TO: HONORABLE CITY COUNCIL

ATTENTION: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS

DATE: MAY 9, 2006 CMR:220:06

SUBJECT: APPROVAL OF A RESOLUTION AMENDING UTILITY RATE SCHEDULE D-1 (STORM AND SURFACE WATER DRAINAGE) REFLECTING A 2% RATE INCREASE TO $10.20 PER MONTH PER EQUIVALENT RESIDENTIAL UNIT FOR FISCAL YEAR 2006-07

RECOMMENDATION
Staff recommends that Council approve the attached resolution (Attachment A) amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage), to implement a 2% rate increase to $10.20 per month per Equivalent Residential Unit for Fiscal Year 2006-07.

BACKGROUND
On April 26, 2005, a majority of Palo Alto property owners approved a ballot measure authorizing an increase in the monthly Storm Drainage Fee to fund storm drain capital improvements and augmented maintenance. Council certified the results of the ballot proceeding on May 9. The approved ballot measure contained an annual fee escalator clause that permits the Council to consider raising the Storm Drainage Fee each year to account for inflationary cost increases. Specifically, the ballot measure stated that:

“In order to offset the effects of inflation on labor and material costs, the proposed fee increase would be subject to annual increases beyond the initial $10.00 per Equivalent Residential Unit (ERU) rate as of July 1 of each year, starting in 2006. Inflation adjustments would be based on the lesser of the local rate of inflation (based on the change in the Consumer Price Index [CPI] for the San Francisco-Oakland-San Jose CMSA, published by the United States Department of Labor, Bureau of Labor Statistics) or 6 percent. The City Council would have the authority and discretion to implement inflation adjustments on an annual basis as part of the City budget process.”

On May 9, 2005, Council approved a resolution increasing the Storm Drainage rate schedule to $10.00 per ERU, effective June 1, 2005.
DISCUSSION
Administrative Services staff has determined from the above cited Bureau of Labor Statistics that the CPI increased by 2.0% between December 2004 and December 2005. Staff recommends that the Storm Drainage Fee be increased by this amount in order to attempt to keep fund revenues consistent with increasing labor and materials costs. In order to enact the Storm Drainage Fee increase, Council must approve the attached resolution amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage). The new rate for the Storm Drainage Fee will be $10.20 per month per ERU. Single-family residential properties are billed a monthly amount based on parcel size, in accordance with the following table:

<table>
<thead>
<tr>
<th>PARCEL SIZE (sq.ft.)</th>
<th>ERU</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 6,000 sq.ft.</td>
<td>0.8 ERU</td>
</tr>
<tr>
<td>6,000-11,000 sq.ft.</td>
<td>1.0 ERU</td>
</tr>
<tr>
<td>&gt; 11,000 sq.ft.</td>
<td>1.4 ERU</td>
</tr>
</tbody>
</table>

Commercial, industrial, institutional, and multi-family residential properties are billed on a monthly basis at a rate of 1.0 ERU for each 2,500 square feet of impervious surface on the parcel.

TIMELINE
The Storm Drainage Fee increase will take effect on July 1, 2006.

ENVIRONMENTAL REVIEW
Adoption of changes to utility rate schedules does not represent a project under California Environmental Quality Act (CEQA).

ATTACHMENT
Attachment: Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage)

PREPARED BY: JOE TERESI
Senior Engineer

DEPARTMENT HEAD: GLENN S. ROBERTS
Director of Public Works

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager

cc: Storm Drain Oversight Committee
    Palo Alto Chamber of Commerce