



PUBLIC CORRESPONDENCE

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From: [Clifford Drowley](#)
To: [Public Comment](#)
Subject: PUBLIC COMMENT AGENDA ITEM #7 JUNE 13, 2023
Date: Monday, June 12, 2023 6:37:32 PM

To the Honorable Mayor and City Council of Los Altos:

Like others who have commented on the 2023 sewer rate study, I believe the proposed 15% per annum rate increase over 5 years is excessive. After reading the NBS report, comparing it to the 2018 rate study, and looking at other city documents, I believe the council can act to mitigate the rate increases.

I list below a number comments and questions regarding the proposed sewer rate increase (agenda item #7 in the June 13, 2023 council meeting), which I ask the council to consider carefully before deciding on the NBS proposal. I respectfully ask that the council respond to points (1-4) below during the discussion of the rate increases in the June 13 meeting.

1) Please explain why the salaries/benefits costs (in Table I of the 2023 NBS report) have more than doubled from a projection of just over \$1 million in Table I of the 2018 Sewer Rate Study to \$2.2 million in the 2023 Sewer Rate Study. This \$1.2M increase is a substantial fraction of the overall cost increase, yet is not documented publicly. Without this increase, I estimate the proposed increases can be reduced to 10-11% per annum from the existing proposal; this amount deserves the council's attention.

- a. The source of the 2023 Table I salary/benefit data is a non-public document (footnote 4 of Table I); however, Table 15 of the 2023 NBS report lists 2023/2024 salaries and benefits which add up to \$1.03M, in close agreement with the 2018 NBS report projection, AND in disagreement with the numbers in 2023 Table I. This discrepancy needs to be explained.
- b. To further add to the confusion, the listed headcount for sewers in the 2021/22 city financial report (7.5 full-time employees) is consistent with the \$1M number, not the \$2.2M number.
- c. If the increase is real, where did the increased cost come from and how was it justified? The increase is about 14% of stated 2022 revenues, and the origin should be disclosed to the council and public and reviewed before accepting the NBS report.
- d. Further, if the increase is real, why can't it be phased in over time?

2) Another major cost component driving the rate increase is the Adobe Creek sewer replacement project, which adds about \$2M of capital expense every other year for the next several years, and causes significant "bumps" in the spending rate.

- a. What is the consequence of delaying the start of this work by one year (from 2024/25 to 2025/26)? Deferring this cost by one year allows more modest rate increases to cover costs (9-10% per annum if combined with a correction in item (1)). Has any study been done on this issue? Do we know how urgent the replacement work is?

3) The capital expenses shown in Chart 1 and Table I of the 2023 NBS report extend for years beyond 2027 and are not substantiated in public documentation; the 2023-2027 costs also may be incomplete. The current city Sanitary Sewer Master Plan is 10 years old, and although it's well written, it is due for a comprehensive update (for example, it makes no mention of the Adobe Creek replacement). Similarly, the last Sewer System Maintenance Plan is 6 years old; it also needs updating. Without these plans being up to date, the projections of costs and rates in the 2023 NBS report are questionable. I don't believe the issue is with NBS, per se, but with the accuracy and completeness of information provided to NBS.

4) I would like to draw the council's attention to Palo Alto's very thorough FY2024 Wastewater Collection Utility business plan (<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/attachments/03-07-2023-id-2302-0944-ww-financial-plan-lisa.pdf>), released in March 2023.

Palo Alto is proposing a 9% increase per annum over the period covered by the NBS proposal; at the end of that period, Los Altos' sewer fees (which are projected to more than double) will be about 33% higher than Palo Alto's fees, if the NBS proposal is adopted.

The Palo Alto plan considers several different funding scenarios, including deferred capital expenses, in coming to this rate proposal. The NBS proposal lacks such scenario planning, potentially missing better cost solutions (cf. (1) and (2)).

Based on the above points, I urge the council to reject the NBS proposal and instead:

- a. Adopt an interim lower (~9%) increase for 2023/2024 only, leaving the subsequent 4 years TBD pending the following.
- b. Direct the city staff to update both the Master Plan and Maintenance Plan so that current information can be used for rate studies. The city should have these updated plans reviewed, signed off, and in place before adopting a long-term rate plan.
- c. Direct the city staff to revisit and justify the labor cost increases noted in (1) above and the tradeoffs of deferring the Adobe Creek project start by one year ((2) above)) or of deferring other long-term capital items, with a goal of reducing the long-term rate increases to 9% per annum, in line with our neighboring city.

I thank the mayor and council for their attention to the above points, and look forward to your responses.

Sincerely yours,

Cliff Drowley
Alma Court

Los Altos