Council Priority: City Finances

Summary Title: Adoption of Amended Utility Rate Schedule D-1

Title: Adoption of a Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) Reflecting a 1.5% CPI Rate Increase to $11.40 Per Month Per Equivalent Residential Unit for Fiscal Year 2012

From: City Manager

Lead Department: Public Works

Recommendation
Staff recommends that Council adopt the attached resolution (Attachment A) amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage), to implement a 1.5% rate increase to $11.40 per month per Equivalent Residential Unit for Fiscal Year 2012.

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, 2005. 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 adopted a resolution increasing the Storm Drainage rate schedule to $10.00 per month per ERU, effective June 1, 2005. The Council-approved rate for FY 2011 is $11.23 per month per ERU.
Discussion
Staff has determined from Bureau of Labor Statistics records that the local CPI for the San Francisco-Oakland-San Jose CMSA increased by 1.5% between December 2009 and December 2010. As the CPI rate is substantially lower than 6%, consistent with the ballot measure Staff recommends that the Storm Drainage Fee be increased by the CPI in order to keep fund revenues consistent with general cost increases. In order to enact the Storm Drainage Fee increase, Council must adopt the attached resolution amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage). The new rate for the Storm Drainage Fee will be $11.40 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</td>
</tr>
<tr>
<td>6,000-11,000 sq.ft.</td>
<td>1.0</td>
</tr>
<tr>
<td>&gt; 11,000 sq.ft.</td>
<td>1.4</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.

Resource Impact
The 1.5 percent increase in rates is expected to increase revenue by $85,845.

Timeline
The Storm Drainage Fee increase will take effect on July 1, 2011.

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

Courtesy Copies
Storm Drain Oversight Committee
Palo Alto Chamber of Commerce

Attachments:
• Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) (DOC)
Resolution No. ______
Resolution of the Council of the City of Palo Alto Amending
Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to Increase Storm Drain Rates by 1.5% CPI Per Month Per Equivalent Residential Unit for Fiscal Year 2012

The Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule D-1 (Storm and Surface Water Drainage) is hereby amended to read in accordance with sheet D-1-1, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective July 1, 2011.

SECTION 2. The Council finds that this rate increase is being imposed to offset the effects of inflation on labor and material costs pursuant to the annual inflationary fee escalator provision of the Storm Drainage Fee ballot measure, which was approved by a majority of Palo Alto property owners on April 26, 2005.

SECTION 3. The Council finds that the revenue derived from the authorized adoption enumerated herein shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

SECTION 4. The Council finds that modification and approval of this change to the Utility Rate Schedule D-1 (Storm and Surface Water Drainage) for the purpose of meeting

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operating expenses is statutorily exempt from California Environmental Quality Act (CEQA) review, pursuant to Public Resources Code Section 15273(a).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

__________________________ _____________________________
City Clerk Mayor

_____________________________
Sr. Asst. City Attorney City Manager

_____________________________
Director of Public Works

_____________________________
Director of Administrative Services
GENERAL STORM AND SURFACE WATER DRAINAGE

UTILITY RATE SCHEDULE D-1

A. APPLICABILITY:

This schedule applies to all storm and surface water drainage service, excepting only those users and to the extent that they are constitutionally exempt under the Constitution of the State of California or who are determined to be exempt pursuant to Rule and Regulation 25.

B. TERRITORY:

Inside the incorporated limits of the city of Palo Alto and land owned or leased by the city.

C. RATES:

Per Month:

Storm Drainage Fee per Equivalent Residential Unit (ERU).................................................. $11.40

D. SPECIAL NOTES:

1. An Equivalent Residential Unit (ERU) is the basic unit for computation of storm drainage fees for residential and non-residential customers. All single-family residential properties shall be billed the number of ERUs specified in the following table, based on an analysis of the relationship between impervious area and lot size for Palo Alto properties.

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All other properties will have ERU’s computed to the nearest 1/10 ERU using the following formula:

No. of ERU = Impervious Area (Sq. Ft.)
2,500 Sq. Ft.

2. For more details on the storm drainage fee, refer to Utilities Rule and Regulation 25.

{End}

CITY OF PALO ALTO UTILITIES
Issued by the City Council

Effective 7-1-2011
Sheet No. D-1-1