

CITY OF MILPITAS
MINUTES of: CITY COUNCIL (FINANCE) SUBCOMMITTEE
Date/Time: Thursday, February 26, 2015 – 3:30 p.m.

I. CALL TO ORDER: Vice Mayor Carmen Montano called the meeting to order at 3:30 p.m.

Attendance:

City Council: Jose Esteves, Mayor
Carmen Montano, Vice Mayor

Staff: Thomas C. Williams, City Manager
Emma Karlen, Assistant City Manager/Finance Director
Steven Machida, City Engineer/Acting Public Works Director
Marilyn Nickel, Associate Civil Engineer
Jeffery Leung, Associate Civil Engineer
Dat Nguyen, Budget Manager
Gus Peterson and Michelle Dragony from Water Solutions, Inc.

II. PUBLIC FORUM: None

III. APPROVAL of MINUTES: The May 7, 2014 minutes were approved.

IV. ITEMS FOR DISCUSSION

A. Preliminary Water and Sewer Rates

- Steven Machida, City Engineer/Acting Public Works Director – Presented to the Finance Subcommittee Water and Sewer Rates Recommendation presentation. Mayor and Vice Mayor inquired about the anticipated water rate, effective date and whether it is one time. Steven and Tom responded that San Francisco Public Utility Commission (SFPUC) and Santa Clara Valley Water District (SCVWD) notified the City with the potential maximum increase of 30.7% and 31.5% respectively. However, it is only preliminary as both agencies have not formally adopted the increase and City would be informed once finalized. The best case scenario is 17% from SCVWD. It is a one-time increase to take effect in July with potential smaller increases in subsequent years.
- Vice Mayor asked how can we let residents know of conservation program being offered by SCVWD and what's the operating reserve for and whether 30% for water and 25% for sewer is the right number? Steven explained that the City does outreach and marketing, especially to older homes and reserves are for emergency repairs and maintenance and they are very common with utility. Emma indicated that rating agencies do look at reserve in their rating of City's 2006 sewer bond.
- Mayor inquired if the City pass through wholesale rates then where's the funding for aging infrastructure and water augmentation? Steven and Tom responded that funding for infrastructure and augmentation would be rolled into the increased rate but it won't be sufficient to improve City's aging infrastructure which is estimated to be at \$250 million to \$300 million. Vice Mayor and Mayor suggested, if feasible, separate out amount City

charges consumers for water and infrastructure. Tom and Emma indicated we could provide bill insert like we did in the past with pie chart showing where your money goes or break down in unit. However, breaking down in unit cost would be too complicated due to tier system. Mayor suggested City look into setting up policy to build up funding for aging infrastructure. Tom and Emma responded that City could either look at adopting policy to set aside percentage of revenue or bond financing for aging infrastructure.

ACTION: Vice Mayor and Mayor recommended:

- **For water, staff to bring back to finance subcommittee with debt service for bond financing infrastructure as a new rate increase scenario and a four year analysis with smaller and flatten rate increase over four years versus big increase in first year;**
- **For sewer, to City Council for approval increase in sewer rate by 10%.**

B. Status of Water Supply Augmentation Study

- Steven Machida, City Engineer/Acting Public Works Director – Introduced Gus Peterson and Michelle Dragony from Water Solutions, Inc. and presented to the Finance Subcommittee Status of Water Supply Augmentation Study presentation. Mayor inquired on the status and timeline of wireless water meter roll-out identified in the Task 1 Conservation and possibility of collecting storm water and turn it into recycled water. Steve replied that wireless meter is a 5-year plan and we're currently in our first year pilot program. As for converting storm water into recycled water, Gus Peterson from Water Solutions, Inc. responded that recycled water is treated in a very high standard and potentially cost-inhibitive.
- Mayor asked if there's any problem from SCVWD for us adding more wells and Vice Mayor asked why we need more supply since we currently have excess capacity and have to buy minimum as required under contract. Gus replied that he does not foresee any problem from SCVWD. As for additional supply, it is a matter of seeking alternative.

ACTION: Vice Mayor and Mayor recommended staff to bring back to finance subcommittee with recommended augmentation options and financing plan.

V. OTHER BUSINESS

None

VI. NEXT MEETING – To be determined in March

VII. ADJOURNMENT – 6:15 PM