

Ad Hoc Street and Storm Drain Committee Members
Signature Page

The Ad Hoc Street and Storm Drain Committee is formally transmitting this report to City Council for review and consideration. Included in this report are recommendations to improve the condition of streets and storm drains throughout the City. The recommendations contained in the report are the result of the Committee's consideration of all the information presented through the meetings. The report fulfills the three duties and responsibilities Council set forth in Resolution 5287. The following Committee Members have contributed to this report and approve the report for transmittal to City Council.

Dr. Robert Goldberg
Chairman

James Biery
Vice Chairman

Marilena Dalbey

Bruce Bennett

Seretta Fielding

Ken Edwards

Gary O'Neil

James Ingram

James Gilbert

Phil O'Malley

James Watson

Terms and Acronyms

Asphalt Rubber Aggregate Membrane (ARAM) & Asphalt Rubber Hot Mix (ARHM)

A street rehabilitation method that utilizes a rubber membrane inner layer and rubberized asphalt overlay. This method is typically less costly than a full reconstruction of the roadway.

Assessment District:

A defined area with property specifically benefited by certain public improvements and within which special assessments are apportioned and levied. An assessment district is not a separate government agency

Catch Basin:

An inlet that allows storm water to drain from the roadway into an underground storm drain pipe and system.

Certificates of Participation (COPs):

This is a long-term debt-financing instrument available to a local agency for completing capital improvements. COPs do not require voter approval however typically have higher interest rate and lower credit ratings than G.O. Bonds. If the agency is pledging a revenue stream such as the funds from an increase to the Bed Tax then the increased revenues often require voter approval.

Floodplain:

A nearly flat area or plain along the course of a stream, basin, or river that is naturally subject to flooding.

General Obligation Bonds:

Commonly known as G.O. Bonds this debt instrument is typically issued to finance government improvements benefiting the community as a whole. This debt obligation is secured by taxes on all assessed property within the jurisdiction. General Obligation bonds require a 2/3-voter approval.

Master Plan of Drainage:

A study and guide to identify existing facilities, evaluate capacities and conditions, and formulate solutions for logical and cost effective funding levels for future drainage.

Pavement Management System:

A formalized selection process for streets an agency goes through in selecting maintenance and rehabilitation projects for their next budget period.

Pothole:

A pothole is an area of pavement where a localized structural failure of the street has occurred. This failure can be caused by traffic or rainwater seeping through small cracks in the roadway surface.

Proposition 218:

California ballot requiring property owner or voter approval for fees imposed upon a parcel or person as an incident of property ownership, including fees for property related service.

Pump Station:

A pumping facility used to pump water from a lower area to a higher area, (i.e. storm drain below a street to a river or bay).

100-Year Storm:

Amount of rainfall during a specified length of time that has a 1% chance of happening independently each year.

Frequently Asked Questions **Concerning Streets and Storm Drains**

Why was the Ad Hoc Committee on Streets and Storm Drains formed?

In response to the October 17, 2004, storm event and flooding, the City Council formed an 11-member Committee consisting of residents from each Council district, and one at large business representative. The Committee had three tasks: review the existing street and storm drain system, identify funding options to finance the priority projects, and make recommendations to Council. The Committee held six public meetings to review information and develop recommendations.

What is the purpose of the two pump stations located on Seal Beach Blvd. near Electric Avenue?

The pump station to the north is a County pump station which pumps storm water. The pump station to the South is a City sewer pump station that pumps wastewater.

How many pumps and what is the capacity of the County pump station?

The County pump station has three storm water pumps; each rated 55,000 gallons per minute, for a total of 165,000 gallons per minute. This is the equivalent to the pumping power needed to drain eight large swimming pools per minute.

What improvements have been done at the County pump station?

In 1996 the County upgraded the pump station to handle a 25-year peak storm flow.

Were both pump stations operating during the October 17, 2004 flooding? How do the pumps at the station turn on?

Both the West End Pump Station and the County Pump Station operated automatically when the rain started on October 17th. As the rain starts, water levels rise in the wet well; in turn, floats in the wet well rise triggering the pumps. As the level rises, the additional pumps turn on and remain in operation to ensure the maximum discharge is produced. The Committee reviewed the City and County data, received a presentation from County officials, and toured the facility as part of the Committee's information gathering process.

How much rain did the City receive during the October 17, 2004 event?

Rainfall levels exceeded the 100-year storm levels with over 2 inches in one hour and 3.2 inches in total. By definition, a 100-year storm that is measured in terms of rainfall is the amount of rain that has 1 in 100 chance of falling at a certain place each year and is equated to 1.49 inches of rainfall in one hour.

When did the Police and Public Works respond to the October 17, 2004 event?

Police and Public Works personnel responded immediately when notified to flooding calls in Old Town and College Park East. Staff was also alerted to high water alarms at the West End pump station and Station 35 (sewer pump station). City personnel responded by posting street closure signs, monitoring the pump stations, and clearing storm drains and catch basins.

Were the catch basins cleaned before the storm?

Catch basins throughout the City were cleaned beginning in September and completed by early October. Screens were removed and debris was cleared from the filters. The catch basins filters are designed so that when the design capacity is exceeded, the excess water will flow over the filter and into the catch basin. It should be noted that County staff informed the Committee that debris and trash is a contributor to less efficient pumping capacity.

Was the West End Pump Station working on October 17, 2004? What is the pump rate, and are there plans to improve the station?

The pump station contains two 25,000 gallon per minute pumps. Both were in full operation during the storm. The West End Pump Station currently provides less than a five-year peak flow capacity. There are plans currently in design to upgrade the pump station to a 25-year peak flow capacity. The pump station drains a 150 acre area and is a key storm water facility. The Committee members also toured this facility to understand the operations of this vital facility.

Is the City making any efforts to immediately improve the storm drain capacity?

Based on input from the Ad Hoc Street and Storm Drain Committee the City Council approved a number of projects to address the storm drain issues. These projects are considered “starter” projects and will help relieve some flooding situations until additional revenues are found for more extensive improvements. The approved storm water improvement projects are the Corsair Way Drainage Improvement Project, Lampson/Candleberry Drainage Improvement Project, and the Seal Beach Blvd. Catch Basin and Pathway Drainage Project. In addition, funding was allocated to complete a citywide topographic map to aid in future design efforts. In total, \$820,000 has been dedicated in FY 2005-2006 for storm drain improvements. With the exception of West End Pump Station, these projects are the most significant storm water projects undertaken by the City in the last 20 or more years.

Why not apply for grants to fix the problems with the streets and storm drains?

The City is very aggressive in applying for city grants, however there are very limited programs for storm drain upgrades. Typically grants are for recreation, open space and arterial street improvements.

My house does not flood, why should I help fix the problem through additional taxes?

Flooding impacts all residents and businesses in Seal Beach by the damages it causes and the closing of streets or sidewalks. When the limited resources of the City are used to address the immediate crisis, other important issues such as addressing recreation or crime problems are postponed. Flooding is very expensive and negatively impacts our police, public works services, and negatively impacts property values. The City has a \$40 million capital improvement backlog and when flooding occurs, funding is

diverted to address this problem and is not used to improve the City infrastructure. Every resident and business in Seal Beach is ultimately responsible for storm water flows from their property and into affected areas.

What is the cost of making Street and Storm Drain Improvements?

The Ad Hoc Street and Storm Drain Committee has identified \$10.1 million in high and moderate priority storm drain improvements and \$6 million in local street rehabilitation projects. Committee Members identified storm drain improvement scenarios that ranged between \$12 and \$33 million and unfunded street backlog costs that ranged from \$7 million to \$11 million. Ad Hoc Committee Members have provided City Council with funding recommendations to improve the streets and storm drains in the community.

Will the recommendations of the Committee completely solve flooding issues in Seal Beach?

No. The recommendations and the projects will significantly improve the situation. There are locations in Seal Beach where homes are in the flood plain, and there is very little that can be done without a significant expenditure of money. The recommendations, if acted upon, will benefit a majority of the residents and businesses impacted by flooding. Any event in excess of a one hundred year storm will overwhelm any current or proposed storm water system.

If none of the recommendations are acted upon what will happen?

The City will make the street and storm drain improvement within existing budget resources available. Should flooding occur, staff will mitigate the impacts as in years past by posting signs, clearing drains and assisting residents where possible. Streets improvements will be made, as funding is available and as determined by City Council.

Executive Summary

This report presents the results of the work conducted by the Ad Hoc Street and Storm Drain Committee. The report is transmitted to City Council with recommendations on how best to approach the problems of deficient storm drain and poor street conditions. Overall, the Committee conducted six meetings, visited the impacted flooding areas and inspected vital City/County flood control facilities. In addition, the Committee members received presentations from finance consultants, city staff, and consulting civil engineers. Members of the public were also encouraged to provide input and share concerns about the flooding problems. This report brings together all the information gathered by the Committee so that City Council has the information to make informed decisions on how to address street and storm drain problems that exist in Seal Beach. The recommendations contained in this report were forged during a workshop on June 11, 2005, and are the Committee's consensus on how best to correct the street and storm drain deficiencies.

Background

In the aftermath of the October 17, 2004 flooding, City Council approved the formation of the Ad Hoc Street and Storm Drain Committee. The 11 member committee represented a cross section of the community and was charged with the following tasks:

- Review the existing drainage and street needs within the City of Seal Beach.
- Identify possible funding mechanisms to finance priority projects.
- Provide recommendations to City Council with regard to the best method to finance such projects.

The Committee's work included reviewing numerous existing reports on the City's storm drain and street conditions. Equally as important, the Committee thoroughly reviewed numerous financing options necessary to improve the street and storm drain systems. The documents reviewed by the Committee have been included in the appendices section of this report.

One of the many positive actions the Committee engaged in was to tour the City and County storm drain facilities. This tour allowed the Committee to gather information on how the pump stations operate and what the capacities/deficiencies are in the system. The tour also gave the Committee a first hand look at the various reoccurring flooding locations.

In order to provide the City Council with recommendations, the Committee spent a significant amount of time deliberating the financing options available to fund the improvements to the street and storm drain systems. A wide range of financing options were provided to the Committee and were narrowed down to provide City Council with the most viable options to supply the necessary funding to make the identified capital improvements. Appendix D contains the financial funding options considered by the Committee. In addition, the funding options are summarized in the financing option chapter of this report.

Problem Definition

The City of Seal Beach is situated in a low lying flatland which has resulted in various flooding in the Old Town, Bridgeport, Seal Beach Blvd. and College Park East areas. Based on public comments received during the meetings and testimony from Committee Members, the flooding has occurred throughout Seal Beach history. City Council is encouraged to review the minutes of the meetings in Appendix H to gain an understanding of the frequency and damage incurred during the flooding incidents. The Committee, through their information gathering process, learned about the capacity deficiencies in the storm drain system that impacted residents not only during flood events but also even during moderate or heavy rainfalls. Included in this report is a photographic presentation that visually illustrates the flooding problems in the City (Appendix B, pages 18-32).

Overall, the Committee has come to recognize that without substantial capital improvements the flooding problems will not be corrected. The Committee has also recognized that due to the magnitude of the costs involved in fixing the flooding problem that it is nearly impossible to construct improvements that give residents a 100% guarantee that flooding will not occur again. The recommendations being submitted by the Committee will have a very beneficial effect; however, it will not solve every flooding problem area in the City. Unlike many of the problems facing the City, the Committee recognized that funding for storm drains is limited and as one Committee member stated, “storm drains are the “orphans” of City budget process”.

Street conditions in Seal Beach are an on going concern in the City that has not been adequately addressed due to the lack of funding. Every Council district in the City has streets that are rated in fair and poor condition. Committee members reviewed the Pavement Management System and toured some of the worst streets in the City. The street repairs identified in the Pavement Management System served as a base from which the Committee developed it's funding recommendations. Street improvements have recently begun to occur; however, significant work remains in order to bring the street system to an overall good condition. Unlike storm drains, the street problem can be partially mitigated by grant funding and outside revenues like the Gas Tax and Measure M funds. The Committee has prepared recommendations that do provide additional funding for streets in Seal Beach. Street improvements continue to be made and the Committee recognizes that sacrificing funding for street repair in order to make storm drain improvements is not a viable option. Instead, the Committee through its recommendations is taking a balanced approach to correcting these two very important issues in Seal Beach.

Committee Recommendations

- The Pavement Management System remains the most equitable means of determining street repair needs.
- Streets should remain a priority of the City Council during the budget deliberations.
- To the extent possible, streets should continue to be funded through excess revenue in the undesignated fund balance.
- Council needs to elevate the awareness in the community of the need for storm drain improvements.

- Financing options not consistent with City Council policy should not be considered to fund street and storm drain improvements.
- Funding options that require a 2/3-voter approval are unlikely to receive community support and should not be considered.
- Using enterprise funds or money earmarked for specific purposes should not be reallocated to address street and storm drain improvements.
- Due to the high cost to achieve a 100-year storm protection at a 80% confidence level, it was not considered a viable alternative.

The City must work with the Naval Weapons Station to correct the drainage problem that flows off the base and negatively impacts Seal Beach Blvd.

That City Council designate, within the City's five year Capital Improvement Plan, six high priority storm drain improvements currently estimated at \$3.4 million. Those projects are:

- Enhance local drainage for 300 block of Main Street.
- Enlarge the storm drain connecting Basswood to the Old Ranch Golf Course.
- Install a new storm drain and catch basins on Candleberry from Aster to Fuchsia.
- Increase the size of the storm drainpipe under Electric from 14th to Seal Beach Blvd.
- Increase the size of the pipe under Marina Dr. from 2nd Street to the San Gabriel River.
- Enlarge pipes that run under Electric Ave. connecting to terminal branch at western end of Marina.

City Council is also requested to include, in the next five-year Capital Improvement Plan 11 moderate priority projects with an estimated cost of \$6.7 million. The moderate priority storm drain projects are:

- Install a storm drain and catch basin on Fuchsia and Elder from Fuchsia to Heather.
- Install a storm drain and catch basins on Elder from Heather to Oleander.
- Install a storm drain and catch basins on Birchwood Ave.
- Install a new storm drain and catch basins on Heather Ave.
- Install a new storm drain and catch basins on Hazelnut and Heather Ave.
- Install new catch basins at 10th Street, 11th Street, and 12th Street intersections.
- Install a new storm drain line under Bolsa from Bayside to Balboa.
- Enlarge the storm drain on First Street north of Marina Drive.
- Enlarge the storm drain under Galleon Way.
- Enlarge the storm drain on the northern portion of Coastline.
- Install a storm drain line that parallels the existing line to the West End Pump Station.

Street improvements should continue to be funded with the goal of bringing all local and arterial streets to good condition. The street improvements should continue to be prioritized through the Pavement Management System.

The committee recommends, in general that the storm drain improvements be funded and completed as soon as possible. This will require debt financing and additional sources of revenues. However, the Committee recommends street improvements continue to be funded on a pay as you go basis using available funds from the undesignated reserve so long as the City's budget policies are met.

After significant discussion, the Committee recommends to City Council that the following mix of financing options be used to fund the street and storm drain improvements identified in the report. The recommended financing options will require further analysis, but appear to have the best likelihood of voter acceptance and will generate the revenue sufficient to implement the recommend projects.

The recommended financing options are:

1. Release the Redevelopment Agency bond cash reserve. This one time revenue could generate \$325,000 in available funding for storm drain improvements. These funds could only be used in the redevelopment agency project area or for the benefit of the project area.
2. Use \$1,000,000 of the General Fund undesignated fund balance so long as the City's budget policies are met.
3. Increase the Transient Occupancy Tax (Hotel Bed Tax) from 9% to 12%. This financing option would generate an estimated \$200,000 per year. If used as a source to fund a long-term debt instrument, it would fund a \$2,400,000 note. This option would require voter approval.
4. Citywide storm drain fees would create additional revenue to make the necessary improvements. The storm drain fee would require a Proposition 218 vote that would be a simple majority approval. The estimated fee could range from \$50 to \$200 per year per parcel.
5. Drainage Assessment Districts are being recommended to City Council, as a secondary option should an individual drainage area have a strong desire to make improvements. This option would require a Proposition 218 vote and needs a simple majority for approval. The estimated tax per parcel varies by area but in general the annual assessment would range between \$85 and \$300 per parcel. The Committee included this as an option if the residents in an impacted area strongly voiced a desire to fix the problem after other financing options failed.
6. Implementing a Transaction Tax by 0.25% which is attached to the Sales Tax. This option would generate approximately \$750,000/\$800,000 per year and provide a significant revenue stream to fix the storm drains and streets. This option requires a public vote and has a simple majority approval requirement.
 - The Committee further recommends that if City Council desires to fund only the \$3.4 million in high priority storm drain improvements as identified by the Committee, then financing options 1, 2, and 3 should be utilized.

- Should City Council desire to fund both the high and moderate priority storm drain projects, at an estimated cost of \$10.1 million that the preferred financing combination be options 1, 2, and 4 or options 1, 2, and 6.
- If City Council is interested in funding both street and storm drain improvements as identified by the Committee, it is recommended that financing options 1, 2, 3, 4, and 6 be used to generate the \$16 million needed to complete the projects.

The recommendations contained in this report came after many hours of discussion and research by the Committee. These recommendations fulfill the Committee's obligations set forth in the City Council Resolution 5287. Due to the vast amount of information presented in this report the Committee is ready to present the findings and recommendations contained in this report to City Council at a future workshop. Each Committee member is prepared to assist the City Council with the materials presented in this report.

Overview of City Budget and Finances

At the first Ad Hoc Street and Storm Drain Committee meeting, committee members were given copies of fiscal years 2004/05 and 2005/06 adopted budgets and a Power-Point presentation of an overview of the City budget and finances. (See Appendix A)

The power point presentation discussed the types of funds the City's budget is made up of and the specific purpose of each fund and it discussed the budgeting process. Fiscal Years 2004/05 and 2005/06 budget highlights were pointed out such as the one time transfer of \$2.7 million from General Fund undesignated fund balance for street rehabilitation and General Fund major revenue sources and expenditures. It was also pointed out that over \$20 million in capital projects will be funded through federal and state grants, Gas Tax, Measure M funds, Redevelopment Agency funds, water capital fees and sewer capital fees.

The financial overview of the presentation stated the City has lost over \$9 million in property tax revenue since Fiscal Year 1992/93 due to the state legislation shift of local property tax revenues to the Education Relief Augmentation Fund (ERAF). Therefore to offset the loss in revenue City Council increased the utility users tax rate from 6% to 11%. With the increase in Utility Users Tax and spending cuts the General Fund's reserves and undesignated fund balance went from \$39,000 in 1993 to \$1.9 million in 1999. Since 1999, with the completion of the Bixby Ranch shopping development resulting in an increase in major revenue sources such as sales tax, property taxes and utility users tax, and conservative spending the City's General Fund reserves and undesignated fund balance increased from \$1.9 million to \$16.1 million. The City is able to meet the reserves and undesignated fund balance requirements adopted through the budget and fiscal policies.

The City's economic and financial outlook was also discussed in the presentation. It was pointed out that the State's budget is still in crisis', however, with the passage of Proposition 1A, any local agency revenues the State takes to meet its budget crisis must be paid back to the local agency. This provides some protection to local agencies, however, how much money the State would borrow and how long it would take to pay back is unclear and could create some financial difficulty for the City. The City's revenues are expected to stabilize over the next five years and expenditures are expected to increase by the consumer price index. Revenues are expected to exceed expenditures with a small growth in fund balance, therefore reserves and designation requirements of the fund balance will be met.

The presentation also discussed that over the past 30 years the City has paid for the majority of capital projects other than sewer and water from Gas Tax, Measure M funds, grants and Redevelopment agency funds and that the General Fund has only been able to make a significant contribution for capital projects in the past four years such as the pier rehabilitation, groin rehabilitation, replacement of outdated vehicles and equipment and \$2.7 million in street rehabilitation. Currently the Public Works Department has identified over \$44 million in unfunded capital projects that includes building facilities, street rehabilitation and storm drains.

The concluding question in the presentation was how is the City going to pay for everything when the City has more wants, needs and desires than funds available.

Drainage System Overview

Summary of the 1999 Master Plan of Drainage

This report presents the findings, conclusions and recommendations resulting from a comprehensive study of the drainage facilities in the City. The purpose of this study was to identify the existing facilities, evaluate the capacities and conditions of existing storm drains in the City, identify the drainage deficiencies, formulate alternate solutions, and recommend a prioritized list of improvement projects along with their respective capital costs.

The drainage facility inventory included gathering information from the record drawings for the system, as well as the City and County pump stations. All of the pertinent information from the plans was input into the hydrologic and hydraulic computer programs for analysis of the existing systems. The flood protection goals adopted by the County of Orange were utilized as the basis of hydrologic calculations and formulation of improvement projects.

For purposes of the hydrologic calculations, the City was divided into fifteen drainage basins. Of these, Rossmoor Center North and South, Leisure World, Boeing Facility, Hellman Ranch and Surfside do not have drainage facilities under City's jurisdiction, and therefore, were not studied. The drainage basins studied are College Park West, Seal Beach Boulevard North, College Park East - Area 1, College Park East – Area 2, Boeing Northeast, Marina Hill Northeast, West End Pump Station Drainage Basin, Old Town West, Seal Beach Pump Station Drainage Basin, and Naval Weapons Station - South West Drainage Basin.

The results of the hydrologic analyses were used as input for the hydraulic analyses of the existing storm drain systems. Downstream control water surface elevations were obtained from Orange County studies where available, and from Los Angeles County (for San Gabriel River). Otherwise, the control water surface elevation was set at pipe flow line. Hydraulic analyses were conducted with the use of a computer program, developed by the Los Angeles County Department of Public Works. The systems that were unable to convey the design discharges were identified. Alternative mitigation scenarios were evaluated to aid in selecting the most feasible projects. Relief facility recommendations were developed and reviewed with City staff. Cost estimates and a prioritized capital improvement program (CIP) were prepared.

The identified deficiencies are primarily of two types: Insufficient existing facility size; and storm drains that need to be extended further upstream to eliminate street flooding. The total cost of the recommended master plan improvement projects is \$12 to \$15 million in 2005 dollars.

FY 05/06 Storm Drain Projects - Status

At the May 9, 2005 Council meeting, City Council authorized the expenditure of an additional \$820,000 for storm drain improvements and \$1,000,000 for local street rehabilitation projects. The storm drain projects were identified as “starter” projects and will help relieve some flooding. The

Public Work Department has started the design of the projects and expects them to be under construction this fall.

The projects are summarized below:

Bridgeport Drainage Improvements:

The proposed \$300,000 general fund project would upgrade and extend the storm drain system lateral located on Corsair Way in the Bridgeport neighborhood. This improvement, previously not identified in the Drainage Master Plan would upgrade the existing 12-inch and 18-inch pipes to 24 to 30 inch pipes.

College Park East Drainage Improvements:

The proposed \$300,000 general fund project would upgrade and extend the downstream storm drain system located at Lampson Ave. and Candleberry Ave. This improvement identified in the Drainage Master Plan would upgrade the existing pipes and construct the first phase improvement for the neighborhood. As additional funding becomes available, drainage improvements upstream can be connected to this improvement.

Seal Beach Blvd. Catch Basin and Pathway Drainage Improvement:

The proposed \$120,000 general fund project would add additional catch basins on Seal Beach Blvd. south of PCH and construct an asphalt dike adjacent to the existing pathway on Seal Beach Blvd. south of Liberty Gate and reduce the amount of drainage from the Naval Weapons Station. These improvements, previously not identified in the Drainage Master Plan would reduce the amount of water flow on Seal Beach Blvd. during rain events.

October 17, 2004 Storm Summary

On October 17, 2004, the City of Seal Beach experienced heavy rain between 1:00 a.m. and 4:00 a.m., which was not forecasted. As a result of the intense rainfall, several different areas of the City experienced flooding and took several hours to drain. The County and City have provided verification that all pumps turned on automatically and operated during the heavy rain period until the area was drained.

The flooding occurred throughout the City, with the hardest areas hit were Old Town and College Park East. Specific areas where flooding was reported included Marina, PCH, Seal Beach Blvd, 300 Block of 1st, Ironwood from Candleberry to Heather, Lampson, Old Ranch Road, Beryl Cove, Bridgeport – Corsair, 12th through 17th Streets and Seal Beach Blvd., between Electric Avenue and Landing Avenue, and Electric Avenue.

The Director of Public Works, the City Manager, and six Public Works Personnel were called out. Staff began responding within minutes after the first alarms went off. The four Seal Beach Police units on duty were quickly overwhelmed with flood related problems. Additional part time staff were on site to assist with clean-up efforts after 6:30 a.m. Public Works and Police Department staff responded to these locations as soon as possible to close roadways, post flooded signs, and remove debris entering and/or blocking storm drain catch basins.

Seal Beach Public Works was first paged at 1:58 a.m. for a high water alarm at the West End Pump Station adjacent to the Seal Beach Trailer Park. Between 12:00 a.m. and 8:00 a.m. Public Works was called by West-Comm 28 times over the Public Works radio frequency. Public Works employees responded to the West End Pump Station to find the pump station operating at full capacity with water levels continuing to rise. All pump stations have automatic turn-on features.

Staff also received high water alarms at Station 35 sewer pump station and Adolfo Lopez sewer pump station. Staff responded immediately to Station 35, which is adjacent to the County storm water pump station. Staff noted that all three of the County pumps were operating at that time, approximately 2:45 a.m. Sewer Station 35 also received large amounts of sewage flow caused by rainwater infiltration and inflow into the system. All three sewer pumps were operating to keep up with sewage flow.

An unknown number of residents in the area of Seal Beach Blvd. and Electric Ave., including 16th Street and 17th Street were flooded in their homes. Residents on-site expressed concerns to City Staff, that the County pumps were not operational or were not turned on until Public Works Staff arrived on-site. (However, there appears to be some confusion in the community because residents associated the receding flood water with the fact that Public Works staff was on-site. Rain had nearly ceased at the same time.) Residents claimed that Public Works staff turned on pumps and that is when the water levels came down. With staff on-site, and the sewer pumps turning on, it is likely that the public perceived that staff turned on the storm pumps. However, this was not the case.

Rain gauges indicate that over two inches of rain fell within one hour and quickly overwhelmed the County Pump Station and the West End Pump Station. The multiple pumps, which turn on automatically as the rain intensified with the rains, quickly reached maximum capacity and took several hours to pump down the water levels in the street. (All pumps were operational between the hours of 1am and 3am.) The County Pump Station is rated at 165,000 gallons per minute and the West End Pump Station is rated at 50,000 gallons per minute. The County pump station was upgraded in 1996 to provide a 25-year peak flow pumping capacity. Questions have been asked if the pumps can operate during high tides. The County has indicated that the pumps were on at the appropriate times and high tides do not prohibit the discharge of pumped waters.

On February 12, 2005, the Committee and members of the Public toured both pump stations as part of their research for information. They verified the content and equipment of the stations, learned details of how the stations operate automatically, asked questions, and spoke to operators regarding the operation of the station.

Options Presented to the Committee

On the May 9, 2005 meeting, City Council authorized the expenditure of \$820,000 in Storm Drain Improvements for FY 05/06. These projects are considered “starter” projects and will help relieve some flooding situations until additional revenues are found for more extensive improvements. The approved storm water improvement projects are the Corsair Way Drainage Improvement Project, Lampson/Candleberry Drainage Improvement Project, and Seal Beach Catch Blvd. Basin and Pathway Drainage Project. In addition, funding was allocated to complete a citywide topographic map to aid in future design efforts. In total, \$820,000 has been dedicated in FY 2005-2006 for storm drain improvements. These projects are the most significant storm water projects undertaken by the City in

the last 10 or more years. The Public Works Department is pursuing construction of these projects to occur in the Fall of 2005.

The City has been in discussions with the County of Orange regarding the Garden Grove Channel, which is restricted by the Freeway and the Seal Beach Naval Weapons Station for improvements that are tributary with the Base. The City will continue these discussions and maintain effort with the County Supervisors and the use of a Federal lobbyist.

On February 17, 2005 the Committee was presented with a summary of the 1999 Master Plan of Drainage. Based upon recent rainfall observations and the community's desire for additional protection, Staff also presented several other upgrade options and the preliminary costs including a "high confidence" 100-year storm drain system capacity. The upgrade options included larger pipes, additional catch basins, below ground retention storage basins, below ground swales, drainage area changes and additional pump stations. These projects ranged from \$27 to \$33 million. (Please see Appendix B for detailed information regarding these options.)

Committee Preferred Alternatives and Priorities

The Committee discussed the plans and options presented and at its workshop meeting on June 11, 2005, ruled out the "high confidence" 100-year plan because of its large expense and a lack of funding sources that could provide enough funding. The Committee focused on drainage projects listed in the 1999 Master Plan of Drainage and upon recent flooding information. After discussions, the Committee identified three categories of projects:

Priority

That City Council designate, within the City's five year Capital Improvement Plan, six high priority storm drain improvements currently estimated at \$3.4 million. These projects will provide immediate relief and benefit to the areas which typically receive flooding or heavy nuisance flows. The projects are:

- Enhance local drainage for 300 block of Main Street.
- Enlarge the storm drain connecting Basswood to the Old Ranch Golf Course.
- Install a new storm drain and catch basins on Candleberry from Aster to Fuchsia.
- Upgrade the size of the storm drainpipe under Electric from 14th to Seal Beach Blvd.
- Upgrade the size of pipe under Marina Dr. from 2nd to S.G. River.
- Enlarge pipes that run under Electric Ave. connecting to terminal branch at western end of Marina.

Moderate Priority

City Council is also requested to include, in the next five-year Capital Improvement Plan, 11 moderate priority projects with an estimated cost of \$6.7 million. These projects are necessary to relieve flooding as well, have been identified in the master plan of drainage and are the pre-requisite to future projects up-stream. The moderate priority storm drain projects are:

- Install a storm drain and catch basin on Fuchsia and Elder from Fuchsia to Heather.
- Install a storm drain and catch basins on Elder from Heather to Oleander.
- Install a storm drain and catch basins on Birchwood Ave.
- Install a new storm drain and catch basins on Heather Ave.
- Install a new storm drain and catch basins on Hazelnut and Heather Ave.
- Install new catch basins at 10th Street, 11th Street, and 12th Street intersections.
- Install a new storm drain line under Bolsa from Bayside to Balboa.
- Enlarge the storm drain on First Street north of Marina Drive.
- Enlarge the storm drain under Galleon Way.
- Enlarge the storm drain on the northern portion of Coastline.
- Install a storm drain line that parallels the existing line to the West End Pump Station.

Lower Priority

City Council is also requested to maintain the list of projects, work with outside agencies for implementation and construct these projects as funds become available after the priority and moderate priority projects are completed. The lower priority storm drain projects are:

- Fir Avenue Storm Drain
- Wisteria/Violet Storm Drain
- Seal Way and 10th St. parking lot
- Seal Beach Blvd. (Lampson Avenue to north)
- Seal Beach Blvd. (Navy housing tract to PCH)

Street System Overview

Summary of the June 2004 Pavement Management Plan

This pavement management plan explores the existing street network system, the pavement condition assessment, criteria for maintenance and rehabilitation, maintenance history, recommended improvements and funding analysis. The Transportation Research Board commented in its introduction of the pavement management concept:

"Pavement management is not a new concept; management decisions are made as part of normal operations every day.... The idea behind a pavement management system is to improve the efficiency of this decision making process, expand its scope, provide feedback as to the consequences of decisions, and ensure consistency of decisions made at different levels within the same organization."

Alternatively, pavement management can be described most easily as "Formalizing the selection process an Agency goes through in selecting maintenance and rehabilitation projects for their next budget period." Again, its purpose is to improve the efficiency and effectiveness of management decision-making in the allocation of limited funds for maintenance, resurfacing, and reconstruction of community's roads.

The system contains an inventory of all the streets currently maintained by the City. There are three types of data critical to good management: information on its condition, its cost, and its maintenance history. This information is input into a database for retrieval and analysis.

The existing street system contains approximately 43 centerline miles of roadway. The surface area of the network is approximately 9.74 million square feet or 1.08 million square yards. If the system were a parcel of land it would have an area of 223 acres or about 163 football fields.

The system is composed of various sizes and configuration of roads. Sixty percent of the roadways by area are residential while the remaining forty percent are multi-lane arterial roadways.

As of June 2004, sixty percent of City streets are either in very good or good condition but thirty percent of the streets are in either a poor or very poor condition.

Three continuing funding programs have been allocated to meet the needs of preventative maintenance and rehabilitation.

- Arterial Rehabilitation Program
- Preventative Maintenance Program
- Local Street Rehabilitation Program

The current backlog as of June 2004 was estimated at \$7 to \$11 million dollars and funding projections for rehabilitation were approximately \$500,000 per year. Beginning in FY 04/05, City Council allocated \$1.86 million dollars within the next two years toward the Local Street Rehabilitation

Program. Another \$840,000 is proposed for medians. This will advance the current local rehabilitation program 12.4 years.

Fiscal Years 04/05 and 05/06 Street Projects - Status

Construction of the FY 04/05 project began in May of 2005 and is expected to be completed in July 2005. This project, with a budget of \$1.3 million will resurface 18 street segments throughout the City using a specialized ARAM and AHRM method and process.

At its May 9, 2005 Council meeting, City Council authorized the expenditure of an additional \$1,000,000 for local street rehabilitation improvements for a total of \$1.85 million in FY 05/06. The FY 05/06 project has been divided into two phases and the Department has plans to construct the first phase in the Fall of 2005 and the other in the Spring of 2006.

Phase one:

- Old Town: 11th (Ocean to Electric) and 14th (Ocean to Electric)
- Hill: Mar Vista (Coastline to Catalina), Laguna (Marlin to end), Emerald Pl. (Emerald Cove to end), Emerald Cove (Jade Cove to Beryl Cove), Jade Cove (Marlin to Emerald Cove), Beryl Cove (Marlin to Emerald Cove), Avalon (Catalina to end), Ebbtide (Coastline to end), Coral (Bayside to End), Electric (Corsair to 5th)
- College Park East: Almond (Sunflower to Violet), Sunflower (Almond to end), Teaberry (Almond to end), Violet (Almond to Candleberry).

Phase two:

- Old Town: Marine (Dolphin to Electric), Dolphin (Ocean to Electric), 13th (Ocean to Electric), 10th (Ocean to Electric), 5th (Ocean to Marina)
- Hill: Balboa (Bolsa to Catalina), Bayside (Crestview to Bolsa), and Catalina (Balboa to end)
- LW: Beverly Manor (Seal Beach Blvd to 800-feet)

Pavement Management Plan Presented to the Committee

On March 17, 2005 the Committee was presented with a summary of the 2004 Pavement Management Plan. The plan identified a funding level of \$7 to \$11 million was required to bring all streets to "Good" condition. (This figure was updated to \$6 for local streets and \$2 million for arterial streets.) (Please see Appendix C for detailed information regarding this information.)

Committee Recommendations

The Committee discussed the street needs including needed funding for sidewalk and alley improvements at its workshop meeting on June 11, 2005.

The Committee recommended:

- The Pavement Management Plan remains the most equitable means of determining street repair needs.
- Streets should remain a priority of the City Council during the budget deliberations.

- To the extent possible, streets should continue to be funded through excess revenue in the undesignated fund balance.
- Streets improvements should continue to be funded with the recognition that the unfunded costs are \$6 million for local and \$2 million for arterials streets. The streets will continue to be prioritized through the Pavement Management System.
- Bonding to accelerate street rehabilitation of more than \$1-2 million per year is not recommended because of limited engineering staff and the disruption construction would cause to residents.

Next Steps

- Complete FY 05/06 Local Pavement Rehabilitation Projects
- Update the Pavement Management Report for FY 2005/2006
- Support Measure M reauthorization for continued street funding

Financing Options

From the presentations discussing the Master Drainage Plan and the Pavement Management Plan the cost of rehabilitating the City's storm drain system ranges from \$12 million to \$33 million based on 100 year flood confidence level ranging from 25% to 95%. The total cost of rehabilitating the City's streets is estimated to range from \$7 to \$10 million. The general consensus of the Committee was to look at funding \$10.1 million in storm drain rehabilitation and \$6 million in street rehabilitation. The Committee Members also came to the conclusion that storm drain projects consisted of infrastructure of a useful life from 25 to 50 years, therefore, funding those projects through a financing instrument was more appropriate than to wait over several years and pay as you go.

The committee members were given a presentation discussing the typical funding mechanisms and the legal requirements for each mechanism. (See Appendix D, pages 1 - 18) Typical funding mechanisms for funding storm drain and street improvements are storm drainage fees, assessment districts, mello-roos special tax district (Community Facilities Districts), parcel tax, general obligation bonds, and utility users' tax.

According to the presentation, storm drainage fees are property-related because storm drainage is a service directly related to property and requires property owner or voter approval for fees imposed. For a storm drainage fee there would be one property owner, one vote regardless of fee amount, acreage and land use. Due to Proposition 218, the revenues raised through the storm drainage fee may not exceed costs to provide service and revenues may not be used for any other purpose than for what they are intended and the amount of the fee may not exceed the proportional cost of service to parcel. Passage of a storm drainage fee requires voter approval through mail ballots. Property owners affected by the fee are required to receive mailed notices and a public hearing must be held before the election.

The 1913 Assessment District Act is for capital projects such as streets, drainage systems, street lights and land acquisitions. The advantages of this act is the property owner vote is weighted by the dollar amount (one dollar = one vote) but it has limits on what can be paid for and there must be a special benefit finding. The Benefit Assessment Act of 1982 can also be used for streets, storm drains and flood control. The assessment would be based on the special benefit to the assessed property. The majority of mailed ballots are weighted by assessment amount. Only special benefits and or direct benefit may be assessed therefore the full cost of improvements and services may not be covered.

The presentation stated a parcel tax or citywide mello-roos special tax (Community Facilities District) is levied against parcels on a rational basis and requires 2/3 voter approval. The tax cannot be based on assessed value of the taxed property and registered voters vote but the tax is levied on the property owner. General Obligation Bonds are an Ad Valorem Tax based on percentage of assessed property valuation and requires a 2/3 vote in an election. Proceeds of the tax are limited to construction of facilities identified in the ballot measure.

Two presentations were given to the Committee by Kinsell, Newcomb & De Dios, Inc, Investment Bankers, discussing the different options of financing available based on the legal instruments

discussed in the MuniFinancial presentation and other options that would not fall under Proposition 218. (See Appendix D, pages 19 – 61)

The following funding options were presented:

Redevelopment Agency Tax Allocation Bonds

Based on the tax increment the Redevelopment Agency receives on an annual basis it was determined \$1.5 million in Tax Allocation Bonds could be issued netting \$1,309,000 in bond proceeds. The Tax Allocation Bonds would be repaid within 20 years. There is no direct cost to the taxpayer because the Agency is already receiving the property tax increment. Although many of the Committee Members thought this was a good funding instrument it is not consistent with City Council policy. Current City Council policy regarding the Redevelopment Agency is to not acquire more debt but keep the agency dormant.

Redistribution of Redevelopment Agency Bond Restricted Reserves

The Agency has a restricted reserve fund of \$676,000 relating to the 2000 Tax Allocation Bonds. The Agency can release 50% of the reserve fund through the purchase of a surety policy at 4% and or \$13,000. Total amount available for storm drain projects within the Redevelopment Agency project area is \$325,000. There is no direct impact to the taxpayer. The Committee Members were all in agreement that releasing 50% of the restricted reserve fund should be included as an option of funding projects to the City Council.

Increase Transient Occupancy Tax to Fund Certificates of Participation

Certificates of participation (COP) are funding instruments that do not require any voter approval. The COPs are executed and delivered through an existing Public Financing Authority (PFA) and the funding is utilized to construct identified improvements. The City enters into a lease agreement with the PFA for a term to commensurate with the life of the asset and or improvement. The lease payments from the City to the PFA creates the cash flow that supports the debt service payments for the COPs. The City must put up the identified improvements as “Collateral” to lease back. The stream of revenue the Committee was presented with to provide enough funds to make the debt service payments on the COPs was an increase in the Transient Occupancy Tax (TOT) and or hotel bed tax from 9% to 12%. This would generate an estimated additional \$200,000 a year in revenues to make the COP debt service payments. Staff also estimated the General Fund could contribute \$100,000 annually to make debt service payments in addition to the \$200,000 a year. With the \$300,000 a year dedicated revenue the total amount of COPs that could be funded is \$4,245,000, with net proceeds of \$3,556,245. Unfortunately the City was informed that one of the ‘bed and breakfasts’ that operates within the City has been sold and will be closing, therefore reducing the amount of TOT revenue. With the closure of the ‘bed and breakfast’ staff estimates the additional revenue with the increase in the TOT tax to 12% and some general fund contribution the total amount of COPs to be funded would be \$2.8 million with net proceeds of \$2,366,000 for storm drain projects.

The Committee Members agreed that this was a good financing option to present to the City Council. Although the increase in the TOT from 9% to 12% would need voter approval, the increase is comparable to TOT rates in the area. Also the increase in the tax does not directly tax the citizen of Seal Beach, but the visitor to the City.

Enterprise Fund Leasing

This type of funding mechanism requires the Water and Sewer Enterprise funds to be “sold” to a Joint Powers Authority (JPA). The JPA and the City enter a management agreement and a management fee is paid to the City. Funds from the JPA can be used to acquire financing for storm drain projects without the need for a Proposition 218 vote. Revenues generated from water and sewer fees can be used to pay debt service payments for the storm drain projects. This financing option is legal and has worked for other cities, however, funds diverted from water and sewer fees to pay for debt service for storm drains would mean less money for water and sewer infrastructure replacement. The Committee Members agreed this is a viable option for a new city with new water and sewer infrastructure, however, the City of Seal Beach has a very old water and sewer infrastructure therefore no funds should be diverted to other projects, but should only be used for water and sewer projects.

Parking Meter Revenue to Fund Certificates of Participation (COP)

The presentation also mentioned placing parking meters on Main St. as a means to raise revenue for street and storm drain projects. The estimated annual revenues generated from parking meters is \$450,000 annually. With this revenue stream, the City could net \$5,378,563 in net COP proceeds. To place parking meters on Main St. would take Council approval and no voter approval is required. The Committee Members decided against presenting parking meters on Main St. to the City Council as the current policy is “no meters on Main St.”

Implement a Transactions Tax (Sales Tax) to Fund Certificates of Participation(COP)

Through a majority vote the City can implement a transactions tax of a 0.25% increment. The transaction tax is collected the same way as sales tax, however, they are not allocated to the City in the same way as sales tax. The transaction tax is allocated based on the delivery of the goods. If an individual purchased an automobile in Newport Beach, but lives in Seal Beach, the transaction tax is allocated to the place of registration (Seal Beach), rather than to the point of sale. Likewise if a customer purchases a item in Seal Beach, but the goods are shipped to their residence in Orange, the customer pays the sales tax, but not the transaction tax because the goods are not being delivered in Seal Beach. If a person goes to Target and buys goods that person would pay both the sales tax and the transaction tax because the goods were delivered in Seal Beach at the point of sale. Estimated annual revenues that could be raised with voter approval of the 0.25% transaction tax is \$750,000 to \$800,000 annually. This revenue stream could fund \$10.6 million in COPs with net COP proceeds of \$8,992,334 for storm drain projects.

The Committee Members agreed this was a good financing option to present to the City Council. With the implementation of the 0.25% transaction tax, essentially the sales tax for most goods purchased would be 8% instead of 7.75%. The 8% is still less than the Los Angeles County rate of 8.25%. It was also noted this increase in tax would be paid by both citizens of Seal Beach purchasing goods within and or registered in Seal Beach and also customers outside of the City coming to Seal Beach to shop.

Citywide Storm Drain Property Related Fee

This is a property related fee paid by the property owners on their property tax bill and is subject to Proposition 218's "Simple Majority" approval provision which is one property owner, one vote and is not subject to "Direct Benefit" and "General Benefit" as assessment district financing is. Through a storm drain fee the City can fund up to \$10.1 million in COPs with net proceeds of \$12,000,000 which would basically cover 100% of the funds needed to rehabilitate the storm drain system. Estimated cost per parcel would range from \$50 to \$200 annually until debt service is paid (possibly 20 to 30 years). The fee would be based on the type of property such as single family and or commercial. The election would be a mail ballot and needs a simple majority to pass the fee. The Committee Members believed this was a good funding option that has room for flexibility depending on the amount of money to be funded, therefore it is not an unreasonable fee for the average property owner. Should the City Council decide to implement this option further engineering studies would have to be made to determine the actual fee per parcel.

Storm Drain Assessment Districts

Public Works divided the City into five different areas based on storm drain flow. The maps at Appendix D, pages 62 –63, illustrates the different areas and the estimated cost for rehabilitating the storm drain system within each district. An assessment would have to be passed by property owners within each assessment district. The special tax is subject to Proposition 218's "Simple Majority" approval provision and Proposition 218 Implementation Act "Assessment" and Special Benefit". The ballots are mailed and weighed by assessment amount, not assessed value of property. Based on the 5 different districts the annual tax per parcel ranges from \$85 to \$300.

The Committee Members felt that a district with the higher assessment would probably not succeed with the voters and favored a citywide concept of funding storm drains. However, the Committee did want to maintain this as an option if all other mechanisms failed.

General Obligation Bonds

General Obligation Bonds (G.O.) are funded by an Ad Valorem Tax based on percentage of assessed valuation and requires 2/3 city-wide voter approval in an election. The usage of the bond proceeds are limited to construction of facilities identified in the ballot measure. For \$22 million net proceeds the estimated rate per \$100 of assessed property valuation ranges from \$103 to \$514. Although the G.O. bonds are flexible and can pay for both street and storm drain funding, the Committee Members agreed it would be impossible to pass, therefore they did not find this a viable option to present to the City Council.

General Fund Undesignated Fund Balance

The Committee Members also agreed a one time use of \$1,000,000 for the undesignated General Fund fund balance was a good option to present to the City Council without compromising the undesignated fund balance requirements.

In conclusion the Committee determined storm drain projects should be financed through debt financing instruments rather than pay as you go and decided to present the following financing options to the City Council for storm drain projects:

- Redistribution of Redevelopment Agency Bond Reserve Funds, generating \$325,000 available for projects.
- Increase the Transient Occupancy Tax from 9% to 12% generating additional revenue to finance net proceeds from Certificates of Participation of \$2.3 million.
- Implement a 0.25% transaction tax (attached to sales tax) on goods delivered to Seal Beach generating additional revenue from \$750,000 to \$800,000. Total estimated net proceeds from Certificates of Participation is \$8.9 million.
- Implement a citywide storm drain property related fee through mail ballot. Estimated fees range from \$50 to \$200 a year based on type of property. The annual fee would be charged until debt is paid off (possibly 20 to 30 years). Revenue generated from the fee would fund net proceeds of Certificates of Participation of \$12 million.
- One time \$1 million transfer of General Fund undesignated fund balance for storm drain projects.
- Present the option of storm drain assessment districts if all other financing mechanisms failed.

The Committee recommended street rehabilitation should be financed through pay as you go sources such as Gas Tax, Measure M Funds, and available General Fund undesignated fund balance.

The Executive Summary, the Committee Recommendations Section, and the Summary of Conclusion section of the report discuss the combination of financing options the Committee Members agreed upon to present to the City Council based on the priority of the storm drain projects.

Committee Recommendations

The Committee recommends the following priorities for storm drain rehabilitation:

Priority

That City Council designate, within the City's five-year Capital Improvement Plan, six high priority storm drain improvements currently estimated at \$3.4 million. Those projects are:

- Enhance local drainage for 300 block of Main Street.
- Enlarge the storm drain connecting Basswood to the Old Ranch Golf Course.
- Install a new storm drain and catch basins on Candleberry from Aster to Fuchsia.
- Upgrade the size of the storm drainpipe under Electric from 14th to Seal Beach Blvd.
- Upgrade the size of pipe under Marina Dr. from 2nd Street to San Gabriel River.
- Enlarge pipes that run under Electric Ave. connecting to terminal branch at western end of Marina.

Moderate Priority

City Council is also requested to include, in the next five-year Capital Improvement Plan, 11 moderate priority projects with an estimated cost of \$10.1 million. The moderate priority storm drain projects are:

- Install a storm drain and catch basin on Fuchsia and Elder from Fuchsia to Heather.
- Install a storm drain and catch basins on Elder from Heather to Oleander.
- Install a storm drain and catch basins on Birchwood Ave.
- Install a new storm drain and catch basins on Heather Ave.
- Install a new storm drain and catch basins on Hazelnut and Heather Ave.
- Install new catch basins at 10th, 11th and 12th intersections.
- Install a new storm drain line under Bolsa from Bayside to Balboa.
- Enlarge the storm drain on First Street north of Marina Drive.
- Enlarge the storm drain under Galleon Way.
- Enlarge the storm drain on the northern portion of Coastline.
- Install a storm drain line that parallels the existing line to the West End Pump Station.

Lower Priority

City Council is also requested to maintain the list of projects, work with outside agencies for implementation and construct these projects as funds become available after the priority and moderate priority projects are completed. The lower priority storm drain projects are:

- Fir Avenue Storm Drain
- Wisteria/Violet Storm Drain
- Seal Way and 10th St. parking lot
- Seal Beach Blvd. (Lampson Avenue to north)

- Seal Beach Blvd. (Navy housing tract to PCH)

The Committee recommends the following priorities for street rehabilitation

- The Pavement Management Plan remains the most equitable means of determining street repair needs.
- Streets should remain a priority of the City Council during the budget deliberations.
- To the extent possible, streets should continue to be funded through excess revenue in the undesignated fund balance and available grant monies.
- Streets improvements should continue to be funded with the recognition that the unfunded costs are \$6 million for local and \$2 million for arterials streets. The streets will continue to be prioritized through the Pavement Management System.

The Committee recommends the following financing options

The Committee determined storm drain projects should be financed through debt financing instruments rather than pay as you go and decided to present the following financing options to the City Council for storm drain projects:

- Redistribution of Redevelopment Agency Bond Reserve Funds, generating \$325,000 available for projects.
- Increase the Transient Occupancy Tax from 9% to 12% generating additional revenue to finance net proceeds from Certificates of Participation of \$2.3 million.
- Implement a 0.25% transaction tax (attached to sales tax) on goods delivered to Seal Beach generating additional revenue from \$750,000 to \$800,000. Total net proceeds from Certificates of Participation is \$8.9 million.
- Implement a citywide storm drain property related fee through mail ballot. Estimated fees range from \$50 to \$200 a year based on type of property. The annual fee would be charged until debt is paid off (possibly 20 to 30 years). Revenue generated from the fee would fund net proceeds of Certificates of Participation of \$12 million.
- One time \$1 million transfer of General Fund undesignated fund balance for storm drain projects.
- Present the option of storm drain assessment districts if all other financing mechanisms failed.

The Committee recommended street rehabilitation should be financed through pay as you go sources such as Gas Tax, Measure M Funds, and available General Fund undesignated fund balance.

Summary of Conclusion

Based on the priorities and financing options summarized under Committee Recommendations the Committee recommends to City Council that the following mix of financing options be used to fund the street and storm drain improvements identified in the report. The recommended financing options will require further analysis, but appear to have the best likelihood of voter acceptance and will generate the revenue sufficient to implement the recommend projects.

The recommended financing options are:

- If the City Council desires to fund only the \$3.4 million in high priority storm drain improvements as identified by the Committee, then the funding options would be to redistribute the Redevelopment Agency bond cash reserve generating \$325,000 in available funds. Use \$1,000,000 of the General Fund undesignated fund balance so long as the City's budget policies are met and increase the Transient Occupancy Tax (Hotel Bed Tax) from 9% to 12%. This financing option would generate an estimated \$200,000 per year. If used as a source to fund a long-term debt instrument, it would fund a \$2,400,000 note. This option would require voter approval. Total funds generated with these three options is \$3,750,000.
- If the City Council desires to fund both the high and moderate priority storm drain projects, at an estimated cost of \$10.1 million that preferred financing combinations would be to be to redistribute the Redevelopment Agency bond cash reserve generating \$325,000 in available funds. Use \$1,000,000 of the General Fund undesignated fund balance so long as the City's budget policies are met and through voter approval implement a citywide storm drain property related fee raising at a maximum \$10 million in COPs proceeds or implement a transaction tax of 0.25% generating a maximum of \$8.9 million in COPs proceeds.
- If City Council is interested in funding both street and storm drain improvements as identified by the Committee, it is recommended that the financing options listed in the high priority storm drain recommendation be considered, the storm drain property related fee and the implementation of the 0.25% transaction tax. All of these financing options would raise approximately \$10 million needed for storm drains, \$1.3 million in immediate funding for street projects, and an annual revenue stream of approximately \$1 million for street repair.
- If there is a strong desire from the City Council or members of the Public to establish storm drain assessment districts.