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SHAPING THE FUTURE ONE PROJECT AT A TIMESM

Rate Analysis Report

for the

Water Quality and Flood Protection Program

Storm Drain User Fee

(2016 Renewal)

For the

City of Rancho Palos Verdes

Los Angeles County, California

November 18, 2015

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Preliminary Report
City of Rancho Palos Verdes
Storm Drain User Fee

The undersigned respectfully submits the enclosed report as directed by the City Council.

DATED: November 18, 2015



BY: K. Dennis Klingelhofer
R.C.E. No. 50255



I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment Roll thereto attached, was filed with me on the ____ day of _____, 2015.

Carla Morreale, City Clerk,
City of Rancho Palos Verdes
Los Angeles County, California

By _____

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment Roll thereto attached was finally adopted and confirmed by the City Council of the City of Rancho Palos Verdes, California, on the ____ day of _____, 2015.

Carla Morreale, City Clerk,
City of Rancho Palos Verdes
Los Angeles County, California

By _____

INTRODUCTION

To ensure dedicated funding for the Water Quality and Flood Protection Program, the City of Rancho Palos Verdes established a user fee in September 2005. Fiscal Year 2015-16 was the final year of the original fee, however with the additional projects as recommended by the update to the Master Plan of Drainage it is necessary to consider continuing the fee. The purpose of this report is to:

- Review the requirements of Article XIID of the State Constitution (Proposition 218) relating to requirements for apportioning the costs associated with the storm drain system.
- Ensure that the fee rate structure established is fair and equitable for the levying of the costs of the Water Quality and Flood Protection Program.
- Identify changes in impervious factors for residential properties that were previously capped in the original fee.
- Outline the process to continue the Fee based on Proposition 218.

Proposition 218 Requirements

All fees must comply with the provisions of Article XIID of the California Constitution (Proposition 218). Section 6.b of Proposition 218 has the following requirements for all “new, extended, imposed or increased” fees and charges:

- 1) “Revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service.”
- 2) “Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.”
- 3) “The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.”
- 4) “No fee or charge 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 or charges 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 this code].”
- 5) “No fee or charge 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 property owners.”



There have been a number of court cases related to property-related fees in the last few years; however they have all focused on water rates or groundwater charges. The only substantive part of these cases that related to storm water fees is the requirement that the fees be based on the cost of service and that they must be proportional. The City's current rate structure complies with this requirement.

Rate Structure Analysis

Within the City of Rancho Palos Verdes there are many separate watersheds of various terrain and with inlets, pipes and channels made of various materials and in various conditions. Some of these watersheds flow directly to the ocean and others flow through other cities or into the unincorporated county areas.

All parcels draining into City-maintained drainage infrastructure are proposed to be charged the same user fee rate per ERU for storm drain renewal and maintenance. The Water Quality and Flood Protection Fee is proposed to be extended for an additional ten years and the storm drain improvement program that is being funded is anticipated to upgrade the entire City's storm drain system to a uniform level of maintenance needs in the future.

Parcels within the City that have runoff flowing out of the City without going through any City-maintained drainage infrastructure are not included in this fee. There are also a number of County-maintained pipes within the City. If properties drain exclusively to these pipes and the pipe system does not include any City-maintained infrastructure, then they are not included in the fee.

The current Hydrology Manual and adopted impervious percentages have been reviewed for consistency with current case law and Proposition 218 requirements. There were not any changes that would have significant bearing on the current methodology.

Impervious Factor Changes

At the time of the original formation, one of the changes incorporated from the early appeals and property owner concerns during the balloting timeframe was for the properties larger than 0.75 acres. It was determined those properties would be reviewed for actual imperviousness because there was a greater potential for a portion of the property to consist of slopes therefore limiting the amount of buildable area and therefore impervious area. That review resulted in several properties having a reduced impervious percentage and fee.

Going forward, the properties that were capped in the original SFR5 category were reviewed to confirm their actual impervious percentage and are now included in the SFR6 category which has been changed to include all SFR properties 0.75 acres and greater.

Approval Process

Article XIII D of the California Constitution requires that the proposed Fee must go through a two-step approval process. The first step is a Public Hearing, and the second step is a property owner election.

Public Hearing

All property owners subject to the proposed Fee will be given the opportunity to protest the Fee at the Public Hearing scheduled for January 19, 2016. If at the conclusion of the Public Hearing, written protests against the proposed Fee have been filed (and not withdrawn) by the owners of a majority of the parcels subject to the Fee, then the process will stop and the Fee will not be imposed.

A written protest must identify the property and be signed. The City cannot accept electronic protests, such as email or texting. In order to be counted in determining whether there is a majority protest, written protests must be filed with the City Clerk prior to the conclusion of the Public Hearing. Written protests may be delivered to the City Clerk at the Public Hearing or mailed or delivered to the City Clerk at City Hall at the address shown on the front of this notice. Protests which are mailed or delivered to City Hall must arrive at City Hall by 3:00 p.m. on January 19, 2016 to be counted. Only one written protest will be counted per parcel.

Property Owner Election

If there is an absence of a majority protest, the City Council may order an election on the proposed Fee. One ballot will be provided for each parcel subject to the proposed Fee. Ballots will be mailed to the record owner(s) of the parcels and property owners will be given 45 days to return their ballot. Property owners will be informed of the date and time tabulation of the ballots will occur and they will have the opportunity to view the tabulation process. The results will be presented to the City Council at the next regular Council Meeting following the completion of the tabulation and the Council may impose the Fee if the Fee is approved by the majority of the returned ballots. If approved, the fee will be collected on the annual County Property Tax Bills for ten years commencing with FY 2016-17. The mailed ballot election is expected to occur in spring of 2016.

A flowchart of the Approval Process is provided in Exhibit A.



COST ESTIMATE

The estimated annual costs to fund the Water Quality and Flood Protection Program are provided below in Table 1.

Table 1 – Estimated Annual Costs

	Budget
BEGINNING FUND BALANCE (7/1/15)	\$863,848
ESTIMATED REVENUES	
Annual Fee Levy	\$1,439,785
Interest Earnings	\$7,800
	\$1,447,585
ESTIMATED EXPENDITURES	
Point Repairs	\$900,000
Pipe Lining	\$340,836
Miscellaneous Repairs & Maintenance	\$245,544
Reserve for Anticipated Additional Costs	
Administration (contract/staff engineer)	\$79,736
	\$1,566,116
ESTIMATED ENDING FUND BALANCE (6/30/16)	\$745,317

The ending fund balance constitutes a Reserve for Future Projects.



ANNUAL FEE RATE CALCULATIONS

By definition, all properties that drain into the City’s storm drain system use the storm drain system. The amount of use attributed to each parcel is measurable by the amount of storm runoff contributed by the property, which is directly proportional to the amount of impervious area on a parcel (such as buildings and concrete). The more impervious area on a property, the more storm runoff the property generates. Vacant, unimproved parcels are still in their natural states and do not contribute any additional runoff to burden the system, therefore these parcels are not charged a storm drain fee.

Table 2 shows the estimated Impervious Percentages for single-family residential (SFR) properties of various size ranges. These Impervious Percentages are the estimated percent impervious cover on a property based on a ten percent data sampling of SFR parcels within the City of Rancho Palos Verdes when the fee was initially adopted. For the renewal process we reviewed all the appeals that have been filed since the district was formed. Of the 75 appeals that were received, 65 were approved. Because the percentages of appeals compared to the total number of parcels for each land use was small, the only trend identified was for SFRs on larger lots. The lots 0.75 acres and greater were moved to the SFR6 category and actual impervious area was calculated for each. Looking at the aerials of the properties where multiple appeals were in the same tract verified the appealed properties were the anomalies in that tract.

Because of the variations in condominiums and non-SFR properties, which include: multi-family residential, institutional (such as churches and private schools) and government-owned properties, these properties are reviewed individually using the GIS and Aerial photography to determine the actual Impervious cover for each parcel.

Table 2 – SFR Impervious Percentages

Land Use	Impervious Percentage	SFR Size Ranges
SFR1	74.0%	0.01 - 0.16 acres (~1 sf - ~7,012 sf)
SFR2	58.0%	0.161 - 0.20 acres (~7,013 sf - ~8,755 sf)
SFR3	48.5%	0.201 - 0.28 acres (~8,756 sf - ~12,239 sf)
SFR4	41.0%	0.281 - 0.54 acres (~12,240 sf - ~23,565 sf)
SFR5	34.5%	0.541 - 0.74 acres (~23,566 sf - ~32,669 sf)
SFR6	n/a*	0.75 acres and greater

* the actual impervious percentage is used for each parcel.

The amount each parcel uses the storm drain system is computed by the following formula:

$$(\text{Parcel Area}) \times (\text{Impervious Percentage}) = \text{Drainage Units}$$

The more Drainage Units a parcel has, the more storm run-off it generates, and the more it uses the storm drain system.

It is often convenient to relate other land uses to a developed single family home, instead of working exclusively with Drainage Units. Since 83% of the parcels within the City are designated as

Single Family Residential (SFR) parcels, and the median number of Drainage Units is 0.118 for all SFR parcels, it makes sense to relate all parcels to this median residential property. Therefore, 0.118 Drainage Units is set equal to one Equivalent Residential Unit (ERU).

Parcels within the City that have runoff flowing out of the City without going through any City-maintained drainage infrastructure are not included in this fee. There are also a number of County-maintained pipes within the City. If properties drain exclusively to these pipes and the pipe system does not include any City-maintained infrastructure, then they are not included in the fee. These areas, which consist of approximately 3,047 parcels, are excluded from the Storm Drain User Fee.

For the purposes of this report, City-maintained infrastructure includes pipes, inlets, outlets, and natural drainage courses, and is also referred to as the “City’s storm drain system.”

Inventory of Parcels

Table 3, below, provides a summary of parcels by land use and shows the current estimated Drainage Units compared to the FY 2015-16 final roll.

Table 3 – Drainage Unit Comparison Table

Land Use	Parcels	Acreage	Imperv. Percent	Current Drainage Units	Prior Drain Units	Percent Change in Drain Units over Prior Yr
SFR1	1,114	162.569	74.0%	120.055	120.055	0.00%
SFR2	1,899	349.683	58.0%	202.669	202.669	0.00%
SFR3	3,097	736.832	48.5%	357.420	357.420	0.00%
SFR4	2,811	1,108.431	41.0%	451.424	451.424	0.00%
SFR5	587	366.114	34.5%	123.705	123.705	0.00%
SFR6	376	430.965	actual*	100.612	94.956	5.96%
CNDO	1,845	139.458	actual*	95.708	95.708	0.00%
MFR	39	53.690	actual*	41.736	41.736	0.00%
COM	47	144.935	actual*	75.717	75.717	0.00%
INST	20	114.240	actual*	64.669	64.669	0.00%
GOV	48	490.258	actual*	120.473	120.473	0.00%
	11,883	4,097.175		1,754.188	1,745.225	0.51%

Table 4 provides a summary of ERU for each land use based on the current Drainage Units.

Table 4 – ERU Summary Table

Land Use	Parcels	Acreage	ERU	Land Use Description
SFR1	1,114	162.569	1,017.4233	SFR: 0.01 - 0.16 acres (~0 sf - ~7,012 sf)
SFR2	1,899	349.683	1,717.5829	SFR: 0.161 - 0.20 acres (~7,013 sf - ~8,755 sf)
SFR3	3,097	736.832	3,029.0239	SFR: 0.201 - 0.28 acres (~8,756 sf - ~12,239 sf)
SFR4	2,811	1,108.431	3,825.6320	SFR: 0.281 - 0.54 acres (~12,240 sf - ~23,565 sf)
SFR5	587	366.114	1,048.3478	SFR: 0.541 - 0.749 acres (~23,566 sf - ~32,669 sf)
SFR6	376	430.965	852.6445	SFR: 0.75 acres and greater
CNDO	1,845	139.458	811.1116	Condominiums
MFR	39	53.690	353.6949	Multi-Family Residential
COM	47	144.935	641.6693	Commercial
INST	20	114.240	548.0422	Churches, Private Schools, Institutions
GOV	48	490.258	1,020.9573	Government-owned parcels
	11,883	4,097.175	14,866.1297	

The parcel areas for condominiums are calculated by dividing the total area of the condominium complex (which includes the common area) by the number of condominium units, and the total imperviousness of the entire complex is attributed to each individual condo parcel in the complex. (This divides the runoff of the entire complex to each of the individual units.) Because the condominium common areas are taken into consideration in this manner, they are exempt from the charge.

Annual Fee Rate

Table 5 provides the calculation of the Maximum Annual Fee Rate for the first ten years of the program.

Table 5 –Annual Fee Rate

	CPI Increase	CPI Rate	2% Rate	Max. Rate	Actual Rate
Base Year - FY 2006-07				\$86.00	\$86.00
FY 2007-08	3.8%	\$89.27	\$87.72	\$87.72	\$87.72
FY 2008-09	3.3%	\$90.61	\$89.47	\$89.47	\$89.47
FY 2009-10	0.0%	\$89.47	\$91.26	\$89.47	\$89.47
FY 2010-11	1.4%	\$90.72	\$91.26	\$90.72	\$90.72
FY 2011-12	2.3%	\$92.81	\$92.53	\$92.53	\$92.53
FY 2012-13	2.1%	\$94.47	\$94.38	\$94.38	\$92.53
FY 2013-14	2.2%	\$96.46	\$96.27	\$96.27	\$96.27
FY 2014-15	0.5%	\$96.75	\$98.20	\$96.75	\$96.75
FY 2015-16	0.1%	\$96.85	\$98.69	\$96.85	\$96.85

The maximum rate per ERU for FY 2016-17 will remain at \$96.85. The proposed extension of the Fee will provide for the maximum rate to increase automatically on an annual basis by an amount equal to the annual change in Consumer Price Index for all Urban Consumers (CPI) for the Los Angeles, Riverside, Orange County Areas including all items as published by the U.S. Bureau of Labor Statistics as of March 1 of each year (12 months ended February), not to exceed a maximum increase of two percent (2%) per year starting FY 2017-18.

The actual rate to be levied each year will be as approved by the City Council at a public hearing, after they consider an Annual Fee Report outlining the estimated annual costs of the program.

Table 6 provides sample fee calculations for various land uses and parcel sizes based on the Fee Rate for FY 2016-17 (the same as for FY 2015-16).

Table 6 – Sample Calculations

Land Use Designation	Parcel Area (sf)	Parcel Area (ac)	Est. Imperv. Percent	x	=	Drainage Units	/	0.118	=	ERU's	FY 15-16 Annual Fee Rate/ERU \$96.85
SFR1	3,500	0.08	0.740	x	=	0.059	/	0.118	=	0.5000	\$48.43
SFR2	7,400	0.17	0.580	x	=	0.099	/	0.118	=	0.8390	\$81.26
SFR2	8,300	0.19	0.580	x	=	0.110	/	0.118	=	0.9322	\$90.28
SFR3	9,200	0.21	0.485	x	=	0.102	/	0.118	=	0.8644	\$83.72
SFR3	10,000	0.23	0.485	x	=	0.112	/	0.118	=	0.9492	\$91.93
SFR3	11,300	0.26	0.485	x	=	0.126	/	0.118	=	1.0678	\$103.42
SFR4	13,500	0.31	0.410	x	=	0.127	/	0.118	=	1.0763	\$104.24
SFR4	17,000	0.39	0.410	x	=	0.160	/	0.118	=	1.3559	\$131.32
SFR4	21,400	0.49	0.410	x	=	0.201	/	0.118	=	1.7034	\$164.97
SFR5	30,500	0.70	0.345	x	=	0.242	/	0.118	=	2.0508	\$198.62
CNDO*	1,307	0.03	0.800	x	=	0.024	/	0.118	=	0.2034	\$19.70
CNDO*	3,049	0.07	0.850	x	=	0.060	/	0.118	=	0.5085	\$49.25
Non-SFR	13,068	0.30	0.820	x	=	0.246	/	0.118	=	2.0847	\$201.90
Non-SFR	13,068	0.30	0.700	x	=	0.210	/	0.118	=	1.7797	\$172.36
Non-SFR	29,185	0.67	0.350	x	=	0.235	/	0.118	=	1.9915	\$192.88
Non-SFR	29,185	0.67	0.700	x	=	0.469	/	0.118	=	3.9746	\$384.94
Non-SFR	71,874	1.65	0.650	x	=	1.073	/	0.118	=	9.0932	\$880.68
Non-SFR	71,874	1.65	0.850	x	=	1.403	/	0.118	=	11.8898	\$1,151.53
Non-SFR	135,907	3.12	0.400	x	=	1.248	/	0.118	=	10.5763	\$1,024.31
Non-SFR	135,907	3.12	0.600	x	=	1.872	/	0.118	=	15.8644	\$1,536.47

0.118 = Drainage Units per median SFR ERU = Equivalent Residential Unit

* Condominium parcel areas = the area of the entire complex divided by the total number of units in the complex.

Appeals Process

If a property owner disagrees with the calculation of his or her fee, based on the parcel area and estimated impervious percentage assigned to the property, then the property owner may appeal the calculation as follows:

1. Property owner must provide written documentation explaining the reason why the charge should be changed. This documentation must include:
 - a. The name, phone number, mailing address, and email address, if available, of the property owner.

- b. The Assessor's Parcel Number (APN) of the property in question.
 - c. To-scale drawings of the property in question and the impervious areas located on it with accompanying calculations. The to-scale drawings shall include the square footage and labels for each impervious area (i.e. house, garage, driveway, patio, tool shed, carport, etc.).
2. If additional documentation is required or insufficient documentation was submitted, a representative of the Public Works Department or his or her designee (Staff) will notify the property owner in writing within two (2) weeks of receipt of the appeal.
 3. Once Staff has determined that sufficient documentation has been submitted, Staff will perform the initial review. Staff will notify the property owner in writing within four (4) weeks from the time sufficient documentation was submitted as to whether or not the fee amount will be changed.
 - a. If the determination is to change the fee amount, then the new fee amount will be documented within the City's fee database.
 - b. If the determination is that the fee should not be changed, the property owner can appeal Staff's decision to the Director of Public Works (Director). The appeal must be made in writing and returned no later than four (4) weeks from the date of mailing of Staff's initial review decision. The Director will notify the property owner in writing within four (4) weeks from the date of receipt of the appeal as to whether or not the fee amount will be changed.

If the Director's determination is that the fee should not be changed, the property owner can appeal this decision to the City Council. The appeal must be made in writing and returned no later than four (4) weeks from the date of mailing of the Director's appeal decision. The City Clerk shall fix a time and place for hearing the appeal and shall give notice in writing to the appellant in the manner prescribed in Section 3.16.090 for service of notice of hearing. The City Council's determination on the appeal shall be final.

Appeals will be accepted annually up until June 30 for inclusion on the following fiscal year's property tax roll submittal. However, if an appeal is granted by Staff, the Director or the City Council that does not permit inclusion for the following fiscal year's property tax roll submittal, a reimbursement will be provided to the property owner by the City.

EXHIBIT A

