DATE: May 22, 2012

AGENDA ITEM # 13

AGENDA REPORT

TO: City Council

FROM: Jim Gustafson, Engineering Services Manager

SUBJECT: Consumer Price Index adjustment for sewer rates

RECOMMENDATION:

Accept an informational report on the Consumer Price Index applicable to the FY 2012-2013 Sewer Service Charge

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SUMMARY:

Estimated Fiscal Impact:

Amount: None. The report is information only.

Budgeted: To be evaluated as part of the 12-13 Budget update

Public Hearing Notice: Not applicable

Previous Council Consideration: March 27, 2012

CEQA Status: Not applicable

Attachments: None

BACKGROUND

This informational report acknowledges the intent to notify Los Altos residents of the Consumer Price Index (CPI) adjustment to be applied to each parcel's sewer service charge as a result of the CPI increase from January 2008 through January 2012.

Municipal Code Section 10.12.230 provides a mechanism for the annual sewer rates to be adjusted by the Consumer Price Index (CPI) for the period prior to the rate adjustment. The Municipal Code section related to this matter is:

10.12.230 - Rate limitation

For Fiscal Year 2008-2009, the rate of the sewer service charge shall not exceed three dollars and three cents ($3.03) per unit of estimated sewer use. If the city council, pursuant to Section 10.12.130 of this article, revises the sewer service charge for any subsequent fiscal year to be higher than three dollars and three cents ($3.03), the revised rate shall not exceed the rate calculated by multiplying three dollars and three cents ($3.03) by the proportional change in the consumer price index for all urban consumers for the San Francisco Bay Area between January 2008 and the January preceding the first fiscal year for which the rate is being revised.

DISCUSSION

The sewer service charge rate has been $3.03 since Fiscal Year 2008-2009. The staff recommendation to defer the Consumer Price Index rate adjustment through Fiscal Year 2011-2012 was previously approved by Council.

It is planned that notice of a sewer rate increase in the allowable amount of 7.25%, the Consumer Price Index for the period from January 2008 through January 2012, be provided to ratepayers for Fiscal Year 2012-2013. The new proposed rate would be $3.03 multiplied by 1.0725, or $3.25. A rate report with associated per-parcel sewer service charges is planned for future Council consideration. Once adopted, the resulting sewer service charges will be posted as a charge on property tax bills for Fiscal Year 2012-2013.

The sewer service charge for FY 2012-2013 must be adopted by resolution no later than July 25, 2012 to meet the County's deadline for items to be posted on the tax roll. State Law requires that a minimum 30-day notice be provided to ratepayers before a rate increase is imposed.

FISCAL IMPACT

The FY 2012-1013 Budget and Five-Year CIP considered and projected a rate increase in the out years through 2015. This approach was taken in anticipation of an updated Sewer Master Plan to be presented to City Council in the next few weeks. With the rate increase reported herein, City-wide sewer revenues for Fiscal Year 2012-2013 will increase by approximately $305,000 and will be used for Sewer Fund-related operating and capital expenditures.