalls	Citywide
Veterans Court	Bay Farm Island
Lagoon Walls	South Shore
Seawall @ B/I Gate	Bay Farm Island
Dredge Lagoon	South Shore
Dredge Lagoon	Bay Farm Island
Pump Stations	
Arbor	North Central
Webster	Westside
Central/Eastshore	Eastside
Environmental	
Green Infrastructure	Citywide
Trash Capture	Citywide
Operational Enhancements	
Outfall Upgrades	Citywide
Intersection Culverts	Citywide
Ponding Improvements	Citywide
Line Clean & Video	Citywide
Lagoons	South Shore & Bay Farm Island

Visit www.alamedaca.gov/cleanwater For More Information

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CITY OF ALAMEDA OFFICIAL SURVEY

Water Quality and Flood Protection Initiative

Information Fact Sheet



Why Am I Receiving This Survey?

All of us in Alameda are dependent on our local storm drainage system to keep our streets, homes, and property safe from local flooding. However, this critical infrastructure system is aging and in need of improvements, replacement, repair, and maintenance. At the same time, the fees charged for this service have not kept up with rising costs, and efforts to address water pollution and climate change are entirely unfunded.

As a result, the City of Alameda is considering an increase in storm drainage fees to help fund this critical infrastructure need, and seeks input from local residents on your priorities for local drainage, flood protection, and clean water.

Please read the following information, then complete the enclosed survey and mail it back in the postage paid envelope by June 14, 2019. Your answers will help guide our efforts towards protecting the City and its residents from local flooding and ensuring water quality.

Clean Water Program in Alameda

Operations & Maintenance: Storm response, street sweeping, lagoon maintenance & monitoring, storm drain inspection & cleaning

Water Quality: Trash reduction, green infrastructure planning, shoreline/beach clean-ups, pollution prevention, illegal discharge inspections, development oversight, public education

Drainage Improvements: Retrofit or upsize pump stations, storm drainage system upgrades, lagoon dredging, green infrastructure & trash capture devices

Coastal Flooding & Sea Level Rise Protection: Climate change planning, improved and increased capacity pump stations & pipes, perimeter levy infrastructure, shoreline improvements

The Financial Picture

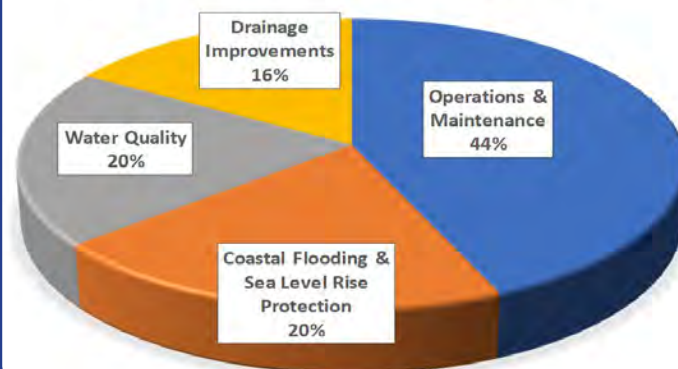
In the early 1990s the City established the Clean Water Program, which encompasses all storm drainage functions. Residents have been paying a Clean Water fee since that time (currently \$56 per year for the average home). But rates have not increased since the early 2000s while costs have increased significantly as we face challenges such as local flooding, deferred maintenance on our lagoons, levees, and outfalls in addition to the looming impacts of climate change. Expenses have outpaced revenues for several years, and reserves are nearly depleted.

The City spends approximately \$4 million annually on the Clean Water Program. Current revenues are only \$2.4 million and the City has identified \$6.2 million in annual needs. In addition, the City faces:

- A \$40 million backlog of critical projects
- Escalating federal water quality standards
- Enhanced operations and maintenance are needed to ensure homes are not flooded and roads remain clear for the movement of people, goods and emergency vehicles

Failure to secure the needed funding will mean cutting back on services such as beach clean-ups, street sweeping, drain inlet and pipe cleaning, and pump station upgrades that keep our neighborhoods dry and our lagoons healthy.

CLEAN WATER PROGRAM ELEMENTS



To respond online, visit www.inputlocal.com or scan the QR CODE and enter the codes found on the front of your survey.

CITY OF ALAMEDA OFFICIAL SURVEY

Water Quality and Flood Protection Initiative

Information Fact Sheet (*continued*)



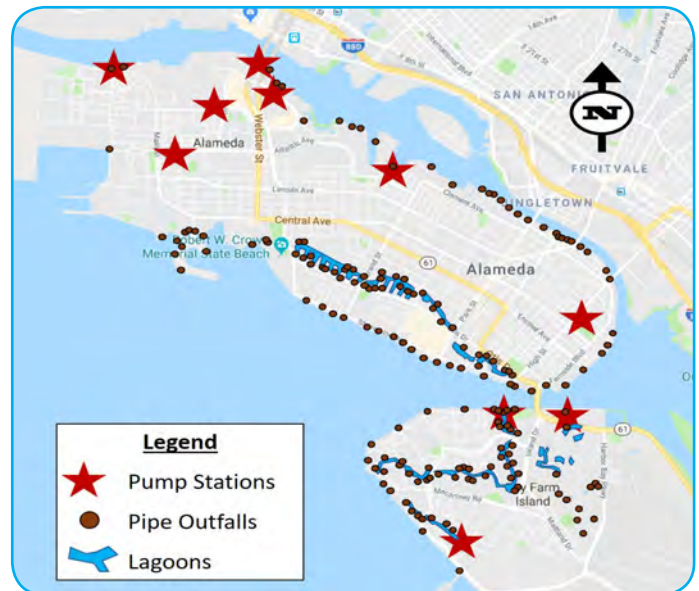
Did You Know?

Climate Change & Sea Level Rise: The City is currently drafting a climate plan to begin addressing these issues, and one of the highest priorities to come out of that plan is to adequately fund stormwater improvements.

Water Pollution: Stormwater runoff is the largest source of pollution to the Bay. Strict Federal & State standards require the City of Alameda to take significant measures to reduce those pollutants. Trash capture (pictured below) is one of those measures.



Pipes & Pumps: The backbone of the City's storm drainage system is the underground pipes (too numerous to show), pump stations to lift water up to the bay, outfalls, and the lagoons that serve an important role for controlling flooding and maintaining water quality. The map below shows the pumps, outfalls, and lagoons spread throughout all the neighborhoods in the City.



Clean Water Program Goals

Sustainable Storm Drains



Storm Response
Street Sweeping

Protecting the Bay



Trash Clean-Up
Reduced Pollution

Protecting Property



Reduced Flooding
Protection from Sea Level Rise

Your confidential survey responses will help shape the City's program priorities for this measure. Please complete and return the enclosed survey in the provided envelope as soon as possible.

Complete the enclosed survey by June 14, 2019

CITY OF ALAMEDA OFFICIAL SURVEY

Water Quality and Flood Protection Initiative



This survey has been mailed to a random sample of residents and business owners in the City of Alameda to gather information and input. This information will help the City make decisions about funding for current and future water quality and flood protection services. Please complete and return this survey as soon as possible. You may take the survey online or mail the completed survey below in the postage-prepaid return envelope provided, so it is received by June 14, 2019.



Survey Instructions:

- 1) Read each question listed below.
- 2) Fill in the circle for your response. Please use a pen and completely fill in the circle.
- 3) Detach the bottom portion of this sheet containing your answers.
- 4) Place the bottom portion of this sheet in the return envelope and mail (no postage needed).

Detach Here

Fill in Lower Portion, Detach at this Line, and Mail Back in Return Envelope

Detach Here

To complete this survey online please do one of the following:

- visit www.inputlocal.com, enter: SURVEY NAME "ALAMEDA2", SURVEY CODE _____, or
- scan the QR CODE on the right with your phone and follow the instructions



ownerid

Residents and business owners within Alameda may be asked to vote on a local ballot measure as follows. Please indicate your level of support.

1. In order to protect our streets and properties from local flooding and ensure clean water for our beaches and the Bay by:
 - Reducing the risk of local flood damage by maintaining, cleaning, repairing, rehabilitating and operating our storm drainage infrastructure such as storm drainage pipes, storm pumps, lagoons, and levees; and
 - Making high priority capital upgrades to our storm drainage infrastructure; and
 - Protecting water quality in the Bay and Estuary using sustainable strategies and green infrastructure; and
 - Establishing an additional dedicated Clean Water fee that reliably funds these actions and investments in our infrastructure;

would you support an annual assessment on each property* in the amount of _____, collected on the property tax bill, in addition to the amount already being charged?

Definitely YES

Probably YES

Probably NO

Definitely NO



*The fee amount shown is the proposed combined annual amount for all properties you own in Alameda.

Now, please read the following statements regarding the proposed Water Quality and Flood Protection ballot measure. For each statement, please indicate whether they make you more or less likely to support the fee:

	Much More Likely	Somewhat More Likely	No Impact	Somewhat Less Likely	Much Less Likely
2. This measure would help protect the City of Alameda from local street and property flooding by properly maintaining and operating its aging storm drainage infrastructure.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. This measure would put the Clean Water Program on solid footing, ensuring proper maintenance.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. This measure would pay for the installation and maintenance of trash capture devices in storm drains which remove trash and pollution before they enter the Bay and Estuary.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. The City plans to address its storm drainage challenges in ways that are environmentally sustainable, including building green infrastructure and low impact development.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. This measure would be a critical first step in combating the effects of climate change such as sea level rise and more frequent and intense storms.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. This measure would fund high-priority capital projects designed to protect against local and coastal flooding and improve water quality.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. This fee would be fully dedicated to clean water and storm drainage, and could not be used for any other reason by the City Council or taken away by County or State government.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. The State and Federal government have established strict water quality standards that, if not met, would subject the City to fines of up to \$10,000 per day (per occurrence).....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. This measure would fund improvements to the City's pumps and pipes.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please use the space below to write any reasons why you support or oppose this proposed measure. Also, please describe which issues are most important to you:

Please write additional comments on the back of the page.

This survey is being conducted by an independent third party on behalf of the City. All information obtained through this process will remain confidential and only shared with the City in aggregate form.

EXHIBIT C
CERTIFICATE OF INSURANCE

EXHIBIT D
W-9

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

► Go to www.irs.gov/FormW9 for instructions and the latest information.

Print or type. See Specific Instructions on page 3.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank. SCI Consulting Group	
	2 Business name/disregarded entity name, if different from above	
	3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes. <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner. <input type="checkbox"/> Other (see instructions) ►	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <small>(Applies to accounts maintained outside the U.S.)</small>
	5 Address (number, street, and apt. or suite no.) See instructions. 4745 Mangels Blvd.	Requester's name and address (optional)
	6 City, state, and ZIP code Fairfield, CA 94534	
	7 List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number								
			-			-		
or								
Employer identification number								
9	4	-	2	9	8	4	5	4

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here	Signature of U.S. person 	Date ► 4/28/2021
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.