



TOWN OF FAIRFAX

STAFF REPORT

May 7, 2014

TO: Mayor and Town Council

FROM: Michele Gardner, Town Clerk 

SUBJECT: Adopt resolution opposing a proposed rate increase by Ross Valley Sanitary District and directing the Town Manager to file a vote of protest in accordance with Prop. 218

RECOMMENDATION

Adopt the resolution and direct staff

DISCUSSION

Mayor Weinssoff requested this item be brought before the Council for consideration. In the past, the Town Council adopted a resolution opposing a similar proposed increase.

ATTACHMENT

Mayor Weinssoff's memorandum
Resolution
RVSD Notice of Rate Increase



TOWN OF FAIRFAX COUNCILMEMBER REPORT

To: Town Council

Meeting Date: May 7, 2014

From: Mayor Weinsoff

Subject: Resolution – Opposition to Proposed Rate Increase By Sanitary District No 1 of Marin County (Ross Valley Sanitary District) and Directing the Town Manager to File a Vote of Protect in Accordance with Proposition 218

On March 26, 2014, the Ross Valley Sanitary District (“RVSD”) board proposed to raise rates substantially during the next five fiscal years. Rates during this time would rise from the current \$638 per year to \$909 for single family residential and non-residential properties, and to \$817 for multifamily residential parcels. Under Proposition 218, the Town as a RVSD rate-payer has a right to file a written protest. If more than 50% of all the rate-payers protest, the rate increase does not go into effect. The District’s proposed rate increase should be contested by the Town of Fairfax. The attached resolution directs the Town Manager to file the appropriate protest document.

The protest vote is based on the District’s exorbitant administration costs, taxpayer funds that could be reduced substantially in the event RVSD consolidated services with neighboring sewer agencies in Corte Madera and San Rafael and the Central Marin Sanitation Agency. In fiscal year 2013-2014, the RVSD Budget allocates \$2,006,986 for its administration, including \$1,228,539 for 7 administrative positions – a General Manager, Business Manager, Human Resources Manager, Accounting Manager, and three Administrative Assistants. At a cost of over \$2 million dollars per year, there is a strong likelihood that consolidation of a good portion of this so-called “back-office” work with sister sanitary district operations would net taxpayer savings. The current RVSD Budget also allocates \$387,000 toward legal services, a sum by way of example that is approximately three times what Fairfax budgets for our town attorney.

The Town of Fairfax should support critical infrastructure work by RVSD only after that agency demonstrates that it has budgeted wisely to squeeze every existing tax dollar out of its current operations and is employing every effort to consolidate its operations with the adjoining sewer agencies. Finally, the current rate proposal was approved on a 4-1 vote: Fairfax Board member Frank Egger opposes the rate increase; Fairfax Board member Pam Meigs supports the rate increase; and two of the three other Board members who voted in support of the rate increase are not seeking re-election in the upcoming June election.

The District's website identifies the process for protesting the proposed rate change - (<http://rvsd.org/Portals/0/Documents/pdfs/Special%202018%20Documents/policy%20on%20tabulation%20of%202018%20protests.pdf>):

1. In writing (e-mail protests are not accepted) by the close of the May 21, 2014 Public Hearing either at the Public Hearing, or to the District at 2960 Kerner Blvd., San Rafael, CA 94901;

2. The written protest must:

a) state opposition to the proposed rate change;

b) identify the affected owner(s) of the property for which the protest is entered;

c) include the address or assessor's parcel number of the affected property;
and

d) be signed by the affected property owner;

If written protests against the proposed sewer service rate change are presented by a majority of owners of parcels affected, the District will not approve the rate change.

RESOLUTION 14-__

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX OPPOSING
A PROPOSED RATE INCREASE BY SANITARY DISTRICT NO. 1 OF
MARIN COUNTY (ROSS VALLEY SANITARY DISTRICT) AND DIRECTING THE
TOWN MANAGER TO FILE A VOTE OF PROTEST IN ACCORDANCE
WITH PROPOSITION 218**

WHEREAS, the Town of Fairfax is a ratepayer of Sanitary District No. 1 of Marin County (Ross Valley Sanitary District); and

WHEREAS, the Town Council considered information published by the District concerning the proposed rate increase; and

WHEREAS, the Town Council determined that the District has not sufficiently justified the proposed increase in light of the District's high administrative and legal costs and its failure to collaborate fully with the neighboring sewer agencies in Corte Madera and San Rafael and the Central Marin Sanitation Agency in the effort to consolidate services; and

WHEREAS, the Town Council believes the District should have conducted public outreach to obtain approval of its ratepayer increase beyond that of what is required by Proposition 218.

NOW, THEREFORE, BE IT RESOLVED, that the Town Council of the Town of Fairfax opposes a proposed rate increase by Sanitary District No. 1 of Marin County (Ross Valley Sanitary District) and directs the Town Manager to file a vote of protest in accordance with Proposition 218.

The foregoing Resolution was duly passed and adopted at a Regular Meeting of the Town Council of the Town of Fairfax held in said Town on the 7th day of May 2014, by the following vote:

AYES:

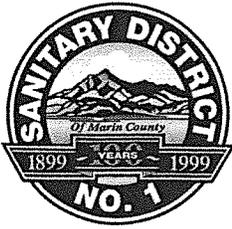
NOES:

ABSENT:

DAVID WEINSOFF, MAYOR

Attest:

Michele Gardner, Town Clerk



ROSS VALLEY SANITARY DISTRICT

2960 Kerner Blvd

San Rafael, CA 94901

(415) 259-2949 ~ rvsd.org

Notice of Proposed Wastewater Utility Service Rate Increase and Public Hearing

The Ross Valley Sanitary District (Sanitary District No. 1, or District) is considering the adoption of a five year series of rate adjustments, to cover the cost of wastewater utility service to its customers. This Notice presents a summary of the reasons for the proposed rate changes, the specific rates for each customer class, instruction on how to file a written protest, and details on the public hearing. The District is providing this notice, as required by Article XIII D of the California Constitution (Proposition 218), because you are the record owner of real property that receives sewer service from the District and is subject to the Sewer Service Charge.

Reasons for the Proposed Rate Updates

Wastewater utility service rates (sewer service charges) cover the costs to collect, convey, treat, and dispose of the municipal wastewater produced by properties within the District service area, and to replace and rehabilitate the wastewater system infrastructure. Rates were last adjusted in 2011. The District wastewater system includes over 200 miles of gravity sewer mains, 9 miles of force mains (pumped lines), and 19 pump stations. The District's rates also cover the costs to operate and maintain the regional wastewater treatment plant, through the Central Marin Sanitation Agency (CMSA) Joint Powers Authority (JPA). The District system conveys sewage flows ranging from dry weather flows of under 5 million gallons per day (mgd) to over 50 mgd during wet weather conditions. The higher wet weather flows are due to infiltration and inflow (I&I) to the sewer system, which on an annual average basis make up approximately 40% of flow volume.

The wastewater collection and conveyance system infrastructure is aging (much of the system is between 50 and 100 years old), and due to lack of reinvestment to replace and rehabilitate the infrastructure over many decades, has reached a deteriorated condition that requires significant reinvestment to ensure continued reliable, safe, and efficient operation, and to meet increasingly stringent federal and state regulatory requirements. The goal of these regulations is to eliminate sanitary sewer overflows (SSO's), the uncontrolled discharge of untreated sewage from the sewer system into streets or waterways, by ensuring the sewer systems have adequate capacity and are in sound condition.

The District has been subject to a series of significant and costly regulatory enforcement actions over several years, due to excessive SSOs caused by failing infrastructure. These enforcement actions culminated in 2013 in a Cease and Desist Order (CDO) from the California Regional Water Quality Control Board (RWQCB). The CDO presents a detailed set of requirements for replacement and rehabilitation of the system, and related operations and maintenance standards that are to be implemented over the next approximately 5 to 7 years. In response to the CDO, the District developed a revised capital plan utilizing best industry practices for wastewater infrastructure rehabilitation, the Infrastructure Asset Management Plan (IAMP), which was reviewed and approved by the RWQCB in October 2013. The IAMP was then used to develop a five year financial forecast, to determine the long term costs for reinvestment in the infrastructure and for continued safe and reliable operations. Approximately 93% of the increased costs and related rate revenue requirements over the five year forecast are for the infrastructure rehabilitation

requirements included in the CDO and the IAMP. The five year financial forecast was in turn used as a basis for the 2014 Wastewater Utility Service Rates Study (2014 Rates Study). The 2014 Rates Study evaluated a range of updates to both the rate structure and actual rates, and provides the financial basis for the proposed rates adjustments.

Copies of these key documents (the 2013 Cease and Desist Order, IAMP, Five Year Financial Forecast, and the 2014 Rates Study) are available on the District's website at www.rvsvd.org, or at the District's office.

Efforts to Minimize Cost Increases

The District recognizes that the cost of safe, reliable wastewater utility service has increased significantly in recent years, as part of a trend that has impacted communities throughout the Bay Area and the State, due to the impacts of aging infrastructure and more stringent regulatory requirements. A primary objective of the District is to maintain the lowest rates that can sustainably recover the cost of service to operate and maintain the system, and to rehabilitate and replace degraded infrastructure. Efforts in support of this include the IAMP approach to ensure the most cost-effective allocation of limited capital funds for the greatest reduction in SSO risk, improving productivity of repair and cleaning crews through the use of new equipment and maintenance management software, installing high efficiency motors and pumps at major pump stations to reduce power use, coordinating capital projects with local governments (completing sewer line work during street paving projects), and providing grants for private lateral replacement to reduce I&I flows that cause increased pumping and treatment costs.

The District has also decided to lower its five year target for its Capital Funds Reserves by 35% - 40%, in recognition that although the reserves target is a sound financial goal to meet, this must be balanced against the impacts to the customer rates.

Current Rates and Proposed Rates (Sewer Service Charges)

The District is considering adoption of a five year schedule of annual increases to its rates. The District collects its rates through an annual charge on the Marin County property tax bill, for each parcel within the service area that is connected to the wastewater system and receives service. Therefore rates are expressed on an annual basis, in dollars per year, rather than monthly or similar more frequent billing as is common for most utility services such as electricity and water utility service. Wastewater flows from each parcel are not metered. Therefore the District uses a common approach for wastewater service rates, charging per Equivalent Dwelling Unit, or EDU.

EDU - An EDU is the unit of utility service provided to the average single family residential (SFR) property, based on average wastewater flows and strength. All three customer classes (Single Family Residential, Multifamily Residential (MFR), and Non-Residential) are charged per EDU. Under the current rate structure, all three customer classes are billed at the same rate. Non-residential customers (commercial, industrial, government etc.) are billed using an adjusted EDU count for the parcel, based on its average indoor water use as estimated from winter season water billing data, and adjusted for "strength" if the property use results in high strength wastewater (such as a restaurant). A factor of 215 gallons per day is applied to the winter season water billing data in order to calculate the base number of EDUs prior to the application of the strength factor.

Rate Zones - The District has two rate zones: the Ross Valley rate zone which covers approximately 80% of the customers, and the Larkspur rate zone which covers all parcels within the Town of Larkspur served by the District. For those parcels in the Ross Valley rate zone, the District receives

a portion of the annual property tax paid to Marin County, and uses this to fund wastewater utility service. For parcels in the Larkspur rate zone, under the terms of the original 1993 annexation agreement between the City of Larkspur and the District, the District does not receive any portion of the parcels' property tax. Therefore parcels in the Larkspur rate zone have a higher charge, which offsets this lack of any property tax funding towards wastewater utility service.

Proposed Rates - Under the proposed rates, the following changes will be implemented to the rate structure and individual customer class rates. See **Table 1** for the proposed rates, by customer class and by rate zone. The District Board will consider each annual rate change as part of the annual budget adoption process, which includes a rolling five year financial forecast. The Board may elect, based on future forecast results, to adopt lower rate adjustments than those listed.

SFR - rates for SFR customers are as shown in Table 1, and are charged as one EDU.

MFR - rates for MFR parcels will be based on 0.9 EDUs per dwelling unit. The 10% reduction in the EDU count per MFR parcel is based on the lower average indoor water use (wastewater flow generation) per dwelling unit, determined by analysis of the most recent five years of Marin Municipal Water District (MMWD) billing data.

Table 1 - Proposed Schedule of Annual Sewer Service Charges, Ross Valley and Larkspur Rate Zones

	Current Rates	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
	<u>\$/EDU</u>	<u>\$/EDU</u>	<u>\$/EDU</u>	<u>\$/EDU</u>	<u>\$/EDU</u>	<u>\$/EDU</u>
<u>Ross Valley</u>						
Single Family	\$638	\$692	\$743	\$797	\$856	\$909
Multi Family	\$638	\$625	\$665	\$714	\$766	\$817
Commercial	\$638	\$692	\$743	\$797	\$856	\$909
<u>Larkspur</u>						
Single Family	\$864	\$961	\$1,012	\$1,067	\$1,125	\$1,178
Multi Family	\$864	\$865	\$906	\$955	\$1,007	\$1,055
Commercial	\$864	\$961	\$1,012	\$1,067	\$1,125	\$1,178

Non-Residential - rates for non-residential parcels will be based on the same charge per EDU as SFR. The number of EDUs for the parcel are determined based on a flow factor (indoor winter use) and strength factors (normal strength = 1.0, and high strength = 2.34).

Public Hearing and Consideration of Written Protest

Before taking final action on the proposed Sewer Service Charges, **the District Board will hold a PUBLIC HEARING on Wednesday, May 21, 2014, at 6:00 p.m. in the COMMUNITY ROOM, at the CENTRAL MARIN POLICE AUTHORITY, 250 Doherty Dr., Larkspur, CA.** The Public Hearing will be for hearing public testimony and receiving written protests on the proposed Sewer Service Charge. After the public hearing, unless there is a majority protest, the Board may adopt the rates for the next five years. Any property owner subject to the Sewer Service Charge may file with the District, at any time before the end of the Public Hearing, a written protest against the proposed sewer charge. The protest must identify the property and the property owner and

include a statement that the Sewer Service Charge is being protested. 'The protest must be signed by an owner of the property. Written protests may be hand delivered or mailed to the District. Only one protest will be counted with respect to a parcel. Protests will be accepted and tabulated pursuant to the District's Policy for Submission and Tabulation of Protests, which is available on line at www.rvsd.org or at the District office.

For inquires about the proposed Sewer Service Charge, contact the District by phone at 415-259-2949, or visit the District office at 2960 Kerner Blvd., San Rafael, CA . All documents referenced in this Notice can be accessed on line at www.rvsd.org.