



CITY OF SALINAS

STORMWATER FINANCIAL STUDY

- **PLAN REVIEW AND INSPECTION FEES**
- **NEXUS BETWEEN SANITARY SEWER RATES AND STORMWATER PROGRAM FUNDING**
- **STORMWATER UTILITY FEASIBILITY**

OCTOBER 2019

SCIConsultingGroup
4745 MANGELS BOULEVARD
FAIRFIELD, CALIFORNIA 94534
PHONE 707.430.4300
FAX 707.430.4319
WWW.SCI-CG.COM

L A R R Y
W A L K E R



ASSOCIATES

CITY OF SALINAS

CITY COUNCIL

Joe Gunter, Mayor
Scott Davis, District 1
Tony Barrera, District 2
Steve McShane, District 3
Gloria De La Rosa, District 4
Christie Cromeenes, District 5
John “Tony” Villegas, District 6

CITY MANAGER

Ray E. Corpuz, Jr.

PUBLIC WORKS DIRECTOR

David Jacobs, P.E., L.S.

WATER, WASTE & ENERGY DIVISION MANAGER

Brian Frus, P.E.

NPDES PROGRAM MANAGER

Heidi Niggemeyer, CPSWQ

CONSULTANT TEAM

Jerry Bradshaw, P.E., SCI Consulting Group
Karen Ashby, Larry Walker Associates

TABLE OF CONTENTS

INTRODUCTION AND EXECUTIVE SUMMARY	1
OVERVIEW	1
EXECUTIVE SUMMARY	1
STORMWATER FUNDING BACKGROUND	3
LEGAL LANDSCAPE FOR UTILITY FUNDING	4
STORMWATER PLAN REVIEW AND INSPECTION FEES	6
NEXUS BETWEEN SANITARY SEWER RATES AND STORMWATER PROGRAM FUNDING.....	7
REVIEW OF UTILITY FEE STRUCTURES AND PROPOSITION 218 REQUIREMENTS	7
SALINAS SEWER AND STORMWATER NEXUS	7
SENATE BILL 231 POTENTIAL	8
FEASIBILITY OF ESTABLISHING A STORMWATER UTILITY	8
PROCESS OF FORMING A STORMWATER UTILITY	9
OTHER FUNDING OPTIONS	14
COMMUNITY SUPPORT AND ENGAGEMENT	19
RECOMMENDATIONS AND NEXT STEPS	20
APPENDICES	23
APPENDIX A – FEES STUDY	23
APPENDIX B – RECENT STORMWATER BALLOT MEASURES	56
APPENDIX C – REGULATORY COSTS AND REVENUE ANALYSIS	57
APPENDIX D – COMPARABLE STORMWATER RATES	71
APPENDIX E – FUNDING OPTIONS	72

LIST OF TABLES

TABLE 1 – SUMMARY OF PLAN REVIEW AND INSPECTION COSTS.....	7
TABLE 2 – SUMMARY OF STORM SEWER (NPDES) FUND 6500 BUDGET.....	11
TABLE 3 – SUMMARY OF STORMWATER PROGRAM OVERALL COSTS	12
TABLE 4 – ESTIMATED TRUE COST OF FULL NPDES COMPLIANCE	12
TABLE 5 – TOTAL FINANCIAL NEED – FIVE-YEAR PROJECTION.....	13
TABLE 6 – RECENT STORMWATER BALLOT MEASURES	56
TABLE 7 – SAMPLE OF RATES FROM OTHER MUNICIPALITIES.....	71

INTRODUCTION AND EXECUTIVE SUMMARY

OVERVIEW

The City of Salinas ("City") has engaged SCI Consulting Group to study and make recommendations in the three following areas:

1. Stormwater plan review and inspection fees
2. Nexus between sanitary sewer rates and stormwater program funding
3. Feasibility of establishing a stormwater utility

The goal of these three efforts is to provide a sustainable funding mechanism for the City's stormwater program needs, which include but are not limited to compliance with NPDES¹ regulations, pollutant reduction efforts, flood damage prevention, low impact development requirements, stream restoration efforts, installation and/or ongoing maintenance of stormwater control measures, and operation/maintenance of stormwater MS4² infrastructure.

The SCI Team is made up of SCI Consulting Group ("SCI") and the firm of Larry Walker Associates ("LWA").

EXECUTIVE SUMMARY

PLAN REVIEW AND INSPECTION FEES

A review of the Stormwater Program's fees for plan reviews and inspections resulted in recommendations for adjusting some fees, restructuring others, and adding a few more. The analysis estimated the likely amount of resources needed for a typical year and applied hourly cost factors to come up with fee amounts. In the process, the analysis found that the full cost of these services is approximately \$878,000. This also represents a potential revenue of equal amount if the fee recommendations are adopted and applied. The fee structure, costs and revenues are fully scalable to whatever the actual demand is for plan review and inspection activity. In summary, the recommended fees are structured for the activities to provide full cost recovery.

NEXUS WITH SANITARY SEWER RATES

SCI evaluated whether there was sufficient overlap between the stormwater program and the sanitary sewer services and rates to justify realigning some sanitary sewer revenues to fund the Stormwater Program. Although there are two examples of stormwater being

¹ NPDES stands for National Pollutant Discharge Elimination System within the context of the United States Clean Water Act.

² MS4 is an acronym for municipal separate storm sewer system. This term is typically used in connection with the City's NPDES permit issued by the Central Coast Regional Water Quality Control Board.

diverted to the sanitary sewer system, there does not appear to be a financial nexus between Stormwater Program expenses and the sanitary sewer system.

The impacts of Senate Bill 231 on a potential funding initiative for the Stormwater Program have been evaluated. SB 231, which clarifies the definition of sewers and storm sewers (i.e. storm drains), appears to have opened the door to adopting a stormwater fee without having to go to a ballot measure. However, the legal future of SB 231 is uncertain: taxpayer advocates claim that it is unconstitutional under Proposition 218, and the likelihood of any such fee approach being litigated is very high. This is particularly true for the City of Salinas, whose previous case over the ballot requirement ended in 2002 with an appellate decision against the City. It is not recommended that the City move forward along the SB 231 path.

STORMWATER UTILITY FEASIBILITY

A stormwater utility can be viewed as a fully self-contained utility like most municipal water and sewer utilities, where all the services and programs are funded primarily with a user fee mechanism. In municipal financial parlance, it is also called an enterprise fund. The essential element is a sustainable revenue stream – usually a user fee – dedicated to those services.

The City of Salinas, like most municipalities in the State, fund their Stormwater Program activities from the General Fund. As stormwater programs have matured under the NPDES non-point source regulations of the past 30 years, funding needs have similarly grown. However, the legal landscape in California is dominated by Proposition 218, which requires fees for stormwater service be submitted to voters in a ballot measure. The ballot requirement has caused most municipalities to forgo this important dedicated and sustainable funding source. The most typical and appropriate funding mechanism is a property-related fee, identical to what is charged for water and sewer services – except with the added ballot requirement.

The path to establishing a stormwater utility has many steps. The final and necessary steps for establishing a stormwater fee is 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 define the services to be paid for, perform a rigorous needs analysis, and, finally, conduct 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 \$8.5 million per year. A typical rate structure would require an annual fee of approximately \$170 for the average home to fund such a program – a rate that is higher than most communities in the State.

Based on that, the SCI team makes the following recommendations:

- Update the City's 2004 Storm Drain Master Plan
- Conduct a thorough community engagement program, possibly involving the community in the Plan update and needs analysis
- Consider utilizing a community-based public/private partnership ("CBP3"), either in the early stages of planning or after a fee is approved.
- Conduct one or two community surveys to help determine the community's values, priorities, and, ultimately, their willingness to pay.
- Prepare a rigorous rate study
- Submit to a Proposition 218 ballot proceeding

This process will take at least a year and a half but will likely run out two to three years. Because of the anticipated high level of financial need with its resulting rate levels, it is doubtful that the full cost of the Stormwater Program can be funded from a stormwater fee – at least initially. However, there are other potential funding sources to supplement a basic fee.

In summary, this is a large planning, engineering, financial, implementation and community involvement process. 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.

STORMWATER FUNDING STRUCTURE

The City historically has funded its Stormwater Program through the General Fund. In 1999 the City adopted a stormwater fee, but that was challenged in the courts and, in 2002, was struck down as being in violation of Proposition 218. Since that time, the City has continued to fund the Program from the General Fund.

The City's annual budget structure includes three divisions within Fund 6500 totaling approximately \$3 million annually. This accounts for stormwater management, NPDES compliance and the primary operations and maintenance costs. In addition to that primary budget, this Study identifies approximately \$2 million of additional annual staff support scattered throughout other various divisions. This, too, is funded by the General Fund.

As part of this Study, the SCI team documented additional needs required to keep the Stormwater Program in compliance with the NPDES permit and bring operational and capital programs to desired levels. The estimated costs of these additional needs range between \$3 and \$4 million per year. Over the next five years, this equates to a true annual cost to manage and operate the City's Stormwater Program of nearly \$9 million.

LEGAL LANDSCAPE FOR UTILITY FUNDING

Two recent changes to the California Constitution are the guiding principles for funding municipal utilities discussed in this Study: Proposition 218 (1996) and Proposition 26 (2010). In addition, Senate Bill 231 (Hertzberg, 2017) has modified the Government Code in important ways.

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; 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.

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.

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. 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.” The other pertinent exception is, “assessments and property-related fees imposed in accordance with the provisions of Article XIID.”

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.”

Proposition 26 provides the primary guidance for the City’s plan review and inspection fees.

SENATE BILL 231

Senate Bill 231 was signed by then-Governor Brown in 2017. This bill modifies the Proposition 218 Omnibus Bill (Government Code § 53750 and 53751) by adding, among other things, a definition for “sewer” that includes *“surface storm waters.”* By doing this, the legislature clarified the ambiguity referenced by the Sixth Appellate District in the *Salinas* case. The end result appears to be that stormwater fees, like sewer fees, are no longer required to be submitted for a ballot proceeding.

However, there remains some uncertainty about whether the courts will uphold SB 231 or strike it down as contradicting the *Salinas* decision. The Howard Jarvis Taxpayers Association (authors and proponents of Proposition 218 and plaintiffs in the *Salinas* case) considers the new law to be unconstitutional and has promised to sue any agencies that approve stormwater fees without voter approval. Any municipality considering taking advantage of the SB 231 changes should be prepared to become a test case.

STORMWATER PLAN REVIEW AND INSPECTION FEES

The goal of this effort was to establish a cost-justified fee for commercial/industrial facility inspections, development plan review, construction plan review, construction site inspections, and structural BMP³ assessments that are required by the City's NPDES permit. The purpose was to identify the full operational cost required to perform these NPDES-required activities and facilitate the full cost recovery for those services through revised fees while complying with the provisions of the City's NPDES Permit. The recommended fees must also be supported by the community and comply with Proposition 26 as well as all other State and local regulations.

Team member LWA performed this task and presented its findings in a technical memorandum dated October 17, 2019, which is contained in Appendix A. Their method of analysis was to 1) determine the various processes in accordance with the NPDES Permit and City practices to establish specific services, 2) determine the time increments, staffing levels and hourly rates for each service, and 3) estimate the number of services provided per year as a basis for establishing the reasonable costs for each. A summary of the existing and proposed fees is presented in Table 3-7 of Appendix A. A comparison to other municipalities is also presented in Section 4 of Appendix A.

In addition to the four existing fees service activities (commercial/industrial, parcel-scale development, construction plan review, and construction inspections), it is recommended that the City add a new fee for structural BMP assessments and inspections.

In summary, the combined hours (9,888) and costs (\$818,012) equate to approximately six full-time equivalent City staff at an average hourly cost of \$83. In addition, \$60,000 in consultant costs bring the full annual costs to \$878,012 as shown below in Table 1. Based on a full-recovery model, this also represents a potential revenue to the City. It should be noted, however, that the resultant inspection fees are scalable to whatever level of activity occurs, and actual annual costs and revenues will fluctuate accordingly.

³ BMP is an acronym for best management practice as defined in the NPDES Permit.

TABLE 1 – SUMMARY OF PLAN REVIEW AND INSPECTION COSTS

Service Area	Staff Hours	Staff Costs	Outside Costs
Commercial/Industrial	4,346	\$ 329,674	
Parcel-Scale Development Review	3,381	\$ 301,770	
Construction Review	924	\$ 79,891	\$ 60,000
Construction Inspection	904	\$ 78,901	
Structural BMPs	333	\$ 27,776	
TOTAL	9,888	\$ 818,012	\$ 60,000

NEXUS BETWEEN SANITARY SEWER RATES AND STORMWATER PROGRAM FUNDING

REVIEW OF UTILITY FEE STRUCTURES AND PROPOSITION 218 REQUIREMENTS

The legal requirements for establishing and increasing municipal utility fees are dictated 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 former three types of fees are not required to be approved through a ballot measure, while the latter is required to do so. This is a clear distinction, but the reality of how these services are defined and delivered can blur the line drawn in Proposition 218. Subsequent court rulings and legislation has demonstrated that if certain stormwater activities benefit one or more of those other utilities, the associated fees are not subject to a ballot measure. An example, which was litigated, is the use of surface water runoff that is captured and diverted to injection water wells to help form a groundwater barrier against saltwater intrusion into the drinking water aquifer. The court deemed that stormwater activity served a legitimate purpose for a water utility, and thus the fees charged to pay for that activity was not required to be approved through a ballot measure. Similar examples exist for sewer and refuse collection as well.

SALINAS SEWER AND STORMWATER NEXUS

SCI was tasked with determining whether improvements that are planned or currently exist diverting stormwater into the sewer system form a basis for utilizing sewer revenues for certain related stormwater costs. Two diversion structures are being constructed that will divert stormwater flows to the sewer main lines that deliver sewage to the Monterey One Water ("M1W") treatment plant, which lies approximately 5 miles west of Salinas. M1W in cooperation with the City of Salinas and other entities is developing multiple programs that capture and reuse surface waters, some of these involving local water purveyors. It is this inter-utility usage that forms the basis for this task.

According to Salinas stormwater staff, the planning, design and construction of these diversion systems was partially paid for by the City as a match for outside grant funds. Although the diverted stormwater is carried by the sewer main lines, it does not benefit the sewer treatment process. The benefit of that additional flow is accrued to the M1W water supply infrastructure as a raw source for additional recycled water supply, which, in turn, provides relief for the region's water supply demand for downstream potable water providers.

The conclusion is that the M1W sewer treatment system does not benefit from these diversion structures; those benefits are passed through to the region's potable water supply. While there may be some logical nexus between water rates and the City's stormwater costs, there are no financial ties between the City and the region's water rate revenues. Thus, there is no practical way to pay for the current or future stormwater diversion costs through other user fees.

Proposition 218 provides clear direction that rates for property-related fees must be based on actual costs. Until the Salinas Stormwater Program incurs actual costs in connection with these facilities or their operations or maintenance, there is no substantial basis for shifting sewer revenues to the Stormwater Program.

SENATE BILL 231 POTENTIAL

As noted above, SB 231 changed the Government Code by providing a definition for sewer that includes surface storm waters. In doing so, it opens the door to classify fees for the Stormwater Program as a type of sewer fee and would therefore be exempt from the ballot requirement. Based on that, the City of Salinas could move forward (as they did in 1999) to establish a stormwater fee without a ballot measure.

However, SCI recommends great caution in this area. As also noted above, any municipality that proceeds down that path can expect to 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 that would prevail in the courts. At this point in time, the primary strategy is to carefully choose a set of services on which to base a fee that would be more in line with the principle state above – namely services that more closely support water, sewer or refuse collection than a full set of stormwater-only services.

Based on this recommended strategy, SCI has been advising municipalities to not use the SB 231 path, but rather move forward with a ballot measure. This is the recommendation for Salinas as well.

FEASIBILITY OF ESTABLISHING A STORMWATER UTILITY

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 boundary 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 of the user fees are used strictly for the defined services.

Proposition 218 provides additional clarity for such utility fees in Article XIID, Section 6 – property-related fees. This requires any property-related fee be used only for the stated purpose, costs are apportioned in a fair and reasonable manner, and the municipality cannot collect more revenues than is required to provide the service. This Section also requires that new or increased property-related fees must be approved by a 50% majority of property owners. This requirement has proven to be a significant hurdle throughout the State, where less than 30 property-related fees have been submitted to voters since the 2002 *Salinas* decision, and where approximately one-third of those attempts have failed at the ballot box. These examples are listed in Appendix B 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, and discuss the importance of community involvement.

PROCESS OF FORMING A STORMWATER UTILITY

There are three primary steps in forming a new stormwater utility⁴: Understanding your needs, preparing a rigorous rate study, and implementing a revenue mechanism. There are two parallel tracks to follow as well:

1. The procedural steps, which would include engineering and financial needs analyses, community opinion survey, fee study, and ballot measure implementation.
2. Community engagement is equally important because most revenue mechanisms require voter approval.

These two tracks are illustrated in the graphic below⁵ with the procedural steps in green (left) and the community engagement in blue (right).

⁴ 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>.

⁵ 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 a 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 future needs for all the requirements of the City's NPDES Permit with projections of future provisions.
- Organizational Review: This affords an opportunity to review how the City's stormwater program is structured within the organizational chart and within the budget 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 early in the process the priorities of the community. 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 Salinas 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. The NPDES Permit

requirements have escalated significantly in the past 15 years. It is recommended that an updated master plan or asset management plan be prepared.

Only when the infrastructure and financial needs have been ascertained can the City make informed decisions about which direction to proceed. In addition, most communities will need to have confidence that the municipality has done their “homework” and thoroughly understands their needs and has evaluated its options. This Study provides a roadmap of how the City may navigate all the necessary steps toward establishing a stormwater utility. It also includes recommendations for specific measures to help it become prepared.

FINANCIAL ANALYSIS

One important update was conducted as part of this Study: Project team member LWA evaluated the City’s status and needs for operations, maintenance and NPDES compliance. The purpose of this evaluation was to develop a planning-level cost estimate for the full costs of implementing the stormwater program that 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 revenues, prior year expenditures, and current year and future implementation costs of the stormwater program. Based on that evaluation, LWA projected all associated costs out to the year 2024. This forms a solid foundation for the financial needs of the Stormwater Program, and is summarized in a technical memorandum dated October 17, 2019, which is attached as Appendix C of this Study.

The City’s budget structure was the starting point for this analysis. The Stormwater Program accounting is shown in Fund 6500 (Storm Sewer (NPDES)) and is further divided up into three budget divisions: NPDES Storm Water (5126), NPDES Storm Drain Sewer (5443), and NPDES Street Sweeping (5444). The budgeted expenditures for those Divisions in Fiscal Year 2019-20 are shown in the table below. In the past these costs have been funded by the City’s General Fund through an interfund transfer. The City has no other current dedicated revenue source for the Stormwater Program.

TABLE 2 – SUMMARY OF STORM SEWER (NPDES) FUND 6500 BUDGET

<i>Shown in thousands</i>	
Element	Fund 6500
NPDES	\$ 1,172
Storm Drain	609
Street Sweeping	1,265
Total O & M Costs	\$ 3,046

In addition to the core services performed by the NPDES Divisions, there are many types of support services provided by other departments and divisions that also contribute to delivering stormwater services through the Program that are not reflected in the budget document. These are accounted for each year in the NPDES Permit Annual Report in

accordance with Provision R, Fiscal Analysis. These reports are done retroactively for the preceding fiscal year, so the most recent figures are from Fiscal Year 2018-19. These are summarized in the table below (escalated for Fiscal Year 2019-20). This table includes the Fund 6500 budgeted figures as well.

TABLE 3 – SUMMARY OF STORMWATER PROGRAM OVERALL COSTS

<i>Shown in thousands</i>			
Element	Fund 6500	Other Funds	Total Program Costs
NPDES	\$ 1,172	\$ 1,639	\$ 2,811
Storm Drain	609	454	1,063
Street Sweeping	1,265	-	1,265
Total O & M Costs	\$ 3,046	\$ 2,093	\$ 5,139

LWA then worked with City staff to evaluate additional needs within the Stormwater Program. In order to understand the funding needs for the Stormwater Program, the “true” costs for full implementation of the Permit requirements must be compiled. However, tracking and compiling staff time and resources across multiple departments can be a complex and time-consuming process. To identify the implementation costs for the City as comprehensively and efficiently as possible, interviews were conducted with key City staff that included structured questions and discussions regarding the agency’s staffing, implementation approach(es) for the range of permit requirements, current stormwater program revenues, and the estimated costs for program implementation. The results of this evaluation and cost estimates are included in Appendix C and are summarized in the table below.

TABLE 4 – ESTIMATED TRUE COST OF FULL NPDES COMPLIANCE

<i>Shown in thousands</i>				
Element	Fund 6500	Other Funds	Additional Needs	Estimated True O&M Costs
NPDES	\$ 1,172	\$ 1,639	\$ 2,196	\$ 5,007
Storm Drain	\$ 609	\$ 454	735	1,798
Street Sweeping	\$ 1,265	\$ -	137	1,402
Total O & M Costs	\$ 3,046	\$ 2,093	\$ 3,068	\$ 8,207

Capital improvements is another cost element that should be considered in financial planning. The current Capital Improvement Program (“CIP”) includes four projects estimated to cost \$3,079,000 over the next few years. Based on these CIP costs and the true O&M costs shown above, LWA projected the total financial need for the Stormwater Program out to the year 2024. These are summarized in the following table.

TABLE 5 – TOTAL FINANCIAL NEED – FIVE-YEAR PROJECTION

Category / Project	Shown in thousands				
	19-20	20-21	21-22	22-23	23-24
Fund 6500 Budget	\$ 3,046	\$ 3,137	\$ 3,231	\$ 3,328	\$ 3,428
Support from Other Divisions	2,093	2,156	2,221	2,288	2,356
Additional Needs	3,069	3,234	2,708	2,789	2,873
Capital Improvement Program	890	1,049	520	520	100
	<u>\$ 9,098</u>	<u>\$ 9,576</u>	<u>\$ 8,680</u>	<u>\$ 8,925</u>	<u>\$ 8,757</u>

RATE ESTIMATE – PROPERTY-RELATED FEE

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 order to comply with Proposition 218. For this Study, these two elements were evaluated.

The financial needs expressed in the tables above must be converted to an annual revenue requirement. That calculation would need to 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 determine an annual amount and build projects as funds are accumulated to pay for them. Debt financing provides funds up front to build the projects, where the debt is then paid off over time. In that case, the debt service on the bonds 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.

For the basis of the preliminary estimate of rate ranges, it has been assumed that the rates would be property-related fees as defined in Proposition 218. Variations on those estimates will be addressed in later sections of this Study as other funding options are presented.

Stormwater utility rates are typically, and appropriately, based on impervious surface on each parcel of land, although the approach and unique features can vary among municipalities and rate study professionals. The basic metric for user rates such as these is typically the average single-family home, named here as the single-family equivalent⁶ (SFE). Other types of land uses are estimated based on a multiplier of the basic 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.

⁶ Other names for this metric are the equivalent residential unit (ERU) or drainage measurement unit (DMU).

SCI has conducted a preliminary survey of parcels in Salinas and estimate the following:

- 30,228 parcels within the City
- ~ 29,500 eligible to be charged a fee⁷
- ~ 50,000 SFEs

Assuming an annual revenue requirement of \$8.5 million⁸, the annual SFE rate is expressed as,

$$\begin{aligned}
 \text{SFE Rate} &= \frac{\text{Annual Revenue Req't}}{\text{Total SFEs}} \\
 &= \frac{\sim \$8,500,000}{\sim 50,000} \\
 &= \text{\textbf{\$170.00 per SFE (+/- 15\%)}}
 \end{aligned}$$

This is a planning level estimate that could vary by 10% to 20%. It is worth noting that \$170 per year (or \$14 per month) is relatively high for municipalities in California. Appendix D contains a list of adopted stormwater rates for various cities in the State.

Strategies for lowering the fee level to below \$100 should be studied. These could include continuing the General Fund transfer to some extent, excluding from the rates the costs for support from other Divisions (\$2.1 million), excluding CIP costs, or phasing in the rates over a period of time. Other strategies might include paying, in part or fully, for trash capture and street sweeping activities from the solid waste fund. Evaluating these and other strategies will be discussed in the next Section.

OTHER 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. The matrix below helps to visualize these two axes and illustrates a few examples of each.

⁷ Some parcels may not be charged a fee based on the land use or conditions of the soil.

⁸ Based on a five-year accumulative total escalating at 3% per year.

	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 descriptions of the various funding sources is contained in Appendix E, which is drawn from a white paper⁹ commissioned in 2017 by CASQA and is available on its website. (Appendix E is the white paper's Appendix A.) This contains detailed discussions on the following types of funding:

- Ballot Approaches
 - Special Taxes
 - Property-Related Fees
 - Benefit Assessments
- Non-Balloted Approaches
 - Realignment of Stormwater Services
 - Regulatory Fees
 - Infrastructure Financing Districts
- Development-Driven Approaches
 - Impact Fees
 - Community Facilities Districts
- Legislative Approaches
- Other Approaches - Grants
- Other Issues Affecting All Approaches

This Study will highlight a few high-potential funding sources that could augment or compliment any property-related fee that is adopted. For other funding sources, the reader is referred to Appendix E or the CASQA Funding Resources website.¹⁰ The reader is also directed to a handy stormwater matrix found on the CASQA website.¹¹

⁹ Stormwater Funding Barriers and Opportunities, 2017, https://www.casqa.org/sites/default/files/downloads/casqa_wp1_sw_funding_barriers_opportunities_-_2017-06-30.pdf

¹⁰ <https://www.casqa.org/resources/funding-resources>

¹¹ https://www.casqa.org/sites/default/files/downloads/funding_matrix.pdf

PROPERTY-RELATED FEE VERSUS SPECIAL TAX

Both a property-related fee and a special tax (parcel tax) are powerful mechanisms to fund a stormwater program. Of the 31 ballot measures put forward since 2002, 24 have been property-related fees, five have been special taxes, and the other two have been general obligation (“GO”) bonds. The table below compares the two primary mechanisms and some of their features. GO Bonds are not shown here as they have limited applicability primarily due to the fact that they can only fund capital projects – not the ongoing operations and maintenance of a typical stormwater program.

	Property-Related Fee	Special Tax
Who Pays	Property Owners	Property Owners
Who Votes	Property Owners	Registered Voters
Vote Threshold	50%	66.7%
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

The obvious advantage the property-related fees over a special tax is the voter threshold needed to pass: 50% versus two-thirds. While a parcel tax doesn’t have to contend the votes of commercial owners, landlords, and non-profits (who tend more toward a NO vote) in exchange for including tenants (who are more generous with their vote), it rarely is enough to even the scales.

There is often a relationship between rate levels and support levels, too. In other words, a lower rate will often garner higher support. One way to craft a successful special tax measure is to lower the proposed rates to increase support to the two-thirds level. However, such a move will generate less revenue, which is amplified by the number of exemptions that are inherent in a special tax. One recent survey for a city in Alameda County found cutting the rates in half was still insufficient to garner the needed support. In addition, revenues lost to exemptions for tax-exempt properties (schools, municipalities, churches, non-profits) and potential senior and low-income discounts or exemptions would have further reduced the overall revenues realized from the ballot measure.

Nevertheless, a special tax should not be discounted out of hand. A scientific survey of the community can easily measure both universes of voters and measure which has the best chance of success for various rate levels, program elements and revenue potential.

REALIGNMENT OF SERVICES

Proposition 218 and the Salinas court drew a bright line between stormwater and the other property-related services of water, sewer and refuse collection as far as which type of fees require a ballot measure. However, the reality of how those services are delivered does not reveal a bright line. Realignment examples can be found for each non-balloted service:

- Water: Stormwater can be captured and diverted to supplement a surface or groundwater supply.
- Sewer: In some cases, a sewer treatment facility can benefit from dry-weather flows captured and diverted from a storm drainage system.
- Refuse Collection:
 - Most NPDES permits require the municipality to capture urban trash that would otherwise flow into the storm drain system and receiving waters. This is a refuse collection activity.
 - Street sweeping is another municipal activity that is a refuse collection activity.

Realignment is the term used for paying for these stormwater activities with funds collected through those non-stormwater fee structures. Since each of these funds must comply with Proposition 218, realignment must be done with care and supported with a rigorous analysis and a clear administrative record. Further, doing this among internal enterprise funds would require coordination with other divisions, the Finance Department, the City Manager, and ultimately the City Council through the budget approval process. However, doing this with outside agencies is much more difficult and would likely require an interagency agreement ratified by both governing bodies. SCl is not aware of any such interagency agreements for stormwater realignment.

An earlier section of this Study found that there was not sufficient basis for shifting revenues from the sewer fund to stormwater. In addition, the City's water service is provided by two outside agencies, and no stormwater projects are planned that benefit either of those two water agencies.

The one area where there may be opportunities for realignment is with the City's solid waste services. The two stormwater services eligible for realignment account for approximately 33% of the total \$9 million cost of the program, which is significant. It should be noted, however, that paying for these services from the trash franchise fee revenue is simply a shift of costs from one fee structure to another, both of which are paid by the same property owners. In addition, while the solid waste rates are not subject to a ballot measure, they are subject to City Council approval and, ultimately, a majority protest from property owners.

In summary, the legal avenues are available for such a realignment, but the political realities are more daunting. It is recommended that such an action should be considered, but care must be taken to reflect the priorities of the community.

REGULATORY FEES

Certain stormwater activities are eligible for revenue from regulatory fees pursuant to Proposition 26. These include plan checking, site inspections, and associated administrative and enforcement activities. The first section of this Study along with Appendix A make recommendations for revisions to the City's stormwater-related fees with the goal of putting these activities on a full cost-recovery basis. If these activities occur at levels projected in Appendix A, the Stormwater Program would receive approximately \$878,000 annually in revenues to offset the related expenses. This is a significant increase over the current budgeted revenue of \$100,000. However, it should be noted that increased revenues are simply the result of increased services being delivered, which, in turn, will bring increased (and offsetting) costs.

COMMUNITY-BASED PUBLIC PRIVATE PARTNERSHIP (CBP3)

Public/Private Partnerships ("P3") have been in use for many decades in the water and wastewater fields as a way of delivering and financing a wide range of projects and programs. As stormwater programs have matured to a stature similar to those of water and wastewater programs, the P3 model has become a valuable tool to consider in stormwater program financing.

By partnering with a private entity, public projects and programs can gain access to resources and capital and offer better economies of scale. They can include financing that is private, public, or a combination. The framework often includes design-build (DB), design-build-operate-maintain (DBOM), design-build-finance-operate-maintain (DBFOM), and pay-for-performance models.

Community-based P3s ("CBP3s") add a unique feature of having a "commitment to social goals through setting robust requirements for local jobs and providing a platform for economic growth and revitalization associated with large-scale green infrastructure investments. Additionally, in this framework (based upon the military housing private investment model), the community benefits through the structure of the CBP3 to reinvest savings through efficiencies in implementation back into more 'greened' acres rather than simply taking the savings as profits realized. Interest in CBP3s has been growing across the country, as there is recognition of the universal applicability of this approach."¹²

The community-based approach is particularly valuable in California where most stormwater funding initiatives must be approved through a ballot measure. A CBP3 furthers both community engagement early in the process and helps deliver multi-benefit projects and programs upon which the community may place more value.

¹² California Stormwater Quality Association. "The Community-Based Public-Private Partnership Approach: A Revolution In Funding And Financing Green Infrastructure." <https://www.casqa.org/asca/community-based-public-private-partnership-approach-revolution-funding-and-financing-green>.

It should be noted, however, that any P3 model requires an underlying revenue stream to provide debt service and a potential return on investment for the private sector partner. As such, a P3 cannot stand alone; it works best when it is built upon a dedicated, sustainable revenue stream such as a property-related fee or special tax that runs for at least as long as any debt instrument reliant on the revenue. But, as suggested above, a CBP3 approach with thorough planning and outcome-based solutions would be helpful in gaining public support for an integrated funding initiative.

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 is critical 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.¹³ 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 ignorant to 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 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

¹³

<https://www.casqa.org/resources/funding-resources/creating-stormwater-utility/community-engagement>

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 functional value, and had some interaction with the City prior to the “bad news” portion of community engagement.

RECOMMENDATIONS AND NEXT STEPS

STRATEGIES FOR RIGHT-SIZING THE RATES

As noted above, stormwater rates sufficient to fund the full cost of the program would run in the \$170 per year range for the typical home – higher than most other municipalities in the State and difficult to obtain voter approval. In order to propose a lower rate, different strategies could be employed. Three are presented below.

For simplification, assume four cost centers:

- \$3 million: Core (Current Fund 6500)
- \$2 million: Support (other General Fund departments)
- \$3 million: Additional (additional needs)
- \$1 million: CIP

Three rate scenarios are presented below.

1. \$115 per year:
 - a. Fund only Core and Additional
 - b. Leave Support and CIP in General Fund
2. \$106 per year:
 - a. Fund Core, ½ Support and ½ Additional
 - b. Leave ½ Support and CIP in General Fund
 - c. Defer ½ Additional to later years
3. \$103 per year:
 - a. Fund Core, ½ Additional and CIP
 - b. Leave Support in General Fund
 - c. Defer ½ Additional to later years

These are offered as examples, but many more permutations can be considered and refined as the planning and implementation process advances.

This Study projects a potential increase in revenues from plan review and inspection fees. However, that potential increase over current budget numbers has not been leveraged to lower the estimated rates in the calculations above. The reason is that these recommended fees are meant to fully recover costs for providing those services. If the levels of service rise to the full \$878,000, there will presumably be a corresponding (and offsetting) cost associated with providing those services. It is possible that a more precise analysis will show some benefit over current budget numbers, but those are likely modest by comparison, and are not used here in an effort to be conservative in these estimates.

REALIGNMENT

In addition to these scenarios, the City might consider realigning some of the Solid Waste revenue to the Stormwater Program to pay for all or part of the street sweeping and trash load reduction with full projected costs of \$1.4 and \$1.1 million, respectively. However, fully funding these two elements through the trash franchise fee revenues would be difficult as the total (\$2.5 million) would account for a 10% increase in rates. A more practical solution would be a modest increase to partially fund these refuse collection activities, with possible increases in coming years.

MASTER PLAN UPDATE AND POTENTIAL CBP3 INTEGRATION

The City's Storm Drain Master Plan has not been updated since 2004. It is recommended that this Plan be updated with focus points on hydraulic capacity, pipe and facility condition, known trouble spots, future development demands and NPDES compliance needs. The update should also incorporate the needs identified in this Study expanding on elements such as trash load reduction and green infrastructure expansion – both of which will likely become major cost factors. Each of these elements, properly integrated into the hydraulic analysis, may help reduce the gray infrastructure needs in favor of expanded use of green infrastructure.

A Plan update would also be an opportunity to integrate the concept of CBP3s. Such a broad-view approach may include a triple bottom line method of evaluating projects¹⁴ and programs while simultaneously creating opportunities for community involvement throughout the process. This would further the goal of branding the Stormwater Program and increasing knowledge and understanding of the Program within the community.

Another consideration could be to reverse the master plan update and CBP3 processes by incorporating the master plan update into a CBP3 agreement. The private entity could

¹⁴ Triple bottom line refers to evaluation not just the financial bottom line, but also the impacts to the social and environmental costs of a project or program. CASQA published a white paper on the topic in 2017, which can be found on their website:

incorporate stormwater planning and analysis into the overall development process. There may be some fixed-fee elements up front since a revenue stream would not yet be secured.

TIMELINE

A detailed timeline cannot be formulated at this early stage. However, the City may want to allow for at least one full year (and possibly two) for a master plan update complete with community involvement. From a solid foundation of a master plan update, possible CBP3 integration and ongoing community dialog, a fee study and Proposition 218 fee process would follow relatively efficiently in a six- to eight-month timeframe.

APPENDICES

APPENDIX A – FEES STUDY

On the following pages is a technical memorandum from Larry Walker Associates dated October 17, 2019 reviewing and making recommendations for revised or new plan review or inspection fees.



Memorandum

DATE: October 17, 2019

TO: Heidi Niggemeyer, NPDES Program
Manager, City of Salinas

SUBJECT: City of Salinas Stormwater Program -
Fees Study

Cc: Jerry Bradshaw, SCI Consulting Group
John Bliss, SCI Consulting Group
Karen Ashby, Larry Walker Associates

Rachel Warren
Airy Krich-Brinton

1480 Drew Ave., Suite 100
Davis, CA 95618
530.753.6400
RachelW@lwa.com
AiryK@lwa.com

1. INTRODUCTION

The Central Coast Regional Water Quality Control Board (Regional Water Board) issued a municipal stormwater Phase I NPDES Permit¹ (NPDES Permit) to the City of Salinas (City) in May 2012 that contained provisions with which the City must comply. Some of the NPDES provisions require the City to review, inspect, and/or assess plans or properties that are regulated pursuant to the permit. The goal of this Fee Study is to establish a reliable, robust, and defensible stormwater fee structure that provides full cost recovery to the City for services provided while complying with the NPDES Permit provisions, is ultimately supported by the community, is Proposition 26 justifiable, and adheres to all State and local regulations.

To develop specific, proposed fees that provide full cost recovery, the following was completed:

- The administrative process for each fee was established, based upon specific requirements of the NPDES Permit, as well as standard City processes. Then, the process for each fee was divided into specific tasks (services).
- For each service, the associated time increment necessary to conduct it, along with the staff position(s) performing it and the associated loaded hourly rate(s) was used to determine the total cost.
- Finally, the number of services provided each year was estimated and used to determine the fee per service necessary to ensure full cost recovery.

¹ NPDES Permit No. CA0049981, Order No. R3-2019-0073. Available at:
https://www.waterboards.ca.gov/centralcoast/water_issues/programs/stormwater/salinas.html

This Fee Study memorandum is structured as follows:

1. Introduction
2. Fee Structure Design
3. Cost of Services Analysis and Fee Development
 - 3.1 Approach
 - 3.2 Commercial and Industrial Facility Inspections
 - 3.3 Parcel-Scale Development Plan Review
 - 3.4 Construction Site Management - Plan Review
 - 3.5 Construction Site Management - Inventory/Inspections
 - 3.6 Post Construction Structural BMP Assessment
 - 3.7 Summary of Proposed Fees
4. Regional/State Fee Comparison
 - 4.1 Commercial/Industrial Inspection Fee Comparison
 - 4.2 Parcel-Scale Development Plan Review Fee Comparison
 - 4.3 Construction Plan Review and Inspection Fee Comparison
 - 4.4 Post Construction Structural BMP Assessment Fee Comparison

2. FEE STRUCTURE DESIGN

The City currently charges cost recovery fees to perform stormwater-related reviews, inspections, and/or assessments for the following types of activities:

- Commercial/ Industrial Inspections, Enforcement (NPDES Permit Provision F);
- Parcel-Scale Development Plan Review (NPDES Permit Provision J); and
- Construction Plan Review, Inspections, Enforcement (NPDES Permit Provision K).

In addition, due to newer NPDES Permit requirements, the City also needs to develop a cost recovery fee for Post Construction Structural BMP Assessments (NPDES Permit Provision K).

A summary of the City's 2018 adopted fee structure and the proposed, revised fee structure is provided in **Table 2-1**. The proposed fee structure is based on an analysis of the actual time that it takes to complete the required reviews and inspections; it also reduces the number of different fees and fee scenarios, resulting in a streamlined process. In order to provide a holistic perspective, enforcement/citation information was included in **Table 2-1** and **Table 3-7** (the summary of proposed fees); however, enforcement fees were not a part of the fee analysis.

Table 2-1. 2018 City Adopted Fees and Proposed Fee Schedule Structure

Service	Schedule of Fees and Charges for City Services (Effective 7/1/18) ²				Proposed Fee Structure				
	Fee Description	Tier	Fee	Notes	Fee Description	Tier	Inspection or Review Fee	Re-inspection Fee	
Commercial/ Industrial Inspections, Enforcement	Commercial/Industrial Planning Inspection	0-4999 s.f.	\$267.75	Per inspection	Commercial/ Industrial Inspections	0-4,999 s.f.	✓	✓	
		>5000 s.f.	\$330.50			5,000-15,000 s.f.	✓	✓	
						>15,000 s.f.	✓	✓	
	Commercial/ Industrial Enforcement		\$1000	Per day per event	Commercial/ Industrial	Per day per event	✓	✓	
Parcel-Scale Development Plan Review	Review Single Family Home Lot for Permit (PSWCP)		\$1,303.25		Parcel-Scale Development Plan Review: SWDS	Single parcel	✓		
	Review Commercial Site Project for Permit (PSWCP)		\$3,564			Subdivision >2000 s.f.	✓		
	Final Review Commercial Site Project for Permit (FSWCP/MD)		\$4,210.25		Parcel-Scale Development Plan Review: SWCP (priority & non-priority)	Single parcel	✓		
	Review Project Permit		\$91.25			Subdivision >2000 s.f.	✓		
Construction Plan Review, Inspections, Enforcement	NPDES SWPPP or ES&C Plan Review		\$137.25	Per hour	Construction Site Management - Plan Review (priority & non-priority)	<1 acre	✓		
						>1 acre	✓		
	Construction Inspections	Wet weather (10/1-4/30)	\$213.50	Per month	Construction Site Management – Construction Inspection	<1 acre	✓	✓	
		Dry weather				>1 acre	✓	✓	
		Follow-up	\$96.75	Per hour	Construction Site Management – Post-Construction (final) Inspection	<1 acre	✓		
	Post-Construction Final Install Inspections		\$116.75	Per site		>1 acre	✓		
	Citations: NPDES construction enforcement	1 st violation	\$1,000		Construction Site Management – Enforcement	1 st violation	✓	✓	
		2 nd violation	\$5,000			2 nd violation	✓	✓	
		3 rd violation	\$10,000			3 rd violation	✓	✓	
Post Construction Structural BMP Assessment					PCBMP Post-Construction Inspection		✓		
					PCBMP Post-Construction Enforcement	1 st violation	✓	✓	
						2 nd violation	✓	✓	
						3 rd violation	✓	✓	

² https://www.cityofsalinas.org/sites/default/files/departments_files/finance_department_files/fy_18-19_city-wide_fee_schedule_web_posting.pdf

3. COST OF SERVICES ANALYSIS AND FEE DEVELOPMENT

3.1 Approach

In order to determine what the true cost recovery needs are for each type of service provided (as stated above), the administrative process for each fee was established, the fee was divided into specific tasks (services), the associated time increment necessary to conduct each task/service was determined, and the number of services provided each year was estimated.

Since all of the costs are labor-dependent, they were calculated using the fully loaded annual salaries³ (fully loaded rates) and number of hours required to complete the task/service. The hours include those spent on the direct performance of the service (e.g., reviewing plans, conducting inspections, etc.) as well as the associated administrative and data management tasks (e.g., development and ongoing maintenance of inventories, databases, mapping, reporting, etc.).

The specific assumptions and calculations made for each type of service are described in the sections below. The fully loaded fiscal year 2018-2019 rates for City staff and other professional services support staff are shown in **Table 3-1**.

Table 3-1. Fully Loaded Annual Rates for Stormwater Staff

Title	Fully Loaded Rate
City	
NPDES Program Manager	\$ 85.14
Crew Supervisor	\$ 87.74
Environmental Compliance Inspector	\$ 64.60
Wastewater Manager	\$ 94.67
Senior Engineer	\$ 102.02
Assistant Engineer	\$ 83.59
Junior Engineer	\$ 62.36
Professional Services Support	
Principal	\$ 200.00
Senior Scientist III	\$ 165.00
Senior Scientist I	\$ 135.00
Science Associate I	\$ 95.00
Student Intern	\$ 25.00

³ Fully loaded rates were provided by the City staff and include direct costs only.

3.2 Commercial and Industrial Facility Inspections

3.2.A Commercial and Industrial Inspection Cost of Services Analysis

Commercial and industrial inspections are required by NPDES Permit Provision F (Commercial and Industrial) and are performed by the Environmental Compliance Inspector and Crew Supervisor, with additional work performed by the Wastewater Manager and NPDES Program Manager. Work related to annual reporting is also performed by the Environmental Compliance Inspector and the NPDES Program Manager. The specific services performed include the following⁴:

- A. Commercial and Industrial Inventory – Annually maintain/update the inventory
- B. Minimum BMPs – Annually review/update minimum BMPs
- C. Notification – Notify owner/operator (newly added) of stormwater requirements
- D. Inspection of Facilities and Operations – Prioritize facilities for inspection
- E. Inspection of Facilities and Operations – Conduct inspections
- F. Inspection of Facilities and Operations – Conduct re-inspections as needed
- G. Inspection of Facilities and Operations – Notify facility/operation of inspection results
- H. Facility Monitoring Data Reported Under the General Industrial Permit – Annually obtain, track, and analyze results reported by facilities enrolled under the General Industrial Permit or other NPDES permits
- I. Information Management – Maintain system to track inspection-related information
- J. Process to Refer Non-filers and Noncompliance to Central Coast Water Board
- K. Enforcement of Commercial and Industrial Facilities and Operations – Implement progressive Enforcement Response Plan to bring facilities/operations into compliance
- L. Reporting – Development and Submittals of annual reports

The breakdown of tasks/services, hours, rates, and the total cost for each Commercial/Industrial Inspection service is shown in **Table 3-2A**.

⁴ All training activities are charged to the General Fund. Specific training costs for each service have not been identified and have not been included in the fee development analysis.

Table 3-2A. Commercial and Industrial Facility Inspection Cost of Services

	Task/Service	Hrs/year	Position	Fully Loaded Rate	Sub-Total	Total Cost
A	Annually maintain/update commercial and industrial inventory	6	NPDES Program Manager	\$85	\$511	\$9,636
		104	Crew Supervisor	\$88	\$9,125	
B	Annually review/update minimum BMPs	52	Env. Compliance Inspector	\$65	\$3,359	\$5,640
		26	Crew Supervisor	\$88	\$2,281	
C	Notify owner/operator (newly added) of stormwater requirements	208	Env. Compliance Inspector	\$65	\$13,437	\$22,562
		104	Crew Supervisor	\$88	\$9,125	
D	Prioritize facilities for inspection	104	Env. Compliance Inspector	\$65	\$6,718	\$16,014
		104	Crew Supervisor	\$88	\$9,125	
		2	NPDES Program Manager	\$85	\$170	
E	Conduct inspections of facilities and operations	416	Env. Compliance Inspector	\$65	\$26,874	\$47,167
		208	Crew Supervisor	\$88	\$18,250	
		24	NPDES Program Manager	\$85	\$2,043	
F	Conduct re-inspections of low-performing facilities and operations	208	Env. Compliance Inspector	\$65	\$13,437	\$27,485
		104	Crew Supervisor	\$88	\$9,125	
		52	Wastewater Manager	\$95	\$4,923	
G	Notify facility/operation contact of inspection results	52	Env. Compliance Inspector	\$65	\$3,359	\$12,845
		52	Crew Supervisor	\$88	\$4,562	
		52	Wastewater Manager	\$95	\$4,923	
H	Annually obtain, track, and analyze parameter results reported by industrial facilities enrolled under the General Industrial Permit or other NPDES permits	52	Wastewater Manager	\$95	\$4,923	\$51,749
		416	Env. Compliance Inspector	\$65	\$26,874	
		208	Crew Supervisor	\$88	\$18,250	
		20	NPDES Program Manager	\$85	\$1,703	
I	Maintain information management system to track inspection-related information	208	Env. Compliance Inspector	\$65	\$13,437	\$17,999
		52	Crew Supervisor	\$88	\$4,562	
J	Refer non-filers and noncompliance to Central Coast Water Board	52	Env. Compliance Inspector	\$65	\$3,359	\$10,079
		52	Crew Supervisor	\$88	\$4,562	
		12	Wastewater Manager	\$95	\$1,136	
		12	NPDES Program Manager	\$85	\$1,022	
K	Implement progressive Enforcement Response Plan to bring facilities/operations into compliance ^[a]	52	Wastewater Manager	\$95	\$4,923	\$44,350
		312	Env. Compliance Inspector	\$65	\$20,155	
		208	Crew Supervisor	\$88	\$18,250	
		12	NPDES Program Manager	\$85	\$1,022	
L	Annual reporting	360	Env. Compliance Inspector	\$65	\$23,256	\$64,148
		360	Wastewater Manager	\$95	\$34,081	
		80	NPDES Program Manager	\$85	\$6,811	

[a] Progressive enforcement fines are not derived from service costs.

3.2.B Commercial and Industrial Inspection Fee Development

Fees are proposed for Commercial/Industrial initial inspections and re-inspections. In addition, when progressive enforcement is necessary, fines should be imposed.

The proposed categories of inspections fees are:

- Small Facilities (0-4,999 square feet);
- Medium Facilities (5,000-15,000 square feet); and
- Large Facilities (>15,000 square feet).

Currently, the City charges fees during inspections of the following two facility categories:

- Small (0-4,999 square feet); and
- Medium/Large (> 5,000 square feet)

It was determined that the medium and large facilities should be separated due to the time that is spent conducting the inspections at each type of facility. In addition, re-inspection tasks/services do not currently have an associated fee.

The basis of the proposed fee was determined using:

- The total cost of the services performed;
- The number of inspections anticipated per year for each category; and
- The proportion of facilities inspected within each size category.

In addition, the City has estimated that thirty percent of initial inspections require re-inspections.

It was noted that business clusters (i.e., malls or other businesses grouped within one building) in the inventory were each assigned the square footage of the entire building. Additionally, parking lot areas appeared to be assigned as part of the square footage. This resulted in some businesses which would be expected to fall under the “small” category (such as a fast food restaurant) being categorized as “large.” An attempt was made to divide business clusters and malls into individual facility sizes prior to tabulation, but the parking lot areas were not removed. If the facility sizes in the inventory are re-assigned, this analysis will need to be updated.

Fees are proposed for Commercial/Industrial Inspection service E (initial inspections) and F (re-inspections). The costs for industrial/commercial inspection services A, B, C, D, E, H, J, K, and L were used to develop the cost of initial inspections, service E. The cost for services G and I were divided between services E and F, in proportions of 70% (service E, initial inspections) and 30% (service F, re-inspections), as 30% of initial inspections are estimated by the City to require re-inspections.

The service costs used to calculate the commercial/industrial inspection and re-inspection fees are shown in **Table 3-2B**.

Table 3-2B. Service Costs Used in Commercial and Industrial Facility Inspection Fees Calculation

	Task/Service	Cost	Cost Included in Fee Calculation	
			Service E	Service F
A	Annually maintain/update commercial and industrial inventory	\$9,636	\$9,636	-
B	Annually review/update minimum BMPs	\$5,640	\$5,640	-
C	Notify owner/operator (newly added) of stormwater requirements	\$22,562	\$22,562	-
D	Prioritize facilities for inspection	\$16,014	\$16,014	-
E	Conduct inspections of facilities and operations	\$47,167	\$47,167	-
F	Conduct re-inspections of low-performing facilities and operations	\$27,485	-	\$27,485
G	Notify facility/operation contact of inspection results	\$12,845	\$8,991	\$3,853
H	Annually obtain, track, and analyze parameter results reported by industrial facilities enrolled under the General Industrial Permit or other NPDES permits	\$51,749	\$51,749	-
I	Maintain information management system to track inspection-related information	\$17,999	\$12,599	\$4,400
J	Refer non-filers and noncompliance to Central Coast Water Board	\$10,079	\$10,079	-
K	Implement progressive Enforcement Response Plan to bring facilities/operations into compliance ^[a]	\$44,350	\$44,350	-
L	Annual reporting	\$64,148	\$64,148	-
Total			\$292,936	\$36,738

[a] Progressive enforcement fines are not derived from service costs.

The calculation of commercial/industrial inspection and re-inspection fees from the service costs is shown in **Table 3-2C**. The total overall value (the total number of facilities inspected per year multiplied by the inspection fees) is equal to the cost for performing the associated commercial/industrial inspection services.

Table 3-2C. Basis for Proposed Commercial and Industrial Facility Inspection Fees

Services and Assumptions		Small (0-4,999 sf)	Medium (5000-15,000 sf)	Large (>15,000 sf)
E	Initial Inspections			
	Hours required to perform each inspection	1	2	6
	Number of facilities inspected per year ^[a]	29	63	152
	Percent cost ^[b]	2.7%	12%	85%
	Proposed Inspection Fees	\$273	\$556	\$1,639
	<i>Total annual cost recovery from inspection fees^[c]</i>	<i>\$7,937</i>	<i>\$35,210</i>	<i>\$249,789</i>
Total				\$292,936
F	Re-Inspections			
	Hours required to perform each re-inspection	0.5	1	3
	Percent cost ^[b]	2.1%	9%	89%
	Percent re-inspected	30%	30%	30%
	Proposed Re-inspection Fees	\$114	\$232	\$685
	<i>Total annual cost recovery from re-inspection fees^[c]</i>	<i>\$995</i>	<i>\$4,416</i>	<i>\$31,327</i>
Total				\$36,738

[a] There were 1,011 facilities listed in the inventory, with an average of 233 facilities inspected annually between 2015 and 2018. An additional 40 facilities had inspection dates either before or after these years, when very few inspections were conducted. The average number of typical inspections was divided into three size categories; however, the 40 additional facilities inspected between 2015-2018 were not assigned a size in the inventory. The average number of each category was extrapolated to account for all facilities inspected between 2015-2018, then again for all facilities in the inventory, with the assumption that the remaining facilities were distributed over the three size categories in the same proportions as identified facilities.

[b] The percent cost is a multiplier determined from the proportion of hours per inspection and number of facilities per category and is necessary to fairly allocate the total cost. The percent cost multiplier equations are shown in **Attachment A, Table A-1**.

[c] The total annual cost recovery from inspection fees is derived from the proposed fee multiplied by the number of inspections performed annually.

3.3 Parcel-Scale Development Plan Review

3.3.A Development Plan Review Cost of Services Analysis

Plan review for parcel-scale development is required by NPDES Permit Provision J (Parcel-Scale Development) and performed by the Senior Engineer, Junior Engineers, and NPDES Program Manager, with assistance from the Assistant Engineer. The specific services performed to support development plan reviews include the following⁵:

- Prepare for Initial Inspections
 - A. Maintain/update Stormwater Development Standards (SWDS)
 - B. Apply SWDS to Projects - Conduct plan reviews to ensure Regulated Projects meet the requirements of the SWDS
 - C. Requirements for Regulated Projects - Conduct plan reviews to ensure Regulated Projects meet the requirements for stormwater management, including, but not limited to, the development and implementation of a Stormwater Control Plan (SWCP), application of low impact development (LID) design principles, implementation of source control BMPs; and operation and maintenance plans for flow control and treatment BMPs
 - D. Requirements for Non- Regulated Projects - Conduct plan reviews to ensure Non-Regulated Projects meet the requirements for stormwater management and maintenance of BMPs
 - E. Information Management System - LID Projects update
 - F. Annual Reporting

The breakdown of tasks/services, hours, rates, and the total cost for each Development Plan Review service is shown in **Table 3-3A**.

⁵ All training activities are charged to the General Fund. Specific training costs for each service have not been identified and have not been included in the fee development analysis.

Table 3-3A. Parcel-Scale Development Plan Review Cost of Services

Task/Service (summarized)				Hrs/year	Position	Fully Loaded Rate	Sub-total	Total Cost
-	Inspection preparation		Rain forecast	65	Junior Engineer	\$62	\$4,053	\$31,741
			Weekly report	52	Junior Engineer	\$62	\$3,243	
			Review prior inspection reports/CNs/NOVs	250	Junior Engineer	\$62	\$15,590	
			Review inspection report	104	NPDES Program Manager	\$85	\$8,855	
A	Maintain/update Stormwater Development Standards (SWDS)		16 ^[a]	NPDES Program Manager	\$85	\$1,362	\$2,995	
			16 ^[a]	Senior Engineer	\$102	\$1,632		
B	Conduct plan reviews to ensure Regulated Projects meet the requirements of the SWDS	Single parcel	312	Senior Engineer	\$102	\$31,830	\$48,153	
		Subdivision	160	Senior Engineer	\$102	\$16,323		
C	Conduct plan reviews to ensure Regulated Projects meet the requirements for stormwater management, including, SWCP, LID, implementation of source control BMPs; and O&M plans	Review Threshold Determination Sheets	156	Senior Engineer	\$93	\$14,478	\$208,682	
		Review SWCPs	1040	Senior Engineer	\$102	\$106,101		
		Review O&M Plans	1054	Assistant Engineer	\$84	\$88,104		
D	Conduct plan reviews to ensure Non-Regulated Projects meet the requirements for stormwater management and maintenance of BMPs		10	Junior Engineer	\$62	\$624	\$4,134	
			42	Assistant Engineer	\$84	\$3,511		
E	LID Projects update		52	Intern	\$25	\$1,300	\$1,300	
F	Annual Reporting		32	NPDES Program Manager	\$85	\$2,724	\$4,765	
			20	Senior Engineer	\$102	\$2,040		

[a] This task is performed once per permit term. The total number of hours required (80) was divided by five years.

3.3.B Development Plan Review Fee Development

Fees are proposed for Development Plan Review for review of priority projects for compliance with SWDS and review SWCPs for priority and non-priority projects.

The proposed categories of plan review fees are:

- Single Parcel
- Subdivision >2,000

The City currently collects fees during plan reviews for minor subdivisions and condominiums and major subdivisions.

The basis of the proposed fee was determined using:

- The total cost of the services performed; and
- The number of plan reviews anticipated per year for each category.

The City estimated that stormwater control plans for three small projects (< 1 ac), 20 large projects (>1 ac), are reviewed per week. Fees are proposed for Development Plan Review services B (review priority projects for SWDS), C (review priority projects for SWCP), and D (review non-priority projects). The costs for preparing for initial inspections and Development Plan Review service A (maintain development standards) were included in the cost for service B (review priority projects for SWDS), while the costs for service E (LID Projects update) were included in the cost for service C (review priority projects for SWCP). The cost for service F (annual reporting) was divided evenly between the costs for services B and C.

The service costs used to calculate the development plan review fees are shown in **Table 3-3B**.

Table 3-3B. Service Costs Used in Development Plan Review Fees Calculation

Task/Service (summarized)			Cost	Cost Included in Fee Calculation	
				Service B	Services C & D
-	Inspection preparation	Rain forecast Weekly report Review prior inspection reports/CNs/NOVs Review inspection report	\$31,741	\$31,741	-
A	Maintain/update Stormwater Development Standards (SWDS)		\$2,995	\$2,995	-
B	Conduct plan reviews to ensure Regulated Projects meet the requirements of the SWDS		\$48,153	\$48,153	-
C	Conduct plan reviews to ensure Regulated Projects meet the requirements for stormwater management, including, SWCP, LID, implementation of source control BMPs; and O&M plans	Review Threshold Determination Sheets Review SWCPs Review O&M Plans	\$208,682	-	\$208,682
D	Conduct plan reviews to ensure Non-Regulated Projects meet the requirements for stormwater management and maintenance of BMPs		\$4,134	-	\$4,134
E	LID Projects update		\$1,300	-	\$1,300
F	Annual Reporting		\$4,765	\$2,382	\$2,382
Total				\$85,271	\$216,499

The resulting development plan review fees are shown in **Table 3-3C**. The total overall value (the total number of reviews performed per year multiplied by the review fees) is equal to the cost for performing the associated development plan review services.

Table 3-3C. Basis for Proposed Development Plan Review Fees

	Services and Assumptions	Single Parcel	Subdivision (>2,000)
B	SWDS Applicability Reviews		
	Hours required to perform each plan review	2	8
	Number of SWDS reviews performed per year	3/week or 156	20
	Percent cost ^[a]	66%	34%
	Proposed SWDS Applicability Review Fees	\$361	\$1,445
	<i>Total annual cost recovery from SWDS review fees^[b]</i>	<i>\$56,366</i>	<i>\$28,905</i>
		Total	\$85,271
C & D	SWCP Reviews		
	Hours required to perform each plan review	2	8
	Number of SWCP reviews performed per year	2/week or 104	2/week or 104
	Percent cost ^[a]	20%	80%
	Proposed SWCP Review Fees (priority and non-priority projects)	\$208	\$833
	<i>Total annual cost recovery from SWCP review fees^[b]</i>	<i>\$43,300</i>	<i>\$173,199</i>
		Total	\$216,499

[a] The percent cost is a multiplier determined from the proportion of hours per review and number of reviews per category and is necessary to fairly allocate the total cost. The percent cost multiplier equations are shown in **Attachment A, Table A-2**.

[b] The total annual cost recovery from plan review fees is derived from the proposed fee multiplied by the number of plan reviews performed annually.

3.4 Construction Site Management - Plan Review

3.4.A Construction Site Plan Review Cost of Services Analysis

Plan review for construction site management is required by NPDES Permit Provision K (Construction Site Management) and performed by the Senior Engineer and Assistant Engineer. The specific services performed to support construction site plan reviews include the following:

- A. Construction Plan Review - Conduct construction site plan reviews for High Priority Construction Sites, including review of source control and erosion and sediment control plans
- B. Construction Plan Review - Conduct construction site plan reviews for sites not identified as High Priority Construction Sites to ensure they include Minimum Construction BMPs for All Construction Sites

The breakdown of tasks/services, hours, rates, and the total cost for each Construction Site Plan Review service is shown in **Table 3-4A**.

Table 3-4A. Construction Site Plan Review Cost of Services

Task/Service					Fully Loaded Rate	Total Cost
	Hrs/year	Position				
A	Conduct construction site plan reviews for High Priority Construction Sites, including review of source control and erosion and sediment control plans (K.5.a)	ESC review	390	Assistant Engineer	\$84	\$32,600
	SWPPP review	144	Senior Engineer	\$102	\$14,691	
B	Conduct construction site plan reviews for sites not identified as High Priority Construction Sites to ensure they include Minimum Construction BMPs for All Construction Sites (K.5.b)	ESC review	390	Assistant Engineer	\$84	\$32,600

3.4.B Construction Site Plan Review Fee Development

Fees are proposed for Construction Site Plan Review of high priority and non-high priority sites.

The proposed categories of plan review fees are:

- High Priority erosion and sediment control (ESC) plans and stormwater pollution prevention plans (SWPPPs) - < 1 acre and > 1 acre; and
- Low Priority - < 1 acre

Currently, there is only one category for plan review fees:

- NPDES Storm Water Pollution Review

It was determined that the high and low priority construction site plan reviews should be separated due to the time that is spent conducting the reviews for each type of project.

The basis of the proposed fee was determined using:

- The total cost of the services performed;
- The number of reviews anticipated per year for each category; and
- The proportion of reviews within each category.

Fees are proposed for Construction Site Plan Review services A (reviews of high priority ESCs and SWPPPs) and B (reviews of non-high priority ESCs). The service costs used to calculate the construction site plan review fees are shown in **Table 3-4B**.

Table 3-4B. Service Costs Used in Construction Site Plan Review Fees Calculation

Task/Service			Cost Included in Fee Calculation	
			Service A	Service B
A	Conduct construction site plan reviews for High Priority Construction Sites, including review of source control and erosion and sediment control plans	ESC review	\$32,600	\$32,600
		SWPPP review	\$14,691	\$14,691
B	Conduct construction site plan reviews for sites not identified as High Priority Construction Sites to ensure they include Minimum Construction BMPs for All Construction Sites	ESC review	\$32,600	-
Total			\$47,291	\$32,600

The resulting construction site plan review fees are shown in **Table 3-4C**. The total overall value (the total number of reviews performed per year multiplied by the review fees) is equal to the cost for performing the associated construction site plan review services.

Table 3-4C. Basis for Proposed Construction Site Plan Review Fees

Services and Assumptions		Small (<1 acre)	Large (>1 acre)
A High Priority ESC Review			
Hours required to perform each plan review		1	2
Number of high priority construction site plan reviews performed per year ^[a]		65	65
Percent cost ^[b]		33%	67%
Proposed High Priority ESC Review Fee		\$167	\$334
<i>Total annual cost recovery from high priority ESC review fees^[c]</i>		<i>\$10,867</i>	<i>\$21,733</i>
High Priority SWPPP Review			
Hours required to perform each plan review		-	4
Number of high priority construction site plan reviews performed per year ^[a]		-	36
Proposed High Priority SWPPP Review Fee		-	\$408
<i>Total annual cost recovery from high priority SWPPP review fees^[c]</i>		<i>-</i>	<i>\$14,691</i>
		Total	\$47,291
B Not High Priority			
Hours required to perform each plan review		1	-
Number of low priority construction site plan reviews performed per year ^[a]		130	-
Proposed Low Priority Review Fee		\$251	-
<i>Total annual cost recovery from low priority review fees^[c]</i>		<i>\$32,600</i>	<i>-</i>
		Total	\$32,600

[a] Five ESC Plans are reviewed per week (equally divided between large and small for high priority plans), and three SWPPPs are reviewed per month. SWPPPs are not reviewed for low priority construction sites.

[b] The percent cost is a multiplier determined from the proportion of hours per review and number of reviews per category and is necessary to fairly allocate the total cost. The percent cost multiplier equations are shown in **Attachment A, Table A-3**.

[c] The total annual cost recovery from plan review fees is derived from the proposed fee multiplied by the number of plan reviews performed annually.

3.5 Construction Site Management - Inventory/Inspection

3.5.A Construction Site Inspection Cost of Services Analysis

Construction site inventory and inspections are required by NPDES Permit Provision K (Construction Site Management) and mainly performed by the Junior Engineer, NPDES Program Manager, and Senior Engineer, progressive enforcement by the Junior Engineer, and annual reporting by the NPDES Program Manager. The specific services performed to support construction site inventory and inspections include the following:

- A. Construction Site Management and Information Inventory, Information Management (K.6.e), Information Management System - Maintain/update the inventory
- B. Inspections - Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances prior to land disturbance
- C. Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances during active construction
- D. Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances following active construction
- E. Conduct follow-up inspections to bring construction sites into compliance
- F. Implement progressive Enforcement Response Plan to bring construction sites into compliance
- G. Annual reporting

The breakdown of tasks/services, hours, rates, and the total cost for each Construction Site Inspection service is shown in **Table 3-5A**.

Table 3-5A. Construction Site Inspection Cost of Services

	Task/Service	Hrs/year	Position	Fully Loaded Rate	Sub-total	Total Cost
A	Maintain/update construction project inventory	52	Junior Engineer	\$62	\$3,243	\$3,243
B	Conduct regular inspections of construction sites to assess compliance prior to land disturbance	-	-	-	-	-
C	Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances during active construction	40	NPDES Program Manager	\$85	\$3,406	\$76,668
		130	Senior Engineer	\$102	\$13,263	
		-	Professional Services Consultant	-	\$60,000	
D	Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances following active construction	28	Senior Engineer	\$102	\$2,857	\$2,857
E	Conduct follow-up inspections to bring construction sites into compliance	162	Senior Engineer	\$102	\$16,527	\$25,722
		108	NPDES Program Manager	\$85	\$9,195	
F	Implement Enforcement Response Plan to bring construction sites into compliance	180	Junior Engineer	\$62	\$11,225	\$11,225
G	Annual reporting	40	NPDES Program Manager	\$85	\$3,406	\$5,718
		24	Junior Engineer	\$62	\$1,497	
		8	Senior Engineer	\$102	\$816	

[a] Progressive enforcement fines are not derived from service costs.

3.5.B Construction Site Inspection Fee Development

Fees are proposed for Construction Site inspections, post-construction (final) inspections, and follow-up inspections. In addition, when progressive enforcement is necessary, fines should be imposed.

The proposed categories of inspections fees are:

- Small Sites (< 1 acre); and
- Large Sites (> 1 acre).

Currently, there are no size categories. Fees are charged during the following types of inspections:

- Wet weather inspections (from Oct 1 – April 30);
- Follow-up inspections (triggered by non-compliance), and
- Post-construction (final) inspections.

It was determined that the inspection fees should be based on the size of the site due to the time that is spent conducting the inspections at each size facility.

The basis of the proposed fee was determined using:

- The total cost of the services performed;
- The number of inspections anticipated per year for each category; and
- The proportion of facilities inspected within each size category.

The City has estimated that ten inspections are performed on thirteen sites (12 small and one large) annually, with two post-construction (final) inspections each and 15 follow-up inspections per month.

Fees are proposed for Construction Site Inspection services C (construction inspection fee), D (post-construction/final inspection fee), and E (follow-up inspection fee). The costs for Construction Site Inspection services A (inventory), B (inspections prior to land disturbance), and G (reporting) were included in the construction inspection service C, and the cost for service F (enforcement) was split evenly between services C, D, and E.

In addition, the fees for Post Construction Structural BMP Inspections (services A and B in **Table 3-6A**) are included in the fees for Construction Site Inspection services C and D, respectively.

The service costs used to calculate the construction site inspection fees are shown in **Table 3-5B**.

Table 3-5B. Service Costs Used in Construction Site Inspection Fees Calculation

Task/Service		Cost	Cost Included in Fee Calculation		
			Service C	Service D	Service E
Construction Site Inspections				-	-
A	Maintain/update construction project inventory	\$3,243	\$3,243		
B	Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances prior to land disturbance	-	-	-	-
C	Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances during active construction	\$76,668	\$76,668	-	-
D	Conduct regular inspections of construction sites to assess compliance with the NPDES Permit and local ordinances following active construction	\$2,857	-	\$2,857	-
E	Conduct follow-up inspections to bring construction sites into compliance	\$25,722	-	-	\$25,722
F	Implement progressive Enforcement Response Plan to bring construction sites into compliance ^[a]	\$11,225	\$3,741.6	\$3,741.6	\$3,741.6
G	Annual reporting	\$5,718	\$5,718	-	-
Post Construction Structural BMP Inspections (from Table 3-6B)					
A	Conduct inspections of privately owned/operated structural BMPs during installation to verify proper BMP installation	\$11,936	\$11,936	-	-
B	Conduct inspections of privately owned/operated structural BMPs after the installation is complete	\$1,530	-	\$1,530	-
Total			\$101,307	\$8,128	\$29,464

[a] Progressive enforcement fines are not derived from service costs.

The resulting construction site inspection fees are shown in **Table 3-5C**. The total overall value (the total number of inspections performed per year multiplied by the inspection fees) is equal to the cost for performing the associated construction site inspection/post construction structural BMP inspection services.

Table 3-5C. Basis for Proposed Construction Site Inspection Fees

Services and Assumptions	Small (<1 acre)	Large (>1 acre)
C Construction		
Hours required to perform each inspection	1	2
Number of construction inspections performed per year ^[a]	50	100
Percent cost ^[b]	20%	80%
Proposed Construction Inspection Fee	\$405	\$810
<i>Total annual cost recovery from inspection fees^[c]</i>	<i>\$20,261</i>	<i>\$81,046</i>
	Total	\$101,307
D Post-Construction (final)		
Hours required to perform each inspection	1	2
Number of post-construction inspections performed per year ^[d]	5	10
Percent cost ^[b]	20%	80%
Proposed Post-construction/Final Inspection Fee	\$325	\$650
<i>Total annual cost recovery from inspection fees^[c]</i>	<i>\$1,626</i>	<i>\$6,503</i>
	Total	\$8,128
E Follow-up for compliance		
Hours required to perform each re-inspection	0.5	1
Number of follow-up inspections performed per year ^[e]	12	36
Percent cost ^[b]	14%	86%
Proposed Follow-up Inspection Fee	\$351	\$702
<i>Total annual cost recovery from inspection fees^[c]</i>	<i>\$4,209</i>	<i>\$25,255</i>
	Total	\$29,464

[a] Twenty-five construction sites are inspected ten times per year (5 small and 10 large).

[b] The percent cost is a multiplier determined from the proportion of hours per inspection and number of inspections per category and is necessary to fairly allocate the total cost. The percent cost multiplier equations are shown in **Attachment A, Table A-4**.

[c] The total annual cost recovery from construction site inspection fees is derived from the proposed fee multiplied by the number of construction site inspections performed annually.

[d] Twenty-five projects are inspected annually following active construction (5 small and 10 large).

[e] Follow-up inspections are performed on 3 to 4 projects monthly, triggered by non-compliance.

3.6 Post Construction Structural BMP Assessment

3.6.A Post Construction Structural BMP Assessment Cost of Services Analysis

Post Construction Structural BMP Assessment is performed by the Professional Services Consultant, with additional hours by the Senior and Junior Engineers and NPDES Program Manager. The specific services performed to support structural BMP assessments include the following:

- A. Inspections of Structural BMP Installation - Conduct inspections of privately owned/operated structural BMPs during installation to verify proper BMP installation
- B. Inspections of Structural BMP Installation - Conduct inspections of privately owned/operated structural BMPs after the installation is complete
- C. Inspections of Structural BMP Installation - Conduct inspections of privately owned/operated structural BMPs after construction is complete (long-term inspections)
- D. Enforcement of Commercial and Industrial Facilities and Operations - Implement progressive Enforcement Response Plan to bring post construction structural BMPs into compliance
- E. BMP Remediation Technical Memorandum
- F. Annual Reporting

The breakdown of tasks/services, hours, rates, and the total cost for each BMP Assessment service is shown in **Table 3-6A**.

Table 3-6A. Post Construction Structural BMP Assessment Cost of Services

	Task/Service	Hrs/year	Position	Fully Loaded Rate	Sub-total	Total Cost
A	Conduct inspections of privately owned/operated structural BMPs during installation to verify proper BMP installation	117	Senior Engineer	\$102	\$11,936	\$11,936
B	Conduct inspections of privately owned/operated structural BMPs after the installation is complete	15	Senior Engineer	\$102	\$1,530	\$1,530
C	Conduct inspections of privately owned/operated structural BMPs after construction is complete (long-term inspections)	75	Intern	\$25	\$1,875	\$16,125
		150	Professional Services Consultant	\$95	\$14,250	
D	Implement progressive Enforcement Response Plan to bring structural BMPs into compliance	40	NPDES Program Manager	\$85	\$3,406	\$3,406
E	BMP Remediation Tech Memo	26	Professional Services Consultant, Science Associate I	\$95	\$2,470	\$7,700
		26	Professional Services Consultant, Senior Scientist I	\$135	\$3,510	
		8	Professional Services Consultant, Senior Scientist III	\$165	\$1,320	
		2	Professional Services Consultant, Principal	\$200	\$400	
		2	Senior Engineer	\$102	\$204	
F	Annual reporting	4	NPDES Program Manager	\$85	\$341	\$545

[a] Progressive enforcement fines are not derived from service costs.

3.6.B Post Construction Structural BMP Assessment Fee Development

Fees are proposed for Post Construction Structural BMP Assessment. In addition, when progressive enforcement is necessary, fines should be imposed.

Inspections fees are proposed for the category:

- Post Construction Structural BMP Inspection (long term inspections).

The City does not currently assess a fee for this required inspection.

The basis of the proposed fee was determined using:

- The total cost of the services performed; and
- The number of inspections anticipated per year.

The City estimates that Post Construction Structural BMP Inspections are performed on 20% of private sites annually. There are around 364 private structural BMPs, therefore inspections are performed on about 73 sites annually.

A fee is proposed for BMP Assessment service C (long-term inspection fee). The costs for BMP Assessment services A (construction inspection fee) and B (construction final inspections) are included in the costs for Construction Inspection fees C and D, described in **Table 3-5B**. The costs for BMP Assessment services D (enforcement), E (tech memo), and F (reporting) were included in the costs for BMP Assessment service C.

The service costs used to calculate the BMP Assessment inspection fees are shown in **Table 3-6B**.

Table 3-6B. Service Costs Used in Post Construction Structural BMP Assessment Fees Calculation

	Task/Service	Cost	Cost Included in Fee Calculation		
			Service A	Service B	Service C
A	Conduct inspections of privately owned/operated structural BMPs during installation to verify proper BMP installation	\$11,936	Included in Construction Inspections Service C	-	-
B	Conduct inspections of privately owned/operated structural BMPs after the installation is complete	\$1,530	-	Included in Construction Inspections Service D	-
C	Conduct inspections of privately owned/operated structural BMPs after construction is complete (long-term inspections)	\$16,125	-	-	\$16,125
D	Implement progressive Enforcement Response Plan to bring structural BMPs into compliance ^[a]	\$3,406	-	-	\$3,406
E	BMP Remediation Tech Memo	\$7,700	-	-	\$7,700
F	Annual reporting	\$545	-	-	\$545
Total			\$11,936	\$1,530	\$27,775

[a] Progressive enforcement fines are not derived from service costs.

The resulting BMP Assessment inspection fees are shown in **Table 3-6C**. The total overall value (the total number of inspections performed per year multiplied by the inspection fees) is equal to the cost for performing the associated BMP assessment services.

Table 3-6C. Basis for Proposed Post Construction Structural BMP Assessment Fees

Services and Assumptions	
Post Construction Structural BMP Inspection	
C (long-term)	
Number of post construction inspections performed on structural BMPs per year ^[a]	73
Proposed Post Construction Structural BMP Inspection Fee	\$382
Total	\$27,775

[a] Twenty percent of the 364 private structural BMPs are inspected annually, a total of around 73 inspections per year.

3.7 Summary of Proposed Fees

The fees developed and described in the sections above are summarized with the current adopted fees in **Table 3-7**. The current (2018) fees are not always comparable, as some are assessed per hour or per month, instead of per inspection or review. An overall comparison of the current and proposed fees is provided below:

- The City's current Commercial/Industrial Planning Inspection fees are \$267 and \$330 per inspection, for small and medium/large facilities, respectively. The proposed inspection fees are slightly higher for small and medium facilities (\$273 and \$556, respectively) but significantly higher for large facilities (\$1,639). The proposed re-inspection fees are lower than the inspection fees (about 41% of the original inspection fee). Progressive enforcement fees of \$1,000 per violation per day are proposed.
- The City's current Parcel-Scale Development Plan Review fees range from \$91 (review the PCBMP permit) and \$1,303 to \$4,210 (review permits for family or commercial site projects). The proposed fees are significantly lower for small facilities and may represent a different type of fee which would be adopted in addition to the existing fees.
- The City's current Construction Plan Review fee is \$137 per hour for SWPPP review. The proposed fees are similar in size and include both SWPPP (\$408) and ESC Plan (\$167 and \$334 for two size categories), but are charged by the review, not by the hour. A separate fee of \$251 was developed for reviews of low priority ESC Plans.
- The City's current Construction Site Inspection fees are \$215 per month during wet weather, \$97/hour for follow-up inspections, and \$117 per site for post-construction/final inspections. The proposed fees are higher and are charged per inspection. No changes are proposed to the existing progressive enforcement fees.
- The City does not currently have a fee specifically for Post Construction Structural BMP Assessment. A fee of \$382 for ongoing post construction structural BMP inspections are proposed. Progressive enforcement fees of \$1,000, \$5,000, and \$10,000 for first, second, and third violations of stormwater requirements are proposed.

Table 3-7. Comparison of 2018 City Adopted Fees and Proposed Fees

Service	Schedule of Fees and Charges for City Services (Effective 7/1/18) ⁶				Proposed Fees				
	Fee Description	Tier	Fee	Notes	Fee Description	Tier	Inspection or review fee ^[a]	Re-inspection fee ^[a]	
Commercial/ Industrial Inspections, Enforcement	Commercial/Industrial Planning Inspection	0-4999 s.f.	\$267.75	Per inspection	Commercial/ Industrial Inspections	0-4,999 s.f.	\$273	\$114	
		>5000 s.f.	\$330.50			5,000-15,000 s.f.	\$556	\$232	
						>15,000 s.f.	\$1,639	\$685	
	Commercial/ Industrial Enforcement		\$1,000	Per day per event	Commercial/ Industrial Enforcement	Per day per event	\$1,000		
Parcel-Scale Development Plan Review	Review Single Family Home Lot for Permit (PSWCP/PCBMP)		\$1,303.25		Parcel-Scale Development Plan Review: SWDS	Single parcel	\$361	-	
	Review Commercial Site Project for Permit (PSWCP/PCBMP)		\$3,564			Subdivision >2000	\$1,445	-	
	Review Commercial Site Project for Permit (FSWCP/MD)		\$4,210.25		Parcel-Scale Development Plan Review: SWCP (priority & non-priority)	Single parcel	\$208	-	
	Review PCBMP Permit		\$91.25			Subdivision >2000	\$833	-	
Construction Plan Review, Inspections, Enforcement	NPDES Storm Water Pollution Review		\$137.25	Per hour	Construction Site Management - Plan Review	High priority ESC	<1 acre	\$167	-
							>1 acre	\$334	-
						High priority SWPPP	>1 acre	\$408	-
						Low priority ESC	<1 acre	\$251	
	Construction Inspections	Wet weather (10/1-4/30)	\$213.50	Per month	Construction Site Management – Construction Inspection		<1 acre	\$405	\$325
		Follow-up	\$96.75	Per hour			>1 acre	\$810	\$650
	Post-Construction Inspections		\$116.75	Per site	Construction Site Management – Post-Construction (Final) Inspection	<1 acre	\$351	-	
						>1 acre	\$702	-	
	Citations: NPDES construction enforcement	1 st violation	\$1,000		Construction Site Management – Enforcement	1 st violation	\$1,000	\$1,000	
		2 nd violation	\$5,000			2 nd violation	\$5,000	\$5,000	
		3 rd violation	\$10,000			3 rd violation	\$10,000	\$10,000	
	Post Construction Structural BMP Assessment					Post-Construction Structural BMP Inspection		\$382	-
						Structural BMP Enforcement	1 st violation	\$1,000	\$1,000
					2 nd violation		\$5,000	\$5,000	
					3 rd violation		\$10,000	\$10,000	

[a] Fee is charged per review or inspection (or violation) unless otherwise noted.

⁶ https://www.cityofsalinas.org/sites/default/files/departments_files/finance_department_files/fy_18-19_city-wide_fee_schedule_web_posting.pdf

4. REGIONAL/STATE FEE COMPARISON

Since the City is the only Phase I municipality within the Central Coast region, it is difficult to compare the City's fees to other regional agencies, as they have smaller populations and are regulated pursuant to the Phase II Small Municipal Separate Storm Sewer System (MS4) Permit. Therefore, to the extent possible, the proposed fees for the City were compared to fees provided on agencies' websites, including those for Phase I MS4 agencies (i.e., those for the Cities of Stockton,⁷ Modesto,⁸ Oxnard,⁹ Vallejo,¹⁰ and Daly City¹¹) and Phase II MS4 agencies of nearly comparable size (the Cities of Visalia¹² and Santa Maria¹³). The January 2018 estimated populations¹⁴ of these agencies are shown (in order) in **Figure 4-1**.

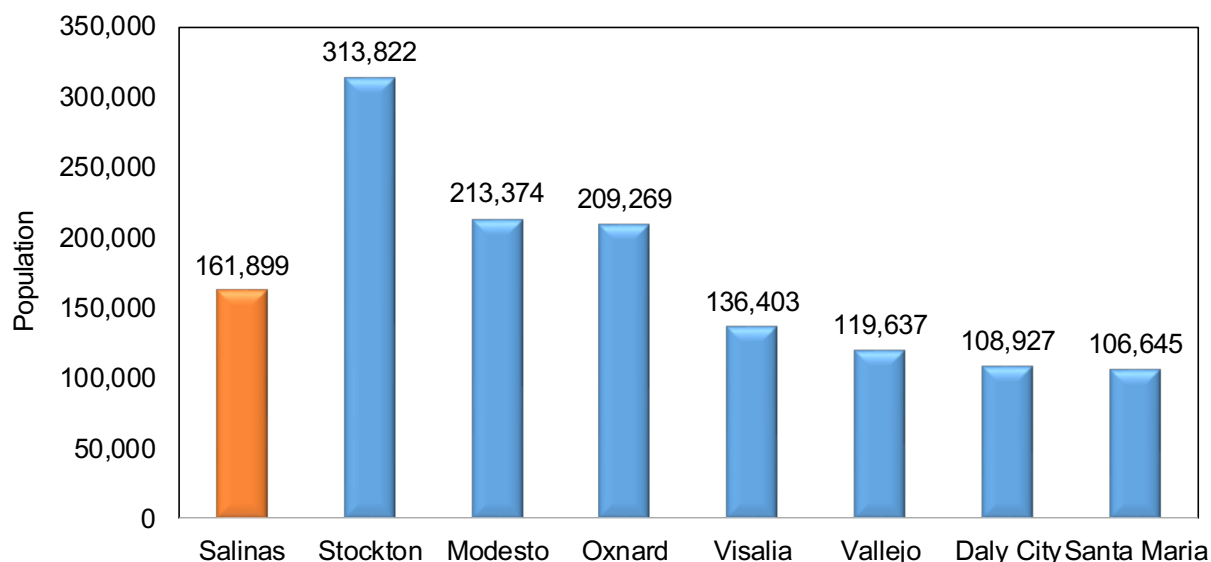


Figure 4-1. Populations of Agencies Included in Fee Comparison

⁷ City of Stockton Public Works FY 2018-19 Adopted Fee Schedule, available at:

<http://www.stocktongov.com/files/PublicWorks.pdf>

⁸ City of Modesto Development Fee Schedule (July 1, 2018), available at:

<https://www.modestogov.com/DocumentCenter/View/4595/Development-Fee-Schedule--PDF>

⁹ City of Oxnard Development Fees (September 24, 2018), Building and Engineering, Development Services

Department, available at: <https://www.oxnard.org/wp-content/uploads/2018/10/b100-Fees-Charged-to-Dev-9-24-2018.pdf>

¹⁰ City of Vallejo Fee Schedule (2016-2017), available at:

<http://www.ci.vallejo.ca.us/common/pages/DisplayFile.aspx?itemId=80108>

¹¹ City of Daly City – Department of Economic and Community Development, Fees for Building Services (October 28, 2013), available at:

<http://www.dalycity.org/Assets/Departments/Economic+and+Community+Development/building/fee+schedule/BuildingFees062714.pdf>

¹² Development Fees (August 3, 2018), available at:

<https://www.visalia.city/civicax/filebank/blobdload.aspx?blobid=5702>

¹³ City of Santa Maria Planning Division Application Fees 2018-19, available at:

<https://www.cityofsantamaria.org/home/showdocument?id=22418>

¹⁴ State of California Department of Finance. E-1 Population Estimates for Cities, Counties, and the State – January 1, 2018 and 2019, available at: <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-1/>

The comparison of the proposed fees for the City and fees listed by Phase I and Phase II MS4 agencies of comparable size is provided in the following sub-sections. It should be noted that it is difficult to provide a robust comparative analysis, since it is unclear how the other agency inspection fees were developed or which fee categories are actively in use.

4.1 Commercial/Industrial Inspection Fee Comparison

None of the other agencies reviewed provided inspection fee information for commercial/industrial inspections, so no comparison could be performed.

4.2 Parcel-Scale Development Plan Review Fee Comparison

The proposed fees for development plan review appear to be within the range of fees collected by other agencies (Table 4-1).

Table 4-1. Parcel-Scale Development Plan Review Fee Comparison

Agency	Fee Description	Fee	Notes
Salinas Proposed Fees			
	SWDS applicability review	\$361-\$1,445	Per review
	SWCP review	\$208-\$833	Per review, priority & non-priority
Other Agency Fees			
Stockton (FY 18-19)	Initial review and analysis	\$267	
Modesto (7/1/18)	Miscellaneous plan review	\$193	Non-structural, per hour
		\$211	Structural, per hour
Oxnard (9/24/18)	Plan check	80%	Percent of building permit
	Improvements plan check	\$682	Minimum, dependent on valuation
	Other plan review	\$165	Per hour, plans examiner
Visalia (8/3/18)	Building permit plan review	\$194	Per hour, Civil engineer
		\$218	Commercial or multi-family
Vallejo (FY 16-17)	Building permit plan check	\$55	Residential
		70%	Percent of building permit
	Planned development	\$4,636	Single family dwelling
	Site plan review	\$273	
Daly City (10/28/13)	Plan check	\$155	Per hour (minimum 30 minutes)
		65%	Percent building permit fee
Santa Maria (FY 18-19)	Landscape plan check	\$150	Minimum
		\$106	Administrative
		\$522	Minor
		\$1,046	Major

4.3 Construction Plan Review and Inspection Fee Comparison

The proposed fees for construction plan reviews and inspections of small sites fall within the range of fees collected by other agencies. The proposed fees for inspection of large sites are higher than the comparable fees identified for other agencies, although some other fees are calculated as a percentage of the building permit or improvement cost and cannot be directly compared. The comparison is shown in **Table 4-2**.

Table 4-2. Construction Plan Review and Inspection Fee Comparison

Agency	Fee Description	Fee	Notes
Salinas Proposed Fees			
	Plan Review	\$167-\$334	ESC, high priority
		\$251	ESC, not high priority
		\$408	SWPPP
	Inspection	\$405-\$810	First
		\$351-\$702	Re-inspection (compliance)
	Post-construction (final)	\$325-\$650	
Other Agency Fees ^[a]			
Modesto (7/1/18)	Miscellaneous inspection	\$178	First and re-inspection
Oxnard (9/24/18)	Public improvement site inspection	5.83%	Percent of estimated cost of improvement
		\$2,041 plus 4.2%	For \$35k-\$150k value
		\$6,848 plus 2.97%	For over \$150k value
Visalia (8/3/18)	Building permit plan review	\$218	Commercial or multi-family
		\$55	Residential
	Other inspection	\$209	Re-inspection
	Construction inspector	\$72	Per hour
Vallejo (FY 16-17)	New building site plan review and inspection	26%	Percent of building permit and plan check fee
	Site plan review	\$273	
	Plan check, inspection	\$150	Minimum, varies per number of units
	Inspection	\$155	Per hour, re-inspection
Daly City (10/28/13)	Inspection for which no fee is specifically indicated	\$150	Per hour, first and re-inspection
	Inspection outside business hours	\$180	Per hour
	Green Building plan review	5%	Percent of building permit fee
	Green Building inspection	5%	Percent of building permit fee
Santa Maria (FY 18-19)	Extra plan check	\$210	
	Extra inspection	\$105	

[a] No construction review or inspection fees were available for the City of Stockton.

4.4 Post Construction Structural BMP Assessment Fee Comparison

None of the other agencies reviewed provided inspection fees information for BMP Assessment, so no comparison could be performed.

APPENDIX B – RECENT STORMWATER BALLOT MEASURES

TABLE 6 – 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 (Measure O)	Successful	\$ 28.00	2004	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 (Measure M)	Successful	varies	2012	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 (Measure W)	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	In Process	\$ 78.00	NA	TBD
City of Del Mar	Studying	NA	NA	TBD
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 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 C – REGULATORY COSTS AND REVENUE ANALYSIS

On the following pages is a technical memorandum from Larry Walker Associates dated October 17, 2019 containing a planning-level cost estimate for the full costs of implementing the stormwater program that may be used to support an evaluation of the need for and feasibility of a stormwater utility or other fee-based options.



Memorandum

DATE: October 17, 2019

TO: Heidi Niggemeyer, NPDES Program
Manager, City of Salinas

SUBJECT: City of Salinas Stormwater Program -
Regulatory Costs and Revenue Analysis

Cc: Jerry Bradshaw, SCI Consulting Group
John Bliss, SCI Consulting Group
Karen Ashby, Larry Walker Associates

Rachel Warren
Airy Krich-Brinton

1480 Drew Ave., Suite 100
Davis, CA 95618
530.753.6400
RachelW@lwa.com
AiryK@lwa.com

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 pending federal National Pollutant Discharge Elimination System (NPDES) regulations that would implement the amendment, the Central Coast Regional Water Quality Control Board (Regional Water Board) issued a municipal stormwater Phase I NPDES Permit¹ to the City of Salinas (City). This permit was renewed in March 2005² and May 2012³, and the current NPDES permit (NPDES Permit) was issued in 2019.⁴

The purpose of this Technical Memorandum is to develop a planning-level cost estimate for the full costs of implementing the stormwater program that 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 revenues, prior year expenditures, and current year and future implementation costs of the stormwater program.⁵

This memorandum is organized as follows:

1. Introduction
2. Approach
3. Results and Discussion
 - 3.1.1. Summary of Revenues and Costs

¹ NPDES Permit No. CA0049981, Order No. 99-087.

² NPDES Permit No. CA0049981, Order No. R3-2004-0135.

³ NPDES Permit No. CA0049981, Order No. R3-2012-0005.

⁴ https://www.waterboards.ca.gov/centralcoast/water_issues/programs/stormwater/salinas.html

⁵ Prior year is fiscal year 2017-2018; current year is fiscal year 2018-2019; future years are fiscal years 2019-2020 through 2023-2024.

3.1.2. Detailed Costs

2. APPROACH

In order to understand the funding needs for the stormwater program, the “true” costs for full implementation of the permit requirements must be compiled. However, tracking and compiling staff time and resources across multiple departments 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 City staff that included structured questions and discussions regarding the agency’s staffing, implementation approach(es) for the range of permit requirements, current stormwater program revenues, and the estimated costs for program implementation.

The revenues were compiled and organized by:

- NPDES Activities (Non-Capital Improvement Project (CIP)); and
- NPDES-Related CIP Budget Allocations.

The costs were compiled and organized by:

- Administrative Costs;
- NPDES Costs; and
- NPDES-Related CIP Costs.

Finally, the revenues and costs were categorized by Permit provision.

3. RESULTS AND DISCUSSION

A summary of the total City costs for full implementation of the stormwater program during the prior year (FY 17-18), current year (FY 18-19), and future years (FY 19-20 through FY 23-24), is provided within this section. The information is presented in two ways: a summary of City revenues and costs (**3.1. Summary of Revenues and 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 Revenues and Costs

Costs for the full implementation of the stormwater program were estimated based on budgetary and supplemental information provided by the City. The approach used and assumptions made were as follows:

- Revenue for non-CIP NPDES activities is from the *FY 18-19 City of Salinas Adopted Operating Budget*.
- Revenue for FY 17-18 CIPs related to NPDES activities are from Table of NPDES-related CIPs – FY 2017-2018 from the City’s *FY 17-18 Provision R: Fiscal Analysis*.
- Revenue for FY 18-19 and FY 19-20 CIPs related to NPDES activities are from Table 2: NPDES related CIP funds from the City’s *FY 18-19 Provision R: Fiscal Analysis*.
- Expenditures for FY 17-18 are from Table R-1: Program Implementation Activities from the City’s *FY 17-18 Provision R: Fiscal Analysis*.

- Expenditures for FY 18-19 are from Table 1: Program Implementation Activities from the City's FY 18-19 *Provision R: Fiscal Analysis*.
- CIP expenditures and costs related to NPDES activities for FY 17-18 and FY 18-19 are from the City's *FY 17-18 Provision R: Fiscal Analysis* and the City's FY 18-19 *Provision R: Fiscal Analysis*, respectively.
- Anticipated CIP expenditures related to NPDES activities for FY 19-20 through FY 23-24 are from the City's *CIPs for SW utility development_Sept 2019_r2.xlsx*.
- Unidentified existing costs were determined based on information provided during City staff interviews performed for the concurrent *City of Salinas Stormwater Fees Study* (memorandum dated August 19, 2019)
- Additional future costs (for activities not currently performed) were determined for each current NPDES Permit provision based on the information provided during City staff interviews.
- Additional one-time costs that were identified (for activities not currently performed) were split between FY 19-20 and FY 20-21.
- Future cost projections were based on the available expenditures from FY 17-18 and FY 18-19, information obtained during City staff interviews (identified future costs), and a 3% percent multiplier (for personnel and equipment costs⁶).

Additional details regarding assumptions for potential cost increases related to specific Permit provisions are provided in **3.2. Detailed Costs**.

The estimated revenue for FY 17-18 through FY 19-20 is summarized in **Table 1**.

Table 1. Summary of Estimated Revenue

Revenue Category	Prior FY 17-18	Current FY 18-19	Future FY 19-20
NPDES Activities (non-CIP)^[a]			
Transfer from General Fund		\$1,995,600	
Transfer from Measure G Fund		\$71,900	
Transfer from Gas Tax		\$750,000	
Use of money and property investment earnings		\$2,000	
Charges for services review and inspection fees ^[b]		\$100,000	
Total Non-CIP Revenue		\$2,919,500	
NPDES-Related CIP Budget Allocations^[c]			
Measure G Fund	\$535,000	\$644,712	\$150,000

⁶ The increase found in the General Fund Forecast between FY 18-19 and FY 27-28 is 8.24%; however, it was unclear what was driving the increase (personnel, equipment, CIP, etc.); therefore, a standard multiplier of 3% was used in this study.

Revenue Category	Prior FY 17-18	Current FY 18-19	Future FY 19-20
Measure X Fund	\$50,000	\$50,000	
NPDES Fund	\$25,000	\$101,371	
Gas Tax	\$189,000	\$226,875	
Developer Fees	\$299,000	\$1,911,386	\$150,000
Transfer from General Fund	\$0	\$53,638	
Total CIP Budget Allocation	\$1,098,000	\$2,987,982	\$300,000

[a] From the City of Salinas Adopted Operating Budget, FY 18-19.

[b] The concurrent *City of Salinas Stormwater Fees Study* (memorandum dated August 19, 2019) can be used to determine future (FY 20-21) revenues that may accrue from review and inspection fees after said fees have been adopted, an estimated total of \$807,000 annually.

[c] From the City's FY 17-18 Annual Report Fiscal Analysis. The values for Budget Allocations were not the same as the values for Funds Spent (FY17-18) or Funds Available (FY 17-18 applied to FY 18-19) in the Fiscal Analysis.

The total estimated expenditures for FY 17-18 and the total projected costs for the next six years (FY 18-19 through FY 23-24), organized by City categories (administrative, NPDES permit, and CIP) and unidentified current costs (fee study), and estimated additional costs (one-time, annual, and CIP), are summarized in **Table 2**.

Table 2. Overall Summary of Total Estimated Costs for Stormwater Program, by Cost Category and Fiscal Year

Cost Category		Prior FY17-18	Current FY18-19	Future – Projected ^[a]				
		FY19-20	FY20-21	FY21-22	FY22-23	FY23-24		
Current Costs ^[c]	Administrative ^[b]	\$470,853	\$715,652	\$737,000	\$759,000	\$782,000	\$805,000	\$830,000
	NPDES ^[b]	\$3,987,937	\$4,262,887	\$4,402,000	\$4,534,000	\$4,670,000	\$4,810,000	\$4,955,000
	Total Identified Costs	\$4,458,790	\$4,978,539	\$5,139,000	\$5,293,000	\$5,452,000	\$5,616,000	\$5,784,000
	Identified by Fee Study ^[e]	\$264,000	\$456,000	\$313,000	\$323,000	\$333,000	\$343,000	\$353,000
Estimated Additional Costs ^[d]	Annual ^[f]	\$0	\$0	\$1,923,000	\$2,301,000	\$2,375,000	\$2,447,000	\$2,520,000
	One-time ^[g]	\$0	\$0	\$803,000	\$610,000	\$0	\$0	\$0
	Total Additional Costs	\$264,000	\$456,000	\$3,069,000	\$3,234,000	\$2,708,000	\$2,789,000	\$2,873,000
Total Non-CIP Costs		\$4,723,000	\$5,435,000	\$8,208,000	\$8,528,000	\$8,160,000	\$8,405,000	\$8,657,000
City-Identified NPDES-Related CIP Costs ^[h]		\$1,654,254	\$1,740,314	\$150,000	\$1,048,638	\$520,000	\$520,000	\$100,000
Estimated Additional CIP Costs ^[i]		\$0	\$0	\$740,000	\$0	\$0	\$0	\$0
Total CIP Costs		\$1,654,000	\$1,740,000	\$890,000	\$1,049,000	\$520,000	\$520,000	\$100,000
Total Estimated Costs		\$6,377,000	\$7,175,000	\$9,098,000	\$9,576,000	\$8,680,000	\$8,925,000	\$8,757,000

[a] Future projected costs were calculated from FY 17-18 costs using a 3% multiplier and were rounded to the nearest thousand.

[b] City-identified administrative and NPDES expenditures for FY 17-18 and FY 18-19 are from the City's Fiscal Analysis (Provision R).

[c] City-identified and unidentified, not including CIP costs.

[d] Additional costs were provided during interviews with City staff.

[e] Fee Study costs are based on information obtained during the 2019 *City of Salinas Stormwater Fees Study*.

[f] Annual costs are anticipated to occur annually, beginning on a certain predicted date.

[g] One-time estimated costs occur once during the permit term. These were divided between FY 19-20 and FY 20-21.

[h] City-identified CIP costs for FY 17-18 and FY 18-19 are from the City's Fiscal Analysis (Provision R). City-identified CIP costs for FYs 19-20 through 23-24 are from the *CIPs for SW utility development_Sep 2019_r2.xlsx* for four CIPs: Natividad Creek Detention Basin/Silt (project 9027), Storm Sewer Drainage Repairs (project 9139), Priority 1 & Misc Storm Sewer Lines (project 9735), and City Cleanup Program Trash Management (project 9068).

[i] Additional CIP costs do not include the estimated \$5-10 million for the Salinas River Outfall 1 mile pipe.

The total estimated costs are organized by *City-identified costs*⁷ (i.e., administrative and NPDES permit compliance activities) and *unidentified costs* (identified through the fee study), which have been *projected* for future years; *additional* estimated costs (annual and one-time costs); and the *revenue* (non-CIP), as shown in **Figure 1**. Future revenue (non-CIP) was assumed to be the same as that of the current year (FY 18-19), with the addition of cost recovery funds from potential adopted fees (estimated as \$878,000 by the Fee Study) projected to begin in FY 20-21.

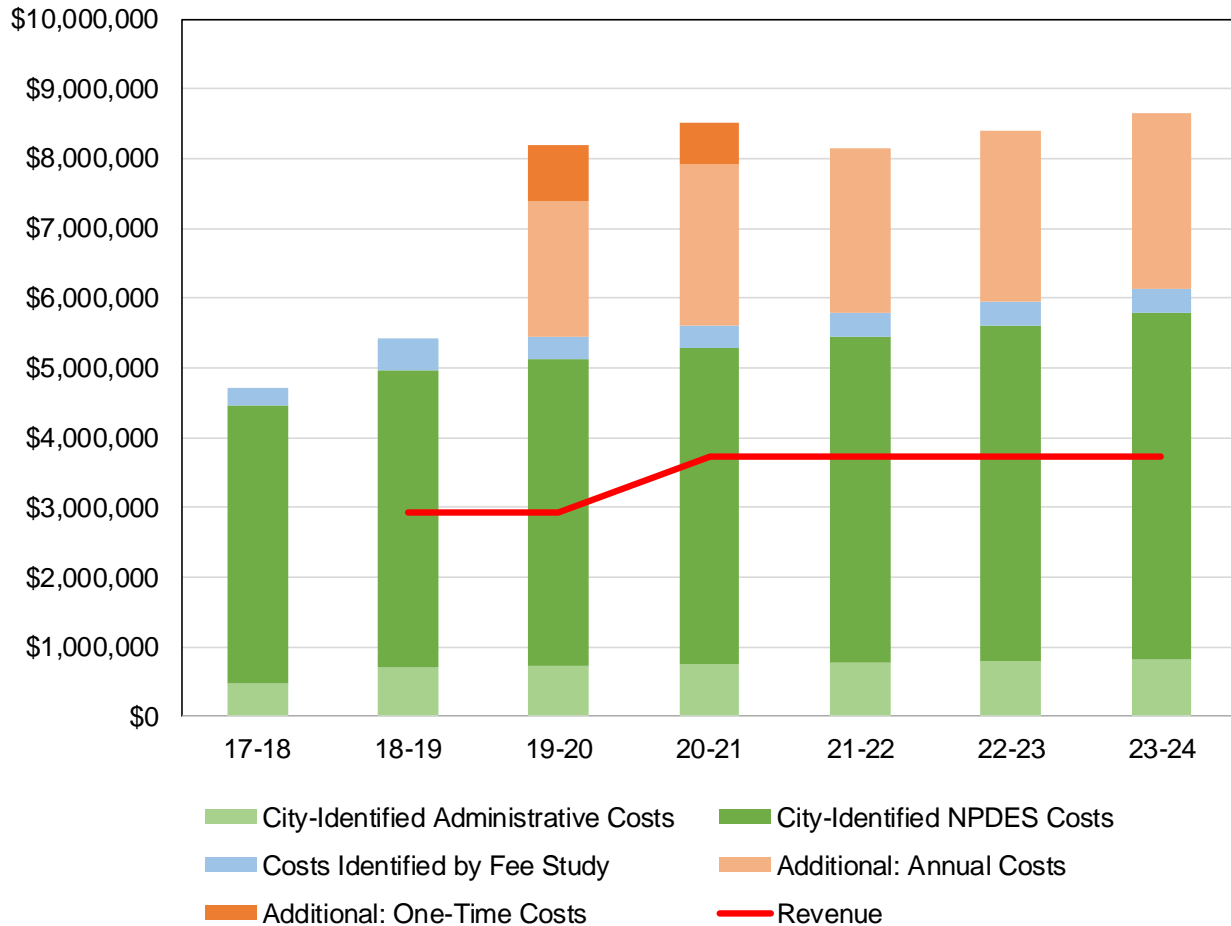


Figure 1. Summary of Total Estimated Non-CIP Revenue and Costs, by Fiscal Year

⁷ The *City-identified* expenditures are based on information for FY 17-18 and FY 18-19 and have been projected for future years.

The City-identified CIP costs, estimated additional CIP costs, and available CIP budget allocations are shown in **Figure 2**. The FY 20-21 through FY 23-24 CIP budget allocations were not projected.

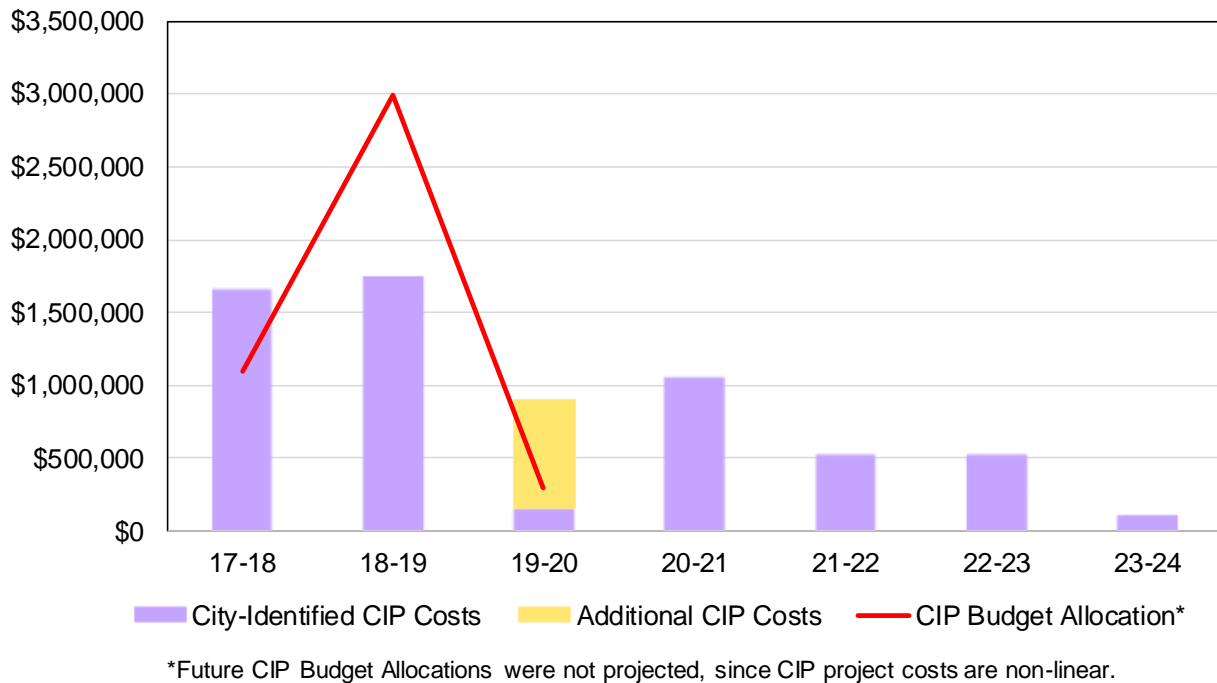


Figure 2. Summary of Total Estimated CIP Revenues and Costs, by Fiscal Year

3.1.1. Overall Summary: Discussion

Below are a few key observations regarding the overall estimated costs:

- The estimated expenditures/costs for stormwater program implementation currently exceed and will continue to exceed the estimated, dedicated revenue (**Figure 1**).
- In FY 19-20 and FY 20-21, the *additional* estimated costs (one-time and annual costs) represent a 51% increase above the projected City-identified costs (administrative and NPDES) and unidentified costs (fee study). In FY 21-22 through FY 23-24, the *additional* estimated costs represent a 41% increase above the projected City-identified and unidentified costs (**Figure 1**). The true cost of the stormwater program in FY 23-24 may be 1.5 times the projected City-identified cost.
- Based on the information available and the assumptions made, between FY 17-18 and FY 23-24, the total cost of the stormwater program (including CIP costs) may increase significantly (i.e., from \$6,377,000 to \$8,575,000) (**Figure 1**).
 - Between FY 18-19 and FY 19-20, a significant increase in the total cost of the stormwater program is anticipated to occur due to the *additional* estimated costs. This increase is based on a thorough evaluation of the City personnel and non-personnel costs required to implement the current Permit provisions (as described in **3.2. Detailed Costs**).

3.2. Detailed Costs

Costs for stormwater program implementation for the Permit were estimated based on budgetary and supplemental information provided by the City. When determining which costs to include, the City considered, at a minimum, the following:

- Labor;
- Materials;
- Contract Services;
- CIPs; and
- Contingencies.

The following key pieces of information were provided by the City:

- FY 17-18 *Provision R: Fiscal Analysis* (also provided in the “Fiscal Estimation Reporting Model Y6” spreadsheet”), which details the expenditures for the stormwater NPDES program by Permit provision for FY 17-18, and the budget allocations for NPDES-related CIPs for FY 17-18.
- FY 18-19 *Provision R: Fiscal Analysis* (also provided in the “Fiscal Estimation Reporting Model Y7” spreadsheet”), which details the expenditures for the stormwater NPDES program by Permit provision for FY 18-19, and the budget allocations for NPDES-related CIPs for FY 18-19 and FY 19-20.
- The City’s *Capital Improvement Program 19-20 thru 23-24 Projects by Category*, which details anticipated CIP expenditures related to NPDES activities for FY 19-20 through FY 23-24.
- “Adopted Operating Budget FY 2018-2019” PDF (*FY 18-19 City of Salinas Adopted Operating Budget*), which details the adopted budget for the stormwater by fund for FY 18-19.
- The fully loaded rates for City stormwater personnel who perform NPDES compliance and maintenance activities.

The approach and assumptions used were as follows:

- City-identified annual administrative and NPDES permit compliance activity costs were obtained from materials provided by the City.
- Unidentified costs for current activities were identified through the concurrent *City of Salinas Stormwater Fees Study* (memorandum dated August 19, 2019). Detailed cost breakdowns were developed for Permit Provisions F (Commercial and Industrial), J (Parcel-Scale Development), and K (Construction Site Management). The total identified costs for FY 17-18 and FY 18-19 were compared with the total costs from the corresponding Fiscal Analyses provided by the City. When the Fee Study cost for that provision was greater, the difference was included in this analysis.
- Prior, current, and future NPDES-related CIP costs were obtained from materials provided by the City.

- Additional costs identified during interviews with the City were included as follows:
 - Annual costs were included beginning in FY 19-20. These represent costs for ongoing activities associated with implementing the current Permit provisions, which are not included in current costs. Examples include:
 - Additional inspection costs (Provisions E.8 and K.6), estimated at \$206,000 each, annually;
 - Reporting (Provision H.14), estimated at \$341,000 annually;
 - Trash load reduction/homeless encampments (Provision N), estimated at \$300,000 annually.
 - One-time costs were allocated to FY 19-20 or FY 20-21. These represent costs for one-time activities associated with implementing the current Permit provisions, which are not included in current costs. Examples include:
 - Mapping, data tracking, No Parking Program, enforcement (Provision E.6), estimated at \$500,000;
 - Create MS4 System Map (Provision H.2), estimated at \$50,000;
 - Update outreach materials (Provision M.8), estimated at \$50,000.
 - Additional CIP costs were included only to FY 19-20, as this was the year those costs are predicted to become necessary and no subsequent costs were identified.
- Future costs were projected as follows:
 - Future projections for City-identified costs were based on the available costs from FY 17-18 and a percentile multiplier of 3%.
 - Future projections for unidentified existing costs identified through the Fee Study were based on the estimated cost for FY 19-20 and a percentile multiplier of 3%. The estimated cost for FY 19-20 was calculated as the average of the FY 17-18 and FY 18-19 unidentified costs.
 - Future projections for annual additional costs were based on the previous year of additional costs and a percentile multiplier of 3%.
 - No incremental projections were made for one-time additional costs.

The non-CIP current expenditures/costs and projected costs for FY 17-18 through FY 23-24, organized by Permit provision, are presented as follows:

- The City-identified costs are shown in **Table 3**.
- The estimated unidentified existing costs are shown in **Table 4**.
- The estimated additional costs are shown in **Table 5**.
- The combined total costs are shown in **Table 6**.⁸

⁸ The total costs for each fiscal year are also summarized in **Table 2**.

Table 3. City-Identified Costs^[a] for Stormwater Permit Compliance, by Fiscal Year

Permit Provision	Prior ^[b]	Current ^[c]	Future – Projected ^[d]				
	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
E Municipal Maintenance	\$1,485,408	\$1,974,268	\$2,033,000	\$2,095,000	\$2,157,000	\$2,222,000	\$2,289,000
F Commercial and Industrial Facilities	\$672,351	\$226,628	\$233,000	\$240,000	\$248,000	\$255,000	\$263,000
G Residential	\$7,171	\$97,612	\$101,000	\$104,000	\$107,000	\$110,000	\$113,000
H Illicit Discharge Detection and Elimination	\$469,438	\$235,991	\$243,000	\$250,000	\$258,000	\$266,000	\$274,000
J Parcel Scale Development	\$131,583	\$133,809	\$138,000	\$142,000	\$146,000	\$151,000	\$155,000
K Construction Site Management	\$152,324	\$51,992	\$54,000	\$55,000	\$57,000	\$59,000	\$60,000
L Development Planning and Stormwater Retrofits	\$22,829	\$69,588	\$72,000	\$74,000	\$76,000	\$78,000	\$81,000
M Public Education and Public Involvement	\$80,663	\$47,550	\$49,000	\$50,000	\$52,000	\$54,000	\$55,000
N Trash Load Reduction	\$431,089	\$875,996	\$902,000	\$929,000	\$957,000	\$986,000	\$1,016,000
O Total Maximum Daily Load	\$11,240	\$85,880	\$88,000	\$91,000	\$94,000	\$97,000	\$100,000
P Monitoring, Effectiveness Assessment, and Program Improvement	\$469,881	\$298,751	\$308,000	\$317,000	\$326,000	\$336,000	\$346,000
Q Watershed Characterization	\$10,986	\$0	\$11,000	\$12,000	\$12,000	\$12,000	\$13,000
R Fiscal Analysis	-	\$121,847	\$126,000	\$129,000	\$133,000	\$137,000	\$141,000
Miscellaneous Expenses (permit fees)	\$42,974	\$42,974	\$44,000	\$46,000	\$47,000	\$48,000	\$50,000
Administrative Costs	\$470,853	\$715,652	\$737,000	\$759,000	\$782,000	\$805,000	\$830,000
Total NPDES Costs	\$3,987,937	\$4,262,887	\$4,402,000	\$4,534,000	\$4,670,000	\$4,810,000	\$4,955,000
Total Identified Costs	\$4,458,790	\$4,979,000	\$5,139,000	\$5,293,000	\$5,452,000	\$5,616,000	\$5,784,000

[a] Costs do not include CIP costs, which are shown in Table 2.

[b] Expenditures for FY 17-18 are from the City's FY 17-18 Fiscal Analysis.

[c] Expenditures for FY 18-19 are from the City's FY 18-19 Fiscal Analysis.

[d] Future projected costs were calculated from FY 18-19 costs using a 3% multiplier and were rounded to the nearest thousand.

Table 4. Estimated Unidentified Existing Costs^{[a][b]} for Stormwater Permit Compliance, by Fiscal Year

Permit Provision	Prior FY17-18	Current FY18-19	Future – Projected ^[c]				
			FY19-20 ^[c]	FY20-21 ^[c]	FY21-22	FY22-23	FY23-24
F Commercial and Industrial Facilities	-	\$94,000	\$0	\$0	\$0	\$0	\$0
J Parcel Scale Development	\$170,000	\$168,000	\$169,000	\$174,000	\$179,000	\$185,000	\$190,000
K Construction Site Management	\$94,000	\$195,000	\$144,000	\$149,000	\$153,000	\$158,000	\$163,000
Total Unidentified Existing Costs	\$264,000	\$456,000	\$313,000	\$323,000	\$333,000	\$343,000	\$353,000

[a] Costs do not include CIP costs, which are shown in **Table 2**.

[b] Unidentified existing costs were identified using information obtained during the *2019 City of Salinas Stormwater Fees Study*.

[c] Future projected costs were calculated from FY 18-19 costs using a 3% multiplier and were rounded to the nearest thousand.

Table 5. Estimated Additional Costs^[a] for Stormwater Permit Compliance, by Fiscal Year

Permit Provision	Future – Projected ^[b]				
	FY19-20 ^[c]	FY20-21 ^[c]	FY21-22	FY22-23	FY23-24
E Municipal Maintenance	\$872,000	\$849,000	\$807,000	\$831,000	\$856,000
F Commercial and Industrial Facilities	\$1,000	\$1,000	\$1,000	\$1,00	\$1,00
G Residential	\$110,000	\$102,000	\$105,000	\$109,000	\$112,000
H Illicit Discharge Detection and Elimination	\$15,000	\$65,000	\$16,000	\$16,000	\$17,000
J Parcel Scale Development	\$103,000	\$76,000	\$27,000	\$27,000	\$28,000
K Construction Site Management	\$270,000	\$278,000	\$287,000	\$295,000	\$304,000
L Development Planning and Stormwater Retrofits	\$88,000	\$91,000	\$94,000	\$97,000	\$99,000
M Public Education and Public Involvement	\$55,000	\$5,000	\$5,000	\$5,000	\$6,000
N Trash Load Reduction	\$230,000	\$327,000	\$296,000	\$304,000	\$314,000
O Total Maximum Daily Load	\$180,000	\$185,000	\$191,000	\$197,000	\$203,000
P Monitoring, Effectiveness Assessment, and Program Improvement	\$490,000	\$430,000	\$185,000	\$191,000	\$197,000
Q Watershed Characterization	\$0	\$150,000	\$0	\$0	\$0
R Fiscal Analysis	\$0	\$0	\$0	\$0	\$0
Annual Reporting (all provisions)	\$341,000	\$351,000	\$362,000	\$373,000	\$384,000
Miscellaneous Expenses (permit fees)	\$0	\$0	\$0	\$0	\$0
Administrative Expenses	\$0	\$0	\$0	\$0	\$0
Total Additional Costs	\$2,756,000	\$2,911,000	\$2,375,000	\$2,447,000	\$2,520,000

[a] Costs do not include CIP costs, which are shown in **Table 2**.

[b] Future projected costs were calculated from FY 18-19 costs using a 3% multiplier and were rounded to the nearest thousand. There are no estimated additional costs for the prior or current years.

[c] One-time estimated additional costs were divided between FY 19-20 and FY 20-21.

Table 6. Total Estimated Costs^[a] for Stormwater Permit Compliance, by Fiscal Year

Permit Provision	Prior ^[b]	Current ^[c]	Future – Projected ^[d]				
	FY17-18	FY18-19	FY19-20 ^[e]	FY20-21 ^[e]	FY21-22	FY22-23	FY23-24
E Municipal Maintenance	\$1,485,000	\$1,974,000	\$2,905,000	\$2,943,000	\$2,964,000	\$3,053,000	\$3,145,000
F Commercial and Industrial Facilities ^[f]	\$672,000	\$320,000	\$234,000	\$241,000	\$249,000	\$256,000	\$264,000
G Residential	\$7,000	\$98,000	\$211,000	\$206,000	\$212,000	\$218,000	\$225,000
H Illicit Discharge Detection and Elimination	\$469,000	\$236,000	\$258,000	\$316,000	\$274,000	\$282,000	\$290,000
J Parcel Scale Development ^[f]	\$302,000	\$302,000	\$410,000	\$392,000	\$352,000	\$363,000	\$374,000
K Construction Site Management ^[f]	\$247,000	\$247,000	\$468,000	\$482,000	\$497,000	\$512,000	\$527,000
L Development Planning and Stormwater Retrofits	\$23,000	\$70,000	\$160,000	\$165,000	\$170,000	\$175,000	\$180,000
M Public Education and Public Involvement	\$81,000	\$48,000	\$104,000	\$56,000	\$57,000	\$59,000	\$61,000
N Trash Load Reduction	\$431,000	\$876,000	\$1,132,000	\$1,256,000	\$1,253,000	\$1,290,000	\$1,329,000
O Total Maximum Daily Load	\$11,000	\$86,000	\$268,000	\$277,000	\$285,000	\$293,000	\$302,000
P Monitoring, Effectiveness Assessment, and Program Improvement	\$470,000	\$299,000	\$798,000	\$747,000	\$512,000	\$527,000	\$543,000
Q Watershed Characterization	\$11,000	\$0	\$11,000	\$162,000	\$12,000	\$12,000	\$13,000
R Fiscal Analysis	\$0	\$122,000	\$126,000	\$129,000	\$133,000	\$137,000	\$141,000
Annual Reporting (all provisions)	[g]	[g]	\$341,000	\$351,000	\$362,000	\$373,000	\$384,000
Miscellaneous Expenses (permit fees)	\$43,000	\$43,000	\$44,000	\$46,000	\$47,000	\$48,000	\$50,000
Administrative Expenses	\$471,000	\$716,000	\$737,000	\$759,000	\$782,000	\$805,000	\$830,000
Total Costs^[a]	\$4,723,000	\$5,435,000	\$8,208,000	\$8,528,000	\$8,160,000	\$8,405,000	\$8,657,000

[a] Costs do not include CIP costs, which are shown in **Table 2**.

[b] Expenditures for FY 17-18 are from the City's FY 17-18 Fiscal Analysis.

[c] Expenditures for FY 18-19 are from the City's FY 18-19 Fiscal Analysis.

[d] Future projected costs were calculated from FY 18-19 costs using a 3% multiplier and were rounded to the nearest thousand.

[e] One-time estimated additional costs were divided between FY 19-20 and FY 20-21.

[f] Costs include unidentified existing costs which were identified using information obtained during the *2019 City of Salinas Stormwater Fees Study*.

[g] Annual reporting costs are included in the costs for individual provision in FY 17-18 and FY 18-19.

APPENDIX D – COMPARABLE STORMWATER RATES

TABLE 7 – 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.

APPENDIX E – FUNDING OPTIONS

On the following pages is an excerpt from a white paper published by the California Stormwater Quality Association (CASQA), *Stormwater Funding Barriers and Opportunities*, 2017. This excerpt is *Appendix A: Discussion of Existing Funding Strategies* from that white paper.

APPENDIX A: DISCUSSION OF EXISTING FUNDING STRATEGIES

INTRODUCTION TO POTENTIAL FUNDING SOURCES

Dedicated local revenue mechanisms available to stormwater quality programs can be divided into three primary groups, namely, balloted, non-balloted, and development-driven. (Legislative approaches and grants are also briefly discussed in this Appendix.)

Balloted revenue mechanisms are legally established, and rarely have legal challenges been successful. However, the balloting requirement significantly limits the total revenue that may be generated, since it is limited by the political "willingness to pay" by the local registered voters or property owners. Amendments to the California Constitution derived from Proposition 13 and Proposition 218 dictate the required processes for balloted revenue mechanisms.

There are two basic types of balloted measures, namely, special taxes (primarily defined and regulated through Proposition 13-driven language) and property-related fees (primarily defined and regulated through Proposition 218 language). Special tax elections are typically conducted at polling places and require two-thirds support of voters, with one vote per registered voter. Property-related fee elections are typically conducted by mail, with a threshold of 50% support of voting property owners, and one vote per parcel. (A third mechanism, the Proposition 218-compliant benefit assessment, is discussed briefly in this report, but is not legally or politically appropriate.)

Non-balloted approaches, while not subject to local voters'/property owners' "willingness to pay" limitations, include increased legal risk. Non-balloted approaches include regulatory fees and financial re-alignment of stormwater program activities combined with non-balloted fees.

The outline below includes an overview of potential funding sources to address unmet funding requirements for implementation of the NPDES requirements:

I. BALLOTTED APPROACHES

1. Parcel-Based Special Taxes
2. Other Special Taxes
 - a. General Obligation Bonds
 - b. User Taxes
 - c. Transient Occupancy Taxes and/or Sales Taxes
 - d. Vehicle License Fees
3. Property Related Fees
4. Benefit Assessments

II. NON-BALLOTTED APPROACHES

1. Re-Alignment of Stormwater Services
2. Dedicated Property-Related Fees
3. Regulatory Fees - SB 310
4. Regulatory Fees – Inspections
5. Business License Fees
6. Use of Existing Funding for Complementary Improvements
7. Infrastructure Financing Districts

III. DEVELOPMENT-DRIVEN APPROACHES

1. Impact Fees
2. Community Facilities Districts

IV. LEGISLATIVE APPROACHES

V. OTHER APPROACHES

1. Grants

VI. OTHER ISSUES AFFECTING ALL APPROACHES

APPENDIX A.1 BALLOTTED APPROACHES

PARCEL-BASED SPECIAL TAX

Special taxes are decided by registered voters and require a two-thirds majority for approval. Traditionally, special taxes have been decided at polling places corresponding with primary and special elections. More recently, however, local governments have had significant success with single issue special taxes by conducting them entirely by mail and not during primary or general elections. In any case, special taxes are well known to Californians but are not as common as property-related fees for funding of stormwater activities. Special taxes to fund stormwater services have been successfully implemented in the cities of Los Angeles, Santa Cruz, and Santa Monica.

Most special taxes are conducted on a parcel basis with rates potentially based upon property use and/or size, geographic zone, and other property-based attributes. Parcel taxes based upon the assessed value of a property are constitutionally prohibited. Parcel taxes are the most common and most viable type of special tax for funding the NPDES requirements. As such, most of the discussion of special taxes in this report will focus on parcel taxes.

REQUIRED DOCUMENTS FOR A PARCEL-BASED SPECIAL TAX

- Ordinance or Resolution stating:
 - Tax type, tax rates, collection method, election date and services provided
- Notice to the Registrar of Voters of Measure Submitted to Voters
- Measure Text including:
 - Ballot Question (75 words or less)
 - Full Ballot Text (300 words or less)
 - Arguments in Favor or Against (Pro and Con Arguments)

ADVANTAGES

Legally rigorous: Special taxes, if approved by two-thirds of the registered voters within a community, are very reliable and very rarely successfully legally challenged. Special tax revenue has not been subject to state-level "take-aways" like the Educational Revenue Augmentation Funds (ERAF).

Common mechanism: Most property owners are aware and comfortable with (but not necessarily supportive of) the special taxes and the special tax process.

CHALLENGES

Higher political threshold: Generally speaking, the two-thirds majority threshold for approval is very politically challenging, particularly within the current political climate in California. Special taxes are subject to significant outside influence from media and opposition groups during voting, and are vulnerable to competition from other measures and candidates on the shared ballot.

When special taxes have been used for stormwater revenue, the rate and total revenue have been significantly less than they have been when using a property-related fee. Two exceptions were in Santa Cruz and Santa Monica, which have active and significant renter populations that tend to be more supportive of new taxes than are property owners. In other areas, however, it is anticipated that the community is much more likely to satisfy the 50% property owner threshold of a property-related fee than the 66.7% registered voter threshold of a special tax for the same stormwater quality measure.

Borikas Decision and the Issue of Uniformity: In June of 2013, the State Supreme Court declined to overrule a lower court's decision to overturn a parcel tax for the Alameda Unified School District. The District had imposed a tax in 2008 for which larger commercial properties were taxed at a higher rate than for residential or smaller commercial properties. The tax was overturned because it failed to satisfy a "uniformity" requirement for taxes for school districts. As a result, it is anticipated that legislation will be introduced in Sacramento to apply this uniformity requirement to all parcel-based taxes. This action needs to be monitored because if a stricter uniformity requirement is implemented, it could weaken a municipality's ability to generate sufficient revenue via a parcel-based tax.

REVENUE PROJECTIONS AND TIMING

Special tax elections held at polling places are conducted on the statutorily designated dates (typically in November for the general election and either March or June for the primary). If the municipality ultimately decides to pursue a special tax, it is highly recommended that a special all-mail election be considered, which likely could be scheduled any time. Special all-mail ballot elections are often less expensive and allow for more optimization of the election data, as well as having the advantage of presenting a single issue to the voters.

Tables 1 and 2 detail some of the required tasks and typical timeline to implement a special parcel-based tax. Local regulations may change some elements of this timeline.

TABLE 1 – BALLOTTED – PARCEL-BASED TAX

Typical Duration	Task
6 months prior	Community Outreach
2 months prior	Ordinance or Resolutions for Governing Body approval
	Notice to Registrar of Voter of Measure Submitted to Voters
	Submittal of Measure Text, Ballot Question and Pro/Con Argument
1 Day	Conduct Election, consolidated with Statewide primary or general election, or local election; Tabulate Ballots; 2/3 of registered voters required for approval

TABLE 2 – MAIL BALLOTTED – PARCEL-BASED TAX

Typical Duration	Task
6 months prior	Community Outreach
2 months prior	Ordinance or Resolutions for Governing Body approval
	Notice to Registrar of Voter of Mailed Measure Submitted to Voters
	Submittal of Measure Text, Ballot Question and Pro/Con Argument
1 month prior	Mail Ballots
1 Day	Conduct Election; Tabulate ballots; 2/3 of registered voters required for approval

OTHER CONSIDERATIONS & FUTURE LEGISLATION

The California Constitution currently requires a two-thirds majority voter approval for cities, counties, and special districts to impose a special tax. An exception to this requirement is incurring indebtedness for school districts. General obligation bonds for school districts' capital projects only require 55% of voter approval to be repaid through a special tax. There have been previous unsuccessful attempts to lower the required voter approval for all or some special taxes down to 55%, matching the requirements for school districts.

OTHER SPECIAL TAXES

As mentioned above, parcel-based special taxes are a well-known taxing mechanism decided by registered voters and require a two-thirds majority for approval. Other special taxes are described below.

GENERAL OBLIGATION BONDS (SERVICED BY A SPECIAL TAX)

In California, special taxes can service directly the sale of general obligation bonds to finance the construction of infrastructure. In 2004, the City of Los Angeles successfully passed "Measure O" which provided funding for a variety of capital improvements related to water quality. Arguably, voters are more likely to support general obligation bond special taxes than parcel-based taxes at equivalent rates. However, since special taxes for general obligations bonds can only be used for the financing of capital improvements, this mechanism is not appropriate for funding operational activities such as infrastructure maintenance and NPDES requirements.

USER TAXES

User taxes are typically designed to associate "use" with "taxation." Stormwater management does not lend itself well to this model, since it is difficult to measure and assign stormwater services and improvements to specific users, particularly NPDES elements. However, one example of a user tax that is currently being evaluated is in El Dorado County. El Dorado County is considering the concept of a "Tahoe Basin User Fee" with a portion of the revenue supporting stormwater quality services. Tourists travelling into the Tahoe Basin would be charged an entry toll at a finite number of designated entry points, including Highway 50 into South Lake Tahoe. However, it is unlikely that this plan will be implemented in the Tahoe Basin, and even less likely such a user tax could work for municipalities elsewhere in the State.

TRANSIENT OCCUPANCY TAXES AND/OR SALES TAXES

A transient occupancy tax ("TOT") is charged for occupation of a room or rooms or other living space in a hotel, inn, tourist home or house, motel or other lodging for a period of 30 days or fewer. A sales tax is a consumption tax charged at the point of purchase for certain goods and services. The sales tax amount is usually calculated by applying a percentage rate to the taxable price of a sale. Both of these mechanisms are particularly popular in areas with considerable tourist activity because it is perceived that a disproportionate amount of the tax load will be carried by "out of town" people and entities. Areas with little or no tourist base would not particularly be well-suited for a sales tax or TOT.

Sales tax and hotel occupancy taxes have considerable internal political challenges and difficulty establishing at least a portion as dedicated to stormwater program requirements. A sales tax for a specified or dedicated purpose would require the difficult two-thirds of registered voter support, as would a transient occupancy tax. These mechanisms are considered less viable than a parcel tax.

In addition, sales taxes are limited to 2% for local agencies, and many areas may already be at the limit.

VEHICLE LICENSE FEES

One novel funding approach that has worked well for San Mateo County is Vehicle License Fees. Initially established in 2003, AB 1546 authorized the City and County Association of Governments of San Mateo County (C/CAG) to assess up to \$4 in vehicle license fees. The purpose of the fee was to establish a pilot program that would fund congestion management and stormwater pollution prevention activities. Although the \$4 fee was set to expire in December 2012, San Mateo voters approved Measure M in 2010 with 54.9% support, authorizing C/CAG to impose a \$10 Vehicle License Fee for traffic congestion and stormwater pollution prevention. Measure M generates \$7.6 million per year for 25 years. Half of the revenue goes directly to C/CAG's member agencies for congestion management or stormwater pollution prevention activities, and of the remaining half, approximately 12% goes toward stormwater pollution prevention activities at a countywide level.

Subsequent similar political efforts in Alameda, Contra Costa, Marin, Napa, and Sacramento Counties were held to the higher two-thirds threshold as a result of the passage of Proposition 26, and have failed. While the vehicle licensing fee has been effective for San Mateo County, implementing this type of fee to meet the stormwater program needs would now require two-thirds registered voter approval as a result of Proposition 26.

PROPERTY-RELATED FEES - BALLOTED

A Proposition 218-compliant, property owner balloted, property-related fee is a very viable revenue mechanism to fund stormwater programs. Accordingly, considerable detail is provided below regarding this approach. Although a municipality has the option to submit it to registered voters requiring a two-thirds majority, it is typically submitted as a property owner balloting requiring a simple majority for approval.

BALLOTED PROPERTY- RELATED FEE PROCESS

The property-related fee process requires public approval in two distinct steps, both of which must be completed successfully for the fee to be approved. The first step is a public notice mailed to each property owner followed by a public hearing 45 days later. If a majority of property owners protest the proposed fee at this initial protest hearing, the proposed fee cannot be sent to ballot. Such a protest is highly unlikely in large urbanized areas. If a majority protest is not received, the local agency may, at its discretion, choose to submit the fee to a balloting of either all property owners subject to the proposed fee, or all registered voters.

The second step of the process is the balloting. If a mailed ballot procedure by property owners is used (and this option, not the registered voter option, is usually

selected), the mailed ballot must contain the amount of the proposed fee to be imposed on the owner's property or properties, the basis for calculating the proposed fee, the reason for the fee, and a place upon which an owner can indicate his/her support or opposition for the proposed fee. A simple majority of ballots cast by property owners is required to approve the fee. The balloting must be held at least 45 days after the public hearing.

REQUIRED DOCUMENTS FOR A PROPERTY-RELATED FEE

- Fee Report
- Resolution Calling for Mailing of Notices
- Notice
- Resolution Calling for Mailing of Ballots (assumes less than 50% protest)
- Ballot
- Resolution Directing Fees to be Charged (assumes more than 50% support)

FEE REPORT

Integral to the property-related fee process is the development of a "Fee Report" including the fee methodology, which is a collection of formulas used to determine individual fees for specific parcels, based upon specific attributes. (The "Fee Report" is sometimes erroneously referred to as the "Engineer's Report," which is a document associated with a benefit assessment.) Although there have been fewer than two dozen property-related fees for stormwater in California history, a uniformity of methodology is beginning to emerge. Most methodologies incorporate either individual impervious areas for individual parcels, or more commonly, average impervious area percentages corresponding to property use. For example, all single family homes on 5,000 sq. ft. or less may receive exactly the same fee. Conversely, some agencies field measure every parcel and determine individual impervious amounts for individual parcels, and individual fees are calculated accordingly. Generally speaking, stormwater fee methodologies use "groupings" in which parcels of similar use and size receive the same fee. This is an advantage from an administration and community acceptance standpoint, while still being legally defensible. The fee methodology could also incorporate a base "off-site" component plus a property-specific "on-site" component. An off-site component assigns a property's share of costs for water quality improvements from shared public improvements, such as roads. The other portion of a property's fee will be for its onsite impacts.

ADVANTAGES

Most Common Mechanism for Stormwater: Property-related fees are the most commonly used mechanism for funding stormwater programs. Although special taxes have been used, they have been used less often, and in communities with large and very supportive renter populations such as Los Angeles, Santa Cruz and Santa Monica.

Legally Rigorous: Probably because the HJTA v. Salinas case explicitly called out a balloted property-related fee, and since the plaintiff in this case was the primary taxpayers' association in the state, there have not been any substantive legal challenges of this mechanism's use for stormwater services.

Politically Viable: The approval threshold for a property-related fee is 50%, with one vote per fee-eligible parcel. This mechanism is likely more politically viable than a special tax.

CHALLENGES

Unfamiliar Process: One potential criticism of the property-related fee process is that property owners are generally unfamiliar with the process and opponents can exploit this. With the recent dramatic increase in voting by mail in California, this would not likely be a major issue, however, political opponents can exploit this unfamiliarity and focus the public's attention on the Proposition 218 process and away from the proposed water quality improvement. This tactic effectively derailed recent efforts in Contra Costa County and Los Angeles County.

In the case of Contra Costa County, the anti-tax editorial board of the Contra Costa Times characterized the balloting process as flawed because it was not handled by the County Registrar of voters, did not utilize secret ballots, required a signature on the ballot, did not include pro and con arguments on the ballot materials, and the tabulation was performed by a private accounting firm, even though all of these items were legally implemented as required by Proposition 218 and as sponsored by the Howard Jarvis Taxpayers Association.

Large Public Properties Including School Sites: A fundamental challenge with the property-related fee is the legal requirement to charge all properties using a standardized methodology and that, arguably, publicly owned properties are subject to the fee. As a result, school sites, due to their high levels of impervious area, tend to have elevated fee amounts. Sensitivity will need to be applied when evaluating fees and in particular fee reduction measures available to properties to mitigate both pollution runoff and fee rates.

Legal Scrutiny: Property-related fees for stormwater management are well established and legally stout. However, special attention must be paid to ensure the Proposition 218 process is carefully followed. Proposition 218-driven mechanisms are typically subjected to greater legal scrutiny than special taxes.

REVENUE PROJECTIONS AND TIMING

The basic fee rate should be determined by balancing the budgetary requirements of stormwater program and the political realities of support levels within the municipality. It is highly recommended that various fee rates and program elements be tested via public opinion research prior to the balloting. Within the

State, fees and taxes for stormwater programs have typically ranged from \$25 per year to over \$200 per year.

Table 3 lists the required tasks and timeline to implement a property-related fee.

TABLE 3 – BALLOTTED PROPERTY-RELATED FEE TASKS

Typical Duration	Task
6 months prior	Community Outreach
3 months prior	Develop Fee Report, Supporting Resolutions, Notice and Ballot
	Governing Body considers approval of Fee Report and calls for mailing of notices
+/- 10 days	Mail Notice of Proposed Fee and Date of Public Hearing to all property owners (45 day notice period)
45 Days	Public Hearing and call to mail ballots (assumes < 50% protest)
+/- 10 days	Mail Ballots to all property owners (45 day ballot period)
45 Days	Balloting period ends; Ballot tabulation begins; 50% +1 required for approval with 1 vote per fee-eligible parcel

LESSONS LEARNED WITH THE CONTRA COSTA COUNTY AND LOS ANGELES COUNTY EFFORTS

Both Contra Costa County and Los Angeles County, via their County Flood Control Districts, have attempted to impose a property-related fee for water quality improvement in the last few years. Although there were clear differences between these situations and most other municipalities, there are still important lessons to be learned. In both cases, the proposed fee failed to receive unanimous support from the governing Board of Supervisors, setting up a fundamental weakness in the effort. In the case of Contra Costa County, the local newspaper, the Contra Costa Times, heavily criticized the effort with nine major editorial articles against it over the 45-day balloting period. The Contra Costa Times editorial board is consistently and actively critical of local government and associated revenue measures. The Times focused on the property-related fee process, emphasizing the lack of pro and con arguments, the fact that balloting and tabulation were not performed by the County Registrar of Voters, and the 50% approval threshold. The Contra Costa County Clean Water Program staff worked closely with the Times' staff to correct and add context to their criticisms, but newspaper editorials continued to include factual inaccuracies when describing the process. This

negative media caused a 9% drop in support from survey to actual balloting, and the fee was ultimately not approved by Contra Costa County property owners. Although other local media may handle similar efforts differently, this effort exposed a real weakness of the property-related fee process.

Similarly, the recent effort in Los Angeles County lacked broad based support from the Los Angeles County Board of Supervisors with only a simple majority of the Board voting to go ahead with the fee. Although the media coverage was accurate and balanced, there was considerable coverage of relatively high fees proposed upon school sites due to their large amount of impervious area. In this case, the fundamental lack of governing body support, outcry from the local school district, and several other missteps resulted in the Los Angeles County Board of Supervisors not voting to proceed with the balloting second step of the process after the notices of public hearing had been mailed out.

SOME QUESTIONS CONCERNING PROPERTY-RELATED FEES

Secret Ballot - Forde Greene v. Main County Flood Control and Water Conservation District (a.k.a. "Ross Valley Flood Fee")

In March of 2009, the California Court of Appeals (First Appellate District) issued a decision overturning a property owner-approved, property-related fee for stormwater management services in Ross, California. Essentially, the Court concluded that "the voters who adopted Proposition 218 intended the voting to be secret in these fee elections." However, this decision was completely contrary to the opinion of most Proposition 218 attorneys in California, as well as tradition and practice. Not surprisingly, the California Supreme Court overruled the appellate court's decision, and the approved fee has been validated.

BENEFIT ASSESSMENTS

As discussed in the preceding section on property-related fees, the HJTA v. Salinas decision effectively determined that the benefit assessment is not the legally applicable mechanism for stormwater services. To our knowledge, there have not been any significant, agency-wide benefit assessment districts created to manage stormwater in California since this decision was made.

APPENDIX A.2 NON-BALLOTTED APPROACHES

RE-ALIGNMENT OF SOME STORMWATER SERVICES (SUCH AS SEWER, WATER, AND REFUSE COLLECTION)

Over the last two decades, many public agencies in California have consolidated the services related to stormwater infrastructure and NPDES permit compliance into one "stormwater department." This consolidation has allowed for improved management of these efforts; however, it may also have resulted in some unintended consequences in terms of optimizing funding of these services.

More recently, a number of public agencies in California have re-aligned services that were in their stormwater program to water, sewer, and refuse collection and have established new or increased fees, and/or re-negotiated existing franchise agreements for such services. This opportunity may be available to other stormwater agencies as well.

Of course, it does little good to simply re-align stormwater activities to other agencies and departments, along with the corresponding financial burden, if these other agencies or departments have little access to corresponding increased revenue. Accordingly, these re-alignments have been for, and should be focused on, entities that have reasonable ability to raise the corresponding revenue needed to support these additional services, such as sewer, water, and refuse collection.

Sewer, water and refuse collection services are provided throughout the State by a combination of private companies as franchisees, special districts, and the municipalities themselves. Special districts and local governments are required to satisfy Proposition 218 processes when imposing new or increasing sewer, water and refuse collection services rates. The Proposition 218 process requirements are far less onerous for sewer, water, and/or refuse collection rates than for other services, because they are only subject to the noticed public hearing requirement and are exempted from the balloting requirement. Known as the "sewer, water, refuse exception," it is described in Proposition 218 as follows:

"...Except for fees or charges for sewer, water, and refuse collection services, no property-related fee or charge shall be imposed or increased unless and until that fee or charge is submitted and approved by a majority vote of the property owners of the property subject to the fee or charge."

For franchisees, the requirement is less clear, and may only need a re-negotiation of the contract and rates with the governing local agency. The legal need for a franchisee to conduct a Proposition 218 noticed public hearing for sewer, water, and refuse collection is debated in California and is outside the scope of this report. The more conservative approach is to conduct a Proposition 218-noticed public hearing even when a franchisee is providing the services.

Most importantly, whether a Proposition 218-noticed public hearing is required or only a franchisee re-negotiation, these processes do not require the expense, political risk and financial "willingness to pay" constraints of a special tax or balloted property-related fee.

This approach requires the agency to conservatively review current stormwater program activities, and where reasonably and rationally appropriate, consider re-aligning some of these activities to sewer, water or refuse collection, and then increase the fees for these services accordingly. Any such re-alignments of activities and/or improvements should be bona fide, well-supported, and well-reviewed. Moreover, any new or increased fees for sewer, water, or refuse collection may require educational, political, and stakeholder outreach, even though a balloting is not required.

New or increased fees or charges for sewer, water or refuse collection are established by the following steps (note that the second, ballot step has been struck out in accordance with Proposition 218):

TABLE 4 – NON-BALLOTTED - PROPERTY-RELATED FEE TASKS FOR SEWER, WATER AND REFUSE COLLECTION ONLY

Typical Duration	Task
6 months prior	Community Outreach
3 months prior	Develop Fee Report, Supporting Resolutions, Notice and Ballot
	Governing Body considers approval of Fee Report and calls for mailing of notices
+/- 10 days	Mail Notice of Proposed Fee and Date of Public Hearing to all property owners (45 day notice period)
45 Days	Public Hearing and call to mail ballots (assumes < 50% protest)
+/- 10 days	Mail Ballots to all property owners (45 day ballot period)
45 Days	Balloting period ends; Ballot tabulation begins; 50% +1 required for approval with 1 vote per fee-eligible parcel

THE STREET SWEEPING OPPORTUNITY

Many stormwater programs throughout California fully or partially fund street sweeping activities, and in many cases, it is the largest single element of the budget. Street sweeping can be reasonably and rationally assigned to the solid

waste department of a public agency. Since most street sweeping is done along residential streets, a clear link can be established between this service and a specific property, perhaps based quantitatively on street frontage. In some cases, public agencies may conservatively determine that less than 100% of the costs of street sweeping can be assigned to individual properties. Even so, any reduction will still have a positive effect on the stormwater budget. Note that Waste Management Inc., the largest refuse collection company in the United States, provides street sweeping service as a core service to many municipalities throughout the nation. Accordingly, this would require an increase to the contractual scope of the refuse collection provider and likely a corresponding rate increase. Be advised that the legal question as to whether "street sweeping" is indeed "refuse collection" and satisfies the "sewer, water, refuse exception" of Proposition 218 has not been definitively answered.

THE TRASH LOAD REDUCTION REQUIREMENTS OPPORTUNITY

Like the street sweeping example above, much of the NPDES permit's Trash Load Reduction requirements are essentially "refuse collection" and should be considered for re-alignment, accordingly. This includes maintaining and collecting refuse from trash capture devices, hot spots and other BMPs, as well as activities associated with overall trash reduction plans. Re-aligning these trash-related activities to the refuse collection provider would also likely require an increase to the contractual scope of the refuse collection provider and likely a corresponding rate increase.

One weakness of this approach was thought to be developing a nexus between overall trash accumulation and individual properties. However, a recent appellate court case, *Crawley v. Alameda Co. Waste Management Authority*, found that the household hazardous waste program was a legitimate property-related service, and qualified for the refuse exemption even though the services were performed at centralized locations (landfills). This seems to support other types of centralized collection of trash and debris that originates on properties of various types, as long as an effort is made to allocate the trash load factors to various land uses and geographic zones as appropriate.

OTHER OPPORTUNITIES

- Re-align catch basin trash removal as well as removal and replacement of filters to refuse collection/solid waste provider.
- Re-align other services that remove trash from water runoff to refuse collection/solid waste provider.
- Re-align services that proactively prevent trash pollution and pollution inspections to refuse collection/solid waste provider.
- Re-align community education efforts regarding overwatering to the water service provider as a water conservation service. (The benefit of preventing pollutants from being washed into streams, reservoirs and the ocean is ancillary.)

- Re-align water recycling, clean up and reuse to water service provider.
- Potentially re-align a portion of the cost of handling urban runoff to water service provider on the basis that such runoff is a direct byproduct of water usage. Ideally, the fees for such services will be largely borne by properties that overuse water, creating urban runoff.
- Potentially re-align improvements to stormwater piping, including re-lining of leaking pipes, to the sewer provider to reduce or eliminate wet weather inflow from stormwater pipes to sewer pipes.

In each case, these additional services would also require an increase to the contractual scope of the refuse collection provider and likely a corresponding rate increase. Also, a link would need to be established between these activities and individual properties. For example, street sweeping would be linked with property street frontage; catch basin cleaning would be linked with drainage area properties, etc.

ADVANTAGES

No Balloting Requirement: These strategies would reduce the financial burdens of the permittee's stormwater programs while not requiring the risk, cost, and rate limitations of a balloting.

CHALLENGES

Burden of Reorganization: The reorganization of activities and operations from the stormwater program to sewer, water, and/or solid waste providers will result in organizational and budgetary changes and potentially increased initial costs due to the reorganization.

Local Political Fallout: There may be political restrictions to significant increases in sewer, water, or refuse collection fees. One option is to plan the transfer of services and fee increases over several years. For example, a public agency can coordinate the transfer of sewer, water, and refuse collection operations from stormwater programs to sewer, water or refuse providers through more "regularly scheduled" rate increases. Although it may not be easy to make these changes, it is indeed procedurally easier to increase funding for sewer, water, or refuse collection (no balloting required) than to increase funding for stormwater (balloting required). Moreover, any fee increases should be enveloped with extensive educational, political, and stakeholder outreach before, during, and after the fee increase.

Reduction of Centralized Management of Stormwater Program: The reorganization of stormwater related activities to sewer, water, or refuse collection, even if only for funding purposes, may result in some loss of managerial quality control for the overall scope of activities and improvements needed for NPDES permit compliance and stormwater quality programs.

Insufficient Program Cost Coverage: These strategies will not cover the costs associated with inspections, monitoring, program management, etc. They should be implemented in combination with other funding sources.

Legal Restrictions: Several years ago, the City of Encinitas added a fee onto their garbage collection fee to pay for stormwater management, and the City was legally challenged. The lawsuit was settled out of court when Encinitas agreed to conduct a balloting, which subsequently lost, and Encinitas was forced to refund the already collected fees. In this case, rather than redistributing specific and appropriate activities from stormwater to refuse collection, Encinitas incorrectly only used the solid waste collection fee as a mechanism to collect a fee for stormwater services. There have been legal challenges to other non-balloted efforts (e.g., Salinas, and Solana Beach), so the agency is advised to proceed cautiously with this approach and to fully justify and support any services allocated to sewer, water, or refuse collection. The agency should only realign services where there is a clear, bona fide component that is driven by sewer, water, and/or refuse collection services. At this point, the outside limitations of the definitions of the "sewer, water, and refuse exception" have not been legally established.

EVANGELISM EFFORTS FOR RE-ALIGNMENT

The re-alignment approach is potentially highly effective and a critical part of the overall approach to funding for stormwater programs. However, there may be considerable challenges because it requires changes to long standing bureaucratic and administrative organizations within the local government.

Prior to expending efforts to impose a fee or tax, a municipality should consider aggressively exploring and implementing re-alignment strategies amongst its various enterprises. In fact, all re-alignment strategies should be exhausted, thereby minimizing the required tax or fee rate for each agency. This is essential as this effort is inherently tied to the tax or fee's likelihood of success, which is closely tied to the proposed rate.

THE STORM DRAIN MAINTENANCE ISSUE

Storm drain maintenance is a critical municipal service that closely affects both flood control and water quality. If at some point there is a well-funded budget for flood control, there may be an opportunity to fund a larger portion of storm drain maintenance from flood control monies. At this point, however, there is no readily available mechanism for increasing flood control funding without the same limitations on generating funding as for stormwater activities.

DEDICATED "TRASH LOAD REMOVAL" PROPERTY-RELATED FEE - NON BALLOTTED

The municipality could implement a dedicated, non-balloted, property-related fee, most likely under the "refuse collection" balloting exception of Proposition 218.

Essentially, a local government could identify, organize, and establish a dedicated budget for all NPDES activities which could reasonably be described as "refuse collection," including much of the Trash Load Reduction requirements. A rate structure could then be developed, along with the required Fee Report. Next, the agency could follow the prescribed Proposition 218 property-related fee process, with the "refuse collection" balloting exception and establish a dedicated fee. This fee could be entirely independent of the existing refuse collection provider.

The advantages and challenges associated with this strategy are similar to the "re-alignment" strategies described above. However, the decentralization challenge would not apply. This strategy has not been utilized in California to date, would likely attract considerable attention from opponents and should be subjected to considerable legal review prior to implementation.

REGULATORY FEES - SB 310

Public agencies can impose certain "regulatory fees" without a balloting requirement. The fees are not taxes, assessments, nor property-related fees, and do not contradict Proposition 13 nor Proposition 218 if the fees satisfy certain requirements. Regulatory fees are derived from the "police powers" inherent to the local jurisdiction. These fees are commonly called "Sinclair Fees," after the 1997 California Supreme Court decision in *Sinclair Paint Company versus the State Board of Equalization* ("Sinclair v. State"), which legally established their use.

In practice, Sinclair Fees are largely imposed by public agencies upon commercial and industrial polluters to defray costs of cleanup. Public agencies have also imposed regulatory fees for liquor stores, billboards, amount of solid waste, and rental housing properties, with the resulting revenue going towards related programs such as police protection, community beautification, recycling programs, and affordable housing. In fact, public agencies have imposed fees to offset the costs of stormwater program inspections on restaurants and other commercial and industrial entities.

However, regulatory fees have not been assigned to individual residential parcels, to defray the costs of individual residential stormwater "polluters." Although it has yet to be done, there is no clear legal evidence that it could not be accomplished.

In *Sinclair v. State*, the California Supreme Court determined that "bona fide regulatory fees" are not taxes if the fee is used "to mitigate the actual or anticipated adverse effects of the fee payers' operations," and the "fees must bear a reasonable relationship to those adverse effects."

Ultimately, the court has said, "The fee imposed...is not a tax imposed to pay general revenue to the local governmental entity, but is a regulatory fee intended to defray the cost of providing and administering the mitigating services."

PROPOSITION 26 UPDATE

Proposition 26, approved by California voters on November 2, 2010, has likely effectively eliminated the ability to use a regulatory fee for stormwater management costs, without a balloted two-thirds majority approval. This proposition re-classified many regulatory fees as taxes, with the corresponding election requirements. Additional clarity on the impacts of Proposition 26 will continue to emerge from California's legal community.

ADVANTAGES

No Balloting Requirement, So Greater Revenue Is Possible. Since there is no balloting requirement, a municipality could charge a fee rate that would generate enough revenue to cover all stormwater program costs. In any case, a higher fee rate, and more revenue, may be generated than with a balloted mechanism.

CHALLENGES

Extreme Legal Risk and Imminent Legal Challenge. A municipality should proceed with this approach only after conducting an exhaustive cost-benefit, risk-reward legal review. In all likelihood, this approach would be challenged because there is no precedent for applying regulatory fees to individual residential property owners. The approval of Proposition 26 increased this legal risk. However, if a municipality were challenged and prevailed legally, it would have a reliable fee in place, and would have established a critical precedent for funding stormwater in California.

Considerable Administrative Overhead. This approach requires a municipality to review, inspect, and quantifiably evaluate each parcel on a regular basis to ensure that the fee corresponds to the pollution level. In some cases, the property may not be required to pay the fee (e.g., a property in full compliance with NPDES-mandated on-site stormwater capture and treatment).

The structure, implementation, billing, and collection of the fee are extremely important factors to consider for legal defensibility. Likely, each individual parcel would have to be inspected, evaluated, and graded, and the fees individually calculated with separate fee bills sent rather than "riding" on the property tax bill.

The premise of using regulatory fees to fund some or all aspects of stormwater quality management is legally unproven, and a municipality should probably not consider a SB 310-compliant regulatory fee, particularly in light of the passage of Proposition 26.

REGULATORY FEES - INSPECTIONS

Public agencies throughout California often reimburse themselves for the costs of inspections and permits using regulatory fees approved and published as part of a "Master Fee Schedule." The costs of certain stormwater inspection activities can be defrayed by charging inspection fees on individual properties. This approach can minimally assist in reducing a municipality's financial burden. However, the

passage of Proposition 26 has added some question about the long term legal viability of even these types of regulatory fees.

Each municipality applies differing fee rates, if fees are even utilized, for inspections and permits. These fees may be underutilized by a municipality, missing funding opportunities.

Regulatory fees to pay for costs should be considered for the following tasks:

- Industrial and Commercial Site Controls
- Construction Site Control
- New Development and Redevelopment

There are numerous examples of these types of fees to be used as a template.

BUSINESS LICENSING FEES

A Business License is an annual tax for doing business within a City or County. For example, many municipalities require business licenses for the following type of businesses: peddlers and solicitors, traveling shows, circuses, rodeos, and exhibitions, pawn brokers, secondhand dealers and junk dealers, public dance, massage establishment and technician, bingo games, mobile food preparation unit, auction and close-out sales, fortune telling. Some cities place a business tax on all business. In theory, a business license could be established for and placed upon all business that have the potential to negatively impact stormwater runoff (e.g., restaurants, facilities with outdoor equipment or storage, vehicle repair or salvage facilities, etc.). Business license fees could also be established to address the negative impacts on water quality from vehicle trips to and from the business, similar to traffic impact fees on developments for congestion impacts from vehicle trips generated.

Business licensing fees are passed by ordinance. Considerable opposition from the business community is likely.

USE OF EXISTING FUNDING FOR COMPLEMENTARY IMPROVEMENTS

A municipality should observe, evaluate and take advantage of all similar infrastructure improvements to capitalize on mutually beneficial funding, especially in regard to an increasing regulatory focus on street and parking lot retrofits to treat stormwater runoff (i.e., green streets and parking lots). Many agencies invest considerable resources into transportation and utility improvements, and should consider opportunities to better integrate these efforts and water quality efforts and funding sources. An agency may also want to consider opportunities to capitalize on its various existing funding streams in conjunction with potential funding streams identified in this report to be used for such integrated projects.

For example, in San Mateo County, the City/County Association of Governments (C/CAG, the local congestion management agency) has agreed to provide construction funding for a Complete Street demonstration project on El Camino Real in coordination with the Grand Boulevard Initiative, on the condition that the project incorporate stormwater management features. This is an example of using a particular source of transportation funding (State Transportation Improvement Program – Transportation Enhancement, or STIP-TE) that is eligible to be used for both streetscape or bike/pedestrian improvements and stormwater pollution prevention activities. There may be similar opportunities available to other municipalities to more effectively integrate transportation and stormwater management issues through complementary use of transportation and water quality funding sources.

INFRASTRUCTURE FINANCING DISTRICTS

Some aspects of the NPDES permits require capital-intensive spending in a relatively small area, such as contaminated “hot spot” clean-up and/or “green street” development. Community Facilities Districts may be appropriate for this, as discussed in the next section on development driven approaches. Also, a newer funding mechanism, called Infrastructure Financing District (IFD), may mature into a viable mechanism. IFDs have emerged as a potential replacement for Redevelopment Agencies which were eliminated early in Governors Brown’s tenure.

Cities and Counties may create IFDs to capture ad valorem tax increments, like Redevelopment Agencies, to invest within the specific IFD boundaries. IFDs are not limited to blighted areas and can directly, or through 30-year bonds, fund local infrastructure including highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. IFDs cannot pay for maintenance, repairs, operating costs, and services, and IFDs do not have access to the school’s portion of the property tax increment.

However, the formation of an IFD requires consent from all of the affected local agencies (school districts are exempt from IFDs), as well as two-thirds support from eligible voters within the IFD boundaries. Both of these are high hurdles which may explain why so few IFDs have been formed.

However, the Legislature approved the Enhanced Infrastructure Financing District (EIFD) structure in 2014, in part to offer an alternative to the recently banned redevelopment structure. Unlike the IFD, it does not require voter approval unless bonds are to be issued. Like the IFD, the schools’ portion of property tax increment is not available. This financing structure may be a good fit for localized areas where stormwater infrastructure and quality, and particularly environmental clean-up on private properties, are major concerns. An EIFD can be created with multiple municipalities, so it can span political boundaries.

DEVELOPMENT-DRIVEN APPROACHES

IMPACT FEES

Impact fees are one time only capital infusions which primarily affect new development and will only have a marginal effect on the overall funding of stormwater permit requirements. However, their significance can increase over time. While fees for improving sewer and water systems, as well as for parks and schools, to accommodate new development are common examples of development impact fees, public agencies in California have not rigorously incorporated all stormwater costs into local developer impact fees.

The implementation of impact fees dedicated to stormwater is primarily administrative and relatively inexpensive. The main challenges may be addressing any opposition from local developers and garnering support from city councils and/or boards of supervisors.

A municipality could consider generating an impact fee study with quantification of impacts that may increase stormwater management costs. For example, the study could evaluate vehicle trips generated and related water quality impacts, similar to congestion impact fees.

FINANCING DISTRICTS - COMMUNITY FACILITIES DISTRICTS AND BENEFIT ASSESSMENTS

Many municipalities currently have many localized special tax and assessment districts that fund the maintenance and operations of various types of local infrastructure. These appear as “direct charges” on property tax bills. The special taxes are primarily Community Facilities Districts, more commonly known as “CFDs” or “Mello-Roos Districts”, and the assessments are primarily Landscaping and Lighting Assessment Districts (“LLADs”). Both CFDs and LLADs are very effective and manageable, and are commonly used for larger residential developments throughout the State. Most importantly, they are routinely established during the residential development phase, while the developer owns all of the property, because they are politically challenging (requiring a balloting of all affected property owners) after the homes have been sold.

The viability of these funding mechanisms will depend on the level of remaining potential development in the municipality. However, parcels in CFDs and Benefit Assessment Districts need not be contiguous. In other words, the municipality can create revenue districts and require new development to be annexed into the districts as a condition of development.

Although most of the funding from developer-driven revenue will pay for services specific to development, a portion can augment the overall stormwater activities. For example, the impact fee may be justified to pay for the incremental cost of some stormwater related infrastructure (e.g., a diversion structure), and the collected fee may be used for the rehabilitation of this infrastructure. CFDs and

Benefit Assessment Districts are typically used to pay for the annual operations and maintenance of something that benefits the paying property, like a local “BMP” installation. Care should be taken to clearly differentiate between what activities are funded by the CFD levy and a property-related fee/tax, so that both can be collected from the affected property. Although sometimes incorrectly and unfairly described as “double taxation,” this situation is extremely common in California, and is a well know side-effect of Proposition 13. In any case, CFDs are generally preferred over benefit assessments because they provide slightly broader flexibility in use and are slightly less expensive to annually administer, as well as less subject to legal challenge.

Balloted CFDs are also viable in fully developed areas, and essentially are a type of “pre-packaged” special parcel tax. CFDs are arguably easier to form and more well accepted than the IFDs previously described.

LEGISLATIVE APPROACHES

Over the last ten years, at least three bills have been introduced to add “stormwater” to the “sewer, water, and refuse collection exception” listed in Proposition 218. All have failed to garner the needed political support. Even if the state legislature approved such a bill, it would still require statewide approval from registered voters. While obtaining a constitutional amendment may be possible, it would be highly challenging. Both Proposition 13- and Proposition 218-related constitutional code is well-defended by politicians, taxpayer groups, and motivated individuals. Any and all proposed exceptions are viewed as an attack on the existing legislation and would likely entice a strong negative reaction.

One recent effort, AB 2403, Rendon, did not require a constitutional amendment, but revised the Proposition 218 Omnibus Implementation Act by modifying the definition of “water” to specifically include “water from any source,” such as recycled water and stormwater intended for water service. Unfortunately, this would only apply to a limited portion of stormwater.

APPENDIX A.3 OTHER APPROACHES

1. GRANTS

GRANTS AND PROGRAMS

California has a limited mix of State grants and programs which provide funding opportunities for local stormwater programs. Proposition 84, Proposition 1B, and Proposition 1E allocate funding to support stormwater management activities and projects. Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, authorized the sale of \$5.4 billion in general obligation bonds, to be used to fund water-related projects. One element of Proposition 84 establishes that a portion of the revenue be dedicated specifically to the reduction and prevention of polluted stormwater to lakes, rivers, and the ocean. Proposition 1B, approved by voters in November of 2006, is titled the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This Act includes some limited opportunities for stormwater. Proposition 1E, also approved by voters in November of 2006, is the Disaster Preparedness and Flood Prevention Bond Fund of 2006 and provides some focused opportunities for funding of stormwater projects. Most of the funding associated with these propositions is delivered through competitive or targeted grants and programs.

State grants are typically awarded through a highly competitive process, often require matching local funds, tend to be focused on capital expenses, are often narrowly focused in terms of scope and services, and can have significant administrative overhead. In addition, most grants are seldom designed to fund the management and operations of a stormwater program or the maintenance of stormwater infrastructure. Nonetheless, the revenue opportunities provided by grants are significant enough that they should be considered part of any municipality's efforts.

If State grants are pursued, applications should be written to maximize flexibility in use of the funds so the grant award can contribute towards annual stormwater program expenses. An agency should also consider coordinating with other affected local agencies to put forth larger and potentially more competitive grant applications.

A municipality may also consider supporting any effort to create new Statewide Bond measures with stormwater components. However, there is currently very little political momentum for such a proposition at this time. The municipality should work to identify applicable Federal grants, such as the U.S. Environmental Protection Agency's ongoing Water Quality Improvement Fund for San Francisco Bay, and compete, in coordination with other affected local agencies, for funding. Also, agencies should consider working with local elected officials to pursue provisions that direct approved funds to be spent on specific projects, often called earmarks.

2. LOANS OR FINANCING

A municipality may also wish to consider its capacity for utilizing existing ongoing revenue streams to secure loan financing through the State, either through the Infrastructure Bank (i-Bank) or the Clean Water State Revolving Fund (CWSRF). This would enable an agency to potentially construct stormwater management facilities, such as green streets or parking lots, in a focused, expedited fashion, as opposed to a pay-as-you-go strategy. This option is likely not feasible or appealing unless stormwater regulatory requirements are aligned with such an approach and existing ongoing compliance activities that are funded using ongoing revenue streams are reduced, eliminated, or deferred to allow repayment of loan funds. This may, however, be a more meaningful approach to achieving larger scale improvement in water quality in a shorter timeframe.

APPENDIX A.4 OTHER ISSUES

TIMING AND SCHEDULE

Most County Auditors require levies to be submitted by early August in order to be placed on tax bills. Accordingly, if a municipality chooses a balloted option, it will need to begin work on this effort by around December of the year prior to the first year of taxation.

POTENTIALLY COMPETING MEASURES

Any potential ballot measure should be aware of other competing measures. Typically, a competing measure is one that is being proposed by a regional entity, county or a neighboring, large city, and would be along similar lines such as water, environment or other related topic. For example, in the San Francisco Bay Area, local agencies should have been aware of the recent effort put forward by the San Francisco Bay Restoration Authority (“BayRA”) to generate tax revenue for Bay Restoration. The similarity of purpose (i.e., protection of the Bay waters) and similarity of messaging could have caused the BayRA’s political efforts to “compete” with that of a local agency’s water quality messaging.

Another example is in the Sacramento area, where a regional flood control agency may be proposing increasing its fees through a balloted effort. Any such effort would be in competition with similar storm drainage efforts by local agencies in the same area such as the City of Sacramento.

In any case, there would need to be a coordination of efforts. And it is possible that a local agency could actually benefit from outreach activities of a larger measure such as those related to pollution prevention, flood control or other common features.

A CONSUMER PRICE INDEX ESCALATOR

The incorporation of a consumer price index (CPI) escalator is legally defensible with property-related fees, regulatory fees, and special taxes, and is highly recommended. One approach is to link CPI increases to the U.S Department of Labor CPI and cap it at a 3% maximum per year. The majority of survey data support the fact that a CPI escalator introduces minimal decay in overall support.

A SUNSET PROVISION SHOULD BE CONSIDERED

A “sunset provision” is a mechanism used to increase political support by setting an expiration date for a measure, and can be used with a property-related fee, regulatory fee, or tax. Sunset provisions typically range from five years (like the property-related fee for the City of San Clemente) to 20 years. However, the political advantage is typically marginal and does not outweigh the negative aspect of the increased costs and political risk of having to re-ballot at the termination of the

sunset period. Nonetheless, sunset provisions are popular and can increase support, particularly if the provision duration is less than ten years. The recent Contra Costa County stormwater property-related fee included a nine-year sunset.

STORMWATER UTILITY STATUS

In many states, the establishment of a “Stormwater Utility” legally facilitates the imposition of a fee on affected properties, simply by a vote by the governing agency. In other words, a stormwater utility is established as an independent government agency and then the City Council or County Board of Supervisors can impose a fee by simple majority vote. These stormwater utilities often have centralized management, outreach and coordination, and much of the same “look and feel” of a traditional water or sewer agency. However, in California, there is no legal advantage to the formation of a “stormwater utility.”

FINANCED CAPITAL EXPENDITURES VERSUS ANNUAL OPERATING EXPENDITURES

Some agencies are interested in evaluating whether its goals are more easily achieved by using limited resources to bond the construction of capital facilities or continuing to focus primarily on operating expenses. Although the NPDES requirements do not dictate how the funding is spent, a relatively small portion of the NPDES requirements would benefit from capital improvements. The exceptions may include large trash capture systems, green infrastructure projects, or other large systems.

DISCOUNT MECHANISM

Consistent with the efforts of obtaining higher quality stormwater, a discount or “fee reduction” program should be considered which rewards property owners with a lower fee for implementing stormwater management measures on their properties. The advantages of such a program include improved water quality, improved engagement by the community, as well as increased legal defensibility. Also, discount programs tend to be well received by the electorate, although most people do not participate. The down side of such a feature is that the cost of administering this feature may exceed the benefit, because the inspection of property-specific improvements is expensive and time consuming. Nonetheless, a couple of public agencies including the cities of Portland, Oregon and Palo Alto have successfully implemented discount programs.

The significant elements of discount program case studies are described below:

PORTLAND, OREGON

- In Portland, property owners are charged a fee including both on-site and off-site components and the discount program only applies to on-site costs.
- Single family residences are charged a fixed monthly rate of \$8.78 based on 2400 square feet of impervious area.
- Residential properties only get credit for roof runoff space, while commercial properties get roof and paved area credit (can receive up to 100% off stormwater utility fee).
- Partial credits for tree coverage, having <1,000 sqft of impervious area, installing drywells and soakage trenches, redirecting stormwater into gardens, etc.
- Funded through Clean River Rewards – Portland’s stormwater utility discount program.
- The maximum discount is 100% of the on-site stormwater charge.
- The main emphasis is the “Downspout Disconnection Program.”
- Property owners fill out a checklist of improvements and sign it as true. They are subject to announced inspections. Essentially, based upon the property owner’s input in the standard form, they get a calculated discount.

<http://www.portlandoregon.gov/bes/article/390568>

PALO ALTO, CALIFORNIA

- Credit is available to residential and commercial properties for installing approved items by certified specialists (rain barrels, permeable pavement, cisterns and green roofs).
- Program is funded with revenue from monthly Storm Drainage Fees

“As part of the Storm Drainage Fee Increase ballot measure approved by a majority of Palo Alto property owners in April 2005, a special program to encourage innovative storm water measures was created. The program is funded with revenue from monthly Storm Drainage Fees, at a rate of \$125,000 per year. The goal of this program is to help Palo Alto residents, businesses, and City departments to implement measures that will reduce the amount of runoff that flows into the storm drain system or improve the water quality of that runoff.”

Example measures include the following:

- Capturing rainwater in rain barrels or cisterns for use on landscaping and gardens.

- Constructing or reconstructing driveways, patios, walkways, and parking lots with permeable paving materials, so that rainwater soaks into the ground.
- Constructing a green (vegetated) roof to absorb and filter rainfall.

To achieve this goal, starting August 1, 2008, the City of Palo Alto Storm Drain Utility is offering stormwater rebates to residents, businesses, and City departments for the qualifying measures listed above, with the following steps:

- Submit an application
- Get approval to go ahead
- Submit supporting documentation, including receipts, etc.

<http://www.cityofpaloalto.org/gov/depts/pwd/stormwater/rebates/default.asp>

<http://www.cityofpaloalto.org/civicax/filebank/documents/13099>

SOUTH LAKE TAHOE

- Due to the unique and environmentally sensitive nature of the Lake Tahoe Basin, a number of special government agencies exist to protect the environment. To protect Lake Tahoe for future generations, the Tahoe Regional Planning Agency requires all developed parcels to install and maintain significant BMPs. The BMPs are tracked by TARPA including inspections and fines. There has been considerable public opposition to these requirements.
- Rebate of \$500 ONLY available to those with income at the median and under level, and complete BMP certification process.
- Funded through Prop 13 and Tahoe Regional Conservation District.
- BMPs can be as simple as putting gravel under drain spouts, planting native grasses, etc.

http://www.trpa.org/documents/press_room/2007/BMP_Rebate_7-19-07.pdf

<http://www.tahoebmp.org/>

SCHOOL SITE REBATE PROGRAM

As previously described, one potential vulnerability of the property-related fee approach is that large public agency parcels, in particular school sites, are often subject to significant fees. School districts are not accustomed to paying any taxes or fees, are typically financially stressed, and have strong support from the public. In order to diminish the political reality that a property-related fee for water quality improvements may be perceived as detrimental to schools, a “School Site Rebate Program” should be developed and included within the effort.

A “School Site Rebate Program” could rebate all or a portion the property-related fee if the school helped satisfy NPDES requirements such as by providing school-

age education and outreach. For example, the school could implement an approved educational program for its students and receive a significant fee reduction. Similarly, if school sites took steps to manage their stormwater runoff through retrofit or new/reconstruction of facilities, fees could be rebated or reduced. A municipality could consider utilizing relevant funding sources to help incentivize school site retrofits given the large amounts of impervious surface, priority focus as a trash generating land use, and educational benefits of providing stormwater capture and treatment.

COMMUNICATIONS AND MESSAGING

All of the approaches described in this report will require significant and thorough community communications and messaging. This is a two-fold task: Public Opinion Surveys and Community Outreach and Education.

ROLE OF PUBLIC OPINION SURVEY

The primary purpose of any public opinion survey is to produce an unbiased, statistically reliable evaluation of voters' and property owners' interest in supporting a local revenue measure. Additionally, should an agency decide to move forward with a revenue measure, survey data would provide guidance as to how to structure the measure so that it is consistent with the community's priorities and expressed needs. Specifically, the survey should do the following:

- Gauge current, baseline support for a local revenue measure associated with specific dollar amounts. (How much are property owners willing to pay?)
- Identify the types of services and projects that voters and property owners are most interested in funding, should the measure pass.
- Expose respondents to arguments in favor of, and against, the proposed revenue measure to gauge how information affects support for the measure.
- Identify whether local residents prefer the measure as a property-related fee or a special tax.
- Estimate support for the measure once voters and property owners are presented with the types of information they will likely be exposed to during the election cycle.

ROLE OF COMMUNITY EDUCATION

If an agency decides to pursue a balloted funding mechanism, a corresponding community outreach and education effort would be recommended. The community outreach plan should be based upon the results of the opinion survey and any existing outreach and education activities related to the stormwater program. A summary of important elements of community outreach is provided below.

DEVELOP AN OUTREACH PLAN AND SUPPORT DOCUMENTS

The agency should develop and execute a specific outreach effort for the initiative. The traditional, and still most effective local political approach is using volunteers to walk, ring doorbells, and speak with property owners directly, and/or volunteer at phone banks. Unfortunately, it is difficult to obtain large numbers of supportive volunteers, so this approach may not be feasible. Nonetheless, the team should develop: Handouts, Q&As, talking points, press releases, feature articles, newsletter articles, descriptive e-mails (suitable for use by local groups), web site information, etc. Generally speaking, the information provided should “tell the story” in the following way:

1. There are significant stormwater quality issues in the community.
2. Our program continues to do important work to protect our beaches, local waterways, and neighborhoods from pollution and harmful chemicals, making a significant difference over the years.
3. More work (and more funding) is needed.

ENGAGE ELECTED OFFICIALS

City Council members, County Board of Supervisors, and even state and Federal level elected officials should be aware of the effort, although it is unlikely they will actively advocate for it.

ENGAGE LOCAL MEDIA

Local newspapers, and most importantly, small local neighborhood newspapers and newsletters, should be fully engaged to distribute information.

ENGAGE LOCAL STAKEHOLDERS

The most effective outreach and education approach for a balloted storm drainage funding mechanism is to engage and work with environmental groups and other existing local groups like homeowner associations, taking advantage of their existing e-mail distributions and newsletters. Perhaps even more effective than setting up community meetings is to attend regularly-scheduled neighborhood group meetings.

MANAGE POTENTIAL POLITICAL OPPOSITION

Part of the community outreach planning should be the identification of any organized opposition. An unfortunate aspect of the way we fund local measures in California is that a well-motivated opponent, even one with limited financial and/or political resources, can do tremendous harm to a political effort. There is no one-size-fits-all approach to confronting political opposition, so the agency will have to remain flexible and poised to react to a potentially dynamic situation.

APPENDIX A.5 RECENT STORMWATER FUNDING EFFORTS IN CALIFORNIA

Despite the fact that NPDES permits require a significant local investment of resources, since the passage of Proposition 218 there have been relatively few local revenue mechanisms established to support stormwater programs in California. Table 5, below, lists these efforts. Although a local agency may differ significantly in demographics, geography, and culture from many of the areas in Table 5, the analysis of these stormwater measures provides useful information. (Note that the highly successful effort in Burlingame focused primarily on funding for localized flood control.)

TABLE 5 – RECENT STORMWATER MEASURES

Jurisdiction	Status	Rate	Year	Mechanism
San Clemente	Successful and Renewed once	60.15	2002, 2007	Balloted Property Related Fee
Carmel	Unsuccessful	38	2003	Balloted Property Related Fee
Palo Alto	Unsuccessful	57	2003	Balloted Property Related Fee
Los Angeles	Successful	+ \$28.00	2004	Special Tax - G. O. Bond
Encinitas	Non-Balloted, Threatened by Lawsuit, Balloted, Failed	60	2005	Non-Balloted Property Related Fee
Palo Alto	Successful	120	2005	Balloted Property Related Fee
Rancho Palos Verde	Successful , Then Recalled and Reduced	200	2005, 2007	Balloted Property Related Fee
Ross Valley	Successful, Overturned by Court of Appeals, Decertified by Supreme Court	125	2006	Balloted Property Related Fee
Santa Monica	Successful	84	2006	Special Tax
Solana Beach	Non-Balloted, Threatened by lawsuit, Balloted, Successful	21.84	2007	Non-Balloted & Balloted Property Related Fee
Woodland	Unsuccessful	60	2007	Balloted Property Related Fee
Del Mar	Successful	163.38	2008	Balloted Property Related Fee
Hawthorne	Unsuccessful	30	2008	Balloted Property Related Fee
Santa Cruz	Successful	25	2008	Special Tax
Burlingame	Successful	150	2009	Balloted Property Related Fee
Santa Clarita	Successful	21	2009	Balloted Property Related Fee
Stockton	Unsuccessful	34.56	2009	Balloted Property Related Fee
County of Contra Costa	Unsuccessful	22	2012	Balloted Property Related Fee
County of LA	Unsuccessful	54	2012	Balloted Property Related Fee
Santa Clara Valley Water District	Successful	56	2012	Special Tax
Vallejo Sanitation & Flood Control District	Successful	23	2015	Balloted Property Related Fee
Culver City	Successful	99	2016	Special Tax
County of El Dorado	Studying	NA	NA	NA
County of Orange	Studying	NA	NA	NA
County of San Mateo	In Process	NA	NA	NA
City of Sacramento	In Process	NA	NA	Balloted Property Related Fee
County of Ventura	Studying	+ \$25.00	NA	Balloted Property Related Fee

DISCUSSION - WHY DID IT SUCCEED OR FAIL

BURLINGAME, PALO ALTO, AND ROSS VALLEY - SUCCESSES

These three efforts were all successful at a relatively high rate, and provide helpful direction for any municipality considering a funding measure. All three primarily address local flooding with some stormwater quality elements. However, all three of these are relatively small, affluent, Bay Area and generally pro-tax communities that may not reflect the demography of other areas. In the case of Burlingame, a significant amount of door-to-door public outreach was required to gain property owner approval. It is important to note, however, that Burlingame and Palo Alto were both unsuccessful on their first attempts.

CULVER CITY, SANTA CRUZ AND SANTA MONICA

Culver City, Santa Cruz and Santa Monica have relatively high numbers of renters living in apartment buildings which make a special tax more attractive than a property-related fee. All three cities conducted successful special tax elections, at varying rates, emphasizing prevention of beach closures.

Culver City passed Measure CW with 74% approval in November 2016; a \$99/single-family residence ("SFR") parcel tax for water quality improvements. The measure was branded as "Clean Water, Clean Beaches," like the slogan used by the City of Los Angeles in their Measure O campaign. More specifically, the measure was "to protect public health/groundwater supplies and prevent toxins and pollutants from contaminating local waterways, creeks and beaches, by improving storm drains/infrastructure to capture/clean urban runoff; preserving open space; and complying with clean water laws." Other rates were \$69 for multi-family residential dwelling unit and \$1,096 per acre for non-residential properties.

Santa Cruz passed Measure E with 76% approval in 2008; a \$28/SFR parcel tax for beaches. The question on the ballot was, "To protect public health and the environment by reducing pollution, trash, toxics and dangerous bacteria in our river, bay and ocean; helping to keep beaches clean; protecting fish and wildlife habitat; shall the City of Santa Cruz adopt a Clean River, Beaches and Ocean Tax, with revenues spent locally under independent citizen oversight? The annual rates will be \$28 for single-family parcels, \$94 for other developed parcels, and \$10 for undeveloped parcels." In the ballot text, it said the tax is to "be used exclusively for the purpose of reducing and preventing water pollution and managing stormwater runoff."

Santa Monica passed Measure V with 67% approval in 2006; a parcel tax for clean water/groundwater recharge/beaches that was \$87/SFR in 2009. Taken from the Santa Monica website is a description of the Measure: "Measure V raises property tax revenue to be used solely for the purpose of implementing urban runoff water quality improvements in the City in accordance with the City's Watershed Management Plan adopted in 2006. It is the most equitable source of

funding to pay for new urban runoff treatment projects that will prevent our unhealthful water pollution, from reaching Santa Monica beaches and the Santa Monica Bay.”

STOCKTON – UNSUCCESSFUL

Stockton is a Central Valley city that has been plagued with well-publicized financial challenges, which ultimately eroded any chance of a successful new tax or fee for any service. In this case, Stockton attempted a property-related fee, with strong messaging for storm drainage infrastructure, at a relatively low rate, and it was soundly rejected. Stockton’s valid messaging and approach were victimized by the City’s very poor political climate.

WOODLAND – UNSUCCESSFUL

The City of Woodland established a Storm Drain Advisory Committee in 2007 to review current funding and maintenance issues and establish a plan to increase rates to solve these issues. Woodland currently has a storm drainage fee of \$0.49 per month, which has not increased since 1994. Focusing heavily on critical infrastructure needs and lack of funding, the City Council approved going out for ballot at a rate of \$5 per month, which would help pay back a loan from the General Fund for storm drain maintenance and fund what are seen as critical infrastructure projects. There was 59% majority disapproval of the increase by participating voters, which left the storm drain fee at the original \$0.49 per month.

SANTA CLARA VALLEY WATER DISTRICT - SUCCESSFUL

Santa Clara Valley Water District passed a parcel tax for “safe, clean water and natural flood protection” (Measure B) in November of 2012. Using a messaging platform of ensuring a safe, reliable water supply and immediate need of funding for critical infrastructure projects, they were able to garner support of 73.7% of participating registered voters. Another important aspect in the messaging of this Measure was that its purpose is to replace an existing tax that was due to expire in 2016.

Part of their effort went towards producing an “Action Plan” that provided detail on what the funding from the Measure would be used for. They listed priorities and their corresponding projects, estimated costs of these projects, detail on fee structure, and frequently asked questions. The Plan also included acknowledgements to their many endorsers and sponsors throughout the effort, which included several popular newspapers that produce both print and electronic articles.

Many articles were produced in favor of Measure B. They highlighted how safe, clean water is critical to the economy of the Silicon Valley as well as the new, streamlined staffing and spending within the District. Previously known for high salaries, excessive spending and extreme benefit packages, the District brought

in a new CEO who cut staff and needless expenditures. An issue that could have ruined their outreach efforts was successfully spun in a positive light.

By working with local communities, the District was able to message towards real priorities that were present within their borders. Emphasizing safe, clean, healthy water and the inherent need for funding for critical infrastructure that would otherwise be postponed were their keys to success. Putting forward an established plan made the public more comfortable with supporting this Measure because they could see where their money was going. Keeping the environment healthy by ensuring a clean, vital resource allowed voters to connect with this effort and feel like they were voting for a good cause.

SAN CLEMENTE - SUCCESSFUL

San Clemente has been very successful with its stormwater measure, and has had it renewed by property owners after its five-year sunset. This measure was primarily focused on preventing beach closures, which may not be applicable to other areas.

COUNTIES OF LOS ANGELES AND CONTRA COSTA – UNSUCCESSFUL OR STALLED

Both of these efforts were ultimately unsuccessful and suffered from criticism of the elements of the property-related fee process. Los Angeles also suffered from a lack of support from some of the co-permittee cities involved.

COUNTIES OF ORANGE AND VENTURA

These efforts are currently under way and have stalled due to disagreements amongst co-permittee cities.

ENCINITAS, RANCHO PALOS VERDE, CARMEL AND SANTA CLARITA

These efforts were for small cities and may not be particularly relevant to other areas.

HAWTHORNE - UNSUCCESSFUL

The City of Hawthorne used a mailed ballot process in 2008 for a “clean water fee.” It would have funded storm drain and pipeline improvements to reduce the risk of flooding and reduce contamination in water runoff. Hawthorne heavily focused on stormwater infrastructure and State-mandated clean water programs. The fee structure for the measure was composed of tiered rates, with a standard home on a 6,000 square foot lot being charged \$2.50 per month and larger properties from \$2.50 to \$10 per month. The measure failed with a majority, 55.3%, voting against it.

DEL MAR - SUCCESSFUL

The City of Del Mar used a mail ballot process in 2008 for two separate issues. The first pertained to their then-current clean water fee, assessed at a rate of \$20.90 bi-monthly, and the other to a proposed increase to \$27.23 bi-monthly with

language allowing for CPI increases. They decided to ballot their then-current fee because they increased the rate without balloting in 2003, and questions had been raised about its legality in regards to Proposition 218 after a 2006 Supreme Court case that ruled stormwater fees could not be increased without voter approval.

Both ballot questions gained high support; voters approved then-current fees with 68.8% approval and approved the fee increase with 62.4% approval. Del Mar utilized a successful public outreach effort with messaging towards preventing pollution, ensuring clean drinking water, and NPDES permit requirements and threat of expensive fines.

VALLEJO - SUCCESSFUL

The Vallejo Sanitation and Flood Control District is responsible for the backbone storm drainage system for the City of Vallejo. They had a stormwater fee in place since the 1990s that was a uniform charge of \$1.97 per month per parcel. This applied to all parcels regardless of land use (residential, commercial or industrial). Their recent engineering study, however, recommended different fees for non-residential uses.

They put out a mail ballot measure in early 2015 proposing the same \$1.97 rate for residential (most of the properties in town) and higher rates for non-residential. They conducted a telephone survey in late 2013 and implemented a community outreach program in 2014 that included some mailers and community meetings. The District ended up winning their measure with 57% support. By keeping the majority of the properties at the same \$1.97/month rate, they were able to keep support high enough to prevail.

APPENDIX B CITY OF SAN CLEMENTE – SUCCESS STORY

The story of the City of San Clemente illustrates how a local municipality has successfully implemented a property-related fee for stormwater activities.

San Clemente was one of the first municipalities to pursue a Proposition 218-compliant balloted property-related fee for stormwater in 2002. San Clemente is a community of 64,000 population in southern Orange County, and strongly identifies with the beaches along the coast. Stormwater pollution had grown to such proportions that beaches had to be closed during certain storm events due to public health concerns. This led the City to establish the “Clean Ocean Program” aimed at preventing stormwater and urban runoff pollution from entering the storm drain system and being discharged at the beach. In particular, the program would protect the environment, public health and safety, contribute to the local quality of life as well as meet State and Federal clean water requirements.

Using the property-owner option under Proposition 218, the City pursued a mail ballot proceeding in 2002 and won a 57% majority of support. The property owners have since voted to support two extensions to that fee program (in 2007 and 2013), which is currently authorized until 2020.

The key elements of success included the following:

- City staff, in response to local NPDES permit requirements, developed an urban runoff management plan. This plan outlined approaches to reducing the pollution levels that affected the environment – particularly the beaches. With a firm plan, which included capital projects and programs, the City was able to demonstrate how they would be able to address the problems of beach pollution.
- As with most successful measures, the City was fortunate to be able to demonstrate that core issues of the stormwater program aligned with quality-of-life issues that resonated with local property owners. In this case, it was the health of the City’s beaches.
- A local environmental group, Surfrider Foundation, supported the measure and helped raise public awareness.
- Prior to the first ballot in 2002, the City conducted public opinion surveys that indicated adequate support for the measure. It also helped identify priority issues for the community, which the City was able to demonstrate in the stormwater program.
- A “Frequently Asked Questions” document from San Clemente’s 2013 effort is included in Appendix B.

On the following pages is a Frequently Asked Questions sheet provided by the City of San Clemente in association with their 2013 Clean Beaches Program ballot measure.



City of San Clemente Clean Ocean Program & Fee **Frequently Asked Questions**

What is the Clean Ocean Program?

It is the City's effort to prevent stormwater and urban runoff pollution from entering the storm drain system and being discharged at the beach.

Why does the City need a Clean Ocean Program?

- To protect the environment (water quality in local channels and coastal waters);
- To protect public health and safety (from bacteria and other pollution that could reach the beach);
- To protect local quality of life (local business/tourism, "beach town" reputation, etc.); and
- To meet State Water Code and Federal Clean Water Act permit requirements issued to South Orange County cities by the State.

Who developed the Clean Ocean Program?

The City prepared an Urban Runoff Management Plan (URMP), which included participation and feedback from the community as well as the City's Coastal Advisory Committee (local citizens appointed by the City Council to consider and provide advice on coastal and water quality issues). The URMP guides the Clean Ocean Program, and outlines activities and projects to meet the State and Federal water quality requirements and protect local water quality.

What does the Clean Ocean Program include?

- *Runoff treatment projects*
 - Poche Beach: A treatment system was constructed and is maintained to filter and kill bacteria in the runoff before it reaches the beach. Construction was completed in March of 2009. The system treats up to 1.1 million gallons per day. Weekly water quality tests indicate that the UV treatment removes between 95% - 99% of the bacteria in the storm drain runoff before it discharges to the beach. The current water quality grade at Poche Beach is an A+.
 - North Beach: A system was constructed to divert dry weather runoff away from North Beach and send it to the City's Water Reclamation Plant for treatment. The system started operating on June 1, 2009. It diverts and filters about 350,000 gallons per day. The current water quality grade at North Beach is an A+.
 - Underground storm drain units were installed to remove trash, oil & grease and sediment from runoff before it gets to the beach. Six units have been installed. They are located near Calafia Beach, in the Pier Bowl area, at the west ends of El Portal, at the end of Linda Lane and at Mariposa. In 2013, 35 cubic yards of material was captured and removed by these units. This is material that would have otherwise have ended up in the ocean.
- *Pollution prevention activities*
 - Street Sweeping: the City sweeps public residential streets twice per month and major streets and business areas about 3 times per week. Over 22,000 tons of material has been collected over the last ten several years, enough to fill 550 large (40 cubic yard) trash bins.
 - Catch Basin Inspection and Cleaning: the City inspects at least 2,205 catch basins annually, cleaning them as needed. In 2013, 2,432 catch basins were cleaned and a total of 914 cubic feet of material was removed.
 - Water Quality Testing: water samples from over 20 locations throughout town are sampled each year to help identify potential problem areas and monitor quality progress over time. Flow measurements are also taken to help measure progress in reducing urban runoff flows.
 - Special Studies: the City consulted with scientists to conduct an in depth investigation to find sources of bacteria in the Poche Beach watershed. A year long study which included molecular

City of San Clemente Clean Ocean Program & Fee **Frequently Asked Questions**

marker testing culminated in focused recommendations and a strategic plan for reducing bacteria at Poche Beach. The final report of the study is located on the Clean Ocean Program website at www.sccleanocean.org.

- **Commercial, Industrial and Construction Site Inspections:** Inspections of businesses, industrial facilities and construction sites are conducted to make sure these sites are using proper Best Management Practices (BMPs) to prevent pollution from entering the storm drain system and reaching the beach. Over 9,000 inspections have been completed in the last 10 years.
- **Spill Cleanups and Storm Drain Maintenance:** A 24/7 hotline number (**366-1553**) is in place to respond to and cleanup spills or investigate reported illegal discharges. In addition, the City performs ongoing maintenance to ensure proper function of the storm drain system and inspects all public catch basins annually and removes materials that might be discharge into the system.
- **Enforcement of Anti-pollution Ordinances:** Dedicated officials enforce water quality laws to identify and correct violations. Depending on the severity of the violation, enforcement may include verbal warnings, written correction orders, and/or fines of \$100, \$200, or \$500 per violation.
- **Public Outreach and Education:** Efforts promote awareness of stormwater and urban runoff pollution impacts, and ways the public can help prevent this pollution from happening in the first place.

What is the cost of implementing the Clean Ocean Program?

The cost to implement the program is about \$2.2 million per year.

What is the cost of not implementing the Clean Ocean Program?

The City could be liable for large fines if the State finds that the City is not meeting the requirements of the stormwater permit regulations. Also, there are potential economic impacts (tourism, real estate values, etc.) if the City does not work to protect its healthy beach town reputation.

How is the Clean Ocean Program funded?

By a Clean Ocean utility fee charged to property owners. The fee is collected as a line item on the monthly utility bill for owners that get water service from the City. The fee is charged monthly but collected via a separate twice-yearly bill to San Clemente property owners that get water service from other providers (e.g. South Coast Water District or Santa Margarita Water District).

Why do property owners get charged the Clean Ocean Fee?

Developed and graded properties contribute runoff to the storm drain system (which includes pipes, channels, drain inlets and street gutters). This runoff contains or picks up pollution before it enters the storm drain, which the City must then address. Since providing storm drain and water quality services is like other utility services provided by the City (e.g. drinking water and sewer service), it is appropriate that property owners pay for the cost of this service.

How long will the continued fee be in effect? When will it end?

If approved by San Clemente property owners, the existing Clean Ocean Fee would be continued for an additional six and one-half (6.5) years, and would expire on June 30, 2020.

How much will the fee increase over the next 6.5 years?

The continued Clean Ocean Fee would be fixed and would not increase over the entire period.

Why are property owners voting on this fee?

**City of San Clemente Clean Ocean Program & Fee
Frequently Asked Questions**

Under the provisions of California Proposition 218, property owners must approve new property fees adopted by cities.

What is the change from the existing to the proposed Clean Ocean Fee?

Single Family Residential Monthly Fee		
	Current Fee	Proposed New Fee
Private street	\$ 4.39	\$ 5.10
Public street	\$ 5.02	\$ 6.23

Multi-Family Residential Monthly Fee		
	Current Fee (per residential unit)	Proposed New Fee (per residential unit)
Private street	\$3.51	\$4.08
Public street	\$4.01	\$4.98

Non-Residential (Commercial, Industrial, Business Park) Monthly Fee		
	Current Fee (per acre or fraction thereof)	Proposed New Fee (per acre or fraction thereof)
Private street	\$43.90	\$51.00
Public street	\$50.20	\$62.30
Note: Almost all non-residential streets within the City are public streets.		

Undeveloped, Graded Property Monthly Fee				
	Current Fee		Proposed New Fee	
	<i>2 acres or less</i>	<i>Each acre over 2 add:</i>	<i>2 acres or less</i>	<i>Each acre over 2 add:</i>
Private street	\$2.20	\$0.44	\$2.55	\$0.51
Public street	\$2.51	\$0.50	\$3.12	\$0.62
Note: There is no clean ocean fee charge for undeveloped, ungraded parcels.				

Note: Properties on private streets are charged a lower rate since the City doesn't provide street sweeping service on private streets.

How is the fee calculated?

The fee is based on a parcel's expected contribution of runoff, which is determined by an estimate of the impervious area on that parcel. Impervious areas include such things as buildings and pavement, which prevent or restrict storm water from getting into the soil and increase runoff from a parcel.

Why is the existing Clean Ocean Fee being proposed to be continued?

The fee funds a stormwater quality program that the State requires the City to implement. Since the fee was last approved, the State revised and adopted a new stormwater permit for the south Orange County area that contains more rigorous requirements. Also, the State recently adopted new requirements for bacteria pollution for which the City must comply.

What happens if continuation of the existing Clean Ocean Fee is not approved?

If the Clean Ocean Fee is not continued, the City will need to support the Clean Ocean Program with some other funding source. The most likely source would be the General Fund, which would result in about \$2 million each year that would not be available for other needed projects and programs within the City.

City of San Clemente Clean Ocean Program & Fee
Frequently Asked Questions

How and when will the vote occur?

All record owners of property within the City that are directly subject to the proposed fee will receive an official mail-in ballot with a postage paid addressed return envelope. The ballots will be mailed to property owners on October 25, 2013. Return ballots are due on December 10, 2013.

How do I cast my vote?

Simply fill out the ballot and mail or deliver it to the San Clemente City Clerk by the due date noted on the ballot.

How do I get more information?

More information about the proposed fee continuation is available on the City's website at www.sccleanocean.org. You may also call the Environmental Programs Section at (949) 361-8204 or send an email to cleanwater@san-clemente.org.

What's the difference between storm drains and sewers – doesn't it all get treated?

Like most other cities, the City of San Clemente owns and operates a storm drain system, which is the network of channels and pipes that collect stormwater and urban runoff and discharges it into the ocean. Unlike sewer systems that send sewage to a treatment plant before being discharged, most storm drain systems, including the City's, were built to collect and convey runoff to prevent flooding but not to treat urban water runoff. Therefore, any pollutants that runoff carries into the storm drain system are discharged untreated along the City's shoreline.

Do other cities have a Clean Ocean Program?

They may call it something else, but all cities in the urbanized areas of Southern California are required by the State to implement stormwater and urban runoff programs to prevent discharges of pollution to creeks, rivers and the ocean.

How do we know that the Clean Ocean Program is working?

- The City records amounts of trash picked up by street sweepers and removed from underground treatment devices.
- Larger treatment projects include monitoring to compare water quality before and after treatment.
- The City tracks the number of enforcement actions and inspections to document these efforts.

Why should San Clemente property owners pay to clean up pollution from upstream cities?

Unlike most cities in Southern California, San Clemente's city boundary is very similar to the local watershed boundary. This means that San Clemente is a self-contained watershed, and that there are no upstream cities that contribute pollution through our local watershed. So the pollution in our storm drains comes from San Clemente properties, and not from out-of-town areas.

How can I help?

To learn about simple tips to help prevent urban runoff pollution, please visit www.sccleanocean.org or www.ocwatersheds.com.

To learn about potential volunteer opportunities (e.g. beach cleanups), please visit www.scwatersheds.com.