



AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: December 5, 2017

Agenda Item 9-B
Approvals:
City Manager [Signature]
Dept. Head [Signature]
Attorney _____
Finance JV

Department: Utilities
Prepared By: Dave Rebensdorf, Utilities Director

Subject: *AGREEMENT WITH TRABUCO CANYON WATER DISTRICT TO PURCHASE POTABLE WATER FROM BAKER WATER TREATMENT PLANT (BAKER) TO IMPROVE SUPPLY RELIABILITY.*

Fiscal Impact: Yes. Initially the annual cost of purchased treated water will increase by approximately \$64,000 per year with potential long term cumulative savings of up to \$2.7 million over 20 years. If approved, the impact for FY 2017-18 is \$32,000 for the remaining 6 months of the fiscal year. Funding for the initial higher cost of water is recommended from the Water Operating Restricted Fund Balance to minimize impacts to the Water Operating Fund.

In addition, in February 2017, Baker tested Irvine Lake water. During that time the City received 140.4 acre feet of treated potable water from Baker, but was not billed by the City's wholesaler, Municipal Water District of Orange County (MWDOC). The City owes Trabuco Canyon Water District for the use of the water. The cost of the water is at the current treated MWDOC rate of \$979 per acre foot, for a total amount due of \$137,451.60. There was sufficient budget in the purchased water account in FY 2016-17 to fund this expense.

Summary: Staff recommends the City Council approve an Agreement with Trabuco Canyon Water District to purchase potable water from Baker to improve the City's supply reliability and that the City Council approves payment of \$137,451.60 to Trabuco Canyon Water District for water previously purchased.

Background: Baker is a potable water treatment plant located in the City of Lake Forest, it's supplied with untreated water from Metropolitan Water District and Irvine Lake. The facility is operated by Irvine Ranch Water District with the following agencies owning capacity rights in the project: Irvine Ranch Water District, Moulton Niguel Water District, Santa Margarita Water District, El Toro Water District and Trabuco Canyon Water District. Baker improves water supply reliability for its project participants by having the ability to take water from Irvine Lake in the event of an untreated water supply outage or if Deimer is out of service. The total cost for Baker was 103.6 million and has the capacity to supply 28.1 million gallons of potable water per day or 63,300 homes. The facility has supplied South Orange County with high quality water since it was placed into operation in January 2017.

During the design of Baker, the City sent a letter of interest to the project participants and funding for the project was budgeted by the City. Primarily due to projected future lower cost for water, none of the project participants were willing to sell their capacity. However, Trabuco Canyon Water District did approach City staff with a proposal for

the City to purchase excess water from their capacity in Baker and staff has been negotiating terms of a potential long term agreement with them.

Discussion: The projected annual supply to the City from Baker, via the Agreement with Trabuco Canyon, would be 1,200 acre-feet, or approximately 20% of the City's potable water demand. This new water supply would improve the City's water reliability in the event of a Deimer or imported water supply outage. The reliability can be quantified by increasing the number of days the City can sustain an outage of its imported water supply. During the following scenarios the City will increase the number of days it can provide water to customers based on demand: assuming average day demand, the increase is from 16 to 23 days; assuming high demand, the increase is from 10 to 13 days; and during low flow with no outdoor irrigation, the increase is from 70 days to a continuous supply.

The Baker supply source is another improvement to the City's supply reliability and complements other regional and local projects the City has participated in, including an interconnection with Irvine Ranch Water District's groundwater system, the Upper Chiquita Reservoir and recycled water expansion. Prior to these projects, the City had approximately five days of supply, given average day demands, in the event of a Deimer outage. The 2006 Water Master Plan suggested the City's "greatest deficiency was in its source of supply and emergency storage." By participating in the projects described above, and with the addition of Baker, the City will have made significant improvements to its supply reliability in just over a decade.

Another added benefit of the project is lower water costs. Staff negotiated a water rate that will provide a financial and operational benefit for both parties. The proposed agreement is for 20 years with an option to extend for another 10 years if both parties agree. Based on an analysis of future purchased water costs by Carollo Engineers, the City will save approximately \$2.7 million in purchased water over 20 years, and \$4.1 million over 30 years. The cost of Baker water is estimated to equal MWDOC treated water rate by approximately 2022.

The proposed agreement stipulates the City will pay (1) the untreated MWDOC water rate in 2018 (currently \$695 per acre foot); (2) Irvine Ranch Water District Baker treatment cost which has been ranging between \$170 to \$190 per acre foot; and (3) a fixed capital recovery charge of \$193 per acre foot to Trabuco Canyon Water District. Future capital improvement projects will be paid by Trabuco or through their project reserves. The longer term savings is due to increased MWDOC treated water costs outpacing untreated costs and lower costs to treat the water at Baker. The cost of MWDOC and Baker treated water in 2018 is \$1,015 and \$1,068 per acre foot, respectively. There are limited occurrences when the City will not receive water from Baker, such as, in the event Trabuco's water treatment system is shut down or during a major fire flow situation. While there are long-term savings in water costs, the biggest benefit is improved water supply reliability for the City's customers.

Recommended

Action: STAFF RECOMMENDS THAT the City Council:

1. Authorize the Mayor to sign the Agreement by and Between the Trabuco Canyon Water District and the City of San Clemente for the Purchase, Sale, and Delivery of Domestic Water;
2. Approve a supplemental appropriation in the amount of \$32,000 to Purchased Water Account No. 052-462-42610 from the Water Operating Restricted Fund Balance; and
3. Approve a one time purchase of water from Trabuco Canyon Water District for testing Irvine Lake Water through Baker in the amount of \$137,451.60.

Attachments: Agreement is on file with the City Clerk's Office.

Notification: None.

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