



Office of the City Manager

February 14, 2018

To: Honorable Mayor and Members of the City Council

From:  Dee Williams-Ridley, City Manager

Subject: Community Survey Results and Update on Proposition 218 Processes to Propose New Clean Storm Water and Streetlight Fees

This report provides the Mayor and City Council with the results of the recent community surveys regarding proposed new Clean Storm Water and Streetlight fees following the Proposition 218 process, and the next steps to proceed with a ballot proposing new fees based on the survey results.

In November 2017, SCI, the City's consultant for the Proposition 218 process, mailed property owners a survey to gauge the public's willingness to approve new fees and to learn which program components were the most important to the community. The survey results received by property owners indicate sufficient community support for a new Clean Storm Water fee (57%). The results for the Streetlight program (46%) fell short of the 50% required for passage when surveyed at a rate of an additional \$19 (per average residential property). After the survey was released, Public Works received updated condition assessment information on streetlights, setting the repair and replacement needs and costs. Based on the condition assessment, the requested rate increase is lower, now an \$11 average increase for residential. Based on this rate adjustment, and the immediate need for sustainable funding for both the Clean Storm Water and Streetlight programs, Public Works is recommending proceeding with the Proposition 218 process to impose new fees for both programs.

If approved by the property owners and the City Council, the existing fee structures will stay in place and not be amended. Instead, this process will create new Proposition 218 compliant fees, which will be a second revenue source for each program and charged separately on property owners' tax bill.

Current Situation

Clean Storm Water

The purpose of the stormwater system is to manage the flow and quality of rainwater which eventually is discharged into the creeks and San Francisco Bay. The City's Clean Storm Water program was adopted in 1991 in order to comply with regional clean water regulations. Currently, the program consists of flood management, clean water

requirements, and capital infrastructure. Property owners pay Clean Storm Water rates through their property taxes, and the rates have never been increased. Since 2014, the program has been running a deficit, and without additional revenue, the Clean Storm Water Fund (831) is projected to experience a negative fund balance of \$300,000 in FY2019 and a \$1.69 million deficit by FY2022. The deficit does not include costs for major capital projects, which have not been included in the budget due to the lack of funding. The deficit is attributable to the increasing costs to comply with clean water regulations and maintain the stormwater infrastructure (pipes, green infrastructure, trash capture devices, catch basins, etc), along with stagnant program revenue.

Consequences of Not Implementing New Clean Storm Water Fees

The new fees are needed to sustain basic operations and address critical capital needs such as sink holes and priority flood areas. If new fees are implemented and no other source of revenue is provided, the program will experience reduced maintenance services, including, but not limited to, less responsiveness to property owners during storm emergencies, less frequent cleaning of storm drains and catch basins, and deferred repairs of storm infrastructure resulting in greater damage and higher repair/replacement costs, and a growing backlog of sinkholes in the streets. Because maintenance efforts help control flooding, incidents of flooding will likely increase and expand to more areas, putting residents' property at greater risk. The City will also not be able to address critical capital needs and develop a plan for long-term capital needs necessary to rebuild the City's 80-year old storm system.

Streetlights

The Streetlight Assessment District was established in 1982 for the purpose of maintaining new and existing streetlights. The cost to maintain streetlights includes utility costs, repairs of lights, maintenance and replacement of poles, and adding new streetlights. The streetlight program received a subsidy from the general fund in FY 2006 to 2017. Because of the many other demands on the general funds, the general fund can no longer support the program. The subsidy was removed from the program to balance the City's budget in FY 2018. Unlike other services such as public safety, the streetlight program has a dedicated source of funds through the streetlight fees paid by property owners. However, the rates established in 1982 are no longer sufficient to support the program and maintain service levels. The streetlight fees can only be used to pay for streetlight costs and is supposed to be self-reliant, fully covering the streetlight program needs.

Consequences of Not Implementing New Streetlight Fees

This new fee is needed to sustain basic operations and address critical capital needs. If the proposed new fee is not implemented and no other source of revenue is provided, the program will experience a reduction in maintenance services and hamper the ability to add new lights citywide.

Survey Results

In coordination with Public Works staff, SCI, the City's Proposition 218 consultant, developed informational flyers and surveys for the Stormwater and Streetlight programs. SCI has used this type of polling to gauge community response around funding initiatives for many other municipalities and districts. Polling in other communities has been successful in indicating the results of election future ballot measure.

Of the 28,000 property owners, 12,000 received the surveys. Half of the surveys tested Stormwater only, and half tested for both Stormwater and Streetlight. 2,720 of the surveys were returned with completed responses for Stormwater, and 1,435 surveys were returned with responses for Streetlight. Property owners were asked to state their willingness to approve a new funding measure for Stormwater and for Streetlights. As shown in the Chart 1 below, the survey indicated that 57.5% of owners would be willing to pay an additional \$43.09 for the Stormwater program. Chart 2 shows that 46.2% of owners would support paying an additional \$19.40 for streetlights.

Chart 1

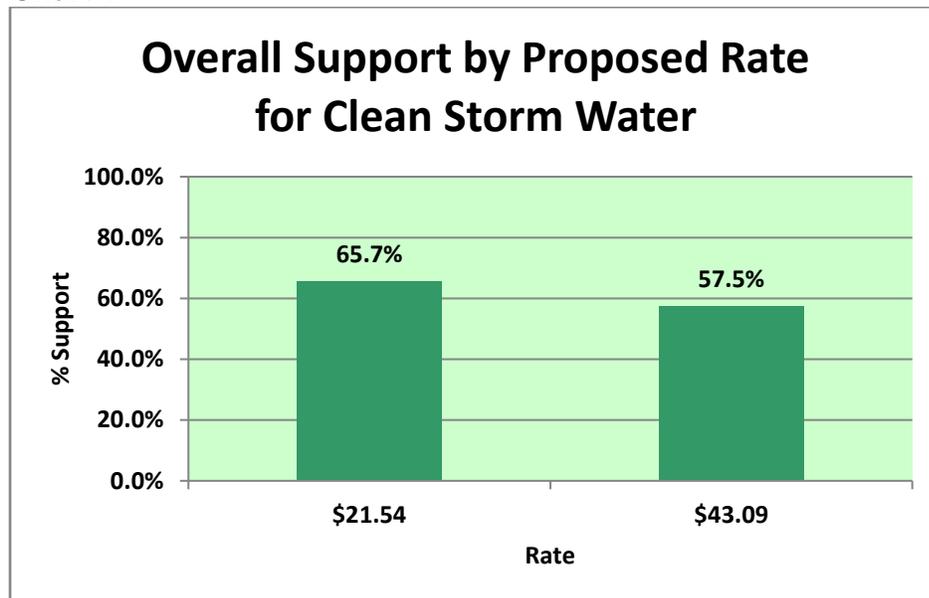
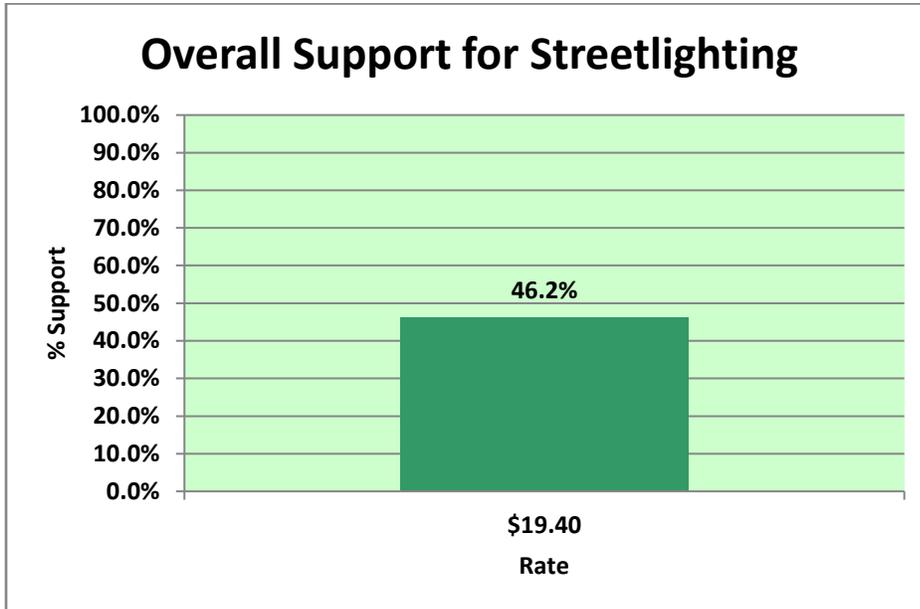
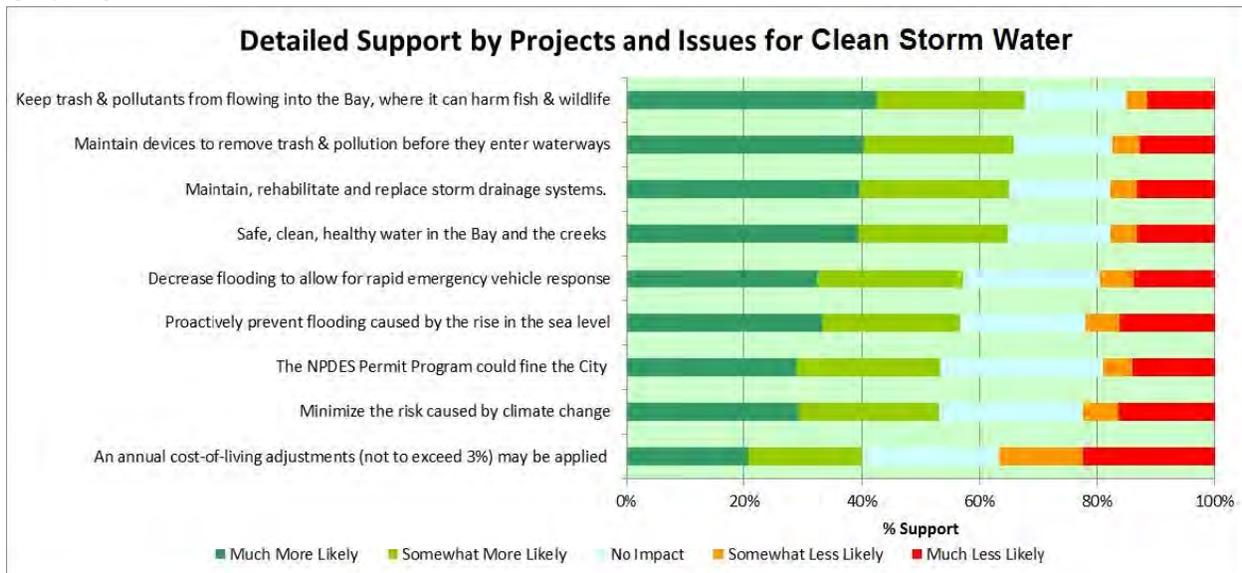


Chart2



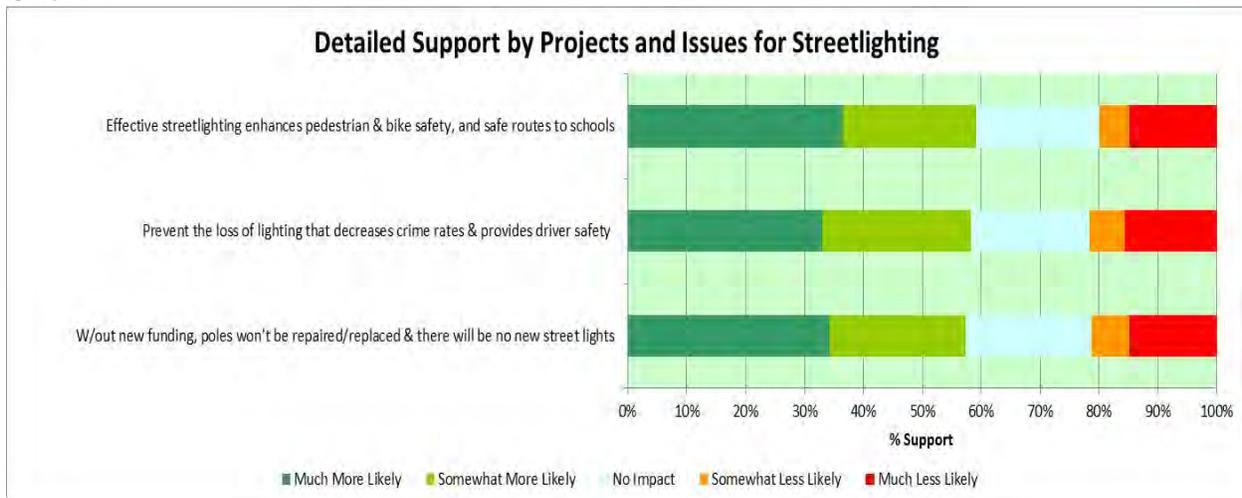
The surveys also asked property owners to state the importance of various aspects of the programs. The surveys indicate that maintenance and improvement of the City's stormwater system is currently desired by a significant proportion of property owners in the City. Many of the comments addressed the importance of flood control, as well as the importance of cleaning pollutants from the water flowing to the City's creeks and the San Francisco Bay. The comments show the property owners support improvements to, and maintenance of, the City's storm drainage infrastructure in order to achieve these goals. As shown in Chart 3, property owners' top priorities for the Clean Storm Water program are protecting the environment, maintaining the storm drain infrastructure, and decreasing incidents of flooding.

Chart 3



The Streetlight surveys indicate that maintenance and improvement of the City’s streetlights are currently desired by a significant proportion of property owners in the City. Many of the comments addressed the importance of streetlights to improve safety and to reduce crime. However, some property owners think no new streetlights are needed, or the new LED lights are too bright or harsh. Some are concerned about light pollution or prefer their neighborhood to be dark at night, to make it easier to sleep. Chart 4 shows that the most important priorities around streetlights relate to bicycle and pedestrian safety and decreasing crime.

Chart 4



Survey Comments

Many written comments were included on the returned surveys. Below are a few of the main comments received.

Property Owners Want More Information

Whether they indicated they were in support of the proposed funding measures or not, property owners want more information about both of the measures before they decide whether or not to support them. In particular, property owners want to know details about how the funds will be spent, and about the City's current budget.

Strong Fiscal Controls and Accountability Are Key Provisions

Property owners indicated they want assurances that the money from these measures will be spent on the projects the City says it will fund. Property owners want to be sure these new funds won't be mingled with the general fund, and won't be spent on other projects.

To address these comments, the City is hosting small group stakeholder and City-wide community meetings.

Clean Storm Water

How the new Clean Storm Water Program Fees are calculated

Clean Storm Water fees are based on the amount of impervious surface on a property. Impervious surfaces are surfaces that don't allow rainwater to soak into the ground, such as rooftops, driveways, and parking lots. Instead of soaking into the ground, the water runs off of surfaces into the drains and eventually out to the San Francisco Bay. Along the way, this water picks up pollutants such as oil, pesticides, and trash, which are then carried into the Bay if the water is not treated. Properties, like commercial and industrial buildings with large roofs and parking lots, have a lot of impervious surface and impact the storm drainage system more. Therefore, fees for these types of properties are higher. Residential properties tend to have more landscaping and smaller lots and tend to pay the lowest rates. Vacant, undeveloped properties pay no Clean Storm Water fees. Table 1 on page 7 shows some of the typical stormwater costs for the current and proposed fees for types of property by a particular size. These are not the exact amounts each owner will pay. The table shows average rates to present a general idea of the current and proposed new fees.

There are several property owners who own large amounts of property who are currently exempt and not paying Clean Storm Water fees for some or all of their properties. These owners include Kaiser Foundation, UC Berkeley, Berkeley Unified School District (BUSD), BART, Golden Gate Land, Bayer Health, Aquatic Park Science, EBMUD, Berkeley Properties, HC Investments, and the City of Berkeley. Under Proposition 218, all property owners who benefit from these programs are required to pay the new fees.

The new fees are in addition to what property owners are currently paying.

Table 1

Clean Storm Water Program Existing and New Fees						
	Lot Sq Ft	Current Runoff Factor **	Current Average Annual Fee	New Rate (per Parcel)	New Average Annual Fee	New Combined Total Fee
Residential	< 3,200	0.4	\$46	\$34	\$34	\$80
Residential	3,200 to 7,200	0.4	\$82	\$43	\$43	\$125
Residential	> 7,200	0.4	\$220	\$52	\$52	\$272
	Lot Sq Ft	Current Runoff Factor**	Current Average Fee	New Rate (per lot Sq Ft)	New Average Annual Fee	New Combined Total Fee
Apartments	8,712	0.6	\$116	\$0.01718	\$150	\$266
Industrial	8,712	0.8	\$164	\$0.01917	\$167	\$331
Commercial	13,068	0.8	\$ 178	\$0.01917	\$251	\$429
Office	8,712	0.8	\$ 119	\$0.01797	\$157	\$276
Church	8,712	0.6	\$116	\$0.01638	\$143	\$259
School *	67,986	0.6	\$ 915	\$0.01498	\$1,018	\$1,933
Hospital*	108,900	0.6	\$1,497	\$0.01498	\$1,631	\$3,128
*Average existing fees for schools and hospitals do not include rate payers such as Kaiser, UC Berkeley, and BUSD who are currently exempt and not paying.						
** Current fees are calculated using a run off factor, parcel square foot, and rate. Clean Storm Water Ordinance No. 6070-NS						

Streetlight

How The New Rate Is Calculated

The current rates in the 1982 Streetlight District are based on building square foot. These rates are set based on the benefit received for streetlights, with traffic counts used as a proxy for benefits received. Traffic counts are used because the number of drivers indicate the number of people accessing the property and using the lights for navigation. SCI believes traffic counts is a more sound methodology.

The fee for all single-family residences will be the same because single-family residences have about the same amount of traffic activity regardless of the property size. Commercial properties will vary based on type and size and will have the highest fees because of the greater benefit received by the number of customers and employees receiving benefit from the nearby streetlights. Table 2 shows that the average streetlight fees for the current and proposed fees for each property type.

These are not the exact amounts each owner will pay. The table shows average rates to present a general idea of the current and new fees.

As with the Clean Storm Water Fee, there are several property owners who own large amounts of property who are currently exempt and not paying Streetlight fees for some or all of their properties. Under Proposition 218, all property owners will be required to pay the new fees.

The new fees are in addition to what property owners are currently paying.

Table 2

Streetlight Program Existing and New Fees						
<u>Land Use (Residential)</u>	Dimension	Current Rate (per building sq. ft)	Current Average Annual Fee	New Rate	New Average Annual Fee	New Combined Total Fee
Single-Family Residential	3,200 Building sq.ft	.0108/sq.ft	\$34	\$11.17 / parcel	\$11	\$45
Less than 5 unit apartments	4 units	.0108	\$34	\$8.94 / unit	\$36	\$70
5+ Unit apartment	16 units	.0108	\$152	\$6.70 / unit	\$107	\$259
Land Use (Other)	Lot Sq Ft	Current Rate (per building sq. ft)	Current Average Fee	New Rate (per lot sq. ft)	New Average Annual Fee	New Combined Total Fee
Commercial	13,068	.0432	\$411	\$0.00385	\$50	\$461
Industrial	8,712	.0216	\$526	\$0.00039	\$3	\$529
Office	8,712	.0432	\$1,482	\$0.00096	\$8	\$1490
Church	17,009	.0108	\$129	\$0.00019	\$3	\$132
School*	67,986	.0108	\$114	\$0.00058	\$39	\$153
Hospital	108,900	.0432	\$12,160	\$0.00160	\$1,020	\$13,180
*Average existing fees do not include rate payers such as UC Berkeley and BUSD who are currently exempt and not paying.						

Highest Paying Property Owners

As discussed above, commercial and industrial owners will experience a greater financial impact because of the size of their properties, the benefits received, and because some own multiple properties. Many of the major property owners are exempt from one or both of the current fees. Exemptions from current fees were probably allowed based on arrangements between the City and these entities. These exemptions are allowed under the current programs because the fees were adopted before Proposition 218 was passed, and can continue under the existing ordinances. However, Proposition 218 does not allow property owners to be exempt unless they can show they receive no benefit. Therefore, under the new fees, all owners who benefit or

receive services will be required to pay fees in proportion to the benefits or services they receive. Since UC Berkeley maintains the streetlights on its campus, the main campus will not be assessed the standard rate for the entire campus; the proposed streetlight fees for UC Berkeley only account for the perimeter of the main campus and the full costs for its 65 smaller properties.

Table 3

Ten Highest Paying Property Owners for Clean Storm Water and Streetlight*				
	New Clean Storm Water Fees	Currently Exempt-Storm	New Streetlight Fees	Currently Exempt-Street Light
UC Berkeley-Main	\$221,836	Yes	\$129	Yes
UC Berkeley Other	\$50,531	Yes	\$11,890	Yes
BUSD	\$57,149	Yes	\$2,068	Yes
Bayer	\$37,335	Yes	\$305	Partial
Golden Gate Land	\$15,087	Yes	\$150	No
HC Investments	\$14,448	Partial	\$773	Partial
BART	\$13,566	Yes	\$1,330	Yes
Lakireddy + Reddy	\$8,916	Partial	\$4,896	Partial
Berkeley Properties	\$6,439	Yes	\$122	Partial
Kaiser Foundation	\$6,932	Yes	\$137	No
Aquatic Park Science	\$6,848	Yes	\$84	No
EBMUD	\$5,676	Yes	\$1,054	Yes
Total	\$444,763		\$22,938	
*Does not include City of Berkeley				

City's Approach Moving Forward

Based on the support rate for an additional \$43 annual fee (average rate for single family house) for Clean Storm Water fees, staff proposes to proceed with the Proposition 218 process to implement a new fee for Clean Storm Water. If passed, this rate will add an additional \$2.34 million in revenue to the Clean Storm Water Fund in FY 2019. Between FY 2019 and FY 2022, the new fees are projected to generate an additional \$9.77 million. For the Streetlight Assessment District rate, the support for an additional \$19.40 (average rate for single family house) to raise \$900,000 for streetlights was under the 50% support threshold. However, based on a December 2017 Streetlight Capital Needs Assessment, which evaluated the condition of all city owned streetlight poles, staff has determined that the financial requirements for streetlights is only \$500,000 in additional revenue per year. To generate this amount, the proposed new rate will be approximately \$11 for an average single-family house. Staff believes that the revised rate, along with the community outreach process, will yield ballot approval for the new streetlight fees. If approved, new rates will appear as a line item on property tax

bills beginning FY 2019. The fee initiative also includes an annual increase to cover the cost of inflation. The inflation increase, based on the San Francisco Bay Area Consumer Price Index for All Urban Consumers, will not exceed 3% per year, and may be applied to both the existing and new fees.

New Fee Legal Structure vs. Existing Fee Legal Structure

Since the 1991 Clean Storm Water ordinance and the 1982 Streetlight Assessment District were adopted prior to Proposition 218 and protected under pre-Proposition 218 law, the existing fee structures cannot be amended. Instead, these processes will create new Proposition 218-compliant fees, which will be a second revenue source for the Clean Storm Water Fund (831) and Streetlight Fund (470) and charged separately on property owners' tax bill.

Schedule

The goal is to complete the process by June 30, 2018 so the new rates can go into effect on July 1, 2018 and projected revenue budgeted for FY 2019 to allow for continuing levels of operations. Staff and SCI are hosting stakeholder and public community meetings to inform the community about the program needs, the purpose and timing of the upcoming ballot process, and to answer questions. The following schedule is proposed.

- Jan.-March 2018: Hold individual and small group stakeholder meetings.
- February 13, 2018: Council to approve Clean Storm Water fee study and Clean Storm Water Prop 218 ballot process. Authorize formation of new Streetlight Assessment and Streetlight Engineer's Report.
- February 28, 2018: Community meeting -- Live Oak (6:30pm).
- March 8, 2018: Community meeting -- South Berkeley Senior Center (6:30pm).
- March 22, 2018: Community Meeting -- 1947 Center Basement (6:30pm).
- April 3, 2018: Hold protest public hearing for Clean Storm Water; Council to approve mailing of Clean Storm Water ballots; Council to approve Streetlight Engineering Report and mailing of Streetlight ballots.
- April 11, 2018: Ballots for Clean Storm Water and Streetlight are mailed.
- May 29, 2018: Close balloting period and count ballots for Clean Storm Water; hold public hearing, close balloting period and count ballots for Streetlight. Council adopts Resolutions approving new fees during public hearing (if ballot measures are approved by property owners).

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Re: Community Survey Results and Update on Proposition 218 Processes to
Propose New Clean Storm Water and Streetlight Fees

July 1, 2018: New fees are added to the Alameda County FY18-19 property tax
bills.

cc: Jovan Grogan, Deputy City Manager
 Phil Harrington, Director of Public Works
 Mark Numainville, City Clerk
 Ann-Marie Hogan, City Auditor
 Matthai Chakko, Assistant to the City Manager / Public Information Officer