



Public Works Department
Engineering Division

MEMORANDUM

Date: April 29, 2009

To: Storm Drain Oversight Committee

From: Joe Teresi (x2129)
Senior Engineer

Subject: Response to Committee's request for additional information on "other storm drain expenses previously covered by the General Fund subsidy"

At the February 25, 2009 meeting of the Storm Drain Oversight Committee, the Committee approved a motion requesting staff to provide additional information regarding the expenditure item labeled as "other storm drain expenses previously covered by the General Fund subsidy" on year-end summary and proposed budget reports submitted to the Committee for review. This report is hereby submitted in response to the Committee's request.

Prior to the approval of the Storm Drainage Fee increase by property owners in April 2005, the revenues of the Storm Drainage Fund were not sufficient to cover storm drain program expenses, resulting in the need for an annual subsidy from the General Fund. The amount of the General Fund subsidy for each of the three years prior to the 2005 ballot measure is provided in Table 1 below. It is important to note that there are two dollar figures provided for each fiscal year: 1) the budgeted subsidy amount, and 2) the actual subsidy amount. In most cases, the actual subsidy is less than the budgeted subsidy because actual annual expenditures are typically less than budgeted expenditures as a result of staff vacancies, underspending of available non-salary funds, and other cost savings. This spending pattern is also present in the years following the 2005 ballot measure.

Table 1

<u>Fiscal Year</u>	<u>Budgeted General Fund subsidy</u>	<u>Actual General Fund subsidy</u>
2002-03	\$ 917,650	\$ 917,650
2003-04	\$ 767,650	\$ 310,000
2004-05	\$ 767,650	\$ 455,000

Even after the passage of the 2005 ballot measure, the "base" Storm Drainage Fund revenue (based on a rate of \$4.25 per month per Equivalent Residential Unit ([ERU]) was not sufficient to cover the cost of the "base" storm drain program expenses. Thus, a portion of the additional revenue generated by the Storm Drainage Fee increase (based on an initial rate increase of \$5.75 per month per ERU in 2005 and adjusted annually for local inflation thereafter) was and

continues to be needed to cover the inherent shortfall in funding for the "base" storm drain program. The portion of the revenue from the Storm Drainage Fee increase used to cover the

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“base” storm drain program shortfall is labeled as “other storm drain expenses previously covered by General Fund subsidy” in the financial reports submitted to the Committee annually to report year-end Storm Drainage Fund expenditures and to present the proposed Storm Drainage Fund budget. For the remainder of this report, these cost figures will be referred to as “General Fund subsidy replacement”

Following the February Committee meeting, I worked closely with Administrative Services Department staff to review the financial reports that I have been submitting to the Committee on an annual basis. Based on this review, we concluded that:

1. The amounts spent on programs and projects have been accurately reported to the Committee.
2. An adjustment was needed in the reporting method for the “General Fund Advance of Storm Drainage Fee Increase”.
3. An adjustment was needed in the reporting method for the amount of funds transferred “To/From Storm Drain Reserves”.
4. As a result of the adjustments described in items #2 and 3, the “General Fund subsidy replacement” figures changed.

The attached documents are the modified year-end reports and budget descriptions for FY2005-06 through FY2009-10. Changes to financial figures in the reports are highlighted in yellow for your reference. The following table (Table 2) compares the original figures submitted to the Committee to the adjusted figures.

Table 2

<u>Fiscal Year</u>		<u>Original figures</u>	<u>Adjusted figures</u>
2005-06	Budgeted General Fund subsidy replacement	N/A	\$ 679,533
	Actual General Fund subsidy replacement	\$ 139,027	\$ 366,212
2006-07	Budgeted General Fund subsidy replacement	N/A	\$ 504,971
	Actual General Fund subsidy replacement	\$ 480,505	- \$ 64,767
2007-08	Budgeted General Fund subsidy replacement	\$ 203,158	\$ 581,796
	Actual General Fund subsidy replacement	\$ 149,496	\$ 191,313
2008-09	Budgeted General Fund subsidy replacement	\$ 787,147	\$ 787,147
	Actual General Fund subsidy replacement	N/A	N/A
2009-10	Budgeted General Fund subsidy replacement	\$ 754,637	\$ 754,637
	Actual General Fund subsidy replacement	N/A	N/A

The following table (Table 3) presents the amount of the General Fund subsidy replacement for each of the fiscal years since the 2005 ballot measure. As in Table 1, there are two figures presented for each fiscal year: 1) budgeted amount, and 2) actual amount.

Table 3

<u>Fiscal Year</u>	<u>Budgeted General Fund subsidy Replacement</u>	<u>Actual General Fund subsidy Replacement</u>
2005-06	\$ 679,533	\$ 366,212
2006-07	\$ 504,971	- \$ 64,767
2007-08	\$ 581,796	\$ 191,313
2008-09	\$ 787,147	N/A
2009-10	\$ 754,637	N/A

Comparing the figures in Table 1 to those in Table 2, it is notable that the amount of funds budgeted to cover the “base” storm drain program revenue shortfall is relatively consistent from year to year. It would be expected that the figures would generally increase from year to year, since the cost of the “base” storm drain program rises each year as a result of salary increases. The reasons for substantial increases/decreases in the amount of the General Fund subsidy replacement from year to year (e.g. the decrease from FY2005-06 to FY2006-07 and the increase from FY2007-08 to FY2008-09) are described in the attached spreadsheets. Also noteworthy is that the actual General Fund subsidy replacement figures are consistently lower than the budgeted figures. As described earlier, this difference is the result of the fact that actual annual expenditures are typically less than budgeted expenditures.

In summary, staff did identify some errors in past reporting of the annual General Fund subsidy replacement cost figures. After application of the corrective measures, the figures now reflect two general trends:

1. The amount of the budgeted General Fund subsidy replacement is consistent with the pre-2005 General Fund subsidies and is generally increasing each year, since the cost of the “base” storm drain program is rising due to salary increases, and
2. The actual annual General Fund subsidy replacement figure is generally lower than the budgeted figure due to the fact that not all budgeted funds are expended each year.

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

Proposed Use of Storm Drainage Fee Increase for FY 2005-06 (NEW)

Line Item	Revenue	Expenditures
Fee Increase Revenue		
SD Fee Increase	\$2,660,985	
General Fund Advance of SD Fee Increase	\$667,515	
Capital Improvements and Program Enhancements		
A. One-time SD CIP Projects		
San Francisquito Creek Pump Station		\$900,000
Channing/Lincoln Storm Drain		\$0
Southgate Neighborhood Storm Drains		\$0
Gailen/Bibbits SD Improvements		\$650,000
Clara Drive SD Improvements		\$180,000
Matadero Creek Pump Station & Trunks		\$0
Alma Street SD Improvements		\$0
B. Enhanced Maintenance		
SD Replacement/Rehabilitation CIP		\$500,000
Augmented SD Maintenance		\$90,000
C. Innovative SD Projects		\$125,000
D. Augmented Storm Water Quality		\$100,000
E. New CIP Engineer		\$130,000
SUBTOTALS	\$3,328,500	\$2,675,000
From Storm Drainage Fund Reserves	\$26,033	
Other storm drain expenses previously covered by General Fund subsidy		\$679,533
TOTALS	\$3,354,533	\$3,354,533

Summary of Use of Storm Drainage Fee Increase for FY 2005-06 (REVISED)					
	Revenue	Expenditures			
Line Item	Revenue	Expended	Committed by Contract	Remaining Appropriation	Total Use of Funds
Fee Increase Revenue					
SD Fee Increase	\$2,804,418				
General Fund Advance of SD Fee Increase	\$438,298				
Capital Improvements and Program Enhancements					
A. One-time SD CIP Projects					
San Francisquito Creek Pump Station		\$95,632	\$452,876	\$351,492	\$900,000
Channing/Lincoln Storm Drain		\$0	\$0	\$0	\$0
Southgate Neighborhood Storm Drains		\$0	\$0	\$0	\$0
Gailen/Bibbits SD Improvements		\$5,825	\$2,000	\$665,658	\$673,483
Clara Drive SD Improvements		\$0	\$0	\$180,000	\$180,000
Matadero Creek Pump Station & Trunks		\$0	\$0	\$0	\$0
Alma Street SD Improvements		\$0	\$0	\$0	\$0
B. Enhanced Maintenance					
SD Replacement/Rehabilitation CIP		\$109,578	\$77,533	\$525,064	\$712,175
Augmented SD Maintenance		\$53,437	\$1,264	\$0	\$54,701
C. Innovative SD Projects		\$0	\$0	\$50,000	\$50,000
D. Augmented Storm Water Quality		\$61,170	\$2,975	\$0	\$64,145
E. New CIP Engineer		\$81,000	\$0	\$0	\$81,000
SUBTOTALS	\$3,242,716	\$406,642	\$536,648	\$1,772,214	\$2,715,504
To Storm Drainage Fund Reserves					\$161,000
Other storm drain expenses previously covered by General Fund subsidy					\$366,212
TOTALS	\$3,242,716				\$3,242,716

Proposed Use of Storm Drainage Fee Increase for FY 2006-07 (NEW)

Line Item	Revenue	Expenditures	NOTES
Fee Increase Revenue			1. "Other storm drain expenses previously covered by General Fund subsidy" decreased by \$175K as compared to FY 2005-06 due to the following primary factors:
SD Fee Increase	\$2,915,976		
General Fund Advance of SD Fee Increase	\$1,072,910		--- Base sales increased by \$116K due to the addition of 2275 ERU in billable sales --- Interest income increased by \$39K
Capital Improvements and Program Enhancements			--- Cost of employee benefits decreased by \$38K
A. One-time SD CIP Projects			
San Francisquito Creek Pump Station		\$0	
Channing/Lincoln Storm Drain		\$0	
Southgate Neighborhood Storm Drains		\$0	
Gailen/Bibbits SD Improvements		\$0	
Clara Drive SD Improvements		\$735,000	
Matadero Creek Pump Station & Trunks		\$0	
Alma Street SD Improvements		\$0	
B. Enhanced Maintenance			
SD Replacement/Rehabilitation CIP		\$510,000	
Augmented SD Maintenance		\$90,000	
C. Innovative SD Projects		\$128,000	
D. Augmented Storm Water Quality		\$100,000	
E. New CIP Engineer		\$130,000	
SUBTOTALS	\$3,988,886	\$1,693,000	
To Storm Drainage Fund Reserves		\$1,790,915	
Other storm drain expenses previously covered by General Fund subsidy		\$504,971	
TOTALS	\$3,988,886	\$3,988,886	

Summary of Use of Storm Drainage Fee Increase for FY 2006-07 (REVISED)						
Line Item	Revenue		Expenditures			
	Storm Drainage Fees	Carryover	Expended	Committed by Contract	Remaining Appropriation	Total Use of Funds
Fee Increase Revenue						
SD Fee Increase	\$2,880,943					
General Fund Advance of SD Fee Increase	\$1,091,005					
Capital Improvements and Program Enhancements						
A. One-time SD CIP Projects						
San Francisquito Creek Pump Station		\$804,368	\$396,708	\$81,720	\$325,940	\$804,368
Channing/Lincoln Storm Drain		\$0	\$0	\$0	\$0	\$0
Southgate Neighborhood Storm Drains		\$0	\$0	\$0	\$0	\$0
Gailen/Bibbits SD Improvements		\$667,658	\$761,940	\$67,462	\$38,256	\$867,658
Clara Drive SD Improvements		\$180,000	\$471	\$0	\$914,529	\$915,000
Matadero Creek Pump Station & Trunks		\$0	\$0	\$0	\$0	\$0
Alma Street SD Improvements		\$0	\$0	\$0	\$0	\$0
B. Enhanced Maintenance						
SD Replacement/Rehabilitation CIP		\$602,597	\$140,084	\$9,092	\$763,422	\$912,598
Augmented SD Maintenance			\$0	\$0	\$0	\$0
C. Innovative SD Projects		\$50,000	\$0	\$0	\$253,000	\$253,000
D. Augmented Storm Water Quality			\$78,714	\$20,000	\$0	\$98,714
E. New CIP Engineer			\$76,000	\$0	\$0	\$76,000
SUBTOTALS	\$3,971,948	\$2,304,623	\$1,453,917	\$178,274	\$2,295,147	\$3,927,338
To Storm Drainage Fund Reserves						\$2,414,000
Other storm drain expenses previously covered by General Fund subsidy						-\$64,767
TOTALS		\$6,276,571				\$6,276,571

Proposed Use of Storm Drainage Fee Increase for FY 2007-08 (REVISED)

Line Item	Revenue	Expenditures			
Fee Increase Revenue					
SD Fee Increase	\$3,087,504				
General Fund Advance of SD Fee Increase	\$1,081,037				
Capital Improvements and Program Enhancements					
A. One-time SD CIP Projects					
San Francisquito Creek Pump Station		\$4,600,000			
Channing/Lincoln Storm Drain		\$0			
Southgate Neighborhood Storm Drains		\$0			
Gailen/Bibbits SD Improvements		\$0			
Clara Drive SD Improvements		\$0			
Matadero Creek Pump Station & Trunks		\$0			
Alma Street SD Improvements		\$0			
B. Enhanced Maintenance					
SD Replacement/Rehabilitation CIP		\$530,000			
Augmented SD Maintenance		\$90,000			
C. Innovative SD Projects			\$132,000		
D. Augmented Storm Water Quality			\$100,000		
E. New CIP Engineer			\$115,000		
SUBTOTALS	\$4,168,541	\$5,567,000			
From Storm Drainage Fund Reserves	\$1,980,255				
Other storm drain expenses previously covered by General Fund subsidy		\$581,796			
TOTALS	\$6,148,796	\$6,148,796			

Summary of Use of Storm Drainage Fee Increase for FY 2007-08 (REVISED)						
Line Item	Revenue		Expenditures			
	Storm Drainage Fees	Carryover	Expended	Committed by Contract	Remaining Appropriation	Total Use of Funds
Fee Increase Revenue						
SD Fee Increase	\$3,042,345					
General Fund Advance of SD Fee Increase	\$929,221					
General Fund Loan	\$1,100,000					
Capital Improvements and Program Enhancements						
A. One-time SD CIP Projects						
San Francisquito Creek Pump Station		\$1,642,237	\$3,660,463	\$3,526,212	\$155,562	\$7,342,237
Channing/Lincoln Storm Drain		\$0	\$0	\$0	\$0	\$0
Southgate Neighborhood Storm Drains		\$0	\$0	\$0	\$0	\$0
Gailen/Bibbits SD Improvements		\$0	\$0	\$0	\$0	\$0
Clara Drive SD Improvements		\$0	\$0	\$0	\$0	\$0
Matadero Creek Pump Station & Trunks		\$0	\$0	\$0	\$0	\$0
Alma Street SD Improvements		\$0	\$0	\$0	\$0	\$0
B. Enhanced Maintenance						
SD Replacement/Rehabilitation CIP		\$556,937	\$618,665	\$16,000	\$452,272	\$1,086,937
Augmented SD Maintenance			\$0	\$0	\$0	\$0
C. Innovative SD Projects		\$253,000	\$83	\$3,348	\$381,569	\$385,000
D. Augmented Storm Water Quality			\$100,672	\$0	\$0	\$100,672
E. New CIP Engineer			\$108,358	\$0	\$0	\$108,358
SUBTOTALS	\$5,071,566	\$2,452,174	\$4,488,241	\$3,545,560	\$989,403	\$9,023,204
From Storm Drainage Fund Reserves	\$1,690,777					
Other storm drain expenses previously covered by General Fund subsidy						\$191,313
TOTALS		\$9,214,517				\$9,214,517

* = includes Budget Amendment Ordinance of \$1,234,577 from Clara Drive Improvements, Gailen-Bibbits Improvements, & Storm Drain CIP Admin CIPs

Proposed Use of Storm Drainage Fee Increase for FY 2008-09 (REVISED)

Line Item	Revenue	Expenditures	
			NOTES:
Fee Increase Revenue			1. "Other storm drain expenses previously covered by General Fund subsidy" increased by \$205K as compared to FY 2007-08 due to the following primary factors:
SD Fee Increase	\$3,283,536		
General Fund Advance of SD Fee Increase	\$0		--- The loss of revenue from Storm Drainage Fees for General Fund properties due to pre-payment in prior years resulted in the net loss of \$99K
			--- Operating transfers increased by \$85K due to a charge to the Storm Drainage Fund for a upgraded utility billing system
Capital Improvements and Program Enhancements			--- Expenses for operations & maintenance increased by \$65K due to salary/benefit increases and Urban Runoff Program cost increases
A. One-time SD CIP Projects			--- Scheduled debt service payments increased by \$4K
San Francisquito Creek Pump Station		\$700,000	--- Interest income increased by \$53K
Channing/Lincoln Storm Drain		\$0	
Southgate Neighborhood Storm Drains		\$0	
Gailen/Bibbits SD Improvements		\$0	
Clara Drive SD Improvements		\$0	
Matadero Creek Pump Station & Trunks		\$0	
Alma Street SD Improvements		\$785,000	
B. Enhanced Maintenance			
SD Replacement/Rehabilitation CIP		\$550,000	
Augmented SD Maintenance		\$90,000	
C. Innovative SD Projects		\$137,000	
D. Augmented Storm Water Quality		\$111,000	
E. New CIP Engineer		\$147,000	
SUBTOTALS	\$3,283,536	\$2,520,000	
From Storm Drainage Fund Reserves	\$23,611		
Other storm drain expenses previously covered by General Fund subsidy		\$787,147	
TOTALS	\$3,307,147	\$3,307,147	

Proposed Use of Storm Drainage Fee Increase for FY 2009-10

Line Item	Revenue	Expenditures
Fee Increase Revenue		
SD Fee Increase	\$3,283,536	
General Fund Advance of SD Fee Increase	\$0	
Capital Improvements and Program Enhancements		
A. One-time SD CIP Projects		
San Francisquito Creek Pump Station		\$0
Channing/Lincoln Storm Drain		\$820,000
Southgate Neighborhood Storm Drains		\$0
Gailen/Bibbits SD Improvements		\$0
Clara Drive SD Improvements		\$0
Matadero Creek Pump Station & Trunks		\$0
Alma Street SD Improvements		\$0
B. Enhanced Maintenance		
SD Replacement/Rehabilitation CIP		\$550,000
Augmented SD Maintenance		\$90,000
C. Innovative SD Projects		\$137,000
D. Augmented Storm Water Quality		\$111,000
E. New CIP Engineer		\$147,000
F. General Fund Loan Repayment		\$646,809
SUBTOTALS	\$3,283,536	\$2,501,809
To Storm Drainage Fund Reserves		\$27,090
Other storm drain expenses previously covered by General Fund subsidy		\$754,637
TOTALS	\$3,283,536	\$3,283,536