



PUBLIC HEARING

Agenda Item # 7

AGENDA REPORT SUMMARY

Meeting Date: June 27, 2017

Subject: Fiscal Year 2017/18 Sewer Service Charges

Prepared by: Aida Fairman, Associate Civil Engineer

Reviewed by: Susanna Chan, Public Works Director

Approved by: Chris Jordan, City Manager

Attachments:

1. NBS Sewer Service Charge Report dated June, 2017 without Listing of Sewer Service Charges
2. Resolution 2017-23

Initiated by:

City Council – Ordinance No. 2013-394

Previous Council Consideration:

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

Fiscal Impact:

The rate report and expected revenues resulting from the posted rates are consistent with the City's FY 2017/18 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 2017/18 Tax Roll
- Adopt Resolution No. 2017-23, approving the Report of Sewer Service Charges for Fiscal Year 2017/18 and directing the Filing of Charges for Collection by the County Tax Collector

Staff Recommendation:

Conduct a Hearing regarding the Report of Sewer Charges to be collected on the Fiscal Year 2017/18 Tax Roll; and move to adopt Resolution No. 2017-23 approving the Report of Sewer Service Charges for Fiscal Year 2017/18 and directing the Filing of Charges for Collection by the County Tax Collector



Subject: Fiscal Year 2017/18 Sewer Service Charges

Purpose

Adopt Sewer Service Charges for Fiscal Year 2017/18.

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. 2013-394 in July 2013 that established sewer rates that may be applied for the five-year period beginning July 1, 2013. The rates increase from year to year during years two through five of the five-year period to reflect historic trends in inflation associated with the sewer system. The rate increase established for FY 2017/18 was 7%.

Ordinance No. 2013-394 established the initial FY 2013/14 per-parcel sewer service charge of \$209 per dwelling unit (or equivalent dwelling unit for non-residential parcels) plus a quantity charge of \$1.66 per estimated sewer unit (1 estimated sewer unit is calculated as 745 gallons of wet season metered water use.)

Discussion/Analysis

In order to levy sewer service charges on property tax bills for FY 2017/18, 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 Attachment 1. Following the hearing, Council may adopt Resolution No. 2017-23 and direct the Filing of Charges for Collection by the County Tax Collector.

The percent increase for sewer rates for FY 2017/18 is 7%. Despite the 7% increase in rates the levy decreased just under 6% due to reduced water usage as a result of water conservation efforts. The average charge for a single-family residence in FY 2016/17 was \$478.12 and the average charge for a single-family residence for 2017/18 is \$440.40. The total sewer service charge revenue was \$6,311,421.70 in FY 2016/17 and the total estimated sewer service charge revenue for FY 2017/18 is \$5,967,596.54.

Notices of the hearing to consider the Annual Sewer Service Charge Report were published in the Los Altos Town Crier on June 7, 2017 and June 14, 2017. A post card notice of the new sewer rates set by Ordinance No. 2013-394 for FY 2017/18 was mailed to all parcel owners of record on May 26, 2017. Posting of the meeting agenda serves as notice to the general public.



Subject: Fiscal Year 2017/18 Sewer Service Charges

Options

1) Approve Staff Report Recommendation.

Advantages: The rate report and expected revenues resulting from the posted rates are consistent with the City's FY 2017/18 budget.

Disadvantages: None.

2) Not to approve sewer service charges

Advantages: None.

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

Fiscal Year 2017/18 Annual Report

June 2017

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Jeannie Bruins, Councilmember

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Susanna Chan, Public Works Director

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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. To insure 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 City restructured the Sewer Service Charge in July 2013. 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.

On July 9, 2013, the City Council adopted Ordinance No. 2013-394 establishing the Sewer Service Charge to be applied for each of the succeeding five fiscal years, which comprised of a base charge per equivalent dwelling unit, plus a usage charge per estimated sewer unit. The adopted rate structure makes structural improvements to the City's sewer revenue stream which will assist in reducing revenue volatility and equitably allocate costs to each customer class of sewer user by improving the distribution of costs across customer classes, as well as within each class.

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 to the City Clerk 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, one EDU is assigned for each dwelling unit (multi-family residential parcels included).

Parcels with non-residential structures or improvements shall also be assigned one 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.

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. A minimum of 1.0 EDU is assigned to each non-residential parcel.

2.2 Usage Charge (Per Unit of Estimated Sewer Use)

The use charge is based on water consumption data provided by the California Water Company for the previous year. The three monthly billing periods which indicate the lowest total water consumption are selected as the wet season months 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 its 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
- Multifamily Residence (two dwelling units)
- Multifamily Residence (three to four dwelling units)
- Multifamily Residence (five or more dwelling units)
- Church
- Commercial/Industrial
- Institutional
- Park
- School
- Government

3. **ADOPTED SEWER RATES**

To provide the revenue to keep up with the increase in projected revenue needs, the City adopted a five-year rate structure in July 2013. Both the base charge and the usage charge per sewer unit will be increased annually each year for Fiscal Year 2014/15 through Fiscal Year 2017/18. The following table shows the adopted rates:

Adopted Rates	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Per EDU (Base Charge)	\$209.00	\$219.45	\$230.42	\$244.25	\$261.35
Per Unit of Estimated Sewer Use (Usage Charge)	\$1.66	\$1.74	\$1.83	\$1.94	\$2.07
Percentage Increase	N/A	5.0%	5.0%	6.0%	7.0%

4. WET SEASON MONTHS

As defined by Ordinance No. 2013-394, 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 2016, the City’s three lowest months for water use were January, February and March. Therefore, these are the months used to calculate each individual parcels estimated annual sewer usage for Fiscal Year 2017/18.

The following table provides the total annual sewer usage for calendar year 2016, as provided by the California Water Company. One unit = 100 cubic feet of sewer use.

Calendar Year 2016 Total Water Consumption for the City of Los Atos (1)											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
100,338	95,662	110,874	132,844	180,831	268,842	315,486	319,846	343,112	269,011	180,913	145,236

(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 connected to the City’s sewer system.

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 2017/18.

Land Use Classification	Number of Parcels (1)	Total Estimated Yearly Sewer Use (in Units) (1)	Average Sewer Use Per Parcel (2)
Single-Family Home	10,334	893,884	87
Condominium Unit	1,029	52,954	51
Multi-family Residence (two units)	65	7,884	121
Multi-family Residence (three to four dwelling units)	14	2,148	153
Multi-family Residence (five or more dwelling units)	22	22,024	1,028
Church	21	13,228	604
Commercial/Industrial	486	113,365	240
Institutional	3	17,620	5,873
Park	4	2,324	581
School	10	12,452	1,245
Government	9	4,368	485

- (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 but for 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 within the City 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 the year, computed in conformity with the charges prescribed by the Ordinance.

RESOLUTION NO. 2017-23

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
APPROVING THE REPORT OF SEWER SERVICE CHARGES FOR FISCAL
YEAR 2017/18 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 a Sewer Service Charge 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 Charge on the property tax roll; and

WHEREAS, the Public Works Director has caused to be prepared a report (the "Report") containing a description of each parcel of real property subject to the Sewer Service Charge and the amount of the Sewer Service Charge for each such parcel for Fiscal Year 2017/18, 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 27, 2017, 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 2017/18 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 each Sewer Service Charge 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 2017/18.

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 27th day of June, 2017 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mary Prochnow, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK