



CITY OF FORT BRAGG

416 N. FRANKLIN, FORT BRAGG, CA 95437
PHONE 707/961-2823 FAX 707/961-2802

COUNCIL COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: May 3, 2017
TO: Finance & Administration Committee
FROM: Public Works Director- Tom Varga
AGENDA ITEM TITLE: **Receive Report and Make Recommendation to Council Regarding New Methodology for Calculating Drainage Impact Fees and Possibility of Establishing a Storm Drainage Enterprise Fund**

ISSUE:

Prior to 2008, the City operated its storm drain system as part of the Wastewater Enterprise. After passage of Proposition 218 and subsequent court cases interpreting the statute, the City moved its storm drainage expenses to the General Fund in 2008. The only revenues that are generated to offset these expenses are Storm Drainage Impact Fees that are assessed to new development. The methodology used to calculate these fees is established in the Fort Bragg Municipal Code and should be updated.

Staff also recommends that the Council consider establishment of a Storm Drainage Enterprise Fund and establishment of a storm drainage utility rate (in accordance with Prop 218) to fund the operation of the City's storm drain system.

Staff notes that, as this report was prepared, we discovered that while all storm drain expenses were moved to the General Fund in 2008, the Storm Drainage Impact Fees have continued to be held in the Wastewater Enterprise Fund. This error will be corrected by an adjusting journal entry transferring those revenues (\$69,370) to the General Fund.

SUMMARY:

Updating the City's Storm Drainage Impact Fees

Chapter 12.14 of the Fort Bragg Municipal Code (FBMC) addresses storm drainage improvements and fees. Storm drainage fees are assessed to new development and are based on the improvements identified in the 2004 Storm Drainage Master Plan (SD Master Plan). In general, new construction covering more than 120 square feet is subject to drainage fees. Primary exceptions include in-kind replacement of structures lost to fires or similar disasters, minor flat work (e.g. pools, patios, driveways), or construction on lots greater than 20 acres in size.

Presently, the fee is calculated based on the area of the entire parcel on which the development occurs rather than being correlated to the increase in impervious area. The applicable portions of 12.14.030 (paragraphs B, D, and E) are underlined below.

B. The City official having jurisdiction, shall not issue a building permit for construction resulting in a 120-square-foot or more increase in ground coverage, within the Fort Bragg Drainage Area until the fees as set forth in this [Drainage] ordinance have been paid. The official having jurisdiction may accept cash, or other consideration (in the form of actual construction of a part of drainage facilities by the applicant or his or her principal) in lieu of the fee when authorized to do so by the City Engineer. This fee shall not be required if the requested permit is to perform one (1) of the following.

1. To replace a structure destroyed or damaged by fire, flood, wind, or acts of God. This exception is only to the extent that the resultant structure has the same or less ground floor square footage as the original structure; if the ground floor square footage is increased, the square footage of the additional ground floor area shall be used to determine if the fee is due.
2. To construct a swimming pool, patio, or driveway.
3. To construct facilities (including dwellings) on lots greater than twenty (20) acres in area, provided less than 10% of the lot area is covered by impervious surfaces.
4. If the subdivision is for the conveyance of land to a government agency, public entity, public utility, or abutting property owner where a new building lot or site is not created as a result of the conveyance.

D. The base fee, used to determine drainage fees, shall be established, from time to time, by City Council resolution. The fees will be adjusted annually, for implementation January 1 of each year, based on the change in the Engineering News-Record 20-City Construction Cost Index over the prior year.

1. Agricultural land (twenty (20)-acre minimum) shall not be assessed an acreage fee.
2. Rural land (five-acre minimum) shall only be assessed an acreage fee for one (1) acre in any parcel split. Additional acreage shall not be charged an acreage fee.
3. For individual existing structures, costs of additions will be determined by multiplying the base fee per acre by the areas of the lot and multiplying this product by the runoff coefficient "C" designated to this individual structure. Additions under 120 square feet are exempt.
4. For individual lots, the drainage fee shall be determined by multiplying the base fee per acre by the area of the lot, excluding the area falling within the public street right-of-way, calculated to the nearest hundredth of an acre, and multiplying this product by the runoff coefficient "C" designated to the lot.
5. For subdivisions, the drainage fee shall be determined by multiplying the base fee per acre by the gross area of the subdivision excluding the area falling within the public street right-of-way prior to the land being subdivided, and multiplying this product by the runoff coefficient "C" designated to this subdivision.
6. Runoff coefficients shall be determined from the Land Use Designation Map of the Fort Bragg General Plan or as actually zoned. The runoff coefficients (C values) for each of the various land use designations shall be as follows: [TABLE-IV 1 deleted]
7. Fee amounts are applicable to the proposed use. For example, a commercial use occurring in a residential zone shall pay a fee according to the commercial land use schedule.

E. No lot shall be subject to payment of the full amount of fee, under the terms of this ordinance, more than once.

This methodology is different from the practice of most jurisdictions where the size of the added impervious area caused by the new development is used as the basis of impact fee calculations. Further, once a parcel of land in the City pays a storm drain fee it is not required to pay another storm drain fee later regardless of how often or how much it is subsequently improved or developed. By way of example, consider the construction of a new 1,800 square foot home on a standard City lot of 7,500 square feet. Using the residential fee of \$3,682 per acre (\$0.084527/square foot) the City fee covering the entire parcel would be \$633.95. If the increase in impervious area caused by building only the new house were to be used instead, then the fee is \$152.15. If the new development is only a 400 square foot addition, the City's current fee calculation remains \$633.95; the increase in impervious area calculation is \$33.81.

Staff recommends that the City's storm drainage fees be revised to a calculation based on the area of additional impervious area with a modification in the formula to maintain the revenue stream.

Continuing with the example of the single family residence above, increasing the \$3,682 per acre amount to \$15,000 per acre (\$0.34514)/square foot) would change the \$152.15 fee (for the construction of a new 1,800 square foot home) to \$621.25 restoring the amount collected to nearly the previous level. Nevertheless, the amounts collected for smaller scale additions would decrease. The following table summarizes the situation.

Sample Storm Drainage Calculations						
Sample Project	Lot size (sq ft.)	Increase in impervious area (sq. ft.)	SD Fee, current (\$/sq. ft.)	Total Fee, current	SD Fee, example of a new fee (\$/sq. ft.)	Total Fee, example of a new fee
Build a new 1,800 sq. ft. house	7,500	1,800	\$0.084527	7,500 sf x \$0.084527/sf = \$633.95	\$0.34514	1,800 sf x \$0.34514/sf = \$621.25
400 sq. ft. addition	7,500	400	\$0.084527	7,500 sf x \$0.084527/sf = \$633.95	\$0.34514	400 sf x \$0.34514/sf = \$138.06

Different fee rates can be used to more closely match the proposed total revenue stream to existing revenues. However to do that, the per acre rate will need to be increased.

The SD Master Plan identified 19 capital projects with an estimated cost of \$5,200,000 as of 2004 (approximately \$8,000,000 in 2017 dollars). The projects were prioritized as high/medium/low, but no time frames were included. Well over \$500,000 a year would be required to construct these improvements over a 20 to 30 year time period. Storm drainage fees collected each year between FY 2012/13 and FY 2015/16 ranged from \$1,600 to \$20,000. Thus, it can be seen that current storm drainage fees provide only a small percentage of the total capital cost needs and a major adjustment to the per-acre fee would be needed to maintain even this modest source of funds. Consequently, other funding mechanisms, such as establishment of a Storm Drainage Enterprise Fund, should be explored.

Establishment of a Storm Drainage Enterprise Fund

The City's storm drain system is under the regulatory oversight of the Regional Water Quality Control Board (RWQCB) for District 1 (North Coast). Their most important regulatory tool is Order No. 2013-0001-DWQ "Storm Water Dischargers from Small Municipal Separate Storm Systems" (MS4) Permit. This Order contains over 100 specific requirements placed on the City. Other operational activities include ongoing maintenance of the storm drain system as well as emergency response during rain events. Basic storm drainage operational costs are about \$200,000 per year. The NBS study recommended that the City establish a Storm Drainage Enterprise, similar to the Water and Wastewater Enterprise funds, and that a monthly charge be assessed to utility customers. This would provide a revenue source for operational costs (primarily storm water regulatory compliance and day-to-day maintenance), capital costs, and the creation of a reserve to provide for unexpected contingencies. While the study should be updated if the City pursues establishment of a Storm Drainage Enterprise, the 2013 NBS study estimated a fee (per utility customer per month) for FY 2017/18 of \$5.99. This would generate approximately \$200,000 per year to offset the City's costs for operation of the storm drainage system.

A storm drainage enterprise fund is one way to comprehensively address the full range of funding for the City's storm drainage needs. The NBS study also described the advantages of a Storm Drain Enterprise Fund.

RECOMMENDATION:

Staff recommends that:

1. The methodology for calculating storm drainage impact fees as described in Chapter 12.14 of the FBMC should be revised to more accurately reflect the incremental impacts of parcel development. This calculation should be based on the increase in impervious area rather than the lot size on which the development takes place.
2. The Council should consider establishing a Storm Drainage Enterprise Fund which is funded through a monthly utility fee, established in accordance with the Prop 218 process.