



Public Works Department
Engineering Division

MEMORANDUM

Date: April 23, 2008

To: Storm Drain Oversight Committee

From: Joe Teresi (x2129)
Senior Engineer

Subject: Committee discussion of possible additional sources for funding
Storm Drain Capital Improvement Projects

In response to the projected long-term funding shortfall for Storm Drain Capital Improvement Projects, Committee Chair Rod McNall requested the addition of an agenda item for the Committee to discuss possible recommendations to Council regarding additional sources for project funding. I have attached the minutes from the May 15, 2007 Finance Committee budget hearing as background information that may stimulate the discussion. The Committee has the discretion to decide whether or not to include a specific recommendation to Council regarding this issue when transmitting its report on the proposed FY 2008-09 Storm Drainage Fund budget.

If you have any questions or need further information regarding the attached information, please contact me at (650) 329-2129.

**Minutes from the May 15, 2007 Finance Committee hearing on the
Proposed FY 2007-08 Budget**

Storm Drainage

Administrative Services Budget Manager David Ramberg said the primary changes in the storm drainage fund in 2007-08 included a revenue increase of \$.3 million and an expenditure increase of \$4 million. The total reserve fund was projected to be \$.5 million. The Capital Improvement Program (CIP) was \$5.2 million, which included the San Francisquito Creek Storm Water Pump Station CIP and storm drain system replacement and rehabilitation. The Storm Drainage Oversight Committee reviewed the proposed budget and concluded it met the requirements of the approved Prop 218 ballot measure. In 2008-09, there was a revenue decrease of \$1 million and an expenditure decrease of \$3.3 million. Reserves were projected to be \$.7 million at year-end.

Storm Drain Committee Chair Rod McNall, Byron Street, said the Committee's estimate was that one half or two thirds of the seven major CIP projects would be completed based on bids and estimates received. Additional funds would be helpful. The Committee was concerned about how the fee increase might affect future funding that would require voter approval. Another concern was the use of the fee increase funds. The ballot wording and subsequent Resolution 8483 prescribed how the fee increase funds would be used. Information indicated approximately \$340,000 was not used for the ballot items. Staff and other members of the Committee believed using funds for other than ballot measure items was proper. The Council was requested to provide clear guidance to staff and the Committee as to whether the fee increase funds might or might not be used for other purposes than those listed in the ballot. If the Council directed that the fee increase funds could be used in any manner, there was no need for an oversight committee.

Council Member Beecham asked staff to respond to Mr. McNall's comments.

Director of Public Works Glenn Roberts said Mr. McNall combined his comments, speaking as Chair of the Committee and representing the consensus of the Committee, with other comments that represented his personal questions and a minority opinion of the Committee on the other hand. A thorough discussion by staff and the Committee was made with regard to cost increases and project priorities. The Committee had a unanimous opinion about the recommendation that it was necessary to scale back and reprioritize in order to accomplish the highest priority projects.

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With regard to the question of the prior General Fund expenditures, the question was discussed with the Storm Drain Blue Ribbon Task Force and the Council. The question was how detailed the language was or was not about the measure. Prior to the fee increase, revenues in the Storm Drain Fund were not adequate to pay all the expenses, and the General Fund subsidized the Storm Drain Enterprise Fund. The current difference was that the subsidy from the General Fund ended, and the City paid into the Storm Drain fees for its own properties. His belief was that what was done was consistent with the original discussions and intent of the ballot measure.

Vice Mayor Klein clarified there was an unlimited inflation factor on the first failed storm drain measure.

Mr. Roberts said that was correct. When the first measure went to ballot, staff provided the ability for the Council to increase the fee by the amount of inflation and was told that was one of the reasons the measure lost at the polls the first time. The public was concerned about the open ended nature of the measure and wanted to have a cap on the inflationary fee increases and a sunset clause on the term of the measure.

Vice Mayor Klein said his attitude was that the City promised the citizenry a series of projects which now could not be delivered due to circumstances beyond the City's control. Adding projects to the CIP was favored.

Mr. Roberts said the program was on a pay as you go, cash flow basis and not a bond measure with money up front. The City had 12 years worth of revenue and, essentially, a 12-year implementation plan. The program was somewhat front end loaded by virtue of the City having paid all its fees up front to enable a jump start on some of the cash flow in order to get the San Francisquito Creek Pump Station completed as a high priority early on.

Vice Mayor Klein said the money put into the Pump Station had to go first because other projects built on it. The Pump Station project was not as valuable if the other projects were not attached to it.

Mr. Roberts said some of the projects were stand alone projects, and there was a question of geographical equity. The Pump Station was of great benefit even if the upstream line was not upgraded.

**Minutes from the May 15, 2007 Finance Committee hearing on the
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Chair Morton said the Council envisioned that many of the projects would be sequential rather than parallel. The City might have to go back to the voters and say that construction costs were more than what was projected and a modification to the monthly rate was necessary in order to complete the projects.

Council Member Mossar said she was concerned about the promise in the ballot measure. Developing strategies for fulfilling the whole package was important. Dropping projects off the list was a mistake. The Storm Drain project list should remain whole and attempts to fund those projects should be made.

Council Member Beecham said the issue was the credibility of the City on bond measures. Members of the Council and others committed to the citizens to provide benefits by voting for the bond measure. Projects needed to be kept on the books, and the question was how to find additional funding.

City Manager Frank Benest said he agreed there was a political obligation but there was a danger in starting to subsidize an enterprise project with General Fund dollars. His recommendation was that staff schedule its approach on updating the Adamson Report with the Finance Committee.

Vice Mayor Klein said the majority of cities maintained their storm drains out of their general funds. The Storm Drain Fund had a sunset clause in 2017, and the Blue Ribbon Storm Drain Committee assumed a new vote had to be taken in 2017 for two reasons: the ongoing maintenance would disappear, and the City did not come close to funding all the potential projects.

Mr. Roberts said staff needed approval from the Finance Committee on the issue of the need for the San Francisquito Creek Pump Station project, which would go out to bid during the summer. Staff believed a short term transfer of funds was necessary.

MOTION: Vice Mayor Klein moved, seconded by Beecham, to request staff to return to the Finance Committee with an update of the Adamson Report including a list of the Storm Drain Projects and updated costs.

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Mr. Roberts said staff would update the figures on the building module of the Adamson Report and also bring information not included in the original report about items such as parking lots and bridges.

MOTION PASSED 4-0.

Council Member Beecham said the March 5 memo in the Finance Committee packet talked about the Clara Street and Southgate projects being canceled and asked staff whether the projects had previously been in the CIP.

Mr. Roberts said he believed the projects were in the five-year plan the prior year.

Senior Engineer Joe Teresi said the project on Clara Drive was appropriated in prior years. The Southgate storm drain project was included in a former CIP document for out years and had not yet received any appropriations.

Council Member Beecham clarified the projects were in the prior year's CIP.

Mr. Teresi said that was correct.

Council Member Beecham said he wanted to include the two projects in the current year's CIP with funding to be determined.

MOTION: Council Member Beecham moved, seconded by Mossar, to request staff to add placeholders to the CIP for the items included in the proposed Storm Drain upgrades.

MOTION PASSED 4-0.

MOTION: Vice Mayor Klein moved, seconded by Beecham, to tentatively approve for final Council approval the 2007-08, 2008-09 Storm Drain Fund.

MOTION PASSED 4-0.