



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Carl W. Mosher

SUBJECT: SEE BELOW

DATE: 6-17-04

Approved

Date

**SUBJECT: PROPOSED SEWER SERVICE AND USE CHARGES AND STORM
SEWER SERVICE CHARGES FOR FISCAL YEAR 2004-05**

SUPPLEMENTAL

This is a supplemental memorandum to the June 22, 2004, Council memorandum regarding the Proposed Sewer Service and Use Charges and Storm Sewer Service Charges for Fiscal Year 2004-05. This memorandum reports on the letters of protest received through June 17, 2004, in response to the Public Notices mailed to property owners regarding proposed Sewer Service and Use Charge rates for Fiscal Year 2004-05. At the close of the Public Hearing, the City Clerk will report on any additional protest received subsequent to June 17, 2004.

BACKGROUND

Proposition 218 Public Notices were mailed on May 7, 2004, to 213,203 residential and non-residential property owners advising them that the Administration would recommend a 4.5% Sewer Service and Use Charge rate increase for FY 2004-05. The notices also covered proposed Sewer Service and Use Charges for additional amounts up to 4.5% per year for services beginning July 1, 2005 and July 1, 2006. Property owners have 45 days from May 7, 2004, in which to protest the rate increase, and a public hearing is scheduled for June 22, 2004.

Unless written protests against the proposed rate increase are presented by a majority of parcel owners, Council may approve the rate increase.

Letters of Protest

As of Thursday, June 17, 2004, the City Clerk's Office has received 284 letters of protest in response to the Proposition 218 notification. Five of those letters did not provide an Assessor's Parcel Number (APN) required for a protest to be counted. Substantive protest letters totaled 279, representing 342 parcels or 0.16% of all property owners impacted by the proposed increase in fees.

60% of the protest letters received simply indicate that they wished to protest without offering any specific reasons; however, 40% of the protests added comments or letters explaining the reasons for their protests. In general, property owners felt over burdened by taxes and fees, and they do not want to or cannot afford to pay an increase in Sewer Service and Use Charge fees. Others stated that they were on a fixed income and that increasing their Sewer Service and Use Charge would create a financial hardship. Another major concern was that an increase in any fee is inappropriate at this time in light of the continuing economic downturn in San José and Silicon Valley.

Other recurring issues brought up in property owners' protests include:

- The City should look to cost reductions in the sewer service and use program instead of increasing fees, including staffing and project cuts.
- Cuts should be made in all City programs until existing, revenues equal program expenditures.
- Increase efficiency of City staff and programs so that additional funding may not be necessary.
- Use existing property tax revenues for sewer service and use projects, or find alternative sources of funding such as selling bonds, or charging higher sanitary sewer fees for new developments.
- Though annual fee increase is relatively small, with so many other fee and tax increases, the cumulative total is large.
- Elderly and low-income property owners that may be unable to pay the fee should be eligible for Sewer Service and Use Charge fee discounts or be exempt from paying the fee altogether.

Phone Calls Received

Over 250 phone calls were received by the City's Call Center as a result of the notification letter. Most callers wanted to confirm their classification and rate. A number of callers wanted to get clarification about where the charges appeared on their County tax bill, because the Sewer

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Service and Use Charge fee combined with the Storm Sewer Service fee. Some wanted more in-depth information on how the rates are determined.

CONCLUSION

As of June 17, 2004, the total number of substantive protests received for the proposed Storm Sewer Service Charge fee increase was 342 out of 213,203 public notices mailed on May 7, 2004 or 0.16%. Therefore, Council may consider staff's recommendation for a Sewer Service and Use Charge rate increase. Protest letters may be submitted through the close of the Public Hearing, and the City Clerk will provide to Council a count of any additional protest received after the hearing is closed.

CARL W. MOSHER

Director, Environmental Services Department