



CITY OF SAN MATEO

City Hall
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San Mateo CA 94403
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Agenda Report

Agenda Number: 1

Section Name: {{section.name}}

Account Number: 10-4679

File ID: {{item.tracking_number}}

TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Public Works Department
MEETING DATE: June 05, 2023
SUBJECT:
Stormwater Funding – Survey Findings

RECOMMENDATION:

Receive an update on the stormwater funding survey findings and staff recommendations for implementation of a stormwater fee; and provide direction and related input.

BACKGROUND:

Project History:

The City operates and maintains a stormwater system to protect neighborhoods from flooding and prevent pollution of local waterways. The City's stormwater infrastructure includes surface drains, underground pipes, pump stations, creeks and channels, and the Marina Lagoon (lagoon), which captures approximately three-fourths of the City's drainage before it enters San Francisco Bay. The system requires long-overdue improvements to address flood control limitations and aging infrastructure. Unlike the City's sanitary sewer system, stormwater infrastructure does not have a dedicated funding source. Budgets for maintenance, operation, and capital improvements rely primarily on the General Fund. However, the infrastructure needs are significant and there is not enough funding for system upgrades and to address flood control limitations.

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 (Commission) 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 Commission, the Stormwater Funding Analysis Report was presented to Council during the May 17, 2021 study session. Council directed staff to proceed to the next steps towards implementing a potential stormwater fee.

SCI'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 Commission on March 9, 2022 and to Council on May 21, 2022. Due to the City's work on Measure CC in 2022, the effort on the stormwater fee ballot initiative was scheduled for 2023.

At the March 20, 2023 study session, Council recommended moving forward with a robust outreach strategy, fee report, and a follow-up tracker survey beginning in April 2023 to retest the public's willingness to support a citywide stormwater fee, including retesting the higher rate of \$18.87 per month that would fund all needs identified in the Stormwater Funding Analysis. This report presents a review of stormwater activities, the stormwater funding analysis, a summary of the December 2021 survey results, the April 2023 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 is responsible for stormwater master planning, regulatory compliance, maintenance and operation, and the implementation of capital improvements. Routine operation and maintenance activities by crews for stormwater management include cleaning and repairs of curbs, inlets, catch basins, pipes, outfalls, and the operation and maintenance of ten stormwater pump stations. Portions of San Mateo Creek, Leslie Creek, Borel Creek, Laurel Creek, and several channels that carry rain runoff from the City's neighborhoods to the Marina Lagoon and San Francisco Bay are also maintained. As part of the stormwater compliance program, inspection teams work with local businesses to help them implement best management practices for pollution prevention.

The City's Marina Lagoon and pump station are also important assets for stormwater and flood management. 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 directly to it through streets and storm drains. 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, 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. At this time, the sedimentation has not impacted the storage needed for flood control.

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 \$3.6 million annually for operations, maintenance, and pollution prevention. The financial analysis identified the need for \$9 million annually (escalated for 2023-24):

- \$3.9 million for operation, maintenance, and regulatory compliance;
- \$2.0 million for Marina Lagoon dredging (annualized life-cycle costs derived from estimated dredging costs of as much as \$80 million); and
- \$3.1 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 \$18.87 per month for the average residential property would be required to fund the full annual cost of \$9 million.

December 2021 Stormwater Funding Survey Results

In August 2021, Council authorized staff and SCI 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 results showed neutral support for the stormwater fee. The stormwater fee had 49.9% support at the \$10 per month level, raising \$5 million annually, and 46.8% support at the \$16 per month level, raising \$8 million. 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 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) a recreational amenity and flood control facility.

The survey results showed support at slightly less than 50% at the \$10 per month (\$120 per 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 per year, or approximately \$8 per 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. As discussed earlier, due to the work on the City's Measure CC in 2022, the ballot initiative for the stormwater fee was scheduled to resume in 2023.

April 2023 Stormwater Funding Survey Results

In March 2023, Council authorized staff to mail a follow-up survey and to test two fees. The fee was updated from \$16 to \$18.87 a month to reflect inflationary costs. A lower \$8 fee providing \$4 million in funding was also tested separately. The surveys were accompanied by supplemental information and 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. The ballots were mailed on March 31, 2023 with a due back date of April 21, 2023.

A total of 5,013 surveys were mailed, and 1,126 were returned in time to be included in the results. The return rate of 22.4% is considered above average for mailed surveys and is 7% higher than the total in responses received in November 2021. The findings show marginal support for a stormwater fee with 53.0% support at the \$8 per month level, and 45.7% support for a fee at the \$18.87 per month level. The potential stormwater fee requires a simple 50% majority for approval. The margin of error on these results is 2.86%.

Respondents were more likely to support a citywide stormwater fee that 1) protects the City from local street and property flooding by rehabilitating and maintaining its aging stormwater infrastructure, 2) removes trash and pollution from San Francisco Bay and local creeks, 3) funds high-priority capital projects designed to protect against local flooding from extreme weather and improve water quality, and 4) strengthens infrastructure in response to extreme weather events, sea level rise, and more frequent and intense storms.

Conversely, respondents were less likely to support a stormwater fee that would specifically fund Marina Lagoon issues such as 1) dredging and other stormwater improvements, and 2) protecting Marina Lagoon by addressing drainage and water quality challenges in ways that are environmentally sustainable, including green infrastructure.

Overall results of this survey are congruent with the previous stormwater fee survey results of November 2021. Support levels for the four different rates tested over these surveys consistently show that price sensitivity is the key factor for property owners. SCI typically recommends moving forward on an initiative when the support level minus the margin of error is at least 50%. The support for a stormwater fee of \$8 per month meets this threshold, however the support is marginal.

Recommended Next Steps

1. Obtain Council agreement on an \$8 per month stormwater fee.
2. Continue to finalize the fee report, which is necessary to meet Proposition 218 requirements and must be based on the final stormwater fee rate recommended by Council and proposed in the mailed ballot proceeding. The fee report provides justification as to which specific services and projects the proposed stormwater fee will cover.
3. Continue the stormwater fee public outreach effort.
4. Return to 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 City 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 informational item.

ENVIRONMENTAL DETERMINATION:

This information 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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STORMWATER FUNDING

City of San Mateo

June 5, 2023

Azalea Mitch – Director of Public Works
Jerry Bradshaw and Chris Coulter – SCI Consulting Group

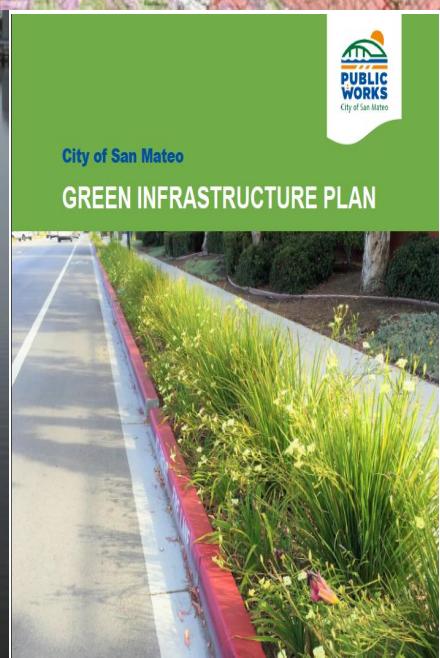
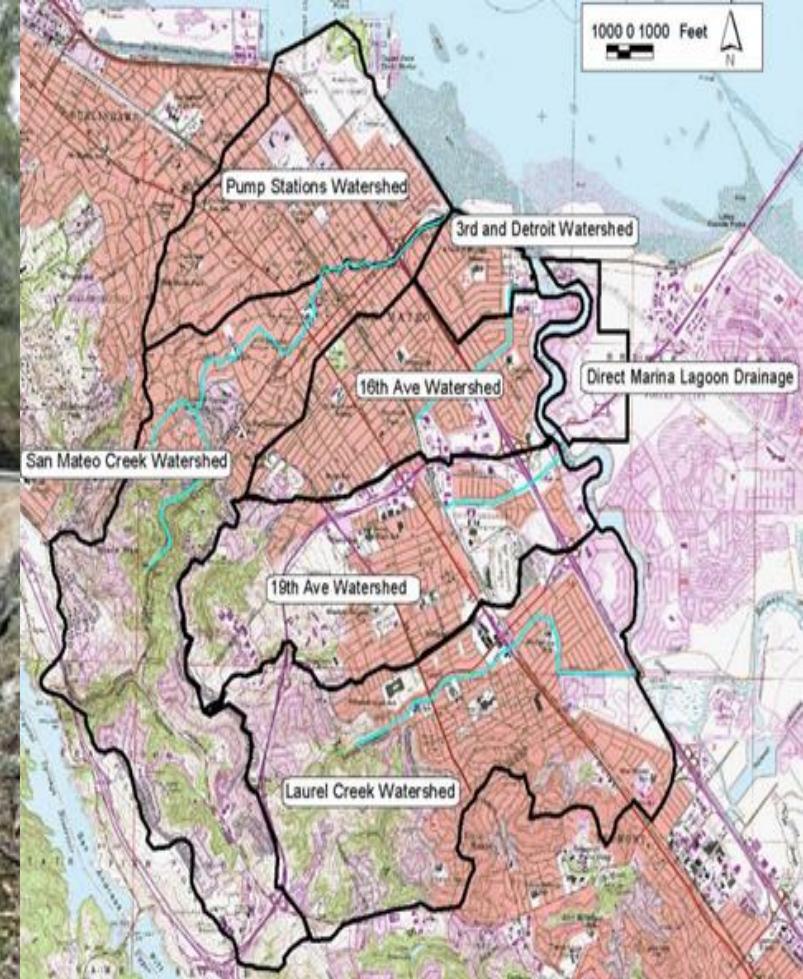


Agenda

- Stormwater System Overview
- Funding Analysis
- Survey Results
- Council Feedback and Next Steps

Stormwater System

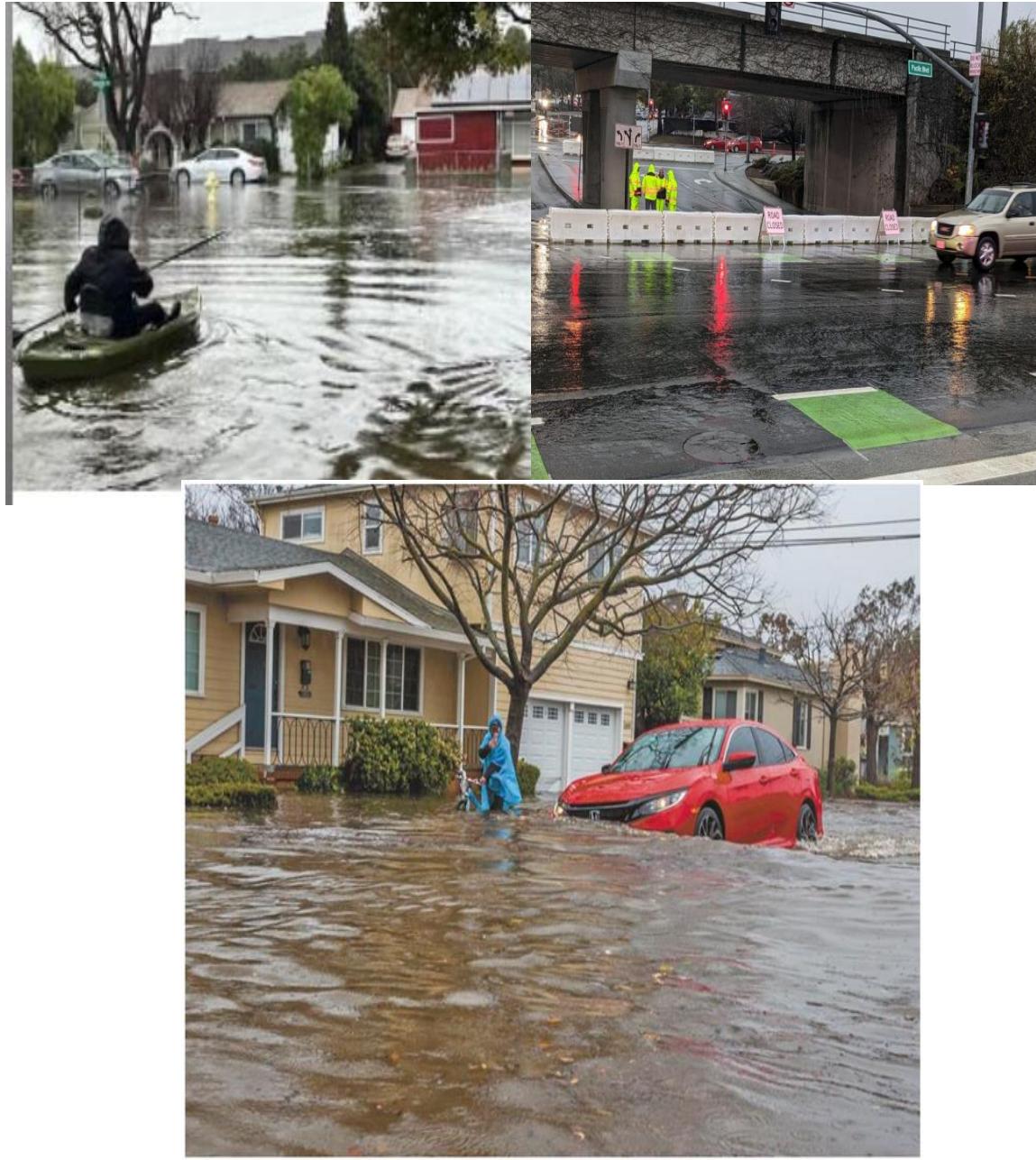
- 130 miles of storm drains
- 20 miles of open creeks and drainage channels
- Ten pump stations
- Three-mile Bayfront levee
- Trash racks and capture devices
- Green Infrastructure
- One flood control lagoon
 - Drains 2/3 of the City



City of San Mateo
GREEN INFRASTRUCTURE PLAN

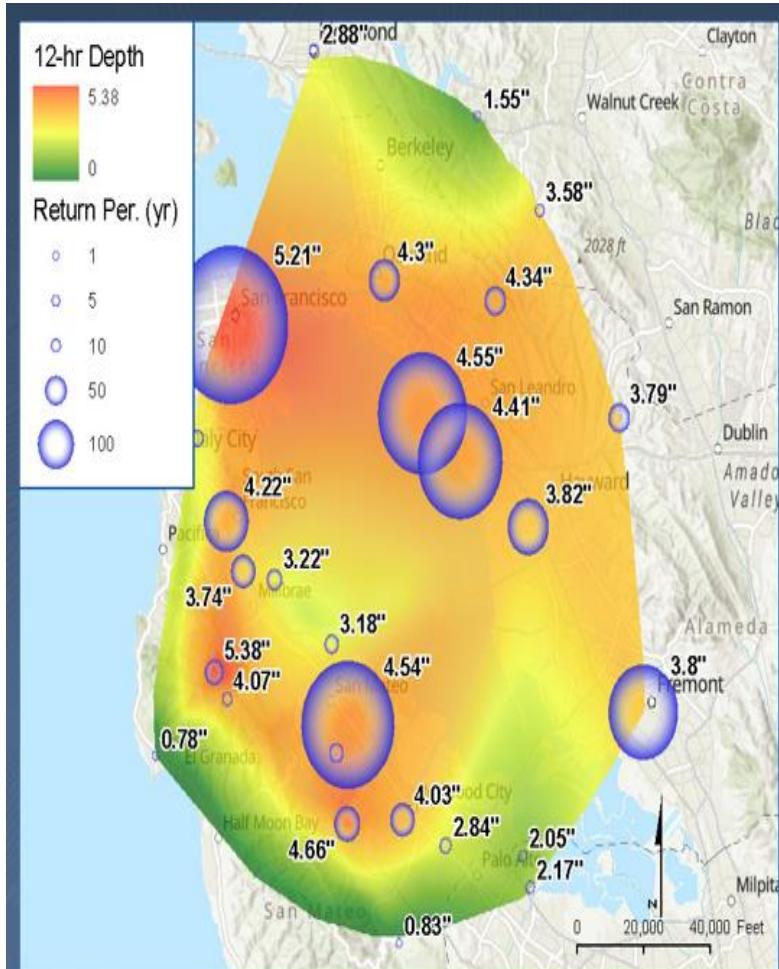
Infrastructure Challenges

- Capacity constraints
- Aging infrastructure
- Sedimentation of the Marina Lagoon
- Staffing
- Severe storms highlighted need for dedicated funds



Earlier this Year

- 2 hours – 125 year event
- 3 hours – 115 year event
- 12 hours – 300 year event
- Completed several technical analyses
- Community meetings:
 - Marina Lagoon
 - All other watersheds



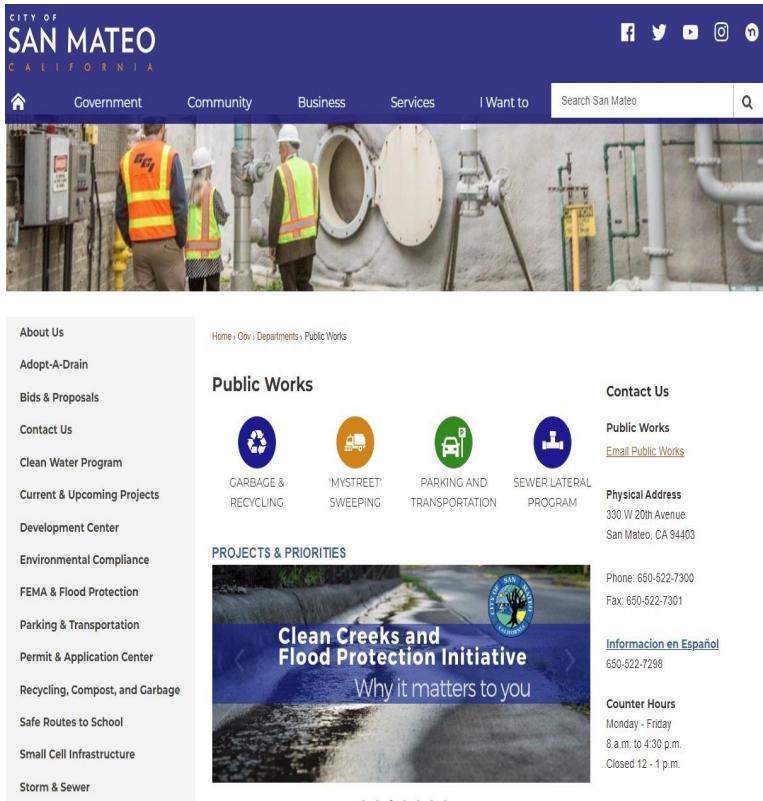
San Mateo, particularly south of Highway 92 and northeast of Interstate 280, had some of the heaviest local rainfall totals during the NYE 2022 storm event.

12-hour

Outreach Strategy Underway

Community Flood and Storm Protection Initiative

Community Meetings



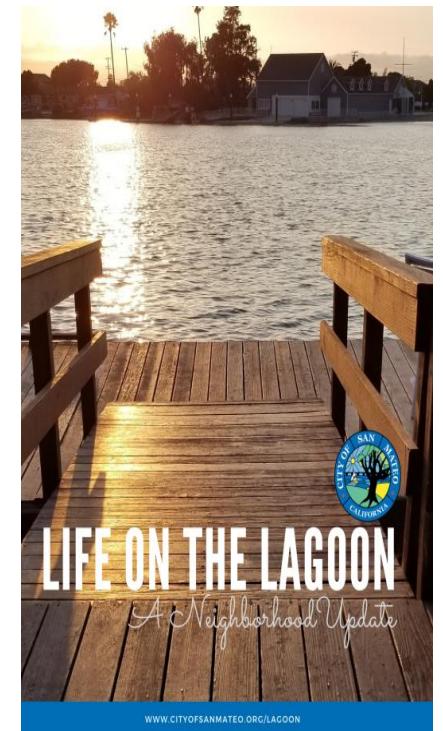
Website



— CITY OF SAN MATEO —

COMMUNITY NEWS

Newsletter



Social Channels

Printed Mailers

Storm Systems Evaluation Process



Funding Analysis

Stormwater Funding Initiative

- Evaluation of projected financial needs
 - Approach: Create a *proposed utility*
 - *\$86 million in Capital Improvement*
 - *\$3.9 million in O&M annually*
 - *\$2 million for annual lagoon costs*
 - *Life Cycle / 30 year approach = \$9 million annually*
- Evaluation of potential funding sources
- Preliminary rate structure
- Community polling
- Public outreach (throughout process)
- Stormwater Fee Implementation
 - Rate Study
 - Prop 218 implementation



Revenue Requirement and User Fee Estimates

<i>Operations</i>	<i>Lagoon Dredging</i>	<i>Capital Program</i>
\$3.9 M	\$2 M	\$3.1 M

Annual Requirement
= \$9 M

Equates to ~\$ 226/ year
~\$18.87 / month
(average home)



\$98

\$50

\$78

2023 Community Survey (tracker)

What

5,000 surveys

Stormwater – Clean Creeks and Flood Protection

Why

Test messaging & current willingness to invest (16 months since previous survey)

Revisit community priorities – Verify alignment with City's
Projects and issues polled to gauge support

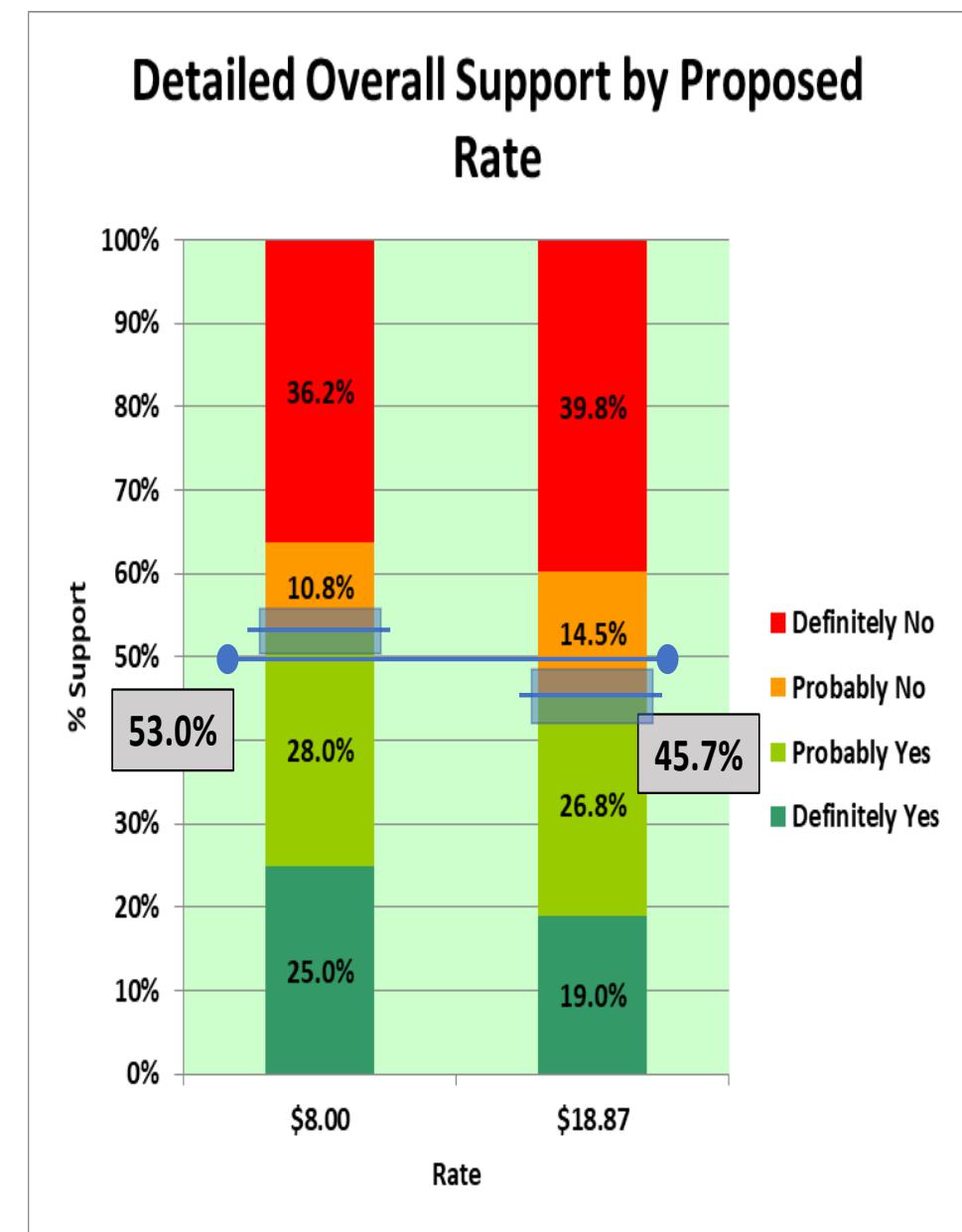
How

Mailed on March 31, 2023 – Completed April 25 2023

Separately tested Stormwater fee between \$96-\$226/year (\$8-18.87/month)

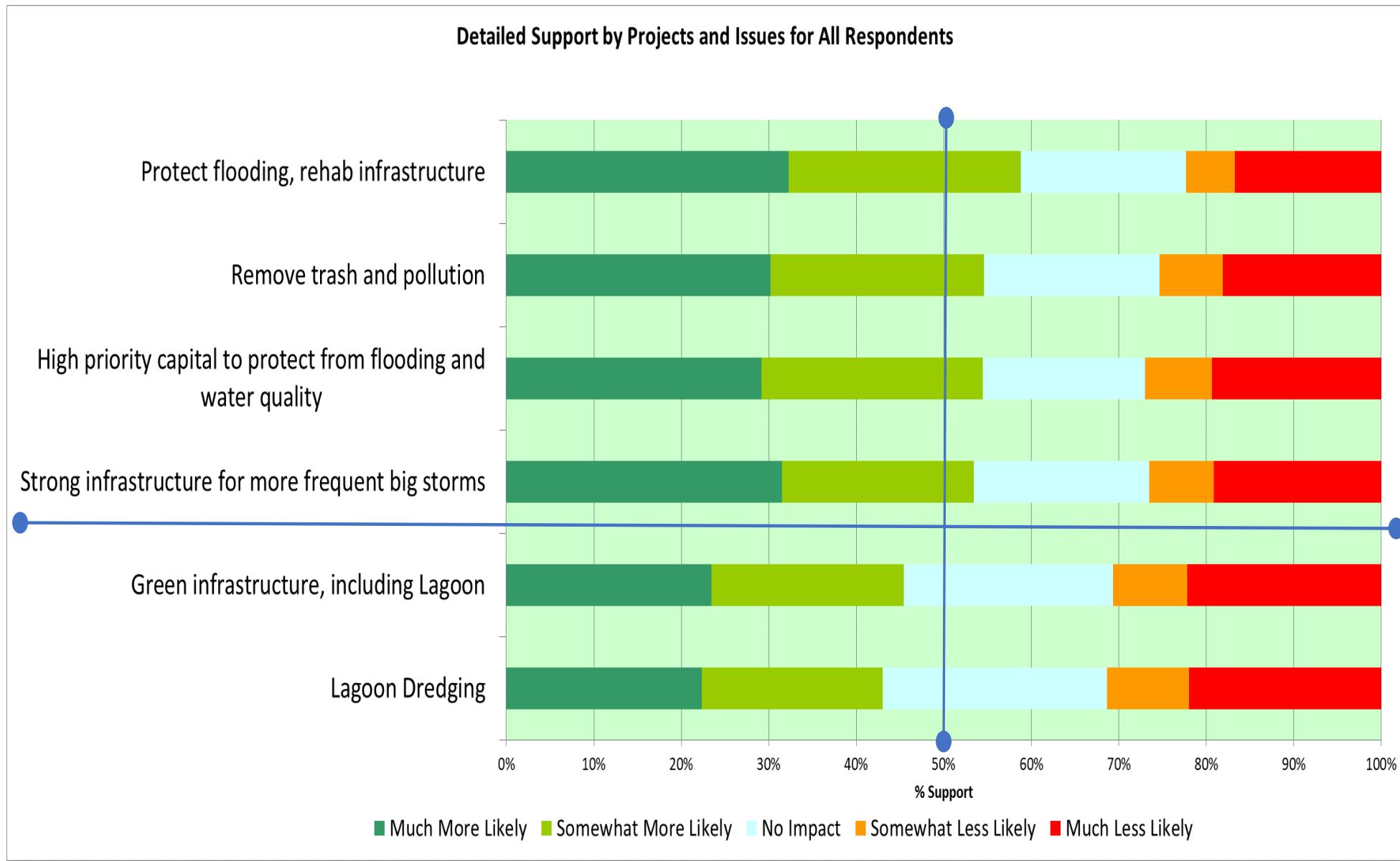
Stormwater Survey Findings

- City-wide Stormwater Fee (*Annual*)
 - \$96 – 53.0% support
 - \$226 – 45.7% support
- Margin of error = 2.86%
 - Slightly higher if taken separately
- (NOTE: Survey used monthly rates of \$8 and \$18.87)

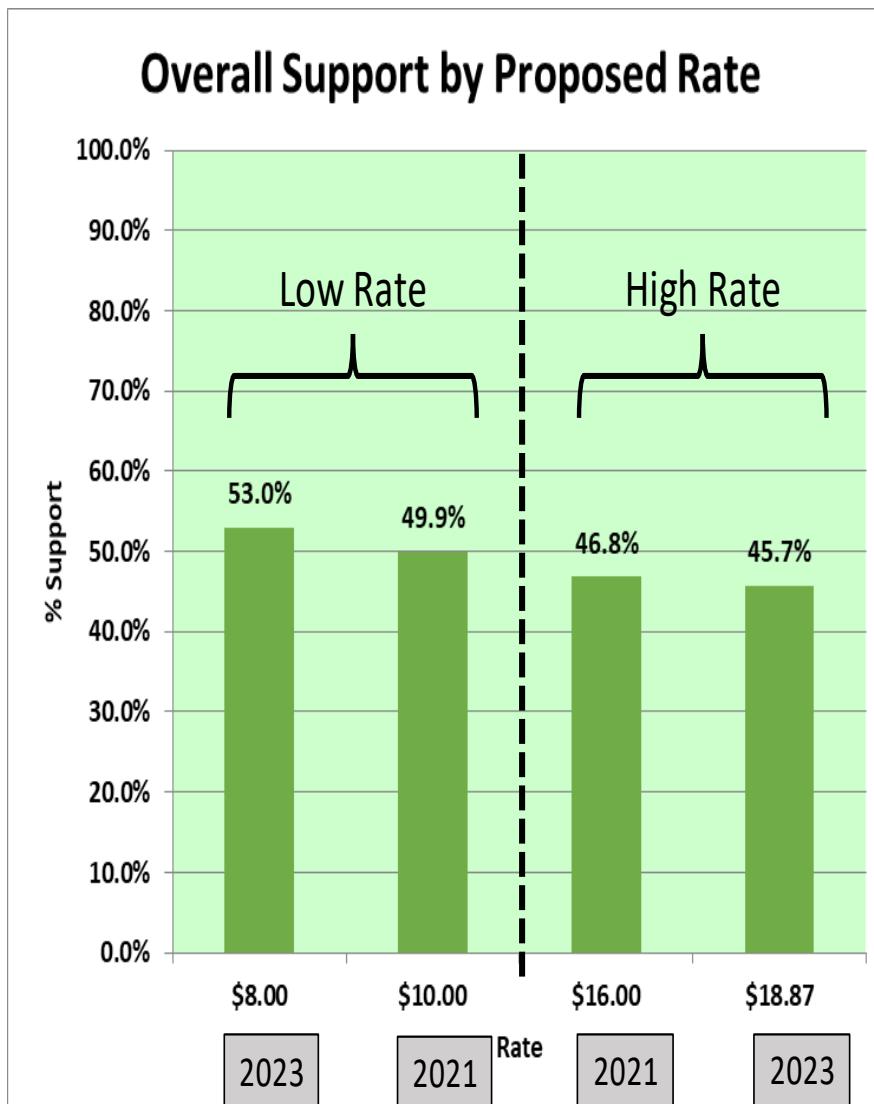


Projects & Issues

Detailed Support by Projects and Issues for All Respondents



Combined Survey Findings



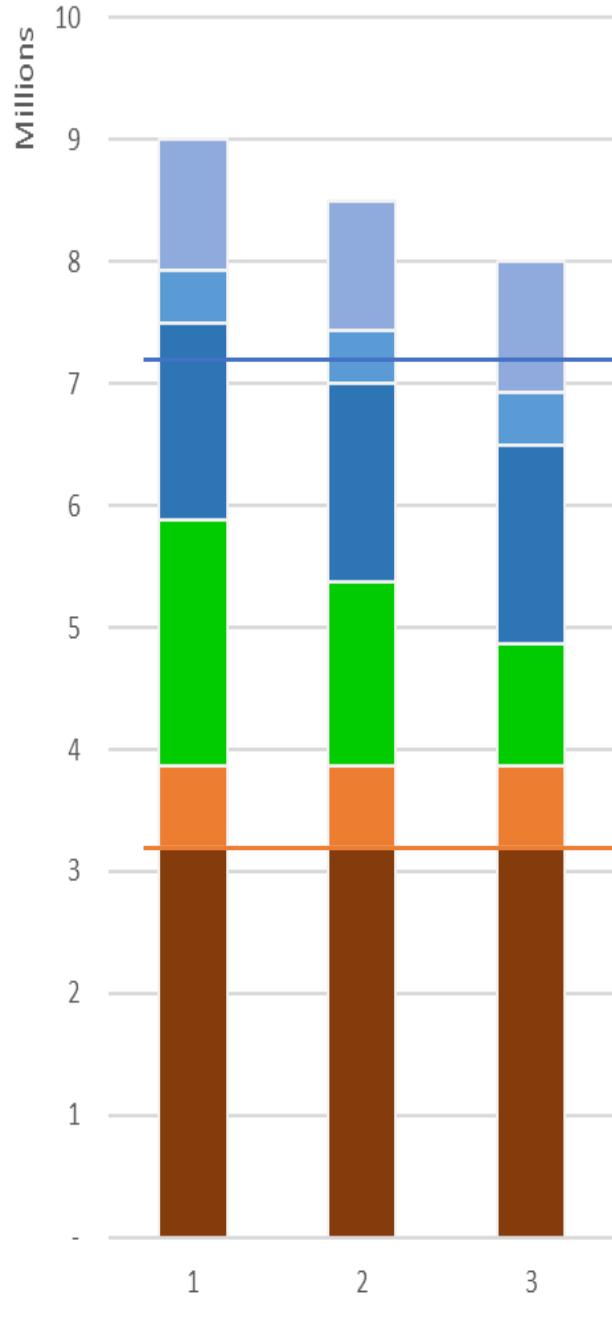
Findings

- Results show support for a stormwater fee of \$8/month (\$96/year)
 - **Less than half** of what is needed for full funding (\$18.87/month)
- Projects and Issues:
 - Top tier: flood protection, environmental (trash/pollution), impact of climate change
 - Bottom tier: Marina Lagoon work has little support – dredging and green infrastructure

Financial Realities

- Full funding needs amount to \$9M/year
- Proposed fee would provide \$4M/year
- Strategy for consideration:
 - Maintain existing \$3.2M/year in funding for O&M.
 - Use \$4M/year of potential future revenue for additional O&M costs, Marina Lagoon dredging set aside, and stormwater CIP projects.

Financial Reach



Financial Reach

Lo- & Med-Priority CIP

1st Dredging

Hi-Priority CIP

Lagoon

Add'l O&M

Existing Services

\$4 million (new/proposed)

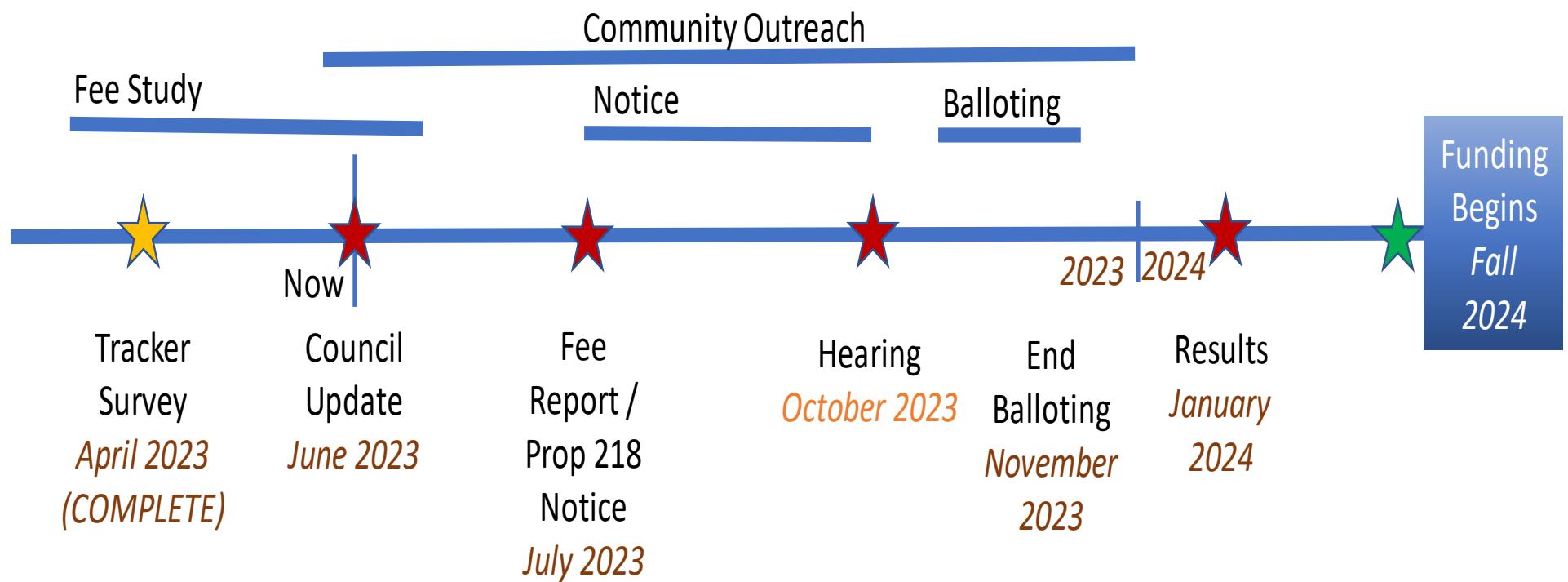
\$3.2 million (existing)

Marina Lagoon dredging costs:

- 1) Will depend on amount, contaminants, and disposal
- 2) Could range from \$1M to \$2M per year

Council Feedback and Direction

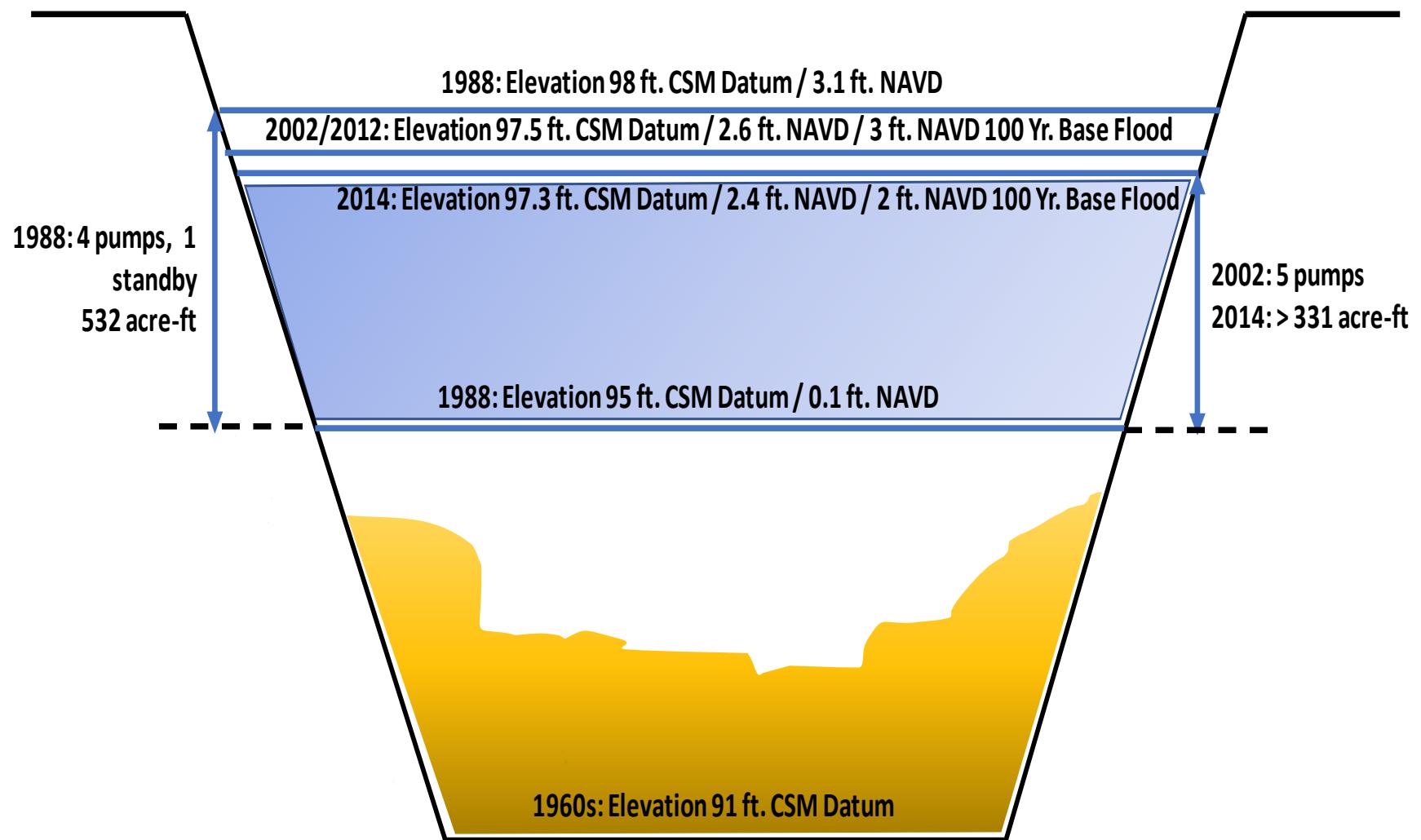
- Proceed with \$8/month stormwater fee
- Fee structure / funding strategy
- Timeline



Backup Slides

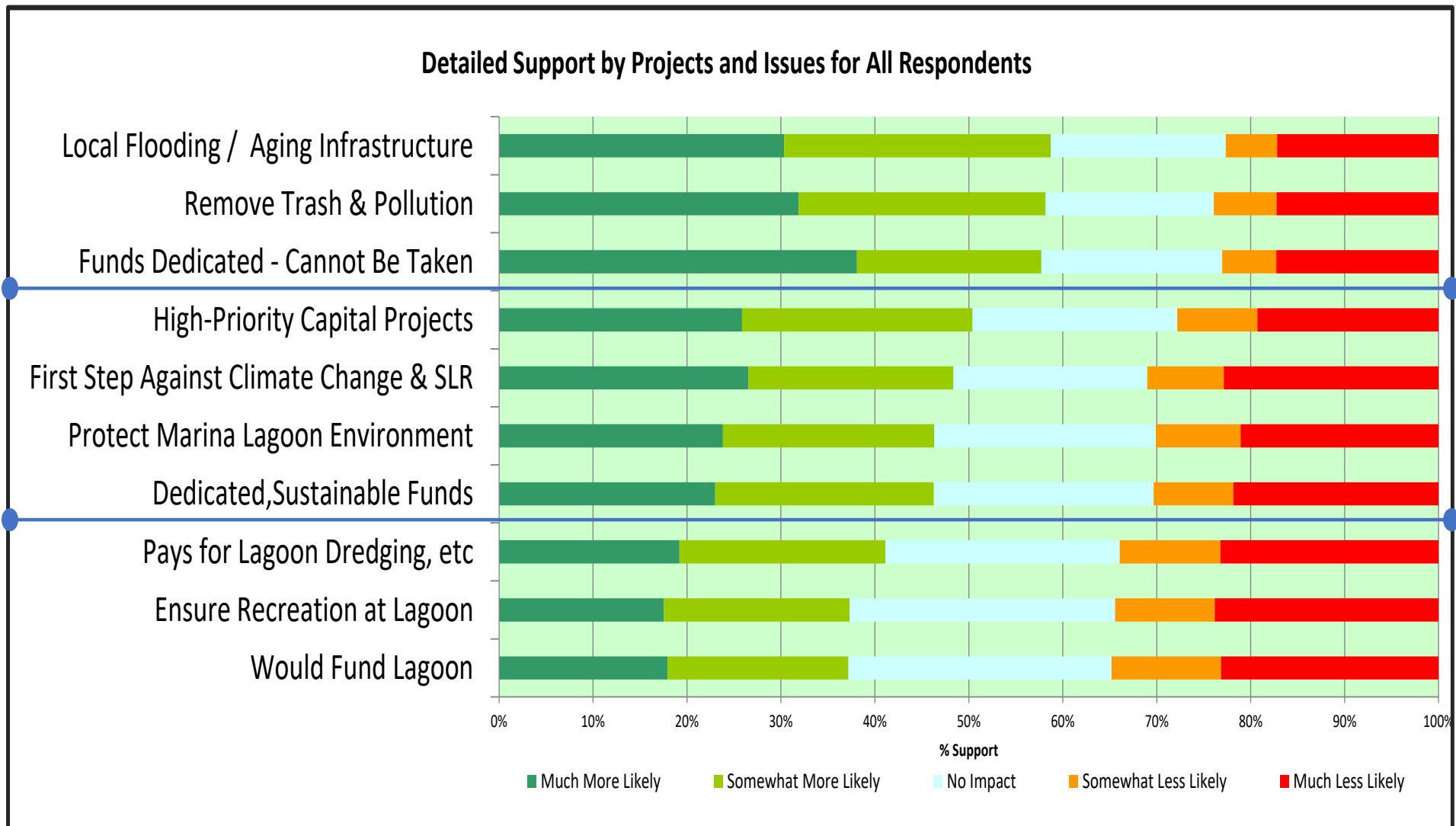
HISTORICAL CHANGES

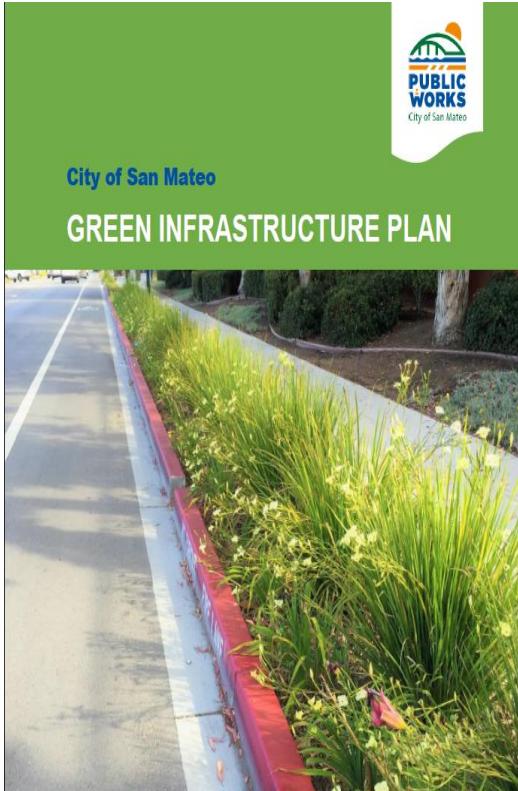
Pump Operation, Volume



Program Element	Fund	Cost	in thousands	Escalated			
					1	2	3
Environmental Compliance	72	\$ 232					
Sewer Maintenance - Pump Repair	72	312		\$ 1,474			
Storm Sewer Maintenance	72	887					
Waste Management - Disposal	21	393					
Waste Management - Special Events	21	35		\$ 441			
Stormwater Pollution	10	466					
Marina Lagoon	10	499		\$ 1,189	\$ 1,189	\$ 1,189	\$ 689
Storm and Flood	10	189					
Additional Needs		625		\$ 643	\$ 643		
Lagoon Set-Aside		1,900		\$ 1,957	\$ 1,957	\$ 1,957	\$ 1,529
CIP Tier 1		1,464		\$ 1,508	\$ 357	\$ 580	\$ 1,508
CIP Tier 2		409		\$ 421		\$ 421	\$ 421
CIP Tier 3		1,004		\$ 1,035			
TOTAL		\$ 8,415		\$ 8,668	\$ 4,147	\$ 4,147	\$ 4,147

Stormwater Projects & Issues





Stormwater System

- 130 miles of storm drains
- 20 miles of open creeks and drainage channels
- Ten pump stations
- Three-mile Bayfront levee
- Trash racks and capture devices
- Green Infrastructure
- One flood control lagoon
- Drains 2/3 of the City

Stormwater Funding Needs



Marina Lagoon Management

- Flood control
- Algae management
- Sedimentation



Capital Improvement / Operations and Maintenance

- City-wide flood control capacity needs
- Storm system operation / maintenance



Comprehensive Storm System Funding Evaluation

- Dedicated stormwater funding source