

CITY OF MILPITAS

MINUTES of: CITY COUNCIL (FINANCE) SUBCOMMITTEE

Date/Time: Wednesday, April 15, 2015 – 4:00 p.m.

I. CALL TO ORDER: Vice Mayor Carmen Montano called the meeting to order at 4:00 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, Director of Engineering
Dat Nguyen, Budget Manager

II. PUBLIC FORUM: Rob Means

III. APPROVAL of MINUTES: The March 25, 2015 minutes were approved.

IV. ITEMS FOR DISCUSSION

A. PRELIMINARY WATER AND SEWER RATES

- Steven Machida, Director of Engineering – Presented to the Finance Subcommittee on water analysis including expenses, drought impact, scenarios, and proposed rates. Steve said that basically water rates are based on cutting expenses and the current issue is the drought impact. The less water we use, the higher the unit rate is (based on volume metric rate and fixed rate). This means that the less water we sell, we still have fixed costs to cover so the less water consumer uses the higher the rate is so as to be cost-neutral. Tom Williams interjected that we cannot control the pricing from the wholesale water agencies either from SCVWD or San Francisco Public Utility, we could keep our cost down but we can't control their pricing. SFPUC rate increase would be 28% while SCVWD is 20%.

Drought impact: the fixed cost are spread over smaller volumes as a result, Governor declared state of emergency on April 1 where for those retailers who don't accomplish the 25% reduction there's a potential fine of \$10K/day. Rate scenarios were presented.

Approximately, 20% increase in late October early November will take effect. Vice Mayor Montano asked if all cities are going through rate increases and Steve said that he assumes so. Mayor asked about joining San Jose and Campbell with the water policy project; Tom responded that every City is meeting regionally and if a policy gets approved it will be implemented to all cities involved. These are monthly meeting with SCVWD with staff.

- Steve Machida continued on sewer analysis including: rates, expenses and schedule. Basically the contract with regional facility was looked at (allocation flow vs sewage strength). Single family, multi-family and mobile home household rates were discussed and explained. Staff proposal is to keep everyone on the same basis of 51 gpd per person and still use 2.24 people per household at 114 gpd per household for mobile home customers.

External expenses is at about \$2.2 billion project over 30 year period. CIP has been ramping up over the next 3 years, and is quite expensive to do it all at one time so staff is looking at stage financing and then issue bonds perhaps for FY 2017-18 to fund larger projects. Questions and answers ensued about Treatment Plant and Recycled Water Bond as well as loans and grants regarding reclaimed water which is becoming a commodity. SCVWD used reclaimed water to recharge aquifers underneath this and one of the questions is for staff to seek Council's support to allow us access to the reclaimed water. There is some communication among staff members in San Jose and in Treatment Plant that that reclaim water may not be available to us. Tom said that staff needs to bring this matter to the City Council for discussion, especially since staff does not know if the communication about reclaimed water may not be available to us will change in non-drought years or not. And the real question to City Council is can we get a guaranteed water source before we invest in the extension of the reclaimed water line or go ahead make that investment and get the infrastructure in place then hope that San Jose does a turnabout and let us use reclaimed water and somehow get an agreement that we get access to that reclaimed water (at least 8% back as a minimum in matching City's percentage of the discharge.)

B. WATER SUPPLY UPDATE

- Steve Machida, mentioned that on March 24, SCVWD implemented a 30% water conservation which is higher than the State's 25% conservation mandate. SFPUC, today, declared a 25% conservation mandate. Mayor asked 25% compared to what usage; Steve said it's the 2013 usage. Glen Reynolds, City consultant, said that there 2 factors involved in water conservation; first is we do not have enough water; and second, as the rates go up, the Governor is pushing water conservation through rates.

Vice Mayor asked staff if we have done things to educate the community – residential and commercial users. Steve said that water conservation flyers have gone out, signage including the City Hall marquee and billboard have postings of water waster hotline. Governor's goal is for everyone to take this conservation seriously. City of working on some kind of penalty for those water wasters and will be brought up at a future Council meeting in a form of an ordinance.

Working with business in implementing water conservation tips and signage are in place. Mayor asked about water rationing – Marilyn Nickel answered that in the past, that there was a process for household to explain why they needed more water.

Steve Machida also mentioned that we have cut back water usage on City parks; Tom informed the Subcommittee that City staff invited SCVWD staff to come at the May 5th Council meeting to have a presentation on drought and we asked for water conservation supplies for the community.

C. WATER SUPPLY AUGMENTATION STUDY

- Staff and City consultant are looking for other alternate supply as water sources get critical. Glen Reynolds, said that the City is currently about 9.2 million gallon a day usage, meeting our minimum requirement but we're also under our maximum amount meaning we're not paying any kind of penalty but we have ample supply from our contracts San Francisco and Hetch Hetchy. Mayor commented that we're paying for what we use, Glen said yes. But if we go below minimum we pay the minimum, Glen said yes. Other opportunities is with Alameda County Water District. This could be in future discussion. ACWD asked if City is interested with third inter-tie (as a temp) in case we have major main break. Vice Mayor

asked if this would this require a bond. We have not really discussed that with ACWD since the meeting we had was just an introduction regarding their system.

Consultant made the presentation to Mayor & Vice Mayor with a matrix showing different projects and prices for Council to consider to help decide what best project is for the City without wasting money. City consultants explained purple pipeline project in length.

Vice Mayor asked if they already have schematics where the purple pipelines are? Yes, consultant said the staff has a very good lead on the locations for purple pipelines in the master plan. This is something Council can leverage in the community and region and maybe Milpitas may be the poster child for recycled water.

Mayor asked about funding if there are loans and grants to look at. Mayor directed staff to work with the City consultant in procuring funding in forms of grant, loans, for this study so we could have plan set for the City, yes.

V. OTHER BUSINESS - NONE

VI. NEXT MEETING – TBD

VII. ADJOURNMENT – 5:57 PM