



County of San Mateo

Inter-Departmental Correspondence

Department: GOVERNING BOARD

File #: 23-336

Board Meeting Date: 5/23/2023

Special Notice / Hearing: None
Vote Required: Majority

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

From: Ann M. Stillman, 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 the San Mateo County Ordinance Code, setting sewer service rates for Fiscal Year (FY) 2023-24 through FY 2027-28 for eight (8) districts, and waive the reading of the ordinance in its entirety; and
- B) Adopt a resolution setting Tuesday, July 25, 2023, at 9:00 A.M. at the regularly scheduled Board meeting as the time and place for a public hearing on:
 1. The sewer service rate increases for eight (8) County Sewer Maintenance and Sanitation Districts; and
 2. Filing of the sewer service charges report for Fiscal Year 2023-24 for the ten (10) County Sewer Maintenance and Sanitation Districts based on the sewer service rates set for Fiscal Year 2023-24; 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 (8) 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).

On July 20, 2021, this Board approved the sewer service rates for the BHSMD and CSCSD for three fiscal years (FY 2021-22 through FY 2023-24).

DISCUSSION:

The Department understands that many customers in the County sewer maintenance and sanitation districts (Districts) have experienced the financial strain that the COVID-19 pandemic and the recent inflation rates have placed on them and the difficult choices they may be facing now and potentially into the future. The Districts 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.

The County-operated Districts vary significantly in the number of properties that they serve and range from 15 to slightly over 7,300 parcels. The limited ratepayer bases of seven (7) of the eight (8) Districts with proposed sewer rate increases are major contributing factors for the substantial amounts for these Districts. The previous increases to the sewer service rates enabled the Districts to replace over 4.8 miles or over 25,000 feet of sewer pipes since 2019, continue to provide 24/7 courtesy services and emergency responses to sewage backup in sewer laterals and mainline overflows during the three year Covid-19 pandemic, and most recently the severe atmospheric river storm events during the first three months of 2023.

Additionally, capital improvement projects are underway or planned for the next few years in the Districts and at the Silicon Valley Clean Water (SVCW) sewage treatment plant. The sewage from the eight Districts requiring rate adjustments is transported to the SVCW plant through the collection systems of the cities of Redwood City and San Carlos (Downstream Systems) for treatment and disposal. SVCW has estimated that project expenditures over \$330,000,000 will be spent in the next decade. Now in its fifteenth year of planned capital improvement projects, SVCW has completed over 130 projects thru December 2021 and spent \$620,000,000 as of April 2022 on capital improvement projects.

The Department has evaluated the requirements for each District 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 wastewater 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 acquisitions 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

Additional Factors Contributing to Recommended Rate Adjustments

The proposed rates for the eight districts consider the estimated financial obligations for the SVCW projects and increased operation and maintenance costs for FY 2023-24 through FY 2027-28. The SVCW project costs are a significant primary reason and a portion of the proposed FY 2023-24 through FY 2027-28 rate increases.

Virtual public meetings with property owners were held from May 9 to May 16, 2023 to allow flexibility for customers. The Department has prepared and posted informational documents regarding the proposed rate increases on its website at: <https://www.smcgov.org/publicworks/SSR>. District customers have been informed of this link and had the opportunity to submit questions. Responses to the questions will be part of the posted information.

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 2023-24 through FY 2027-28 sewer service rates used to calculate the sewer service charge fee for each property for the eight (8) Districts
- 2) Second reading and adoption of the amended ordinance on July 25, 2023, setting sewer service rates for FY 2023-24 through FY 2027-28 for the eight (8) Districts
- 3) Hold a public hearing and receive testimony on (1) the sewer service rate increases for the eight (8) Districts 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 for the eight (8) Districts and the Sewer Service Charges for the ten (10) Districts, close the public hearing and determine if there is a majority protest to the proposed sewer service rates.
- 5) If there is a majority protest in any of the eight (8) Districts, terminate this Board's consideration of imposing a sewer service rate increase in that District and set the sewer service rate for FY 2023-24 at the same sewer service rate in effect for FY 2022-23 for that District while setting the FY 2023-24 through FY 2027-28 sewer service rates as proposed in the other Districts.

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 eight (8) Districts 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 Attorney 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 2023-24

through FY 2027-28 that the Department believes are needed to cover the costs as explained above. The previously adopted rates for FY 2023-24 for the BHSMD and CSCSD are listed as well.

District	2023-24	2024-25	2025-26	2026-27	2027-28
Burlingame Hills SMD	\$1,742	Rates to be evaluated during FY 2023-24			
Crystal Springs CSD	\$1,585	Rates to be evaluated during FY 2023-24			
Devonshire CSD	\$1,680	\$1,740	\$1,800	\$1,860	\$1,920
Edgewood SMD	\$1,720	\$1,785	\$1,850	\$1,915	\$1,980
Emerald Lake Heights SMD - Zone 1	\$1,785	\$1,855	\$1,925	\$1,995	\$2,065
Emerald Lake Heights SMD - Zone 2	\$1,785	\$1,855	\$1,925	\$1,995	\$2,065
Fair Oaks SMD	\$1,055	\$1,095	\$1,135	\$1,175	\$1,215
Harbor Industrial SMD	\$685	\$725	\$765	\$805	\$845
Kensington Square SMD	\$1,850	\$2,050	\$2,250	\$2,450	\$2,650
Oak Knoll SMD	\$1,645	\$1,745	\$1,845	\$1,945	\$2,045
Scenic Heights CSD	\$2,395	\$2,595	\$2,795	\$2,995	\$3,195

The Department estimates that it will cost approximately \$10,000 (\$1 per rate payer in the eight Districts) to prepare, print, and mail individual notices to each ratepayer regarding the proposed increases. This cost will be paid from the revenues of the respective Districts.

There is no direct impact to the General Fund. However, sewer service charges are levied on property that is either leased or owned by the County where sewer service is provided.