



# Staff Report

DATE: June 12, 2019

TO: Mayor, Vice-Mayor, and Councilmembers

FROM: Mike Futrell, City Manager  
Brian Schumacker, Water Quality Control Plant Superintendent

SUBJECT: REPORT REGARDING A RESOLUTION ESTABLISHING SEWER SERVICE RATES FOR FISCAL YEAR 2019-20, AMENDING THE MASTER FEE SCHEDULE TO INCLUDE THE FISCAL YEAR 2019-20 SEWER SERVICE RATES, ADOPTING THE REPORT OF ANNUAL SEWER RENTAL AND CHARGES FOR FISCAL YEAR 2019-20, AND CONTINUING THE LOW INCOME SEWER REBATE PROGRAM.

## **RECOMMENDATION**

**Staff recommends that the City Council conduct a public hearing and adopt a Resolution establishing sewer service rates for Fiscal Year 2019-2020, amending the Master Fee Schedule to include the Fiscal Year 2019-2020 Sewer Service Rates, adopting the Report of Annual Sewer Rentals Charges for Fiscal Year 2019-2020, and continuing the low income sewer rebate program.**

## **BACKGROUND/DISCUSSION**

In 1952, the South San Francisco-San Bruno Water Quality Control Plant went in service to meet the community's growing need to protect public health and safeguard water quality in the San Francisco Bay. The sewage collection and treatment system operates 24 hours per day, seven days per week, and can process up to 62 million gallons per day (MGD) of wastewater. This wastewater is conveyed through a network of over 165 miles of underground sewer lines and thirteen sanitary sewage pump stations in South San Francisco to the Water Quality Control Plant (WQCP). This infrastructure serves 12,593 residential and 1,594 commercial connections.

Once the wastewater is fully treated at the WQCP, it is discharged into San Francisco Bay. The treatment process is complex and is, understandably, heavily regulated by local, state and federal regulators. Regulatory Agencies are charged with protecting the health and safety of humans,

Staff Report

Subject: SEWER SERVICE RATES FOR FISCAL YEAR 2019-20

Date: June 12, 2019

Page 2 of 5

animals, plants, and the overall environment. The discharge requirements for the WQCP are governed by the San Francisco Bay Regional Water Quality Control Board and defined in Order No. R2-2014-0012, National Pollution Discharge Elimination System (NPDES) No. CA 0038130 adopted on April 9, 2014.

Sewer fees collected from the users are used to fund critical services such as the operation, maintenance, and upgrade of the sewer collection system and treatment plant. Staff has engaged in further planning at the treatment plant and has begun or have completed several reliability improvement projects and studies. They include:

- Completion of standby generator No. 1 replacement project
- WQCP rehabilitation and repairs as required by the National Pollution NPDES permit
- Wet Weather Improvement Program design as part of the new NPDES permit provisions
- Design and rebuilding/rehabilitation of three anaerobic digesters
- Bulk chemical storage tank rehabilitation (originally constructed in 1997)
- Secondary clarifier restoration (originally constructed in 1964)
- Sewer collection system inspection and repair
- Sanitary Pump Station No. 4 redundant force main design
- Effluent storage pond relining project (originally constructed in 2005)

Some of these projects were completed in order to comply with the requirements of the SWRCB for the City's NPDES permit and some were identified to comply with AB 32 greenhouse gas emission goals. The remaining projects constituted necessary repairs to aging infrastructure and enhancements to the plant's ability to self-generate electrical power.

Staff has consistently looked for opportunities to operate more efficiently and to implement cost savings measures, including the following:

- Replacement of two large low efficiency centrifugal blowers with two high efficiency turbo blowers. These new turbo blowers use up to 25% less electricity
- Digestion process redesign that will replace two conventional anaerobic digesters with one high solids digester. This redesign saved 50% in tank construction cost.
- Approved for Clean Water State Revolving Funds (CWSRF). The CWSRF is administered by California for the purpose of providing low-interest loans for investments in water and sanitation infrastructure. Finance Staff anticipates that the **CWSRF loan will save the City roughly \$23.7 million dollars in fees, loan forgiveness and interest charges over the 20 year life of the loan** in comparison to open market sources, such as bond issuance.
- Planning a 520 kw battery energy storage system to reduce peak energy charges of up to 35% per year
- Feasibility planning for biosolids drying that can reduce biosolids disposal cost by 75% per year
- 205 kW solar photovoltaic (PV) covered parking. This project can reduce plant electrical cost by up to 20% per year

Staff Report

Subject: SEWER SERVICE RATES FOR FISCAL YEAR 2019-20

Date: June 12, 2019

Page 3 of 5

Mandated discharge requirements have been made consistently more stringent since the passage of the Clean Water Act in 1972, requiring adequate plant upgrades to meet new state and federal mandates. The most recent mandate requires additional plant upgrades and necessitated the adjustment of user sewer rates to fund the mandated changes. On June 28, 2017, the City Council conducted a Proposition 218 process and subsequently approved a five year rate plan that increases sewer fees to fund mandated sewer collection system and treatment plant improvements, as follows:

- In Fiscal Year 2017-18, a 13% increase across all rate types;
- In Fiscal Year 2018-19, a 10% increase across all rate types (**financing required only a 9% increase in FY 2018-19**); and
- In Fiscal Years 2019-20 through 2021-2022, a 2% increase each year across all rate types.

A routine 2% rate increase as contemplated in the 2017 Proposition process is now required to continue to finance the mandated upgrades and improvements.

Revenues and expenses are in alignment with staff's projections from when the five year rate plan was set. The attached Resolution approves the 2% rate adjustment, which is within the five year rate plan previously adopted by the City Council. In accordance with Chapter 14.12 of the South San Francisco Municipal Code, the City Council must adopt the Report of Annual Sewer Charges yearly.

Residential rates will remain as a flat annual rate, increasing 2%. Commercial/industrial rates will also increase by 2%. Commercial rates vary depending upon actual water use from the previous year. The actual sewer service charge for each type of commercial business also depends on the customer type, customer class (there are different classes for commercial and institutional customers), and the amount of wastewater discharged. A complete schedule of sewer service charges for all classifications is attached and assuming approved, residential rates will adjust as follows:

- Assuming a 2% increase for FY 2019-20 single unit residential customers will pay \$ 61.58 per month. This change is **only a \$1.25 per month increase** compared to the FY 2018-19 charge of \$60.33 per month.

Staff Report

Subject: SEWER SERVICE RATES FOR FISCAL YEAR 2019-20

Date: June 12, 2019

Page 4 of 5

Contingent upon the 2% rate increase approval for FY 2019-20, South San Francisco residential users will still pay one of the lowest monthly sewer fees in San Mateo County as shown below.

|  |              |
|--|--------------|
| Hillsborough                               | \$ 258       |
| Burlingame Hills Sewer Management District | \$ 140       |
| Crystal Springs County Sanitation District | \$ 118       |
| Millbrae                                   | \$ 115       |
| Emerald Lake Heights Sewer District        | \$ 107       |
| Montara Sanitary District                  | \$ 105       |
| San Carlos                                 | \$ 98        |
| San Bruno                                  | \$ 97        |
| West Bay Sewer District (Menlo Park)       | \$ 94        |
| Pacifica                                   | \$ 91        |
| Belmont                                    | \$ 85        |
| San Mateo                                  | \$ 80        |
| Redwood City                               | \$ 78        |
| Brisbane                                   | \$ 76        |
| Foster City                                | \$ 75        |
| Fair Oaks SMD (Woodside)                   | \$ 71        |
| <b>South San Francisco</b>                 | <b>\$ 62</b> |
| Burlingame                                 | \$ 55        |
| Daly City (NSMCSD)                         | \$ 53        |
| East Palo Alto Sanitary District           | \$ 48        |

Pursuant to the City's Municipal Code requirements, the Finance Director has filed with the City Clerk a report containing a summary of the annual rentals or charges by type of real property, receiving sewer service, computed in conformity with the schedule of charges. Additionally, the notice of the public hearing was published in accordance with the applicable state law and Municipal Code requirements. Following adoption of the resolution approving the report of sewer service charges for Fiscal Year 2019-20, the City Clerk will file a copy of the report with the county auditor so that the sewer service charges will be collected on the official tax assessment roll.

#### LIMITED INCOME ASSISTANCE PROGRAM

On May 23, 2018, City Council approved a Limited Income Assistance Program, sewer fee rebates for qualifying residents. The resolution associated with this staff report will continue the sewer rebate program for FY 2019-20.

Rebate program criteria and process:

- Submit applications to the Public Works Department, located at 550 North Canal Street South San Francisco, CA 94080.
- Applicant will:

Staff Report

Subject: SEWER SERVICE RATES FOR FISCAL YEAR 2019-20

Date: June 12, 2019

Page 5 of 5

- Complete rebate application available online at [www.ssf.net](http://www.ssf.net) or in person at 550 North Canal Street South San Francisco, CA 94080.
  - Provide proof of residency and property tax payment.
  - Provide proof of California Water Service LIRA program enrollment.
- Applications will be continuously accepted.
- Public Works will review the application materials and once approved, submit a check requisition of \$76 to the Finance Department.

#### RELATIONSHIP TO THE STRATEGIC PLAN

The Water Quality Control Plant (WQCP) Division promotes public health and environmental stewardship. Continuing to fund infrastructure capital improvements positively effects the quality of life for South San Francisco residents by protecting public health and safety.

#### FISCAL IMPACT

The FY 2019-20 Sewer Fund budget was developed assuming revenue from the proposed rate adjustment. Projected revenues for FY 2019-20 are \$24,364,893 if approved.

#### CONCLUSION

Staff has updated the financial forecast for the City based on predicted operational costs, state NPDES permit requirements, and estimates of Sewer Fund revenues and expenses. Staff recommends the existing rate structure remain as set forth for FY 2019-20 within the structure of five year rate plan originally adopted in 2017.

Sewer service rates were determined in accordance with state guidelines and staff believes the proposed rates represent a fair and equitable allocation of costs to the various classes of users and are in proportion to the amount of sewage discharged into the sewer system. A comparison of the residential rates for other cities in San Mateo County is also attached for City Council's review.