



**CONSENT CALENDAR**

**Agenda Item # 11**

**AGENDA REPORT SUMMARY**

**Meeting Date:** June 13, 2017

**Subject:** Professional Services Agreement: Sewer Rate Structure Analysis

**Prepared by:** Aida Fairman, Associate Civil Engineer

**Reviewed by:** Susanna Chan, Public Works Director

**Approved by:** Chris Jordan, City Manager

**Attachments:**

None

**Initiated by:**

Staff

**Previous Council Consideration:**

July 9, 2013; July 22, 2014; June 23, 2015; and June 28, 2016

**Fiscal Impact:**

Not-to-exceed \$99,790

**Environmental Review:**

Not applicable

**Policy Question(s) for Council Consideration:**

- Not Applicable

**Summary:**

- In 2013, the City went through the Proposition 218 process to adopt Ordinance No. 2013-394, which established the annual sewer service charge rate for a period of five years (from FY 2013-14 through FY 2017-18).
- The City of Los Altos needs to perform a Sewer Rate Analysis and go through the Proposition 218 process in FY 2017-18 to establish the annual sewer service charge rate for the next five years (from FY 2018-19 through FY 2022-23).
- On March 14, 2017, the City advertised a request for proposals (RFPs) and received four proposals on April 12, 2017, for the Sewer Rate Structure Analysis, Administration of Proposition 218 Process and Annual Administration of the City's Sewer Service Charge

**Staff Recommendation:**

Move to authorize the City Manager to execute an agreement with NBS for a Sewer Rate Structure Analysis, Administration of Proposition 218 Process and Annual Administration of the City of Los Altos' Sewer Service Charge for FY 2018-19



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### **Purpose**

The City of Los Altos needs to establish the annual sewer service charge rate for Fiscal Years 2018-19 through 2022-23.

### **Background**

In 2013, Harris & Associates performed a Sewer Rate Structure Analysis and the City went through the Proposition 218 process to adopt Ordinance No. 2013-394, which established the annual sewer service charge rate for a period of five years (from FY 2013-14 through FY 2017-18). The sewer service charge that was adopted on July 9, 2013 was based on a hybrid sewer charge model that considered parcel water usage and a fixed charge component. The purpose of the hybrid sewer charge was to ensure adequate funds for the on-going operation and maintenance, and to fund capital improvements of the sewer system in the Los Altos area.

### **Discussion/Analysis**

To continue adequately funding the sanitary sewer fund, a new sewer rate structure analysis must be performed. The analysis will again consider a 5-year study period and review upcoming costs associated with maintenance and operations as well as capital improvements both within the City and the City's share of cost at the joint treatment plant located in Palo Alto.

A charge for each parcel based on the benefit received must be calculated in such a way that the total revenue requirement of the Sewer Enterprise Fund over the next five-year period is met. Some tasks for the consultant include evaluating water use and parcel information for all parcels connected to the sewer, assigning a charge to each parcel based on the benefit received or used, and preparation of the sewer service charge tax roll.

A request for proposals (RFP) was developed and advertised in the City's website. The City received proposals from four consulting firms. Evaluation of the qualifications, experience statements, and description of the required tasks indicates that the proposal from NBS is the most responsive to the City's requirements. NBS proposal demonstrated experience and expertise needed to develop and present a sewer rate study through a public process that will result in a timely submission of the tax roll information to the County Assessor's Office at reasonable cost.

The proposed not-to-exceed fee of \$99,790 is considered reasonable for the sewer rate structure analysis, administration of Proposition 218 and Annual Administration of the City of Los Altos' Sewer Service Charge for FY 2018-19.



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### Options

- 1) Authorize the City Manager to execute and agreement with NBS for a Sewer Rate Structure Analysis, Administration of Proposition 218 and Annual Administration of the City of Los Altos' Sewer Service Charge for FY 2018-19.

**Advantages:** This ensures the continuation of adequate funds for on-going operation, maintenance and improvements of the City of Los Altos' sanitary sewer system.

**Disadvantages:** None

- 2) Reject NBS' proposal and do not authorize the City Manager to execute an agreement.

**Advantages:** None

**Disadvantages:** The City will not have the sufficient funds for the on-going operation, maintenance and improvements of the sanitary sewer system. The sewer rate would remain as is and the City would need to utilize reserves to meet operational and capital needs.

### Recommendation

The staff recommends Option 1.