

SSMP
ELEMENT 3 - Legal Authority
APPENDIX 3.2

Sanitary Sewer Fees

Appendix 3.2 – Index

1. How to Calculate Your Sewer Service Fee - current
(<http://www.cityofsanmateo.org/index.aspx?nid=1085>)

2. Chapter 3.54 of San Mateo Municipal Code, Sewer Fees

3. ORDINANCE 2015 Setting the 2015-2016 Sewer Service Charge

April 06, 2015 Administrative Report to City Council: Sewer Rate Increase - Proposition 218
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Prior Ordinances and City Codes can be found on the City of San Mateo Website at www.cityofsanmateo.org

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Sewer Service Charge

How to Calculate Your 2015-2016 Sewer Service Charge

Your sewer service charge for the fiscal year is based on water consumption for the five preceding winter months (November through March) and your rate is based on your user class. Your sewer fee can be determined by multiplying the rate for your customer class by your average annual winter water usage as illustrated in the following example.

Sewer Fee = Average Monthly Water Use X 12 Months X Rate based on user class.

EXAMPLE: Water Consumption in CCFs:

November 2014	December 2014	January 2015	February 2015	March 2015	TOTAL
9	8	7	8	8	40

* 1 CCF = 100 cubic feet, or about 750 gallons

1. To calculate the average water use, take the TOTAL and divide it by 5.

EXAMPLE: $40/5 = 8.0$ CCF/month

NOTE: If the usage for any month is zero, the average shall be computed by using the remaining months' usage that do show water usage.

2. Annual sewer fee is calculated by multiplying the average usage by 12 to obtain the annual usage.

EXAMPLE: 8.0 CCF/month \times 12 = 96

3. Determine your Class based on the charts below. Rates are based on average cost of treatment for different users.

- a. Class A (residential) - Standard
- b. Class B (commercial)- Standard
- c. Class C (commercial)- Moderate (including but not limited to hotels & motels with food preparation facilities, industrial laundries and/or supermarkets with food preparation facilities).
- d. Class D (commercial) - High (including but not limited to restaurants, wholesale bakeries, and mortuaries).

Residential Class	Rate
Class A Standard (base rate x 1)	\$8.08/CCF
Minimum Charge	\$20.20/mo
Commercial Class	Rate
Class B	\$8.08/CCF
Class C	\$11.95/CCF
Class D	\$18.10/CCF
Class E	Case by Case Basis
Minimum Charge	\$20.20/mo

If you are a residential customer, your class would be Class A and your rate would be \$8.08/CCF. The rate of $\$8.08 \times$ annual usage of 96 CCF = \$775.68 which represents your annual sewer service charge.

If you are a restaurant customer, your class would be Class D and your rate would be \$18.10/CCF. The rate of $\$18.10 \times$ annual usage of 96 CCF = \$1,737.60 which represents your annual sewer service charge.

NOTE: Minimum annual charge is \$242.40 (\$20.20 per month)

3.54 Sewer Service Charges & Connection Fees

Sections:

- 3.54.010 Purpose.
- 3.54.020 Definitions.
- 3.54.030 Sewer service charges.
- 3.54.040 Collection of charges.
- 3.54.050 Lien for charges.
- 3.54.060 Sewer connection charge.
- 3.54.070 Protests--Annual meetings—Rate protests.
- 3.54.071 Equitable adjustments.
- 3.54.080 Sewer service fund.
- 3.54.090 South trunk sewer area impact fee.

3.54.010 PURPOSE. The purpose and intent of this Chapter is to provide for service charges and connection fees to be assessed, according to use, upon each and every parcel of land within the City connected to the sanitary sewer system for the privilege of the use of the system. The revenues generated by these fees shall finance the sewer service fund to be used for the construction, reconstruction, maintenance, and operation of sanitation or sewerage facilities per section 3.54.080. (Ord. 2007-7 § 1, 2007; Ord. 1989-16 § 1 (part), 1989; Ord. 1975-2 § 1 (part), 1975).

3.54.020 DEFINITIONS. For the purposes of this Chapter, the following words and phrases shall have the following meanings:

- (a) “BOD” means biochemical oxygen demand. It is a measure of the oxygen used by microorganisms to decompose waste. The larger the quantity of organic waste in the water supply, the greater the demand for oxygen due to greater bacteria so the BOD level will be high
- (b) “Commercial” means all uses other than residential.
- (c) “Connection” means each separate residential, lodging, or commercial and industrial, and institutional unit connected to an internal plumbing drainage system or external sewer lateral.
- (d) “Customer Class” means or represents the structure or designation by which a user is classified based on industry wastewater standards for biochemical oxygen demand (BOD) and suspended solids (SS). There are five customer classes, one for Residential and four for Commercial Customers. Customer Classes are further defined as shown below.
 - Class A – Standard Strength - All residential users including, but not limited to, single-family dwelling units, duplex units, and multi-family dwelling units.
 - Class B – Standard Strength - Commercial users, including, but not limited to offices, retail establishments, hotel and motels without restaurants, mixed uses (high strength comprises < 25% of flow).
 - Class C – Moderate Strength - Commercial users, including, but not limited to hotels and motels with restaurants, industrial laundries, mixed use (high strength comprises 25% to 75% of flow), supermarkets with food preparation, bakeries, meat or seafood counters.
 - Class D – High Strength - Commercial users, including, but not limited to Restaurants, wholesale bakeries, Mortuaries, mixed use (high strength comprises >75% of flow).
 - Class E – Special - Commercial users that may require a determination on a case by case basis as prescribed by section 3.54.030 (e).
- (e) “Director of Public Work” means Director of Public Works or his/her designee.
- (f) “Fixture unit” means a unit of measurement for computing waste flow volumes for each plumbing fixture as set forth in the Uniform Plumbing Code as then adopted by the City in Title 23 of this Code.
- (g) “Inordinately High” means usage in one month that exceeds usage by 150% of the five months of average usage. An example follows. Usage for November is 37, December is 76, January is 20, February is 16, and March is 17. The five month average is 33.20. Usage in any one month in excess of 49.8 (i.e., 150% of 33.2) would be considered inordinately high. Therefore December would be found to be inordinately high and dropped from the calculation as required in 3.54.030.
- (h) “Institutional” means uses by churches, clubs, hospitals, lodges, community care facilities, schools, and public buildings, whether privately or publicly owned, and whether profit or nonprofit in operation. Such entities shall be considered commercial.

- (i) "Residential" means a place designed or used for residence or dwelling, whether permanent or temporary in nature. Residential does not include hotels or motels.
- (j) "Restaurant" means restaurant, fast-food, and drive-in establishments, as defined in the Zoning Code.
- (k) "SS" means suspended solids. They are the solids which can be removed from the wastewater by physical or mechanical means, such as sedimentation or filtration.
- (l) "Strength" means the level of BOD and SS in the wastewater.
- (m) "User" means any person or persons, a legal entity, or a business, commercial or manufacturing enterprise, which uses the sewer system and disposal facilities of the City in any manner, and whether a property owner or tenant. (Ord. 2007-7 § 1, 2007; Ord. 1996-19 § 1, 1996; Ord. 1989-16 § 1 (part), 1989; Ord. 1975-14 § 1, 1975; Ord. 1975-2 § 1 (part), 1975).

3.54.030 SEWER SERVICE CHARGES. The Council by ordinance will establish the annual charge to be assessed per one hundred (100) cubic feet of water used, upon the users thereof, for the privilege of the use of the sewer system and disposal facilities of the City for each fiscal year, to be effective 30 days after adoption.

Each user will be assigned to one of the five (5) customer classes as determined by the Director of Public Works in accordance with the principal activity conducted upon the premises, or in accordance with the use of the premises. Users with the same principal activity will receive the same customer classification. The five (5) customer classes are hereby established as defined in 3.54.020 (d) Definitions section above and will be assessed a sewer service charge as described below. The purpose of the classification is to establish a sewer service charge system based upon flow and waste strength that will insure an equitable recovery of capital and operating costs.

The sewer service charge is based on a rate and annual water usage. The total revenue raised will be determined based on winter water consumption. The "base sewer service charge rate" is established by adopting a rate based on the fund's financial plan and will be per one hundred (100) cubic feet of annual water used except as qualified as follows:

- (a) For Class C - Moderate Strength users, the base rate multiplied by 1.48.
- (b) For Class D – High Strength users, the base rate multiplied by 2.24.
- (c) For greenhouse or nursery users, the base rate multiplied by 0.50.
- (d) The annual charge for each user shall be the sewer service user fee-computed pursuant to this Section or a minimum charge based on an average 2.5 CCF per month times the base rate, whichever is greater. The minimum charge will apply to all parcels with usage greater than zero during the year. In determining the usage, in cases where the five month average is not representative of the actual average sewer use during the year, then the entire fiscal year water use record may be considered in determining the yearly usage.
- (e) The City may enter into service contracts for establishment of an annual user charge that is different from the charge calculated pursuant to this Section with other governmental entities or with users whose operations are determined to have unusual or unique circumstances related to return of water to the sewer system. Such a contract shall be subject to approval by the Director of Public Works and may be proposed at any time during the year.

Annual water usage, for the purpose of establishing this charge, shall be determined by computing the average monthly metered flow billed to each parcel, to the nearest ten (10) cubic feet, during the immediately past five (5) months of November, December, January, February, and March, and multiplying this monthly average by twelve (12), the total months in a year. The metered flow data billed for those months shall be that contained in the official records of the California Water Service Company, Estero Municipal Improvement District, Belmont Water District, or any entity or successor that provides water service to that particular parcel.

In the event that billings show no water usage during any one or more of the specified five (5) months, the average shall be computed by using the remaining months' usage and number that do show water usage.

In the event that one month of the five (5) specified months shows an inordinately high or low usage, that month shall be dropped from the calculation and the remaining four (4) months' usage shall be averaged and multiplied by twelve (12) to establish the charge.

The water usage for each user shall be determined after March 31 of each year, but sufficiently prior to the Council's review pursuant to Section 3.54.070, to allow for public and Council study prior to the review. (Ord. 2008-6 § 1, 2008; Ord. 2007-7 § 1, 2007; Ord. 1996-19 § 2, 1996; Ord. 1989-16 § 1 (part), 1989; Ord. 1980-3 § 1, 1980; Ord. 1977-12 § 1, 1977; Ord. 1977-7 § 1, 1977; Ord. 1975-14 § 3, 1975; Ord. 1975-2 § 1 (part), 1975).

3.54.040 COLLECTION OF CHARGES. The sewer service charges provided for in this Chapter shall be collected on tax rolls in the same manner and by the same persons and at the same time as, together with and not separately from, City general property taxes as provided in Chapter 3.38. Irrigation meters shall be exempt from the sewer service charge. In addition, the City may, by agreement, provide that individual charges for specified parcels shall be

collected apart from the tax roll when unusual circumstances warrant such a collection process. (Ord. 2007-7 § 1, 2007; Ord. 1996-19 § 3, 1996; Ord. 1989-16 § 1 (part), 1989; Ord. 1975-2 § 1 (part), 1975).

3.54.050 LIEN FOR CHARGES. The amount of the sewer service charge shall constitute a lien against the lot or parcel of land against which the charge has been imposed as of noon on the first Monday in March immediately preceding the date of the levy. Thereafter, unless otherwise provided by agreement pursuant to Section 3.54.040, the amount of the charges shall be collected at the same time and in the same manner and by the same persons as, together with and not separately from, the general taxes on the property, and shall be delinquent at the same time and thereafter be subject to the same delinquency penalties. (Ord. 2007-7 § 1, 2007; Ord. 1989-16 § 1 (part), 1989; Ord. 1975-2 § 1 (part), 1975).

3.54.060 SEWER CONNECTION CHARGES. Before making a connection to the sanitary sewer system, a permit shall be obtained from the Building Official. No connection permit shall be issued except upon payment of the applicable sewer connection charge. The sewer connection charge shall be set by ordinance. (Ord. 2007-7 § 1, 2007; Ord. 1989-16 § 1 (part), 1989; Ord. 1978-9 § 1, 1978; Ord. 1975-2 § 1 (part), 1975).

3.54.070 PROTESTS - ANNUAL MEETINGS – RATE PROTESTS.

(a) Annually, the Council shall meet to hear protests relating to sewer service charges. The Council shall meet to adjust and equalize sewer service rates, based upon water usage as calculated pursuant to Section 3.54.030, adjust and equalize rates for the same or similar sewer connections, and set the annual base rate to be charged per one hundred (100) cubic feet of water used, all as required to raise the revenues for the sewer service fund.

(b) All protests and requests for adjustment of rates, customer classification, or for equalization based upon sewer usage or sewer connections shall be in writing and state the facts supporting the protest or request. Adjustments are limited to current and preceding fiscal year.

(c) At the Council meeting at which it adjusts and equalizes the sewer service rates, the Council may decrease rates for entry upon the tax rolls for that fiscal year. (Ord. 2007-7 § 1, 2007; Ord. 2003-14 § 1, 2003; Ord. 1996-19 § 4, 1996; Ord. 1989-16 § 1 (part), 1989; Ord. 1981-20 § 1, 1981; Ord. 1977-12 § 2, 1977; Ord. 1977-7 § 2, 1977; Ord. 1975-14 § 4, 1975; Ord. 1975-5 § 1 (part), 1975).

3.54.071 EQUITABLE ADJUSTMENTS.

(a) Application for an equitable adjustment in the sewer service charge may be made at any other time during the year. Such an application shall be supported by documented factual information; and shall be filed with the Director of Public Works

(b) An application for an equitable adjustment in the sewer service charge may be approved by the Director of Public Works if the Director finds that the application conclusively demonstrates by written documentation that:

(1) The applicant's water system was ruptured;

(2) The rupture caused the reported water flow for one or more of the months designated in Section 3.54.030 to be abnormally high; and

(3) The applicant effected repairs that corrected the rupture within a reasonable period of time, or

(4) The applicant became the owner and occupant of the residential property after the consumption period used to calculate the charge in Section 3.54.030 and the average water consumption during the following year for the period used to calculate the charge is lower than the previous year's consumption period by at least 25 percent, or

(5) The applicant's customer classification is incorrect. Such applicant will be required to provide a written request documenting the basis for the change in customer classification. The request must be supported by proof that the current classification is incorrect. Such proof may require a supporting study of the claimant's business operations including water use, return of water to sewer system, water diverted for irrigation and/or any other information required to support the basis for a change in classification. A study will not be required if a clear mistake in classification has occurred.

(c) Any refund granted due to an equitable adjustment as provided in 3.54.070(e) and such refund is processed through the County shall be subject to the transaction fee charged by the County of San Mateo in effect at the time the adjustment is granted.

(d) If an adjustment is approved by the Director of Public Works after the roll has been closed and collection made from the applicant for the adjustment, the City shall make the adjustment by refunding the amount of the adjustment to the applicant.

(e) The decision of the Director of Public Works may be appealed to the City Manager. The decision of the City Manager shall be final. (Ord. 2008-6 § 2, 2008; Ord. 2007-7 § 1, 2007.)

3.54.080 SEWER SERVICE FUND. There is established the “Sewer Service Fund” to which the Finance Director shall transfer all sewer service charges and connection fees collected. This fund shall only be used for the construction, reconstruction, maintenance, and operation of sanitation or sewerage facilities, including both direct and indirect costs, to repay principal and interest on bonds issued for the construction or reconstruction of such sanitation or sewerage facilities and to repay Federal or State loans or advances made to the City for the construction or reconstruction of sanitation or sewerage facilities, and for accumulation of a depreciation reserve fund for such purposes in an amount as the Council may determine is appropriate. (Ord. 2007-7 § 1, 2007; Ord. 1989-16 § 1 (part), 1989; Ord. 1975-2 § 1 (part), 1975).

3.54.090 SOUTH TRUNK SEWER AREA IMPACT FEE. (a) As of March 1, 2008, there is hereby imposed on all development, whether new development or redevelopment, in the South Trunk Sewer Area (generally that area extending south from the Dale Avenue Pump Station utility corridor parallel to Highway 101, and upstream in or parallel to East 16th Avenue, South Delaware Street through the Bay Meadows area, and Railroad Avenue and South El Camino Real, and extending up Borel Avenue, West Hillsdale Boulevard, and Saratoga Drive but excluding Bay Meadows Phase I and Phase II) a sewer area development impact fee for each type of sewer connection.

(b) The impact fee shall be collected at the same time the sewer connection charge imposed under this chapter is collected and shall be placed in the sewer service fund established pursuant to this chapter.

(c) The amount of impact fee charged shall be based upon these tables:

Dwelling Unit Equivalents

Development Type	Unit	EDUs
Single-family dwelling	Dwelling unit	1
Multi-family dwelling, 1 bedroom	Dwelling unit	0.5
Multi-family dwelling, 2 bedroom	Dwelling unit	0.75
Multi-family dwelling, 3 bedroom	Dwelling unit	1
Hotels or motels	Room or apt.	0.5
Non-residential	Fixture unit	0.05

South Trunk Area Development Impact Fees

Development Type	Unit	Impact Fee (\$)
Single-family dwelling	Dwelling unit	\$3,942
Multi-family dwelling, 1 bedroom	Dwelling unit	\$1,971
Multi-family dwelling, 2 bedroom	Dwelling unit	\$2,957
Multi-family dwelling, 3 bedroom	Dwelling unit	\$3,942
Hotels or motels	Room or apt.	\$1,971
Non-residential	Fixture unit	\$197

(Ord. 2007-13 § 1, 2007).

**CITY OF SAN MATEO
ORDINANCE NO. 2015-___**

SETTING THE 2015-2016 SEWER SERVICE CHARGE

WHEREAS, the procedures set forth in Article XIID § 6 of the California State Constitution (Proposition 218) for property-related fees have been held to apply to sewer service charge increases; and

WHEREAS, the City is following the procedure set forth in Article XIID § 6 for this Sewer Service Charge increase; and

WHEREAS, in accordance with Article XIID § 6 of the California Constitution:

- a. The revenues derived from the Sewer Service Charge do not exceed the funds required to provide sewer service because a ten percent rate increase is needed to fund ongoing sewer system operation and maintenance and meet capital expenditures,
- b. The revenues derived from the Sewer Service Charge will not be used for any purpose other than the provision of sewer service,
- c. The Sewer Service Charge will not exceed the cost of sewer service attributable to each parcel because it is based upon usage,
- d. The Sewer Service Charge is only charged for sewer service that is actually used by or currently available to the parcel in question,
- e. The Sewer Service Charge pays for the provision of sewer service and not for general governmental services; and

WHEREAS, notice of the proposed Sewer Service Charge increase was mailed to ratepayers and property owners on April 29, 2015; and

WHEREAS, a public hearing is scheduled for June 15, 2015, at 7:00 p.m. in the San Mateo City Hall Council Chambers, located at 330 West 20th Avenue, San Mateo, regarding the proposed Sewer Service Charge at which all protests against the rate increase and other comments will be considered; and

WHEREAS, San Mateo Municipal Code section 3.54.030 provides the authority for the collection of sewer charges;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA, ORDAINS THAT:

Section 1. In accordance with California Environmental Quality Act guidelines section 15378(b)(4), introduction and adoption of this Ordinance is not a project subject to CEQA because the sewer service charge is a funding mechanism for the City sewer operations and capital projects.

Section 2. Pursuant to San Mateo Municipal Code section 3.54.030, the 2015-2016 sewer service base rate is set at \$8.08 per hundred cubic feet (CCF) of average winter water consumption.

Section 3. Pursuant to San Mateo County requirements, the City Council authorizes collection of an estimated \$29 million in sewer service charges, which shall be billed on the real property tax roll for Fiscal Year 2015-2016, with the actual total to be updated for the County rolls when the calculation process is completed in late July 2015.

Section 4. PUBLICATION. This Ordinance shall be published in summary in the San Francisco Examiner, posted in the City Clerk's Office, and posted on the City's website, all in accord with Section 2.15 of the Charter and shall be effective 30 days after the date of adoption.



CITY OF SAN MATEO

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San Mateo, CA 94403
www.cityofsanmateo.org

Administrative Report

Agenda Number: 3., Status: Consent Calendar

TO: City Council

FROM: Larry A. Patterson, City Manager

PREPARED BY: Public Works Department

MEETING DATE: Monday, April 06, 2015

SUBJECT:
Sewer Rate Increase - Proposition 218 Notice Fiscal Year 2015-16

RECOMMENDATION

Authorize the release of the Sewer Rate Proposition 218 Notice and schedule the public hearing process to increase the base sewer charge rate by a maximum 10 percent increase in compliance with Section 6 of Article XIID of the Constitution of the State of California.

BACKGROUND

The City Council annually establishes rates and charges sufficient to pay sewer collection and treatment operating expenses, debt service, and capital improvement expenses. In December 2014, the City submitted a 20-year Integrated Wastewater Master Plan to the Regional Water Quality Control Board in accordance with the WWTP operation permit requirement. The Master Plan outlines capital improvement needs for both the collection system and the WWTP. The estimated total capital improvement program (CIP) cost when escalated over a 20 year period is approximately \$900 million. The sewer rates need to be sufficient to fund the cost of wastewater system operation and maintenance. They must also be adequate to fund both the collection system and the WWTP capital improvements including those needed to reduce sanitary sewer overflows as required under the Cease and Desist Order (CDO) issued by the Regional Water Quality Control Board.

The City Council approved an agreement with CH2MHill in October 2014 to provide professional program management services for the multi-million dollar program. One of the tasks in CH2MHill's Scope of Work is to provide financial planning and rate design. It utilizes a custom Microsoft Excel model built with visual presentation to support the City's decisions regarding financial options, required revenue for the CIP, and to support the City's rate design consultant. The revenue requirement information is shared with the City's rate consultant to support their work of designing different rate models. Based on CH2MHill's work under the Financial Planning task and the Master Plan Validation task to date and the City's sewer rate consultant's evaluation, staff recommended a 10% rate increase for 2015/2016 (see Attachment 1, City Council Administrative Report-Sewer Enterprise Financial Projections).

The recommended base rate for fiscal year 2015-16 is \$8.08 per one hundred cubic feet (CCF) of average winter water use if the rates are increased by 10 percent. This equates to a \$0.73 increase in the prior year's base rate of \$7.35 per CCF. The classifications, current and proposed rates are summarized in the table provided as Attachment 2.

A typical single-family residential parcel owner uses approximately 8.0 CCF of water per month. The typical single-family property owner who used 8.0 CCF of water per month would see a \$5.84 increase in their monthly sewer service charge from \$58.80 to \$64.64 per month. The proposed rate compares favorably with

other agencies within San Mateo County as shown on Attachment 3.

COMPLIANCE WITH PROPOSITION 218: Proposition 218 requires special notification when an increase is proposed for property-related fees and the Court of Appeal has now ruled that sewer service charges are property-related charges. The special notice (Attachment 4) must be mailed to San Mateo property owners of record 45-day prior to the scheduled public hearing. In addition we are also mailing a newsletter (Attachment 5) to property owners to update them on many of the projects financed with sewer funds as well as regulatory issues the City is addressing.

Each property owner has the right to submit a written protest against the proposed rate. The property owner may mail their protest or submit the written protest in person to the City Clerk no later than the conclusion of the Public Hearing that staff recommends scheduling on June 15, 2015. At the Public Hearing, pursuant to Proposition 218, Council will consider all protests against the proposed rates, fees, and charges. If a majority of parcel owners present written protests against the proposed rate, the City cannot impose the proposed change in the sewer service rate.

NEXT STEPS

The Proposition 218 noticing is the first step toward setting the rate for fiscal year 2015-16 and is based on preliminary budget and financing information. The proposed sewer budget, new financing plan and proposed rate increase review will be scheduled for the May 13th Public Works Commission meeting. The Public Works Commission rate recommendation will be reported to Council as part of the rate increase introduction ordinance scheduled for the June 1 Council meeting. The public hearing and second reading of the ordinance will be on June 16th when the Council will be asked to hold the protest hearing and adopt a base rate of no more than the maximum 10 percent established in the Proposition 218 notice. The rate change will become effective July 15, 2015, 30 days after adoption.

BUDGET IMPACT

A major revenue component of the Sewer Service Fund is the sewer service charge. In 2014-15, the sewer service charge raised an estimated \$28.8 million. A 10 percent rate increase is estimated to raise \$31.7 million in revenues for fiscal year 2015-16, which is necessary to cover the City's cost to provide sewer service. The total revenue raised is estimated based on winter water consumption (i.e., consumption for November 2014 through March 2015). The actual revenue raised will not be known until the rate is set and water data has been analyzed.

ENVIRONMENTAL DETERMINATION

Adoption of a base sewer rate is not a CEQA Project per Public Resources Code Section 21065 and Guidelines Section 15378(b)(4), because the proposed rate increase is a funding mechanism only and will not have an impact upon the environment.

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

- 1 - City Council Administrative Report-Sewer Enterprise Financial Projections
- 2 - Existing and Proposed Rates by User Class
- 3 - Sewer Service Charge Survey within County of San Mateo - Residential Monthly Sewer Rate FY2014-15
- 4 - Draft Proposition 218 Public Hearing Notice
- 5 - Draft Newsletter

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CITY OF SAN MATEO

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Administrative Report

Agenda Number: 12., Status: New Business

TO: City Council

FROM: Larry A. Patterson, City Manager

PREPARED BY: Public Works Department

MEETING DATE: Monday, March 02, 2015

SUBJECT:
Sewer Enterprise Financial Projections

RECOMMENDATION

Receive an update on Sewer Enterprise financial projections and provide direction on rate setting strategies.

BACKGROUND

The San Mateo Sewer Enterprise is owned and operated by the City under the administration of the Public Works Department. The Sewer Enterprise currently serves over 27,500 customer accounts in the City. Additionally, approximately 10,300 customer accounts in the neighboring communities of Foster City, Hillsborough, Belmont, Crystal Springs County Sanitation District and some unincorporated areas of the County areas are provided wastewater treatment and disposal services through the San Mateo Wastewater Treatment Plant (WWTP). Foster City is the major subregional partner with over 7,000 customer accounts and is the joint owner of the WWTP.

Similar to many wastewater systems in the region, the City's Sewer Enterprise facilities are aging and in need of significant rehabilitation. During rain events, groundwater and storm water enter the Sewer Enterprise facilities and overload the system. This results in sanitary sewer overflows (SSOs) in the City which creates health and safety issues for the community. In addition, regulatory requirements for wastewater treatment are continually evolving and becoming more stringent to protect water quality in the San Francisco Bay. As a result of these issues and demands, extensive capital improvements are necessary to bring the Sewer Enterprise facilities into a state of good repair, provide adequate wet weather capacity, and meet current and future regulatory requirements.

In December 2014, the City submitted a 20-year Integrated Wastewater Master Plan to the Regional Water Quality Control Board in accordance with the WWTP operation permit requirement. The Master Plan outlines capital improvement needs for both the collection system and the WWTP. The estimated total capital improvement program (CIP) cost when escalated over a 20 year period is approximately \$900 million.

The City's internal organization structure and staffing resources are not adequate to support a CIP of this magnitude. The City Council approved an agreement with CH2MHill in October 2014 to provide professional program management service for this multi-million dollar program.

One of the tasks in the CH2MHill's Scope of Work is to provide financial planning and rate design. It utilizes a custom Microsoft Excel model built with visual presentation to support the City's decisions regarding financial options, required revenue for the CIP, and to support the City's rate design consultant. The model is tied to the cost-loaded critical path schedule for the entire program (the development of the cost-loaded schedule

based on the submitted Integrated Wastewater Master Plan is a separate task under their contract). This connection allows alternative schedule and build scenarios to be quickly developed to determine the impact on the required revenue stream. The revenue requirement information is shared with the City's rate consultant to support their work of designing different rate models.

Included within CH2MHill's Scope of Work is validation of the Integrated Wastewater Master Plan. The work under this task includes providing an independent cost estimate review of the overall program; defining programmatic and project level risk; reviewing CIP prioritization and providing input on options to smooth CIP expenditures; identifying opportunities to utilize innovative technologies that can accelerate key projects such as wastewater recycling and other future program goals.

The Master Plan validation work is substantially completed. CH2MHill has identified opportunities to implement alternative treatment processes that would improve effluent quality, meet future regulatory requirements for nutrient removal, and provide opportunities to increase recycled water production. More in-depth study, including life-cycle evaluation is necessary to confirm the feasibility of these treatment options for the City's system. In addition, while these treatment processes are proven technologies in the industry and have been accepted by other states and the United State Environmental Protection Agency (USEPA), local regulatory buy-in is necessary to utilize them in our plant.

Based on CH2MHill's work under the Financial Planning task and the Master Plan Validation task to date and the City's sewer rate consultant's evaluation, CH2MHill has identified three rate scenarios to support the program:

1. Baseline Scenario which reflects the CIP included in the Integrated Wastewater Master Plan submitted to the RWQCB in December 2014 with adjustments to project costs based on CH2MHill's independent review of project scope and cost. The rate increases to support the CIP for the next four years are 14%/12%/12%/11%. Single digit rate increases for outer years are projected under this scenario.
2. Modified Baseline Scenario which includes delaying several projects for a couple years which will not affect meeting the regulatory mandate of increasing secondary treatment capacity by 2020. The rate increases to support this scenario for the next four years are 10%/10%/14%/12%. Single digit rate increases for outer years are projected under this scenario.
3. Alternative Treatment Scenario which assumes the implementation of alternative treatment processes. Depending on the level of implementation, the rate increases for the next four years could be 10%/10%/11%/11% . Single digit rate increases for outer years are also projected under this scenario.

At this time Staff recommends the Modified Baseline Scenario as it is the most strategic approach that offers the most long-term flexibility for the program. Based on this scenario, the recommended rate increase for 2015/2016 is 10%. Staff will utilize the next year to complete the Alternative Treatment Feasibility Study, obtain regulatory feedback on alternative treatment options, and fully implement the public outreach program for the Clean Water Program. Future year rate increases will be based on the results of the feasibility study and discussion with regulators.

BUDGET IMPACT

It is anticipated that the recommended 10% rate increase for 2015/2016 will be adequate to support the Clean Water Program as currently planned for next year. As discussed above, future rate increases will be determined based on the Alternative Treatment Feasibility Study and other information.

The Alternative Treatment Feasibility Study is not included in CH2MHill's original scope of work. The

estimated cost of the study is approximately \$90,000 and it will be funded by the Contingency Fund approved by the Council as part of the original contract. There are sufficient funds within the Contingency Fund for this study.

ENVIRONMENTAL DETERMINATION

Since the City Council is only receiving information on Sewer Enterprise financial projections at this time, this study session is not a project to CEQA in that there will be no impact on the environment. (CEQA Guidelines Section 15061(b)(3).)

The preparation of the Environmental Impact Report for the Clean Water Program is on-going and it is anticipated to be completed by 2016.

NOTICE PROVIDED

All meeting noticing requirements are met.

ATTACHMENTS

None

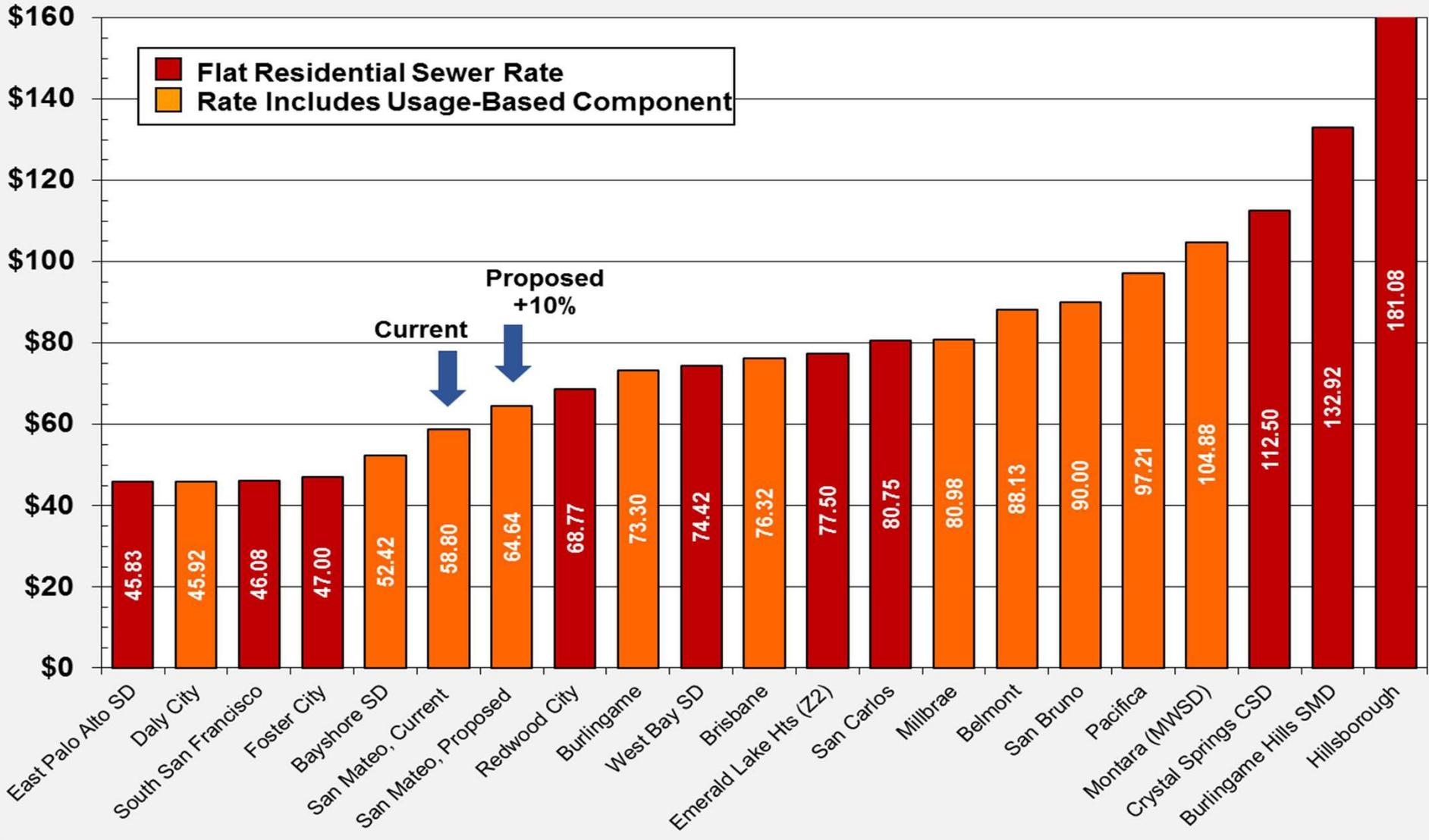
STAFF CONTACT Brad Underwood, Director of Public Works
Bunderwood@cityofsanmateo.org
(650)522-3700

Existing and Proposed Rates by User Class

Class	Wastewater Strength	Current Rate	Proposed Rate
Residential Class A	Standard	\$7.35/CCF	\$8.08/CCF
Commercial Class B	Standard	\$7.35/CCF	\$8.08/CCF
Commercial Class C	Moderate	\$10.87/CCF	\$11.98/CCF
Commercial Class D	High	\$16.46/CCF	\$18.10/CCF
Commercial Class E	Special	Case by Case Basis	
Minimum Charge	N/A	\$18.38/month	\$20.20/month

Monthly Single Family Residential Sewer Rate Survey, FY14-15

San Mateo County - Based on flat rate or 8 hcf of monthly winter water use



How to Calculate Your Sewer Service Charge

Your sewer service charge for the fiscal year is based on water consumption for the five preceding winter months (November through March). Your charge can be determined by multiplying the proposed rate for your customer class, by your average winter water usage, as illustrated in the following example:

$$\text{Sewer Charge} = \text{Avg. Monthly Water Use} \times \text{Rate} \times 12 \text{ Months}$$

<i>EXAMPLE</i>	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Total
Water Consumption in CCF's*	9	8	7	8	8	40

* 1 CCF = 100 cubic feet, or about 750 gallons

For residential parcels, using the example above:

1. Calculate your average monthly water usage: 40 CCF ÷ 5 = 8 CCF
2. Calculate the monthly fee by multiplying the average monthly water usage by the Class A rate: 8 CCF x \$8.08 = \$64.64 (for commercial parcels, look up rate for your customer class, which reflects the costs of treating different types of wastewater).
3. The annual sewer service charge is calculated by multiplying the monthly fee by 12 months: \$64.64 x 12 = \$775.68

Note: The proposed minimum charge equates to \$20.20 per month. This minimum charge will apply if there is any water use during the fiscal year.

Need More Information: California Water Company customers may view their consumption history on line at <https://secure6.i-doxs.net/CalWater/>. Customers of other water providers should refer to their water bills to determine consumption, or contact the provider.



CITY OF SAN MATEO
CITY CLERK
330 WEST 20TH AVENUE
SAN MATEO, CALIFORNIA 94403-1388

NOTICE OF PROPOSED SEWER RATE INCREASES

PUBLIC HEARING



DATE: JUNE 15, 2015
at 7:00 p.m.

**SAN MATEO CITY HALL
COUNCIL CHAMBERS
330 W. 20TH AVENUE
SAN MATEO, CA 94403**

Notice of Public Hearing

The City of San Mateo, in compliance with Article XIII D of the California State Constitution and the Proposition 218 Omnibus Implementation Act, is hereby notifying all affected property owners of the following.

- The City is proposing to increase the current “Base Sewer Rate”, which is charged to Class A residential and Class B commercial customers, from \$7.35/CCF to \$8.08/CCF. For a typical single family residential property with an average monthly water usage of 8 CCF, the charge will increase from \$58.80 to \$64.64 per month. For other rate classifications please see the chart of proposed sewer rates.
- An increase in the minimum annual sewer charge also is proposed. The proposed minimum charge will equate to \$20.20 per month and will remain among the lowest in the region.
- The proposed sewer rates are estimated to generate \$31.7 million in revenue. This represents a \$2.9 million increase in revenues over the previous year and represents a monthly increase of \$5.84 for the average single family residential property. Costs were allocated based on wastewater flow and wastewater strength of each class to insure rates accurately reflect cost of service needed to help fund an estimated \$19.98 million in annual operations and maintenance costs and approximately \$52 million in capital improvements and debt service costs.
- On June 15, 2015 at 7:00 p.m., the San Mateo City Council will hold a Public Hearing to accept public comment and testimony on the proposed sewer service rate increase.

Why Rate Adjustments Are Needed

Based on a detailed evaluation by CH2MHill the City is proposing a 10 percent sewer rate increase. The proposed increase will generate the minimum amount needed to fund the City’s operating cost of providing wastewater service and ensure the City continues its progress in funding the capital requirements and maintains and upgrades its aging wastewater system infrastructure. Specifically, the proposed rate adjustments will enable the City to:

- Fund capital investments and debt service for approximately \$52 million of high-priority capital needs in Fiscal Year 2015-16.

These high-priority capital projects include improvements to the Sewer Collection System and the Waste Water Treatment Plant, including annual sewer rehabilitation, capacity and reliability work and projects at the WWTP to ensure responsive and functional facilities.

- Respond to increased regulatory requirements and issues associated with sanitary sewer overflow prevention, including construction of relief sewer lines and facilities necessary to prevent overflows during significant rain events as well as increased cleaning, inspection and rehabilitation of the existing collection system.
- Pay for the increases in annual operating and maintenance expense required to meet the City’s regulatory permit requirements, fund increasing annual debt service requirements, and keep revenues aligned with the costs of providing wastewater service.

Comments and Written Protests

Any affected property owner may submit a written protest to the proposed increases to the sewer rates; provided, however, only one protest will be counted per parcel. Each protest must (1) be in writing; (2) state that the identified property owner opposes the proposed increases to the sewer rates; (3) identify the parcel for which the protest is made (by assessor’s parcel number or street address); and (4) include the signature of the property owner. Protests submitted by e-mail, facsimile or other electronic means will not be counted. Written protests may be submitted by mail to the City Clerk at 330 W. 20th Avenue, San Mateo, CA 94403 or at the public hearing, so long as the protests are received before the public hearing ends. Please identify on the envelope for any written protest, whether mailed or submitted in person to the City Clerk, that the enclosed written protest is for the Public Hearing on the Proposed Sewer Rates Increases.

During the public hearing, the City Council will hear all public testimony and consider all written protests. At the conclusion of the public hearing, the City Council will decide whether to adopt the proposed sewer rates. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest, but the City welcomes your input. If, at the end of the public hearing, written protests against the proposed increases to the sewer rates are not presented by a majority of affected property owners of the identified parcels upon which they are proposed to be imposed, the City Council will be authorized to adopt the rates.

City of San Mateo

Proposed Sewer Rates Effective JULY 15, 2015

Residential		
Class	Current Base Rate	Proposed Base Rate
Class A Standard (base rate x 1)	\$7.35/CCF	\$8.08/CCF
Minimum Charge	\$18.38/month	\$20.20/month

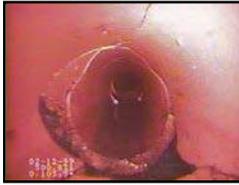
Commercial		
Class	Current Rate	Proposed Rate
Class B	\$7.35/CCF	\$8.08/CCF
Class C	\$10.87/CCF	\$11.95/CCF
Class D	\$16.46/CCF	\$18.10/CCF
Class E	Case by Case Basis	
Minimum Charge	\$18.38/month	\$20.20/month

The City’s proposed sewer rates compare favorably with neighboring cities in San Mateo County. Current charges for a typical single family that used 8 CCF per month in other cities range from \$45.83/month to \$181.08/month. San Mateo’s proposed FY 2015-16 sewer charge for similar usage would be \$64.64. Even with a \$5.84 increase in the monthly fee, San Mateo’s sewer charge remains one of the lowest in the County.

Please note that the sewer charge is billed annually on the property tax bill.

Need More Information? Please call (650)522-7325

SANITARY SEWER ENGINEERING



Sewer pipes have an average lifespan of about 50 to 60 years. Most of San Mateo’s sewer pipes were constructed between 1900 and 1960. What this means is the majority of sewer pipes in San Mateo are reaching the end of their useful life requiring costly rehabilitation and replacement.

Sewer Engineering is responsible for assessing the condition of sewer pipes and creating annual rehabilitation projects. Engineering is also responsible for large capital improvement projects that improve system capacity and reliability and reduce rainwater entering and overwhelming the sewer system.

SEWER SYSTEM CAPITAL IMPROVEMENT PROJECTS

Project	Project Description	Project Cost	Anticipated Completion
Kingridge Rehabilitation	Re-Design and Repair of a failing mainline with a history of multiple spills.	\$5M	Completed 2015
25 th Ave Relief Line Project	Designed and constructed relief line.	\$2.8M	Completed 2015
Annual Closed Circuit TV Program	Pipe condition assessment of 1/5 of sewer mains per year.	\$530,000 per year on average over past 5 years	Annual Program
Annual Collection System Rehab	Repair and rehabilitation of broken sewer mains identified in previous year CCTV.	\$1.4M per year on average over past 5 years	Annual Program
Sewer Pump-Station Rehab	Annual upgrades to 28 pumpstations for continued reliability.	\$458,000 per year on average over past 3 years	Annual Program

Sewer Backups

If you have ever experienced a sewer backup inside your home or business, or on the land of your property, you know that backups are messy, cause damage to property, and are highly inconvenient!

What Causes Sewers to Back Up?



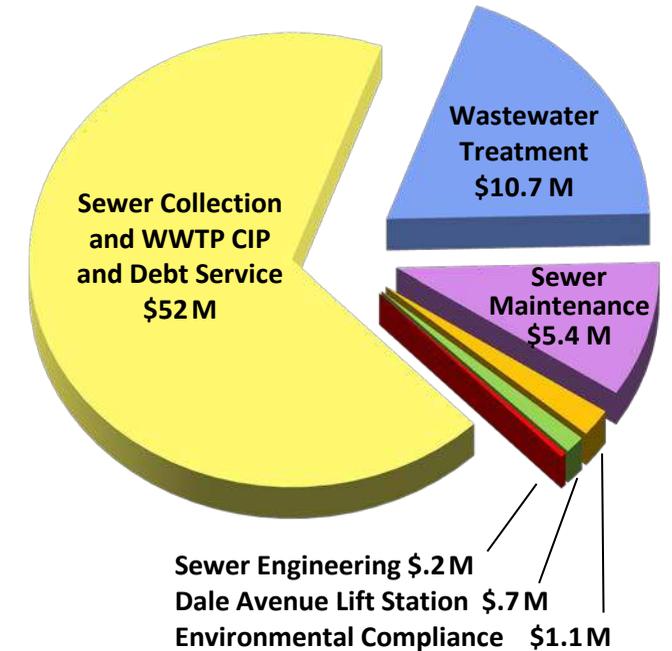
In San Mateo, blockages inside sewer pipes are most commonly caused by the intrusion of roots into sewer pipes, from the disposal of fats, oil, and grease (FOG) down drains, and pipes that are reaching the end of their useful life and have structural problems (cracks, offset joints, etc).

San Mateo spends on average \$200,000 per year on contracts to combat root intrusion inside sewer mainlines. If you have mature trees on your property, talk to your local hardware store about root control agents to apply to your private sewer lateral. If not controlled, roots can ultimately break apart your sewer lateral causing the pipe to collapse.

The City’s had a Private Sewer Lateral Cost Sharing Program during FY14-15. Please check the website listed below for information on the program for FY15-16

**CITY OF SAN MATEO
DEPARTMENT OF PUBLIC WORKS**

**Sewer Fund Report
How sewer fees are used...**



Information from Proposed 2015/2016 Budget

DALE AVENUE LIFT STATION

The largest sewage lift station in San Mateo is the Dale Avenue Lift/Pumping Station. Seven large pumps send all flow generated in San Mateo west of the Marina Lagoon to the wastewater treatment plant (WWTP).

WASTEWATER SOURCE CONTROL



The City of San Mateo Public Works Department has a restaurant grease-trap inspection program to limit the amount of fats, oil, and grease (“FOG” - such as meat fats, cooking oils, sauces, butter, etc.) entering the

sanitary sewers. When these items are poured down drains, they solidify and stick to sewer pipes restricting the flow of wastewater and causing backups.

Further, Source Control enforces violations of other toxic substances entering sewers or storm drains such as paint and construction materials which negatively impact the environment.



WASTEWATER TREATMENT

The wastewater treatment plant (WWTP) processes incoming wastewater 24 hours a day, 7 days a week. During summer, the WWTP treats an average of 12 million gallons per day (mgd) of wastewater. During rain events,



the WWTP receives flow up to 60 mgd! The difference of several million gallons is primarily caused by rainwater entering the sewer system. Cracks in pipes and separations at pipe joints allow groundwater and rainwater to enter the sewer system.

Another source of rainwater inflow is from illegal connections of property storm drains into the sewer system. Treating rainwater increases property sewer fees!

With wastewater treatment operations costs alone costing over \$10 million annually, capital improvement efforts focus on improving process, energy, and cost efficiency.

SANITARY SEWER OVERFLOWS

Another alarming outcome of rainwater entering the sewer system is that it can overwhelm sewer pipes and cause manhole overflows!



Studies have found that at least HALF of the volume of rainwater entering sewers is through cracks in PRIVATE LATERALS!

Overflows of sewage create public health and safety concerns. Further, **each overflow is a violation of California law and federal Clean Water Act.**

San Mateo has a severe problem with rainwater-induced sewage spills. Between 2005 and 2008, roughly 3 million gallons of untreated wastewater reached San Mateo waterways (creeks and channels, the Marina Lagoon and the Bay).

In March 2009, the State Water Board issued a **Cease and Desist Order (CDO)** as well as **Administrative Civil Liability** fines because of San Mateo’s non-compliance with the Clean Water Act.

Compliance with the CDO is maintained through adherence to timelines for capital project implementation as well as development and implementation of increasingly proactive operations and maintenance programs.

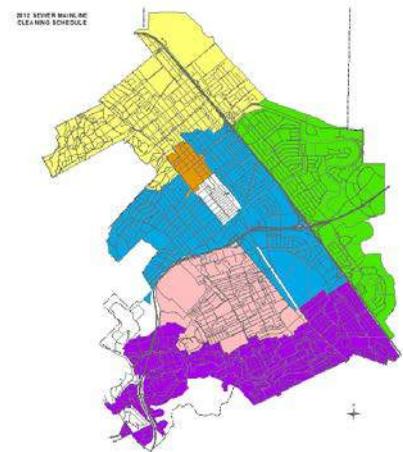
Further, the City’s private sewer lateral cost sharing program was created as part of CDO compliance to combat the issue of rainwater entering the system through defective laterals.

The overall goal of sewer maintenance, source control, and engineering is to continually improve the condition of the sewer collection system and reduce the number and impact of sewage spills.

SANITARY SEWER MAINTENANCE

The Sewer Operations and Maintenance team has established a comprehensive preventative maintenance program that includes repetitive cleaning of problematic areas and thorough citywide district cleanings aimed at keeping sewer mains free of blockages and preventing sanitary sewer overflows.

Sewer Maintenance crews clean roughly 200 miles of sewer pipe a year!



The City of San Mateo Department of Public Works is responsible for operating and maintaining, engineering, constructing and rehabilitating the City’s sewer system infrastructure while meeting all permit requirements, complying with environmental programs and providing a high level of service for both present and future customers.

www.cityofsanmateo.org

The City of San Mateo website is a valuable resource for more information on the City’s sewer system and wastewater treatment.