



**CITY OF MODESTO  
COMMITTEE AGENDA REPORT**

**Budget Workshops  
May 18-22, 2009**

April 17, 2009

TO: Finance Committee  
Brad Hawn, Chair  
Kristin Olsen, Vice-Chair  
Garrad Marsh, Member

FROM: Nicholas Pinhey, Director of Public Works

SUBJECT: Storm Drain Rate Process Update

CONTACT: Richard Ulm, Deputy Director of Public Works, [ruhm@modestogov.com](mailto:ruhm@modestogov.com), 577-5261

**DESCRIPTION:**

Consider providing staff with clarification regarding previous policy direction from the City Council related to Storm Drain Rate Process. (Funding Source: Potential General Fund Impact)

**FISCAL IMPACT:**

In addition to spent and encumbered funds related to previously executed agreements, a General Fund loan of approximately \$450,000 would be needed to complete the work plan described below. However, if the work plan is modified as discussed below, a General Fund loan would not be needed at this time.

**BACKGROUND:**

Related Previous Council Actions

Because storm drainage rates have not been increased since 1995, and current revenues are inadequate to fully cover the costs of ongoing operations, maintenance, and facility replacements, Council approved agreements in early 2007 with various consultants to develop a Storm Drainage System Engineer's Report (to support a new Rate and Capacity Charge Study) and perform Environmental Review work (for the Engineer's Report).

In late 2008, Council also approved a plan to bring the Storm Drain Enterprise fund (Fund) into balance through a number of actions, including: reductions in the operating budget, removing the pruned refuse program from the Fund, directing staff to initiate a Proposition 218 process seeking approval from property owners to update rates to cover costs associated with operations, maintenance, and capital improvements, and authorizing the use of a Consumer Price Index (CPI) inflator.

Work Plan and Current Schedule

It has been well documented in previous City budgets that the Fund's revenue levels have been inadequate to fully cover the costs of ongoing operation, maintenance, and facility replacements necessary to keep the existing storm drainage system functioning properly. Additionally, the requirements in the City's National Pollutant Discharge Elimination System (NPDES) permit have increased the costs to the Fund beyond routine operation and maintenance.

As a result, Council took the action cited above, giving direction to staff to move forward with a financing strategy via the Proposition 218 process to address the Fund's revenue needs. To that end, the following tasks represent an outline of a work plan:

- Complete the Engineer's Report,
- Perform the Environmental Review work,
- Develop the Rate and Capacity Charge Study,
- Conduct a Peer Review of the appropriate documents,
- Establish a Public Outreach Program (to be able to fully inform the public about the nature of the proposal), and
- Conduct the Proposition 218 process (following the State Election Code with an all mail ballot election of property owners).

Work on the Storm Drainage System Engineer's Report and associated Environmental Review documents are in various stages of completion. As noted above, initial direction from Council was for staff to proceed with the Proposition 218 process in FY 2009/10; however, this would require approximately \$450,000 to move this work plan forward and these funds are not currently available in the Fund. This time frame also overlaps with the Water Rate Proposition 218 process; thus, staff is seeking confirmation or new direction on the timing and funding source to move the proposed work plan forward.

One consideration may be that since the current schedule to conduct the water system rate analysis occurs primarily in FY 2009/10, the Proposition 218 process could begin in late 2010 (provided that the funding is available), with Council consideration of adoption of the updated rates in March 2011. This schedule would avoid overlapping the water system rate process with the storm drain rate process.

Operation's staff believes they can 'hold the line' with a reduced budget for approximately two years because the Fund's operations and maintenance component has been significantly reduced to balance the budget; and some activities, such as rock well rejuvenation, have been deferred to reduce costs. However, the deferred maintenance will result in less than satisfactory storm drain system performance until funding is restored.

**CEQA/NEPA REQUIREMENTS:**

This action is not a project and does not require environmental review. However, environmental review documents are being prepared (under separate agreements with firms specializing in the CEQA process) to address the updating of storm drainage rates, along with the capital improvement projects funded by those rates.

**STRATEGIC PLAN ELEMENT:**

As related to the Strategic Plan, this project supports the goal of having a properly planned, designed, and operated storm drainage system. A well functioning storm drainage system provides an integral component to the City's current and future economic development plans and meets the Council's stated goal of "Our storm water drains quickly and efficiently and meets all Federal and State water quality standards".

Approved by:

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Nicholas Pinhey, Director of Public Works

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Greg Nyhoff, City Manager

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