Summary Title: Storm Water Management Fee Increase for FY2021

Title: Adoption of a Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) Increasing the Storm Water Management Fee by 2.5 Percent to $15.04 Per Month Per Equivalent Residential Unit for Fiscal Year (FY) 2021

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that the Finance Committee recommend that Council adopt the attached resolution (Attachment A) amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage), to implement a 2.5% rate increase consistent with the applicable Consumer Price Index, increasing the monthly charge per Equivalent Residential Unit by $0.36, from $14.68 to $15.04 for Fiscal Year 2021.

Background

On April 11, 2017, a majority of Palo Alto property owners approved a ballot measure authorizing a monthly Storm Water Management Fee to fund storm drain capital improvement projects, enhanced maintenance of the storm drain system, storm water quality protection programs and more. Council certified the results of the ballot proceeding on April 17, 2017. The approved ballot measure contained an annual fee escalator clause that permits the Council to consider raising the Storm Water Management 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 maximum rate for the Storm Water Management Fee (and each component of the Storm Water Management Fee) will be increased annually each July 1 (beginning July 1, 2018), by the lesser of (i) the percentage change in the Consumer Price Index [CPI] for the San Francisco-Oakland-San Jose CSMA, published by the United States Department of Labor, Bureau of Labor Statistics during the prior calendar year or (ii) 6%. The City Council would have the authority to set the rate for the Storm Water Management Fee (and each component of the Storm Water Management Fee) at any rate that is less than or equal to the inflation adjusted maximum rate.”
On June 17, 2019, Council adopted a resolution to implement the Storm Water Management Fee to be $14.68 per month per Equivalent Residential Unit (ERU), effective July 1, 2019.

**Discussion**

Staff has determined from Bureau of Labor Statistics records that the local CPI for the San Francisco-Oakland-San Jose CMSA increased by 2.5% between December 2018 and December 2019. As the CPI rate is substantially lower than 6%, consistent with the ballot measure, staff recommends that the Storm Water Management Fee be increased by the CPI in order to keep fund revenues consistent with general cost increases and to provide sufficient funds for planned storm water management capital and operating expenditures. To enact the Storm Water Management 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 Water Management Fee will be $15.04 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>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>

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

**Timeline**

The Storm Water Management Fee increase will take effect on July 1, 2020.

**Resource Impact**

The 2.5% increase in rates is expected to increase annual revenue to the Storm Water Management Fund by $186,000, and if approved will be reflected in the Public Works Department Storm Water Management Fund FY 2021 operating budget revenue.

**Stakeholder Engagement**

Staff presented the 2.5% rate increase to the Storm Water Management Oversight Committee as a preliminary proposed base budget item for the development of the Fiscal Year 2021 Storm Water Management Fund operating budget. The Committee consists of seven members from the public and was established to review proposed storm water management capital improvements and operating programs to be funded from the Storm Water Management Fees and to monitor expenditures of the fund.

**Environmental Review**

The adoption of this change to the Storm Water Management Fee to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital
improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a).

**Attachments:**
- Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage)
NOT YET APPROVED

Resolution No. ______
Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) Increasing the Storm Water Management Fee by 2.5% to $15.04 Per Month Per Equivalent Residential Unit for Fiscal Year 2021

The Council of the City of Palo Alto RESOLVES 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, 2020.

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 Water Management Fee ballot measure, which was approved by a majority of Palo Alto property owners on April 11, 2017.

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 the adoption of this resolution changing the Storm Water Management Fee to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

__________________________  _____________________________
City Clerk      Mayor

APPROVED AS TO FORM:       APPROVED:

___________________________  _____________________________
Assistant. City Attorney    City Manager

_____________________________
Director of Public Works

_____________________________
Director of Administrative Services
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) ............................................ $15.04

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.

<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>

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

\[
\text{No. of ERU} = \frac{\text{Impervious Area (Sq. Ft.)}}{2,500 \text{ Sq. Ft.}}
\]

2. For more details on the Storm Drainage Fee, refer to Utilities Rule and Regulation 25.