TO:         HONORABLE CITY COUNCIL
FROM:      CITY MANAGER      DEPARTMENT: UTILITIES
DATE:       JUNE 23, 2008      CMR: 293:08

SUBJECT:        FINANCE COMMITTEE RECOMMENDATION TO ADOPT A
                RESOLUTION AMENDING UTILITY RATE SCHEDULES EDF-1
                AND EDF-2 OF THE CITY OF PALO ALTO UTILITIES RATES
                AND CHARGES PERTAINING TO FIBER OPTIC RATES

RECOMMENDATION
Staff and the Finance Committee recommend that the City Council adopt the attached resolution to:

(a) Approve a 3.3 percent increase to commercial fiber optic rates EDF-1 and EDF-2, for Fiscal Year (FY) 2008-09, effective July 1, 2008, which will increase annual revenues by $48,500; and,

(b) Approve the changes to the Fiber Optic Rate Schedules (EDF-1 and EDF-2), as attached.

BACKGROUND
The Utilities Department provides commercial dark fiber optic services within the boundaries of Palo Alto. For customers having fiber optic leases beginning prior to September 18, 2006, rates for service are published in Dark Fiber Licensing Services Rate Schedule EDF-1. Customer expenses for engineering, construction and connection to the fiber optic backbone are charged under Dark Fiber Licensing Services Rate Schedule EDF-2. The Council-approved Dark Fiber Licensing Agreement (CMR 177:97) allows the commercial fiber optic fees charged under the EDF-1 and EDF-2 rate schedules to be adjusted annually in accordance with the Consumer Price Index (CPI), which is calculated by the United States Bureau of Labor Statistics.
FINANCE COMMITTEE REVIEW AND RECOMMENDATION
The Finance Committee reviewed and unanimously (Council Member Yeh absent) approved the staff recommendation on June 17, 2008 (CMR:283:08, Attachment C). The Committee discussed fiber optic operations, but had no questions on the proposed rate adjustments.

RESOURCE IMPACT
The additional Commercial Fiber Optic revenues resulting from the CPI increase to Dark Fiber Licensing Services Rate Schedule EDF-1 are projected to be approximately $48,500 for FY 2008-09. As the Dark Fiber Licensing Services Rate Schedule EDF-2 applies to customer-driven expansions and upgrades to the City’s Dark Fiber network, and the fee represents the minimum fee, the increase in projected revenue due to this rate increase is negligible and impossible to predict.

POLICY IMPLICATIONS
These recommendations do not represent a change in current City policies.

ENVIRONMENTAL REVIEW
The adoption of this resolution does not meet the California Environmental Quality Act’s definition of a project, pursuant to California Public Resources Code Section 21065, therefore no environmental assessment is required.

ATTACHMENTS
A: Resolution
B: Fiber Optic Rate Schedules EDF-1 and EDF-2
C: CMR:283:08 - Recommendation to adopt a Resolution Amending Utility Rate Schedules EDF-1 and EDF-2 of the City of Palo Alto Rate and Charges Pertaining to Fiber Optic Rates (w/o attachments)
D: Excerpted minutes from the June 17, 2008 Finance Committee meeting

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