

Meeting Date: 4/26/2016

Report Type: Consent

Report ID: 2016-00362

Title: (Pass for Publication) Ordinance Approving Reduced Storm Drainage Service Charge for Vacant, Undeveloped, Non-Residential Parcels

Location: Citywide

Recommendation: 1) Review an ordinance that creates a reduced storm drainage service charge for non-residential vacant parcels; and 2) pass for publication the ordinance title as required by Sacramento City Charter 32(c) to be adopted on May 10, 2016.

Contact: Bill Busath, Director, (916) 808-1434; Susan Goodison, Business Services Manager, (916) 808-8995; Ryan Pham, Program Manager, (916) 808-4928, Department of Utilities

Presenter: None

Department: Department Of Utilities

Division: Business & Integrated Planning

Dept ID: 14001661

Attachments:

1-Description/Analysis

2-Ordinance

3-Exhibit A (Storm Drainage Rate Schedule Redline)

4-Exhibit A (Storm Drainage Rate Schedule Clean)

City Attorney Review

Approved as to Form

Joe Robinson

4/13/2016 4:59:09 PM

Approvals/Acknowledgements

Department Director or Designee: Bill Busath - 4/7/2016 2:29:14 PM

Description/Analysis

Issue Detail: The City of Sacramento's current rate schedule for non-residential storm drainage service is based upon a parcel's gross square footage. This applies to all parcels, irrespective of impervious area, with the exception of City parks, cemeteries, and airports. Because vacant, undeveloped, non-residential parcels have minimal to no impervious area and do not generate the same runoff as improved parcels, a reduction in the storm drainage service charge for such parcels is recommended.

Policy Considerations: Approval of a reduced storm drainage service charge for vacant, undeveloped, non-residential parcels is recommended to provide a charge that is more fair and equitable. This action is not subject to the notice, protest, public hearing, and voter approval requirements applicable to the imposition of new or increased property-related fees under Proposition 218 because reducing the storm drainage charge for such parcels does not impose a new charge or increase an existing charge.

Economic Impacts: None.

Environmental Considerations: This is a governmental fiscal activity that does not constitute a "project" under the California Environmental Quality Act (CEQA), and for which no environmental review is required (CEQA Guidelines Section 15378(b)(4)).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The Department of Utilities (DOU) recently contracted with Raftelis Financial Consultants, Inc. (RFC) to review and evaluate the City's current storm drainage rate structure for fairness and consistency with industry best management practices. RFC found that the amount of impervious area on a parcel (surfaces not permeable by water, such as driveways, pavement, and buildings) is most directly related to a property's need for storm drainage service. RFC also advised that storm drainage utility rate structures based on impervious area are most commonly used throughout the country.

A vacant, undeveloped (i.e. substantially pervious), non-residential parcel generally contributes surface runoff to the City's storm drainage system only during peak storm events, similar to the storm drainage runoff that the storm drainage system receives from City parks. Given that it would be very expensive and time-consuming to survey every vacant, undeveloped non-residential parcel in the city, staff used a reasonable alternative method. Staff reviewed City parks information and determined that, on average, the impervious area in City parks is 11 percent of parcel gross square footage.

To more fairly reflect the service that vacant, undeveloped, non-residential parcels receive from the City's storm drainage system, staff recommends reducing the charge for such parcels from a rate based on the total gross square footage of the parcel to a rate based on 11 percent of the parcel's gross square footage, to be analogous to the average charges for City parks.

Financial Considerations: The proposed reduction would be applied retroactively to vacant parcel accounts billed for storm drainage service since January 1, 2015. Beginning in 2015, as a result of an internal audit process that identified properties not being billed for storm drainage service, DOU began billing a number of previously unbilled, vacant, undeveloped, non-residential parcels based on 100 percent of the parcel area. This led to a re-evaluation of whether the current service charge was fair and appropriate given that such parcels generally contribute significantly less drainage to the drainage system than improved parcels.

The amended storm drainage service rate schedule is shown in Exhibit A. The storm drainage revenue collected for vacant, undeveloped, non-residential parcels currently billed is \$777,100 annually. DOU estimates that storm drainage revenues for this type of parcel will be reduced to approximately \$174,700 annually upon implementation of the proposed rate reduction. Approximately \$731,500 in credits will be applied to customer accounts in FY2015/16 as a result of the retroactive 2015 adjustments. The financial effect of the proposed reduced rate for vacant, non-residential parcels will be offset by increased revenues that will be generated in the Storm Drainage Fund as vacant parcels and other property types identified in the audit as previously unbilled begin being billed.

Local Business Enterprise (LBE): Not applicable.

ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

**AN ORDINANCE REDUCING THE STORM
DRAINAGE SERVICE CHARGE FOR VACANT,
UNDEVELOPED, NON-RESIDENTIAL PARCELS**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The Sacramento City Council makes the following findings:

- A. Sacramento City Code section 13.08.400 authorizes the Sacramento City Council to set the amount of the City's storm drainage service rates, fees, and charges by ordinance or resolution.
- B. The City of Sacramento's current charge for non-residential storm drainage service is based on the gross surface area of the parcel receiving storm drainage service, with a reduced charge for specified parcel categories.
- C. Vacant, undeveloped, non-residential parcels should be subject to a reduced charge for storm drainage service, because these parcels generate a lower volume and frequency of storm drainage runoff than developed parcels, which is more analogous to the storm drainage runoff that the storm drainage system receives from City parks. The storm drainage service charge for City parks is based on impervious area rather than gross surface area. On average, the impervious area in City parks is currently calculated at 11 percent of parcel gross square footage. To more fairly reflect the service that vacant, undeveloped, non-residential parcels receive from the City's storm drainage system, the storm drainage service charge for vacant, undeveloped, non-residential parcels should be reduced to 11 percent of the charge for developed non-residential parcels.
- D. Approval of a reduced storm drainage service charge for vacant, undeveloped, non-residential parcels is not subject to the procedural requirements that apply to the imposition of new or increased property-related fees or charges under Proposition 218 because reducing the storm drainage charge for these parcels does not impose a new charge or increase an existing charge.

SECTION 2.

The amended Storm Drainage Service Rate Schedule attached as Exhibit A is approved and adopted. The reduced charge shown on Exhibit A for vacant, undeveloped, non-residential parcels shall be applied retroactively for storm drainage service provided since January 1, 2015. The City of Sacramento Fee and Charge Report is amended to include the storm drainage service rates shown on Exhibit A.

Table of Contents:

Exhibit A: Storm Drainage Service Rate Schedule

EXHIBIT A

CITY OF SACRAMENTO

~~UTILITY RATES~~ FOR STORM DRAINAGE SERVICE RATE SCHEDULE

I. STORM DRAINAGE SERVICE RATES – MONTHLY RESIDENTIAL

Single-family residence:	1-3 rooms	7.53
	4-5 rooms	9.58
	6-7 rooms	11.31
	8-9 rooms	13.38
	10-15 rooms	15.25
	over 15, each additional room	1.19

Multiple-family residence: Each dwelling unit charged the same as a single-family residence

II. STORM DRAINAGE SERVICE RATES – MONTHLY NON-RESIDENTIAL

Non-residential, excluding cemeteries, City Parks, ~~and~~ airports, and vacant undeveloped parcels:

Each sq. foot of gross surface area 0.001928

Cemeteries, City Parks, and airports:

Each sq. foot of impervious surface area 0.001928

Vacant undeveloped parcels:*

Each sq. foot of 11% of gross surface area 0.001928

* “Vacant undeveloped parcel” means a non-residential parcel where not more than 11% of the surface area has impervious improvements.

Minimum Rate: 8.39

Where non-residential property contains common facilities, e.g., a parking lot, the common facilities will be treated as one property and the owner shall be liable for payment of fees for the common facilities, notwithstanding the fact that other fees charged to the property may be charged to the tenants or owners of divided interests. Common areas in planned unit developments or condominium developments shall be treated as commercial property for the purposes of this rate schedule.

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