

Attachment 2

Summary of City Council Study Session on February 14, 2023

At the February 14, 2023 City Council meeting, staff and the City consultant presented the findings and preliminary water and sewer rate recommendations.

At the meeting, councilmembers raised the following questions and topics:

- Councilmember: Asked if the Rate Study could consider costs of creating a program to provide some money to assist with repairs of residents' private upper and lower sewer laterals.

Staff Response: Staff indicated that it would look into the matter. After research through the City Attorney's office, it was determined that any program which pays for private sewer lateral repairs must be funded from the general fund, and not from sewer utility funds. One customer's service charges cannot pay for or subsidize services that benefit another customer.

This opinion comes from the California State Constitution, specifically from Proposition 218, Article XIID, Section 6(b)(3), which reads: "The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel."

The City Council previously adopted an Ordinance at the April 8, 2014 City Council Meeting, regulating the inspection, repair, and replacement of private sewer laterals at the time of sale of a residential property. Since 2014, the property owners have been responsible for upper and lower sewer lateral inspections and repairs.

To assist property owners with lateral maintenance, the City previously partnered with the National League of Cities' (NLC) service line warranty program, and initially administered by the insurance company Service Line Warranties of America (SLWA). The official partnership between SLWA and the City has ended. Residents can still utilize the National League of Cities service line warranty program or any other private program of their choosing. The program's website is: www.slwofa.com, and they can also be reached by telephone at 1-855-535-7141.

- Councilmember: Asked about the proposal to bill sewer service to customers through the County tax roll instead of from the City's current bi-monthly billing. Would moving to this process require a public vote?

Staff Response: The State's Health and Safety code allows agencies to adjust the rates for water, sewer, and garbage through a Proposition 218 process. These rates can be adjusted through a City Council vote. A public vote is not required. Stormwater fees still require a public vote. A Proposition 218 process still provides for a public majority protest process of more than 50% of the public.

- Councilmember: Expressed mixed opinions on moving sewer service billing to the County property tax roll. Recognizes that many neighboring agencies have sewer service on their property tax. The councilmember also asked staff about regional customer feedback on moving the billing to the property tax.

Staff Response: The advantages are that customers see a lower combined bi-monthly bill. There is a transition process for property owners. The total bill will remain unchanged in either billing scenario. The current bi-monthly bill is sent to the property resident. By transferring the sewer bill on to the property tax roll, the property owner will then receive the sewer bill instead of the property resident. Some cities have received pushback from landlords, including Redwood City. But agencies have the ability to transition the property tax billing process. For example, the City could allow for a 12 month or more transition date to allow landlords time to update their leasing agreements. The City of Millbrae is currently considering a similar year lead time before moving sewer billing to the property tax. There is some belief that moving billing to the property tax is more equitable, but there is no right or wrong approach. Each options has its advantages and disadvantages.

- Councilmember: Asked if staff know the percent of customers that are delinquent on their sewer bills.

Staff Response: From the City's Finance Department billing information, approximately 6% of both water and sewer accounts are delinquent each month. The fiscal impact is approximately \$550,000 for water and \$600,000 for sewer.

- Councilmember: Regarding moving sewer service to the property tax, they wanted to know if there were any billing differences with agencies that have fixed versus variable user rates.

Staff Response: Sewer rates are based on the one-time winter use of the previous year and the annual bill is spread evenly throughout the year. This is the same approach used by agencies with fixed and variable rate plans. San Bruno's current bi-monthly billing uses this approach. Some agencies consider moving billing to the tax rolls for residents only and leave commercial properties with bi-monthly billing because their usage can vary greatly from month to month.

- Councilmember: Asked staff for confirmation if anyone approved for reduced rates will see those rates continue if the City moves billing to the property tax roll.

Staff Response: Yes, the reduced rates will transfer. This occurs in other cities as well. For example, the City of San Carlos bills customers though the property tax roll, and their discount rate program continues as it did before with direct billing.