



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: October 23, 2007

SUBJECT: Workshop on Water Issues – Davis/Woodland Water Supply Project & Water Meter Implementation Project

Report in Brief

The purpose of this workshop is to update the City Council on the status of (1) the regional surface water supply project (Davis/Woodland Water Supply Project), and (2) the Water Meter Implementation Project. The Council will not be asked to take any actions at this meeting. The Council will be asked to certify the EIR and take other actions related to the surface water supply project at the November 6, 2007 City Council meeting.

Staff recommends that the City Council receive and discuss the information presented herein and provide guidance and/or direction.

Background

Davis/Woodland Water Supply Project

In 1994 the Yolo County Flood Control and Water Conservation District filed an application for the right to divert water from the Sacramento River on the behalf of the cities of Woodland, Davis, and Winters and the University of California at Davis. In 2004 the City joined with the City of Davis and UC Davis to investigate a joint surface water supply project and completed a “Surface Water Supply Feasibility Study” in 2006. The Davis/Woodland Water Supply Project would provide treated surface water from the Sacramento River to the Woodland and Davis communities. Recently, Woodland, Davis, and UC Davis (termed the Project Partners) completed an Environmental Impact Report (EIR) for a joint project termed the “Davis/Woodland Water Supply Project”. Completion of an EIR for this project will allow the Project Partners to pursue obtaining water rights permits. The Project’s EIR will be presented to the Council at the November 6th meeting for certification. The Davis City Council certified the EIR at their October 16th meeting, approved the preferred project, and authorized continued actions to meet due diligence requirements of the State in order to pursue obtaining the water rights permits.

The primary issues associated with consideration of the surface water project are current and future water quality regulatory requirements and implementation costs. The following information summarizes these issues.

Regulatory Requirements

The City faces a number of water supply challenges. Nitrate levels are increasing in many of the City's wells, and these wells will have to be taken out of service if nitrate levels reach the drinking water action limit. Furthermore the State of California has notified central valley communities that the State intends to impose Electrical Conductivity (EC) limits on the treated wastewater that communities discharge to surface waters. The City's ground water is high in EC and this translates to a high EC in the effluent. Woodland's groundwater also contains levels of certain minerals (boron and selenium) that may be greater than the levels that will be permitted in future wastewater discharges. Sacramento River water contains much lower levels of dissolved minerals than groundwater. It appears likely that in the future the only feasible means of meeting anticipated wastewater discharge limits is to obtain the majority of the City's water supply from the Sacramento River.

Implementation Costs

If this project is implemented, the cost associated with securing surface water would be significant. The Technical Memorandum included as an attachment to this report estimates the City's share of the cost for the project at \$199 million in escalated dollars (\$139 million in current year dollars). This estimate includes the infrastructure to divert the Sacramento River water and replacement of certain wells in order to provide groundwater that would be blended with the river water. Funding for this project would need to be accomplished through a combination of fee increases and financing. It is important for the City Council to note that significant capital costs would also be necessary, primarily associated with well replacement, if the surface water project was not implemented. The Technical Memorandum estimates this cost at \$84 million. Of the 26 wells that are part of the system, 14 have been in service between 30 and 50 years. Studies of public groundwater systems show that wells in service after 30 years require increased operations/ maintenance cost and replacement is recommended after approximately 50 years. Staff believes that a similar level of rate increases would be necessary if the surface water project was not implemented in order to replace the aging wells and other infrastructure although the duration would be shorter.

In addition to the Technical Memorandum described above, staff has also included the October 2007 Community Report on the Surface Water Project for the Council's review.

Water Meter Implementation Project

The California Water Code requires that:

- All municipal water services installed after January 1, 1992 are metered by January 1, 2010; and

- All municipal customers are metered by January 1, 2025.

The City has retained a consultant to assist City staff in preparing a water meter implementation plan. The consultant's work will include:

- Developing an overall metering implementation program that will allow the City to comply with State law, and to meet the City's goal of completing construction of the system no later than the year 2020.
- Recommending a water meter system and typical design criteria for system components including the meter, meter setter, meter box, and automatic meter reading system.
- Working with the City's finance department and O&M staff to select an automatic meter reading system that best fulfills the City's long range needs. A significant cost of a meter program is in reading the meters and insuring proper data entry for billing. This is an area for significant cost savings and increased customer service if reliable, state of the art equipment is selected. The system selected will be cost-effective and utilize proven technology.
- Reviewing and suggesting modifications to the City's water delivery service standards with the understanding that all water services (except dedicated fire suppression systems) will eventually be billed on a metered consumption basis.
- Preparing a new water rate structure with recommendations regarding how to integrate fixed and variable rate components into its fee structure.
- Assisting City staff to develop public information and outreach documents, with a phase in process that alerts consumers to the impacts of pending billing changes, and allows them to address high consumption prior to the rate changes.
- Preparing bid documents for the initial water meter implementation phase.

Staff is planning for the construction of water meter facilities in two phases. The first phase will be constructed during the 2008 and 2009 calendar years, and will involve the installation or retrofitting of water meters on water services connections installed after January 1, 1992. This first phase will also include the facilities to automatically read these meters. Preliminary estimates are that about one-quarter of the City's services were constructed after January 1, 1992. Meter boxes were placed on these services at the time that they were installed, so in most cases meters and transmission units will be installed within existing boxes.

The second phase will involve the construction of facilities necessary to meter remaining services no later than 2020. The timing of this phase was selected to minimize rate increases in conjunction with the surface water project and other planned capital projects.

Discussion

Davis/Woodland Water Supply Project

Staff will provide a presentation and facilitate a discussion at this meeting, including the condition of our current water system, recommended long-term planning that is currently underway, and pending

actions on the EIR scheduled for November 6th. Detailed fiscal analysis associated with the project costs and maintaining the existing groundwater system will be developed as part of the FY 2008-09 budget process. This analysis will include the potential impact on water service rates.

The certification of the EIR is critical in order to demonstrate to the State that the Project Partners are meeting due diligence requirements. This issue is summarized in the memo from consulting attorney Allan Lilly on Water Rights Diligence requirements and consequences of cancellation of the water right (see Exhibit 2, “Water Right Diligence” to the October 8th Technical Memo noted herein). While certification of the EIR is an important step in the process, there will be much more deliberation in the future years as the community and the Council address the funding commitments that will be necessary to begin the major design and construction work if the surface water project is implemented. The timeline in the Technical Memorandum shows that the project partners must make a final commitment no later than 2010/11. Much of this information has been included in the attached Community Report, which will be used for community outreach.

Water Meter Implementation Project

Public outreach for the meter program will include community meetings and workshops, with notices in utility bills and the local newspapers. It will likely need to be done in conjunction with the outreach on the surface water program, because both impact rates.

The installation of water meters will transition the City from the current flat rate system to a rate system based on volume of water use. Volume-based water service charges are expected result in water conservation and reduce water demands and thereby possibly avoiding the need for 2 new water wells, resulting in an off-set cost saving of \$4,600,000.

A rate study will be needed to implement a metered rate structure. It will also include an update of currently planned capital projects. Since only part of City will be metered initially, staff anticipates that water rates will be structured so that the average metered and non-metered service customers pay similar rates. Staff is further researching the feasibility of providing a low-income discount program. Meter reading and billing strategies will be coordinated with Finance Department.

Currently it is anticipated that expenditures on this project will be funded by the Water Enterprise fund, however staff intends to pursue low-interest loans and grant funds. Metering was not a requirement when the last rate increase was passed, and it was excluded from that rate study. Rate implications of this project and other planned major water infrastructure expenditures are considered in the attachment – Technical Memorandum to Gary Wegener dated August 31, 2007, Subject: Davis/Woodland Water Supply Project – Evaluation of Funding.

Fiscal Impact

Davis/Woodland Water Supply Project

As previously stated herein, the total cost to Woodland to implement this joint surface water project is \$139 million in current year dollars. If the City implements this project, major expenditures on the Davis/Woodland Water Supply Project are currently scheduled for FY 2010/2011, when the design of the regional facilities is expected to begin. Completion of the project is projected for 2016.

Between now and FY 2010/2011 staff expects that the City will continue to expend funds on the planning, design, and construction of water system improvements that will benefit the City regardless of whether the Davis/Woodland Water Supply Project is implemented. During the next fiscal year staff proposes to continue to work with the other Project Partners to:

- Resolve the remaining 2 water right application protests (9 of 11 resolved)
- Secure the area-of-origin water right permit
- Develop a suitable regional organization to pursue grant funds and project implementation
- Develop refined water rate projections and project financing planning

Currently it is anticipated that expenditures on this project will be funded primarily by the Water Enterprise fund with appropriate development fee funding, however the Project Partners have jointly pursued grant funds to partially mitigate projected rate increases. Some project funds will come from development fees relating to a fair share of upsizing capacity costs. As stated previously, a detailed fiscal analysis for surface water project will be completed as part of the FY 2008-09 budget. This analysis will summarize financing options and rate increases for the City Council's review. Fiscal analysis will also be provided for the current ground water system, including meter implementation and the replacement of aging wells and other infrastructure.

Water Meter Implementation Project

The City Council has authorized the expenditure of \$150,000 during FY 07/08 to plan the water meter implementation project. Staff anticipates that an additional \$3,300,000 will be expended during FY 08/09 and FY 09/10 to construction of the first phase of this project. Staff also expects that an additional \$9,000,000 will be expended to during FY 17/18-19/20 to construct the second phase of this project. As stated previously herein, volume-based water service charges are expected result in water conservation and reduce water demands and thereby possibly avoiding the need for 2 water wells, resulting in an off-set cost saving of \$4,600,000. Therefore, the net cost of the Water Meter Implementation Project is \$7,700,000 with all expenses charged to the Water Enterprise Fund.

Public Contact

The Surface Water Project has been presented at several City Council meetings over the past 10 years. These meetings have generated the conclusion that the City needs to show progress or the

Water Right application would be terminated by the State. The City has issued press releases, public hearing notices, and conducted a public workshop in May 2007 on the pending EIR. Significant additional public outreach will occur for both the surface water program and the meter implementation program.

As an additional measure to facilitate public outreach, the City Council may consider directing staff to study the feasibility of working with a citizen's advisory committee to facilitate public discussion of the water issues described herein. This approach could be similar to the citizen's committees that worked on the Green Waste and Storm Water issues.

Commission Recommendation

The project is in the Capital Budget and the Major Projects Financing Plan (MPFP), both of which were reviewed by the Planning Commission. The Commission found the projects in the MPFP in conformance with the General Plan.

Council Committee Recommendation

The Infrastructure Committee has been briefed on, and supports the project.

Recommendation for Action

Staff recommends that the City Council receive and discuss the information presented herein and provide guidance and/or direction.

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Project & Water Meter Implementation Project

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Attachments:

- 1) Technical Memorandum to Gary Wegener dated October 8, 2007, Subject: Davis Woodland Water Supply Project (DWWSP), Information and Analysis Related to the City of Woodland's Question "Why Surface Water and Why Now"
- 2) October 2007 Community Report