TO: HONORABLE CITY COUNCIL
ATTENTION: FINANCE COMMITTEE
FROM: CITY MANAGER           DEPARTMENT: PUBLIC WORKS
DATE: MAY 13, 2008                 CMR:243:08
SUBJECT: ADOPTION OF A RESOLUTION AMENDING UTILITY RATE SCHEDULE D-1 (STORM AND SURFACE WATER DRAINAGE) TO INCREASE STORM DRAIN RATES BY 3.8% TO $10.95 PER MONTH (PER EQUIVALENT RESIDENTIAL UNIT)

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 3.8% rate increase to $10.95 per month per Equivalent Residential Unit beginning in Fiscal Year 2008-09.

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. The approved ballot measure contained an annual fee escalator clause that permits the Council to increase the Storm Drainage Fee each year to account for inflation. 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 month per ERU, effective June 1, 2005. The current rate, approved by Council in 2007, is $10.55 per month per ERU.
DISCUSSION
Staff has determined from Bureau of Labor Statistics records that the local Consumer Price Index increased by 3.8% between December 2006 and December 2007. Staff recommends that the Storm Drainage Fee be increased by this amount in order to keep fund revenues consistent with general cost increases. In order to enact the Storm Drainage Fee CPI 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 $10.95 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, 2008.

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

ATTACHMENT
Attachment A: 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: KELLY MORARIU and STEVE EMSLIE
Deputy City Managers

cc: Storm Drain Oversight Committee
Palo Alto Chamber of Commerce