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MILLBRAE CITY COUNCIL

Tuesday, May 26, 2015; 7:00 p.m.

City Council Chambers

621 Magnolia Avenue, Millbrae, CA 94030

AUDIO TRANSCRIPTION

Re: Item 8 New Business

Authorize Issuance of Public Hearing

Notice for Wastewater Rate Changes for

FY 2015-2016 to FY 2019-2020 - ACTION

**Audio Transcription of May 26, 2015 Millbrae City Council**

1 APPEARANCES:

2

3 Millbrae City Council:

4 MAYOR ROBERT GOTTSCHALK  
5 VICE MAYOR ANNE OLIVA  
6 COUNCIL MEMBER REUBEN HOLOBER  
7 COUNCIL MEMBER MARGE COLAPIETRO  
8 COUNCIL MEMBER WAYNE LEE

9

CITY OF MILLBRAE:

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11 CHIP TAYLOR, Public Works Director,  
12 Assistant City Manager  
13 MARCIA RAINES, City Manager  
14 ANGELA LOUIS, City Council Clerk

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**Audio Transcription of May 26, 2015 Millbrae City Council**

1 TUESDAY, MAY 26, 2015; MILLBRAE, CALIFORNIA

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3 MAYOR GOTTSCHALK: This is Item 8 under New  
4 Business, to authorize issuance of the public hearing  
5 notice for wastewater rate changes for fiscal year  
6 2015-2016 through fiscal year 2019-2020.

7 VICE MAYOR OLIVA: Just for clarification, Item  
8 Number 6 is not on the agenda?

9 CITY MANAGER RAINES: Yeah, you skipped a line.

10 MAYOR GOTTSCHALK: Number 6?

11 CITY MANAGER RAINES: You shouldn't have told  
12 him.

13 MAYOR GOTTSCHALK: That's good. We didn't  
14 spend too much time on Item 6.

15 DIRECTOR TAYLOR: All right. Good evening,  
16 Mayor and Council again. I'm here for wastewater rates.  
17 And I'll give a brief presentation on wastewater rates.  
18 And I also have Mr. Tom Pavlitec here with Municipal  
19 Financial Services who helped us with wastewater rate  
20 modeling as we were looking through this, many, many  
21 iterations of that.

22 So with wastewater rates, this evening I'll go  
23 through a little bit of background related to wastewater  
24 rates. I'll talk about the proposed rates themselves,  
25 do a little bit of rate comparison to show the Council.

1 I'll talk about some code modifications that Staff can  
2 be bringing back through June to make some of this  
3 happen and streamline things. And then talk about the  
4 schedule of hearings for adoption on implementation of  
5 the rates and charges.

6 So first off, just to give the Council a little  
7 background, the last time that the rates were looked at  
8 or increased was back in 2010, so five years ago. So  
9 there's been essentially five years of a flat rate of no  
10 increases.

11 A typical single-family home right now pays  
12 approximately \$71.20 per month. That is billed every  
13 two months, so it is essentially double that that the  
14 residents do see on their bills.

15 Currently the City is under a consent decree  
16 with Baykeeper to improve our wastewater system for  
17 approximately \$34,000,000. We have talked a little bit  
18 with Council in the past about that. We're in the  
19 process of still renegotiating with Baykeeper to change  
20 out the project. But either project that we do, the  
21 original project or the new project is approximately the  
22 same cost.

23 We also have an issue related to our debt  
24 service coverage requirements. We're required to have a  
25 certain coverage for our debt service that we currently

1 have, not any new debt service, and we're currently not  
2 meeting that -- without these increases to then meet  
3 that coverage requirement for the covenants of those  
4 particular debt services.

5           So then I'll jump into the proposed rates  
6 themselves. This table is in the Staff Report on page 2  
7 of the Staff Report, and it's broken into two different  
8 sections. The first section that I highlighted a little  
9 bit in yellow here are really about the standard  
10 increases that are necessary for essentially the  
11 day-to-day operations. This shows five years of  
12 increases which we're proposing in the 6 to 7 percent  
13 range per year. That essentially covers our day-to-day  
14 operations, increase in cost for materials, personnel  
15 costs as well as some of our standard capital  
16 improvement projects that we would do regardless of the  
17 Baykeeper requirements.

18           On the bottom section, in order to really break  
19 out the Baykeeper requirement or what we've called  
20 this -- it can be called anything, but we've called it  
21 SSO, which is Sanitary Sewer Overflow charge, really  
22 this is to cover the debt financing that's being  
23 proposed by Staff in the Staff Report to cover most of  
24 the \$34,000,000 -- about 27 million of the \$34,000,000  
25 will be covered by debt financing.

1           And this extra charge on the bill would  
2 essentially just cover that particular component. And  
3 the first year would be \$10.50, and then that would jump  
4 to \$23.90, and then it would maintain there. In the  
5 Staff Report it's a little bit unclear in the table  
6 whether those get added on top of each other. But  
7 really it just goes to 23.90 and then stays flat at  
8 23.90 for approximately 20 years until the debt service  
9 is paid off.

10           So I'll talk a little bit about this graph that  
11 shows the typical family -- single-family bill. As you  
12 can see in the graph there, it shows the various years  
13 of flat for the rates, the current rates. And then  
14 essentially for this August it would go from about \$71  
15 to \$76, and that's -- the \$76 is just for the operating  
16 piece, and then you add on the \$10.50 for the SSO  
17 charge, which would bring that typical bill up to about  
18 \$86. And that's every month. So you do double that  
19 when the -- the resident actually sees it on their bill,  
20 it is a double of that value. And then it increases  
21 from there the next year, and then it essentially  
22 remains at that 6, 7 percent.

23           And then we hope after that, that it would go  
24 back to, then, your cost-of-living-type increases and  
25 inflationary increases after we get caught up. We'll

1 know more as we get closer to those time frames.

2 To give an idea of rate comparison, just to  
3 understand how we fit, some of these are already a  
4 little bit dated, because we know that other communities  
5 are dealing with this same issue and have already dealt  
6 with some of this by increasing rates in the last month  
7 or so.

8 The orange on the graph shows Millbrae. So as  
9 you can see, the first one -- and this is the bi-monthly  
10 charge. So I tried to make this one into every two  
11 months for the charges. So as you look at the  
12 orangeish-yellow on the graph there, we're at the 142,  
13 which is the 71 times 2, and then with just the standard  
14 operating we would go to 152, and then as you add in  
15 that SSO charge it goes to 173.

16 And you can see how we fit. There are some  
17 that are more, a lot more, but there are definitely some  
18 that are less. We know that some of those ones that are  
19 less are also grappling with Baykeeper charges, and they  
20 haven't figured out exactly how they're going to deal  
21 with that charge as well. So very likely some of these  
22 other agencies will have to deal with that in some  
23 manner in the next -- in the shorter time frame in the  
24 next year or so.

25 So also currently our rates are within the

1 code, so they are actually inside of the code, the  
2 table, which is not as common. Typically the rates  
3 themselves are in our service and master fee schedule,  
4 just like our water rates. Our water rates are there.  
5 And so we're proposing to move our wastewater rates to  
6 there as well. It makes it a little bit easier for the  
7 residents to see it, because it's all in our master fee  
8 schedule, and then it also makes it a little bit more  
9 efficient for adoption as far as it's by resolution  
10 rather than by ordinance.

11 So what we're going to propose -- I just talked  
12 about this, and it's very common practice, most of the  
13 agencies in the area have it in the master fee schedule.  
14 So on June 9th we're proposing to bring back a first  
15 reading of that ordinance modification. We're working  
16 on that right now to bring to the City Council. And  
17 then June 23rd, we would do a second reading for that,  
18 and then it would be in effect 30 days later. And then,  
19 finally, the meetings and hearings for the actual rate  
20 adoption.

21 So tonight you're not being asked to increase  
22 the rates or change the rates. This is just essentially  
23 setting the public hearing date for July 28th as well as  
24 allowing us to send out the notices to residents,  
25 because we have to send those out a minimum of 45 days



1 in advance so that they see what the proposed rates are.  
2 So then they'll receive that notice in the mail.

3 So that's -- so tonight, the Council would  
4 approve that. On July 28th is when there would actually  
5 be the public hearing to set the resolution and to  
6 actually set the rates, and then the proposal is to go  
7 into effect on August 1st.

8 And so with that, I would be available for any  
9 questions.

10 MAYOR GOTTSCHALK: Ms. Colapietro.

11 COUNCILMEMBER COLAPIETRO: Thank you.

12 Mr. Taylor, could you tell me why we are  
13 planning to have the public hearing and follow the  
14 process along during the summer months when a lot of  
15 people are on vacation?

16 DIRECTOR TAYLOR: It was really just a function  
17 of getting the information together. So as we've been  
18 doing the modeling and working toward that and as we've  
19 been doing the budget and realizing some of the -- the  
20 debt coverage requirement issues, it really felt like we  
21 needed to proceed forward and move this to the City  
22 Council. So it was just -- just a matter of timing as  
23 it went through the process.

24 COUNCILMEMBER COLAPIETRO: I just feel that we  
25 want to give the members of the public as much an

1 opportunity to be present to attend the public hearing  
2 or communicate with the City in one way or another about  
3 these increases, because it's very, very impactful to  
4 people's budgets and their finances.

5 Is there a way that it could be restructured so  
6 that more -- more of our residents would be around to be  
7 able to participate in that manner?

8 DIRECTOR TAYLOR: Well, I think -- I mean,  
9 there is -- even within the current structure there's  
10 the ability for the residents to voice their opinions.  
11 So as soon as we send out the notices, we'll be sending  
12 those out within the next week to all the residents, you  
13 know, well before school's out or anything to that  
14 degree, and so they would be able to write a written  
15 protest to the City Clerk as soon as they can. So they  
16 would have that opportunity to do so. So they certainly  
17 can participate in the process just the way that it's  
18 structured today. There isn't an easy way to shift the  
19 schedule with the requirements that are in place, so  
20 it's hard to do so. But I think with the notice going  
21 out as early as it is, I think there is the opportunity  
22 for the public to participate.

23 COUNCILMEMBER COLAPIETRO: And then also on  
24 page 2 of 4 of your Staff Report there are three  
25 sections there. And the first one is for rate increases

1 for, as you explained, the day-to-day operations,  
2 personnel, materials, things like that.

3 Now, those -- that is going to be an existing  
4 charge toward what is currently referred to on our bill  
5 as "sewer service." I'm trying to identify what that  
6 box 1 is.

7 DIRECTOR TAYLOR: It's to -- both are on the  
8 sewer bills for the City. There's actually two  
9 components.

10 COUNCILMEMBER COLAPIETRO: Right.

11 DIRECTOR TAYLOR: There's a fixed charge that  
12 doesn't change, and then there's also a consumption  
13 charge for how much you actually contribute to the  
14 system.

15 COUNCILMEMBER COLAPIETRO: That would be the  
16 usage.

17 DIRECTOR TAYLOR: That's the usage. And so  
18 both of those would have that rate increase, that  
19 percentage increase.

20 COUNCILMEMBER COLAPIETRO: Okay. So sewer  
21 usage and sewer service.

22 DIRECTOR TAYLOR: That's correct.

23 COUNCILMEMBER COLAPIETRO: I understand the  
24 middle one is the Baykeeper.

25 DIRECTOR TAYLOR: That's correct.

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1 COUNCILMEMBER COLAPIETRO: And then the third  
2 one will be for single-family residents, basically an  
3 increase to the water rate.

4 DIRECTOR TAYLOR: The third component there is  
5 really just describing a standard water bill, and the  
6 two rate increases above are what the average water or  
7 wastewater bill would look like.

8 COUNCILMEMBER COLAPIETRO: And then could you  
9 tell me what is "CCF," please? I was trying to find  
10 that in the report, and all I saw was CCF.

11 DIRECTOR TAYLOR: It's just a measurement of  
12 water. It's cubic foot.

13 COUNCILMEMBER COLAPIETRO: What does it stand  
14 for? Cubic?

15 DIRECTOR TAYLOR: It's maybe --

16 UNIDENTIFIED SPEAKER: A hundred.

17 DIRECTOR TAYLOR: Yeah, a hundred cubic foot.

18 UNIDENTIFIED SPEAKER: 748 gallons.

19 COUNCILMEMBER COLAPIETRO: Okay. That we  
20 understand.

21 DIRECTOR TAYLOR: It just left my head right  
22 there when you asked the question.

23 COUNCILMEMBER COLAPIETRO: That's all right.  
24 That happens.

25 Okay. And then, let's see, I asked you about

1 this.

2 Let me see. I have a couple of question marks  
3 here.

4 Attachment C, the first page, and I just made  
5 notations on there that we want to make sure that the  
6 public -- as you stated, that the costs are per month.  
7 So we get our bill for two months at a time. So if it's  
8 \$50, the bill will reflect \$100.

9 DIRECTOR TAYLOR: That's correct. And there's  
10 certainly been some confusion, I think, with certain  
11 residents about that. But it is a monthly charge, but  
12 we do bill bi-monthly.

13 COUNCILMEMBER COLAPIETRO: That's right. Okay.  
14 For now, that's all the questions that I have. Thank  
15 you very much, sir.

16 MAYOR GOTTSCHALK: Mr. Holober?

17 COUNCILMEMBER HOLOBER: Thank you.

18 Just for clarification, the SSO fee, is it the  
19 same for commercial users as for residential users?

20 DIRECTOR TAYLOR: That's the way that it's  
21 currently proposed, just a consistent fee.

22 COUNCILMEMBER HOLOBER: Okay. Has it been  
23 considered perhaps a larger fee for the larger users of  
24 our sewer system?

25 DIRECTOR TAYLOR: We -- we didn't go down that

1 path. We were trying to make it very simple, so we  
2 didn't go down that path to see whether it would have  
3 any sort of real significant impact. My gut feeling is  
4 it wouldn't change that number that dramatically.

5 And so I think that just making it consistent  
6 from a billing perspective makes it a little bit easier  
7 and whatnot, so I don't think there's a need to change  
8 that.

9 UNIDENTIFIED SPEAKER: Why would it change?

10 DIRECTOR TAYLOR: It would likely change, but I  
11 don't know if it would change that dramatically.  
12 Instead of maybe \$10, maybe it would be \$9 or something,  
13 and then the others might be \$11. So it wouldn't be  
14 that dramatic of a shift. But we would have to look at  
15 it in a more greater modeling perspective.

16 COUNCILMEMBER HOLOBER: And if there are new  
17 businesses that come up in Millbrae or new homes that  
18 are built perhaps in the station area, those would go  
19 under the same -- in the same billing schedule?

20 DIRECTOR TAYLOR: They would be under the same  
21 billing schedule; that's correct.

22 COUNCILMEMBER HOLOBER: Okay.

23 MAYOR GOTTSCHALK: Well, very good. Thank you  
24 all. I will entertain a motion --

25 COUNCILMEMBER LEE: Sorry. I was waiting for

1 everybody to make their comments.

2 MAYOR GOTTSCHALK: Go ahead, please, Mr. Lee.

3 COUNCILMEMBER LEE: I just wanted to, I guess,  
4 inform the public that this is considered an enterprise  
5 fund. So there are several different funds in the City,  
6 and they all address different things.

7 But this is -- in the budget. It's kind of  
8 laid out in the budget and in the report. It says  
9 there's -- the enterprise fund is a general fund. So  
10 general funds -- police, fire, recreation, and  
11 administration, that sort of thing.

12 And then the enterprise fund, if I'm correct --  
13 and correct me if I am wrong -- funds the -- or what you  
14 call the wastewater or water supply, and so it's kind of  
15 the revenue -- it's a public entity, but they raise --  
16 the money they raise pays for that enterprise.

17 So the other question is the -- is the  
18 drought -- knowing that the fixed cost of water is  
19 not -- we don't charge per usage of water per se as a  
20 commodity, but we charge for the deliverance of the  
21 water and maintenance and administration of the water.  
22 So given that that's a fixed cost, is that included in  
23 this -- in this financial report? So, in other words,  
24 are we going to -- have we accounted for the drought?  
25 So as usage, as mandatory usage has gone down, have we

1 accounted for keeping our costs in -- in recovering our  
2 costs?

3           DIRECTOR TAYLOR: So on the wastewater side,  
4 you know, again, we have the two components to the bill.  
5 We have the fixed charge, which is just a fixed cost --  
6 or fixed piece, and then we also have, then, the  
7 consumption charge. And the consumption charge or the  
8 usage charge on the wastewater side is calculated based  
9 on the winter months when there's not as much outdoor  
10 irrigation. It's mostly what you're using inside the  
11 house. And so it helps us calculate then what's  
12 utilized for the wastewater system, and then we set your  
13 rate based on that amount.

14           That amount during the winter time, even during  
15 a drought, as we're seeing, we're only about 2.7 percent  
16 from this year down 2013, it doesn't change that  
17 dramatically. It's really during those summer months  
18 when we see the more dramatic changes and reductions in  
19 water.

20           We did, however, account for some reduction of  
21 water over time, because fixtures are going to get  
22 better, toilets are going to get better. So we did  
23 account for that over time for that reduced usage that  
24 the residents will have. So we tried to account for it  
25 based on the best information that we had available. So



1 even with the drought and with that reduced usage, we  
2 should -- should still remain whole, based on the  
3 models.

4 COUNCILMEMBER LEE: Okay. Thanks. I just  
5 wanted to make sure that we're going to -- we get the  
6 full disclosure for the public, knowing that we don't  
7 want to be surprised later. And I'm glad to hear that  
8 you've done that and you provided that in your analysis.  
9 Thank you very much.

10 MAYOR GOTTSCHALK: So we've got a motion by  
11 Ms. Colapietro, seconded by Vice Mayor Oliva. Votes,  
12 please.

13 CITY CLERK: And the motion passes unanimously  
14 to authorize staff to publish a notice of public hearing  
15 for July 28th in accordance with the provisions of  
16 Proposition 218.

17 MAYOR GOTTSCHALK: Thank you, Mr. Taylor.  
18 Ms. Louis.

19 (End of item discussion.)  
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CERTIFICATE OF THE SHORTHAND TRANSCRIBER

I, Kelli A. Rinaudo, a certified shorthand reporter in and for the state of California do hereby certify:

That the foregoing transcript was prepared by me, to the best of my ability, via an audio recording;

That I was not present to ascertain speaker identities, and some misidentified or nonidentified speakers may appear in the transcript;

That I was not present to clarify certain words, and some unintelligible or inaudible phrases may appear in the transcript;

I further certify that I am not related to any party to said action, nor in any way interested in the outcome thereof.

DATED: January 21, 2016.



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KELLI A. RINAUDO, CSR NO. 6411  
RMR, CRR, CCRR, RDR