



City of Palo Alto

Finance Committee Staff Report

(ID # 9074)

Report Type: Action Items

Meeting Date: 4/17/2018

Summary Title: Storm Water Management Fee Increase for FY2019

Title: Adoption of a Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) Increasing the Storm Water Management Fee by 2.9 Percent to \$14.05 Per Month Per Equivalent Residential Unit for Fiscal Year 2019

From: City Manager

Lead Department: Public Works

Recommended Motion

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 2.9% rate increase consistent with the applicable Consumer Price Index, increasing the monthly charge per Equivalent Residential Unit (ERU) by \$0.40, from \$13.65 to \$14.05 for Fiscal Year 2019.

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, and a variety of storm water quality protection programs. Council certified the results of the ballot proceeding on April 17, 2017. The approved ballot measure included an annual inflation adjustment permitting Council to increase the Storm Water Management Fee each year to account for inflationary cost increases. Specifically, the fee description included with 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 May 22, 2017, Council adopted a resolution to implement the Storm Water Management Fee at \$13.65 per month per ERU, effective June 1, 2017.

Discussion

Staff has determined from Bureau of Labor Statistics records that the local CPI for the San Francisco-Oakland-San Jose CMSA increased by 2.9% between December 2016 and December 2017. As the CPI rate is substantially lower than 6%, consistent with the ballot measure, staff recommends the Storm Water Management Fee be increased by the CPI to keep fund revenues consistent with general cost increases and 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 \$14.05 per month per ERU. Single-family residential properties are billed a monthly amount based on parcel size, in accordance with the following table:

RESIDENTIAL RATES (Single-Family Residential Properties)	
PARCEL SIZE (sq.ft.)	ERU
< 6,000 sq.ft.	0.8 ERU
6,000-11,000 sq.ft.	1.0 ERU
> 11,000 sq.ft.	1.4 ERU

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, 2018.

Resource Impact

The 2.9 percent increase in the monthly storm water management fee is expected to increase annual revenue to the Storm Drainage Fund by \$200,900 and if recommended, will be reflected in the Fiscal Year 2019 Proposed Operating Budget for the Storm Drainage Fund.

Environmental Review

Council's adoption of this change to the Utility Rate Schedule D-1 (General Storm and Surface Water Drainage) for the purpose of meeting 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:

- Attachment A RESO Amend Utility Rate Schedule for Storm Surface Water

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 Rates by 2.9% Per Month Per Equivalent Residential Unit for Fiscal Year 2019

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, 2018.

SECTION 2. The Council finds as follows:

- a. This annual inflation adjustment is being imposed to offset the effects of inflation on labor and material costs, as authorized by the voter-approved Storm Water Management Fee, which was approved by a majority of Palo Alto property owners on April 11, 2017.
- b. Revenues derived from the Fee approved by this resolution do not exceed the funds required to provide storm and surface water drainage service.
- c. Revenues derived from the Fee approved by this resolution shall not be used for any purpose other than providing storm and surface water drainage service, and the purposes set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.
- d. The amount of the Fee imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of providing the storm and surface water drainage service attributable to the parcel.

SECTION 3. The Council finds that modification and approval of this change to the Utility Rate Schedule D-1 (General Storm and Surface Water Drainage) for the purpose of meeting 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 attachments presented to Council regarding the Storm Water Management Fee, the Council incorporates these documents 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

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) \$~~14.05~~^{13.65}

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.

RESIDENTIAL RATES (Single-Family Residential Properties)	
PARCEL SIZE (sq.ft.)	ERU
<6,000 sq.ft.	0.8 ERU
6,000 - 11,000 sq.ft.	1.0 ERU
>11,000 sq.ft.	1.4 ERU

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.

{End}

CITY OF PALO ALTO UTILITIES

Issued by the City Council

