



Legislation Details (With Text)

File #:	23-189	Name:	
Type:	Staff Report	Status:	Public Hearing
File created:	3/1/2023	In control:	City Council
On agenda:	6/14/2023	Final action:	
Title:	Report regarding a resolution establishing sewer service rates for fiscal year 2023-2024 amending the Master Fee Schedule to include the fiscal year 2023-2024 Sewer Service rates; adopting the Report of Annual Sewer Rentals Charges for the fiscal year 2023-2024. (Sharon Ranals, City Manager, Karen Chang, Director of Finance, and Brian Schumacker, Plant Superintendent).		

Sponsors:

Indexes:

Code sections:

Attachments: 1. Attachment 1 - FY 2023-24 Sewer Rate City Council Presentation, 2. Attachment 2 - Notice of Public Hearing FY 2023-24 Sewer Service Charges

Date	Ver.	Action By	Action	Result
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Report regarding a resolution establishing sewer service rates for fiscal year 2023-2024 amending the Master Fee Schedule to include the fiscal year 2023-2024 Sewer Service rates; adopting the Report of Annual Sewer Rentals Charges for the fiscal year 2023-2024. (*Sharon Ranals, City Manager, Karen Chang, Director of Finance, and Brian Schumacker, Plant Superintendent*).

RECOMMENDATION

Staff recommends that the City Council conduct a public hearing and adopt a Resolution establishing sewer service rates for the fiscal year 2023-2024, amending the Master Fee Schedule to include the fiscal year 2023-2024 Sewer Service rates; adopting the Report of Annual Sewer Rentals Charges for the fiscal year 2023-2024.

BACKGROUND/DISCUSSION

The South San Francisco-San Bruno Water Quality Control Plant went into service in 1952 to meet the community's growing need to protect public health and safeguard 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. The collection system conveys wastewater 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).

On July 10, 2019, regulators readopted the discharge requirements for the WQCP governed by the San Francisco Bay Regional Water Quality Control Board as defined in Order No. R2-2019-0021, National Pollution Discharge Elimination System (NPDES) No. CA 0038130. Complex systems treat wastewater at the WQCP. Local, state, and federal regulators heavily regulate the treatment processes. These regulations help to protect the health and safety of humans, animals, plants, and the environment. Sewer fees collected from the

users fund critical services such as the operation, maintenance, compliance monitoring, and upgrade of the sewer collection system and treatment plant required by the NPDES permit.

Public Works staff have started or completed several reliability improvements projects and engineering studies for the sewage collection system and the main wastewater treatment plant.

- Completed:
 - Standby Generator No. 1 Replacement project
 - Effluent Storage Pond Relining project
 - WQCP Rehabilitation Building Seismic Retrofitting
 - Pump Station No. 2 Upgrade
 - Bulk Chemical Storage Tank Rehabilitation WQCP Secondary Clarifiers No. 1 and No. 2 Rehabilitation
 - Plant-wide Industrial Re-Coat
 - WQCP Switch Gear and Cogen Controls Update
 - Pump Station Industrial Re-Coating
 - WQCP Wet Weather and Digester Improvements
 - Sanitary Sewer Master Planning
- Under planning, design, and construction:
 - Sanitary Sewer Rehabilitation
 - Pump Station No. 4 Redundant Force Main
 - WQCP Solar Photovoltaic - WQCP
 - Dissolved Air Floatation Thickener Rehabilitation Project - WQCP
 - Sea Level Rise Study and Army Corp Project Matching
 - Variable Frequency Drive Replacement Project - WQCP and Sanitary Pump Stations
 - Programmable Logic Controller Replacement Project - WQCP and Sanitary Pump Stations
 - Headworks No. 1 Grit Chamber Tower Rehabilitation Project - WQCP
 - Transformer K Replacement Project - WQCP
 - SB 1383 Organics Diversion Mandate Compliance and Cogeneration Expansion Project - WQCP
 - Biosolids Drying and Recycling Project - WQCP
 - Industrial Coating Reapplication Project - WQCP and Pump Stations

Public Works and plant management consistently look for opportunities to operate more efficiently and to implement cost-savings measures, including the following:

- Low-interest Clean Water State Revolving Fund (CWSRF) funding, resulting in a lower interest rate on debt service and 4 million dollars in principal forgiveness
- Impact Fee offset
 - Impact fees paid by developers offset rates by \$16.5 million; Replacement of two low-efficiency centrifugal blowers with two high-efficiency turbo blowers. These new turbo blowers use up to 25% less electricity
- Staff directed digestion process redesign that replaced two conventional anaerobic digesters with one high solids digester.

- This redesign saved 50% in tank construction costs
- 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 costs by up to 20% per year

Regulators continue to make discharge requirements more stringent since the passage of the Clean Water Act in 1972. The Clean Water Act requires adequate plant upgrades to meet new state and federal mandates. The most recent mandate requires additional plant upgrades and necessitates the adjustment of user sewer rates to fund the needed changes.

On January 12, 2022, the City Council conducted a public hearing pursuant to the requirements of Proposition 218 to set sewer rates. In compliance with the processes set forth under Prop 218, the City Council adopted a five-year rate plan that increased sewer fees to fund the mandated sewer collection system and treatment plant improvements, as follows:

- In the fiscal year 2022-23, a 2% increase across all rate types
- In fiscal years 2023-24 through 2026-2027, a 3% increase each year across all rate types.

The sewer rate increase presented to the City Council for FY 23-24 is included in this previously approved five-year program. Staff recommends applying the 3% increase for FY 2023-24 approved by City Council in 2022 to continue to fund mandated capital improvement projects. This \$24 per year increase also fiscally supports the operation and maintenance of the wastewater system.

The chart below displays how the City of South San Francisco's residential sewer rates compare to other cities within San Mateo County.

City/Agency	Monthly Charge (Rounded) in Dollars
Hillsborough	319
Burlingame Hills SMD	158
Crystal Springs CSD	146
Emerald Lake Hts SMD	143
Montara WSD	136
Foster City	127
Millbrae	120
San Mateo	119
San Carlos	117
West Bay SD (Menlo Park)	107
Pacifica	97
Belmont	95
San Bruno	94
Redwood City	89
Half Moon Bay	88
Fair Oaks SMD	85

SSF (FY 2023-24 3% Increase)	66
SSF (Current Rate)	64
Brisbane	57
Burlingame	56
East Palo Alto SD	50
Daly City (NSMCSD)	45
Bayshore SD	39

The recommended 3% increase denotes a \$761,422 per year revenue increase and the City's Municipal Code requires the Finance Director to file a report containing a summary of the annual sewer charges with the City Clerk. The City Clerk published the notice of the public hearing per applicable state law and Municipal Code requirements. Following the adoption of the Resolution approving the report of sewer service charges for the fiscal year 2023-24, the City Clerk will file a copy of the report with the county auditor. The County will then collect the sewer service charges on the official tax assessment roll.

Staff also notes that in 2018, the City Council approved via Resolution No. 78-2018 a sewer rebate program for residents who qualify for the California Water Service Low Income Rate Assistance (LIRA) program. This rebate program has continued through the past few years. The accompanying resolution will allow the City Council to affirm its desire to continue the low-income sewer rebate program.

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 affects the quality of life for South San Francisco residents by protecting public health and safety.

FISCAL IMPACT

Staff developed the FY 2023-24 Sewer Fund budget based on revenue from the proposed rate. Projected revenues for FY 2023-24 are \$25,380,746 if approved by the City Council.

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 2023-24 within the five-year rate plan initially adopted by City Council in 2022.

The City determined sewer service rates following state guidelines. Independent financial consultants trust the proposed 3% rate increase represents 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.

Attachment:

1. Proposed FY 2023-24 Sewer Rate Plan presentation
2. Notice of Public Hearing FY 2023-24 Sewer Service Charges

