



AGENDA REPORT SUMMARY

Meeting Date: February 28, 2023

Subject Proposition 218 process/Sewer Rate Study Report

Prepared by: NBS (Jordan Taylor and Allan Highstreet)

Reviewed by: Aida Fairman, Environmental Services and Utilities Director

Approved by: Gabriel Engeland, City Manager

Attachments:

1. Sewer Rate Study Report + Appendices
2. Prop. 218 Frequently Asked Questions

Initiated by:

Staff

Previous Council Consideration:

July 10, 2018

Fiscal Impact:

If a rate increase is approved, there will be an impact to ratepayers and sewer reserve funds when rates go into effect on July 1, 2023. If the rate increase is not approved, then to meet contractual and other legal obligations to provide wastewater service, the City would be required to spend funds from the general fund.

Environmental Review:

Not applicable

Policy Questions for Council Consideration:

- None

Summary:

This meeting is an informational presentation followed by questions from the Council members. A public hearing and protest balloting process at a future Council Meeting are the next steps required to adopt new sewer rates.

City Manager

GE

Reviewed By:

City Attorney

JH

Finance Director

JD



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Purpose & Background

The main purpose of this presentation is to provide information regarding the Proposition 218 process and the role of the City Council. Proposition 218 created a new subset of fees and charges known as “property-related fees.” Sewer service charges are property-related fees. “Property-related service” means a public service having a direct relationship to property ownership. City sewer rates are property-related services. Prop. 218 provides that a property-related fee may not be extended, imposed, or increased by any agency unless it meets a list of requirements, including an engineer’s rate study.

Discussion/Analysis

The rates included in the engineer’s study prepared by NBS were calculated using State standards to meet the City of Los Altos’ contractual obligations with the City of Palo Alto and to meet regulatory compliance.

The procedural requirements for the Prop. 218 protest ballot procedure include sending a Notice of public hearing to all customers/property owners, holding a public hearing no sooner than 45-days after mailing notices, and if no majority protest (50%+1), new rates can be adopted.

Based on successfully meeting Proposition 218 balloting requirements, the City Council should proceed with implementing the rates included in the engineer’s sewer rate report for the next five years. These rates are intended to ensure the continued financial health of the City’s sewer utility.

If the sewer rates are not increased, the City of Los Altos won’t meet its contractual obligations to the cities of Palo Alto and Mountain View in which case the City of Los Altos can get sued and/or will not be able to discharge its sewage into the Palo Alto Treatment Plant. Or if the City of Los Altos cannot pay for needed upgrades, Palo Alto and Mountain View may abandon those upgrades. The system would eventually fail, which would have consequences to the environment and public health, and state and federal agencies would issue fines and other sanctions to bring the cities into compliance.



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OVERVIEW OF PROPOSITION 218 PROCESS

Procedural Requirements for the Prop. 218 Protest Ballot Procedure:

1. Send Notice of Public Hearing to all customers/property owners
2. Hold Public Hearing (June 13, 2023)
3. If no majority protest (50% + 1), new rates can be adopted
4. Rates go into effect on July 1, 2023.

22

Recommendation

City Council to approve the Sewer Rate Study Report and direct staff to proceed with the Proposition 218 Notice Process