



Finance Committee Staff Report

From: City Manager

Report Type: ACTION ITEMS

Lead Department: Public Works

Meeting Date: April 23, 2024

Report #:2402-2614

TITLE

Adoption of a Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) Reflecting a 2.6% Consumer Price Index Rate Increase to \$17.20 Per Month Per Equivalent Residential Unit for Fiscal Year 2025; CEQA Status – Not a Project

RECOMMENDATION

Staff recommends that the Finance Committee recommend that Council adopt the attached resolution amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage), to implement a 2.6% rate increase consistent with the applicable Consumer Price Index, increasing the monthly charge per Equivalent Residential Unit (ERU) by \$0.44, from \$16.76 to \$17.20 for Fiscal Year 2025.

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 improvements projects, enhanced maintenance of the storm drain system, and storm water quality protection programs. Council certified the results of the ballot proceeding on April 17, 2017. The approved ballot measure authorizes the Council to raise the Storm Water Management Fee each year to account for inflation subject to a maximum annual increase of 6%. 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 19, 2023, Council adopted a resolution to implement the Storm Water Management Fee to be \$16.76 per month per ERU, effective July 1, 2023.

ANALYSIS

Staff has determined from Bureau of Labor Statistics records that the local CPI for the San Francisco-Oakland-San Jose CMSA increased by 2.6% between December 2022 and December 2023. 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 (Attachment A) amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage). The new rate for the Storm Water Management Fee will be \$17.20 per month per ERU. Single-family residential properties are billed a monthly amount based on parcel size, in accordance with the following table:

Table 1: Residential Rates (Single-Family Residential Properties)	
Parcel Size (sq.ft.)	ERU
< 6,000	0.8 ERU
6,000-11,000	1.0 ERU
> 11,000	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.

FISCAL/RESOURCE IMPACT

The 2.6% increase in rates is expected to increase annual revenue to the Stormwater Management Fund by approximately \$213,000 and, if recommended, will be reflected in the Public Works Department Stormwater Management Fund FY 2025 Operating Budget revenue.

The Storm Water Management Fee increase will take effect on July 1, 2024.

STAKEHOLDER ENGAGEMENT

The Stormwater Management Fee increase was discussed and reviewed during the March 14, 2024, Stormwater Oversight Committee meeting, which is open to the public to attend.

ENVIRONMENTAL REVIEW

Council action on the proposed resolution is not a project subject to review under the California Environmental Quality Act (CEQA) because it is a fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (CEQA Guidelines Section 15378(b)(4)).

ATTACHMENTS

Attachment A: Draft Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage)

Attachment B: Draft Rate Schedule D-1 effective 7-1-2024

APPROVED BY:

Brad Eggleston, Director Public Works/City Engineer