

Proposition 218 /Sewer Rate Study (Q & A)

1) Can the total sewer charge be mitigated by the customer growth in Los Altos?

Resident pointed out that the fourth bulleted item under the Key Assumptions under Section 2 on page 4 of the Sewer Rate Study states, ***“No customer growth is anticipated in order to remain conservative.”*** The resident mentioned the developments in downtown Los Altos and on El Camino Real as well as the 2,000 Housing Element units in Los Altos.

Draft Response: If the City bases its sewer charges on existing customers plus anticipated growth, the sewer charges would be slightly reduced. Spreading costs over a larger number of customers would slightly lower the sewer charge per EDU. However, if those customers did not come online as projected, the user charge revenue would be lower than planned. The Sewer Rate Study assumed that no new customers would be connected. If we get new customers, we will generate additional revenue above our plan. If the number of new customers is significant over time, the City could potentially reduce future increases. Any new dwelling units will pay an impact fee that makes the new connection on par with existing customers in terms of investment in the infrastructure.

2) How will the money from the sewer charges exactly be used for Palo Alto and the City of Los Altos?

Draft Response: The sewer service charges will pay for the Operation and Maintenance (O&M), minor CIPs, and major CIPs, including any current debt obligations to the Palo Alto Regional Water Quality Control Plant. Also, the sewer service charges will pay for the Operation and Maintenance (O&M) and CIPs for the City of Los Altos.

3) Can the non-rate revenue mentioned by NBS during the City Council meeting be used to subsidize the rates for the seniors?

Draft Response: Non-rate revenue (approximately \$50,000) was used to lower the sewer charge across all customers. The City has the discretion to apply the non-rate revenue differently, but this could slightly increase the sewer rates for other user classes.

4) How much would have to be taken from the General Fund if residents say no to a tax increase? The Fiscal Impact section of the staff report doesn't provide any \$\$\$ information, and I couldn't figure it out from the study.

Draft Response: The sewer service charge is not a tax. The sewer service charge is a user fee that has to comply with the Proposition 218 process.

If no rate increases are implemented, the City will have to pull over \$21 million from the GF to cover expenses

	Current Rates	Year 1	Year 2	Year 3	Year 4	Year 5
Rate increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total revenue estimate	\$ 7,386,929	\$ 7,386,929	\$ 7,386,929	\$ 7,386,929	\$ 7,386,929	\$ 7,386,929
net revenue requirement	\$ 6,863,678	\$ 9,025,101	\$ 13,613,181	\$ 10,892,758	\$ 13,630,023	\$ 11,737,220
difference	\$ 523,251	\$ (1,638,172)	\$ (6,226,252)	\$ (3,505,829)	\$ (6,243,094)	\$ (4,350,291)
						\$ (21,963,638)

- 5) Were the 1,958 units required by HCD factored in? I think not because PDF page 8 says: “No customer growth is anticipated in order to remain conservative.” Wouldn’t it be better to plan for the worst case? We don’t know how many of those units will be built, but it’s possible that we could have 4,000 new residents in 10 years.**

Draft Response: Worst case scenario is assuming no customer growth in the system. Calculations for the next five (5) years are based on the current connections to the City’s sewer system. (See question 1 response for additional explanation).

- 6) Did the other cities that use the PA Facility include their HCD-required housing units?**

Draft Response: The City does not have this information. The Sewer Rate Study assumed that no new customers would be connected.

- 7) How much did we pay NBS for the study? It’s obviously a thorough piece of work. No complaints. But I’m always interested in how much we pay consultants, and it would be nice to have the cost included each time a consultant’s report is included in a council packet.**

Draft Response: The agreement between the City and NBS for the Sewer Rate Structural Analysis, the Administration of Proposition 218 Process, and the Annual Administration of the City of Los Altos Sewer Service Charge for FY 2023-24 was executed in the not-to-exceed amount of \$105,455.