



CITY OF SAN MATEO

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Agenda Report

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TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Public Works Department
MEETING DATE: March 20, 2023
SUBJECT:
Stormwater Funding - Overview

RECOMMENDATION:

Receive an overview of the stormwater funding project, status update, next steps; and provide feedback.

BACKGROUND:

Project History:

The City operates and maintains a stormwater system, which provides vital services to safeguard our neighborhoods from flooding and protect our local waterways from pollution. The City's stormwater system is critical to providing community benefits to us all, including preventing pollution; improving water quality for activities such as boating, swimming, and fishing; and creating multi-benefit green spaces. It is made up of a complex infrastructure including surface drains, underground pipes and conduits, pumping stations, creeks and channels, and the Marina Lagoon (lagoon), which captures approximately three-fourths of the City's drainage before it enters the Bay.

The City's stormwater system requires long-overdue improvements to address flood control limitations and replace aging infrastructure. Unlike the sanitary sewer system, the stormwater system does not have a dedicated funding source. With so many infrastructure needs, there is not enough funding to maintain and upgrade the storm drainage system.

In 2019, the Public Works Department began working with SCI Consulting Group (SCI) on a financial analysis of the City's stormwater activities to understand the funding needs and options for revenue generation. Staff presented an overview of stormwater activities to the Sustainability and Infrastructure Commission (SIC) in December 2020 and continued to work with SCI on the funding analysis. At the February 2021 SIC meeting, staff presented a draft Stormwater Funding Analysis Report. Along with feedback from the SIC, the Stormwater Funding Analysis Report was presented to the City Council during the May 17, 2021, study session. Council directed staff to proceed to the next steps towards implementing a potential stormwater fee.

SCI Consulting Group's scope of work included tasks for a public opinion survey, development of a fee report, public outreach, and potential mail balloting process pursuant to Proposition 218. The survey and initial community outreach were completed in December 2021. Staff presented the survey results to the SIC on March 9, 2022, and to City Council on May 21, 2022. Recommendations were to move forward with a robust outreach strategy, fee report, and a potential mailed ballot proceeding reflecting a stormwater fee at a level of \$8/month and to consider timing in coordination with other City funding initiatives related to potential sales or property transfer tax. The timing for commencing the project was subsequently delayed due to conflicting priorities in pursuing a general tax measure that was placed on the November 2022 ballot. This report presents a review of stormwater activities, the stormwater funding analysis, stormwater survey results, the fee study, and next steps regarding outreach and a potential stormwater fee mailed ballot proceeding.

Overview of Storm System Activities:

Public Works crews regularly clean and maintain storm drains year-round and take additional precautions when rain is in the forecast to protect San Mateo from flooding. Routine operation and maintenance activities for stormwater management include cleaning and repairs of curbs, inlets, catch basins, lateral and main lines, outfalls, and nine stormwater pump stations. Public Works is also responsible for maintaining portions of San Mateo Creek, Leslie Creek, Borel Creek, Laurel Creek, and several channels that carry rain runoff from San Mateo's neighborhoods to the Marina Lagoon and San Francisco Bay. This work requires proactively removing sediment, trash, and other debris to lower the risk of flooding.

Storm system capital improvement projects include those from the 2018 Marina Lagoon Dredging Assessment, the Trash Load Reduction Plan, the 2004 Storm Drain Master Plan, pump station upgrades, creek maintenance permitting efforts, and several other projects. Public Works also implements a stormwater compliance program to monitor water quality and keep waterways clean and safe, including inspection teams that work with local businesses to help them implement best management practices and do their part to prevent pollution.

The City's Marina Lagoon is also an important asset for stormwater and flood management. Enjoyed by our residents, watercraft users, beach enthusiasts, and families of bird species from pelicans to sandpipers, the lagoon is an amenity for all. A remnant of a tidal slough that was diked and dredged, the lagoon is part of the City's flood control system, while offering a recreation area, wildlife, and ecological resource. The lagoon receives stormwater runoff from a majority of the City, and pollutants are carried through streets and storm drains directly to it. Managing the lagoon as a flood control basin as its primary purpose includes maintaining operating levels, water exchange rates, the dam and pump station, and other infrastructure. Management also includes removal of nuisance aquatic plant control, water quality protection, wildlife management, permit compliance, and regulation of encroachments such as private docks, beaches, banks, and dredging.

Sedimentation of the lagoon over time has decreased the water depth, reduced stormwater capacity, increased temperatures, and decreased the area amenable to safe boating. The lagoon changes also result in increased nuisance vegetation growth and negative impacts to water quality and aesthetics. A dredging feasibility study conducted in 2018 estimates that up to 270,000 cubic yards of sediment could be removed to restore the lagoon to its original capacity. Disposal options for dredged sediment could be limited or very costly due to potential pollutants found within the sediment. The costs for dredging the lagoon range from \$8 million to \$80 million depending on the extent of dredging and the disposal requirements.

Stormwater Funding Analysis:

The overall funding needs to effectively manage the City's stormwater system are greater than what is currently available from the General Fund, which is approximately \$3 million annually for operations, maintenance, and pollution prevention. The financial analysis completed in 2021 identified the following needs and bring the total stormwater needs to \$8.4 million annually:

- \$3.6 million for operation, maintenance, and regulatory compliance; and
- \$1.9 million for Marina Lagoon dredging (annualized life-cycle costs derived from estimated dredging costs of as much as \$80 million); and
- \$2.9 million for other capital projects (\$68 million amortized over 30 years).

The Stormwater Funding Analysis Report identifies various funding sources for a stormwater utility, with the most common being a user fee like water, sewer and garbage services. The report concludes that a user fee of approximately \$16 per month for the average residential property would be required to fund the full annual cost of \$8.4 million.

Stormwater Funding Survey:

In August 2021, City Council authorized staff and SCI Consulting Group to mail a survey to all parcel owners to learn the priorities of the community, which projects or programs are most important, and gauge their willingness to invest in the stormwater program through either a stormwater property related fee or a citywide benefit assessment. The survey tested rates and issues for: 1) a citywide stormwater fee for all services included in the Stormwater Funding Analysis Report; and 2) a citywide benefit assessment focused solely on Marina Lagoon improvements such as dredging (Marina Lagoon assessment), tiered by proximity to the lagoon. The surveys were accompanied by supplemental information and also included questions about projects and issues that might affect how a voter would view a potential mailed ballot proceeding. Respondents were asked whether a project or issue would cause them to change their support of such a ballot.

For the citywide stormwater fee, the Stormwater Funding Analysis Report determined annual property related fees ranging from \$120 to \$192 (\$10 - \$16/month) and those two rates were tested in the survey. For the Marina Lagoon assessment, the Stormwater Funding Analysis Report identified annual assessment rates of \$10 for most of the City and \$50 or \$150 for properties within walking distance or fronting the lagoon, respectively. This rate structure was predicted to only raise approximately \$500,000 annually toward a total need of \$1.9 million. Therefore, a second, larger rate range of \$23 to \$350 per year was also tested, although estimated revenues of \$1.2 million would still be less than the \$1.9 million needed annually.

Survey Results:

The survey results showed neutral support for the stormwater fee and marginal support for the Marina Lagoon assessment. The stormwater fee had 49.9% support at the \$10/month level, raising \$5 million annually, and 46.8% support at the \$16/month level, raising \$8 million. The Marina Lagoon assessment had 54.6% support at the \$10 - \$150/year level, raising \$500,000 annually, and 51.6% support at the \$23 - \$350/year level, raising \$1.2 million. Either option would require a simple 50% majority vote from property owners. The margins of error on these results were 3.4% and 3.6%, respectively.

Respondents were more likely to support a citywide stormwater fee that 1) protects the City from local street and property flooding by properly maintaining and operating its aging storm drainage infrastructure, 2) removes trash and pollution from San Francisco Bay and local waterways, and 3) has dedicated funds for stormwater and could not be taken away by the State, County, or even the City Council. Conversely, respondents were less likely to support a citywide stormwater fee that would specifically fund Marina Lagoon issues such as 1) dredging and other stormwater improvements, 2) preventing unwanted vegetation and other pollutants, and 3) as a recreational amenity and flood control facility.

The most supported projects and issues related to the Marina Lagoon Assessment survey included 1) removing trash and pollution to San Francisco Bay and local creeks, 2) providing flood control capacity to protect streets and properties from local flooding, and 3) dedicated funds for stormwater that could not be taken away by the State, County, or even the City Council. Respondents were less likely to support a Marina Lagoon assessment that would only pay for some of the dredging and may not be enough to fully fund lagoon dredging, likely requiring a separate stormwater fee.

Survey Analysis:

Although support levels for a Marina Lagoon benefit assessment were slightly stronger than a stormwater fee, the stormwater fee is more desirable due to the potential for significantly higher revenue providing critical funding needed for citywide storm system operations, maintenance, and capital projects. Additionally, a strong negative argument of insufficient funding to complete identified improvements suggested that a Marina Lagoon-centric assessment would not be worth pursuing at this time.

The survey results showed support at slightly less than 50% at the \$10/month (\$120/year) rate for a stormwater fee. The consultant typically recommends moving forward on proposed mailed ballot proceeding only when the support level, minus the margin of error, is at least 50%, which was not met. However, it was thought that a lesser rate of under \$100/year, or approximately \$8/month, could have enough support to pass. The projects and issues that resonated with the community were well-rounded (infrastructure, environmental, and fiscal prudence) and form a solid basis for an

outreach and education program. A robust outreach program would be needed to move the needle towards a majority approval.

City Council direction in May of 2022 was to move forward with outreach, a fee report, a proposed mailed ballot proceeding reflecting a stormwater fee at a level of \$8/month, and to consider timing in coordination with other City funding initiatives related to potential sales or property transfer tax. The implementation of project was delayed due to conflicting priorities in pursuing a general tax measure that was placed on the November 2022 ballot.

Current Status and Fee Report:

Severe storms occurring between December 2022 and January 2023 produced significant challenges for the City in managing our stormwater systems with existing resources and highlighted the need for adequate funding. The community is more engaged now than ever. Staff recently began implementation of a renewed public outreach and community engagement strategy, which ideally will garner support for a potential mailed ballot proceeding and convey the importance of investing in our stormwater infrastructure.

The stormwater funding survey results are now over a year old. Staff proposes to conduct a follow-up tracker survey in early April to re-confirm what property owners may be willing to pay and to further inform the final amount for a potential stormwater fee. The previous amount of \$8/month recommended by Council is not nearly enough to pay for our unfunded stormwater needs, it is suggested to reconsider the full fee amount of \$16/month.

A fee report is necessary to meet Proposition 218 requirements and must be based on the final stormwater fee rate that will be proposed in the mailed ballot proceeding. The fee report provides justification as to which specific services and projects the proposed stormwater fee will cover.

Recommended Next Steps:

1. Continue to develop and implement education and outreach on the importance of stormwater systems and investing in the City's stormwater infrastructure.
2. City staff and SCI conduct a follow-up tracker survey beginning in April 2023 to retest the public's willingness to invest in the stormwater program through a citywide stormwater fee, including retesting the higher rate of \$16/month that would fund all needs identified in the Stormwater Funding Analysis.
3. Return to City Council in early June with tracker survey results and a proposed rate for the final fee report and a potential mailed ballot proceeding.
4. Return to City Council in mid-July with the final fee report and for authorization to commence the mailed notice, protest, and hearing process under Proposition 218.
5. Return to City Council in mid-September for a Public Hearing, and if a majority protest is not received, potential authorization to initiate a mail balloting process pursuant to Proposition 218
6. Mail the ballots in October/November 2023.
7. Return to Council in January 2024 with results.

If this schedule is followed and the mailed ballot proceeding is successful, the final fee approval would be in January 2024 with fees levied on tax bills in fall 2024.

BUDGET IMPACT:

There is no budget impact due to the presentation of this information item.

ENVIRONMENTAL DETERMINATION:

This project update item is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

None

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