



## **Friends of Los Altos, Inc. (FOIA)**

A non-profit, non-partisan, volunteer-run organization

### **All the Poop on the Los Altos Sewer Fees Saga, or..... Is Los Altos Flush with Cash or is All the Money Down the Drain?**

About a month ago, every property owner in Los Altos received notice of a public hearing on June 13<sup>th</sup> at City Hall on a proposal to increase sewer rates by approximately 15% per year over the next 5 years. This would mean, for the typical household, an increase from approximately \$500-1000 per year currently, to \$1000-2000 per year in 2028. This proposed increase is significantly higher than during the past 5 years, when the rates increased by 2-3% each year and even higher than the 2013-2018 timeframe when rates increased 5-7% per year. Which, of course, raises the question as to why sewer rates are increasing so much?

Numerous residents have expressed outrage over the large proposed increase. Residents have questioned the need for higher fees, and many are vexed (to say the least) by the complete lack of information on why such large increases are needed, since the mailer provided little to no supporting information. And no, don't bother trying to find information by going to the City's website; sewer rats say the best and only way to find the information is to Google it, as the City website navigation tools are marginal at best.

**First the punchline**-in our analysis of a real you-know-what load of reports by the Cities of Los Altos and Palo Alto, we are fairly certain that the increases are necessary, despite them being breathtaking in magnitude.

#### **Background**

First a very short tutorial on the history of sewers.

*Before the 20th century in Europe, sewers usually discharged into a body of water such as a river, lake, or ocean. There was no treatment, so the breakdown of human waste was left to the ecosystem. This could lead to satisfactory results if the assimilation capacity of the ecosystem was sufficient, which today often is not the case due to increased population density. In urban areas of industrialized countries standard practice is the use of sewers to route their contents to a sewage treatment plant rather than directly to a body of water.*

Which brings us to how Los Altos handles its (or rather our) sewage waste. While the City maintains the local sewage waste lines which run from each property in town, the actual waste processing is done by Palo Alto. Near the Palo Alto Airport, Palo Alto operates a large waste treatment facility which is used by Palo Alto, East Palo Alto, Mountain View, Stanford and Los Altos. Palo Alto has contracted with each City to handle the sewage waste. Each City is required to pay the appropriate share of the operating costs of the facility as well as its share of any capital improvements to the plant.

The sewage fees Los Altos collects are used for 3 purposes: 1-to maintain our sewer system in the City, 2-to cover the cost of repairing and upgrading that system and 3- our portion of the cost to operate, maintain and upgrade the Palo Alto sewage waste facility.

Sewer service charges are based on an annual base charge plus a sewer usage fee based on an approximation of how much sewage a property produces. That usage approximation is estimated based upon water used during low-usage winter months (so as to exclude water used for landscape purposes). Single family residences pay a different rate from multifamily residences or non-residential parcels.

So what happened? Why the sudden and dramatic increase in the rates?

In 2018 the City Council evaluated the rate increase for 2018-2023. At the time the reserves for the sewage system were at 34% whereas the targeted reserve was 25%. Based upon the City being in an "over reserved state", the Council voted for only modest increases of 2-3% a year. This seemed to be a prudent step at the time. However, over that 5-year period, Palo Alto significantly increased its spending, which by contract it is allowed to do without providing advanced notice to the other cities involved in the shared use of the sewage processing plant. That drew our reserves down faster than had been projected. Without a significant increase in the amount each Los Altos property owner pays, the City would have negative reserves by 2024. By 2020, cash reserves were down to 15%. It appears the City Manager at that time, Chris Jordan, did not bring this situation to the attention of the City Council. As a result, the deficit spending just continued for another 3 years. Just as an aside, this is just one of many reasons why a good City Manager is absolutely essential.

### **Why did Palo Alto expenses increase more than planned?**

A number of projects were more expensive than budgeted. One project, the secondary treatment upgrades, primarily drove the increase in expenses, but all the projects were subject to cost inflation that was higher than originally budgeted. Further, the debt service cost also increased more than budgeted.

### **What will happen to sewer charges in the future?**

No one knows for sure. Since much of the increase is to bring back our reserves, in theory increases in 2028 and beyond should be less and rates could conceivably even go down.

### **Will the new housing mandated for Los Altos by the State necessitate an increase in sewer capacity or costs?**

Los Altos has a contractual allocated flow capacity right in the RWQCP treatment plant of 3.8 million gallons per day annual average flow. At present Los Altos averages 1.74 to 2.14 million gallons per day, which is 46-56% of the allocated capacity. This means the housing increases mandated by the new Housing Plan will not, by itself, necessitate any increase in sewer plant capacity or facilities cost. According to Los Altos staff, the RWQCP has no concern about the treatment plant lacking flow capacity in the future for Los Altos or for any of the other cities it serves.

## **Our bottom line**

The City has not made it easy for residents to understand this issue in a clear and concise manner. The notice that was mailed had all of the legally required information, but failed to give us the background and reason for such a large proposed increase. This lack of information and transparency has made many residents even more wary of how the City spends money. This is a problem the City Council needs to address as it affects the City's ability to garner resident support for some of the much-needed projects such as new police and fire stations. Furthermore, by spending money on non-mission critical projects and not on visible, needed improvements, the Council is just feeding public skepticism.

No one is happy when taxes go up. But the reality is we unknowingly all got a bargain for the past few years in our sewer fees. We are now paying for those unrealistically cheap rates. Our advice-if you aren't flush with cash, be careful how often you, uh, flush....and shower, wash clothes and irrigate your yard in the winter because that's when a property's sewage usage is calculated.

Clever remarks to the contrary notwithstanding, as the attorneys would say, we hope this explanation—while not making anyone happy about the unavoidable higher sewer rates---at least provides an understanding of how we got into this situation and why we'll be paying more for our sewage service in the coming years.

## **Friends of Los Altos**

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<https://friendsoflosaltos.org>