

POTENTIAL FUNDING SOURCE

ANALYSIS AND RECOMMENDATIONS - DRAFT

City/County Association of
Governments of
San Mateo County

San Mateo Countywide Water
Pollution Prevention Program

May 2014

Task 2

of the
Stormwater Quality
Funding Initiative

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EXECUTIVE SUMMARY

The City/County Association of Governments of San Mateo has engaged a consulting team led by SCI Consulting Group, to study, make recommendations, and assist in the implementation of strategies to fund water pollution prevention programs required in the Municipal Regional Stormwater Permit. (The Municipal Regional Stormwater Permit, issued by the San Francisco Bay Regional Water Quality Control Board, stipulates water quality requirements throughout Alameda, Contra Costa, Santa Clara, and San Mateo Counties, with these requirements expected to expand in level of implementation and associated cost in the next five-year Permit cycle beginning in 2015.) This Potential Funding Sources Analysis and Recommendations Report describes, analyzes, and evaluates various funding mechanism alternatives, and in conjunction with public opinion polling, will serve as the basis for the recommendations in the Action Plan to be presented to the Program in the Spring of 2014.

This report evaluates balloted special taxes and balloted property-related fees as the primary, and most viable, approaches for a long term, comprehensive funding mechanism. However, political realities necessitate that additional and alternative funding sources be identified and potentially pursued – and that most likely, a portfolio approach, with a variety of funding sources supporting different Permit requirements, will be needed to fully fund the Permit requirements.

Hence, other funding approaches, including those that do not require balloting (and are limited primarily by legal restrictions and not by voter or property owner preferences), have also been included. These include other types of fees, charges, and grants, as well as strategies to fund water quality improvements through existing complementary sources. Further, development-driven and legislative approaches are also presented. Again, it is anticipated that a variety of funding mechanisms will be required to fully fund all Permit requirements.

1.0 SUMMARY

BACKGROUND

The Water Pollution Prevention Program ("Program") within the City/County Association of Governments of San Mateo County ("C/CAG") serves San Mateo County's twenty cities and towns, San Mateo County, and the San Mateo County Flood Control District. The Program's primary purpose is to assist municipalities in meeting Municipal Regional Stormwater Permit ("MRP") compliance mandates. The program serves all of the incorporated and unincorporated areas of San Mateo County, and each individual municipality is a "Permittee."

Water quality compliance activities are mandated through the San Francisco Bay Regional Water Quality Control Board's MRP, implementing federal and state regulations specifically targeting pollutants in urban runoff from municipal separate storm sewer systems.

These requirements are intended to protect water quality and public health, and address known pollutants of concern, including trash, pesticides, mercury, polychlorinated biphenyls (PCBs), copper, polybrominated diphenyl ethers (PBDE), and selenium as well as a wide range of municipal responsibilities, including public works facilities and operations, inspection and enforcement of commercial facilities, permitting, inspection, and enforcement of new and redevelopment projects, response to illegal discharges to the storm drain system, and public education and outreach. Existing permit requirements require pilot-scale testing of control measures for certain pollutants of concern, which will lead to requirements for widespread implementation in future years. Under the MRP, each municipality in San Mateo County is responsible for meeting permit mandates. C/CAG, although not a permittee, provides technical assistance to member agencies and performs certain compliance activities on their behalf when countywide or regional efficiencies exist.

In addition to meeting permit mandates, pollution prevention programs provide extensive benefits to local communities and economies. Permit requirements can align with public interests to create healthy environments for residents.

Currently, the 2009 MRP compliance activities are paid for through existing funding sources including a countywide assessment (combination of a fee and charge), a vehicle license fee, and other local revenue sources, such as refuse collection rates and special taxes, which vary greatly amongst permittees. Current and anticipated stormwater regulatory requirements are, unfortunately, insufficiently funded by these sources, with many municipalities forced to utilize general funds to meet existing obligations. Additional funding sources are critical to meet pollution prevention goals. To do so, C/CAG is investigating a countywide funding initiative to generate additional revenue for stormwater compliance activities at both the countywide and local levels (as well as other alternative and permittee-specific approaches.) The potential countywide funding initiative could be placed before local property owners or residents as soon as the Fall of 2014. C/CAG fully

understands that there may not be adequate political support from voters and property owners to approve a measure at a high enough rate to generate sufficient funding to implement programs consistent with MRP requirements for all permittees.

The purpose of this project, C/CAG's Stormwater Quality Funding Initiative, is to identify, evaluate, and recommend a portfolio of public financing mechanisms, both balloted and non-balloted approaches, to pay for water quality improvements in conjunction with the mandatory requirements of the MRP.

PROJECT COORDINATION, GOALS, AND CONSTRAINTS

In 2012, C/CAG retained a consultant team led by SCI Consulting Group to investigate additional public financing mechanisms that the municipalities could use to fulfill permit mandates. The elements of the Stormwater Quality Funding Initiative are:

PHASE I

Task 1: Analysis of Program Expenditures & Funding (Completed)

Task 2: Potential Funding Sources Analysis & Recommendations

Task 3: Option Research & Survey – Phase I: Phone (Completed)

Task 3: Option Research & Survey – Phase II: Mail

PHASE II

Task 4: Revenue Report & Action Plan

PHASE III

Task 5: Implementation of Funding Initiative

Task 6: Public Education & Outreach

This Task 2 Report provides analysis of various potential funding mechanisms and is based, in part, on the results of the Task 1 financial analysis and Task 3 phone survey. Ultimately, this report will be combined with the results of the completed public opinion research in Task 3 to make specific recommendations to the Program.

The goal of this project is to provide comprehensive, long-term, protected, and dedicated revenue for stormwater management. It is anticipated that this funding portfolio approach will include a balloted tax or fee. Unfortunately, it is also anticipated that the tax or fee will not be politically viable at a rate that would, combined with the existing revenue, fully fund the permit requirements. Therefore, it is likely that significant "non-balloted approaches" will also be recommended.

The formula below has been developed to express the funding challenge:

Revenue Required for MRP Implementation =

$$\begin{aligned}
 &\text{Revenue from } \textit{Existing} \text{ County Wide Fee/Charge}^1 + \\
 &\text{Revenue from } \textit{Existing} \text{ Permittee Special Fees/Taxes}^2 + \\
 &\text{Revenue from } \textit{Existing} \text{ Permittee General Fund}^3 + \\
 &\text{Revenue from } \textit{Existing} \text{ Vehicle License Fee}^4 \\
 &+ \\
 &\text{Revenue from } \textit{Proposed} \text{ Balloted Revenue Mechanism}^5 + \\
 &\text{Revenue from } \textit{Proposed} \text{ Other and Non-Balloted Approaches}^6
 \end{aligned}$$

¹ As tabulated in Table 2 of this report. Each participating municipality is currently generating the maximum amount allowable under this mechanism.

² Many permittees have existing special taxes/assessments dedicated to water pollution management.

³ Most permittee general funds are fully allocated and it is unlikely that significant additional funding is available to be used toward MRP requirements. In fact most permittees would prefer to reduce their general fund allocation to water pollution management.

⁴ San Mateo County's Vehicle License Fee is discussed on page 37.

^{5,6} Various proposed strategies are described in Section 2.0, II. of this report.

Several aspects are considered as part of this analysis:

Currently, permittees fund at least a portion of MRP activities using general fund revenue along with a portion of countywide vehicle license fee revenue and other dedicated funding mechanisms such as special taxes and fees. The existing countywide assessment and a portion of the countywide vehicle license fee revenue are used by C/CAG to provide technical assistance to and perform some compliance activities on behalf of permittees. (There are four permittees that do not have one or both components of the countywide assessment on the tax roll and contribute to the shared C/CAG compliance activities using funds from other sources.) The existing general fund of each permittee is not considered a viable option for meeting long-term and increasing stormwater management funding needs.

This Stormwater Quality Funding Initiative project is designed to address the funding needs for meeting the existing MRP requirements, as well as future requirements, as the permit is reissued every five years.

The Program intends to coordinate a Program-wide solution to MRP funding shortfalls. However, ultimately, through a designated process, the permittees will decide whether this effort should be implemented on a Program-wide, regional, or individual permittee basis.

This Task 2 Report is written to allow for considerable latitude in this final strategic decision. While a countywide initiative may provide the largest single mechanism funding source, each municipality should strongly consider pursuing local non-balloted approaches.

The final recommendations following the Task 2 and Task 3 reports must be evaluated along with a number of key attributes including political viability and legal rigor. Further, the existing countywide assessment funding source as well as the individual permittee dedicated sources must not be jeopardized by this effort. An analysis of legal and political aspects, confirming that a new "overlying" fee or tax is preferable to an increase to the existing countywide assessment, should be included. Additionally the governing body should ensure that the appropriate legal and legislative actions are in place to allow the program to pursue a property related fee or tax.

OVERVIEW OF PERMIT REQUIREMENTS

In order to fully explore potential funding sources and associated tasks, a brief description of the MRP requirements is included in this section. Additionally, a quantity of "\$" signs are included with each section to indicate the relative costs.

CORE STORMWATER PROGRAM ELEMENTS

Municipal Operations (\$):

This element requires permittees to prevent discharges to storm drains during municipal operations and typically includes staff and equipment costs to ensure proper BMPs for field activities and at facilities, such as corporation yards.

Industrial and Commercial Site Controls (\$\$):

This element requires permittees to implement an ongoing industrial and commercial site inspection and enforcement program. It typically includes a staff cost related to time for inspections and enforcement, and some equipment costs. Ideally, costs should be fully recovered through charges to businesses.

Illicit Discharge Detection and Elimination (\$):

This element requires permittees to implement an ongoing illicit discharge detection, control, and enforcement program, and typically includes staff and equipment cost related to time to respond, identify responsible parties, take enforcement action, and sometimes clean-up problems.

Construction Site Control (\$\$):

This element requires permittees to implement an ongoing construction site inspection and control program. It typically includes staff cost related to time to inspect and do enforcement. Ideally costs should be fully recovered through charges to construction projects.

Public Information and Outreach (\$\$):

This element requires permittees to increase knowledge and engage the public regarding the impacts of stormwater pollution on receiving waters and appropriate solutions. It primarily includes staff and consultant costs to perform outreach activities, develop outreach/advertising programs, etc.

New Development and Redevelopment (\$\$):

This element requires permittees to use their planning authorities to require appropriate stormwater control, flow reduction, and treatment measures in new and redevelopment projects. It typically includes staff costs for time to review and approve development applications, initial inspections of stormwater treatment and hydromodification management measures, and performance of ongoing O&M inspections. Ideally, costs should be fully recovered through charges to development.

Water Quality Monitoring (\$\$\$)

This element requires permittees to participate in San Francisco Estuary Regional Monitoring Program, perform status monitoring in local receiving water bodies, implement multiple special monitoring projects, and perform pollutants of concern and long-term trends monitoring. It includes staff, equipment, consulting, and laboratory costs and is very expensive. It is typically performed via the Countywide Program and the regional consortium of Bay Area stormwater programs, the Bay Area Stormwater Management Agencies Association (BASMAA).

POLLUTANTS OF CONCERNPesticides Toxicity Control (\$\$):

This element requires permittees to implement a pesticide toxicity control program that addresses their own and others' use of pesticides within their jurisdictions that pose a threat to water quality. It typically includes staff costs for reporting/tracking efforts, costs to implement Integrated Pest Management programs, contract pest management costs, etc.

Trash Load Reduction (\$\$\$):

This element requires permittees to implement control measures to reduce trash loads from municipal storm drains by 40% by 2014, 70% by 2017, and 100% by 2022. It typically includes municipal costs to implement control measures, including staff costs, equipment costs, enforcement costs, capital costs for capture devices or other control measures, ongoing O&M costs, etc.

Mercury Controls (\$\$\$):

This element requires permittees to implement control programs for mercury to meet required load reductions in the adopted San Francisco Bay Total Maximum Daily Load (TMDL) for Mercury. It is unclear what future control measures will entail, but likely include staff costs, equipment, capital, and ongoing operations and maintenance with potential to include street and parking lot retrofits with

landscape systems, enhanced street sweeping, street flushing and capture, and possible diversion of stormwater to publicly-owned treatment works (POTWs).

Polychlorinated Biphenyls (PCBs) Controls (\$\$\$):

This element requires permittees to implement control programs for PCBs to meet required load reductions in the adopted San Francisco Bay Total Maximum Daily Load for PCBs. It is unclear what future what future control measures will entail, but likely include staff costs, equipment, capital, and ongoing O&M. Potential to include street and parking lot retrofits with landscape systems, enhanced street sweeping, street flushing and capture, and possible diversion of stormwater to POTWs.

Copper Controls (\$):

This element requires permittees to implement control measures to meet existing limits in San Francisco Bay. It typically includes staff costs to review and approve project/development applications with appropriate control measure requirements and inspection/enforcement for evaluating proper actions in the field with regard to copper installations, and some staff costs and equipment/material costs for managing public facilities such as ponds and fountains with non-copper algaecides.

Polybrominated Diphenyl Ethers (PBDE), Legacy Pesticides and Selenium (\$):

This element requires permittees to implement investigation and control programs for PBDEs, legacy pesticides, and selenium to gather information for future TMDLs.

Exempted and Conditionally Exempted Discharges (\$\$):

This element requires permittees to implement appropriate management measures to eliminate impacts to receiving waters from various types of routine and low-threat discharges to storm drain systems. It typically includes significant staff and equipment costs for municipalities that are water utilities due to requirements to implement BMPs and perform water quality testing for planned potable discharges, and other staff costs for approving project/development applications with appropriate control requirements and inspection/enforcement costs to ensure proper implementation in the field.

REPORTING

Annual Reporting (\$\$):

This element requires permittees to submit detailed annual reports documenting their compliance efforts for all permit requirements. It typically includes staff costs to perform recordkeeping and reporting with all permit provisions on an ongoing basis, with significant effort in the annual reporting.

OVERVIEW OF FUNDING NEEDS BY MUNICIPALITY (FROM TASK#1 REPORT)

Table 1, below, summarizes the approximate funding needs for each municipality based upon the analysis performed in Task 1. This analysis indicates that an additional \$37.0 million in annual revenue is needed collectively by the Program to fund the permit requirements. The current shared Program costs have been reallocated to each permittee based upon population.

TABLE 1 – FUNDING NEEDS BY MUNICIPALITY

Permittee	Existing Annual Dedicated Revenue	Local Shortfall	Local Share of SMCWPPP Shortfall	Benefit Units (Estimated)	Calculated Required Rate
Atherton	\$ 80,000	\$ 218,267	\$ 5,081	5,085.90	\$ 43.92
Belmont	\$ 427,726	\$ 1,311,818	\$ 19,121	9,486.90	\$ 140.29
Brisbane	\$ 148,442	\$ 1,267,024	\$ 3,179	3,937.69	\$ 322.58
Burlingame	\$ 329,841	\$ 1,902,141	\$ 21,308	13,145.77	\$ 146.32
Colma	\$ 37,500	\$ 500,380	\$ 1,326	1,623.87	\$ 308.96
Daly City	\$ 837,507	\$ 1,428,037	\$ 74,864	18,730.31	\$ 80.24
East Palo Alto	\$ 218,967	\$ 1,378,820	\$ 20,836	5,987.75	\$ 233.75
Foster City	\$ 75,000	\$ 1,374,464	\$ 22,616	10,788.85	\$ 129.49
Half Moon Bay	\$ 37,500	\$ 244,757	\$ 8,385	6,024.13	\$ 42.02
Hillsborough	\$ 117,436	\$ 148,989	\$ 8,026	6,402.08	\$ 24.53
Menlo Park	\$ 401,649	\$ 2,619,540	\$ 23,739	18,931.64	\$ 139.62
Millbrae	\$ 330,932	\$ 1,237,152	\$ 15,950	7,489.94	\$ 167.30
Pacifica	\$ 322,515	\$ 557,138	\$ 27,564	12,113.24	\$ 48.27
Portola Valley	\$ 75,000	\$ 107,137	\$ 3,225	3,281.74	\$ 33.63
Redwood City	\$ 338,278	\$ 3,564,585	\$ 57,082	29,918.80	\$ 121.05
San Bruno	\$ 593,279	\$ 1,401,412	\$ 30,734	12,583.08	\$ 113.82
San Carlos	\$ 550,676	\$ 3,266,539	\$ 21,019	14,539.22	\$ 226.12
San Mateo	\$ 612,922	\$ 3,524,244	\$ 71,960	35,520.58	\$ 101.24
South San Francisco	\$ 629,858	\$ 5,884,609	\$ 47,060	30,317.83	\$ 195.65
Woodside	\$ 75,000	\$ 245,576	\$ 3,919	3,665.47	\$ 68.07
San Mateo County	\$ 612,166	\$ 4,254,696	\$ 45,325	60,355.62	\$ 71.24
TOTALS	\$9,072,194	\$36,437,325	\$ 532,320	309,930.41	

The existing annual dedicated revenue includes:

- Individual permittee-specific funding sources, totaling \$3.3 million per year. Approximately half of C/CAG's member agencies have dedicated stormwater parcel taxes/fees that were adopted in the early years of the stormwater program and are insufficient for current compliance costs (shown in Table 3, below.)
- Municipalities also receive half of the total Measure M vehicle license fees eligible for use on both congestion and stormwater issues. Different

jurisdictions dedicate different amounts of these funds to stormwater, currently totaling approximately \$2.3 million per year.

- Individual permittee-specific dedicated funding for street sweeping totaling approximately \$1.1 million per year (shown in Table 4, below.)
- Estimated annual cost to comply with the Municipal Regional Permit varies by jurisdiction and varies based on population, area, road miles, size of storm drainage system, numbers of businesses, etc. Estimated annual costs range from less than \$100,000 to nearly \$6 million for each of C/CAG's member agencies. Compliance costs can be expected to increase every five years when the Municipal Regional Permit is reissued (next slated for late 2014).

The Revenues and Shortfalls do not include:

- Approximately \$1.5 million per year annual cost to provide technical support to member agencies and perform compliance activities. This includes fully funding the current monitoring, mercury, and PCBs requirements in the Municipal Regional Permit. (This amount is estimated to increase by \$532,320, which is included above.)
- C/CAG's member agencies, in addition to municipalities throughout the nine-county Bay Area region, benefitted from a \$5 million American Recovery and Reinvestment Act grant to the Association of Bay Area Governments/San Francisco Estuary Partnership for the purpose of installing trash capture devices. This has helped in meeting the trash load reduction requirements in the permit, although the funds were distributed Bay Area-wide, so individual jurisdictions received relatively limited funds.
- C/CAG's member agencies, in addition to all 76 permittees under the MRP, benefitted from a \$5 million U.S. Environmental Protection Agency San Francisco Bay Water Quality Improvement Fund grant to the Bay Area Stormwater Management Agencies Association for the purpose of implementing permit requirements related to mercury and PCBs.

The jurisdictional rates shown in Table 3 below vary greatly from zero to \$30 annually. Note that each permittee can and should have a rate appropriate for its own jurisdiction. Existing and future public opinion research will aid in the establishment of rates, which are expected to be within this range.

Table 2 illustrates the revenues generated from a dedicated funding mechanism at a rate of \$25 per benefit unit. A total of \$7.7 million would be generated (versus a total need of \$37.0 million) Note that several permittees (Atherton, Hillsborough, Portola Valley, and Woodside) with a less industrial history appear to have lower financial needs and the draft rate has been adjusted. The \$25 rate is for illustrative purposes only and will be adjusted as appropriate.

TABLE 2 – DRAFT RATES AND CORRESPONDING REVENUES

Permitee	Benefit Units (Estimated)	Calculated Required Rate	Proposed Rate	Revenue Generated
Atherton	5,085.90	\$ 43.92	\$ 25.00	\$ 127,147.50
Belmont	9,486.90	\$ 140.29	\$ 25.00	\$ 237,172.50
Brisbane	3,937.69	\$ 322.58	\$ 25.00	\$ 98,442.25
Burlingame	13,145.77	\$ 146.32	\$ 25.00	\$ 328,644.25
Colma	1,623.87	\$ 308.96	\$ 25.00	\$ 40,596.75
Daly City	18,730.31	\$ 80.24	\$ 25.00	\$ 468,257.75
East Palo Alto	5,987.75	\$ 233.75	\$ 25.00	\$ 149,693.75
Foster City	10,788.85	\$ 129.49	\$ 25.00	\$ 269,721.25
Half Moon Bay	6,024.13	\$ 42.02	\$ 25.00	\$ 150,603.25
Hillsborough	6,402.08	\$ 24.53	\$ 25.00	\$ 160,052.00
Menlo Park	18,931.64	\$ 139.62	\$ 25.00	\$ 473,291.00
Millbrae	7,489.94	\$ 167.30	\$ 25.00	\$ 187,248.50
Pacifica	12,113.24	\$ 48.27	\$ 25.00	\$ 302,831.00
Portola Valley	3,281.74	\$ 33.63	\$ 25.00	\$ 82,043.50
Redwood City	29,918.80	\$ 121.05	\$ 25.00	\$ 747,970.00
San Bruno	12,583.08	\$ 113.82	\$ 25.00	\$ 314,577.00
San Carlos	14,539.22	\$ 226.12	\$ 25.00	\$ 363,480.50
San Mateo	35,520.58	\$ 101.24	\$ 25.00	\$ 888,014.50
SSF	30,317.83	\$ 195.65	\$ 25.00	\$ 757,945.75
Woodside	3,665.47	\$ 68.07	\$ 25.00	\$ 91,636.75
SM County	60,355.62	\$ 71.24	\$ 25.00	\$ 1,508,890.50
TOTALS				\$ 7,748,260.25

TABLE 3 – CURRENT EXISTING DEDICATED STORMWATER FUNDING RATES

Permittee	Maximum Existing Stormwater Utility Assessment Rate
Belmont	\$30.00
Brisbane	\$9.48
Daly City	\$9.80
East Palo Alto	\$20.14
Hillsborough	\$7.34
Menlo Park	\$26.00
Millbrae	\$25.99
Pacifica	?
San Bruno	?
San Carlos	\$20.00
San Mateo	?
San Mateo County	\$10.00
South San Francisco	\$8.72

TABLE 4 – CURRENT FUNDING FOR STREET SWEEPING

Municipality	Budget	Funding
Atherton	\$ 12,000	General Fund
Belmont	\$ 182,000	Solid waste fees
Brisbane	\$ 22,200	General Fund; request reimbursement from Measure M
Burlingame	\$ 241,673	Solid waste fees
Colma	\$ 51,215	General Fund
Daly City	\$ 397,236	North SMC Sanitation District
East Palo Alto	\$ 100,000	Solid waste fees
Foster City	\$ 90,000	Solid waste fees
Half Moon Bay	\$ -	Solid waste fees
Hillsborough	NA	<i>no street sweeping performed</i>
Menlo Park	\$ 241,600	Measure M + SW Assessments
Millbrae	\$ 150,000	Stormwater assessment
Pacifica	\$ 113,396	Stormwater assessment
Portola Valley	\$ 12,000	Measure M
Redwood City	\$ 300,000	Gas Tax
San Bruno	\$ 183,000	Stormwater assessment
San Carlos	\$ 85,276	Solid waste fees
San Mateo	\$ 400,000	Solid waste fees
San Mateo County	\$ 611,894	Measure M
South San Francisco	\$ 336,000	General fund and SW assessments
Woodside	\$ 10,728	Gas Tax

2.0 STORMWATER FUNDING APPROACHES

INTRODUCTION TO POTENTIAL FUNDING SOURCES

Dedicated local revenue mechanisms available to the Program can be divided into three primary groups – balloted, non-balloted, and development-driven. (Legislative approaches and grants are also briefly discussed in this report.)

Balloted revenue mechanisms are legally established, and rarely have legal challenges been successful. However, the balloting requirement significantly limits the total revenue that may be generated, as it is limited by the political "willingness to pay" by the local voters/property owners. Amendments to the California Constitution derived from Proposition 13 and Proposition 218 dictate the required processes for balloted revenue mechanisms.

There are two basic types of balloted measures: special taxes (primarily defined and regulated through Proposition 13-driven language) and property-related fees (primarily defined and regulated through Proposition 218 language). Special taxes are typically conducted at polling places and require two-thirds support of voters, with one vote per registered voter. Property-related fees are typically conducted by mail, with a threshold of 50% support of voting property owners, and one vote per parcel. (A third mechanism, the Proposition 218-compliant benefit assessment, is discussed briefly in this report, but is not legally or politically appropriate.)

Non-balloted approaches, while not subject to local voters/property owners' "willingness to pay" limitations, include increased legal risk. Non-balloted approaches include regulatory fees and financial re-alignment of stormwater program activities combined with non-balloted fees.

The outline below includes an overview of potential funding sources to address unmet funding requirements for implementation of the MRP:

I. BALLOTTED APPROACHES

1. Parcel-Based Special Taxes
2. Other Special Taxes
 - a. General Obligation Bonds
 - b. User Taxes
 - c. Transient Occupancy Taxes and/or Sales Taxes
 - d. Vehicle License Fees
3. Property Related Fees - Balloted
4. Benefit Assessments

II. NON-BALLOTTED APPROACHES

1. Re-Alignment of Stormwater Services
2. Dedicated Property-Related Fee - Non Balloted
3. Regulatory Fees - SB 310
4. Regulatory Fees – Inspections
5. Business License Fees
6. Use of Existing Funding for Complementary Improvements
7. Infrastructure Financing Districts

III. DEVELOPMENT-DRIVEN APPROACHES

1. Impact Fees
2. Community Facilities Districts

IV. LEGISLATIVE APPROACHES

V. OTHER APPROACHES

1. Grants

VI. OTHER ISSUES AFFECTING ALL APPROACHES

SPECIAL NOTE ON C/CAG'S AUTHORITY TO IMPOSE A TAX OR FEE

C/CAG has evaluated its authority to impose a tax or fee on properties within San Mateo County, and has determined that clearer definition of its powers would be helpful. Accordingly, legislation is currently being shepherded through both State houses which gives C/CAG explicit authority to impose a fee or tax. If this legislation is approved as an Urgency bill (which requires two-thirds approval from both houses), then it will be effective upon the Governor's signature. Otherwise, it would be effective on January 1, 2015, which would have a profound effect on the schedule, potentially delaying the effort by one to two years.

2.1 BALLOTTED APPROACHES

1. PARCEL-BASED SPECIAL TAX

Special taxes are decided by registered voters and require a two-thirds majority for approval. Traditionally, special taxes have been decided at polling places corresponding with primary and special elections. More recently, however, local governments have had significant success with single issue, special taxes by conducting them entirely by mail and not during primary or general elections. In any case, special taxes are well known to Californians but are not as common as property-related fees for funding of stormwater activities. Special taxes to fund stormwater services have been successfully implemented in the cities of Los Angeles, Santa Cruz, and Santa Monica.

Most special taxes are conducted on a parcel basis with rates potentially based upon property use and/or size, geographic zone, and other property-based attributes. Parcel taxes based upon the assessed value of a property are constitutionally prohibited. Parcel taxes are the most common and most viable type of special tax for funding the MRP requirements. As such, most discussion of special taxes in this report will focus on parcel taxes.

REQUIRED DOCUMENTS FOR A PARCEL-BASED SPECIAL TAX

- Ordinance or Resolution stating:
 - Tax type, tax rates, collection method, election date and services provided
- Notice to the Registrar of Voters of Measure Submitted to Voters
- Measure Text including:
 - Ballot Question (75 words or less)
 - Full Ballot Text (300 words or less)
 - Arguments in Favor or Against (Pro and Con Arguments)

ADVANTAGES

Legally rigorous: Special taxes, if approved by two-thirds of the registered voters within a community, are very reliable and very rarely successfully legally challenged. Special tax revenue has not been subject to state-level "take-aways" like the Educational Revenue Augmentation Funds (ERAF).

Common mechanism: Most property owners are aware and comfortable with (but not necessarily supportive of) the special taxes and the special tax process.

CHALLENGES

Higher political threshold: Generally speaking, the two-thirds majority threshold for approval is very politically challenging, particularly within the current political climate in

California. Special taxes are subject to significant outside influence from media and opposition groups during voting, and are more vulnerable to other measures and candidates on the shared ballot.

When special taxes have been used for stormwater revenue, the rate and total revenue have been significantly less than with a property-related fee. Two exceptions were in Santa Cruz and Santa Monica, which have active and significant renter populations that tend to be more supportive than property owners of new taxes. In San Mateo County, however, it is anticipated that the community is much more likely to satisfy the 50% property owner threshold of a property-related fee than the 66.7% registered voter threshold of a special tax for the same stormwater quality measure. The Task # 3 Opinion Research phone survey confirmed this assertion.

Borikas Decision and the Issue of Uniformity: In June of 2013, the State Supreme Court declined to overrule a lower court's decision to overturn a parcel tax for the Alameda Unified School District. The District had imposed a tax in 2008 in which larger commercial properties were taxed at a higher rate than residential or smaller commercial properties. The tax was overturned because it failed to satisfy a "uniformity" requirement for taxes for school districts. As a result, it is anticipated that legislation will be introduced in Sacramento to apply this uniformity requirement to all parcel-based taxes. This action needs to be monitored because if a stricter uniformity requirement is implemented, it would weaken C/CAG's ability to generate sufficient revenue via a parcel-based tax.

REVENUE PROJECTIONS AND TIMING

Special tax elections held at polling places are conducted on the statutorily designated dates (typically in November for the general election and either March or June for the primary). If the Program or any of the permittees ultimately decide to pursue a special tax, it is highly recommended that a special all-mail election be considered, which likely could be scheduled any time. Special all-mail ballot elections are often less expensive and allow for more optimization of the election data, as well as having the advantage of presenting a single issue to the voters.

Upon completion of the Task 3 public opinion research, revenue projections for special taxes will be made, and included in the recommendations presented to the C/CAG Board. These recommendations will include the ideal balloting method, either at a polling place or via mailed ballots.

Table 5 details the required tasks and timeline to implement a special parcel-based tax.

TABLE 5 – BALLOTTED – PARCEL-BASED TAX

Typical Duration	Task
6 months prior	Community Outreach
2 months prior	Ordinance or Resolutions for Governing Boards approval
	Notice to Registrar of Voter of Measure Submitted to Voters
	Submittal of Measure Text, Ballot Question and Pro/Con Argument
1 Day	Conduct Election, consolidated with Statewide primary or general election, or local election; Tabulate Ballots; 2/3 of registered voters required for approval

See Table 6, which lists the required tasks and timeline, to implement a mail balloted special parcel-based tax.

TABLE 6 – MAIL BALLOTTED – PARCEL-BASED TAX

Typical	Task
6 months prior	Community Outreach
2 months prior	Ordinance or Resolutions for Governing Boards approval
	Notice to Registrar of Voter of Mailed Measure Submitted to Voters
	Submittal of Measure Text, Ballot Question and Pro/Con Argument
1 month prior	Mail Ballots
1 Day	Conduct Election; Tabulate ballots; 2/3 of registered voters required for approval

OTHER CONSIDERATIONS & FUTURE LEGISLATION

The California Constitution currently requires a two-thirds majority voter approval for cities, counties, and special districts to impose a special tax. An exception to this requirement is incurring indebtedness for school districts. General obligation bonds for school districts' capital projects only require 55% of voter approval to be repaid through a special tax. There have been previous unsuccessful attempts to lower the required voter approval for all or some special taxes down to 55%, matching the requirements for school districts. A new bill, ACA 8, aims to lower voting requirements on special taxes paid to construct,

improve, replace, and maintain public infrastructure. (A number of other bills have been introduced to the state legislature that also propose to reduce approval requirements to 55%, typically associated with a particular service, including ACA 3, ACA 18, SCA 3, SCA 4, SCA 7, AB 1188, etc.)

ACA 8 was first introduced in February of 2013, and adopted by the Assembly June 15, 2013. It must be adopted by the Senate and then passed by a vote of the public in order to amend the California Constitution. The voting requirement for the Legislature is two-thirds majority while the voting requirement for the general public is over 50%. Assuming the Senate adopts this bill before the next general election, it can be put to a vote of the public as soon as November of 2014. If passed through this election, the amendment would become law on January 1st of the following year.

2. OTHER SPECIAL TAXES

As mentioned above, parcel-based special taxes are a well-known taxing mechanism decided by registered voters and require a two-thirds majority for approval. Other special taxes are described below.

GENERAL OBLIGATION BONDS (SERVICED BY A SPECIAL TAX)

In California, special taxes can service directly to the sale of general obligation bonds to finance the construction of infrastructure. In 2004, the City of Los Angeles successfully passed "Measure O" which provided funding for a variety of capital improvements related to water quality. Arguably, voters are more likely to support general obligation bond special taxes than parcel-based taxes at equivalent rates. However, since special taxes for general obligations bonds can only be used for the financing of capital improvements, this mechanism is likely not appropriate for funding ongoing MRP requirements, most of which do not involve capital improvements.

USER TAXES

User taxes are typically designed to associate "use" with "taxation." Stormwater management does not lend itself well to this model, as it is difficult to measure and assign stormwater quality services and improvements to specific users. However, one example of a user tax that is currently being evaluated is in El Dorado County. El Dorado County is considering the concept of a "Tahoe Basin User fee" with a portion of the revenue supporting stormwater quality services. In other words, tourists travelling into the Tahoe Basin would be charged an entry toll at a finite number of designated entry points, including Highway 50 into South Lake Tahoe. It is unlikely that this plan will be implemented in the Tahoe Basin, and even less likely such a user tax could work in San Mateo County.

TRANSIENT OCCUPANCY TAXES AND/OR SALES TAXES

A transient occupancy tax ("TOT") is charged when occupying a room or rooms or other living space in a hotel, inn, tourist home or house, motel or other lodging for a period of 30 days or less. A sales tax is a consumption tax charged at the point of purchase for certain goods and services. The sales tax amount is usually calculated by applying a percentage rate to the taxable price of a sale. Both of these mechanisms are particularly popular in areas with considerable tourist activity because it is perceived that a disproportionate amount of the tax load will be carried by "out of town" people and entities. San Mateo County does not have a large tourist base and is not particularly well-suited for a sales tax or TOT.

Sales tax and hotel occupancy taxes have considerable internal political challenges and difficulty establishing at least a portion as dedicated to stormwater program requirements. A sales tax would require the difficult two-thirds of registered voter support, as would a transient occupancy tax. These mechanisms are considered less viable than a parcel tax.

VEHICLE LICENSE FEES

One novel funding approach that has worked well for San Mateo County is Vehicle License Fees. Initially established in 2003, AB 1546 authorized C/CAG to assess up to \$4 in vehicle license fees. The purpose of the fee was to establish a pilot program that would fund congestion management and stormwater pollution prevention activities. While the \$4 fee was set to expire in December 2012, San Mateo voters approved Measure M in 2010 with 54.9% support, authorizing C/CAG to impose a \$10 Vehicle License Fee for traffic congestion and stormwater pollution prevention. Measure M generates \$7.6 million per year for 25 years. Half of the revenue goes directly to C/CAG's member agencies for congestion management or stormwater pollution prevention activities, and of the remaining half, approximately 12% goes toward stormwater pollution prevention activities at a countywide level.

Subsequent similar political efforts in Alameda, Contra Costa, Marin, Napa, and Sacramento Counties were held to the higher two-thirds threshold (as a result of the passage of Proposition 26) and have failed.

While the vehicle licensing fee has been effective for San Mateo County, increasing the fee to meet the Program's funding needs would require 2/3 registered voter approval as a result of Proposition 26 being approved in 2010.

3. PROPERTY-RELATED FEES - BALLOTTED

A Proposition 218-compliant, property owner balloted, property-related fee is a very viable revenue mechanism to fund the MRP requirements within the County. Accordingly, considerable detail is provided below regarding this approach. Typically, it is a property owner balloting requiring a simple majority for approval.

HISTORICAL CONTEXT OF THE PROPERTY-RELATED FEES

Proposition 218, approved by California voters in 1996, is well-known for establishing administrative and legal requirements to implement a common funding mechanism called a "benefit assessment." What is less well-known is that Proposition 218 also created a new mechanism called a "property-related fee." A property-related fee is a fee or charge imposed upon a parcel "as an incident of property ownership."

Since Proposition 218's passage, property-related fees have been widely implemented and used for water, sewer, and refuse collection services. The implementation of a property-related fee for these three types of services is exempt from the second, and more difficult balloting step of the two-step implementation process described below. Further, in the 2002 Proposition 218 case, *Howard Jarvis Taxpayers Association v. City of Salinas* (98 Cal.App.4th 1351), the Court of Appeal for the Sixth Appellate District held that a "storm water drainage fee" was illegally imposed by the City of Salinas. The plaintiff, Howard Jarvis Taxpayers Association ("HJTA") contended that the storm drainage fee imposed by the City of Salinas was a "property-related" fee requiring voter approval. In its decision, the Appellate Court sided with the HJTA, further explaining "we must conclude, therefore, that the storm drainage fee 'burdens landowners as landowners,' and is therefore subject to the voter-approval requirements of Article XIII D [section 6(c)]." This decision clarified the position that a property-related fee is the appropriate vehicle for stormwater services, not a benefit assessment, and that the fee is subject to the balloting requirement.

BALLOTTED PROPERTY- RELATED FEE PROCESS

The property-related fee process requires public approval in two distinct steps, both of which must be completed successfully for the fee to be approved. The first step is a public notice mailed to each property owner followed by a public hearing 45 days later. If a majority of property owners protest the proposed fee at this initial protest hearing, the proposed fee cannot be sent to ballot. (This is highly unlikely in a large urbanized area such as San Mateo County.) If a majority protest is not received, the local agency may, at its discretion, choose to submit the fee to a balloting of either all property owners subject to the proposed fee or all registered voters. (As indicated above, property-related fees for water, sewer, and refuse collection services are exempt from the balloting second step.)

The second step of the process is the balloting. If a mailed-ballot procedure by property owners is used (and this option, not the registered voter option, is usually selected), the mailed ballot must contain the amount of the proposed fee to be imposed on the owner's property or properties, the basis for calculating the proposed fee, the reason for the fee, and a place upon which an owner can indicate his/her support or opposition for the proposed fee. A simple majority of ballots cast by property owners is required to approve the fee. The balloting must be held at least 45 days after the public hearing.

REQUIRED DOCUMENTS FOR A PROPERTY-RELATED FEE

- Fee Report
- Resolution Calling for Mailing of Notices

- Notice
- Resolution Calling for Mailing of Ballots (assumes < 50% protest)
- Ballot
- Resolution Directing Fees to be Charged (assumes >50% support)

FEE REPORT

Integral to the property related fee process is the development of a "Fee Report" including the fee methodology, which is a collection of formulas used to determine individual fees for specific parcels, based upon specific attributes. (The "Fee Report" is sometimes erroneously referred to as the "Engineer's Report," which is a document associated with a benefit assessment.) Although there have been fewer than a dozen property-related fees for stormwater in California history, a uniformity of methodology is beginning to emerge. Most methodologies incorporate either individual impervious areas for individual parcels, or more commonly, average impervious area percentages corresponding to property use. For example, all single family homes on 5,000 sq. ft. or less may receive exactly the same fee. Conversely, some agencies field measure every parcel and determine individual impervious amounts for individual parcels, and individual fees are calculated accordingly. Generally speaking, stormwater fee methodologies use "groupings" in which parcels of similar use and size receive the same fee. This is an advantage from an administration and community acceptance standpoint, while still being legally defensible. The fee methodology could also incorporate a base "off-site" component plus a property-specific "on-site" component. An off-site component assigns a property's share of costs for water quality improvements from shared public improvements, such as roads. The other portion of a property's fee will be for its onsite impacts.

ADVANTAGES

Most Common Mechanism for Stormwater: Property-related fees are the most commonly used mechanism for funding stormwater programs. Although special taxes have been used, they have been used less often, and in communities with large and very supportive renter populations such as Los Angeles, Santa Cruz and Santa Monica.

Legally Rigorous: Probably because the HJTA v. Salinas case explicitly called out a balloted property-related fee, and since the plaintiff in this case was the primary taxpayers' association in the state, there have not been any substantive legal challenges of this mechanism's use for stormwater services.

Political Viable: The approval threshold for a property-related fee is 50%, with one vote per fee-eligible parcel. This mechanism is likely more politically viable than a special tax.

CHALLENGES

Unfamiliar Process: One potential criticism of the property-related fee process is that property owners are generally unfamiliar with the process and opponents can exploit this. However, with the recent dramatic increase in voting by mail in California, this would not

likely be a major issue. Nonetheless, political opponents can exploit this unfamiliarity and focus the public's attention on the Proposition 218 process and away from the proposed water quality improvement; this effectively derailed recent efforts in Contra Costa County and Los Angeles County.

In the case of Contra Costa County, the opponents (in this case the anti-tax Editorial Board of the Contra Costa Times) characterized the balloting process as flawed because it was not handled by the County Registrar of voters, did not utilize secret ballots, signatures were required on the ballot, there were no pro and con arguments on the ballot materials, and the tabulation was performed by a private accounting firm, even though all of these items are legally required by Proposition 218 as sponsored by the Howard Jarvis Taxpayers Association.

Large Public Properties Including School Sites: A fundamental challenge with the property-related fee is the legal requirement to charge all properties using a standardized methodology and that arguably, publicly owned properties are subject to the fee. As a result, school sites, due to their high levels of impervious area, tend to have elevated fee amounts. Sensitivity will need to be applied when evaluating fees and in particular fee reduction measures available to properties to mitigate both pollution runoff and fee rates.

Legal Scrutiny: Property-related fees for stormwater management are well established and legally stout. However, special attention must be paid to ensure the Proposition 218 process is carefully followed. Proposition 218-driven mechanisms are typically subjected to greater legal scrutiny than special taxes.

REVENUE PROJECTIONS AND TIMING

The basic fee rate should be determined by balancing the budgetary requirements of C/CAG and its member agencies in meeting the MRP requirements and the political realities of support levels within the County. Various fee rates will be tested via public opinion research prior to the balloting. Within the State, fees and taxes for stormwater management have typically ranged from \$25 per year to over \$200 per year.

Upon the completion of the Task 3 polling, revenue projections for a property-related fee will be made, and included in the recommendations to the C/CAG Board.

Table 7 lists the required tasks and timeline to implement a property-related fee.

TABLE 7 – BALLOTTED PROPERTY-RELATED FEE TASKS

Typical Duration	Task
6 months prior	Community Outreach
3 months prior	Develop Fee Report, Supporting Resolutions, Notice and Ballot
	Governing Body (City Council or Board of Supervisors) considers approval of Fee Report and calls for mailing of notices.
+/- 10 days	Mail Notice of Proposed Fee and Date of Public Hearing to all property owners (45 day notice period)
45 Days	Public Hearing and call to mail ballots (assumes < 50% protest)
+/- 10 days	Mail Ballots to all property owners (45 day ballot period)
45 Days	Balloting period ends. Ballot tabulation begins. 50% +1 required for approval with 1 vote per fee-eligible parcel

LESSONS LEARNED WITH THE CONTRA COSTA COUNTY AND LOS ANGELES COUNTY EFFORTS

Both Contra Costa County and Los Angeles County, via their County Flood Control Districts, have attempted to impose a property-related fee for water quality improvement in the last few years. Although there were clear differences between these situations and San Mateo County, there are still important lessons to be learned. In both cases, the proposed fee failed to receive unanimous support from the governing Board of Supervisors, setting up a fundamental weakness in the effort. In the case of Contra Costa County, the local newspaper, the Contra Costa Times, heavily criticized the effort with nine major editorial articles against it over the 45 day balloting period. The Contra Costa Times editorial board is consistently and actively critical of local government and associated revenue measures. The Times focused on the property-related fee process, emphasizing the lack of pro and con arguments, the fact that balloting and tabulation were not performed by the County Registrar of Voters, and the 50% approval threshold. The Contra Costa County Clean Water Program staff worked closely with the Times' staff to correct and add context to their criticisms, but newspaper editorials continued to include factual inaccuracies when describing the process. This negative media caused a 9% drop in support from survey to actual balloting, and the fee was ultimately not approved by Contra Costa County property owners. Although the local San Mateo media is quite dissimilar in this regard to the Contra Costa media, this effort exposed a real weakness of the property-related fee process.

Similarly, the recent effort in Los Angeles County lacked broad based support from the Los Angeles County Board of Supervisors with only a simple majority of the Board voting to go ahead with the fee. Although the media coverage was accurate and balanced, there was

considerable coverage of relatively high fees proposed upon school sites due to their large amount of impervious area. In this case, the fundamental lack of governing body support, outcry from the local school district, and several other missteps resulted in the Los Angeles County Board of Supervisors not voting to proceed with the balloting second step of the process after the notices of public hearing had been mailed out.

SOME QUESTIONS CONCERNING PROPERTY-RELATED FEES

Secret Ballot - Forde Greene v. Main County Flood Control and Water Conservation District (a.k.a. "Ross Valley Flood Fee")

In March of 2009, the California Court of Appeals (First Appellate District) issued a decision over-turning a property owner-approved, property-related fee for stormwater management services in Ross, California. Essentially, the Court concluded that "the voters who adopted Proposition 218 intended the voting to be secret in these fee elections." However, this decision was completely contrary to the opinion of most Proposition 218 attorneys in California, as well as tradition and practice. Not surprisingly, the California Supreme Court recently overruled the appellate court's decision, and the approved fee has been validated.

Property-related fees to be collected monthly or on annual tax bills

Although not a major issue, there is some discussion amongst California's Proposition 218 attorneys regarding whether property related fees may be collected annually, on property tax bills, or must be collected monthly. Most agencies place property related fees on monthly bills. However, the recent City of Burlingame stormwater fee is collected on the annual property tax bill. Despite this ongoing dialogue, no recommendations for monthly billing are made at this time.

4. BENEFIT ASSESSMENTS

As discussed in the preceding section on property related fees, the HJTA v. Salinas decision effectively determined that the benefit assessment is not the legally applicable mechanism for stormwater services. To our knowledge, there have not been any significant, agency-wide benefit assessment districts created to manage stormwater in California since this decision was made.

2.2 NON-BALLOTTED APPROACHES

1. RE-ALIGNMENT OF SOME STORMWATER SERVICES (SUCH AS SEWER, WATER, AND REFUSE COLLECTION)

Over the last two decades, many public agencies in California have consolidated the services related to stormwater infrastructure and NPDES permit compliance into one "stormwater department." This consolidation has allowed for improved management of these efforts; however, it may also have resulted in some unintended consequences in terms of optimizing funding of these services.

More recently, a number of public agencies in California have realigned services that were in their stormwater program to water, sewer, and refuse collection and have established new or increased fees, and/or re-negotiated existing franchise agreements for such services. This opportunity may be available to the Program as well.

Of course, it does little good to simply re-align stormwater activities to other agencies and departments, along with the corresponding financial burden, if these other agencies or departments have little access to corresponding increased revenue. Accordingly, these re-alignments have been for, and should be focused on, entities that have reasonable ability to raise the corresponding revenue needed to support these additional services, such as sewer, water, and refuse collection.

Sewer, water and refuse collection services are provided throughout the County by a combination of private companies as franchisees, special districts, and the municipalities themselves. Special districts and local governments are required to satisfy Proposition 218 processes when imposing new or increasing sewer, water and refuse collection services rates. The Proposition 218 process requirements are far less onerous for sewer, water, and/or refuse collection rates than for other services, because they are only subject to the noticed public hearing requirement and are exempted from the balloting requirement. Known as the "sewer, water, refuse exception," it is described in Proposition 218 as:

"...Except for fees or charges for sewer, water, and refuse collection services, no property-related fee or charge shall be imposed or increased unless and until that fee or charge is submitted and approved by a majority vote of the property owners of the property subject to the fee or charge."

For franchisees, the requirement is less clear, and may only need a re-negotiation of the contract and rates with the governing local agency. (The legal need for a franchisee to conduct a Proposition 218 noticed public hearing for sewer, water, and refuse collection is debated in California and is outside the scope of this report. The more conservative approach is to conduct a Proposition 218-noticed public hearing even when a franchisee is providing the services.)

Most importantly, whether a Proposition 218-noticed public hearing is required or only a franchisee re-negotiation, these processes do not require the expense, political risk and financial "willingness to pay" constraints of a special tax or balloted property-related fee.

This approach requires the Program and/or individual permittees to conservatively review current stormwater program activities, and where reasonably and rationally appropriate, consider re-aligning some of these activities to sewer, water or refuse collection, and then increase the fees for these services accordingly. Any such re-alignments of activities and/or improvements should be bona fide, well-supported, and well-reviewed. Moreover, any new or increased fees for sewer, water, or refuse collection may require educational, political, and stakeholder outreach, even though a balloting is not required.

Table 8, below, lists the primary provider for these key services for each permittee.

TABLE 8 – SEWER, WATER AND REFUSE COLLECTION SERVICE PROVIDERS BY LOCAL GOVERNMENT AGENCY

Municipality	Primary Refuse Collection Service Provider	Primary Water Service Provider	Primary Sewer Service Provider
Atherton	Recology San Mateo County	CalWater	West Bay Sanitary District
Belmont	Recology San Mateo County	Mid-Peninsula Water District	City of Belmont
Brisbane	SSF Scavenger	Brisbane Water District & Guadalupe Valley Municipal Improvement District	City of Brisbane, Guadalupe Valley Municipal Improvement District & Bayshore Sanitary District
Burlingame	Recology San Mateo County	City of Burlingame	Burlingame Hills Sewer Maintenance District & City of Burlingame
Colma	Allied Waste Daly City	CalWater	No. San Mateo County Sanitation District
Daly City	Allied Waste Daly City	City of Daly City	No. San Mateo County Sanitation District & City of Daly City
East Palo Alto	Recology San Mateo County	City of East Palo Alto, Palo Alto Park Mutual Water Company & O'Conner Tract Co-op Water Company	East Palo Alto Sanitary District & West Bay Sanitary District
Foster City	Recology San Mateo County	Foster City Estero Municipal Water District	Estero Municipal Improvement District
Half Moon Bay	Allied Waste Services of Half Moon Bay	Coastside County Water District	City of Half Moon Bay, Granada Sanitary District & Sewer Authority Mid-Coastside
Hillsborough	Recology San Mateo County	Town of Hillsborough	Town of Hillsborough
Menlo Park	Recology San Mateo County	Bear Gulch - CalWater, Menlo Park Municipal Water District & O'Conner Tract Coop Water	West Bay Sanitary District
Millbrae	SSF Scavenger	City of Millbrae	City of Millbrae
Pacifica	Recology of the Coast	North Coast County Water District	City of Pacifica
Portola Valley	GreenWaste	CalWater	West Bay Sanitary District
Redwood City	Recology San Mateo County	City of Redwood City	City of Redwood City
San Bruno	Recology San Bruno	City of San Bruno	City of San Bruno & City of South San Francisco
San Carlos	Recology San Mateo County	CalWater	City of San Carlos
San Mateo	Recology San Mateo County	CalWater	City of San Mateo
San Mateo County	varies	varies	varies
South San Francisco	SSF Scavenger	CalWater	City of San Bruno & City of South San Francisco
Woodside	GreenWaste	CalWater	West Bay Sanitary District

New or increased fees or charges for sewer, water or refuse collection are established by the following steps:

TABLE 9 – NON-BALLOTTED - PROPERTY RELATED FEE TASKS FOR SEWER, WATER AND REFUSE COLLECTION ONLY

Typical Duration	Task
6 months prior	Community Outreach
3 months prior	Develop Fee Report, Supporting Resolutions, Notice and Ballot
	Governing Body considers approval of Fee Report and calls for mailing of notices
+/- 10 days	Mail Notice of Proposed Fee and Date of Public Hearing to all property owners (45 day notice period)
45 Days	Public Hearing and call to mail ballots (assumes < 50% protest)
+/- 10 days	Mail Ballots to all property owners (45 day ballot period)
45 Days	Balloting period ends; Ballot tabulation begins; 50% +1 required for approval with 1 vote per fee-eligible parcel

THE STREET SWEEPING OPPORTUNITY

Many stormwater programs throughout California fully or partially fund street sweeping activities, and in many cases, it is the largest single element of the budget. Street sweeping can be reasonably and rationally assigned to the solid waste department of a public agency. Since most street sweeping is done along residential streets, a clear link can be established between this service and a specific property, perhaps based quantitatively on street frontage. (In some cases, public agencies may conservatively determine that less than 100% of the costs of street sweeping can be assigned to individual properties. Even so, any reduction will still have a positive effect on the stormwater budget.) Note that Waste Management Inc., the largest refuse collection company in the United States, provides street sweeping service as a core service to many municipalities throughout the nation. Accordingly, this would require an increase to the contractual scope of the refuse collection provider and likely a corresponding rate increase. Be advised that the legal question as to whether "street sweeping" is indeed "refuse collection" and satisfies the "sewer, water, refuse exception" of Proposition 218 has not been definitively answered. Table 4, above lists the funding sources for street sweeping for each permittee.

THE TRASH LOAD REDUCTION REQUIREMENTS OPPORTUNITY

Like the street sweeping example above, much of the MRP's Trash Load Reduction requirements are essentially "refuse collection" and should be considered for re-alignment, accordingly. This includes maintaining and collecting refuse from trash capture devices, hot spots and other BMPs, as well as activities associated with overall trash reduction plans. (It is likely that these activities would have to be linked to individual properties, perhaps though zones.) Re-aligning these trash-related activities to the refuse collection provider would also likely require an increase to the contractual scope of the refuse collection provider and likely a corresponding rate increase.

OTHER OPPORTUNITIES

- Re-align catch basin trash removal as well as removal and replacement of filters to refuse collection/solid waste provider.
- Re-align other services that remove trash from water runoff to refuse collection/solid waste provider.
- Re-align services that proactively prevent trash pollution and pollution inspections to refuse collection/solid waste provider.
- Re-align community education efforts regarding overwatering to the water service provider as a water conservation service. (The benefit of preventing pollutants from being washed into streams, reservoirs and the ocean is ancillary.)
- Re-align water recycling, clean up and reuse to water service provider.
- Potentially re-align a portion of the cost of handling urban runoff to water service provider on the basis that such runoff is a direct byproduct of water usage. (Ideally, the fees for such services will be largely borne by properties that overuse water, creating urban runoff.)
- Potentially re-align improvements to stormwater piping (including re-lining of leaking pipes) to the sewer provider to reduce or eliminate wet weather inflow from stormwater pipes to sewer pipes.

In each case, these additional services would also require an increase to the contractual scope of the refuse collection provider and likely a corresponding rate increase. Also, a link would need to be established between these activities and individual properties. For example, street sweeping would be linked with property street frontage; catch basin cleaning would be linked with drainage area properties, etc.

ADVANTAGES

No Balloting Requirement: These strategies would reduce the financial burdens of the permittee's stormwater programs while not requiring the risk, cost, and rate limitations of a balloting.

CHALLENGES

Burden of Reorganization: The reorganization of activities and operations from the stormwater program to sewer, water, and/or solid waste providers will result in organizational and budgetary changes and potentially increased initial costs due to the reorganization.

Local Political Fallout: There may be political restrictions to significant increases in sewer, water, or refuse collection fees. One option is to plan the transfer of services and fee increases over several years. For example, a public agency can coordinate the transfer of sewer, water, and refuse collection operations from stormwater programs to sewer, water or refuse providers through more “regularly scheduled” rate increases. Although it may not be easy to make these changes, it is indeed procedurally easier to increase funding for sewer, water, or refuse collection (no balloting required) than to increase funding for stormwater (balloting required). Moreover, any fee increases should be enveloped with extensive educational, political, and stakeholder outreach before, during, and after the fee increase.

Reduction of Centralized Management of Stormwater Program: The reorganization of stormwater related activities to sewer, water, or refuse collection, even if only for funding purposes, may result in some loss of managerial quality control for the overall scope of activities and improvements needed for NPDES permit compliance and stormwater quality programs.

Insufficient Program Cost Coverage: These strategies will not cover the costs associated with inspections, monitoring, program management, etc. They should be implemented in combination with other funding sources.

Legal Restrictions: Several years ago, the City of Encinitas added a fee onto their garbage collection fee to pay for stormwater management, and the City was legally challenged. The lawsuit was settled out of court when Encinitas agreed to conduct a balloting (which subsequently lost), and Encinitas was forced to refund the already collected fees. In this case, rather than redistributing specific and appropriate activities from stormwater to refuse collection, Encinitas incorrectly only used the solid waste collection fee as a mechanism to collect a fee for stormwater services. There have been legal challenges to other non-balloted efforts (e.g., Salinas, and Solana Beach), so the Program is advised to proceed cautiously with this approach and to fully justify and support any services allocated to sewer, water, or refuse collection. The Program should only realign services where there is a clear, bona fide component that is driven by sewer, water, and/or refuse collection services. At this point, the outside limitations of the definitions of the “sewer, water, and refuse exception” have not been legally established.

CENTRALIZED EVANGELISM EFFORTS FOR RE-ALIGNMENT

The re-alignment approach is potentially highly effective and a critical part of the overall approach to funding for water quality improvements in San Mateo County. However, it

faces considerable challenges because it requires changes to long standing bureaucratic and administrative organizations within each permittee's local government.

Prior to expending efforts to impose a fee or tax, C/CAG should consider aggressively exploring and implementing re-alignment strategies amongst its permittee members. In fact, all re-alignment strategies should be exhausted, thereby minimizing the required tax or fee rate for each permittee. This is essential as this effort is inherently tied to the tax or fee's likelihood of success, which is closely tied to the proposed rate. A team of "Re-alignment Evangelists" should be assembled to work with each permittee to exploit these opportunities.

THE STORM DRAIN MAINTENANCE ISSUE

Storm drain maintenance is a critical municipal service that closely affects both flood control and water quality. If at some point, there is a well-funded budget for flood control, there may be an opportunity to fund a larger portion of storm drain maintenance from flood control monies. At this point, however, there is no readily available mechanism for increasing flood control funding without the same limitations on generating funding as for stormwater activities.

2. DEDICATED "TRASH LOAD REMOVAL" PROPERTY-RELATED FEE - NON BALLOTTED

The permittees could implement a dedicated, non-balloted, property-related fee, most likely under the "refuse collection" balloting exception of Proposition 218.

Essentially, a local government could identify, organize, and establish a dedicated budget for all MRP activities which could reasonably be described as "refuse collection," including much of the Trash Load Reduction MRP requirements. A rate structure could then be developed, along with the required Fee Report. Next, the agency could follow the prescribed Proposition 218 property-related fee process, with the "refuse collection" balloting exception and establish a dedicated fee. This fee could be entirely independent of the existing refuse collection provider.

The advantages and challenges associated with this strategy are similar to the "re-alignment" strategies described above. However, the decentralization challenge would not apply. This strategy has not been utilized in California to date, would likely attract considerable attention from opponents and should be subjected to considerable legal review prior to implementation.

C/CAG should consider the development of the underlying study, resolutions and guidelines for non-balloted property-related fees for widespread use by permittees.

3. REGULATORY FEES - SB 310

Public agencies can impose certain “regulatory fees” without a balloting requirement. The fees are not taxes, assessments, nor property-related fees, and do not contradict Proposition 13 nor Proposition 218 if the fees satisfy certain requirements. Regulatory fees are derived from the “police powers” inherent to the local jurisdiction. These fees are commonly called “Sinclair Fees,” after the 1997 California Supreme Court decision in *Sinclair Paint Company versus the State Board of Equalization* (“*Sinclair v. State*”), which legally established their use.

In practice, Sinclair Fees are largely imposed by public agencies upon commercial and industrial polluters to defray costs of cleanup. Public agencies have also imposed regulatory fees for liquor stores, billboards, amount of solid waste, and rental housing properties, with the resulting revenue going towards related programs such as police protection, community beautification, recycling programs, and affordable housing. In fact, public agencies have imposed fees to offset the costs of stormwater program inspections on restaurants and other commercial and industrial entities.

However, regulatory fees have not been assigned to individual residential parcels, to defray the costs of individual residential stormwater “polluters.” Although it has yet to be done, there is no clear legal evidence that it could not be accomplished.

In *Sinclair v. State*, the California Supreme Court determined that “bona fide regulatory fees” are not taxes if the fee is used “to mitigate the actual or anticipated adverse effects of the fee payers’ operations,” and the “fees must bear a reasonable relationship to those adverse effects.”

Ultimately, the court has said:

“The fee imposed...is not a tax imposed to pay general revenue to the local governmental entity, but is a regulatory fee intended to defray the cost of providing and administering the mitigating services.”

PROPOSITION 26 UPDATE

Proposition 26, approved by California voters on November 2, 2010, has likely effectively eliminated the ability to use a regulatory fee for stormwater management costs, without a balloted two-thirds majority approval. This proposition re-classified many regulatory fees as taxes, with the corresponding election requirements. Additional clarity on the impacts of Proposition 26 will continue to emerge from California's legal community.

ADVANTAGES

No Balloting Requirement, So Greater Revenue Is Possible. Since there is no balloting requirement, the County could charge a fee rate that would generate enough revenue to cover all stormwater program costs. In any case, a higher fee rate, and more revenue, may be generated than with a balloted mechanism.

CHALLENGES

Extreme Legal Risk and Imminent Legal Challenge. The County should proceed with this approach only after conducting an exhaustive cost-benefit, risk-reward legal review. In all likelihood, this approach would be challenged because there is no precedent for applying regulatory fees to individual residential property owners. (If the County were challenged and prevailed legally, it would have a reliable fee in place, and would have established a critical precedent for funding stormwater in California.) The approval of Proposition 26 increased this legal risk.

Considerable Administrative Overhead. This approach requires the County to review, inspect, and quantifiably evaluate each parcel on a regular basis to ensure that the fee corresponds to the pollution level. In some cases, the property may not be required to pay the fee (e.g., a property in full compliance with MRP-mandated on-site stormwater capture and treatment).

The structure, implementation, billing, and collection of the fee are extremely important factors to consider for legal defensibility. Likely, each individual parcel would have to be inspected, evaluated, and graded, and the fees individually calculated with separate fee bills sent rather than "riding" on the property tax bill.

The premise of using regulatory fees to fund some or all aspects of stormwater quality management is legally unproven, and the Program should probably not consider a SB 310-compliant regulatory fee, particularly in light of the passage of Proposition 26.

4. REGULATORY FEES - INSPECTIONS

Public agencies throughout California often reimburse themselves for the costs of inspections and permits using regulatory fees approved and published as part of a "Master Fee Schedule." The costs of certain stormwater inspection activities can be defrayed by charging inspection fees on individual properties. This approach can minimally assist in reducing the Program's financial burden. However, the passage of Proposition 26 has added some question about the long term legal viability of even these types of regulatory fees.

Each municipality within San Mateo County applies differing fee rates, if fees are even utilized, for inspections and permits. These fees may be underutilized by a municipality, missing funding opportunities. C/CAG should consider developing, on behalf of the County's permittees, a master fee schedule to implement effective inspection and permit fees. This may include C/CAG advancing a countywide nexus study which justifies the maximum inspection and permit fees. Additionally, development of standard documents and procedures, such as draft resolutions, fee methodologies, and forms, will provide municipalities with resources to effectively implement appropriate fees.

Regulatory fees to pay for costs should be considered for the following tasks:

- Industrial and Commercial Site Controls
- Construction Site Control
- New Development and Redevelopment

C/CAG should consider developing the underlying study, resolutions, and guidelines for regulatory fees for widespread use by permittees.

5. BUSINESS LICENSING FEES

A Business License is an annual tax for doing business within a City or County. For example, San Mateo County requires business licenses for the following type of businesses: Peddlers and Solicitors, Traveling Shows, Circuses, Rodeos, and Exhibitions, Pawn Brokers, Secondhand Dealers and Junk Dealers, Public Dance, Massage Establishment and Technician, Bingo Games, Mobile Food Preparation Unit, Auction and Close-Out Sales, Fortune Telling. Redwood City, for example, places a business tax on all business. In theory, a business license could be established for and placed upon all business that have the potential to negatively impact stormwater runoff (e.g., restaurants, facilities with outdoor equipment or storage, vehicle repair or salvage facilities, etc.). Business license fees could also be established to address the negative impacts on water quality from vehicle trips to and from the business, similar to traffic impact fees on developments for congestion impacts from vehicle trips generated.

Business licensing fees are passed by ordinance. Considerable opposition from the business community is likely.

6. USE OF EXISTING FUNDING FOR COMPLEMENTARY IMPROVEMENTS

C/CAG should observe, evaluate and take advantage of all similar infrastructure improvements to capitalize on mutually beneficial funding, especially in regard to an increasing regulatory focus on street and parking lot retrofits to treat stormwater runoff (i.e., green streets and parking lots). As a congestion management agency that also manages the Water Pollution Prevention Program, C/CAG has a unique opportunity to better integrate transportation and water quality efforts and funding sources. C/CAG may want to consider opportunities to capitalize on its various existing funding streams in conjunction with potential funding streams identified in this report to be used for such integrated projects.

For example, C/CAG has agreed to provide construction funding for a Complete Street demonstration project on El Camino Real in coordination with the Grand Boulevard Initiative, on the condition that the project incorporate stormwater management features. This is an example of using a particular source of transportation funding (State Transportation Improvement Program – Transportation Enhancement, or STIP-TE) that is eligible to be used for both streetscape or bike/pedestrian improvements and stormwater

pollution prevention activities. There may be other opportunities to more effectively integrate transportation and stormwater management issues through complementary use of C/CAG's transportation and water quality funding sources.

7. INFRASTRUCTURE FINANCING DISTRICTS

Some aspects of the MRP require capital-intensive spending in a relatively small area, such as contaminated "hot spot" clean-up and/or "green street" development. Community Facilities Districts may be appropriate for this, as discussed in the next section on development driven approaches. Also, a newer funding mechanism, called Infrastructure Financing District (IFD), may mature into a viable mechanism. IFD's have emerged as a potential replacement for Redevelopment Agencies which were eliminated early in Governor Brown's tenure.

Cities and Counties may create IFDs to capture ad valorem tax increments, like Redevelopment Agencies, to invest within the specific IFD boundaries. IFD's are not limited to blighted areas and can directly, or through 30-year bonds, fund local infrastructure including highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. IFDs cannot pay for maintenance, repairs, operating costs, and services.

However, the formation of an IFD requires consent from all of the affected local agencies (school districts are exempt from IFDs), as well as two-thirds support from eligible voters within the IFD boundaries. Both of these are high hurdles which may explain why so few IFDs have been formed. Senator Lois Wolk has introduced SB 33 which proposes elimination the voter requirement for formation of an IFD. C/CAG is advised to track the maturation of this mechanism which at some point may be a viable mechanism to fund localized water quality infrastructure and/or site cleanup. Tax increment growth funding is more palatable than a special tax because it does not require the direct payment of a tax.

2.3 DEVELOPMENT-DRIVEN APPROACHES

1. IMPACT FEES

Impact fees are one time only capital infusions which primarily affect new development and will only have a marginal effect on the overall funding of stormwater permit requirements. However, their significance can increase over time. While fees for improving sewer and water systems, as well as for parks and schools, to accommodate new development are common examples of development impact fees, public agencies in California have not rigorously incorporated all stormwater costs into local developer impact fees.

The implementation of impact fees dedicated to stormwater is primarily administrative and relatively inexpensive. The main challenges may be addressing any opposition from local developers and garnering support from city councils and/or boards of supervisors.

C/CAG should consider generating a countywide impact fee study with quantification of impacts that may increase stormwater management costs. For example, the study should evaluate vehicle trips generated and related water quality impacts, similar to congestion impact fees.

2. COMMUNITY FACILITIES DISTRICTS

San Mateo County currently has many localized special tax and assessment "districts" that fund the maintenance and operations of various types of local infrastructure. (These appear as "direct charges" on San Mateo County property tax bills.) The special taxes are primarily Community Facilities Districts (more commonly known as "CFDs" or "Mello-Roos Districts"), and the assessments are primarily Landscaping and Lighting Assessment Districts ("LLADs"). Both CFDs and LLADs are very effective and manageable, and are commonly used for larger residential developments throughout the State. Most importantly, they are routinely established during the residential development phase, while the developer owns all of the property, because they are politically challenging (requiring a balloting of all affected property owners) after the homes have been sold.

Much of the remaining potential development in the County is single family "infill" development on individual lots amongst developed properties. However, parcels in CFDs and Benefit Assessment Districts need not be contiguous. In other words, the Program and/or permittees can create revenue districts and require new development to be annexed into the districts as a condition of development. Even though there remains a reasonable number of infill vacant lots within the County, topographic, economic and policy factors will continue to limit development such that CFDs should not be viewed a significant source of future revenue.

Although most of the funding from developer-driven revenue will pay for services specific to development, a portion can augment the overall stormwater activities. For example, the

impact fee may be justified to pay for the incremental cost of some stormwater related infrastructure (e.g., a diversion structure), and the collected fee may be used for the rehabilitation of this infrastructure. CFDs and Benefit Assessment Districts are typically used to pay for the annual operations and maintenance of something that benefits the paying property, like a local “BMP” installation. Care should be taken to clearly differentiate between what activities are funded by the CFD levy and a property-related fee/tax, so that both can be collected from the affected property. Although sometimes incorrectly and unfairly described as “double taxation,” this situation is extremely common in California, and is a well know side-effect of Proposition 13. In any case, CFDs are generally preferred over benefit assessments because they provide slightly broader flexibility in use and are slightly less expensive to annually administer. In an effort to clarify the appropriateness of a CFD for stormwater management, a current effort in the Legislature (AB 2194, Mullin) would expand the current “flood and storm protective services” clause to include “stormwater management” including “compliance with state and federal stormwater permit requirements.”

Balloted CFDs are also viable in fully developed areas, and essentially are a type of “pre-packaged” special parcel tax. CFDs are arguably easier to form and more well accepted than the IFDs previously described.

C/CAG should consider the development of the underlying study, resolutions, and guidelines for CFDs for widespread use by permittees.

2.4 LEGISLATIVE APPROACHES

Over the last ten years, at least three bills have been introduced to add "stormwater" to the "sewer, water, and refuse collection exception" within Proposition 218. All have failed to garner the needed political support. Even if the state legislature approved such a bill, it would still require statewide approval from registered voters. While obtaining a constitutional amendment may be possible, it would be highly challenging. Both Proposition 13- and Proposition 218-related constitutional code is well-defended by politicians, taxpayer groups, and motivated individuals. Any and all proposed exceptions are viewed as an attack on the existing legislation and would likely entice a strong negative reaction. Nonetheless, the Program could invest resources to attempt such a legislative approach or ensure proposed legislation by others incorporates the ability to fund stormwater management activities, as appropriate. One current effort (AB 2403, Rendon) would not require a constitutional amendment, but would revise the Proposition 218 Omnibus Implementation Act by modifying the definition of "Water" to specifically include recycled water and stormwater intended for water service. Unfortunately, this would only apply to a limited portion of stormwater. In other examples, there were proposals in the current legislative session to reduce the public approval threshold to 55% for transportation projects. If such a proposal seems likely to proceed, C/CAG should consider advocating including language to ensure the definition of "transportation projects" includes those that address the negative environmental impacts on water quality of both vehicles and transportation infrastructure.

2.5 OTHER APPROACHES

1. GRANTS

GRANTS AND PROGRAMS

California has a limited mix of State grants and programs which provide funding opportunities for local stormwater programs. Proposition 84, Proposition 1B, and Proposition 1E allocate funding to support stormwater management activities and projects. Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, authorized the sale of \$5.4 billion in general obligation bonds, to be used to fund water-related projects. One element of Proposition 84 establishes that a portion of the revenue be dedicated specifically to the reduction and prevention of polluted stormwater to lakes, rivers, and the ocean. Proposition 1B, approved by voters in November of 2006, is titled the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This Act includes some limited opportunities for stormwater. Proposition 1E, also approved by voters in November of 2006, is the Disaster Preparedness and Flood Prevention Bond Fund of 2006 and provides some focused opportunities for funding of stormwater projects. Most of the funding associated with these propositions is delivered through competitive or targeted grants and programs.

State grants are typically awarded through a highly competitive process, often require matching local funds, tend to be focused on capital expenses, are often narrowly focused in terms of scope and services, and can have significant administrative overhead. In addition, most grants are seldom designed to fund the management and operations of a stormwater program or the maintenance of stormwater infrastructure. Nonetheless, the revenue opportunities provided by grants are significant enough that they should be considered part of the Program's efforts.

If State grants are pursued, applications should be written to maximize flexibility in use of the funds so the grant award can contribute towards annual Stormwater Program expenses. The Program should also consider coordinating with other affected local agencies to put forth larger and potentially more competitive grant applications.

The Program may also consider supporting any effort to create new Statewide Bond measures with stormwater components. However, there is currently very little political momentum for such a proposition at this time. The Program should work to identify applicable Federal grants, such as the U.S. Environmental Protection Agency's ongoing Water Quality Improvement Fund for San Francisco Bay, and compete, in coordination with other affected local agencies, for funding. Also, the Program should consider working with local elected officials to pursue provisions that direct approved funds to be spent on specific projects, often called earmarks.

2. LOANS OR FINANCING

The Program may also wish to consider its capacity for utilizing existing ongoing revenue streams, such as Measure M and the Program's existing countywide fee, to secure loan financing through the State, either through the Infrastructure Bank (i-Bank) or the Clean Water State Revolving Fund (CWSRF). This would enable the Program to potentially construct stormwater management facilities, such as green streets or parking lots, in a focused, expedited fashion, as opposed to a pay-as-you-go strategy. This option is likely not feasible or appealing unless stormwater regulatory requirements are aligned with such an approach and existing ongoing compliance activities that are funded using ongoing revenue streams are reduced, eliminated, or deferred to allow repayment of loan funds. This may, however, be a more meaningful approach to achieving larger scale improvement in water quality in a shorter timeframe.

2.6 OTHER ISSUES:

TIMING AND SCHEDULE ARE KEY TO SUCCESS

The San Mateo County Auditor requires levies to be submitted by early August of that fiscal year in order to be placed on tax bills. Accordingly, if the Program chooses a balloted option, it will need to begin work on this effort by around December of the year prior to the first year of taxation. At this time, the August 2014 levy balloting is being pursued, but relies on the required legislation to be passed as an Urgency bill.

SPECIAL ISSUE – POTENTIALLY COMPETING BAYRA MEASURE

Save The Bay is the largest regional non-governmental organization working to protect and restore San Francisco Bay. In 2008, Save the Bay sponsored the creation of the San Francisco Bay Restoration Authority ("BayRA") in the California State Legislature to generate tax revenue for Bay Restoration. There is concern that similarity of purpose (i.e., protection of the Bay waters) and similarity of messaging may cause the BayRA's political efforts to "compete" with that of C/CAG's. Further, the BayRA is currently considering placing a measure on the November 2014 ballot throughout the nine Bay Area counties to fund this work.

The Program is advised that there is likely political advantage to precede the larger BayRA effort by balloting in August of 2014. If this is not possible, the Program should conduct a tracker survey to evaluate if the BayRA measure has caused decay in support for the C/CAG measure.

In any case, there will need to be a coordination of efforts, and the Program may benefit from outreach activities related to pollution prevention from Save the Bay or the Restoration Authority.

A CONSUMER PRICE INDEX ESCALATOR IS RECOMMENDED

The incorporation of a consumer price index (CPI) escalator is legally defensible with property related fees, regulatory fees, and special taxes, and is highly recommended. One approach is to link CPI increases to the U.S Department of Labor CPI and cap it at a 3% maximum per year. The majority of survey data support the fact that a CPI escalator introduces minimal decay in overall support.

A SUNSET PROVISION SHOULD BE CONSIDERED

A "Sunset Provision" is a mechanism used to increase political support by setting an expiration date for a measure, and can be used with a property-related fee, regulatory fee, or tax. Sunset provisions typically range from five years (like the property-related fee for the City of San Clemente) to 20 years. However, the political advantage is typically

marginal and does not outweigh the negative aspect of the increased costs and political risk of having to re-ballot at the termination of the sunset period. Nonetheless, sunset provisions are popular and can increase support, particularly if the provision duration is less than ten years. The recent Contra Costa County stormwater property related fee included a nine year sunset.

A “STORMWATER UTILITY” IS VALUABLE IN OTHER STATES, BUT NOT CALIFORNIA

In many states, the establishment of a “Stormwater Utility” legally facilitates the imposition of a fee on affected properties, simply by a vote by the governing agency. In other words, a stormwater utility is established as an independent government agency and then the City Council or County Board of Supervisors can impose a fee by simple majority vote. These stormwater utilities often have centralized management, outreach and coordination, and much of the same “look and feel” of a traditional water or sewer agency. However, in California, there is no legal advantage to the formation of a “stormwater utility.”

THE TRADE-OFFS BETWEEN FINANCED CAPITAL EXPENDITURES VERSUS ANNUAL OPERATING EXPENDITURES SHOULD BE EVALUATED

C/CAG is interested in evaluating whether its goals are more easily achieved by using limited resources to bond the construction of capital facilities or continuing to focus primarily on operating expenses. Essentially, the MRP dictates how the funding is spent. A relatively small portion of the MRP requirements would benefit from capital improvements. The mailed survey will be used to better understand the communities’ preference for this.

A “DISCOUNT MECHANISM” SHOULD BE CONSIDERED, BUT MAY NOT BE COST-EFFECTIVE

Consistent with the efforts of obtaining higher quality stormwater, a discount or “fee reduction” program should be considered which rewards property owners with a lower fee for implementing stormwater management measures on their properties. The advantages of such a program include improved water quality, improved engagement by the community, as well as increased legal defensibility. Also, discount programs tend to be well received by the electorate, although most people do not participate. The down side of such a program is that the cost of operating this program may exceed the benefit, because the inspection of property-specific improvements is expensive and time consuming. Nonetheless, a couple of public agencies including the cities of Portland, Oregon and Palo Alto have successfully implemented discount programs. The community’s interest level for a discount mechanism will be evaluated as part of the mail survey opinion research.

The significant elements of discount program case studies are described below:

PORTLAND, OREGON

- In Portland, property owners are charged a fee including both on-site and off-site components and the discount program only applies to on-site costs.
- Single family residences are charged a fixed monthly rate of \$8.78 based on 2400 square feet of impervious area.
- Residential properties only get credit for roof runoff space, while commercial properties get roof and paved area credit (can receive up to 100% off stormwater utility fee).
- Partial credits for tree coverage, having <1,000 sqft of impervious area, installing drywells and soakage trenches, redirecting stormwater into gardens, etc.
- Funded through Clean River Rewards – Portland's stormwater utility discount program.
- The maximum discount is 100% of the on-site stormwater charge.
- The main emphasis is the "Downspout Disconnection Program."
- Property owners fill out a checklist of improvements and sign it as true. They are subject to announced inspections. Essentially, based upon the property owners input in the standard form, they get a calculated discount.

<http://www.portlandoregon.gov/bes/article/390568>

PALO ALTO, CALIFORNIA

- Credit is available to residential and commercial properties for installing approved items by certified specialists (rain barrels, permeable pavement, cisterns and green roofs).
- Program is funded with revenue from monthly Storm Drainage Fees

"As part of the Storm Drainage Fee Increase ballot measure approved by a majority of Palo Alto property owners in April 2005, a special program to encourage innovative storm water measures was created. The program is funded with revenue from monthly Storm Drainage Fees, at a rate of \$125,000 per year. The goal of this program is to help Palo Alto residents, businesses, and City departments to implement measures that will reduce the amount of runoff that flows into the storm drain system or improve the water quality of that runoff."

Example measures include:

- Capturing rainwater in rain barrels or cisterns for use on landscaping and gardens.
- Constructing or reconstructing driveways, patios, walkways, and parking lots with permeable paving materials, so that rainwater soaks into the ground.

- Constructing a green (vegetated) roof to absorb and filter rainfall.

To achieve this goal, starting August 1, 2008, the City of Palo Alto Storm Drain Utility is offering stormwater rebates to residents, businesses, and City departments for the qualifying measures listed above, with the following steps:

- Submit an application
- Get approval to go ahead
- Submit supporting documentation, including receipts, etc.

<http://www.cityofpaloalto.org/gov/depts/pwd/stormwater/rebates/default.asp>

<http://www.cityofpaloalto.org/civicax/filebank/documents/13099>

SOUTH LAKE TAHOE

- Due to the unique and environmentally sensitive nature of the Lake Tahoe Basin, a number of special government agencies exist to protect the environment. To protect Lake Tahoe for future generations, the Tahoe Regional Planning Agency requires all developed parcels to install and maintain significant BMPs. The BMPs are tracked by TARPA including inspections and fines. There has been considerable public opposition to these requirements.
- Rebate of \$500 ONLY available to those with income at the median and under level, and complete BMP certification process.
- Funded through Prop 13 and Tahoe Regional Conservation District.
- BMPs can be as simple as putting gravel under drain spouts, planting native grasses, etc.

http://www.trpa.org/documents/press_room/2007/BMP_Rebate_7-19-07.pdf

<http://www.tahoebmp.org/>

A "SCHOOL SITE REBATE PROGRAM" SHOULD BE IMPLEMENTED IF A PROPERTY-RELATED FEE IS IMPLEMENTED

As previously described, one potential vulnerability of the property-related fee approach is that large public agency parcels, in particular school sites, are often subject to significant fees. School districts are not accustomed to paying any taxes or fees, are typically financially stressed, and have strong support from the public. In order to diminish the political reality that a property-related fee for water quality improvements may be perceived as detrimental to schools, a "School Site Rebate Program" should be developed and included within the effort.

A “School Site Rebate Program” could rebate all or a portion the property-related fee if the school helped satisfy MRP requirements such as by providing school-age education and outreach. For example, the school could implement an approved educational program for its students and receive a significant fee reduction. Similarly, if school sites took steps to manage their stormwater runoff through retrofit or new/reconstruction of facilities, fees could be rebated or reduced. The Program could consider utilizing relevant funding sources to help incentivize school site retrofits given the large amounts of impervious surface, priority focus as a trash generating land use, and educational benefits of providing stormwater capture and treatment.

COMMUNICATIONS AND MESSAGING ARE CRITICAL FOR SUCCESS

All of the approaches described in this report will require significant and thorough community communications and messaging. This is a two-fold task: Public Opinion Surveys and Community Outreach and Education.

ROLE OF PUBLIC OPINION SURVEY

The primary purpose of the Task #3 public opinion survey is to produce an unbiased, statistically reliable evaluation of voters’ and property owners’ interest in supporting a local revenue measure. Additionally, should the Program decide to move forward with a revenue measure, the survey data provides guidance as to how to structure the measure so that it is consistent with the communities’ priorities and expressed needs. Specifically, the survey should:

- Gauge current, baseline support for a local revenue measure associated with specific dollar amounts. (How much are property owners willing to pay?)
- Identify the types of services and projects that voters and property owners are most interested in funding, should the measure pass.
- Expose respondents to arguments in favor of—and against—the proposed revenue measure to gauge how information affects support for the measure.
- Identify if local residents prefer the measure as a property-related fee or a special tax.
- Estimate support for the measure once voters and property owners are presented with the types of information they will likely be exposed to during the election cycle.

C/CAG’s Stormwater Quality Funding Initiative includes significant public opinion research with Task #3. At the time of this report, the phone survey has been completed, but not the mail survey. The results of the phone survey established that there is solid support from increased investment in local water quality by San Mateo residents and property owners. Within the phone survey, interviewees were asked to respond to various programs and projects, and over 80% indicated that the following proposed services were strongly or somewhat favored:

- Protect sources of clean drinking water from contamination and pollution.
- Remove dangerous pollutants, toxic chemicals, and infectious bacteria from water reservoirs and waterways.
- Keep trash and pollution off our shorelines and out of creeks, lakes, coastal waters and the Bay.
- Reduce illegal discharges of pollution into water sources through improved monitoring, investigation and prosecution.
- Inspect and test water quality throughout the County on a regular basis to ensure that it meets Federal and State clean water requirements.
- Catch, clean up, and reuse rainwater runoff to irrigate landscapes, which will conserve our clean drinking water.
- Organize volunteer Clean Up Days to remove trash from shorelines and the Bay
- Install Trash Capture device in storm drains that remove trash and pollution before they enter our waterways.
- Protect and improve water quality in the San Francisco Bay.

Communications and messaging will be also be tested during the mailed survey in the spring of 2014. This research will serve as the basis to develop the Action Plan for the implementation of a ballot measure.

ROLE OF COMMUNITY EDUCATION

If C/CAG decides to pursue a balloted funding mechanism, a corresponding community outreach and education effort will be required. The community outreach plan should be based upon the results of the Task 3 mailed survey and existing C/CAG outreach and education activities related to pollution prevention. A summary of important elements of community outreach is provided below.

DEVELOP AN OUTREACH PLAN AND SUPPORT DOCUMENTS

C/CAG should develop and execute a specific outreach effort for the Stormwater Quality Funding Initiative. Unfortunately, it is not likely that C/CAG will be able to obtain large numbers of supportive volunteers, so the traditional, and still most effective local political approach of using volunteers to walk, ring doorbells, and speak with property owners directly, and/or volunteer at phone banks, is likely not feasible. Nonetheless, the team should develop: Handouts, Q&As, talking points, press releases, feature articles, newsletter articles, descriptive e-mails (suitable for use by local groups), web site information, etc. Generally speaking, the information provided should “tell the story” in the following way:

1. There are significant water quality issues in San Mateo County.
2. Our Program continues to do important work to protect our beaches, local waterways, and neighborhoods from pollution and harmful chemicals, making a significant difference over the years.

3. More work (and more funding) is needed.

ENGAGE ELECTED OFFICIALS

City Council members, County Board of Supervisors, and even state and Federal level elected officials should be aware of the effort, although it is unlikely they will actively advocate for it.

ENGAGE LOCAL MEDIA

Local newspapers, and most importantly, small local neighborhood newspapers and newsletters should be fully engaged to distribute information.

ENGAGE LOCAL STAKEHOLDERS

The most effective outreach and education approach for a balloted storm drainage funding mechanism is to engage and work with environmental groups and other existing local groups like homeowner associations, taking advantage of their existing e-mail distributions and newsletters. Perhaps even more effective than setting up community meetings is to attend regularly-scheduled neighborhood group meetings.

MANAGE POTENTIAL POLITICAL OPPOSITION

Part of the community outreach planning should be the identification of any organized opposition. An unfortunate aspect of the way we fund local measures in California is that a well-motivated opponent, even one with limited financial and/or political resources, can do tremendous harm to a political effort. There is no one-size-fits-all approach to confronting political opposition, so C/CAG will have to remain flexible and poised to react to a potentially dynamic situation.

3.0 RECENT STORMWATER FUNDING EFFORTS IN CALIFORNIA

Despite the fact that NPDES permits require a significant local investment of resources, since the passage of Proposition 218 there have been relatively few local revenue mechanisms established to support stormwater programs in California. Table 10, below, lists these efforts. Although San Mateo County differs significantly in demographics, geography, and culture from many of the areas in Table 10, the analysis of these stormwater measures provides useful information for the Program. (Note that the highly successful effort in Burlingame focused primarily on funding for localized flood control.)

TABLE 10 – RECENT STORMWATER MEASURES

Jurisdiction	Status	Rate	Year	Mechanism
San Clemente	Successful and Renewed once	60.15	2002, 2007	Balloted Property Related Fee
Carmel	Unsuccessful	38	2003	Balloted Property Related Fee
Palo Alto	Unsuccessful	57	2003	Balloted Property Related Fee
Los Angeles	Successful	+ \$28.00	2004	Special Tax - G. O. Bond
Encinitas	Non-Balloted, Threatened by lawsuit, Balloted, Failed	60	2005	Non-Balloted Property Related Fee
Palo Alto	Successful	120	2005	Balloted Property Related Fee
Rancho Palos Verde	Successful , then recalled and reduced	200	2005, 2007	Balloted Property Related Fee
Ross Valley	Successful, Overturned by Court of Appeals, Decertified by Supreme Court	125	2006	Balloted Property Related Fee
Santa Monica	Successful	84	2006	Special Tax
Solana Beach	Non-Balloted, Threatened by lawsuit, Balloted, Successful	21.84	2007	Non-Balloted & Balloted Property Related Fee
Woodland	Unsuccessful	60	2007	Balloted Property Related Fee
Del Mar	Successful	163.38	2008	Balloted Property Related Fee
Hawthorne	Unsuccessful	30	2008	Balloted Property Related Fee
Santa Cruz	Successful	25	2008	Special Tax
Burlingame	Successful	150	2009	Balloted Property Related Fee
Santa Clarita	Successful	21	2009	Balloted Property Related Fee
Stockton	Unsuccessful	34.56	2009	Balloted Property Related Fee
County of Contra Costa	Unsuccessful	22	2012	Balloted Property Related Fee
County of LA	Unsuccessful	54	2012	Balloted Property Related Fee
Santa Clara Valley Wate	Successful	56	2012	Special Tax
County of El Dorado	Studying	NA	NA	NA
County of Orange	Studying	NA	NA	NA
County of San Mateo	In Process	NA	NA	NA
County of Ventura	Studying	+ \$25.00	NA	Balloted Property Related Fee

DISCUSSION - WHY DID IT SUCCEED OR FAIL

BURLINGAME, PALO ALTO, AND ROSS VALLEY - SUCCESSES

These three efforts were all successful at a relatively high rate, and provide helpful direction for C/CAG. All three primarily address local flooding with some stormwater quality elements. However, all three of these are relatively small, affluent, Bay Area and generally pro-tax communities that may not reflect the demography of the greater San Mateo County area. In the case of Burlingame, a significant amount of door-to-door public outreach was required to gain property owner approval. It is important to note, however, that Burlingame and Palo Alto were both unsuccessful on their first attempts.

STOCKTON – UNSUCCESSFUL

Stockton is a Central Valley city that has been plagued with well-publicized financial challenges, which ultimately eroded any chance of a successful new tax or fee for any service. In this case, Stockton attempted a property-related fee, with strong messaging for storm drainage infrastructure, at a relatively low rate, and it was soundly rejected. C/CAG should review Stockton's sound messaging and approach, which were victimized by the City's very poor political climate.

WOODLAND – UNSUCCESSFUL

The City of Woodland established a Storm Drain Advisory Committee in 2007 to review current funding and maintenance issues and establish a plan to increase rates to solve these issues. Woodland currently has a storm drainage fee of \$0.49 per month, which has not increased since 1994. Focusing heavily on critical infrastructure needs and lack of funding, the City Council approved going out for ballot at a rate of \$5 per month, which would help pay back a loan from the General Fund for storm drain maintenance and fund what are seen as critical infrastructure projects. There was 59% majority disapproval of the increase by participating voters, which left the storm drain fee at the original \$0.49 per month.

SANTA CLARA VALLEY WATER DISTRICT - SUCCESSFUL

Santa Clara Valley Water District passed a parcel tax for "safe, clean water and natural flood protection" (Measure B) in November of 2012. Using a messaging platform of ensuring a safe, reliable water supply and immediate need of funding for critical infrastructure projects, they were able to garner support of 73.7% of participating registered voters. Another important aspect in the messaging of this Measure was that its purpose is to replace an existing tax that was due to expire in 2016.

Part of their effort went towards producing an "Action Plan" that provided detail on what the funding from the Measure would be used for. They listed priorities and their corresponding projects, estimated costs of these projects, detail on fee structure, and frequently asked questions. It also included acknowledgements to their many endorsers and sponsors throughout the effort, which included several popular newspapers that produce both print and electronic articles.

Many articles were produced in favor of Measure B. They highlighted how safe, clean water is critical to the economy of the Silicon Valley as well as the new, streamlined staffing and spending within the District. Previously known for high salaries, excessive spending and extreme benefit packages, the District brought in a new CEO that cut staff and needless expenditures. An issue that could have ruined their outreach efforts was successfully spun in a positive light.

By working with local communities, the District was able to message towards real priorities that were present within their borders. Emphasizing safe, clean, healthy water and the inherent need for funding for critical infrastructure that would otherwise be postponed were their keys to success. Putting forward an established plan made the public more comfortable with supporting this Measure because they could see where their money was going. Keeping the environment healthy by ensuring a clean, vital resource allowed voters to connect with this effort and feel like they were voting for a good cause.

SAN CLEMENTE - SUCCESSFUL

San Clemente has been very successful with its stormwater measure, and has had it renewed by property owners after its five-year sunset. This measure was primarily focused on preventing beach closures. While there is some applicability here to San Mateo County, the degree of beach awareness is much less than in San Clemente.

SANTA CRUZ AND SANTA MONICA - SUCCESSFUL

Both Santa Cruz and Santa Monica have relatively high numbers of renters living in apartment buildings which make a special tax more attractive than a property-related fee. Both conducted successful special tax elections, at relatively low rates, emphasizing prevention of beach closures.

Santa Cruz passed Measure E with 76% in 2008; a \$28/sfe parcel tax for beaches. The question on the ballot was "To protect public health and the environment by reducing pollution, trash, toxics and dangerous bacteria in our river, bay and ocean; helping to keep beaches clean; protecting fish and wildlife habitat; shall the City of Santa Cruz adopt a Clean River, Beaches and Ocean Tax, with revenues spent locally under independent citizen oversight? The annual rates will be \$28 for single-family parcels, \$94 for other developed parcels, and \$10 for undeveloped parcels." In the ballot text, it said it was to "be used exclusively for the purpose of reducing and preventing water pollution and managing stormwater runoff."

Santa Monica passed Measure V with 67% voter approval in 2006; a parcel tax for clean water/groundwater recharge/beaches that was \$87/ benefit unit in 2009. Taken from the Santa Monica Website is a description of the Measure: "Measure V raises property tax revenue to be used solely for the purpose of implementing urban runoff water quality improvements in the City in accordance with the City's Watershed Management Plan adopted in 2006. It is the most equitable source of funding to pay for new urban runoff

treatment projects that will prevent our unhealthful water pollution, from reaching Santa Monica beaches and the Santa Monica Bay.”

COUNTIES OF LOS ANGELES AND CONTRA COSTA – UNSUCCESSFUL OR STALLED

Both of these efforts were ultimately unsuccessful and suffered from criticism of the elements of the property-related fee process. Los Angeles also suffered from a lack of support from some of the co-permittee cities involved.

COUNTIES OF ORANGE AND VENTURA

These efforts are currently under way and have stalled due to disagreements amongst co-permittee cities.

ENCINITAS, RANCHO PALOS VERDE, CARMEL AND SANTA CLARITA

These efforts were for small cities and are not particularly relevant to San Mateo County.

HAWTHORNE - UNSUCCESSFUL

The City of Hawthorne used a mailed ballot process in 2008 for a “clean water fee.” It would have funded storm drain and pipeline improvements to reduce the risk of flooding and reduce contamination in water runoff. Hawthorne heavily focused on stormwater infrastructure and State-mandated clean water programs. The fee structure for the measure was composed of tiered rates, with a standard home on a 6,000 square foot lot being charged \$2.50 per month and larger properties from \$2.50 to \$10 per month. The measure failed with a majority, 55.3%, voting against it.

DEL MAR - SUCCESSFUL

The City of Del Mar used a mail ballot process in 2008 for two separate issues. The first pertained to their then-current clean water fee, assessed at a rate of \$20.90 bi-monthly, and the other to a proposed increase to \$27.23 bi-monthly with language allowing for CPI increases. They decided to ballot their then-current fee because they increased the rate without balloting in 2003, and questions had been raised about its legality in regards to Proposition 218 after a 2006 Supreme Court case that ruled stormwater fees could not be increased without voter approval.

Both ballot questions gained high support; voters approved then-current fees with 68.8% approval and approved the fee increase with 62.4% approval. Del Mar utilized a successful public outreach effort with messaging towards preventing pollution, ensuring clean drinking water, and NPDES permit requirements and threat of expensive fines.

4.0 SUMMARY AND RECOMMENDATIONS

This report presented analyses and evaluations of various funding mechanism alternatives. The alternatives are broken into two categories: Balloted and non-balloted. Balloted approaches will be informed by public opinion polling currently being analyzed as part of Task 3. The primary recommendation is to pursue a county-wide balloted property related fee under the auspices of C/CAG. However, other, non-balloted funding sources should not be overlooked, and it is strongly recommended that C/CAG and its member municipalities simultaneously pursue other potential funding sources as summarized below.

BALLOTTED APPROACHES

Balloted approaches were evaluated in two forms: Property-Related Fees, and parcel-based and other special taxes. Any of these would require considerable time, effort and expense in pursuing an election or ballot proceeding with the attendant public outreach and engagement. Both are legally valid for stormwater quality programs, and both would be included in the pending AB 418 legislation. However, the special tax options, decided by registered voters, all carry a two-thirds approval threshold, which is increasingly difficult to attain for issues that are not constantly in the voter's awareness. While there are some minor advantages with special taxes, those are quickly overshadowed by the two-thirds approval threshold, which translates into either significantly lower tax rates and revenues or a complete failure to pass.

The property related fee requires only a simple majority (50% + 1) – its primary advantage. It is a process decided by property owners (instead of registered voters) through a mail ballot proceeding. It is not tied to a general election cycle, so can be conducted at any time. However, it is a long process (approximately four months from first public action to conclusion of the balloting), and is often timed to take place when not competing with major holidays or general election cycles. Advantages include:

- The most common mechanism for stormwater.
- Legally rigorous – has been ratified by the Courts as appropriate for stormwater.
- Ballots are counted without weight based on assessed amount (i.e. one voter per parcel).

Disadvantages include:

- The Proposition 218 process is unfamiliar to property owners.
- Large public properties, including schools, are subject to the fees.
- Process is complex and must be followed precisely to avoid legal scrutiny.

NON-BALLOTTED APPROACHES

In order to substantially bridge the pollution prevention funding gaps (over \$30 million) and meet permit requirements, a variety of funding mechanisms will need to be utilized.

Therefore it is further recommended that each member municipality consider and pursue other non-balloted approaches for stormwater funding as deemed appropriate for their organization. These include:

- Implement procedures associated with new development to ensure adequate funding for all development-related water quality issues
 - Impact fees
 - Community Facilities Districts – a funding mechanism tied to new development
- Watch legislative activities that could affect the Initiative (such as the Borikas uniformity ruling and lowering voter thresholds)
- Pursue and implement a variety of “non-balloted” approaches to reduce financial burden on Program services:
 - Realignment of certain program activities (such as street sweeping the trash controls) to other functional units for which funding can be more efficiently generated
 - “Trash Load Removal” property related fee (non balloted) similar to current refuse collection fees
 - Regulatory fees (SB 310) for certain eligible activities tied to pollution-generating parcels
 - Inspection fees
 - Business license fees
 - Use of existing funding for complementary improvements such as capital improvement projects that meet various MRP requirements
 - Infrastructure Financing Districts – a funding mechanism available for capital improvement projects
- Other Options
 - Grants and programs
 - Loans or financing

RECOMMENDATIONS

On balance, the property related fee process is uniquely suited to a stormwater fee and presents the most appropriate and politically viable option. Therefore, if C/CAG (collectively) or any member municipality (individually) wishes to pursue a stormwater revenue measure, it is the recommendation of this Report to utilize a property related fee balloting process. Specific features to be considered include the following:

- Use a fee/tax methodology based upon impervious area, but with flat rates for residential properties.
- Include a CPI mechanism.
- Include a Citizen’s Oversight Committee.
- Do not include a fee expiration date (also known as a “Sunset”).
- Include a discount program to encourage better local stormwater management.
- If a property-related fee, include a school rebate program.

All of the approaches described in this report will require significant and thorough community communications and messaging. The rate levels to be proposed and information to be presented to the public cannot be finalized until the completion of the Task 3 Report (public opinion surveys). That Report will contain the results of surveys that will evaluate community priorities and optimal messaging that should be incorporated into any of the approaches recommended herein.

Table 11 below summarizes the MRP tasks and corresponding potential funding sources.

TABLE 11 – MRP TASKS AND POTENTIAL FUNDING SOURCES

		Existing Sources			Balloted Sources		Non-Balloted Sources				
		General Fund	Existing Special Taxes and Assessments	Vehicle License Fee	Balloted Special Tax	Balloted Property Related Fee	Realigned Services	Non-Balloted Property Related Fee	Regulatory and Business License Fees	Infrastructure Finance District	Impact Fee/CFD
Municipal Operations	\$	✓	✓	✓	✓	✓					
Industrial and Commercial Site Controls	\$\$	✓	✓	✓	✓	✓			✓		
Illicit Discharge Detection and Elimination	\$	✓	✓	✓	✓	✓					
Construction Site Control	\$\$	✓	✓	✓	✓	✓			✓		
Public Information and Outreach	\$\$	✓	✓	✓	✓	✓	✓				
New Development and Redevelopment	\$\$	✓	✓	✓	✓	✓			✓		✓
Water Quality Monitoring	\$\$\$	✓	✓	✓	✓	✓	✓				
Pesticides Toxicity Control	\$\$	✓	✓	✓	✓	✓				✓	✓
Trash Load Reduction	\$\$\$	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mercury Controls	\$\$\$	✓	✓	✓	✓	✓				✓	✓
Polychlorinated Biphenyls (PCBs) Controls	\$\$\$	✓	✓	✓	✓	✓				✓	✓
Copper Controls	\$	✓	✓	✓	✓	✓				✓	✓
Polybrominated Diphenyl Ethers (PBDE), Legacy Pesticides and Selenium	\$	✓	✓	✓	✓	✓				✓	✓
Exempted and Conditionally Exempted Discharges	\$\$	✓	✓	✓	✓	✓				✓	✓
Annual Reporting	\$\$	✓	✓	✓	✓	✓					