



Office of the City Manager

November 21, 2017

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Subject: Potential Proposition 218 Processes to Increase Clean Stormwater and Streetlight Rates

This report provides Council with an explanation of the potential Proposition 218 processes to increase the Clean Stormwater and Streetlight rates.

Current Situation

Streetlights

The Street Lighting Assessment District was established in 1982 for the purpose of maintaining and servicing existing and future streetlights. The rates for the Streetlight assessment have never been increased. Current revenues are projected to fall short of funding annual operations, even before accounting for deferred and future capital projects that involve repairing and replacing damaged streetlight poles and other infrastructure.

In 2016, the LED conversion saved \$400,000 in PGE costs; however, the savings are being used to pay off the California Energy Commission (CEC) loan and are not available to fund operations or maintenance costs. The interest rate of 1% is already low and cannot be decreased to lower the payment.

Stormwater

The Clean Stormwater Fee Ordinance was adopted in 1991 to reduce pollutants that enter storm drains and to meet regulatory mandates for clean stormwater. The rates have never been increased. The Clean Stormwater Fund is projected to face a deficit in FY 2019. In addition, the Stormwater program faces a backlog in capital improvements, with over \$208 million in project costs identified in the 2011 Watershed Management Plan. Stormwater permit regulatory requirements continue to increase, with mandatory project requirements due annually. If the Clean Stormwater fees are not increased, the City will not have the funds needed to reduce flooding, avoid structural failures, and meet the regulatory requirements for clean stormwater.

Revenues for both programs are paid for by property owners through the Alameda County tax roll. General Fund support for these two funds has been suspended in FY 2018 and FY 2019 in budget-balancing measures. Rates that generate revenue to support the programs cannot be increased without voter approval under Proposition 218.

Proposition 218 Process

Public Works staff has initiated the Proposition 218 process to increase rates for Streetlights and Clean Stormwater. Proposition 218 requires government agencies to hold a public hearing and obtain a majority approval (51%) from the voting property owners. The City will send property owners a survey, and the City will hold several community meetings to gauge the public's willingness to approve rate increases.

SCI Consulting

The City went through a competitive solicitation process and selected SCI Consulting to manage the Proposition 218 process on behalf of the City. On September 12, 2017, Council adopted Resolutions ratifying the action taken by the City Manager during the City Council recess to execute contracts with SCI to conduct rate studies for both Streetlight Assessment and Clean Stormwater Fees. SCI is an engineering and financial consulting firm that has successfully managed many Proposition 218 processes for other agencies. SCI will develop and mail the public opinion survey, prepare a rate study, and attend community meetings. SCI will also attend any required public hearings and tabulate votes of property owners.

Schedule

The process takes approximately one year to complete. The goal is to complete the process by June 30, 2018 so the new rates can go into effect by FY 2019. If the survey or community outreach process indicates that rates for both programs will not be passed, the Streetlight Assessment election will be postponed until 2019. Clean Stormwater has greater revenue needs and government mandates, therefore Staff will proceed with Clean Stormwater first. Staff will come before Council next spring to discuss the results of the survey and to request approval of Proposition 218 process. The following schedule is proposed.

Schedule

November 2017: Property owner survey

December 2017: Analyze results of survey and decide the type of election, amount of rate, and timing of Streetlight process

December-February 2018: Complete Stormwater and Streetlight rate studies

January 2018: Hold community meetings

March 2018: Council meeting to report on survey results and approve Prop 218 process

April 2018: Hold protest public hearing for Stormwater

May 2018: Hold public hearing and count ballots for Stormwater

May 2018: Hold public hearing and count ballots for Streetlight(if proceeding in FY18;
if not postponed until March 2019)

May 2018: Council adopts Resolutions approving new rates during public hearing (if
owners pass new rates)

July 1, 2018: New rates are added to the Alameda County FY18-19 property taxes

cc: Mark Numainville, City Clerk
Matthai Chakko, Assistant to the City Manager
Ann-Marie Hogan, City Auditor