



REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: March 3, 2009

SUBJECT: Storm Drain Fee Update

Report in Brief

The vote on the Storm Drainage Fee increase was defeated in August 2007. A meeting was held in December following the vote with members of the Storm Drainage Advisory Committee and some members of the community who were opposed to the fee to discuss why the measure failed and what City officials could learn from this setback. Several messages were clear from that discussion:

1. Some form of mitigation needed to be available for seniors and disabled citizens in Woodland who are on fixed incomes.
2. There should be no annual consumer price index increases after the end of the fee increase period without another community election to authorize these increases.
3. The fee increase should not be used to pay back internal loans; loans that are legally required to be repaid should come from the General Fund unless specifically authorized by property owners as part of the fee increase.
4. The proposed starting rate was too high; it should be scaled back and implemented over a longer period of time until the minimum amount for reasonable and accountable funding for stormdrain operations and capital improvements is reached.
5. Any fee increase should also mandate a report to Council and the community on how the funds were spent.

Since the election, Storm Drainage costs in excess of the collected fee have been moved to the General Fund. However, these costs are impacting services to the citizens of Woodland and these excess General Fund costs are not expected to be reduced in the future. In fact, the reasons for needing the Storm Drainage Fee increase are greater now than in 2007 because the City's General Fund is no longer able to sustain a subsidy of the storm drain program without significant reductions to other services.

Staff recommends that the City Council direct staff to begin the process of identifying the needs and associated costs for reasonable and prudent maintenance and repairs of the storm drain system and prepare for a new community-wide vote on the proposed fee in March of 2010.

Background

After its appointment by the City Council, The Storm Drainage Advisory Committee met every two weeks beginning in March, 2007. The Committee was asked to advise Council on how to best address the funding shortfall in the Storm Drainage Enterprise Fund, and how to best present the issues and alternatives to the community so they can make an informed choice.

The Committee represented a broad cross section of the community; Mike Berta was Chair; Gary Sandy Vice Chair; and members included Dudley Holman, Xavier Tafoya, Ken Trott, Alan Gering, Alan Flory, John Benedict, Dave Giger, Steve Fann, Cathy Lawrence and Ernie Rodriguez.

Through a series of meetings, the Committee received a tour of the system, reviewed storm drainage services, evaluated present and future regulatory requirements, examined past operational funding needs, assessed fund borrowing practices and capacity and received an overview of future capital projects needed to protect and enhance the system. They discussed both the minimum legal requirements and the minimum recommended requirements and received a summary of best management practices required by law and supported by practitioners throughout the nation. The City's Finance staff also discussed the impacts to City of Woodland services if the General Fund had to absorb the funding shortfalls in the Storm Drainage Enterprise Fund.

Storm Drain Advisory Committee Recommendations

The Committee recommended the City proceed with a Proposition 218 ballot process for a rate increase for the Storm Drain Enterprise program. While the Committee was unanimous in the need for a rate increase which would ultimately reach \$9.50 per month (to be phased in by 2013), they were split on whether to start at \$3.50 or \$5.00 per month the first year. The question was which had a better likelihood of being supported by the community.

This eventual \$9.50 per month amount would have covered all regulatory requirements and the minimum recommended practices in the various program areas, and was seen as the minimum prudent amount necessary to insure a properly functioning Storm Drainage program. It was felt that once this rate was achieved, the community would not require another rate increase request in the foreseeable future. It was proposed that the \$5.00 per month starting rate fully provided for the basic maintenance and operations needs of the system and over the next five years accelerate the achievement of needed repairs and enhancements. In contrast, starting at \$3.50 per month would likely be more acceptable to the community; however, it would delay the more proactive maintenance and repair program. Staff was supportive of either approach.

At City Council's May 1, 2007 meeting, Council received the report of the citizen's Storm Drain Advisory Committee, and concurred with the need to increase rates to be able to adequately fund the operation and maintenance requirements, regulatory compliance programs, increasing repair and replacement costs, legally mandated repayment of debt to other funds, and the City's share of capital improvements; all without impacting General Fund programs. Council directed staff to proceed with the process for raising all storm drainage rates commensurate with single family monthly rates going from \$0.48 a month to \$5.00 a month.

It is important to note that when Council approved a phased rate increase of water and sewer fees in April 2005, all of the public outreach leading to that action included notification of an anticipated increase in storm drainage fees to \$5.00 a month and it was stated at that time that the storm drain fee increase had to be handled separately because of differing Proposition 218 requirements established for storm drain systems.

Under Proposition 218, storm drainage fees are property related and requires a two part process; first a majority protest hearing process and second, a mail in ballot supporting/opposing the proposed increase.

The Public Hearing was held July 10th. Multiple public meetings were held with citizens to discuss the storm drain fee increase vote that was planned for in early August 2007. Ballots were mailed to property owners on or about August 10th, with a deadline for receipt by the City Clerk of 5 pm, Tuesday, August 28th. After the vote was counted, the proposed fee increase was defeated. Currently a large portion of the storm drain program competes for money from the general fund, thereby reducing funds available for other General Fund activities.

The storm drainage public outreach and election cost the City of Woodland approximately \$56,000, not including a substantial amount of staff time. One consultant was used to assist in public outreach activities. The failure of the storm drain fee increase outreach was attributed to the limited time to prepare the public for a fee increase occurring in conjunction with both a sewer and a water rate increase. It was also impacted by the limited amount of funds available to properly promote and educate the citizens of Woodland on the crucial need for the storm drain fee increase. Furthermore, the initial increase of the monthly storm drain fee started at too steep of a rate for acceptance by many voters. After the vote and defeat of the proposed increase, staff determined that a successful public relations firm, with experience in both the Proposition 218 process and municipal utility infrastructure would greatly enhance the probability of a successful public education process.

Discussion

The Storm Drainage Infrastructure of the City of Woodland continues to have increased demands placed on the system from increasingly complex permit requirements, escalating repair and replacement needs, and new protection certification requirements associated with the flood management of the 200-year event in the new General Plan. All of these requirements would have significant impacts to the General Fund without a fee increase. It is important that a fee increase be passed by Woodland property owners in order to meet the regulatory, capital and operational requirements of the storm drain system. Failure to pass a fee increase will eventually cause a reduction in other basic General Fund services. The successful approval of a fee increase cannot occur unless an effort is started as soon as possible for a March 2010 election.

While an election and education/outreach project will impact the General Fund, if the fee increase is passed, it will mitigate future General Fund impacts from the required demands of the storm drainage system and permit requirements. The City of Woodland collects about \$176,000 per year and the General Fund subsidy is approximately \$200,000 annually.

State law allows the City two opportunities for a Prop 218 election. These opportunities are in August and March of each year. Beginning in May through July 2009, Woodland residents will be going through the Prop 218 majority protest process for the changes associated with the Water Enterprise Fund to the meter fee schedule. These changes would become effective in the July and August billings for water rates. If a simultaneous process was implemented for a property related Prop 218 process for the storm drain fee in August, citizens may be confused. In addition, it is going to take time to educate the property owners on the storm drain fee increase. It would not be prudent to seek the fee increase as property owners consider the water rate increase and if they are not fully informed regarding the need for the storm drain increase. Having the election in March 2010 after the education effort will increase the chances for a positive response from property owners.

Fiscal Impact

If the City Council chooses to pursue a storm drainage fee increase, it will impact the General Fund for the cost of the election and an education/outreach program for the voting property owners. The preliminary estimate for these costs is approximately \$180,000. The lessons learned from the original effort will help a new effort succeed as long as City officials pay attention to, and act upon, the significant issues raised by the community in the last election. The risk of having an election without an informed and focused education/outreach process may lead to another defeat and continued escalating costs for storm drainage maintenance and operations to the General Fund.

Public Contact

Posting of the City Council agenda.

Council Committee Recommendation

The Infrastructure Committee agrees that the Storm Drainage Enterprise fund needs to become independent of the City of Woodland General Fund and cease impacting other General Fund Programs. It has been clearly recognized that the needs of the Storm Drainage Infrastructure cannot be met without a fee increase.

Alternative Courses of Action

1. Direct staff to begin the process of identifying the needs and associated costs for reasonable and prudent maintenance and repairs of the storm drain system and prepare for a new community-wide vote on the proposed fee in March of 2010.
2. Continue to supplement the Drainage Enterprise Fund from the General Fund with ever increasing impacts to City services.

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ITEM:

Recommendation for Action

Staff recommends that the Council approve Alternative No. 1.

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