



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kerrie Romanow  
Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** July 16, 2012

Approved

Date

7/24/12

**SUBJECT: ADOPT THE SEWER SERVICE AND USE CHARGE AND STORM AND SEWER SERVICE USE CHARGE RATES FOR FY 2012-2013 AND CONDUCT A PUBLIC HEARING ON SEWER SERVICE AND USE CHARGES AND STORM SEWER SERVICE CHARGES TO BE PLACED ON THE FY 2012-2013 COUNTY ASSESSMENT ROLL**

## RECOMMENDATION

1. Adopt a resolution setting the following Sewer Service and Use Charge rates for 2012-2013, effective July 1, 2012. The recommendation for 2012-2013 is to maintain the same rates adopted for 2011-2012.

<u>Category</u>	<u>2012-2013 Monthly Rates</u>
Single Family Residential	\$33.83
Multi-Family Residential	\$19.35 per unit
Mobile Home	\$19.39 per unit
Non-Monitored Commercial and Industrial	See Attachment A
Monitored Industrial	See Attachment A

2. Adopt a resolution setting the following for Storm Sewer Service Charges for 2012-2013, effective July 1, 2012. The recommendation for 2012-2013 is to maintain the same rates adopted for 2011-2012.

<u>Category</u>	<u>2012-2013 Monthly Rates</u>
Single Family Residential and Duplex	\$7.87 per unit
Mobile Home	\$3.94 per unit
Residential Condominium	\$4.30 per unit
Large Multi-Family Residential (5 or more Units)	\$4.30 per unit
Small Multi-Family Residential (3-4 Units)	\$14.95 per unit
Commercial, Institutional, and Industrial	See Attachment B

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3. Hold a public hearing on the Sewer Service and Use Charges and Storm Sewer Service Charges report filed by the Director of Finance with the City Clerk's Office and adopt a resolution to approve the placement of recommended charges on the 2012-2013 Santa Clara County assessment roll, with such modifications as the City Council may make based on public hearing testimony.

### **OUTCOME**

Conducting the public hearing and adopting the recommended resolutions will allow the City of San José ("City") to establish the Sewer Service and Use Charges and the Storm Sewer Service Charges for 2012-2013, and to place Sewer Service and Use Charges and Storm Sewer Service Charges on the 2012-2013 Santa Clara County ("County") assessment roll for the collection of approximately \$153,000,000 in revenue to fund services related to the City's sanitary and storm systems.

### **BACKGROUND**

On June 14, 2011, Council conducted a public hearing on the proposed 2011-2012 Storm and Sewer Service Charges and proposed maximum rate increases in 2012-2013, and adopted Resolution #75857 establishing the rates for 2011-2012. Council approved a 3% maximum rate increase for both services in 2011-2012, and directed staff to return to Council with recommendations for 2012-2013 rates.

The uses for which Sewer Service and Use Charges can be allocated are restricted by Municipal Code Section 15.12.450 to "the acquisition, construction, reconstruction, maintenance, and operation of the sanitary sewer system of the City of San José; as well as the principal and interest on any bonds, loans, and advances for the construction of the system." The purposes of the Storm Sewer Service Charge, as stated in Municipal Code Section 15.16.1250 are: "for the acquisition, construction, reconstruction, maintenance, and operation of the storm drainage system of the City of San José, to repay principal and interest on any bonds, loans and advances and for any other purposes set forth in Section 15.16.1430."

On June 19, 2012, Council adopted Resolution #76316, which authorized the Director of Finance to file, with the City Clerk, the 2012-2013 Sewer Service and Use Charges and the Storm Sewer Service Charges on or before July 15, 2012 and to set the public hearing on the annual Sewer Service and Use Charges and Storm Sewer Service Charges reports of the Director of Finance pursuant to Sections 15.12.550 and 15.16.1410 of the San José Municipal Code.

The collection of the majority of City Sewer Service and Use Charges and Storm Sewer Service Charges has been accomplished by placing the charges on the County assessment roll since 1960 and 1991, respectively. These charges appear as "Item 800" on each property tax bill and are

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collected by the County Tax Collector. Under the Teeter Plan, the County will remit 100% of the billings placed on the assessment roll to the City in two payments (typically in January and June). The County's 0.3 percent administration fee will be deducted from the first payment to the City.

As outlined in San José Municipal Code Sections 15.12.550 and 15.16.1410, on or before July 5 of each year, the Director of Finance is directed to prepare and file with the City Clerk a written report containing a description of each and every parcel of real property receiving sanitary sewer service and storm sewer service, and the amount of the Sewer Service and Use Charges and Storm Sewer Service Charges for each parcel for the forthcoming fiscal year. However, on June 19, 2012, Council adopted Resolution #76316 to extend the filing date from July 5, 2012 to July 15, 2012, in order to accommodate the City's Integrated Billing System process and to allow City staff the required time to provide the most complete and current Sewer Service and Use Charges and Storm Sewer Service Charges listing to the City Clerk.

### **ANALYSIS**

Each year, Council reviews the rates for Sewer Service and Use Charges and Storm Sewer Service Charges to determine whether adjustments are necessary to align revenue with program costs. The recommendation for 2012-2013 is to maintain the same rates adopted for 2011-2012.

The Finance Director's report for Fiscal Year 2012-2013 was submitted to the City Clerk's Office on July 10, 2012. The report includes charges totaling approximately \$153,000,000 and covers approximately 230,000 parcels. Pursuant to the Finance Director's recommendation, on June 19, 2012, Council approved setting a public hearing, which the City Clerk has scheduled for August 7, 2012 at 1:30 p.m., or as soon as the matter may be heard, in the City Hall Council Chambers. Public notices have been published in accordance with San José Municipal Code Sections 15.12.550 and 15.16.1430.

### **EVALUATION AND FOLLOW-UP**

Upon acceptance of this recommendation, staff will place the 2012-2013 City Sewer Service and Use Charges and Storm Sewer Service Charges, as detailed above, on the Santa Clara County's 2012-2013 property tax assessment roll, subject to modifications, if any, Council may make based on public hearing testimony scheduled to be heard on August 7, 2012.

### **PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

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- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The City Clerk's Office will publish the notice of the time and place of the public hearing as required by San José Municipal Code 15.12.550 and 15.16.1430. In addition, this memorandum will be posted on the City's website for the August 7, 2012 Council agenda.

### COORDINATION

This memo has been coordinated with the City Manager's Budget Office, the City Attorney's Office, and the City Clerk's Office.

### COST SUMMARY/IMPLICATIONS

This action will result in Sewer Service and Use Charge revenue of approximately \$122 million and Storm Sewer Service Charge revenue of approximately \$31 million being placed on the County assessment roll, based upon the current tax roll report. Revenue from these charges has been allocated by the City Council to various allowable City functions as part of the Adopted 2012-2013 budget. Additional revenue is expected for those charges in categories that are not received via the tax roll collection process, as well as any growth that should occur, and this additional estimate is reflected in the Adopted Budget's estimated total revenues.

### CEQA

Not a project, File No. PP10-069(a) City Organizational & Administrative Activities.

/s/  
KERRIE ROMANOW  
Acting Director, Environmental Services

/s/  
JULIA H. COOPER  
Acting Director, Finance Department

For questions, please contact Laura Burke, Principal Accountant, Environmental Services Department at (408) 975-2599 or Wendy Sollazzi, Revenue Management Division Manager, Finance Department at (408) 535-7005.