



County of San Mateo

Inter-Departmental Correspondence

Department: GOVERNING BOARD

File #: 21-367

Board Meeting Date: 5/18/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors, Acting as the Governing Board of the Ten County Sewer/Sanitation Districts

From: James C. Porter, Director of Public Works

Subject: Sewer Service Rates and Charges for Ten County Sewer Maintenance and Sanitation Districts Governed by the Board of Supervisors

RECOMMENDATION:

Acting as the Governing Board of the ten County Sewer Maintenance and Sanitation Districts:

- A) Introduction of an ordinance amending Section 4.32.020 for Chapter 4.32 of Title 4 of the San Mateo County Ordinance Code, setting sewer service rates for FY 2021-22 through FY 2023-24 for the Burlingame Hills Sewer Maintenance District and the Crystal Springs County Sanitation District, and waive the reading of the ordinance in its entirety; and
- B) Adopt a resolution setting Tuesday, July 20, 2021 at 9:00 A.M. at the regularly scheduled Board meeting as the time and date for a public hearing on:
 1. The sewer service rate increases for the Burlingame Hills Sewer Maintenance District and the Crystal Springs County Sanitation District; and
 2. Filing of the sewer service charges report for Fiscal Year 2021-22 for the ten (10) County Sewer Maintenance and Sanitation Districts based on the sewer service rates set for FY 2021-22; and
 3. Directing the necessary notices for said hearing.

BACKGROUND:

Sewer service charges are collected on the property tax bill. The charges are based on sewer service rates approved by this Board.

On July 21, 2020, this Board approved the sewer service rates for eight of the ten (10) County Sewer Maintenance and Sanitation Districts (Districts) for three fiscal years (FY 2020-21 through FY 2022-

23) and set sewer service rates for one fiscal year (FY 2020-21) for the Burlingame Hills Sewer Maintenance District (BHSMD) and Crystal Springs County Sanitation District (CSCSD).

The sewer service rates for the BHSMD and CSCSD have been set annually since FY 2012-13 due primarily to the uncertainty of the costs for major capital improvements in the districts and the downstream agency systems.

DISCUSSION:

The Department understands the financial strain as a result of the COVID-19 pandemic has been significant and the difficult choices that the customers of the BHSMD and CSCSD have experienced and may face in the future. The BHSMD and CSCSD must continue to provide vital and critical sewage collection service, emergency response to sewer overflows and backups, routine maintenance and repairs to existing infrastructure, and comply with Federal and State water quality requirements. In addition, costly capital improvement projects in the Districts and at the sewage treatment plants are still being constructed or planned for the next few years.

The Department has evaluated the requirements for the BHSMD and CSCSD and the proposed rates have been developed to finance the following:

1. Continued routine and emergency maintenance (operation and maintenance).
2. Cost for sewage treatment and disposal at downstream sewage treatment plants.
3. The cost to comply with State and Federal Regulations, (required reporting, development of Sewer System Management Plans [SSMP], on-going television inspection of the sewer system, spot repairs identified through the television inspections, and acquisition or replacement of equipment used to maintain and repair the sewer systems).
4. The cost to implement capital improvement projects to increase the size of sewer mains where capacity is insufficient and to rehabilitate or replace structurally damaged sewer mains.
5. Payments pursuant to existing agency agreements for costs associated with downstream system or facility maintenance, improvements, and upgrades.
6. Annual payments by the BHSMD and CSCSD for existing low interest State Revolving Fund (SRF) Loans and other Loan Agreements specific to the district for capital improvement projects completed by downstream agencies.

Additional Factors Contributing to Recommended Rate Adjustments

Recent developments have provided clarity on some of the uncertainties regarding future costs for the BHSMD and CSCSD. Priorities and means to pay for capital improvement projects within and downstream from these districts were identified through working with the representatives of the Burlingame Hills Improvements Association (BHIA), the homeowners' group in BHSMD, and the City of San Mateo (for CSCSD).

The BHIA recommended a modest rate increase of \$67 per equivalent residential unit (ERU) to the BHSMD rates in FY 2020-21 to fund the capital improvement project currently in construction while understanding that the estimated cost of the project (\$2,700,000) would exhaust the BHSMD's

reserve, which had been collected over several years for capital improvements. The County recently provided a 15-year loan of \$465,000 to the BHSMD at the time the construction contract was awarded to preserve the BHSMD's minimum fund reserve for emergencies. Future capital improvement projects estimated to require an additional \$10,000,000 cannot be initiated until further rate increases are implemented to generate the needed revenue. The increases proposed for the next three fiscal years have included funds to repay the County loan and BHSMD's share of the City of Burlingame's (Burlingame) capital improvement program for its sewer collection system and wastewater treatment plant in accordance with the agreement with Burlingame. The Department continues to meet with the BHIA representatives and the City of Burlingame to discuss and explore options impacting future rates.

The City of San Mateo (San Mateo) has implemented a Clean Water Program (CWP) estimated to cost approximately \$1,000,000,000 as a result of the Cease and Desist Order (CDO) issued by the San Francisco Bay Regional Water Quality Control Board, which includes several large sewer and wastewater treatment plant projects for which the CSCSD will pay portions of. The preliminary cost implications of the CWP to the CSCSD are currently estimated to be \$32,600,000, and Department staff are currently working with San Mateo on the financial arrangements between San Mateo and the CSCSD. Preliminary terms under consideration include \$1,600,000 in annual debt payments per year for 30 years. The proposed rate increases for the three fiscal years for the CSCSD support the anticipated debt payments, but future increases will be needed as costs for in-district operation, maintenance, and capital improvement projects continue to rise. The Department will continue to meet with the representatives from San Mateo to discuss project financing and future sewer service options for CSCSD.

As discussed above, developments in both BHSMD and CSCSD have provided some degree of certainty regarding future costs which affect future rates including: anticipated cost of work at the wastewater treatment plants and the downstream collection systems, financial arrangements for capital improvements to district or downstream facilities, and the long-term financial impacts as a result of complying with the requirements of the CDO. Therefore, we are proposing to set the sewer service rates for three (3) years (FY 2021-22 through 2023-24) for the BHSMD and CSCSD.

Due to the current COVID-19 pandemic and health concerns of staff and the rate payers, all meetings with property owners have been or will be virtual. The Department will prepare and post informational documents regarding the proposed rate increases on its website at: <https://publicworks.smcgov.org/rates> <<https://publicworks.smcgov.org/SSR>>2021. District customers will be informed of this link, the virtual public meeting, and have the opportunity to submit questions they may have. Responses to the questions will also be posted online prior to the public hearing.

The process to be followed to set the sewer service rates and adopt the sewer service charges includes:

- 1) Amend the Ordinance Code to set the FY 2021-22 through 2023-24 sewer service rates used to calculate the sewer service charge fee for each property within the BHSMD and CSCSD.
- 2) Second reading and adoption of the amended ordinance on July 20, 2021 setting sewer service rates for FY 2021-22 through 2023-24 for the BHSMD and CSCSD.
- 3) Hold a public hearing and receive testimony on (1) the sewer service rate increases for the

BHSMD and CSCSD and (2) the Sewer Service Charges for the ten (10) Districts calculated based on the adopted sewer service rates.

- 4) After considering all written and oral objections to the sewer service rates and the Sewer Service Charges for all ten (10) Districts, close the public hearing and determine if there is a majority protest to the proposed sewer service rates for the BHSMD or the CSCSD.
- 5) If there is a majority protest in either the BHSMD and CSCSD, terminate this Board’s consideration of imposing a sewer service rate increase in that district and set the sewer service rate for FY 2021-22 at the same sewer service rate in effect for FY 2020-21 for that district.

In addition, Article XIIC and XIID of the State Constitution requires an individual notice of the hearing to consider any new or increased property related fees, including sewer fees, and a mechanism for rejecting the fees via a “majority protest” at the public hearing. The Department recommends that this Board direct the Department to notify each property owner within the BHSMD and CSCSD of the proposed sewer service rates and charges by mail and to explain that protests to the sewer service rates must be in writing.

County Counsel has reviewed and approved the ordinance and resolution as to form.

FISCAL IMPACT:

The following are the current sewer service rates and proposed sewer service rates for FY 2021-22 through 2023-24 that the Department believes are needed to cover the costs as explained above:

District	Sewer Service Rate (\$/Year Per Equivalent Reside Unit)			
	FY 2020-21	Proposed Rates		
		FY 2021-22	FY 2022-23	FY 2023-24
Burlingame Hills SMD	\$1,742	\$1,812	\$1,892	\$1,982
Crystal Springs CSD	\$1,585	\$1,664	\$1,747	\$1,834

The Department estimates that it will cost approximately \$2,697 (\$1.41 per rate payer in the two districts) to prepare, print, and mail individual notices to each rate payer regarding the proposed increases. This cost will be paid from the revenues of the respective two districts.

There is no impact to the General Fund.