

Council President Elo-Rivera
Council District Nine

Item 1

Stormwater revenue measure

Requested action

Request that the Council District 9 office work with the Independent Budget Analyst and Stormwater Department to furnish background information, provide preliminary fiscal and operational analyses of the proposal, and report back to the Committee.



Background

Stormwater infrastructure

2018 Stormwater Audit

- City Auditor performance audit focusing on opportunities to:
 - Improve storm water asset management
 - **Increase storm water revenues**, and
 - Enhance the efficiency of storm water code enforcement case management, monitoring, and reporting

2018 Stormwater Audit

- “While SWD can cut costs by improving maintenance efficiency and continuing to refine the methods it uses to meet water quality requirements, the current gap between SWD’s revenues and funding needs is so large that it cannot be closed through efficiencies alone.”
- “We found that while SWD has made some successful strides in reducing future costs, these cost reductions are not sufficient to address storm water funding needs in full.”

Stormwater today

- City has not pursued new revenue as recommended by the City Auditor
- City faces a \$1.6 billion stormwater infrastructure deficit, in addition to ongoing operations and maintenance needs
- Localized flooding has long plagued areas throughout the City
- City is regularly out of compliance with water quality standards
- January 22, 2024 – over 1,000 people displaced from their homes and businesses in communities along Chollas Creek due to flooding

Real-world impact

- Flooding due to aging, inadequate infrastructure negatively impacts people's lives
- Unhealthy runoff results in beach advisories, warnings, and closures
- Difficulties in preventing and responding to future disaster, addressing localized flooding, and improving water quality
- Infrastructure deficit and regulatory violations place pressure on the General Fund, which negatively impacts other public services



Measure framework

Stormwater revenue measure

Special parcel tax

- Rate of X cents per square foot (*to be determined*)
- Based on impermeable area
- No “sunset” clause
- No escalator
- Revenues to be placed in a dedicated, special fund

Possible exemptions

- Parcels that are exempt from ad valorem property taxes
- Low-income seniors
- Low-income residents as determined by California Department of Housing and Community Development

Possible eligible expenditures

- Operations and maintenance of stormwater system
- Capital stormwater projects, including green infrastructure, flood control, and unimproved streets
- Flood disaster response and recovery
- Habitat restoration and revitalization
- Water quality and regulatory compliance
- Local workforce job training
- Associated activities and studies

Possible ineligible expenditures

- Fines or penalties imposed by any regulatory agencies
- Expenditures with regulatory permit violations
- Expenditures claims or action against the City
- Litigation
- Payments of settlements or judgements

Possible discounts, credits, incentives, and adjustments

- Income-based reductions
- Property owners that have made recent onsite stormwater improvements
- Properties with their own stormwater system or treatment
- Holders of certain regulatory permits

Accountability

- Citizen's Oversight Committee
- Implementation Plans
- Independent Audits
- City Council authorization of debt and issuance of bonds
- Appeals
- Annual reporting
- Annual budget



Measure examples

Measure W, Los Angeles County, 2018

- “The Safe, Clean Water Act”
- 2.5 cents per square foot of impermeable land
- Exemptions, credits, and reductions include those for low-income seniors and very-low and extremely-low income property owners
- Accountability measures
- Generated \$279 million in program year ending Aug 2023
 - City of Los Angeles generated \$36.7 million

Think Blue, City of San Diego, 2022

- Response to 2018 stormwater audit
- Delivered final audit response to Environment Committee in February 2022
- Surveyed awareness of stormwater issues and support for solutions
- Strong majorities:
 - Recognize stormwater needs
 - Value potential outcomes that could be achieved through funding
 - Support a stormwater funding mechanism



Next steps

Stormwater revenue measure

Next steps

- Input from public and Committee members
- Specify measure details in consultation with IBA and stakeholders
- Develop preliminary fiscal and operational impacts
- Return to Rules Committee for further discussion and action

Requested action

Request that the Council District 9 office work with the Independent Budget Analyst and Stormwater Department to furnish background information, provide preliminary fiscal and operational analyses of the proposal, and report back to the Committee.