



DATE: June 2, 2025

TO: President and Members of the Estero Municipal Improvement District (EMID) Board of Directors

VIA: Stefan Chatwin, District Manager
Marlene Subhashini, Assistant District Manager

FROM: Andrew Brozyna, Public Works Director
Nate Cruz, Finance Director

DEPARTMENT: Public Works

SUBJECT: ESTABLISHING UPDATED WASTEWATER RATES EFFECTIVE JULY 1, 2025, WITH ANNUAL ADJUSTMENTS EACH JULY 1 THROUGH JULY 1, 2029

RECOMMENDATION

It is recommended that the Board of Directors of the Estero Municipal Improvement District (EMID):

1. Open the Public Hearing to receive comments on updated Wastewater Rates effective July 1, 2025, with annual adjustments each July 1 through 2029; and
2. After considering the staff report and the public testimony and determining that a majority protest does not exist, adopt the attached resolution amending the Master Fees and Service Charges Schedule establishing new Wastewater Rates effective July 1, 2025.

EXECUTIVE SUMMARY

On March 24, 2025, the EMID Board held a Budget Study Session to consider an analysis of proposed wastewater rates for a five-year period from FY 2025-2026 to FY 2029-2030 conducted by EMID's rate consultant, Bartle Wells Associates (BWA).

Pursuant to direction received from the EMID Board at that meeting, staff prepared a public hearing notice of the proposed adoption of maximum new wastewater rates. At that meeting, the EMID Board also approved Rate Setting Procedures to allow property owners administrative remedies for submitting written objections to the proposed rates, in accordance with Government Code sections 53759.1 and 53759.2 (known as “AB 2257”).

In conformance with Proposition 218 and AB 2257, a public hearing notice with the proposed rates was mailed to all record property owners and customers of record on March 31, 2025.

For this five-year rate cycle, it is recommended to hold the current rate for FY 2025-2026 and increase the rate by 2% annually in FY 2026-2027 through FY 2029-2030.

The proposed rates are designed to cover District operating and capital costs and maintain the operating fund above the 25% target reserve level.

BACKGROUND

EMID provides wastewater service to residential, commercial and institutional accounts. The rates that residential wastewater customers pay are based on a fixed charge for the category or type of residential unit (single family, townhouse/duplex, or apartment/condominium). Commercial customers are charged a variable rate based upon the amount of water consumed by their business and the business wastewater strength category.

EMID is responsible for its share of operating and maintenance costs that San Mateo (as the lead agency and the contracting party) incurs treating the District’s wastewater, as well as 24% of the capital improvement costs and 12% of program management costs incurred as part of the Clean Water Program (CWP), a 10-year comprehensive capital improvement project initiated in 2014 to replace aging infrastructure and meet regulatory requirements at the Wastewater Treatment Plant (WWTP). The District’s total share of the project is approximately \$171.9 million. The District also has operational costs associated with the wastewater enterprise services.

On March 24, 2025, the EMID Board held a Budget Study Session regarding updated wastewater rates to be effective July 1, 2025, with annual increases through July 1, 2029. At the Budget Study Session, the EMID Board considered information developed by EMID’s rate consultant, BWA, and approved the Rate Setting Procedures which incorporate and implement the requirements contained in Proposition 218 and the procedures by which property owners/rate payers are required to exhaust administrative remedies as set forth in Government Code section 53759.1 and 53759.2 (AB 2257). Pursuant to that direction and in conformance with Proposition 218, staff prepared and mailed the public hearing notice with the proposed rates by March 31, 2025.

ANALYSIS

The proposed rates will provide adequate revenue for operations, capital expenditures and transfers, and maintain the operating fund balance at or above target levels. The rates include consideration of the joint cost of the WWTP, and the operational and maintenance costs related to wastewater, local wastewater collection system operations, and capital improvement projects. Projections for the need for 2% increases in Fiscal Year 2026-2027 through 2029-2030 are included in Table 10 from the BWA Rate Study.

Table 10
City of Foster City / Estero Municipal Improvement District
Projected Wastewater Rate Impacts

Projected Rates	Current	Projected - Fiscal Year Ending June 30				
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
% Rate Increase		0.00%	2.00%	2.00%	2.00%	2.00%
Residential (flat monthly rate)						
Single Family	\$133.49	\$133.49	\$136.16	\$138.88	\$141.66	\$144.48
<i>Increase (Decrease)</i>		<i>0.00</i>	<i>2.67</i>	<i>2.72</i>	<i>2.78</i>	<i>2.83</i>
Townhouse/Duplex	\$112.13	\$112.13	\$114.37	\$116.66	\$118.99	\$121.32
<i>Increase (Decrease)</i>		<i>0.00</i>	<i>2.24</i>	<i>2.29</i>	<i>2.33</i>	<i>2.38</i>
Apartment/Condominium (Pools w/ Restrooms)	\$112.13	\$112.13	\$114.37	\$116.66	\$118.99	\$121.32
<i>Increase (Decrease)</i>		<i>0.00</i>	<i>2.24</i>	<i>2.29</i>	<i>2.33</i>	<i>2.38</i>
Commercial (rate per ccf of water use)						
High Strength	\$24.26	\$24.26	\$24.75	\$25.25	\$25.76	\$26.27
<i>Increase (Decrease) per ccf</i>		<i>0.00</i>	<i>0.49</i>	<i>0.50</i>	<i>0.51</i>	<i>0.52</i>
Medium/Domestic Strength	\$8.53	\$8.53	\$8.70	\$8.87	\$9.05	\$9.23
<i>Increase (Decrease) per ccf</i>		<i>0.00</i>	<i>0.17</i>	<i>0.17</i>	<i>0.18</i>	<i>0.19</i>
Low Strength	\$5.61	\$5.61	\$5.72	\$5.83	\$5.95	\$6.07
<i>Increase (Decrease) per ccf</i>		<i>0.00</i>	<i>0.11</i>	<i>0.11</i>	<i>0.12</i>	<i>0.13</i>

Rate Survey

A survey of communities along the San Francisco Peninsula was conducted to compare the District's typical residential wastewater bill with neighboring communities. The results of the survey are summarized in the Wastewater Rate Survey Comparison Chart that appears as Appendix A in the BWA Rate Study. The average monthly bill among comparator agencies is \$122.39. The District's average rate is \$133.49 per month, or about 9% higher than the average.

Public Notice

Article XIII D, Section 6(a), added to the Constitution by Proposition 218, allows agencies to adopt property-related fees, like wastewater rates, if they issue a notice of public hearing to all ratepayers no less than forty-five (45) days prior to the date of the public hearing. In addition to ongoing compliance with the requirements of Proposition 218, the Rate Setting Procedures approved at the March 24, 2025 EMID Board meeting also incorporate the optional requirements under AB 2257 (Government Code sections 53759.1 and 53759.2, effective January 1, 2025, AB 2257). AB 2257 allows EMID to establish a supplemental process intended to provide an opportunity for ratepayers/property owners to submit a written *objection* regarding a new or increased wastewater rate to EMID's attention early in the rate consideration process. Accordingly, this provides an opportunity for EMID to address or resolve any objections before the EMID Board makes a final decision on whether to adopt a proposed rate pursuant to Proposition 218. Unlike written *protests* under Proposition 218, written *objections* under AB 2257 must specify the grounds for alleging the proposed rates do not comply with Proposition 218, among other requirements. Since written objections are required to provide more detail and be submitted earlier than written protests, written objections will also serve as written protests; however, written protests will not serve as written objections.

Instituting AB 2257 prohibits a person or entity from bringing a judicial action or proceeding alleging noncompliance with Proposition 218 (Article XIII D of the California Constitution) for those water rates, unless that person or entity has timely submitted to EMID a written objection to that rate that specifies the grounds for alleging noncompliance with Proposition 218.

Attachment 3 is the Mailing Transaction Receipt for the Notice of Public Hearing that was prepared and mailed out by March 31, 2025, to property owners of record and non-owner account holders served by EMID. EMID may adopt rates lower than the rates included in the Proposition 218 public hearing notice, but it may not adopt rates higher than those in the public hearing notice.

Per the requirements of Proposition 218, if more than a majority of parcels receiving wastewater services protest any proposed rate increase, the EMID Board may not implement the increases. The City Clerk/District Secretary may only count the submitted written protests. As of May 19, 2025, the District had received no written protests regarding wastewater rates. Protests may be submitted up to the close of the Public Hearing. A final number of protests will be reported at the EMID Board meeting, and if there is not a majority protest, then the EMID Board may adopt the noticed rates. The deadline for objections was set as May 15, 2025. No written objections have been received.

Public Notices for this meeting were advertised in compliance with applicable State statutes and local ordinances. Ratepayers were notified of the proposed rate increases

by mail. If the EMID Board approves the proposed rates, no further notices will be sent to ratepayers other than a note on the bills indicating that rates were approved and will be effective on July 1, 2025, and that more information can be found on the District's website or by calling the District. Thereafter, for each annual update to the wastewater rates authorized by the recommended resolution through July 1, 2029, a supplemental note on the bill will be provided by the District to rate payers at least 30 days prior to the effective date of each update.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

- CEQA Guidelines Section 15273 – Rates, Tolls, Fares, and Charges
- Exempt per General Rule, Section 15061 (b) (3)

FISCAL IMPACT

Proposed wastewater rates will cover the projected system expenditures while adhering to budget policy objectives established by the EMID Board related to enterprise funds. All fiscal impacts for the wastewater system are borne by wastewater system customers. There is no General Fund impact.

Staff prepared the attached resolutions to incorporate the rate changes into the Master Fees and Service Charge Schedule, by reference, which were adopted on April 21, 2025. The proposed rates are based upon the data that was reviewed by, and direction received from, the EMID Board at its March 24, 2025 meeting.

CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREA

Facilities and Infrastructure

Innovation and Sustainability

Smart Planning, Development, and the Local Economy

ATTACHMENTS:

Attachment 1 - Resolution

Exhibit A - Bartle Wells Associates Wastewater Rate Study Analysis

Exhibit B – Rate Setting Procedures

Exhibit C – Prop 218 Notice

Exhibit D – Wastewater Rate Schedule

Attachment 2 – Mailing Transaction Receipt