

MEMORANDUM

TO: HONORABLE MAYOR & CITY COUNCIL MEMBERS
FROM: DEBORAH CULLEN, DIRECTOR OF FINANCE *DC*
MICHAEL THRONE, DIRECTOR OF PUBLIC WORKS
DATE: NOVEMBER 17, 2015
SUBJECT: MASTER PLAN OF DRAINAGE AND ENGINEER'S
PRELIMINARY REPORT FOR STORM DRAIN USER
FEE 2016 RENEWAL

REVIEWED: DOUG WILLMORE, CITY MANAGER *DW*

Staff Coordinators: Kathryn Downs, Deputy Director of Finance *KD*
Andy Winje, PE, Senior Engineer *AW*

RECOMMENDATION

1. Receive and file a summary of the 2015 Master Plan of Drainage (on the City's website since October 1, 2015), and the Draft Preliminary Report for the Water Quality and Flood Protection Program Storm Drain User Fee, 2016 Renewal (attachment A).
2. Schedule a public hearing for January 19, 2016; to consider whether the City should conduct a mail-ballot election of affected property owners, for a 10-year extension of the storm drain user fee with the same fee structure and methodology.

EXECUTIVE SUMMARY

The City's Storm Drain User Fee (Fee) was established in 2005, and is paid by about 80% of property owners. In 2007, the City's voters imposed a 10-year sunset on the Fee, and FY15-16 is the last year of collection. The City collects about \$1.3 million annually from the Fee, which is restricted to the storm drain system. Staff is recommending the City conduct a mail-ballot election of property owners to determine whether the Fee should be extended for another 10 years. After reviewing the Rate Engineer's Report indicating the Fee assumptions, methodology and structure are still valid and compliant with law, Staff proposes no changes to the structure of the Fee.

MASTER PLAN OF DRAINAGE AND PRELIMINARY ENGINEER'S REPORT FOR STORM DRAIN USER FEE RENEWAL

November 17, 2015

Page 2 of 6

The information in this report was presented to the Storm Drain Oversight Committee on October 29th, the Finance Advisory Committee on November 9th, and the Infrastructure Management Advisory Committee on November 12th.

Storm Drain Oversight Committee

A straw vote indicated that 3 members supported Staff's recommendation to move forward with a mail-ballot election (Kim, Lyon and Sala), 1 member opposed at this time (Rodich), and 1 member was undecided (Johnson). All members appeared to recognize the scope of the City's storm drain needs. Members in support of a mail-ballot election noted the quantified storm drain need, a desire to balance the City's available resources with other infrastructure needs, and the range of potential expenditures for water quality compliance. Noting the City's fund balances, Member Rodich opined the City has accumulated enough General Fund money for the first 4-5 years of the program; and depending on its financial condition at the end of that period, the City could consider asking the voters for another user fee. Member Johnson was in favor of a dedicated revenue source for storm drains; but unsure if the user fee is the most appropriate choice. Member Johnson indicated that storm drains will compete with other demands for the City's limited resources (e.g. MS4 permit compliance, landslide management, other infrastructure); but noted the other demands have not been fully quantified.

Finance Advisory Committee (FAC)

The FAC provided excellent feedback regarding presentation of information to the public, and unanimously approved the following statement prepared by the Committee.

"Considering the potential costs of storm drain needs, absent a dedicated revenue source, the ability to continue to fund the City's ongoing infrastructure needs would be in jeopardy. The FAC recommends the City Council set the public hearing for February 2016."

The FAC discussed risk associated with the storm drain program, noting the consequences of a failed storm drain may be much more significant than the consequences of a failed roadway. The FAC considered whether the City should bear the potential risk of storm drain failure without having asked the voters.

Infrastructure Management Advisory Committee (IMAC)

Due to the timing of the IMAC meeting and City Council agenda distribution, a summary of the IMAC discussion and any recommendations will be provided to the City Council as late correspondence.

BACKGROUND

The City's storm drain program results include:

**MASTER PLAN OF DRAINAGE AND PRELIMINARY ENGINEER'S REPORT FOR
STORM DRAIN USER FEE RENEWAL**

November 17, 2015

Page 3 of 6

- Completion of San Ramon Canyon stabilization and McCarrell Canyon drainage improvements;
- Completion of: drainage projects at Sunnyside Ridge, PVDE and La Vista Verde, the PVDE Switchbacks, Via Colinita, Miraleste Plaza, Seacove, Palos Verdes Bay Club, and Mossbank;
- Rehabilitating and lining of more than 15,000 linear feet of corrugated metal pipe (through 2015 for a cost of about \$4.8 million), extending the life of those pipes for another 25 years; and
- Performing cleaning and video inspection of all accessible and known City-owned storm drains. Some locations received multiple cleanings and inspections.

Through FY15-16, total program expenses are expected to total \$42.1 million.

| | |
|---|----------------------|
| Spent through FY13-14 | \$ 34,245,934 |
| Spent FY14-15 | 3,394,327 |
| Budget FY15-16 (includes carryovers from FY14-15) | 4,457,021 |
| Total Program Expenses | \$ 42,097,282 |

Through FY15-16, total program resources are expected to total \$44.4 million.

| | |
|--|----------------------|
| Fee revenue (10 years, including FY15-16 estimate) | \$ 12,983,468 |
| Grant Revenue | 9,464,727 |
| Interest Earnings (including FY15-16 estimate) | 562,057 |
| General Fund Contributions | 21,355,734 |
| Total Program Resources | \$ 44,365,986 |
| Estimated Ending Fund Balance June 30, 2016 | 2,268,704 |
| Total Program Expenses | \$ 42,097,282 |

As illustrated above, the program's ending fund balance at June 30, 2016 is estimated to be \$2,268,704.

DISCUSSION

Master Plan of Drainage & Condition Assessment

On October 1, 2013 the City Council awarded a contract to RBF Consulting (now Michael Baker International) to develop a Master Plan of Drainage for the storm water drainage system in the City. This effort involved desk top and field studies to inventory the city's storm drain system, develop a GIS layer based on all known data, and model the system under prescribed rainfall events to determine where capacity deficiencies in the system may be present. The deficient areas are further studied to develop a conceptual level "project" that would correct the deficiency. The costs for these conceptual projects are estimated using rough, industry-wide, unit costs to determine an order of magnitude

**MASTER PLAN OF DRAINAGE AND PRELIMINARY ENGINEER'S REPORT FOR
STORM DRAIN USER FEE RENEWAL**

November 17, 2015

Page 4 of 6

estimate to correct all the capacity deficiencies in the City. To conclude the master plan, a prioritization scheme is developed, based on risk, to determine an implementation program and schedule for implementation of the conceptual projects.

The 2015 Master Plan of Drainage has been completed and posted to the City's website (as of October 1, 2015 at <http://www.rpvca.gov/901/Master-Plan-of-Drainage>). The Plan includes recommendations to correct hydrologic (direction of movement) and hydraulic (flow capacity) deficiencies in the City's storm drain system. Estimated project costs total \$17,614,000 (in 2015 dollars). This list does not include projects for new infrastructure (e.g. San Ramon Canyon stabilization was new infrastructure). The \$17.6 million estimate does not include additional work that may be necessary due to the unique characteristics of the City (e.g. geotechnical studies and utility surveying), nor does it include storm drain lining.

The 2014-15 closed circuit television condition assessment of the City's entire storm drain pipeline indicates that 18,352 of pipe is in "urgent" need of lining (average through severe defects of corrugated metal pipe), at an estimated cost of about \$10 million.

Storm drain improvements over the last ten years are considered to be in good condition, and are not a part of these estimated costs.

Proposed New Infrastructure – Unfunded

The 2015 Five-Year Capital Improvement Plan identified storm drain projects for new infrastructure, but did not identify funding. These projects were identified by Staff based on the age of the existing infrastructure, landslide area and requirements relating to the Municipal Storm Sewer System National Pollutant Discharge Elimination System (MS4 Permit). Estimates of minimum and maximum project costs are listed below.

| Project | Minimum | Maximum | Midpoint |
|--|---------------------|----------------------|----------------------|
| Altamira Canyon Drainage | \$ 1,600,000 | \$ 5,350,000 | \$ 3,475,000 |
| Paintbrush Canyon Drainage | 2,568,000 | 2,568,000 | 2,568,000 |
| Miraleste Canyon Drainage | 2,500,000 | 3,200,000 | 2,850,000 |
| San Pedro Canyon & Averill Canyon Drainage | 2,700,000 | 3,300,000 | 3,000,000 |
| Catch Basin Screen Installation | 600,000 | 900,000 | 750,000 |
| Totals | \$ 9,968,000 | \$ 15,318,000 | \$ 12,643,000 |

Summary of Storm Drain System Needs

| | |
|--------------------------------------|----------------------|
| Correct Storm Drain Deficiencies | \$ 17,614,000 |
| Unfunded New Storm Drains (midpoint) | 12,643,000 |
| Storm Drain Lining | 10,000,000 |
| Estimated Total Costs | \$ 40,257,000 |

**MASTER PLAN OF DRAINAGE AND PRELIMINARY ENGINEER'S REPORT FOR
STORM DRAIN USER FEE RENEWAL**

November 17, 2015

Page 5 of 6

The \$40.3 million estimated cost spread over a 10-year program results in a spending plan of about \$4 million annually (excluding ongoing maintenance). The City's transient occupancy tax revenue transferred to the Capital Improvement Projects (CIP) Fund is about \$5 million annually. The City has accumulated reserves, which include about \$15.2 million in the General Fund and \$13.3 million in the CIP Fund at June 30, 2015 (unaudited). However, the City has other demands on its resources.

The City must comply with new federal and state mandates for clean storm-water runoff. Information presented in May 2015 to the Regional Water Quality Control Board indicates that the City may be responsible for \$36 million to \$58.5 million of projects to achieve storm water quality compliance. Detailed information is posted on the City's website.

The City must balance the use of its resources. In addition to unfunded storm drain improvements, there are many other recommended infrastructure projects identified in the 2015 Capital Improvement Plan with estimated costs ranging from a total of \$20 million to \$27 million that remain unfunded. Many of these projects address safety and access issues; and include improvements in the public right-of-way, City park sites, and City-owned buildings. Detailed information is posted on the City's website, and is an appendix of the City's FY15-16 Budget Document.

As we all know, there is also an active landslide in the City; and the impacts of that landslide must be managed. The City Council has funded a series of new dewatering wells, and has planned for relocation of the roadway back into the City's right-of-way; however, more infrastructure projects may be needed to protect human safety and regional access. The FY15-16 budget includes an allocation of \$75,000 to develop a strategic plan to articulate the City's short and long-term goals related to groundwater pumping, public safety, emergency response, and roadway maintenance/replacement.

If we combine the estimated storm drain needs with other demands for City resources, as illustrated below, it becomes clear that the City's \$5 million revenue stream and accumulated reserves can pay for some of the City's needs, but not all.

| | Annual |
|---|----------------------|
| Estimated storm drain needs, spread over 10 years | \$ 4,025,700 |
| Estimated other infrastructure funded with General Fund money, per 2015 Capital Improvement Plan (CIP): | |
| Residential street rehabilitation | 1,720,000 |
| Other infrastructure (Landslide, Park Impr, Roadways, etc.) | 3,049,406 |
| Midpoint of estimated water quality compliance, spread over 10 years | 4,725,000 |
| Midpoint of other unfunded infrastructure (per 2015 CIP), spread over 10 years | 2,350,000 |
| Potential Infrastructure Demands on General Fund | \$ 15,870,106 |

**MASTER PLAN OF DRAINAGE AND PRELIMINARY ENGINEER'S REPORT FOR
STORM DRAIN USER FEE RENEWAL**

November 17, 2015

Page 6 of 6

CONCLUSION

The success of the first ten years of the program, along with the information presented above, is the basis for Staff's recommendation to extend the Fee for another ten years.

Process to Extend the Fee

The required proceedings for an extension of the Fee are very similar to the proceedings undertaken by the City in 2005 to establish the Fee. An election is required, and the City Council has the option of holding a registered voter election or conducting a mailed ballot election of the affected property owners. The extension of the Fee must be approved by a two-thirds vote if the election is by the registered voters, and by a majority vote if the election is by the property owners. Staff recommends that the City conduct a property owner mailed ballot election as was done in connection with the approval of the existing Fee, because the property owners pay the Fee.

On June 2, 2015, the City Council authorized the Fee Rate Engineer to analyze the Fee structure and methodology to ensure assumptions are still valid and compliant with changes in the law over the last ten years. The Rate Engineer's analysis has been completed, and the attached report indicates that assumptions are still valid and compliant with the law.

The process to extend the Fee via a mail-ballot election in spring 2016 can be summarized as follows.

- City Council decision whether to conduct a public hearing in February – tonight's agenda item.
- Mail Notices of Public Hearing – December 2015.
- Conduct Public Hearing – February 2016.
- Ballot Period – February-March 2016.
- City Council adopts results of election; and, if the results are favorable, considers ordinance to extend the Fee – April 2016.

Attachment

A – Draft Preliminary Report for the Water Quality and Flood Protection Program Storm Drain User Fee (2016 Renewal) – page 7



DRAFT

Preliminary 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

October 21, 2015

TABLE OF CONTENTS

| | |
|------------------------------------|----------------------|
| Certificates | Pg. 1 |
| Introduction | Pg. 2 |
| Cost Estimates | Pg. 5 |
| Annual Fee Rate Calculations | Pg. 6 |
| Sample Calculations..... | Pg. 10 |
| Approval Process Flow Chart | Exhibit A |
| Assessment Roll | Under Separate Cover |



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: October 21, 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

The 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 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.

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 proposed Actual Fee Rate.



Table 6 – Sample Calculations

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

