



## CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable City Council **Item No.** \_\_\_\_\_

**FROM:** City Administrator

**SUBJECT:** Los Angeles County Safe, Clean Water Parcel Tax Ballot Measure

**MEETING DATE:** May 1, 2018

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### RECOMMENDATION:

City Council to receive and file the following agenda report and authorize staff to submit written comments on the Los Angeles County Safe, Clean Water Parcel Tax Ballot Measure for November 2018, and authorize staff continue working with the County on incorporating the City's concerns and subsequently bring a recommendation forward on the City's position with respect to same.

### BACKGROUND:

Every agency that discharges water from its jurisdiction into the stormwater system is regulated under a National Pollution Discharge Elimination System (NPDES) federal permit assigned and enforced by the State Water Quality Resources Control Board and the Los Angeles Regional Water Quality Control Board. The permit remains in effect for 5 years. The MS4 Stormwater Permit enforces all Total Maximum Daily Loads (TMDLs) regulating water quality for trash, metals, nutrients, and bacteria. Local governments (cities and the County) are struggling to identify new sources of revenue to meet the requirements imposed by the permit and more stringent water quality regulations.

#### *Parcel Fee – 1<sup>st</sup> Attempt*

In 2012, the Los Angeles County Flood Control District attempted to implement a new parcel-related fee to property owners (residential and commercial including property owned by cities and school districts) as a **dedicated revenue source to fund water quality projects and programs required by the MS4 Permit**. The fee was based on land use, hydrology, and lot size and subject to voter approval through a Proposition 218 election process. The estimated fees at that time were:

- Residential rate = \$54.00/year for lots between 5,000 and 10,000 square feet.
- Commercial rate = \$10,648/year for the first 10 acres of land.
- Largest commercial properties rate = up to an estimated \$40,000/year (approximately 2% of all commercial properties).

These fees would have appeared on the annual property tax bill as a special assessment. Revenues received would have been divided three ways, 40% to municipalities, 50% to Watershed Authority Groups (WAGs) such as the Gateway Water Management Authority of which Commerce has been a Board Member since 2010, and 10% to the County Flood Control District for administration. Commerce could have potentially received approximately \$1.25 million in restricted funds to be used solely on projects and programs to address water quality issues in the Los Angeles River.

The LA County Board of Supervisors mailed notices of a hearing, property-specific fee, and fee explanation to all affected property owners on November 30, 2012 and held a public hearing on January 15, 2013 to authorize releasing a mailed ballot. However, Commerce and other cities, private property owners, and businesses were not supportive at that time due to insufficient public information and time for voters to understand the purpose of the proposed new tax.

## **ANALYSIS:**

### *Parcel Fee – 2<sup>nd</sup> Attempt*

This second attempt is similar to the first in that its purpose is to create a designated funding source for water quality projects that support MS4 requirements to capture and reduce stormwater runoff along with other benefits such as adding walking trails and open space, trees and drought-tolerant landscape to help address climate change, funding for modeling and monitoring, and studies to improve water quality, educational programs, and maintenance of constructed infrastructure.

The revenues would be split as follows:

- 10% to LA County for administration;
- 40% to cities; and
- 50% to regional program.

### *Regional Funding*

There are nine Watershed Areas (Commerce is in the Lower LA River Watershed Area). A Steering Committee for each of the nine Watershed Areas (15 members each) will receive and screen program/project applications for funding and determine which programs/projects receive funding within their area. The 15 members include 6 from cities. However, a City seat is reserved for those with at least 16% of the taxable land area. There are a total of 18 cities within the Lower LA River Watershed Area and only Long Beach meets the criteria to receive a seat (see attachment). The remaining 5 city seats would be determined by the other 17 cities within this Watershed Area. In addition to city seats, there are sector-specific members such as special districts (5 seats) and community stakeholder members (4 seats). The Board of Supervisors would select representatives for both sector-specific and stakeholder categories.

### *Staff Comments*

The final draft Safe, Clean Water Program was released on April 12, 2018 for a 30-day review and comment period. Staff's comments are:

- A definite need for a designated stormwater program/project funding source to comply with unfunded mandates.
- Commerce does not have its own stormwater fee.
- Concerns regarding the 10% administrative fee. Insufficient information describing how funds are to be administered.
- No designated representation for Commerce on Steering Committee for regional program/project funding allocations. Dividing the Lower LA River Watershed Area by its two WMP groups with 3 seats representing the area from Vernon to Cudahy and 3 seats for the area from South Gate to Long Beach is a more equitable representation.
- Cumbersome 6-step process, multiple level structure for regional program/project approval (see attachment).
- Unable to determine potential revenue allocation to Commerce.
- Insufficient time to review final draft program for comments from agencies and the voting public. County staff plans to seek Board of Supervisors' authorization in June 2018 to meet the submittal deadline for the November 2018 election.

#### **ALTERNATIVES:**

1. Approve staff recommendation
2. Disapprove staff recommendation
3. Provide further direction to staff

#### **FISCAL IMPACT:**

If the voters approve this parcel tax in November 2018, revenues generated would be based on a tax per square foot of impermeable area. The County used the following revenue targets and scenarios to provide general fiscal impacts:

<b>Preliminary Tax Revenue Targets</b>	
<b>Impermeable Area Tax (\$300 million)</b>	<b>Impermeable Area Tax (\$400 million)</b>
<ul style="list-style-type: none"> <li>• 3.49 cents/sq ft</li> <li>• Regional Program (50%) = \$150 million (\$18.1 million to Lower LA River Group)</li> <li>• Municipal Program (40%) = \$120 million</li> <li>• FCD Program (10%) = \$30 million</li> </ul>	<ul style="list-style-type: none"> <li>• 4.65 cents/sq ft</li> <li>• Regional Program (50%) = \$200 million (\$24.1 million to Lower LA River Group)</li> <li>• Municipal Program (40%) = \$160 million</li> <li>• FCD Program (10%) = \$40 million</li> </ul>
<b>Preliminary Property Tax Scenarios</b>	
<ul style="list-style-type: none"> <li>• Single family home (2,100 sq ft of IA)</li> <li>• Apartment building (17,200 sq ft of IA, 14-18 units)</li> <li>• High rise office building (18,200 sq ft of IA, 9-story)</li> <li>• Regional shopping center (10 acres or 418,180 sq ft)</li> </ul>	<ul style="list-style-type: none"> <li>• \$73-\$98/year</li> <li>• \$600-\$800/year</li> <li>• \$635-\$846/year</li> <li>• \$14,594-\$19,445</li> </ul>

At this time, it is unknown what the impact will be to the organization regarding both revenues (our allocation of the Regional Program projected amount) and expenditures (cost of the expanded programs, property taxes, etc). Staff will keep the Council and Administration apprised as information becomes available.

#### **RELATIONSHIP TO STRATEGIC GOALS:**

This item is related to a specific 2016 Strategic Goal to “create and pursue opportunities for collaboration and regional partnerships to maximize resources and address regional issues.”

Approved by: Maryam Babaki, Director of Public Works and Development Services

Prepared by: Gina Nila, Deputy Director of Public Works Operations

Reviewed by: Vilko Domic, Finance Director, René Bobadilla, Interim Director of Economic Development and Sustainability

Approved as to form: Norma Copado, Assistant City Attorney

Respectfully submitted: Edgar P. Cisneros, City Administrator

Attachments (2):

- 1) Regional Program Governance Structure & Project Selection Process – 2018
- 2) Watershed Area Steering Committee Members