



# Board Agenda Item 11

DATE: September 13, 2016

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director  
Department of Public Works & Planning

SUBJECT: County Service Area 47, Quail Lake Fee Protest Hearing

RECOMMENDED ACTION(S):

1. **Conduct hearing and receive written protests from County Service Area 47, Quail Lake property owners on a proposal for a new water service fee structure as required under California Constitution Article XIII-D, and, upon completion of the public protest hearing, approve item A or B.**
  - A. **If there is not a majority protest, adopt a resolution establishing the new water fee structure for County Service Area 47, Quail Lake (4/5 vote).**
  - B. **If there is a majority protest, abandon proceedings to establish the new water fee structure, and direct staff to hold a public meeting to discuss the ramifications of the majority protest.**
  
2. **Conduct hearing and receive written protests from County Service Area 47, Quail Lake property owners on a proposal to increase the sewer service fee, as required under California Constitution Article XIII-D, and, upon completion of the public protest hearing, approve item A or B.**
  - A. **If there is not a majority protest, adopt a resolution adjusting the sewer fee for County Service Area 47, Quail Lake (4/5 vote).**
  - B. **If there is a majority protest, abandon proceedings to increase the sewer fee, and direct staff to hold a public meeting announcing immediate cost savings steps which could include a reduction of services or a possible dissolution of County Service Area 47, Quail Lake.**

Recommended action number one will allow the Board to undertake the proceedings necessary to implement a new water service fee structure for County Service Area 47 (CSA 47) to fund the operations and maintenance (O&M) of CSA 47 water services, and to build a cash reserve in CSA 47. If there is a majority protest, the new water fee structure will not be implemented and staff will conduct a public meeting to discuss the ramifications of the majority protest.

Recommended action number two will allow the Board to undertake the proceedings necessary to increase the sewer service fee for CSA 47 to fund the O&M of CSA 47 sewer services, and to build a cash reserve in CSA 47. If there is a majority protest, the new water fee structure will not be implemented and staff will conduct a public meeting to discuss the ramifications of the majority protest.

ALTERNATIVE ACTION(S):

Staff has not identified any viable alternative action.

FISCAL IMPACT:

There are no Net County Costs associated with the recommended actions. All costs associated with the protest hearings, are paid with revenue and interest from the CSA 47 water and sewer fees. All costs for the O&M of the water and sewer services will be paid from the fees charged to the CSA 47 water and sewer customers. The current revenues are not sufficient to cover the existing O&M costs.

If there is not a majority protest for the proposed water and sewer fees, the fees will be implemented on November 1, 2016, and be billed on the November/December billing which is mailed in January 2017. If there is a majority protest, there may be insufficient funds to meet the O&M costs of the water and sewer systems, as well as any unforeseen costs that may occur.

DISCUSSION:

CSA 47 was formed in 1995 to provide community water and sewer services to the Quail Lake Estates subdivision located between Ashlan and Shaw Avenues, east of McCall Avenue, as shown on Exhibit A. CSA 47 encompasses approximately 375 acres including 707 residential lots, a community clubhouse, an elementary school, and a commercial parcel. CSA 47 is built out and currently serves approximately 707 residences, the Quail lake Clubhouse and the Quail Lake Charter School.

The rate adjustment has been proposed because the rate structure for CSA 47 no longer generates sufficient revenue to meet CSA 47 expenses. The current rate structure was approved by the Board on August 10, 2010. At that time, there were approximately 571 connections. CSA 47 expenses have increased by approximately 8 % per year since 2010.

On July 8, 2015, County staff met with the CSA 47 Citizens Advisory Committee (CAC), whose members also serves on the board for the Quail Lake Home Owners Association (HOA), to discuss establishing a new water fee structure, and increasing the sewer fee for CSA 47. To save money on the Proposition 218 process, the CAC suggested that the HOA obtain an engineering consultant to draft a rate study for CSA 47. It was agreed that County staff would be involved in the process and the rate study would be reviewed by County staff prior to finalizing the proposed rates.

On September 25, 2015, staff met with the CSA 47 CAC and the engineering consultant, Dejan Pavic (Consulting Engineer), to discuss the approach and rationale to the rate study, and to work up a Proposition 218 schedule.

On June 16, 2016, CSA 47 CAC, the HOA, and the consulting engineer met with CSA 47 property owners to discuss the reasoning behind the proposal to change the structure of the water service fee and increase the sewer service fee.

On July 29, 2016, as required by California Constitution Article XIII D, Section 6 (Proposition 218) requirements, 710 notifications (Exhibit C) for the protest hearing were mailed to record owners of real property within CSA 47 subject to the proposed new water fee structure and increased sewer fee. The notification letter explained the procedure for submitting a protest to the proposed adjustment in water and sewer service fees. Additionally, the notice explained how the proposed new water service fee structure and increased sewer service fees were calculated, why the adjustment or increase is necessary, and how the new and increased fees will provide funding for the O&M, and administrative costs for CSA 47. The notice also explained that if less than a majority of property owners submit a written protest to the proposed new water fee structure and increase to the sewer fee, the Board may implement the fees effective November 1, 2016.

On August 31, 2016, Department of Public Works and Planning staff met with CSA 47 property owners and reviewed the Consulting Engineer's proposal for the new water fee structure and the increased sewer service fee, explained the Proposition 218 process, and the ramifications of a majority protest against the new water fee

structure and the increased sewer service fee.

The proposed new water fee structure is broken down into two components as described in Exhibit B. There is a base water service fee and a water usage fee, which would be billed together monthly. The proposed new base water service fee, which includes 5,000 gallons of water per month per connection, is calculated by averaging annual costs of O&M, and administration of water delivery facilities and services for CSA 47 over three years. The new water usage fee is applied to water use in excess of the first 5,000 gallons per month and is based on the cost to pump and deliver the water.

The proposed increased sewer fee, as described in Exhibit B, is a monthly flat fee that would be billed bi-monthly for sewer services. The sewer service fee includes the cost of the sewer system O&M, administration and sewage collection and treatment services.

The proposed new water and increased sewer fees also include inflation adjustments of 3.0% annually over a five-year period (effective November 1st of each year beginning on November 1, 2017, with the last adjustment to occur on November 1, 2020).

If approved, the combined water and sewer service average household increase will be approximately 13% over the current billing structure.

If the County does not receive properly submitted written protests from property owners representing a majority of the properties receiving water and sewer service in CSA 47, the Board may approve the proposed monthly water and sewer service fees. If a majority protest occurs, staff will schedule a public meeting to discuss cost saving strategies. For there to be a majority protest, the County must receive properly submitted written protests representing at least 356 properties receiving water and sewer services from the County in CSA 47.

REFERENCE MATERIAL:

BAI #11, August 10, 2010

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A  
Exhibit B  
Exhibit C  
On file with the Clerk - Resolution (Water Fees)  
On file with the Clerk - Resolution (Sewer Fees)  
On file with the Clerk - Engineer's Report

CAO ANALYST:

John Hays