

City Council Meeting
October 10, 2023
Responses to City Council Agenda Questions

7:00pm Regular Meeting

Consent Calendar 6.e. & f.

1. How many projects have been completed for the upgrade program?

Since 2017, there have been a total of 6 Water CIP projects and 14 Sewer CIP Project completed.

2. What were the costs (design and construction) and year for each of these projects?

	Sewer and Water Design Cost	Sewer and Water Construction Cost
2017	\$ 350,000	\$ 2,000,000
2018	\$ 300,000	\$ 3,000,000
2019	\$ 700,000	\$ 10,200,000
2021	\$ 900,000	\$ 14,000,000
2022	\$ 400,000	\$ 7,000,000
Total	\$ 2,650,000	\$ 36,200,000

3. How many projects are in design?

There are currently 11 water projects and five sewer projects.

4. A graphic map with each project depicted with the year completed and cost would be helpful.

Please refer to Attachment 2 in item 6.e

5. What tanks and pump station projects have been completed and/or in design?

Since 2017, a total of five sewer pump station projects were completed. One water pump stations is currently in design and four are currently in design. One water tank project was completed in 2016 and two water tank projects are currently in design.

6. What remains to be done in the next years with estimated costs?

The Total FY2023-28 CIP Budget is \$98.7 million for the water program. The projects include the Acappella Well Project (Commodore Park Well Replacement); Water Main Improvement and Replacement Program; Pressure Regulator Station Improvement & Replacement Program; Water Pump Station Improvement and Replacement Program; Water Tank Improvement and Replacement Program; Well Rehabilitation Program; and the Water Quality Well System Upgrades & Sweeney Ridge Tank Chlorine Generator Installation.

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The Total FY2023-28 CIP Budget is \$73.5 million for the sewer program. The projects include the Main Improvement and Replacement; Pump Station Improvement and Replacement; Water Quality Control Plant Upgrades; and the Sewer Master Plan.

7. How does this schedule affect the fund balances for each of these enterprises?

(need to know fund balances for water and sewer enterprises) Over the past 5 years, the City accrued fund reserves as some capital projects were temporarily deferred (due to design/permitting process and staffing constraints) and also partly due to the City's participation in the Groundwater Recovery Program which temporarily reduced SFPUC wholesale water purchases. The deferred capital projects are now moving forward and other high priority projects are also in the planning stages and will need to be funded in upcoming years.

The water utility is projected to draw down over \$30 million of fund reserves over the next few years as the City moves forward with replacement and reconstruction of old water storage tanks and continues funding replacement and improvement of old, substandard water pipelines and other infrastructure. In addition, after drawing down available fund reserves, the financial projections assume the City will likely need to issue debt to meet the 5-year capital funding needs. The rate study assumed a debt issuance to fund \$24 million of projects starting in a few years, but the plan is to re-evaluate in future years and only issue debt as needed.

The projected available fund balances as of June 30, 2024:

Water = \$16.9 million

Sewer = \$11.4 million

8. Please explain that the council recently eliminated rates increases when there was enough funds to complete the scheduled work.

- The City has not increased water rates in over 3 years (last increase was effective July 1, 2020 and a previously-adopted increase for July 1, 2021 was cancelled). Prior projections had assumed continuation of 5% annual rate increases.
- The proposed rates will be the first increases in 3-1/2 years. With the proposed increases, water rates will remain significantly lower than if the City had continued the path of annual 5% rate increases as previously projected.
- The City is facing increased funding needs due to:
 - a) SFPUC wholesale water rate increases: SFPUC wholesale rates increased 27% over the past 2 years with no corresponding City rate increases...and SFPUC is projected additional wholesale rate increases in future years
 - b) Water system in need of substantial capital improvements...city moving forward with some big-ticket items including replacement of old water storage tanks and also need to continue funding it program to replace and improve old, substandard water pipelines and other aging infrastructure
 - c) Costs have increased significantly over the past 3+ years due to inflation and other factors with no City rate adjustments...costs are projected to continue increasing in future years

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- Efforts have been made to minimize the increases. The proposed rate increases are the minimum rate increases needed to support the water enterprise's projected operating and capital programs and are phased in as gradually as possible over the next 5 years.