



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** GOVERNING BOARD

**File #:** 16-398

Board Meeting Date: 7/25/2017

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**Special Notice / Hearing:** Complied with Required Notification / **Public Hearing Required**  
**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:** Adoption of: (1) Proposed Sewer Service Rates; and (2) Fiscal Year 2017-18 Sewer Service Charges Report 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, conduct a public hearing:

- A) Open public hearing
- B) Close public hearing
- C) Adopt an ordinance to amend 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 six (6) Districts, setting sewer service rates for FY 2017-18 for the Fair Oaks Sewer Maintenance District and the Harbor Industrial Sewer Maintenance District, and setting the FY 2017-18 sewer service rates at the same level as the FY 2016-17 rates for the Burlingame Hills Sewer Maintenance District and the Crystal Springs County Sanitation District previously introduced on June 6, 2017, and waive the reading of the ordinance in its entirety; and
- D) Adopt a resolution:
  - 1. Authorizing the imposition of sewer service charges for FY 2017-18; and
  - 2. Directing the filing of the FY 2017-18 Sewer Service Charges Report for the ten County Sewer/Sanitation Districts with the County Controller; and

3. Authorizing the Director of Public Works to refund any overcharge resulting from data, data entry, or computation errors.

**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 been increased for five and four fiscal years, respectively.

At the June 6, 2017 Board meeting, your Board considered the Department's recommendation of three-year rates for eight districts and directed the Department to set the sewer service rate for one year (FY 2017-18) only for the Fair Oaks Sewer Maintenance District (FOSMD) and the Harbor Industrial Sewer Maintenance District (HISMD). Your Board also directed the Department to evaluate a sewer service rate structure that specifically considers mobile home parks and low income residents. The FOSMD and the HISMD are the only districts with mobile home parks.

Your Board adopted Resolution No. 075206 on June 6, 2017, which set 9:00 a.m. on July 25, 2017, in your Chambers as the time and place for a public hearing to consider the sewer service rate increases for the eight (8) Districts and the filing of the FY 2017-18 Sewer Service Charges Report for the ten (10) Districts, and directed the Director of Public Works to send the necessary notices for said hearing.

The process to be followed in adopting the Sewer Service Rates for the eight (8) Districts, setting the Sewer Service Rate for FY 2017-18 for the BHSMD and CSCSD, and adopting the Sewer Service Charges Report for FY 2017-18 includes:

1. Hold a public hearing and receive testimony on: a) increasing the sewer service rates for the eight (8) Districts and; b) imposing the sewer service charges for all ten (10) Districts calculated on the basis of the adopted sewer service rates.
2. After considering all written and oral objections to the sewer service rates for the eight (8) Districts and charges for all ten (10) Districts, close the public hearing and determine if there is a majority protest to the proposed sewer service rates in any of the Districts.
3. 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 for that District at the same sewer service rate in effect for FY 2016-17, and direct Department staff to recalculate the Sewer Service Charges for that District.

4. If there is not a successful majority protest, adopt the ordinance amending Section 4.32.020 of Chapter 4.32 of Title 4, of the San Mateo County Ordinance Code increasing the sewer service rates for FY 2017-18 through 2019-20 for six (6) of the Districts and for FY 2017-18 for FOSMD and HISMD.
5. Adopt a resolution authorizing the imposition of sewer service charges for FY 2017-18, and authorizing the filing of the FY 2017-18 Sewer Service Charges Report for all ten (10) Districts with the Controller.

### **DISCUSSION:**

The Districts governed by your Board currently provide sanitary sewage collection, transport, treatment and disposal services as well as ancillary field and office services to approximately 12,000 residences, businesses, schools, and institutions in ten (10) areas of San Mateo County. Virtually all of the revenue to provide these services in each District is generated by a user fee, the sewer service charge.

Our June 6, 2017 Board report explained the need for the sewer rate increases for the eight (8) Districts, and adoption of the Sewer Service Charges Report based on the adopted sewer service rates. The report also described the proposed process to be followed pursuant to the County Ordinance Code.

Staff met with a Board subcommittee of Supervisors Slocum and Horsley on June 26, 2017 to discuss rate structure options for mobile home units. The subcommittee concluded that given the requirements outlined from Proposition 218, the current rate structure should be maintained in its current form.

Notices were sent to the property owners of the approximately 10,500 parcels in the eight (8) Districts informing them of the proposed rate increases and charges for each specific property, the reason for the charges, and the time, place, and date when your Board would consider the proposed rates and charges. The required notices of the filing of the Sewer Service Charges Report and of the time and place of the hearing were published as stipulated in the County Ordinance Code requirements. The purpose of the public hearing is to allow your Board to hear and consider any objections and written protests to the proposed sewer service rates and the Sewer Service Charges Report based on the adopted rates.

### **Public Input Process**

The Department sent a letter to every property owner in each of the eight (8) districts in April 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. After the Board meeting on June 6, 2017, the Department sent a second mailing to property owners in the eight (8) Districts with proposed rate increases, which provided them with the proposed rates and information about the time and place of the public hearing. This mailing complied with Article XIII C and XIII D of the State Constitution by individually noticing each property owner of record of the proposed increases in the property related

fee and a mechanism for rejecting the fees via a “majority protest” at the public hearing.

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 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 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 yet been determined yet. The resolution of these issues will have a direct financial impact on the districts.

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 six (6) of the districts, for one year (FY 2017-18) for the FOSMD and HISMD as directed by your Board, and for one year (FY 2017-18) for the BHSMD and the CSCSD.

The following table indicates the number of written protests to the proposed sewer service rate increases that were received at the time this report was prepared.

<b><i>District</i></b>	<b><i>No. of Properties in District</i></b>	<b><i>Written Protests Received</i></b>	<b><i>Percent (%)</i></b>
Devonshire CSD	302	2	0.66
Edgewood SMD	18	0	0
Emerald Lake Heights SMD - Zone 1	193	0	0
Emerald Lake Heights SMD - Zone 2	1,771	10	0.56
Fair Oaks SMD	7,501	5	0.07

Harbor Industrial SMD	70	0	0
Kensington Square SMD	74	0	0
Oak Knoll SMD	132	0	0
Scenic Heights CSD	53	0	0

We will report to your Board on any written protests that are received up to and including the date and time of the public hearing.

### **Alternates to Consider**

After the close of the hearing, if there is not a majority protest, your Board can reduce the sewer service rate(s) as you may determine appropriate. However, reducing the proposed rate(s) would require identifying a source of funding, such as a loan, if the District's incurred expenses could not be financed based on the adopted rates. Additional impacts to the Districts could include reduced maintenance; deferred capital improvements; or the Districts not meeting State mandates.

We believe the recommended sewer service charges are appropriate as they have been calculated in conformance with the proposed sewer service rates, provide the funding necessary to maintain the collection systems of the Districts, allow the Districts to meet their contractual commitments, and meet current State mandates.

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 these Districts from the 2017 winter storms.

County Counsel has reviewed and approved an Ordinance and Resolution as to form, and we will provide an alternate form of ordinance and resolution if there is a majority protest.

Your Board's adoption of the Sewer Service Charges Report contributes to the Shared Vision 2025 outcome of a Healthy Community by providing revenue to the ten (10) Districts and allowing for uninterrupted service to District customers.

### **FISCAL IMPACT:**

The following are the current and proposed sewer service rates:

<b>District</b>	<b>Sewer Service Rate Per FY (\$/Year Per Equivalent Residential Unit)</b>			
		<b><i>Proposed Rates</i></b>		
	<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	Rates to be evaluated during FY 2017-18	
Harbor Industrial SMD	\$370	\$410	Rates to be evaluated during FY 2017-18	
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

Adoption of the FY 2017-18 Sewer Service Charges Report and its electronic filing with the Controller will result in the user charges contained therein being placed on the tax roll. The charges will appear on the FY 2017-18 tax bill of each affected property and be collected in the same manner as the property tax. The estimated sewer service charges for FY 2017-18 for the ten County Sewer / Sanitation Districts are listed in Attachment A. Additionally, a \$1.42 per parcel charge will be levied by the Controller based on the Controller's rates schedule approved by your Board for the costs associated with levying the charges on the tax bill.

There is no direct impact to the General Fund. However, sewer service charges are levied on properties that are either leased or owned by the County that are in the Districts and which are provided sewer service.

**Attachment A:** Estimated Sewer Service Charges for FY 2017-18 for the Ten County Sewer / Sanitation Districts