

ATTACHMENT 1

CITY OF LOS ALTOS

Fiscal Year 2024/25 Annual Report For:

Sewer Service Charge

June 2024

**CITY OF LOS ALTOS
SEWER SERVICE CHARGE
Los Altos City Hall
1 North San Antonio Road
Los Altos, CA 94022
Phone - (650) 947-2700**

CITY COUNCIL

Jonathan Weinberg, Mayor

Pete Dailey, Vice Mayor

Lynette Lee Eng, Councilmember

Neysa Fligor, Councilmember

Sally Meadows, Councilmember

CITY STAFF

Gabriel Engeland, City Manager

Aida Fairman, Public Works Director

Thanh Nguyen, Senior Civil Engineer

NBS

Tim Seufert, Client Services Director

Adina McCargo, Project Manager

Kristin Harvey, Administrator

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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. The City restructured the Sewer Service Charge in July 2013 to ensure 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 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.

A study was completed in February 2018 to support increased rates beginning July 1, 2018 and ending June 30, 2023. The City Council adopted an Ordinance in July 2018 establishing the Sewer Service Charge to be applied to each of the succeeding five fiscal years.

A study was completed in January 2023 to support increased rates beginning July 1, 2023 and ending June 30, 2028. The City Council will review a current Ordinance in June 2023 to establish the Sewer Service Charge to be applied to each of the succeeding five fiscal years, which is comprised of a base charge per equivalent dwelling unit, plus a usage charge per estimated sewer unit. The adopted rate structure is designed to reduce volatility in the City’s sewer revenue stream and equitably allocate costs to each customer class of sewer use.

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 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 and detailed in the City's Municipal Code Chapter 10.12.

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, 1.0 EDU is assigned for each dwelling unit (multi-family residential parcels included).

Parcels with non-residential structures or improvements shall also be assigned 1.0 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. A minimum of 1.0 EDU is assigned to each non-residential parcel or group of parcels associated with a shared meter.

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.

2.2 Usage Charge (Per Unit of Estimated Sewer Use)

The usage charge is based on water consumption data provided by the California Water Service Company for the previous year. The three monthly billing periods which indicate the lowest total water consumption are selected as the wet seasons 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 estimated annual sewer usage. One unit is equal to 100 cubic feet of sewer use.

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
- Multi-Family Residence (two dwelling units)
- Multi-Family Residence (three to four dwelling units)
- Multi-Family Residence (five or more dwelling units)
- Church
- Commercial/Industrial
- Institutional
- Park
- School
- Government

3. SEWER SERVICE CHARGE RATES

To provide the revenue to keep up with the increase in projected revenue needs, the City is in the process of adopting an updated five-year rate structure based on a rate study completed in January 2023. Both the base charge and the usage charge per sewer unit will be increased annually each year. One unit is equal to 100 cubic feet of sewer use. The following table shows the proposed rates through Fiscal Year 2027/28 based on the rate study.

Adopted Rates	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Per EDU (Base Charge)	\$340.49	\$391.56	\$450.29	\$517.83	\$595.50
Per Unit of Estimated Sewer Use (Usage Charge)	\$3.30	\$3.80	\$4.37	\$5.03	\$5.78
Percentage Increase over Prior Fiscal Year	15.0%	15.0%	15.0%	15.0%	15.0%

4. WET SEASON MONTHS

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 2023, the City’s three lowest months for water use were January, February, and March. Therefore, these are the months used to calculate each individual parcel’s estimated annual sewer usage for Fiscal Year 2024/25.

The following table provides the total annual sewer usage for calendar year 2023, as provided by the California Water Service Company.

Calendar Year 2023 Total Water Consumption for the City of Los Atos ^(1,2)											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
108,119	96,662	94,989	111,626	176,066	266,316	300,060	284,321	307,845	263,174	218,919	169,020

(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 Santa Clara County that are connected to the City’s sewer system.

(2) One unit = 100 cubic feet of sewer use.

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 2024/25.

Land Use Classification	Number of Parcels ⁽¹⁾	Total Estimated Yearly Sewer Use (in Units) ⁽¹⁾	Average Sewer Use Per Parcel ⁽²⁾
Single-Family Home	10,368	906,744	87
Condominium Unit	1,033	53,645	52
Multi-Family Residence (two units)	65	5,900	91
Multi-Family Residence (three to four dwelling units)	11	1,208	110
Multi-Family Residence (five or more dwelling units)	68	22,838	336
Church	22	9,436	429
Commercial/Industrial	458	87,750	192
Institutional	3	15,348	5116
Park	4	2,084	521
School	10	9,560	956
Government	10	8,036	804
Vacant	2	0	0

- (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, which water consumption information is not available, are charged at the average sewer use per parcel identified above.

6. TOTAL ANNUAL CHARGES

The following summarizes the total Sewer Service Charges to be levied in Fiscal Year 2024/25, as compared to the total charges in the prior two years.

Description	Fiscal Year 2024/25	Fiscal Year 2023/24	Fiscal Year 2022/23
Total Sewer Service Charges	\$9,598,091.49	\$9,662,442.16	\$8,294,902.06
Number of parcels	12,054	12,056	12,059

7. LISTING OF SEWER SERVICE CHARGES

Santa Clara County Assessor's (the "Assessor") parcel identification, for each lot or parcel subject to the Sewer Service Charge, shall be based on the Assessor's secured roll data for the applicable year in which this report is prepared and is incorporated herein by reference.

A listing of Assessor's parcels subject to the Sewer Service Charge for Fiscal Year 2024/25, along with the charge amounts, is on file in the office of the City Clerk and incorporated herein by reference. Based on Assessor's secured roll data, current assessor's parcels, including corrected and/or new Assessor's parcels, will be submitted and/or resubmitted to the Santa Clara County Auditor/Controller. The annual charge amount to be levied and collected for the resubmitted parcel(s) shall be determined in accordance with the City's Municipal Code Chapter 10.12 and charge rate approved in this report. Therefore, if a single Assessor's parcel has a status change in development, other land use change, or subdivides into multiple Assessor's parcels, the charge amounts applied to each of the new Assessor's parcels shall be recalculated and applied according to the approved method outlined in the City's Municipal Code Chapter 10.12 and charge rate rather than a proportionate share of the original charge amount.

8. RESOLUTION FOR FISCAL YEAR 2024/25

The following page presents the Resolution approving the report of Sewer Service Charges for Fiscal Year 2024/25 and directing the filing of charges for collection by the Santa Clara County Tax Collector.