

MINUTES

SPECIAL MEETING

MEASURE W CITIZENS' OVERSIGHT COMMITTEE CITY OF SOUTH SAN FRANCISCO



Wednesday, February 7, 2024
6:30 p.m.

IN-PERSON MEETING

CALL TO ORDER

Chair called the meeting to order at 6:32 p.m.

ROLL CALL

Chair Del Rosario, present
Vice Chair De Guzman, present
Committee member Zemke, present
Committee member Brosnan, present
Committee member Rey, absent

AGENDA REVIEW

No changes.

WELCOME AND INTRODUCTIONS

Finance Director Karen Chang provided a brief overview of the agenda for the evening.

IN PERSON PUBLIC COMMENT:

No in person public comment.

MATTERS FOR CONSIDERATION

1. Motion to approve the Minutes from the meeting on December 6, 2023.

Motion – Committee Member Zemke: To approve the minutes from December 6, 2023, Committee Member Brosnan/Second – by roll call vote: AYES Chair Del Rosario, Vice Chair De Guzman, Committee Member Zemke, Committee member Brosnan and NAYS: Non; ABSENT: Committee Member Rey; ABSTAIN: None. Motion passes unanimously.

2. Annual reorganization of the Measure W Citizens' Oversight Committee. (Kimia Mahallati, City Attorney's office)

Assistant City Attorney Kimia Mahallati provided reorganization procedures to the committee and asked each member to nominate a Chair.

Chair Del Rosario nominated Vice Chair De Guzman as the Chair. Vice Chair De Guzman nominated himself. Committee Member Zemke nominated Vice Chair De Guzman. Committee Member Brosnan agreed to nominate Vice Chair De Guzman.

Nominations for Vice Chair proceeded. Chair Del Rosario Nominated Committee Member

Brosnan. Committee Member Brosnan respectfully declined. Committee Member Brosnan nominated Committee Member Zemke. Vice Chair De Guzman nominated Committee Member Zemke.

Kimia advised that the Chair is unanimous and new Chair De Guzman was appointed.

Votes for Vice Chair were tallied up and agreed for Committee Member Zemke. No objections from Chair Del Rosario, Committee Member Zemke., and Vice Chair De Guzman.

Motion - Chair Del Rosario: Motions to appoint Vice Chair De Guzman as the new Chair. Committee Member Zemke seconds. – by roll call vote: AYES Chair Del Rosario, Vice Chair De Guzman, Committee Member Zemke, Committee member Brosnan and NAYS: None; ABSENT: Committee Member Rey; ABSTAIN: None. Motion passes unanimously.

Motion – Chair Del Rosario: Motion to appoint Committee Member Zemke as new Vice Chair. Committee Member Zemke second that motion. - by roll call vote: AYES Chair Del Rosario, Vice Chair De Guzman, Committee Member Zemke, Committee member Brosnan and NAYS: None; ABSENT: Committee Member Rey; ABSTAIN: None. Motion passes unanimously.

3. Report regarding a resolution acknowledging receipt of the Fiscal Year 2022-23 Annual Comprehensive Financial Report and approving memorandum to City Council independently verifying use of Measure W funds. (Karen Chang, Finance Director)

Finance Director, Karen Chang advised Committee members that this line item was to confirm receipt of ACFR for the Fiscal Year 2022-23, and that each member independently verified and is correct as presented. Finance Director Karen Chang advised there was a memo that will be provided for signature.

Chair De Guzman asked for confirmation that this was for Fiscal Year 2022-23. Finance Director Chang confirmed.

Committee Member Del Rosario asked if her name could be crossed out and replaced with new Chair's name. Assistant City Attorney Mahallati confirmed. Assistant City Attorney Mahallati then advised that we would amend and update the signature line. Assistant City Attorney Mahallati advised that a motion can still be made to approve the memo note that there is an amendment to update the signature to reflect the new Chair. Assistant City Attorney Mahallati asked if Committee Members had any questions or comments.

Chair De Guzman asked if there were any questions regarding the ACFR for Fiscal Year 2022-23. Vice Chair Zemke advised he had no comments. Committee Member Del Rosario advised she had no comments.

Finance Director Chang asked Assistant City Attorney Mahallati if it would be appropriate for Committee Member Del Rosario given that she was Chair when the ACFR for Fiscal Year 2022-23 was presented to in the previous meeting. Assistant City Attorney Mahallati advised that the signing of this memo would reflect the signature of the new Chair. Chair De Guzman asked if there were any public comments. Assistant City Attorney Mahallati confirmed there were no speakers for public comment.

Motion - Chair De Guzman: Motion to sign the memorandum that the Measure W Citizens' Oversight Committee has independently verified Fiscal Year 2022-23, Measure W revenue and expenditures to be submitted to the Mayor, Vice Mayor, and Council Members of the City of South San Francisco.

Assistant City Attorney Mahallati noted that the Memorandum and resolution will be signed in its current substantive form and will be amended to reflect the newly appointed Chair De Guzman.

Vice Chair Zemke second that motion. - by roll call vote: AYES Committee Member Del Rosario, Chair De Guzman, Vice Chair Zemke, Committee member Brosnan and NAYS: None; ABSENT: Committee Member Rey; ABSTAIN: None. Motion passes unanimously.

Committee Member Del Rosario asked if there were anyone online attending the meeting. Finance Director Chang advised this was an in-person meeting and no one was attending via-online.

4. Information Report on Measure W FY 2023-24 financials and project update for Measure W funded projects. (Karen Chang, Finance Director)

Finance Director Chang advised that instead of presenting the financial report first, we have a project update presentation. She will then follow with her financial update.

Deputy Director of Capital Projects Philip Vitale presented an update of the capital projects at Orange Memorial Park Sports Field.

Director of Capital Projects Jacob Gilchrist presented an update of the new Library Park and Recreation Building (LPR).

Committee Member Brosnan advised that the left-hand stack lane from East bound Chestnut to Antoinette creates a serious issue from northbound El Camino Real. Principal Engineer Matt Ruble advised that a conversation with Caltrans took place as they own that section. The City of South San Francisco controls section Antoinette and Chestnut. Those two light signals do not communicate to each other however they are both timed. They are out of sync at the moment. The City has asked Caltrans to find a solution. Caltrans will not allow the City to control that of El Camino as it is timed on their highway. The City is actively in conversations with Caltrans with the hopes of having that issue addressed.

Committee Member Brosnan asked if the parking issue is still on the table and are we looking for a long-term solution? Director Gilchrist advised that an additional 40 spaces are going in as part of the L37 development. Part of what L37 development with housing project, they are building out these additional 40 spaces this fall. When the Successor Agency sold the properties to L37, part of the deal is that L37 is deeding back to the City after they build it. Committee Member Brosnan asked if there were any conversations with the apartment building owners. Director Gilchrist advised that he was not aware of any conversations.

Committee Member Brosnan advised that he lives on Arroyo. He sees everyday pedestrians using

the dirt pathway from Arroyo to El Camino. Eventually it would be a hazard and litigation for the City. Has there been any conversations to build steps in making it safer? Director Gilchrist advised that none of those areas are on City property. The plan for the developer is to build a switch back ramp from El Camino down to the general grade of the parking lot. They are building that as part of the solution this Fall. To the right of that area is City property.

Deputy Director Vitale resumed his presentation on the aquatics project.

Committee Member Del Rosario asked if this project was 100% funded by Measure W. Deputy Director Phillip advised that it was mostly funded by Measure W and a federal grant for electric charging vehicles. The idea is to roll over the \$400,000 from the sports field project, which is a Measure W project, over to the aquatics project. Director Gilchrist advised that as part of the bond rules is that money from each bond can only be spent on projects named on that bond sale. For the 2022 A bond series, the projects were the Aquatic Center, Orange Park playground, bridge replacement, and ballfield. Director Gilchrist advised that Council had notionally understood and advocated for if pool budget came in high, we would take money from the playground and the bridge projects to make the pool a viable project. Since that did not happen, those projects keep their funding, and we have bond interest that we have been accruing since 2022. To the order of almost \$2 million that we can also apply to those other projects.

Director Gilchrist advised that this provided a head start on the playground. The playground has \$3.2 million. Finance Director Chang made a correction that the playground has \$2.2 million. Director Gilchrist advised that they think it's more like a \$5 – \$6 million project. The bond sale took place a few months before construction on the ballfield commenced. Before the 2022 bond sale, they were already working on development of the ballfield project. Director Gilchrist advised that former City Manager Futrell recommended to Council the appropriation of \$1.2 million in infrastructure reserve funding out of the general fund. Because bids came in so low, we still have a balance in that account, around \$750,000. We will be able to refund that back to infrastructure reserve.

Vice Chair Zemke asked what the estimated cost of the Aquatic Center was. Director Gilchrist advised that it was roughly \$49 million. Finance Director Chang advised that \$49 Million was set aside from the bond for the Aquatic Center.

Deputy Director Vitale advised that it was \$49 million plus the \$130K EV charging grant plus the \$400,000 for a total of \$49.53 million.

Director Gilchrist advised for the sake of reference, they were expecting the bids price from contactor to come in just under the \$40 million; around \$39.88 million. The low bid was just over \$5 million lower than that. It came in at \$34.79 million. There were three additional bids that were \$1 million lower. They were all \$1 million over the low bid. One bid was \$34.8 million, three were at high \$35 million.

Director Gilchrist advised that Deputy Director Vitale went through a similar process with LPR and the pre-qualifications. The initial prequalification only came in with two responses. They started it again and managed to obtain seven pre-qualifications and four actually bid.

Vice Chair Zemke asked if conversations were still taking place regarding Orange Park upgrades. Orange Park upgrades included the old Corp Yard where the skate park is, potentially all the way to Chestnut.

Director Gilchrist advised that last year Parks and Recreation Director Greg Mediati worked with Deputy Director Vitale on revising the Orange Park Master Plan that was adopted in 2023. Director Gilchrist advised the issue going all the way to Chestnut is that CalWater back in 2016/2017 was imagining selling the bulk of their property to the City. Everything adjacent to where Circle Society is. Then decided that they wanted to lease the property to the City at \$300,000+ per year. We would be able to develop however they were not moving any of their wells. As Principal Engineer Ruble and the engineering team started working on the Orange Memorial Park storm water capture project, we knew we would have to tear apart a portion of the park. That's when it was decided to place turf field. They no longer engaged with us on selling that property. It is something that is kept in the Master Plan in the event the winds change. The Master Plan envisions development on property owned by the City. The area on the West side of the canal. The Master Plan in the conversations of CalWater, they expressed interest and willingness to allow us to place a pathway across their property but not full development.

Director Gilchrist advised that even in the initial conversations Calwater would want easement rights and big well stations throughout.

Vice Chair Zemke complimented and expressed appreciation to the current and previous staff for their work.

Director Gilchrist advised that we saved \$28 million on the LPR bid. Which is what opened the conversations between former City Manager Futrell and then Mayor Addiego about entertaining the idea of an Aquatic Center.

Chair De Guzman asked if the LPR as a single project was a surplus. Director Gilchrist confirmed. Chair De Guzman asked if the Aquatic Center was a surplus as well. Director Gilchrist advised that it was not. It was expected to have to use other funding sources beyond the original bond sale. Director Gilchrist proceeded to provide an explanation of how it went out to bid and how the project was funded.

Committee Member Del Rosario asked if this was the actual design. Director Gilchrist confirmed. Committee Member Del Rosario asked if it was going to be an indoor pool. Director Gilchrist advised that it will be an indoor and outdoor pool.

Deputy Director Vitale and Director Gilchrist provided additional details of the Aquatic facility.

Committee Member Brosnan asked if there would be diving boards. Deputy Director Vitale advised that there would not be diving boards.

Finance Director Chang passed the floor to Principal Engineer Matt Ruble.

Principal Engineer Ruble provided a presentation regarding Pavement Management Program Projects. Principal Engineer Ruble opened for questions.

Vice Chair Zemke asked if Measure W was covering the cost of sidewalk repairs. Principal Engineer Matt Ruble advised that sidewalk repairs were not funded by Measure W. When road repairs are being completed, they will focus on curbs and gutters.

Committee Member Brosnan advised that there is an old five-year plan for paving projects that are not updated. Principal Engineer Ruble advised that they will update the information.

Principal Engineer Ruble advised that the website will be updated with real time information. Committee Member Brosnan clarified that it was for the Measure W information specifically.

Director Gilchrist advised that Deputy Director Vitale in the next few days, will present the pool contract to Council. They will issue notice to proceed in March and the groundbreaking in late April.

Director Gilchrist advised that the police station was slightly over budget but both LPR and ballfield were under budget.

Finance Director Chang provided Measure W financial recap from previous years and update for 2023-2024.

Chair De Guzman asked if the 2020 bond was for \$43 million Police Station. Chair De Guzman asked if when the bond was issued, \$40 Million. Finance Director Chang confirmed and advised that was the principal amount. We received a little more on the bond proceeds and premium. Finance Director Chang advised that we received \$53.8 million for bond proceeds. We issued \$43.9 million in bonds. Chair De Guzman asked for clarification that once it is paid off, the City would have paid \$72 million out of the \$49 million that was issued. Finance Director Chang confirmed and advised that the interest rate was favorable at 2.27%. The last payment is not due until 2046.

Chair De Guzman asked if the debt service is coming from the sales tax revenue of Measure W. Finance Director Chang confirmed.

Finance Director Chang continued with Measure W financial update.

Committee Member Brosnan asked what the interest rate for bond. Finance Director Chang advised that it was about 4%. Finance Director Chang advised the previous administration staff issued the bond ahead of time and that saved the City \$8 Million.

Finance Director Chang continued with Measure W financial update.

Chair De Guzman commented that was a lot of debt service. Finance Director Chang advised that the purpose of issuing the bond was to advance the project by leveraging Measure W sales tax then slowly pay down debt.

Committee member Brosnan asked if the \$1 million a month would have to be maintained. Finance Director Chang confirmed.

Director Gilchrist pointed out that the debt services increase in year 2020, because we only had the first bond issuance, 2021 was the second bond issuance, and 2022 was the third issuance of bonds.

Finance Director Chang advised that some of the bonds issued were used to cover some of the initial bonds to cover the debt service payment. Committee Member Brosnan asked how often do

we have conversations with financial consultants? Once or twice a year as far as being able to make up that \$1.2 million a month. Finance Director Chang advised that it was part of her presentation in the next slide.

Finance Director Chang provided an update on cash flow for Measure W financials. Chair De Guzman and Committee Member Del Rosario asked what is being done with the surplus. Finance Director Chang advised that it has not been decided and that it would be up to the Council. There are current projects that are in process such as the playground. We may need more funds for that project then what was set aside. There will not be any surplus until 2025. Given the current trend it may be about \$2 million a year.

Director Gilchrist advised that there is currently a fund balance of about \$19 million. Finance Director Chang advised that those funds contain amounts that have not been transferred. Director Gilchrist advised that it is being held in reserve for debt service if there is any disruption. There is no certainty of what is really a surplus until we close out the current projects. The goal is to close out in 2025. We try to spend the funds within the three years of borrowing.

Finance Director Chang advised that the sales tax is cyclical. We set aside money in reserve to cover for those years the City may not have enough to cover for debt service.

Vice Chair Zemke asked about the move to online sales and retail stores are going out. He assumes there's a mechanism for sales tax paid being paid to the City. Finance Director Chang advised that the sales tax collected goes into a pool. There are two types of sales tax. One is Bradley-Burns tax which sets aside 1% that is allocated to the county pool. For Measure W is more of a destination. Finance Director Chang provided an example.

Director Gilchrist asked for clarification if South San Francisco receives benefits for online Costco sales. Finance Director Chang advised that it may not be from the online sales. We do receive benefits from the three Costcos.

Committee Member Del Rosario asked if there were any restrictions seeing that we may potential have a surplus, can these funds be diverted to other projects. Finance Director Chang advised that Measure W is a general tax and is the City's money. Council will make decisions on what they want to use the funds for.

Committee Member Brosnan asked that in terms of surplus, is there any surplus that will be completely dedicated to facility maintenance and depreciation of facilities. Committee Member Brosnan advised that 30 years from now these facilities will not be as sound as they are today. Committee Member Brosnan feels there should be dedicated surplus funds for the depreciation and facility maintenance.

Director Gilchrist advised that the current City Manager thinks that is a prudent idea. Director Gilchrist advised that it has not been raised much to Council. Committee Member Brosnan advised that he has previously asked in the Measure W meeting and outside the meetings and every time he has asked, he's had a sense that he's stepping over boundaries. Director Gilchrist advised that it was not a popular opinion with the previous City Manager. Director Gilchrist advised that he has had conversations with the City Manager regarding surplus for LPR and discussed a maintenance fund. Director Gilchrist advised that the strongest advocate for those funds has been City Manager Sharon Ranals. Director Gilchrist advised that he would mention it to the City

Manager and Assistant City Manager again.

Committee Member Brosnan mentioned that the police department fire range, the 911 center and all the technology. That's going to be millions of dollars over the next two decades that we will not be ready for unless we prepare.

Committee Member Del Rosario asked if there was anything that they can do as a committee to push that through.

Finance Director Chang advised that she will communicate that back to the City Manager and Assistant City Manager and then they will communicate that with the Council. Vice Chair Zemke mentioned that both LPR and Aquatics facility much larger than the building it's replacing. Staffing needs will increase along with the maintenance.

Director Gilchrist advised that it was going to be an issue as well. We are using childcare impact fees to add three classrooms to Westborough preschool. That's six additional full time teachers.

Chair De Guzman asked if the City can pay some type of insurance premium for maintenance. Director Gilchrist advised that there was a distinction between the use of insurance from a particular event vs. annual degradation of beyond the use of life. There has been a discussion about creating a position within facilities that would focus on that. The current state of the operating budget that position is on hold. Notionally several years ago, there was an idea that the Stationary Engineer position created within facilities was going to manage warranties and all service contracts. At the moment, Brian Crume, Facilities Manager, is the only one managing that.

Chair De Guzman advised that presuming an underwriter of insurance can produce the coverage. As premiums are being paid, if anything breaks or needs to be fixed, the funds are available. Director Gilchrist advised that he was unsure if insurance would cover that. Finance Director Chang advised that she is not aware of anything either and that she would inquire about it.

Chair De Guzman advised that he works with insurance, and anything can be insured.

Finance Director Chang resumed her presentation with a recap of bond sale statistics. Finance Director Chang concluded the presentation and asked for questions.

Chair De Guzman asked if 2.2% and 2.3% were market conditions? Finance Director Chang confirmed and advised that the City saved \$8 Million.

Committee Member Del Rosario asked why the bond funds had to be used within three years of obtaining. Director Gilchrist advised agencies do not allow you to speculate on interest rates. Director Gilchrist provided an update on the solar projects and how funds need to be spent.

Committee Member Brosnan asked what is the plan for Fire Station 63? Is it no longer a Measure W issue. Director Gilchrist advised that it was a question for Council. Director Gilchrist advised that Steelwave developer has a community benefit payment to the City about \$25 million total. We received the first \$9 million at the end of last year. This is a developer contribution outside of the impact fee structure. He believes there is \$16 million balance. The end of their development agreement is 2029. The first \$9 million was a condition to receive first building permits. We may not see \$16 million for another 5-6 years. Director Gilchrist provided additional information on

how projects would be funded.

Committee Member Brosnan advised that Municipal Service Building (MSB) was not going away any time soon. The current Fire Station 63 received a significant upgrade in 2011/2012, worth \$2 million. What is the future for MSB and will there be a new fire station? Director Gilchrist advised that he has received emails from residents in the Buri Buri neighborhood asking if there are still plans to build housing at the Buri Liquor setting. The City purchased the property in 2021 with the intention of building the fire station.

Vice Chair Zemke advised that William Ramero is still listed as an alternate. He passed away. Chair De Guzman asked if anyone had any additional questions.

ADJOURNMENT

Being no further business, Chair De Guzman adjourned the meeting at 8:01 p.m.

Submitted by:

Approved by:

Patty Gomez
Secretary

De Guzman
Chair

Approved by the Measure W Citizens' Oversight Committee: / /