TO:         HONORABLE CITY COUNCIL

FROM:        CITY MANAGER          DEPARTMENT: PUBLIC WORKS

DATE:         MAY 9, 2005          CMR:244:05

SUBJECT:       APPROVAL OF A RESOLUTION AMENDING UTILITY RATE SCHEDULES D-1 (STORM AND SURFACE WATER DRAINAGE) AND C-4 (RESIDENTIAL RATE ASSISTANCE PROGRAM) AND UTILITY RULE AND REGULATION 25 (SPECIAL STORM AND SURFACE WATER DRAINAGE UTILITY REGULATIONS)

RECOMMENDATION
Staff recommends that Council approve the attached resolution (Attachment A) amending Utility Rate Schedules D-1 (Storm and Surface Water Drainage) and C-4 (Residential Rate Assistance Program) and Utility Rule and Regulation 25 (Special Storm and Surface Water Drainage Utility Regulations).

BACKGROUND
On March 7, 2005, Council adopted a resolution calling a special mail ballot proceeding for Tuesday, April 26, 2005 to allow owners of parcels subject to the Storm Drainage Fee increase to vote on whether the fee should be increased from $4.25 to $10.00 per Equivalent Residential Unit (ERU) (CMR:163:05). On April 4, 2005, staff mailed ballots and supplemental information to all owners of parcels subject to the Storm Drainage Fee. The City Clerk opened and tabulated the ballots on the evening of April 26, 2005. The City Clerk has issued a separate report and resolution to be approved by Council, certifying the results of the ballot proceeding and declaring that a majority of the ballots received were cast in favor of the fee increase.

In a separate matter related to the administration of the Storm Drainage Fee, staff would like to take the opportunity to clarify the existing rule that provides for a reduced fee for properties that do not drain into the City’s storm drain system. The applicable language in Utility Rule and Regulation 25 needs to be amended in order to clarify the procedure used to calculate the fee reduction.

DISCUSSION
Changes necessary to implement the Storm Drainage Fee increase
In order to enact the Storm Drainage Fee increase and the associated elements of the approved ballot measure, Council must approve the attached resolution amending Utility Rate Schedules D-1 (Storm and Surface Water Drainage) and C-4 (Residential Rate Assistance Program). The new rate for the Storm Drainage Fee will be $10.00 per month per Equivalent Residential Unit (ERU). The associated elements include: 1) modification of the Storm Drainage Fee rate
structure for single-family properties from a flat rate to a three-tier rate structure based upon parcel size, and 2) addition of the Storm Drainage Fee to the list of eligible charges under the existing Rate Assistance Program (RAP). The RAP provides 20% discounts on eligible utility charges to qualified low income ratepayers.

Clarification of the fee reduction for properties that do not drain into the storm drain system

In addition, staff recommends that Council approve changes to Utility Rule and Regulation 25 (Special Storm and Surface Water Drainage Utility Regulations) in order to clarify the fee reduction available to owners of parcels that do not drain into the City’s storm drain system. The existing rule is unclear and confusing, making it difficult to administer and explain to ratepayers. Examples of parcels that qualify for a fee reduction include those that drain directly to a creek via a private storm drain system or that drain into an adjacent jurisdiction. The intent of the fee reduction rule is that owners of these parcels should not be liable to pay that portion of the fee attributable to actual usage of (i.e. drainage into) the City’s storm drain system (e.g. the portion of the Fee that funds municipal storm drain capital improvements and maintenance). Rather than paying the full Storm Drainage Fee, owners of these parcels should only pay for Storm Drainage Fund activities attributable to the generic discharge of storm runoff (not necessarily directly to the storm drain system). These activities include coordination with the Santa Clara Valley Water District on regional flood control projects, administration of the City’s flood hazard regulations, and implementation of the urban runoff pollution prevention program. Expenditures on these activities constitute approximately 20% of the Storm Drainage Fund budget; consequently, owners of parcels that do not drain to the City’s storm drain system are charged only 20% of the Storm Drainage Fee applicable to their parcel. The proposed changes to Rule and Regulation 25 will clarify the nature of the fee reduction available to owners of parcels that do not drain to the City’s storm drain system.

The following changes are included in the attached resolution:

1. Amend Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to increase the Storm Drainage Fee billing rate from $4.25 per month per Equivalent Residential Unit (ERU) to $10.00 per month per ERU.

2. Amend Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to create three billing tiers for single-family residential properties, based upon parcel size, in accordance with the table below:

<table>
<thead>
<tr>
<th>RESIDENTIAL RATES (Single-Family Residential Properties)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARCEL SIZE (sq.ft.)</td>
</tr>
<tr>
<td>&lt; 6,000 sq.ft.</td>
</tr>
<tr>
<td>6,000-11,000 sq.ft.</td>
</tr>
<tr>
<td>&gt; 11,000 sq.ft.</td>
</tr>
</tbody>
</table>
3. Amend Utility Rate Schedule C-4 (Residential Rate Assistance Program [RAP]) to make the 20% RAP rate discount applicable to the Storm Drainage Fee.

4. Amend Utility Rule and Regulation 25 (Special Storm and Surface Water Drainage Utility Regulations) in order to clarify the fee reduction available to owners of parcels that do not drain into the City’s storm drain system.

In addition to the recommended actions listed above, in the coming weeks staff will submit several budget-related changes to the Finance Committee as part of the FY 2005-07 budget deliberations. These budget items include proposed modifications to the Storm Drainage Fund operating budget, creation of a five-year storm drain capital improvement program, and provisions for pre-payment of the Storm Drainage Fees for City-owned properties. Furthermore, staff will return to Council in late 2005 to propose the appointment of an independent citizen’s committee to monitor annual expenditure of the revenue from the increased Storm Drainage Fee.

**TIMELINE**
The Storm Drainage Fee increase and related rate structure changes will take effect on June 1, 2005.

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

**ATTACHMENT**
Attachment: Resolution Amending Utility Rate Schedules D-1 (Storm and Surface Water Drainage) and C-4 (Residential Rate Assistance Program) and Utility Rule and Regulation 25 (Special Storm and Surface Water Drainage Utility Regulations)

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cc: Storm Drain Committee  
Palo Alto Chamber of Commerce