



MINUTES SPECIAL MEETING BUDGET STANDING COMMITTEE

OF THE
CITY OF SOUTH SAN FRANCISCO
P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

THURSDAY, AUGUST 19, 2021
5:00 p.m.

Teleconference via Zoom

*Housing Standing Committee conducted this meeting
in accordance with California Governor Newsom's
Executive Orders N-25-20 and N-29-20 and COVID-
19 pandemic protocols.*

Call to Order.

Time: 5:00 p.m.

Roll Call.

PRESENT: Councilmember Nicolas and
Mayor Addiego.

AGENDA REVIEW

No changes

REMOTE PUBLIC COMMENTS

None

MATTERS FOR CONSIDERATION

1. Motion to approve the Minutes for the meeting of May 24, 2021.

Motion – Councilmember Nicolas / Second – Mayor Addiego: to approve the minutes. Councilmember Nicolas submitted a minor correction to the minutes. The motion carried unanimously.

2. Overview of the South San Francisco Sewer Fund and structuring the next five-year sewer rate plan. (Mike Futrell, City Manager, Janet Salisbury, Finance Director, and Brian Schumacker, Plant Superintendent)

Plant Superintendent Schumacker introduced the item and provided an overview of the Sewer Fund, current Sewer Rate Plan, Ten Year Sewer Rate History, Infrastructure Investments, and Five-Year Rate Plan Scenarios. Sewer rates fund ongoing operation and maintenance and capital improvement projects required to collect and treat wastewater. The City's sewer rate was approximately 37% below the San Mateo County average. Since Fiscal Year (FY) 2011-12, the City had only increased sewer fees by 3.5% each year (on average) while making mandates and infrastructure maintenance needs. The City had reduced or waived previously-adopted annual rate increases in two of the past five years due to savings realized through operational efficiencies. The City shared some of those costs with partner agencies.

Bartle Wells Associates (BWA) completed a comprehensive Sewer Rate Plan Study in 2021 and developed five-year rate projections under two scenarios:

Recommended Scenario

	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Maximum Increase	3%	3%	3%	3%	3%

Reduced Scenario

	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Maximum Increase	2%	2%	2%	2%	2%

The maximum recommended 3% increase per year provided the following benefits:

- Generates an additional \$4 million in sewer fund revenues over the next five years, providing additional funding for capital needs while minimizing impacts to existing fund balance; and
- The compounding effect of the marginal increases over five years lends itself to continued low rate increases in future years.

The most recent Comprehensive Annual Financial Report showed a sewer fund balance of approximately \$25 million. Both scenarios assumed a partial drawdown of fund balances for capital project funding needed in upcoming years.

- The 3% maximum per year rate plan draws down approximately \$5 million.
- The 2% maximum per year rate plan draws down roughly \$8.4 million.

Under both scenarios, South San Francisco's residential rates would remain among the lowest in San Mateo County. Based on the BWA Sewer Rate Plan Study and the benefits mentioned, staff supported the Recommended Scenario.

Mayor Addiego inquired how rainwater entered the sewer system. Plant Superintendent Schumacker stated the City had a sewer system that is called a closed system. There were two methods that the water finds its way into the system, 1) inflow, and 2) infiltration. Direct inflow was when the rainwater finds its way into a manhole towards downspout from somebody that is connected. Infiltration was when rainwater gets into the underground cracked pipes. As the rainwater gets through the soil it finds its way into those pipes that are compromised and works its way into the collection system and mixes with the sewage.

Mayor Addiego queried whether monies in the budget fund reserves had any benefits sitting there. Plant Superintendent Schumacker stated the fund reserves were required by the loans. He advised that the loans required roughly \$12 million to remain unused and above \$12 million are cashed assets.

Councilmember Nicolas inquired whether budget fund reserves could also be used towards needed upgrades and how often were upgrades needed pertaining to California requirements. Plant Superintendent Schumacker confirmed that fund reserves could also be used toward upgrades and advised upgrades were needed about every 10 years.

Councilmember Nicolas queried the amount a commercial user pays over a residential user. Plant Superintendent Schumacker stated commercial users could see an amount six to ten times higher than a residential user. He added that on the residential side, it was a fixed amount, every resident is the same, except for multifamily. The commercial side was based on flow and strength of the wastewater.

City Manager Futrell stated staff recommends a five-year sewer rate plan with maximum annual increases of 3%. In any year, Council could come lower than 3% giving Council the flexibility to go as high as 3%.

Mayor Addiego inquired about the amount the City of San Bruno contributes to the operation of the sewer system. Plant Superintendent Schumacker advised San Bruno shared 25% of all the capital improvement projects at the plant. They also shared roughly the same amount of all the operation and maintenance costs.

Budget Standing Committee members recommended to increase the FY 2022/23 rate 2% and for the next four years after could be up to the maximum 3%.

ADJOURNMENT

Being no further business Mayor Addiego adjourned the meeting at 5:43 p.m.

Submitted by:

Approved by:

Gabriel Rodriguez
Deputy City Clerk

Mark Addiego
Mayor

Approved by the Budget Standing Committee: ____ / ____ / ____