



PUBLIC HEARING

Agenda Item # 7

AGENDA REPORT SUMMARY

Meeting Date: June 9, 2020

Subject: Resolution No. 2020-22: Sewer Service Charges for FY 2020/21

Prepared by: Aida Fairman, Engineering Services Manager

Reviewed by: James Sandoval, Engineering Services Director

Approved by: Chris Jordan, City Manager

Attachment(s):

1. NBS Sewer Service Charge Report dated June 2020 without Listing of Sewer Service Charges
2. Resolution No. 2020-22

Initiated by:

City Council, Ordinance No. 2018-445

Previous Council Consideration:

March 13, 2018; June 26, 2018; July 10, 2018; June 25, 2019; October 22, 2020

Fiscal Impact:

The adoption of the FY 2020/21 Sewer Service Charges will result in an estimated revenue of \$6,590,587 to the sewer fund for future sanitary sewer maintenance, management, and CIP projects, including sewer main repairs to address structural deficiencies and sags as well as sewer inspections to prioritize future repairs. Expected revenues resulting from the posted rates are included in the City's approved FY 2020/21 budget.

Environmental Review:

Statutorily Exempt – CEQA Section 15273 Rates Fares Tolls and Charges

Policy Question(s) for Council Consideration:

Not applicable

Summary:

- Conduct a Hearing regarding the Report of Sewer Charges to be collected on the Fiscal Year 2020/21 Tax Roll
- Resolution No 2020-22 approving the Report of Sewer Service Charges for Fiscal Year 2020/21 and directing the Filing of Charges for Collection by the County Tax Collector

Reviewed By:

City Manager

CJ

City Attorney

JH

Finance Director

SE



Subject: Resolution No. 2020-22: Sewer Service Charges for FY 2020/21

Staff Recommendation:

Conduct a Hearing regarding the Report of Sewer Charges to be collected on the Fiscal Year 2020/21 Tax Roll; and adopt Resolution No. 2020-22 approving the Report of Sewer Service Charges for Fiscal Year 2020/21 and directing the Filing of Charges for Collection by the County Tax Collector



Subject: Resolution No. 2020-22: Sewer Service Charges for FY 2020/21

Purpose

Conduct a Hearing regarding the Report of Sewer Charges to be collected on the Fiscal Year 2020/21 Tax Roll; and adopt Resolution No. 2020-22 approving the Report of Sewer Service Charges for Fiscal Year 2020/21 and directing the Filing of Charges for Collection by the County Tax Collector.

Background

Los Altos Municipal Code Chapter 10.12 authorizes the City to impose sewer service charges to fund costs associated with the City's sanitary sewer system. The City Council passed Ordinance No. 2018-445 in July 2018 that established sewer rates to be applied for the five-year period beginning FY2018/19. The rates increase annually through the five-year period to reflect historic trends in inflation associated with the sewer system.

In accordance with Municipal Code sections 10.12.135 and 10.12.140 and Ordinance No. 2018-445, the rate structure for the sewer service charges is comprised of two components: (1) a fixed annual per parcel base charge that is determined on the basis of the number of equivalent dwelling units ("EDU") assigned to a property; and (2) a variable quantity charge. One EDU equates to the quantity of wastewater an average single-family residential customer contributes to the sewer system. One EDU is assigned to each single-family residential home. The number of EDUs assigned to other customers is based on their expected wastewater flows relative to an average single-family residential customer. The quantity charge is imposed on a per unit basis, with one unit equal to one hundred cubic feet, or 748 gallons, of metered water use. The total amount of the quantity charge is based on a customer's average winter water use from the prior year (using the three wettest months of the prior year) and multiplied by 12, and is designed to reflect a customer's estimated wastewater flow. Estimated average winter water usage is used because individual sewer flows are not metered, and winter months' water usage, when outdoor water use is least likely to occur, best reflects actual flows into the sewer system. The Sewer Rate Study establishes the FY2020/21 per-parcel base sewer service charge of \$283.99 per dwelling unit plus a quantity charge of \$2.28 per estimated sewer unit.

Discussion/Analysis

In order to levy sewer service charges on property tax bills for FY2020/21, the Council must hold a hearing on the report of charges to be submitted to the County for collection for the fiscal year. That report, prepared by NBS, is on file with the City Clerk and the body of the report (excluding the parcel list) is included here as Attachment 1. Following the hearing, the Council may adopt Resolution No. 2020-22 and direct the Filing of Charges for Collection by the County Tax Collector.

The percent increase for sewer rates for FY2020/21 is 3%.

Notices of the hearing to consider the Annual Sewer Service Charge Report were published in the Los Altos Town Crier on May 13, and May 20, 2020. A notice of the sewer rate adjustments was mailed to all parcel owners of record on May 6, 2020.



Subject: Resolution No. 2020-22: Sewer Service Charges for FY 2020/21

Options

- 1) Approve Resolution No. 2020-22 approving the Report of Sewer Service Charges for Fiscal Year 2020/21

Advantages: The rate report and expected revenues resulting from the posted rates are consistent with the City's FY 2020/21 budget

Disadvantages: None

- 2) Do not approve the Report of Sewer Service Charges for Fiscal Year 2020/21

Advantages: Advantages

Disadvantages: The City would not have adequate funding to finance O&M and CIP Projects of the Sewer Fund.

Recommendation

The staff recommends Option 1.



CITY OF LOS ALTOS

Sewer Service Charge

2020/21 Annual Report

June 2020

ATTACHMENT 1

**CITY OF LOS ALTOS
SEWER SERVICE CHARGE
Los Altos City Hall
1 North San Antonio Road
Los Altos, CA 94022
Phone - (650) 947-2700**

CITY COUNCIL

Jan Pepper, Mayor

Neysa Fligor, Vice Mayor

Jeannie Bruins, Councilmember

Anita Enander, Councilmember

Lynette Lee Eng, Councilmember

CITY STAFF

Chris Jordan, City Manager

Jim Sandoval, Engineering Services Director

Aida Fairman, Engineering Services Manager

NBS

Tim Seufert, Client Services Director

Adina McCargo, Project Manager

Kristin Harvey, Senior Consultant

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1. INTRODUCTION

The City of Los Altos (the “City”) imposes a Sewer Service Charge to fund costs associated with the City’s sanitary sewer system in accordance with its Municipal Code Chapter 10.12. The City restructured the Sewer Service Charge in July 2013 to ensure a flow-of-funds for the on-going operation and maintenance, and to fund the upgrading and refurbishing of the City’s sanitary sewer system. The main objectives for updating the rate structure were to ensure a fair and equitable charge to all sewer users and to stabilize the charges to provide needed revenue.

A new study was completed in February 2018 to support increased rates beginning July 1, 2018 and ending June 30, 2023. The City Council adopted an Ordinance in July 2018 establishing the Sewer Service Charge to be applied to each of the succeeding five fiscal years, which is comprised of a base charge per equivalent dwelling unit, plus a usage charge per estimated sewer unit. The adopted rate structure is designed to reduce volatility in the City’s sewer revenue stream and equitably allocate costs to each customer class of sewer use.

The Sewer Service Charge is levied pursuant to the California Health and Safety Code, Sections 5471 et seq. and the City’s Municipal Code Chapter 10.12. Payment of the Sewer Service Charge for each parcel will be made in the same manner and at the same time as payments are made for property taxes. This report contains the necessary data required to establish the Sewer Service Charge and is submitted for filing in the office of the City Clerk, where it shall remain open for public inspection.

2. SEWER SERVICE CHARGE CALCULATION

The total annual Sewer Service Charge for a parcel will be the sum of the base charge plus the usage charge. The calculation for each charge is described in this section.

2.1 Base Charge (Per EDU)

The base charge is determined by multiplying the per equivalent dwelling unit (EDU) rate by the number of EDUs on each parcel. For residential parcels, 1.0 EDU is assigned for each dwelling unit (multi-family residential parcels included).

Parcels with non-residential structures or improvements shall also be assigned 1.0 EDU for the first 110 water units (or fraction thereof) of estimated sewer use for non-residential improvements on the parcel plus a number of additional EDUs (or fractions thereof) equal to the remaining estimated sewer use for non-residential improvements on the parcel divided by 110. A minimum of 1.0 EDU is assigned to each non-residential parcel or group of parcels associated with a shared meter.

Where multiple non-residential parcels share a common water meter, the equivalent dwelling units calculated based on water use measured by that meter shall be divided equally amongst the parcels sharing the meter.

2.2 Usage Charge (Per Unit of Estimated Sewer Use)

The usage charge is based on water consumption data provided by the California Water Service Company for the previous year. The three monthly billing periods which indicate the lowest total water consumption are selected as the wet seasons in that they represent a reasonable approximation of the amount of sewer usage. Water usage from the wet season months is averaged and multiplied by 12 to calculate estimated annual sewer usage.

Where actual monthly water consumption data is not available for a water account on a parcel (as when a structure(s) on the parcel is recently connected to a water system), sewer use is estimated as the average estimated sewer use for the prior year of all parcels in the same land use. For purposes of this section, land uses are classified as follows:

- Single-Family Home
- Condominium Unit
- Multi-Family Residence (two dwelling units)
- Multi-Family Residence (three to four dwelling units)
- Multi-Family Residence (five or more dwelling units)
- Church
- Commercial/Industrial
- Institutional
- Park
- School
- Government

3. SEWER SERVICE CHARGE CALCULATION

To provide the revenue to keep up with the increase in projected revenue needs, the City adopted an updated five-year rate structure in July 2018. Both the base charge and the usage charge per sewer unit will be increased annually each year. The following table shows the adopted rates through Fiscal Year 2022/23 based on the rate study.

Adopted Rates	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Per EDU (Base Charge)	\$267.69	\$275.72	\$283.99	\$292.51	\$301.29
Per Unit of Estimated Sewer Use (Usage Charge)	\$2.15	\$2.21	\$2.28	\$2.35	\$2.42
Percentage Increase over Prior Fiscal Year	2.5%	3.0%	3.0%	3.0%	3.0%

4. WET SEASON MONTHS

The “wet season months” are the three monthly billing periods for which the records of the California Water Service Company indicate the lowest total water consumption during that calendar year by parcels connected to the City’s sewer system that are serviced by the California Water Service Company.

In 2019, the City’s three lowest months for water use were January, February, and March. Therefore, these are the months used to calculate each individual parcel’s estimated annual sewer usage for Fiscal Year 2020/21.

The following table provides the total annual sewer usage for calendar year 2019, as provided by the California Water Service Company.

Calendar Year 2019 Total Water Consumption for the City of Los Altos (1,2)											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
117,138	104,674	91,459	122,226	229,306	287,783	328,528	363,944	351,356	311,373	266,836	209,062

(1) Data provided by the California Water Service Company for the City of Los Altos and certain parcels located within the Town of Los Altos Hills and unincorporated areas of the County that are connection to the City’s sewer system.

(2) One unit = 100 cubic feet of sewer use.

5. SUMMARY OF LAND USE CLASSIFICATIONS

The following summarizes the estimated annual sewer usage for properties that are connected to the City's sewer system for Fiscal Year 2020/21.

Land Use Classification	Number of Parcels (1)	Total Estimated Yearly Sewer Use (in Units) (1)	Average Sewer Use Per Parcel (2)
Single-Family Home	10,360	955,477	92
Condominium Unit	1,036	52,416	51
Multi-Family Residence (two units)	65	10,111	111
Multi-Family Residence (three to four dwelling units)	11	1,544	116
Multi-Family Residence (five or more dwelling units)	23	27,486	922
Church	22	23,075	382
Commercial/Industrial	448	175,768	200
Institutional	6	39,226	5250
Park	4	10,156	587
School	10	40,556	599
Government	10	12,113	159

- (1) Usage data includes all parcels in the City of Los Altos and in unincorporated Santa Clara County served by the City of Los Altos's sewer program. The City's program uses capacity and facilities provided to the program by the City of Mountain View to serve some parcels in the City of Los Altos. These parcels are charged a Sewer Service Charge by the City of Los Altos, and data for these parcels is included in the above table. The City of Los Altos compensates the City of Mountain View for access to the Mountain View sewer system by providing the Mountain View's sewer program with access to a similar volume of service from the Los Altos system. Parcels located in Mountain View, but connected to the City's sewer system, are receiving service from the Mountain View sewer program and are not included in the above table or subject to City's Sewer Service Charge. Additionally, the City of Los Altos sells sewer services, in bulk, to the Town of Los Altos Hills, and the Town uses these services to serve parcels located in Los Altos Hills. Usage by parcels in Los Altos Hills is not shown in the above table because these parcels are not subject to the Sewer Service Charge. Instead, the full cost of the services indirectly provided by the Town of Los Altos Hills parcels is covered by the direct payment to the City from the Town of Los Altos Hills. Costs of these services are not spread to parcels directly served by the City of Los Altos sewer program.
- (2) Average consumption based upon parcels where actual usage data was available. Developed properties that are connected to the City's sewer system, which water consumption information is not available, are charged at the average sewer use per parcel identified above.

6. LISTING OF SEWER SERVICE CHARGES

A list of parcels subject to the Sewer Service Charge as shown on the last equalized Property Tax Roll of the Assessor of Santa Clara County is on file in the office of the City Clerk of the City of Los Altos. The list contains a description of each parcel receiving such services and the amount of the charge for each parcel for Fiscal Year 2020/21.

7. RESOLUTION FOR FISCAL YEAR 2020/21

The following page presents the Resolution approving the report of Sewer Service Charges for Fiscal Year 2020/21 and directing the filing of charges for collection by the Santa Clara County Tax Collector.

RESOLUTION NO. 2020-22

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
APPROVING THE REPORT OF SEWER SERVICE CHARGES FOR FISCAL
YEAR 2020/21 AND DIRECTING THE FILING OF CHARGES FOR
COLLECTION BY THE COUNTY TAX COLLECTOR**

WHEREAS, pursuant to Chapter 10.12 of Los Altos Municipal Code, the City of Los Altos imposes Sewer Service Charges upon parcels connected to the sewer system; and

WHEREAS, pursuant to section 5473 of the California Health & Safety Code, the City Council has elected to annually collect the Sewer Service Charges on the property tax roll; and

WHEREAS, the Engineering Services Director has caused to be prepared a report (the "Report") containing a description of each parcel of real property subject to the Sewer Service Charges and the amount of the Sewer Service Charges to be imposed on each such parcel for Fiscal Year 2020/21, computed in conformity with the rates prescribed by Ordinance of this City Council, which report is filed with the City Clerk, available for public inspection, and incorporated herein by reference; and

WHEREAS, on June 9, 2020, following the publication of notice as required by law, the City Council held a full and fair public hearing with respect to the Report, and at such hearing the City Council heard and considered all protest and objections to the Report; and

WHEREAS, the City Council desires to approve the Report and to submit the Sewer Service Charges described therein to the Santa Clara County Tax Collector for collection on the Fiscal Year 2020/21 tax roll.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby authorizes that:

1. The City Council hereby overrules all protests and objections to the Report on the Sewer Service Charges and confirms and approves the Report and the Sewer Service Charges to be imposed on each parcel within the City subject to such charges as submitted; and
2. The City Clerk is instructed and authorized to transmit the Report to the Santa Clara County Tax Collector and to file the necessary documents with the Tax Collector that the Sewer Service Charges set forth in the Report will be included on the Santa Clara County Tax Roll for Fiscal Year 2020/21.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ____ day of ____, 2020 by the following vote:

AYES:

NOES:
ABSENT:
ABSTAIN:

Janis C. Pepper, MAYOR

Attest:

Andrea Chelemengos, CMC, CITY CLERK