

2014 ANNUAL REPORT ON THE WATER QUALITY
AND FLOOD PROTECTION PROGRAM

May 29, 2014

INTRODUCTION

A voter proposition established this Oversight Committee and the Committee's duties were elaborated by the Rancho Palos Verdes City Council in 2007. The Committee is instructed to annually review project expenditures and plans for the Water Quality and Flood Protection (WQFP) Program and to recommend a User Fee Rate for each fiscal year. The Committee currently consists of the following members:

Lowell Wedemeyer (Chair)
Elizabeth Sala (Vice Chair)
Krista Johnson
Yi Hwa Kim
Frank Lyon

The Committee met twice with the City's Finance and Information Technology and Public Works staffs in April and May. The Committee reviewed WQFP Program activities in FY13-14, as well as projects planned and budgeted expenditures proposed for FY14-15. Staff also provided the Committee with the proposed Storm Drain Plan through FY18-19, excerpts from the City's 2014 Five-Year Financial Model, the 2014 Capital Improvement Plan (CIP), and Staff's recommendation for the FY14-15 User Fee Rate.

This report conveys the Committee's conclusions and recommendations in accordance with its responsibilities designated by the City Council on May 5, 2009 and documented in RPV Municipal Code Section 3.44.080.

FY13-14 EXPENDITURES

The WQFP Program expenditure plan (i.e. budget) approved by the City Council for FY13-14 totaled \$17.81 million. Based upon the staff report dated May 29, 2014, \$13.42 million had been spent or committed through June 30, 2014. Fiscal year expenditures are summarized by the Staff in the Storm Drain Plan through FY18-19 (Attachment A).

Major projects for FY13-14 are described in the PROGRAM HIGHLIGHTS – PROJECTS INCLUDED IN FY13-14 BUDGET section, pages 1 – 7, of the April 23, 2014 Staff report entitled WATER QUALITY AND FLOOD PROTECTION PROGRAM – MIDYEAR REPORT & WORKING DRAFT OF FY14-15 BUDGET AND 5-YEAR PLAN.

Staff estimates that there will be carryover from the FY13-14 budget to the FY14-15 budget of approximately \$4.39 million. Based upon Staff reports to the Committee this variance, between the \$17.81 million FY13-14 budget and the estimated FY13-14 expenditures of about \$13.42 million, is primarily attributable to the following projects (in order of the size of the variance):

1) San Ramon Canyon (Project A). The carryover is estimated to be \$1.92 million on the San Ramon Canyon Stabilization Project from FY13-14 to FY14-15. After many years of effort by the current and past Councils, a financing plan has been adopted by the City Council, including 50/50 cost sharing under a grant administered by the California Department of Water Resources. Principal contracts were awarded early in 2013. Groundbreaking occurred on April 16, 2013. Staff advises that the major structural features of this project now are complete. This includes raising and stabilizing the canyon stream bed, excavation of the tunnel and slant drain, installation of about 4000 linear feet of steel storm drain, completion of the outlet at the sea shore, and substantial completion of the inlet near the PVDE switchbacks.

The remaining project work is running about two months behind schedule due to tunneling delays and delays by the landscaping contractor. Still in progress are the rebuilding of the hillside below PVDS, the access road from PVDE to the inlet, restorative landscaping and site cleanup.

The original project contract price has been reduced due to value-engineering change orders by the contractor, the savings from which are being shared between the contractor and the City. Because of the savings, Staff is proposing to the State of California that additional drainage work be done to take full advantage of the 50-50 cost sharing grant from the State. (See Project F, carryover item 2 below.)

Importantly, the canyon stream bed, drain inlet, steel drain and outlet at the sea shore now are functionally ready to receive the next storm, even though significant collateral work remains to be done. Staff expects that the project (other than the proposed additional drainage work on the switchbacks) will be completed by the end of Summer 2014.

The projected \$1.92 million carryover from FY13-14 to FY14-15 is reasonable under the circumstances.

2) Palos Verdes Drive East Lower Switchbacks. (Project F). The estimated carryover from current FY13-14 to FY14-15 will be \$485,000 for the PVDE Lower Switchbacks, (listed as Project F for FY13-14 and as project area 9 for FY12-13 budgetary purposes). These lower switchbacks are adjacent to the San Ramon Canyon project on the southern part of Palos Verdes Drive East. This amount is being carried over for the second year because design of this project is being coordinated with completion of the San Ramon Canyon project. Staff has a pending proposal to the State of California that this drainage on the PVDE Lower Switchbacks be approved for 50-50 funding from the remainder of the State grant for the San Ramon Project. This project will need to be completed in FY14-15 to accommodate PVDE Arterial Roadway rehabilitation. If the State approves cost sharing then an equivalent amount of funds will be released for other projects.

3) Palos Verdes Drive South, East of Barkentine (Project G). The estimated carryover from FY13-14 to FY14-15 is \$408,050 for Palos Verdes Drive South (East of Barkentine near Seacove, adjacent to Abalone Cove Shoreline Park). (This is Project G for FY13-14, project area 11 for FY12-13). This project is being studied by a consultant, including the nature and extent of needed improvements and an evaluation of potential to integrate storm-water quality Best Management Practices (BMP). (Staff has advised that the PVDS East of Barkentine project is more than 500 feet from Chair Wedemeyer's residence so that he has not recused himself as to that project.) The feasibility study at a cost of \$37,950 will be complete this fiscal year and final design and construction are being planned for the next fiscal year using the carryover funds.

4) Storm Drain Lining. (Project D). The estimated carry over will be \$390,848 for the 2012 Storm Drain Lining and Rehabilitation Project. (Project D for FY13-14, project area 12 for FY12-13.) Staff reports that 72 pipes in this project are 100% complete. Nine remaining pipes are being transferred to other projects. Of these nine, four are part of the PVDE Arterial Rehabilitation project (Project F for FY13-14, carryover item 2 above.). The other five pipes need difficult point repairs before lining can proceed. These pipes will be addressed in FY14-15 in a new Project O, Point Repair Projects.

5) Marguerite Open Channel (Project I). The estimated carryover is \$365,470 for the Marguerite Open Channel (Project I for FY13-14, project area 12 for FY12-13). This project is located near Calle Entradero and Palos Verdes Drive West. It currently is under study by a consultant to determine the nature and extent of needed improvements and potential inclusion of storm-water quality, structural Best Management Practices. The feasibility study at a cost of \$34,530 will be complete this fiscal year and final design and construction are being planned for next fiscal year using the carryover funds.

6) Miscellaneous Repair and Filtration Maintenance (Project J). The estimated carryover is \$280,034 for Miscellaneous Repairs and Filtration Maintenance (Inspection/cleaning, Project J for FY13-14, project area 12 for FY12-13). Of this amount \$274,556 was also carried over from FY11-12. This category addresses a number of smaller maintenance improvements, repairs and emergency work. Staff advises that these carryovers are due to lower than expected storm costs during the last three dry years. Work done in FY13-14 in this category includes the inlet structure on the north side of PVDS east of Terranea Way and \$200,000 of unencumbered funds for inspection and cleaning to aid planning of future drain lining projects.

7) San Pedro Canyon Drainage Tributaries and PVDE Rehabilitation. Palos Verdes Drive East has been undergoing an Arterial Rehabilitation, which is funded and accounted for as a Capital Improvement Program (CIP) project, not a WQFP project. However, several storm drains within the San Pedro Canyon drainage cross under PVDE. \$362,360 of WQFP funds was transferred to, and accounted for in, the CIP fund for repair of these storm drains which was coordinated with rehabilitation of PVDE. Other storm drain projects in the San Pedro Canyon drainage are accounted for in the WQFP fund, including Miraleste Plaza (completed last year), Via Colinita, and Roan. The estimated carryover to FY14-15 will be \$218,725 on the Via Colinita and Roan projects. (Project E for FY13-14, project area 7 for FY12-13 budgetary purposes). The Via Colinita and Roan projects were referred to in earlier years as a combination of project areas 6 and 7. The Committee is referring to these projects by their location names, Via Colinita and Roan, to minimize confusion over shifting project numbering. There was a \$242,500 carryover from FY12-13 to FY13-14. The Roan project was deferred in FY12-13 due to prioritized allocation of Staff resources (primarily to San Ramon Canyon), and design work began in FY13-14 at a cost of \$23,775. The San Pedro Canyon storm drains connect to downstream storm drains of the City of Los Angeles. The capacity limits of downstream Los Angeles storm drains have significantly restricted efforts of the City of Rancho Palos Verdes to manage San Pedro Canyon drainage in traditional ways. More study is needed and a prioritization of this work is expected in the pending Master Plan of Drainage.

8) Drainage Master Plan (Project K). There will be an estimated carryover of \$206,399 from FY13-14 to FY14-15 with respect to the update of the Drainage Master Plan (Project K for FY13-14, project area 12 for FY12-13). There was a carryover of \$697,789 from FY11-12 and another carryover of \$727,789 from FY12-13. Staff has advised the Committee over the years that these carryovers occurred because the Drainage Master Plan Program is intended to be integrated into the City's Geographic Information System ("GIS"), which itself has been under continuing development. The City

awarded a contract to RBF Consulting in the fall of 2013 to begin integrating the Drainage Master Plan into the City's GIS system.

NEW PROJECTS ADDED TO THE FY14-15 DRAFT BUDGET.

Staff is proposing to budget three new projects: Altamira Canyon Drainage Study (Project L), South Hawthorne/Via Frascati (Project M) and Palos Verdes Drive South at Sacred Cove (Project N). As noted in item 4 above, especially difficult repairs on five existing storm drains have been re-grouped as a new Project O for FY14-15. These projects are being budgeted for evaluation in FY14-15. The total costs have not yet been reliably estimated but are thought likely to be several millions of dollars.

HISTORY OF COMPLETED PROJECTS

During the years this Committee has been in operation since 2007, the Staff has annually projected five-year models for identifying and implementing a list of 38 needed storm drain and water quality projects. The total project costs for the 38 originally-listed projects have been roughly estimated at \$46 million. The respective City Councils, with Staff advice, have set project priorities and implemented projects as funding was achieved. The list of projects and the cost estimates have been refined and revised over the years, enabled by on-going investigations and project work, and some new projects were identified.

Staff has advised the Committee that of the original 38 projects, approximately 25 have been addressed (through construction or mitigation by another project) at a total cost of about \$20.5 million, nine projects are currently in progress with a FY13-14 budgeted cost of \$16.3 million, and four projects remain unfunded at an estimated cost of at least \$ 9.4 million (in 2005 dollars).

In rough order by dollar amount, the money for projects that are completed or in progress has come from the City's general fund (\$17.2 million), from collections of the Storm Drain User Fee (\$10.1 million), and from state and federal grants (\$9.5 million).

FEE COLLECTIONS FOR FY13-14.

User Fee collections are estimated to be about \$1.3 million during FY 13-14.

COMMITTEE FINDING CONCERNING USER FEE EXPENDITURES IN FY13-14.

The Committee believes that all WQFP Program costs for FY13-14 that included User Fee revenues have been properly spent to discover and mitigate storm drain problems in the City. User Fees have paid for a critical portion of City investment in storm drain rehabilitation and new construction from 2007 to date, supplementing the General Fund from which the majority of such expenditures have been funded.

PLANS FOR FY14-15.

Staff presented the Committee with a proposed FY14-15 Storm Drain expenditure plan in the amount of \$2,304,996 (see Attachment A). These are newly budgeted funds, not including previously authorized but unspent funds (which are referred to above as "carryover" funds). When combined with the expected \$4,392,519 in uncommitted funds to be carried forward from FY13-14, the total WQFP Program expenditures in FY14-15 are projected to be about \$6,697,515.

All planned projects appear necessary and are being funded appropriately under the present circumstances.

USER FEE RATE FOR FY14-15.

The WQFP Committee recommends that the annual Storm Drain User Fee for the FY14-15 be set at the maximum allowable rate of \$96.75/ERU as limited by the 0.5% increase in CPI.

All members agree that there are more known projects critical to the protection of life and property than there is funding available, even including the maximum user fee. The Committee believes that the User Fee is a reliable, dedicated source, authorized by the voters, which prudence requires be used for these critical storm drain problems. Failure to collect the User Fee will jeopardize continuation of essential storm drain work.

OTHER COMMENTS

Taking note of the historic importance of the User Fee collections in funding critical WQFP projects, the Committee again recommends that planning begin now for reliable funding of the City's storm drain and water quality systems beyond June 30, 2016, when the Storm Drain User Fee sunsets. The last fee collections will occur during FY15-16, just one fiscal year away. The Committee recommends that such funding be strategically developed now while there is still time to plan rather than waiting for another crisis.

The Committee recognizes that the City is considering development of an Infrastructure Management Plan (IMP) to coordinate with the City's Capital Improvement Projects (CIP). The Committee recommends that the City's storm drain and water quality infrastructure be integrated into the City's infrastructure management and capital projects planning.

The Committee believes that the Oversight Committee structure has worked well. However, when the Council considers what structure (if any) should be created to replace the User Fee and Oversight Committee, the Council may wish to consider some factors that have become apparent over the years.

1. Historically, the General Fund has provided the majority of funding for storm drain and water quality projects. Therefore, these projects have competed with other City capital projects for limited General Fund resources.
2. The City has a huge list of unfunded, capital improvement projects that do not involve storm drains and water quality and thus are beyond the purview of this Committee. See Attachment B.
3. This Oversight Committee's evaluation of the User Fee monies has had a significant blind spot – the Committee has never known the appropriateness of the priorities of individual WQFP projects versus the City's broader list of unfunded Capital Improvements. Although Water Quality and Flood Protection projects compete for the same General Fund monies as do other City Capital Improvement Projects, this Oversight Committee is unaware of any City committee that evaluates *relative priorities* between CIP and WQFP projects.
4. The Council may wish to give consideration to the following options:
 - (A) Create a new 'capital projects/public works' committee authorized to make an integrated evaluation of the relative priorities of all City capital projects (including but not limited to storm drains and water quality),
 - (B) Reauthorization of the User Fee and Oversight Committee, and;

(C) Create a dedicated funding source for mandated water quality projects and programs.

5. It is prudent to continue with a dedicated funding source to replace the current User Fee after the Fee sunsets on June 30, 2016. Revenues from the General Fund alone have not been sufficient to fund all known, critical storm drain and water quality needs. The City has struggled to allocate the General Fund resources necessary to fund major projects such as the completed McCarrell storm drain (approximately \$9 million total for construction and land acquisition) and the current San Ramon Canyon project (approximately \$19 million, of which the City will ultimately pay about \$9.5 million). General Fund revenues and expenditures are within the purview of the Financial Advisory Committee, not this Oversight Committee. However, this Oversight Committee understands that the General Fund is subject to substantial uncertainties in both revenue and expenditures, even when Transient Occupancy Tax (TOT) revenue from Terranea is included in planning.

6. Although storm drains have been the primary focus of WQFP funding since 2007, federal and state laws that are coming to bear on the City mandate expansive, new, water-quality-control measures which the City must fund. Staff estimates that these federal- and state- mandated duties will cost the City \$900,000 *annually*. **Thus, the need for future, annual WQFP funding will increase, even though three major storm drain projects have been completed since the User Fee was adopted by the voters (McCarrell Canyon, San Ramon Canyon, and re-lining 72 pipes).**

7. Future funding of mandatory water quality projects may differ from storm drain issues in one key respect. The existing User Fee is not charged to those of the City's land owners whose parcels are served by County of Los Angeles storm drains. The existing storm drain User Fee is charged on a parcel-by-parcel basis only to that fraction of the City's land owners whose parcels are served by *City-managed* storm drains. In theory, the existing storm drain fee structure could simply be reauthorized for an additional period of years beyond 2016. Water quality measures, however, will affect all landowners, and, indeed, all residents. Therefore, some different or additional fee structure may be necessary if a user fee is to be assessed city-wide for water quality measures.

Attachment A: Storm Drain Plan through FY18-19

Attachment B: RPV Capital Improvement Plan – Unfunded Projects

Attachment C: Program Highlights – Projects Included in FY13-14 Budget

Attachment D: Storm Drain User Fee Rate History