



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** GOVERNING BOARD

**File #:** 19-459

Board Meeting Date: 6/4/2019

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

**RECOMMENDATION:**

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

- A) Introduction of an ordinance amending Section 4.32.020 for Chapter 4.32, of the San Mateo County Ordinance Code, setting the sewer service rates for FY 2019-20 for the Crystal Springs County Sanitation District, Fair Oaks Sewer Maintenance District, and the Harbor Industrial Sewer Maintenance District, setting the FY 2019-20 sewer service rate at the same level as the FY 2018-19 rate for the Burlingame Hills Sewer Maintenance District, and waive the reading of the ordinance in its entirety; and
- B) Adopt a resolution setting Tuesday, July 23, 2019 at 10:00 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 three (3) County Sewer/Sanitation Districts; and
  - 2. Filing of the sewer service charges report for FY 2019-20 for the ten (10) County Sewer/Sanitation Districts based on the sewer service rates set for FY 2019-20; 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.

On July 25, 2017, your Board approved the sewer service rates for six of the 10 districts (Districts) for three fiscal years (FY 2017-18 through FY 2019-20); set sewer service rates for the Burlingame Hills

Sewer Maintenance District (BHSMD) and Crystal Springs County Sanitation District (CSCSD) for FY 2017-18 at the same level as the FY 2016-17 rates; and set rates for one fiscal year (FY 2017-18) for the Fair Oaks Sewer Maintenance District (FOSMD) and the Harbor Industrial Sewer Maintenance District (HISMD).

The sewer service rates for the BHSMD and CSCSD have been set annually for several fiscal years due primarily to the uncertainty of the costs for major capital improvements in the districts and the downstream agency systems.

On July 26, 2018, your Board set the sewer service rates for the BHSMD, CSCSD, FOSMD, and HISMD for FY 2018-19 only.

### **DISCUSSION:**

We have evaluated the requirements for each District and are recommending rate increases for the CSCSD, FOSMD, and HISMD. We also recommend that rates remain unchanged in BHSMD. 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.
6. Annual payments by the BHSMD and CSCSD for existing low interest State Revolving Fund (SRF) and other Loan Agreements specific to the district for capital improvement projects completed by downstream agencies.

### **Public Input Process**

The Department sent a letter to every property owner in each of the three districts with proposed rate increases in April 2019 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 April/May 2019 and included presentations from staff.

There are uncertainties regarding future costs for both CSCSD and FOSMD. Capital improvement projects within and downstream from both of these districts were identified through work required by a Cease and Desist Order (CDO) to the City of San Mateo (San Mateo) affecting CSCSD, and the National Pollutants Discharge Elimination System permit (NPDES) to the Silicon Valley Clean Water (SVCW) regional wastewater treatment plant affecting the FOSMD from the Regional Water Board.

### Additional Factors Contributing to Recommended Rate Adjustments

San Mateo has implemented their Clean Water Program (CWP) estimated to cost approximately \$1 billion as a result of the CDO, 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 estimated to be \$22.5 million and the financial arrangements between San Mateo and the CSCSD have not been finalized, but are estimated to be approximately \$1.4 million in debt payments per year for 30 years. The resolution of these issues will have a significant and direct financial impact on the CSCSD. The proposed rate increase for the CSCSD supports a portion of the anticipated debt payments but is not adequate for the total estimated annual debt payment amount.

The wastewater from both the FOSMD and HISMD is transported through collection systems of the cities of Redwood City and San Carlos, respectively. Sewage from these districts and the six other districts are treated at the Silicon Valley Clean Water (SVCW) treatment plant. The SVCW is moving forward with capital improvement projects that were initiated in 2008 and are estimated to cost \$850 million in total. The remaining SVCW capital improvement projects are estimated to cost \$559 million and will generally be funded through bond financing. Through their respective agreements with Redwood City and San Carlos, the FOSMD and HISMD are responsible for their proportionate shares of SVCW's annual expenditures, including capital improvements. The proposed rates for the FOSMD and HISMD consider the estimated financial obligations for the SVCW projects and increased operation and maintenance costs for FY 2019-20. The SVCW costs are the primary reason for the proposed FY 2019-20 rate increases. Similar rate increases are anticipated for the future fiscal years.

As discussed above, 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 one (1) year (FY 2019-20) for the BHSMD, CSCSD, FOSMD, and HISMD.

The Department will continue to meet with the representatives from BHSMD, the CSCSD, and the Cities of Burlingame, San Mateo and Redwood City on an as-needed basis during FY 2019-20, to discuss project financing options and future sewer service rates that support the existing commitments and the significant financial issues mentioned.

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 FY 2019-20 sewer service rate used to calculate the sewer service charge fee for each property within the BHSMD at \$1,675 per year per residential unit equivalent.
  - b) Set the FY 2019-20 sewer service rate used to calculate the sewer service charge fee for each property within the CSCSD at \$1,485 per year per residential unit equivalent.
  - c) Set the FY 2019-20 sewer service rate used to calculate the sewer service charge fee for each property within the FOSMD at \$925 per year per residential unit equivalent.
  - d) Set the FY 2019-20 sewer service rate used to calculate the sewer service charge fee

for each property within the HISMD at \$555 per year per residential unit equivalent.

- 2) Second reading and adoption of the amended ordinance on July 23, 2019 setting sewer service rates for FY 2019-20 for the BHSMD, CSCSD, FOSMD, and HISMD.
- 3) Hold a public hearing and receive testimony on (1) the sewer service rate increases for the CSCSD, FOSMD, and HISMD 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 the CSCSD, FOSMD, and HISMD and the Sewer Service Charges for ten (10) Districts, close the public hearing and determine if there is a majority protest to the proposed sewer service rate for the CSCSD, FOSMD, and HISMD.
- 5) If there is a majority protest in any of the three (3) Districts, terminate your consideration of imposing a sewer service rate increase in that District and set the sewer service rate for FY 2019-20 at the same sewer service rate in effect for FY 2018-19 for that District while setting the FY 2019-20 sewer service rate 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. We are recommending that your Board direct the Department to notify each property owner within the CSCSD, FOSMD, and HISMD of the proposed sewer service rate and charges by mail and to explain that protests to the sewer service rate must be in writing.

The Department continues to work with the Federal Emergency Management Agency (FEMA) for reimbursement of damages sustained by the CSCSD from the 2017 winter storms. Future rates for the CSCSD may be impacted depending upon future FEMA reimbursements for the repair project.

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 and proposed sewer service rates for FY 2019-20 for the BHSMD, CSCSD, FOSMD, and HISMD that we believe are needed to cover the costs as explained above.

District	Sewer Service Rate (\$/Year Per Equivalent Residential Unit)	
	FY 2018-19	Proposed Rates FY 2019-20
Burlingame Hills SMD	\$1,675	\$1,675
Crystal Springs CSD	\$1,415	\$1,485

Fair Oaks SMD	\$850	\$925
Harbor Industrial SMD	\$505	\$555

We estimate that it will cost approximately \$7,100 (\$0.785 per rate payer in the Districts) to prepare, print, and mail individual notices to each rate payer in the CSCSD, FOSMD, and HISMD with proposed increases. This cost will be paid from the revenues of the respective Districts.

There is no impact to the General Fund.