



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** GOVERNING BOARD

**File #:** 16-173

Board Meeting Date: 6/6/2017

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**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 the Ten County Sewer/Sanitation Districts Governed by the Board of Supervisors

**RECOMMENDATION:**

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

- A. Introduction of an ordinance amending Section 4.32.020 of Chapter 4.32 of Title 4, of the San Mateo County Ordinance Code, setting sewer service rates for FYs 2017-18 through FY 2019-20 for eight districts, setting the FY 2017-18 sewer service rates at the same levels as the FY 2016-17 rates 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 25, 2017 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 rates for the eight (8) County Sewer/Sanitation Districts; and
  2. Filing of the sewer service charges report for FY 2017-18 for the ten (10) County Sewer/Sanitation Districts based on the sewer service rates set for FY 2017-18; 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 your Board.

In 2012, your Board approved the sewer service rates for eight (8) of the ten (10) districts (Districts) for five fiscal years beginning in FY 2012-13 through FY 2016-17. However, sewer service rates for the Burlingame Hills Sewer Maintenance District (BHSMD) and the Crystal Springs County Sanitation District (CSCSD) were set for FY 2012-13 only. At your Board's direction, the Department has been

working with homeowner association representatives from the BHSMD and the CSCSD to address the issues specific to these districts. The sewer service rates for these two districts have been set annually due to the uncertainty of funding required to maintain and operate both districts, and the cost of major capital improvements in both districts.

In 2016, your Board approved the FY 2016-17 sewer service rates at the same level as the FY 2015-16 rates for the BHSMD and the CSCSD, which have not changed since they were set in 2012.

### **DISCUSSION:**

We have evaluated the requirements for each district and have developed the proposed rates to finance:

1. Continued routine and emergency maintenance (operation and maintenance).
2. Cost for sewage treatment and disposal.
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 systems, 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 BHSMD and CSCSD for existing low interest State Revolving Fund (SRF) Loan Agreements specific to these districts for capital improvement projects completed with SRF financing.

### **State and Federal Regulations Regarding Sanitary Sewer Overflows from Sewer Collection Systems**

The Districts governed by your Board serve approximately 12,000 properties and finance the operation and maintenance of approximately 150 miles of sewer mains as well as the cost of treating the sewage collected by the Districts. The operation of the Districts' sewer collection systems is regulated by the San Francisco Bay Regional Water Quality Control Board (Regional Water Board), the State Water Resources Control Board (State Water Board), and the Environmental Protection Agency (EPA) pursuant to the Federal Clean Water Act. Compliance with various agency regulations is included in the proposed rate structures.

Sanitary Sewer Overflows (SSO) from sewer collection systems contain domestic, commercial, or industrial sewage. SSO's can pollute surface or ground waters, threaten public health, adversely affect aquatic life, and impair the recreational use and aesthetic enjoyment of surface waters. Sewer main blockages that result in SSO's can also create sewage back-ups into houses causing property damage and creating a public health hazard to those who come in contact with the untreated sewage. The Districts have been required to report all SSOs within specific timeframes to the State Water Board's online electronic reporting system, a publicly accessible website. Effective September 9, 2013 the Districts have been required to report any SSO greater than or equal to 1,000 gallons

that reaches surface waters (creek, bay, ocean, storm drainage system, etc.) to the State Office of Emergency Services within two hours of becoming aware of the SSO. Reporting requirements have continued to increase and require significant staff time.

Both the Regional Water Board and the State Water Board have implemented requirements that all sanitary sewer collection system agencies prepare SSMP pursuant to Sections 13263 and 13267 of the California Water Code. The SSMP describes the activities each sewer/sanitation district will employ to manage their wastewater collection systems effectively and must be updated regularly.

The State Water Board adopted Statewide General Waste Discharge Requirements (WDR) for Wastewater Collection Agencies on May 2, 2006. The WDR established monitoring and reporting requirements as well as SSMP requirements and timelines. These requirements and timelines were modified further in 2013 to include the development and implementation of an SSO Water Quality Monitoring Program. All federal and state agencies, municipalities, counties, districts, and other public entities that own or operate sanitary sewer systems greater than one mile in length are required to comply with the WDR.

#### Public Input Process

The Department sent a letter to every property owner in each of the eight districts in April/May 2017 notifying them of the proposed rates and inviting them to attend a community meeting specific to their district to discuss the proposed rates and obtain their input. The community meetings were held in May 2017 and included presentations from staff.

Staff has continued to meet with representatives from the BHSMD Homeowners Association (HOA) and has provided periodic updates to the CSCSD HOA regarding district and downstream projects, future sewer service rates, and issues specific to their district. There are uncertainties regarding future costs for both the BHSMD and the CSCSD. Capital improvement projects within and downstream of both of these districts were identified through work required by the expired Baykeeper Consent Decree (for BHSMD) and a Cease and Desist Order (CDO) from the Regional Water Board (affecting CSCSD). As a requirement of the Consent Decree, the BHSMD developed a revised capital improvement project list, which prioritized several sewer pipe replacement projects with estimated costs. The City of San Mateo (City) is implementing a Clean Water Program as a result of the CDO, which includes several large sewer and wastewater treatment projects for which the CSCSD will pay portions of. The cost implications of the City's projects to the CSCSD and the financial arrangements between the City and the CSCSD have not been determined yet. The resolution of these issues will have a direct financial impact on the districts.

The BHSMD is currently in the process of completing the capacity improvement project for approximately 4,800 linear feet of sewer mains on Canyon Road, and in the easements near Adeline Drive.

The Department will continue to meet with the representatives from the BHSMD and the CSCSD on an as-needed basis during FY 2017-18, to discuss future sewer service rates and develop a rate structure to ensure that the existing commitments and outstanding issues mentioned previously can be met by the Districts.

All of the districts face some uncertainties regarding future costs which will 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 State Water Boards. Therefore, we are proposing to set the sewer service rates for the next three (3) fiscal years only (FYs 2017-18 through 2019-20) for eight (8) of the districts and for one year (FY 2017-18) for the BHSMD and the CSCSD.

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

1. Amend the Ordinance Code to:
  - a) Set the FYs 2017-18 through 2019-20 sewer service rates used to calculate the sewer service charge fee for each property for eight (8) Districts.
  - b) Set the FY 2017-18 sewer service rate used to calculate the sewer service charge fee for each property within the BHSMD at \$1,595 per year per residential unit equivalent.
  - c) Set the FY 2017-18 sewer service rate used to calculate the sewer service charge fee for each property within the CSCSD at \$1,350 per year per residential unit.
2. Second reading and adoption of the amended ordinance on July 25, 2017 setting sewer service rates for FYs 2017-18 through 2019-20 for the eight (8) Districts and for FY 2017-18 for the BHSMD and CSCSD.
3. Hold a public hearing and receive testimony on (1) the sewer service rate increases for the eight Districts and (2) the Sewer Service Charges for 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 eight (8) Districts and 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 rate for the eight (8) Districts.
5. If there is a majority protest in any of the eight (8) Districts, terminate your consideration of imposing a sewer service rate increase in that District and set the sewer service rate for FY 2017-18 at the same sewer service rate in effect for FY 2016-17.

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. We are recommending that your Board direct the Department to notify each property owner within the Districts, with the exception of BHSMD and CSCSD, of the proposed annual sewer service rate and charges by mail and to explain that protests to the sewer service rate must be in writing.

Individual notice to property owners in the BHSMD and CSCSD is not required, as the sewer service rates are not proposed to increase.

Due to the uncertainty of Federal Emergency Management Agency (FEMA) reimbursement, future rates for CSCSD and Emerald Lake Heights Sewer Maintenance District may be impacted due to

damage sustained to the District from the 2017 winter storms.

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

Setting of the sewer service rates contributes to the Shared Vision 2025 outcome of a Healthy Community by providing revenue to the ten (10) sewer districts and allowing for uninterrupted service to district customers.

**FISCAL IMPACT:**

The following are the current sewer service rates, proposed sewer service rates for FY 2017-18 for the BHSMD and CSCSD, and the proposed sewer service rates for the next three (3) fiscal years in eight (8) districts that we believe are needed to cover the costs as explained above. We are not proposing any increases to the sewer service rates for the BHSMD and the CSCSD for the FY 2017-18.

<i>District</i>	<b>Sewer Service Rate Per FY (\$/Year Per Equivalent Residential Unit)</b>			
		<i>Proposed Rates</i>		
	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Burlingame Hills SMD	\$1,595	\$1,595	Rates to be evaluated during FY 2017-18	
Crystal Springs CSD	\$1,350	\$1,350	Rates to be evaluated during FY 2017-18	
Devonshire CSD	\$1,125	\$1,240	\$1,365	\$1,500
Edgewood SMD	\$1,325	\$1,405	\$1,490	\$1,580
Emerald Lake SMD - Zone 1	\$1,280	\$1,345	\$1,415	\$1,490
Emerald Lake SMD - Zone 2	\$1,010	\$1,280	\$1,415	\$1,490
Fair Oaks SMD	\$620	\$680	\$750	\$825
Harbor Industrial SMD	\$370	\$410	\$450	\$495
Kensington Square SMD	\$1,175	\$1,230	\$1,290	\$1,350
Oak Knoll SMD	\$1,050	\$1,155	\$1,270	\$1,395
Scenic Heights CSD	\$1,200	\$1,440	\$1,650	\$1,895

We estimate that it will cost approximately \$7,930 (\$0.785 per rate payer in the Districts) to prepare, print and mail individual notices to each rate payer in the eight (8) Districts with proposed increases. This cost will be paid from the revenues of the respective Districts.

There is no impact on the General Fund.