

June 7, 2019

Dear Property Owner:

RE: Proposition 218 Notice of Proposed Increase in the Sewer Service Rate – Crystal Springs County Sanitation District

This notice is to advise property owners of the Board of Supervisors’ (Board) proceedings to set the rate for sewer service for the 2019-20 fiscal year in the Crystal Springs County Sanitation District (District) for which the Board serves as the governing body. The rate will result in property related charges, and this notice is given in accordance with Proposition 218 and Article XIIIID of the California Constitution. On July 23, 2019, the Board will hold a Public Hearing to consider an ordinance setting the sewer service rate for the 2019-20 fiscal year and implementing sewer service charges for the District in which your property is located.

The District is financially self-sufficient and has its own independent budget derived from funds collected through sewer service charges. These funds are spent solely on District expenses. The charges for sewer service appear on your property tax bill because that is the least costly way for the District to collect the charges. However, the sewer service charge is not a tax.

District staff responds to emergencies, maintains pipes, and assures compliance with environmental regulations. The County of San Mateo does not operate a sewage treatment plant, nor do any of the ten (10) districts that we operate. Sewage from your District flows through District-owned pipes to the downstream agencies (Town of Hillsborough and City of San Mateo) and to the sewage treatment plant owned and operated by the City of San Mateo. The District has an agreement with the Town of Hillsborough and the City of San Mateo that provides for the District to pay a portion of downstream improvement projects, both in the trunk lines and facilities used by the District including the City of San Mateo’s sewer treatment plant.

The current sewer service rate of \$1,415 per year per equivalent residential unit was adopted for your District in July 2018. The current sewer service rate has enabled the District to obtain and make payments on a State Revolving Fund Loan for a District capital improvement project and pay the costs associated with operations and maintenance of the District’s sewer system, treatment of sewage emanating from the District, and loan payments for downstream capital projects completed by the Town of Hillsborough and the City of San Mateo. The proposed increase is primarily due to the City of San Mateo’s Clean Water Program, which includes reconstructing its sewer treatment plant and other system improvements relied upon by the District.

We have evaluated the current sewer service rate in relation to the anticipated District expenses for the 2019-20 fiscal year. Based on our analysis of future cost demands on the District, we are proposing a sewer service rate increase for the 2019-20 fiscal year to pay for the District’s obligations as outlined above.

The Department of Public Works (Department) sent you a letter dated April 26, 2019 regarding the proposed sewer service rate increases and to notify you of the community meeting that was held for your District on May 13, 2019. The following indicates the proposed sewer service rate for each type of property use in the District for the 2019-20 fiscal year based on the rate recommended by the Department to the Board:

Customer Type	Current Annual Rate	Proposed Sewer Service Rate (\$/Fiscal Year Per Residential Unit)
	2018-19	2019-20
Single Family Residential Rate (SFR)	\$1,415	\$1,485
<p><u>Multi-Family Housing Complexes</u> The annual sewer service charge (SSC) for a Duplex Unit is calculated at 2 times the SFR rate (i.e. 2 * \$1,485 = \$2,970), Triplexes are calculated at 3 times the SFR rate, etc.</p> <p><u>Commercial/Industrial Rate</u> The annual sewer service charge (SSC) for Commercial and Industrial Users are calculated using their water consumption history and the following formula:</p> $SSC = (\text{Base Rate})(ERU)\{0.4+[0.3*(BOD/275)]+[0.3*(SS/300)]\}$ <p>Where: SSC = Sewer Service Charge Base Rate = The approved District Single Family Residential Rate ERU = Annual Water Usage / 220 Gallons Per Day BOD = Biological Oxygen Demand (varies based on the property use) SS = Suspended Solids (varies based on the property use)</p>		



The proposed rate is a 4.95% increase of \$70 per equivalent residential unit or \$5.83/month/equivalent residential unit. This rate will not be adequate to pay for all of the District's portion of the City of San Mateo's Clean Water Program (CWP), but will help support these costs in the short term. Additional information in the CWP is provided below. District staff is working with the City of San Mateo on financing options for the District's share of the CWP costs to minimize future rate adjustments and allow payments over time. However, future rate increases will be needed to fully fund the District's portion of the City of San Mateo's CWP costs and to pay for future capital improvements in the District.

City of San Mateo's Clean Water Program

The City of San Mateo's Clean Water Program is currently estimated to cost \$1 billion in total and the preliminary cost implications of the CWP to the District are estimated to be \$22.5 million. The financial arrangements between the City of San Mateo and the District have not been finalized, but are estimated to be approximately \$1.4 million in debt payments per year for 30 years and are attributed to the sewer treatment plant reconstruction and other system improvements relied upon by the District. Information about the City's CWP is posted here: <http://cleanwaterprogramsanmateo.org/>

The CWP consists of several projects including the replacement of specific sewer pipes, installation of a sewer retention facility to store 5.2 million gallons of sewage during peak wet weather events, upgrades to pumping facilities, and a major wastewater treatment plant project. Based on the District's use of many of these facilities, the District will be required to pay a portion of these project costs. The City of San Mateo's CWP projects will have a significant and direct financial impact on the District's sewer service rate. The District's rates will need to support its portions of the CWP project costs. Construction of the City of San Mateo's CWP projects is expected to extend into the 2025-26 fiscal year.

Your sewer service rate pays for:

- Operation and maintenance of the District's sewer collection system
- Repairs to and replacement of the District's aging pipes
- Inspections of the District's pipes
- Emergency response and repairs
- A percentage of the operation and maintenance cost of the City of San Mateo's sewer treatment plant
- A percentage of the improvements to the City of San Mateo's sewer treatment plant, including the CWP sewage treatment plant costs
- A percentage of the improvements to the downstream agencies' (i.e. Town of Hillsborough and City of San Mateo) sewer system used by the District, including specific CWP projects
- Compliance with local, state and federal health, safety and environmental protection regulations
- Payment on the State Revolving Fund Loan and other loan payments for completed downstream projects

The Board has scheduled a Public Hearing on **Tuesday, July 23, 2019 at 10:00 a.m. in the Board of Supervisors Chambers, located in the Hall of Justice and Records, 400 County Center, Redwood City, California**, to consider adopting an ordinance increasing the sewer service rate for the District and adopting the sewer service charges based on the adopted sewer service rates for all the properties located in the ten (10) County sewer maintenance/sanitation districts. The sewer service charges are contained in the Sewer Service Charges Report, a draft copy of which will be available for review by Friday, July 19, 2019 in the office of the Department of Public Works located at 555 County Center, 5th Floor in Redwood City. The Public Hearing will be open to the public and anyone interested may appear and be heard on this matter or submit a written statement. At the conclusion of the hearing, the Board is expected to adopt an ordinance setting the new sewer service rate for the District, impose the sewer service charges based on the adopted rate, and authorize their collection on the tax bill of each affected property in the same manner as the property tax.

Although the Board will consider all input, State law provides that only written protests from property owners may be counted to determine whether a majority protest to the proposed increase exists. If a majority protest exists, the Board may not impose the increased rate for the District. Any property owner in the District may file a written protest against the proposed rate increase. The Clerk of the Board of Supervisors must receive a written protest not later than the end of the Public Hearing specified above to be counted. If, at the conclusion of the Public Hearing, a majority protest of property owners does not exist, the Board will consider adoption of the proposed ordinance. The written protest must include the property owner's name, property service address, assessor's parcel number (first line of the address label on the envelope), and the property owner's signature. Written protests may be hand delivered or mailed to the Clerk of the Board at 400 County Center, Redwood City, California 94063. No more than one protest per parcel may be submitted.

Additional information about the proposed rate increase, a copy of the previously sent letter, a copy of the information provided at the community meeting, and a copy of the Board Report recommending the rate increase may be obtained by visiting the Department's website at www.smcgov.org/sewers or by calling the Public Works Department at (650) 363-4100, between 8:00 a.m. and 5:00 p.m., Monday through Friday.

If you have any questions, please contact Anna Mui or Julie Young at (650) 363-4100.