



AGENDA REPORT SUMMARY

Meeting Date: April 12, 2022

Subject Authorize City Manager to execute professional services agreement for sewer rate structure analysis with NBS Government Finance Group, dba NBS; find that the approval of the agreement is exempt from review under the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Sections 15061(b)(3) (Common Sense Exemption), 15273 (Rates, Tolls, Fares, and Charges), and 15306 (Information Collection).

Prepared by: Aida Fairman, Engineering Services Manager

Reviewed by: James Sandoval, Engineering Services Director

Approved by: Gabriel Engeland, City Manager

Attachment: None

Initiated by:

Staff

Previous Council Consideration:

June 13, 2017; March 13, 2018; June 26, 2018; July 10, 2018; June 25, 2019; October 22, 2019; June 9, 2020; June 8, 2021

Fiscal Impact:

Not-to-exceed \$105,478

The following action will cost \$105,478 for the consultant to perform a Sewer Rate Structure Analysis, Administration of Proposition 218 Process for FY 2024-28, and Annual Administration of the City of Los Altos’ Sewer Service Charge for FY 2023-24.

- Breakdown of funds to be used:
 - o \$105,478 from Sewer Fund
- Amount already included in the approved budget: N
 - Total budget requested including a 5% contingency is \$105,478

City Manager

GE

Reviewed By:

City Attorney

JH

Finance Director

JE



Subject: Professional Services Agreement: Sewer rate Structure Analysis

Environmental Review:

The award of the professional services agreement to NBS, and the preparation of a rate structure analysis, is exempt from review under CEQA pursuant to CEQA Guidelines Sections 15061(b)(3) (Common Sense Exemption), 15273 (Rates, Tolls, Fares, and Charges), and 15306 (Information Collection), in that the analysis will not result in any direct or reasonably foreseeable impacts on the physical environment, but instead will be used to determine rates for the purpose of funding existing operating expenses and capital projects to maintain existing sewer service within the City, and none of the circumstances in CEQA Guidelines Section 15300.2 applies.

Summary:

- In 2018, the City went through the Proposition 218 process to adopt Ordinance No. 2018-445, which established the annual sewer service charge rate for a period of five years (from FY 2018-19 through FY 2022-23).
- The City of Los Altos needs to perform a Sewer Rate Analysis and go through the Proposition 218 process in FY 2022-23 to establish the annual sewer service charge rate for the next five years (FY 2023-24 through FY 2027-28).
- On January 25, 2022, the City advertised a request for proposals (RFP) and received one proposal on February 24, 2022, for the Sewer Rate Structure Analysis, Administration of Proposition 218 Process, and Annual Administration of the City's Sewer Service Charge.

Staff Recommendation:

Authorize the City Manager to execute an agreement on behalf of the City with NBS in the amount of \$105,478 for a Sewer Rate Structure Analysis, Administration of Proposition 218 Process for FY 2024-28, and Annual Administration of the City of Los Altos' Sewer Service Charge for FY 2023-24



Subject: Professional Services Agreement: Sewer rate Structure Analysis

Purpose

The City of Los Altos needs to establish the annual sewer service charge rate for Fiscal Years 2023-24 through 2027-28.

Background

In 2017-2018, NBS performed a Sewer Rate Structure Analysis, and the City went through the Proposition 218 process to adopt Ordinance No. 2018-445, which established the annual sewer service charge rate for a period of five years (from FY 2018-19 through FY 2022-23). The sewer service charge that was adopted on July 10, 2018, was based on a hybrid sewer charge model that considered parcel water usage and a fixed charge component. The purpose of the hybrid sewer charge was to ensure adequate funds for the ongoing operation and maintenance and to fund capital improvements of the sewer system in the Los Altos area.

Discussion/Analysis

A new sewer rate structure analysis must be performed to continue adequately funding the sanitary sewer fund. The analysis will again consider a 5-year study period and review upcoming costs associated with the maintenance and operations as well as capital improvements both within the City's sewer system and the City's share of cost at the joint wastewater treatment plant located in Palo Alto.

A charge for each parcel based on the benefit received must be calculated in such a way that the total revenue requirement of the Sewer Fund over the next five-year period is met. Some tasks for the consultant include evaluating water use and parcel information for all parcels connected to the sewer, assigning a charge to each parcel based on the benefit received or used, and preparation of the sewer service charge tax roll. 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) 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. The total amount of the quantity charge is based on a customer's average winter water use from the previous year (using the three wettest months of the previous 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 usage is least likely to occur, best reflects actual flows into the sewer system.



Subject: Professional Services Agreement: Sewer rate Structure Analysis

A request for proposals (RFP) was developed and advertised on the City’s website. The City received one proposal. The proposal received from NBS was responsive to the City’s requirements based on their qualifications, experience statements, and description of the required tasks. NBS has demonstrated the experience and expertise needed to develop and present a sewer rate study through a public process that will result in timely submission of the tax roll information to the County Assessor’s Office at a reasonable cost.

The proposed not-to-exceed fee of \$105,478 is considered reasonable for the sewer rate structure analysis, administration of Proposition 218, and Annual Administration of the City of Los Altos’ Sewer Service Charge for FY2023-24.

Once the sewer rate structure analysis is completed, staff will return to Council through a public hearing to approve the sewer rates for the next 5-years, and the sewer service charges will be approved annually based on the adopted 5-year rates.

Recommendation

The staff recommends that the City Council authorize the City Manager to execute an agreement on behalf of the City with NBS in the amount of \$105,478 and appropriate additional budget from the Sewer Fund, for a Sewer Rate Structure Analysis, Administration of Proposition 218 Process for FY 2024-28, and Annual Administration of the City of Los Altos’ Sewer Service Charge for FY 2023-24.