



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** GOVERNING BOARD

**File #:** 19-726

Board Meeting Date: 7/23/2019

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**Special Notice / Hearing:** Complied with the 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 2019-20 Sewer Service Charges Report for the 10 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 FY 2019-20 for the Crystal Springs County Sanitation District, the Fair Oaks Sewer Maintenance District, and the Harbor Industrial Sewer Maintenance District, previously introduced on June 4, 2019, 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, previously introduced on June 4, 2019, 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 2019-20; and
  - 2. Directing the filing of the FY 2019-20 Sewer Service Charges Report (the "Charges Report") for the 10 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 computational errors; and
4. Authorizing the Director of Public Works to revise the Charges Report as a result of any parcel changes received from the County Assessor and/or County Controller and to file the revised Charges Report with the County Controller.

**BACKGROUND:**

Sewer service charges are collected on the property tax bill for each parcel receiving services from one of these Sewer/Sanitation Districts. 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 (6) of the ten (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 due primarily to the uncertainty of the cost of major capital improvements in the districts and the downstream agency system.

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

Your Board adopted Resolution No. 076635 on June 4, 2019, which set 10:00 a.m. on July 23, 2019, in your Chambers, as the time and place for a public hearing to consider the sewer service rate increases for the three (3) Districts (CSCSD, FOSMD, and HISMD) for FY 2019-20 and the filing of the FY 2019-20 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 three (3) Districts, and adopting the Sewer Service Charges Report for FY 2019-20, includes the following steps:

1. Hold a public hearing and receive testimony on: a) increasing the sewer service rates for the three Districts and; b) imposing the sewer service charges for all ten 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 three Districts and charges for all ten 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 three Districts, terminate your consideration of imposing a sewer service rate increase in that District and set the sewer service rate for FY 2019-20 for that District at the sewer service rate in effect for FY 2018-19, and direct Department staff to recalculate 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 2019-20 for CSCSD, FOSMD, and HISMD.
  
5. Adopt a resolution authorizing the imposition of sewer service charges for FY 2019-20 and authorizing the filing of the FY 2019-20 Sewer Service Charges Report with 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, school, 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 4, 2019 Board report explained the need for the sewer rate increases for the three (3) Districts (CSCSD, FOSMD, and HISMD), 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. Additionally, as of the date that the attached Charges Report was developed, the data for the relevant tax rate areas was still being finalized by the County. The proposed Resolution therefore authorizes the Director of Public Works to revise the Charges Report as a result of any parcel changes received from the County Assessor and/or County Controller on or after July 17, 2019, as well as to refund, during the fiscal year, any overcharges resulting from any such errors in the Charges Report. The Districts will refund any errors found with the submittal of proof of payment of the charges levied on the tax roll.

Notices were sent to the property owners of the approximately 9,030 parcels in the three (3) 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 all property owners in each of the three (3) Districts in April 2019 notifying them of the proposed rate increases 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 and May 2019 and included presentations from staff. After the Board meeting on June 4, 2019, the Department sent a second mailing to property owners in the three (3) Districts, which provided them with the proposed rates and information about the time and place of the public hearing. This mailing complied with Article XIIC and XIID 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.

### Additional Factors Contributing to Recommended Rate Adjustments

The City of San Mateo (San Mateo) has implemented their Clean Water Program (CWP), estimated to cost approximately \$1 billion, in response to the Cease and Desist Order issued by the Regional Water Quality Control Board. The CWP includes several large sewer and wastewater treatment plant projects and CSCSD will pay portions of the project costs, since that District is served by the CWP facilities.

Staff has preliminarily determined that CSCSD will be responsible for approximately \$22.5 million for CWP work and, while the financial arrangements between San Mateo and the CSCSD have not been finalized, staff estimates that CSCSD will make annual debt payments of approximately \$1.4 million each for 30 years. The CWP has a significant and direct financial impact on the CSCSD. The proposed rate increase for the CSCSD supports a portion of the anticipated debt payments for the CWP 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 other six districts are treated at the Silicon Valley Clean Water (SVCW) treatment plant. The SVCW is moving forward on 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 account for each District's estimated financial obligations for the SVCW projects for FY 2019-20. The SVCW project costs are the primary reason for the proposed FY 2019-20 rate increases. Similar rate increases are anticipated for future fiscal years for all of the six districts that flow to the SVCW treatment plant.

As discussed in the June 4, 2019 Board report, 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 continues to work with the Federal Emergency Management Agency (FEMA) for reimbursement of damages sustained by the CSCSD's facilities from the 2017 winter storms. Future rates for the CSCSD may be impacted should FEMA reimbursement not be adequate to pay for the repair project.

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>District</b>	<b>No. of Properties in District</b>	<b>Written Protests Received</b>	<b>Percent (%)</b>
Crystal Springs CSD	1,472	1	0.07%

Fair Oaks SMD	7,489	1	0.01%
Harbor Industrial SMD	69	0	0%

Staff 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 exceed amounts that can be paid for based on the adopted rates. Additional impacts to the Districts could include: reduced maintenance, deferred capital improvements, or the Districts not meeting State mandates.

Staff believes 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.

County Counsel has reviewed and approved the Ordinance and Resolution as to form, and staff 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:

<i><b>District</b></i>	<b>Sewer Service Rate (\$/Year Per Residential Unit)</b>	
	<b>FY 2018-19</b>	<b><i>Proposed Rates</i> FY 2019-20</b>
Burlingame Hills SMD	\$1,675	\$1,675
Crystal Springs CSD	\$1,415	\$1,485
Fair Oaks SMD	\$850	\$925
Harbor Industrial SMD	\$505	\$555

Adoption of the FY 2019-20 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 2019-20 tax bill of each affected property and be collected in the same manner as the property tax. The estimated sewer service charges for FY 2019-20 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 2019-20 for the Ten County Sewer / Sanitation Districts