

Proposition 218 /Sewer Rate Study (Q & A)

(March 23, 2023)

1) The City currently has \$ 21 million in its “Sewer Fund.” What is that money used for? Does any of that \$ 21 million go to the RWQCP?

Response: The sewer fund 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. The RWQCP expected expenditures in 2023/24 are about \$4.5 million. Also, the sewer fund will pay for the Operation and Maintenance (O&M) and CIPs for the City of Los Altos.

2) a) The consultant intentionally excluded any new growth in housing. Why would the City not include at least some of the 2000 required RHNA housing units? What would the fee increase be per single-family household if the City included at least 1000 new housing units?

Response: This is speculative and not a proper basis for a 218 Rate Study.

Spreading costs over a larger number of customers would slightly lower the sewer charge per EDU, but not by enough to affect the rates. 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 the City get new customers, it will generate additional revenue above the 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. As an illustration, if the City added 200 units per year (straight line assumption of 1,000 added over 5 years), the rates would be the same as current proposed rates.

b) By excluding all required RHNA housing from consideration, it would appear that the City is not confident that even a percentage of the required RHNA housing units will be built.

Response: This is an assumption that is not supported by any facts or evidence.

The City is bound to notify Water and Sewer Service Providers as a part of Program 2.F in the adopted Housing Element of new units and the City’s plan to account for our fair share of housing. Page #30 of the PDF:

https://static1.squarespace.com/static/612fc0231c3b5b71bdace404/t/63d444380755ac33f597bf6f/1674855490355/LWC_LosAltos_HEU_AdoptionDraft_012623_compressed%28w.+updated+c+over%29.pdf

Program 2.F: Water and Sewer Service Providers.

Pursuant to Chapter 727, Statutes of 2004 (SB 1087), the City of Los Altos upon completion of an amended or adopted housing element, is responsible for immediately distributing a copy of the housing element to area water and sewer providers. The legislation allows for coordination between the City and water and sewer providers when considering approval of new residential projects. Water and sewer providers must grant priority for service allocations to proposed developments that include housing units affordable to lower-income households. Chapter 727 was enacted to improve the effectiveness of the law in facilitating housing development for lower-income families and workers.

Responsible Body: Development Services Department, Public Works Department

Funding Source: General Fund

Time Frame: December 2023

The sewer rates are based on sewer usage of existing properties and connections only. The City cannot set a rate for sewer usage factoring in potential additional units that will come online. The City would complete another rate study in the future for the usage.

3) Please provide an executive summary of the required projects/repairs/increased cost that necessitate an increase in the sewer fee.

Project Description	2023	2024	2025	2026	2027	2028
Sewer System Repair Program	\$ 630,000	\$ 659,200	\$ 689,585	\$ 721,200	\$ 754,091	\$ 788,306
Structural Reach Replacement	800,000	824,000	848,720	874,182	900,407	927,419
Root Foaming	200,000	206,000	212,180	218,545	225,102	231,855
CIPP Corrosion Replacement	465,000	494,400	530,450	568,218	602,147	637,601
Fats, Oils, Grease Program (FOG)	66,000	70,040	74,263	78,676	83,288	88,105
GIS Updates	66,000	70,040	74,263	78,676	83,288	88,105
Sewer System Management Plan Update	25,000	25,750	26,523	27,318	84,413	-
Sanitary Sewer Video Inspection	430,000	-	466,796	-	-	-
Adobe Creek Sewer Main Replacement	-	-	2,121,800	-	2,251,018	-
City of Palo Alto RWQCP Minor CIP Fund	402,000	1,019,732	1,061,676	490,634	519,985	549,496
Total: Capital Improvement Program Costs <i>(Future-Year Dollars)</i>	\$ 3,084,000	\$ 3,369,162	\$ 6,106,255	\$ 3,057,450	\$ 5,503,738	\$ 3,310,887

4) The consultant's report suggests that the sewer fee increase is 75% over 5 years. When you compare the fees set forth for a single-family home today of \$562.65 compared to the fee in 5 years after the annual increases of 15%, the fee is \$1219.74. That is an increase of over 100%.

Please clarify.

Response: Figure 2 in the sewer rate study report shows that the revenue requirements (amount of revenue required from rates) increased 15% per year over 5 years, compounding to a 101% increase. However, the cost of service increase is slightly different across user classes. The rate increase for the fixed rate is 13% in year one, and the volumetric rates increase 36% due to recalibrating the cost of service. For the following years, the billing rates for fixed and volumetric rates go up 15% per year. In figure 11 of the sewer rate study report, the SFR rates for 2023/34 are \$562.64, with an average residential water use of 108 HCF. For year 5 rates, the resulting typical sewer bill for residential is an increase of 117% compounded.

5) What proportion of the increased sewer fee will go to Los Altos, and what proportion will go to the RWQCP?

Response: The FY 2023/24 revenue requirement showed \$4.5 million for Los Altos' administration, operations and capital projects, and Palo Alto treatment expenses are \$6.4 resulting in about 40/60.

6) If the sewer fee increase fails and the money needs to come out of the City's general fund, can other fees be increased to cover or mitigate this increased burden on the general fund?

Response: If the sewer fee increase fails, no other fee can cover or mitigate this increased burden on the General Fund.

7) Is there another sewer processing plant that Los Altos could use? Note San Jose's sewer rates appear to be much lower than ours. <https://www.sanjoseca.gov/your-government/departments-offices/environmental-services/water-utilities/regional-wastewater-facility/sanitary-sewer-service-charges>

Response: Los Altos could not use another sewer processing plant. The City's existing infrastructure carries the sewage flow from Los Altos to Palo Alto. There is no existing infrastructure that could potentially carry flow to another sewage treatment plant. The City of Los Altos is under contractual obligation with the City of Palo Alto and Mountain View.

8) What are the salaries of the C suite executives at the RWQCP? What percentage of the fee increase will go to increase their salaries?

Response: The City of Los Altos does not have this information.

9) How can the City keep sewer costs under control? What cities affect our rates the most? Palo Alto? Stanford? How do they affect our rates?

Response: The City of Los Altos' has contractual obligations with the City of Palo Alto for Operations and Maintenance (O&M) and CIP projects. Therefore, Palo Alto has the most impact on the rates.

10) Will there be a senior citizen discount? These increases in fees and taxes may force seniors to move and also serve as a further cost burden for the low-income families we are hoping to house in the new Distel Circle housing development and the below market RHNA housing units we must build in the next 8 years.

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.

11) What date will the City be mailing the Protest Ballot to the residents? I need this date asap!

Response: Prop 218 ballot notice must be mailed at least 45 days before the Public hearing on June 13, 2023.

12) 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).

What about the scenario where the 1,958 new homes are built in Los Altos? Can our system handle that many new hookups? Can the Palo Alto plant handle all the new homes demanded by HCD in all the cities it services?

Response: Los Altos' RWQCP allocated flow capacity right in the RWQCP treatment plant is set per agreement between Palo Alto, Mountain View, and Los Altos at 3.8 million gallons per day annual average flow capacity.

The Palo Alto RWQCP completed a Long Range Facilities Plan in 2012. See <https://www.cityofpaloalto.org/files/assets/public/public-works/water-quality-control-plant/lrfp-final-report-08-2012.pdf> In Section 3.3 of the LRFPP (below), the population was projected to be 2062. RWQCP upgrades are designed around the flow capacity and load capacity from this planned 2062 population. No update to population projections has been made since 2012. Demands of HCD were not directly evaluated by the Palo Alto RWQCP in the 2012 study; instead, the ABAG 2009 data was used for planning population projections. A Long Range Facilities Plan update is under consideration by Palo Alto. A special study with engineering consultants will be required. As part of the Long Range Facilities Plan update, staff of the two cities will coordinate on updated planning assumptions, including projected population, flow capacity allocation, load capacity allocations, and the flow and load split costing methodology for capital and operating shares.

13) Is anything being done regarding sea level rise at the treatment plant?

Response: As they are upgraded and replaced, the RWQCP's onsite facilities are being raised above the anticipated sea level rise and flood level set by the City of Palo Alto. Los Altos shares in the cost of these upgrades.

The RWQCP's existing 54-inch-diameter final effluent outfall is being supplemented with a new, parallel 63-inch-diameter outfall to handle high flows, handle high tides (e.g., king tides), allow rehabilitation of the 54-inch diameter outfall, and provide sufficient total effluent capacity considering future sea level rise. The \$18 million Outfall Pipe project is currently in the design stage. Los Altos shares in the cost of this project.

The US Army Corps of Engineers continues to evaluate regional levee upgrades to provide even greater protection to the RWQCP and surrounding areas. The USACE levee upgrades will be funded by the federal government.