TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: UTILITIES
ATTENTION: FINANCE COMMITTEE
DATE: MAY 18, 2004
SUBJECT: APPROVAL OF A RESOLUTION ADOPTING A WATER RATE INCREASE

RECOMMENDATION
Staff and the Utilities Advisory Commission (UAC) recommend that the City Council adopt the attached resolution to increase the water base revenue of FY 04/05 by 10.3%, or approximately $2.1 million, to be effective July 1, 2004.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS
The UAC was presented with this recommendation at its May 5, 2004 meeting. They unanimously recommended Council adoption of the staff rate proposal.

ALTERNATIVES
Staff also evaluated the impact of alternative rate proposals. If the increase is higher than what is being proposed, the water rates will be too high. Currently Palo Alto’s water rates are higher than surrounding areas. If the rate increase is lower than the proposed, the Rate Stabilization Reserve balance will be even lower than the minimum level and, therefore, provide less of a cushion to satisfy potential cost contingencies.

RESOURCE IMPACT
Approval of this proposed rate increase will raise the Water Fund base sales revenues by approximately $2.1 million for FY 04-05.
POLICY IMPLICATIONS
This recommendation is consistent with the Council-approved Utilities Strategic Plan to provide superior financial performance to the City and invest in utilities infrastructure to deliver reliable service. It does not represent a change in current City policies.

ENVIRONMENTAL REVIEW
The adoption of the resolution does not constitute a project under the California Environmental Quality Act. Therefore, no environmental assessment is required.

ATTACHMENTS
A: Resolution
B. Water Rate Schedules W-1, W-4, W-6 and W-7
C: Minutes of the UAC meeting of May 5, 2003

PREPARED BY: Lucie Hirmina
Utilities Rates Manager

Tom Auzenne
Assistant Director, Customer Support Services

DEPARTMENT HEAD: JOHN ULRICH
Director of Utilities

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager