



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Public Works



DATE: May 19, 2010
BOARD MEETING DATE: June 8, 2010
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

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. 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 fiscal years 2010-11 and 2011-12 for the Burlingame Hills Sewer Maintenance District and fiscal year 2010-11 for the Crystal Springs County Sanitation District; and
- B. Adopt a resolution setting Tuesday, July 27, 2010 at 9:30 a.m. at your regularly scheduled Board meeting, as time and place for a public hearing on:
 1. The sewer service rate increases for the Burlingame Hills Sewer Maintenance District and Crystal Springs County Sanitation District, and
 2. Filing of the sewer service charges report for fiscal year (FY) 2010-11 for the ten county sewer maintenance and sanitation districts based on the sewer service rates set for FY 2010-11, 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 2006, your Board set sewer service rates for one year (FY 2006-07) for the ten districts. However, sewer service rates were not increased in the Crystal Springs County Sanitation District (CSCSD) due to a majority protest.

In 2007, your Board increased the sewer service rates for the FY 2007-08 and set rates

for the subsequent four fiscal years for eight districts. The sewer service rate for the CSCSD was increased and set for only one year (FY 2007-08). However, your Board did not increase the sewer service rate for the Burlingame Hills Sewer Maintenance District (BHSMD) for the FY 2007-08 due to a majority protest.

In 2008, your Board increased the sewer service rate for the FY 2008-09 for the BHSMD, set the sewer service rate for FY 2008-09 the same as the previous year for the CSCSD, and set the rates for the FY 2008-09 for the remaining eight districts as previously set by Ordinance No. 04382, which was adopted on August 7, 2007.

In 2009, your Board increased the sewer service rates for the FY 2009-10 for the BHSMD and the CSCSD, and set the rates for the FY 2009-10 for the remaining eight districts as previously set by Ordinance No. 04382, which was adopted on August 7, 2007.

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

The ten (10) districts (Districts) governed by your Board serve approximately 12,200 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.

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. As of May 2, 2007 the Districts have been required to report all SSOs within specific timeframes to the State Water Board's electronic reporting system, a publicly accessible website. Effective February 20, 2008 the Districts have been required to report any SSO that reaches surface waters (creek, bay, ocean, storm drainage system, etc.) to State Office of Emergency Services, the Regional Water Board, and the County Environmental Health Department within two hours of becoming aware of the SSO. Reporting requirements have continued to increase and require significant staff time. The Districts must also report information on all SSO's annually to the Regional Water Board.

Both the Regional Water Board and the State Water Board have implemented requirements that all sanitary sewer collection system agencies prepare Sewer System Management Plans (SSMP) pursuant to Sections 13263 and 13267 of the California Water Code. The SSMP includes several elements that were required to be completed by August 2008 and must be updated regularly. The SSMP describes the activities each sewer/sanitation district will employ to manage their wastewater collection systems effectively.

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. 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.

DISCUSSION:

Public Input Process

Staff has continued to meet with a group of representatives from the Burlingame Hills Improvement Association (BHIA), the homeowner association in the Burlingame Hills Sewer Maintenance District (BHSMD), regularly since November 2007 to discuss future sewer service rates for the BHSMD and issues specific to their District. Based on the recommendations from staff and representatives of the BHIA, we are proposing that the sewer service rates be set for two years at **\$1,350** and **\$1,500** per year per residential unit equivalent for fiscal years 2010-11 and 2011-12, respectively. Staff will continue to meet and work with the BHIA to provide status updates and develop future rates for the BHSMD as there are uncertainties regarding future District costs which include: revising the existing Agreement between City of Burlingame (Burlingame) and the BHSMD, anticipated capital improvements of the downstream collection system and work at the Burlingame treatment plant, and financial impacts to the BHSMD resulting from the requirements of the Baykeeper/Burlingame and Baykeeper/BHSMD Consent Decrees. The consent decree between the BHSMD and Baykeeper became effective on June 25, 2009 and requires implementation of several specific projects and programs within certain timelines. The consent decree is effective for 6 years and not all of the costs associated with the consent decree are known at this time. These issues will continue to have a direct financial impact on the District.

Staff also has continued to meet with representatives from the five homeowners associations (HOAs) in the Crystal Springs County Sanitation District (CSCSD) on a regular basis since September 2007 to discuss future sewer service rates. Based on the recommendations from staff and the HOAs' representatives, we are proposing to set sewer service rate for the FY 2010-11 at **\$1,200** per year per residential unit equivalent. This rate assumes that the District is able to obtain a 20-year loan from the State Revolving Fund Loan Program to finance the proposed CSCSD capital improvement projects, but is not sufficient as a multi-year rate to support the financial requirements of the CSCSD (outstanding debt) and anticipated costs associated with the Cease and Desist Order (studies, reporting, and capital improvement projects in the CSCSD and the downstream agencies) that the Regional Water Board issued to the CSCSD, Town of Hillsborough, and the City of San Mateo on March 11, 2009. However, the rate does provide an adequate source of revenue for one year as we continue to meet and work with the HOA representatives to develop future rates for the CSCSD. The CSCSD faces some uncertainties regarding future costs which include: anticipated cost of work at the treatment plant and on the downstream collection systems, financial arrangements for the existing debt, and the financial impacts of the requirements of the Cease and Desist Order from the Regional Water Board. The resolution of these issues will have a direct

financial impact on the CSCSD. The HOA representatives and District staff believe it is prudent to continue to discuss future rates during the next fiscal year and as the outcome of these issues become known.

The Department will continue to meet with the representatives from the BHSMD on an as needed basis and the CSCSD on a regular basis during FY 2010-11 to discuss future sewer service rates and develop a rate structure as the outstanding issues mentioned previously are being resolved.

The Department notified all property owners in the CSCSD and the BHSMD of evening public meetings to discuss the proposed sewer rates. The meeting for the CSCSD property owners was held on May 4, 2010, and the meeting for the BHSMD property owners was held on May 5, 2010. The meetings included presentations from staff and representatives from the HOAs also spoke during the meetings.

Process to be Followed in Implementing Increases in the Sewer Service Rates for the BHSMD and CSCSD, and adopting the Sewer Service Charges Report for FY 2010-11

The County Ordinance Code provides that sewer service charges for the Districts be collected on the tax roll. Your Board will consider adoption of a sewer service charges report prior to August 10, 2010 (the deadline for supplying the Assessor's Office with this information), to place the sewer service charges on the tax roll for FY 2010-11.

Your Board is being asked to take the following actions to increase the sewer service rates in the BHSMD and CSCSD:

1. Amend the Ordinance Code to:
 - a) Increase the sewer service rates for fiscal years 2010-11 and 2011-12 to \$1,350 and \$1,500 per year per residential unit equivalent, respectively. These rates are used to calculate the sewer service charge fees for each property within BHSMD.
 - b) Increase the FY 2010-11 sewer service rate used to calculate the sewer service charge fee for each property within the CSCSD to \$1,200 per year per residential unit equivalent.
2. Second reading and adoption of Amended Ordinance on July 27, 2010 setting sewer service rates for fiscal years 2010-11 and 2011-12 for the BHSMD and FY 2010-11 for the CSCCD.
3. Hold a public hearing and receive testimony on (1) the sewer service rates for the BHSMD and the CSCSD and (2) the Sewer Service Charges calculated based on the adopted sewer service rates.
4. After considering all written and oral objections to the sewer service rates for the BHSMD and the CSCSD 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 the BHSMD or the CSCSD.

5. If there is a majority protest in the BHSMD, terminate your consideration of imposing a sewer service rate increase in the District and set the sewer service rate for FY 2010-11 at the same sewer service rate in effect for FY 2009-10.
6. If there is a majority protest in the CSCSD, terminate your consideration of imposing a sewer service rate increase in the District and set the sewer service rate for FY 2010-11 at the same sewer service rate in effect for FY 2009-10.

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 us to notify each property owner within the BHSMD and the CSCSD of the proposed annual sewer service rates for their district and charges by mail and to explain that protests to the sewer service rates must be in writing.

Sewer service rates for the other eight districts are being set consistent with the previously adopted sewer service rates; therefore, individual notice to property owners in these districts is not required.

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

Your Board’s setting of the sewer service fees for FY 2010-11 contributes to the Shared Vision 2025 outcome of a Healthy Community by providing revenue to the ten (10) sewer districts and allow for uninterrupted service to district customers.

FISCAL IMPACT:

The following are the current and proposed sewer service rates for the BHSMD and the CSCSD:

District	Sewer Service Rates (\$/Year Per Residential Unit Equivalent)		
	<i>FY 2009-10</i>	<i>FY 2010-11</i>	<i>FY 2011-12</i>
Burlingame Hills Sewer Maintenance District	\$1,150	\$1,350	\$1,500
Crystal Springs County Sanitation District	\$1,000	\$1,200	To be evaluated during 2010-11

We estimate that it will cost approximately \$3,900 (\$2 per rate payer in the Districts) to prepare, print and mail individual notices to each rate payer in the BHSMD and the CSCSD. This cost will be paid from the revenue of each of the two districts.

There is no impact on the General Fund.