



**Water Commission**  
**7:00 p.m. –April 3, 2017**  
**Council Chambers**  
**809 Center Street, Santa Cruz**

## **Water Department**

### **Minutes of a Water Commission Meeting**

**Call to Order** Chair Wilshusen called the meeting to order at 7:02 p.m. in the City Council Chambers.

#### **Roll Call**

**Present:** L. Wilshusen (Chair), D. Engfer (Vice-Chair), D. Baskin, J. Mekis, A. Schiffrin, D. Schwarm, W. Wadlow

**Absent:**

**Staff Present:** R. Menard, Water Director; H. Luckenbach, Deputy Director/Engineering Manager; T. Goddard, Administrative Service Manager; M. Kaping, Management Analyst; A. Poncato, Administrative Assistant III.

**Others:** 5 members of the public.

**Oral Communications:** There were no oral communications.

**Statements of Disqualification:** There were no statements of disqualification.

**Announcements:** There were no announcements.

#### **Consent Agenda**

1. Accept the City Council actions affecting the Water Department
2. Approve the March 6, 2017, Water Commission Minutes
3. Receive and discuss the information regarding the 2017 Water Supply Outlook
5. Accept the Water Department Strategic Framework for Communications on Water Supply Advisory Committee Recommendations
6. Accept the updated Water Commission meeting schedule for 2017

Commissioner Schiffrin moved the Consent Agenda. Commissioner Baskin seconded.

**VOICE VOTE: MOTION CARRIED**

**AYES:** All.

**NOES:** None.

**ABSENT:** None.

#### **Items Removed from the Consent Agenda**

4. Recommend that the City Council approve the FY 2018 – FY 2020 Capital Improvement Program budget

Can staff advise why there is a 10% increase in the projected years of the recommended CIP compared with the CIP in the Long Range Financial Plan?

- The nature of CIP planning is that the next year's budget requirements becomes clearer as projects move forward. Outlying year's project budgets will still swing; however, recent work completed on the water supply project and other work has assisted in making future estimates more concrete.
- Staff has updated the Long Range Financial Plan financial pro-forma to include the revisions to the CIP.

Final Comments and Requests for Follow Up

- For future consideration, present a comparative analysis when amounts increase significantly from the Long Range Financial Plan.
- Add footnotes which identify key assumptions of what numbers are firm and which still lack definition.
- Identify which projects in the CIP are or could be impactful to the WSAS strategies.

Commissioner Schiffrin moved to recommend that the City Council approve the FY 2018- FY 2020 Capital Improvement Program budget. Commissioner Baskin seconded.

VOICE VOTE: MOTION CARRIED

AYES: All.

NOES: None.

ABSENT: None.

**General Business**

7. Revision of Miscellaneous Fees

Ms. Menard introduced Ms. Kaping who provided an overview of the Water Department's updated Miscellaneous Fees.

Ms. Kaping pointed out the average amount of increase from the 2010 fees is 32% not 50% as stated in the staff report.

Are these fees simply to recover the cost of staff performing these activities?

- Yes, the fee rate is the labor rate plus parts required.

It seems unfair to raise prices 45-68% higher than the rate of inflation when fees such as restoring service after non-payment target citizens are already struggling with financial difficulties.

- The proposed fees were calculated based on actual labor costs. Inflation was not considered when the updated rates were calculated.

If a citizen cancels or reschedules an appointment without 1 business-day notices they are charged \$500. What if a Water Department employee fails to show up for an appointment? Will the customer receive a credit?

- A Water Department employee will not miss an appointment because other staff members could make it in the event an employee is ill or unable to meet the job needs.

Why were labor rates calculated at only \$63/hour?

- The Finance Department recently hired a consultant to do a city-wide fee study. The consultant used a blended rate per Department, which includes labor costs from all levels of service and management. This methodology is consistent with Water Department practices; the tasks listed in the fee schedule are not always completed by one person or one division. Many times it is several divisions working together to complete an assignment. Fees were determined using the consultant's methodology for an hourly blended rate.

Commissioner Schiffrin moved that the City Council approve the Water Department's updated Miscellaneous Fees. Commission Wadlow seconded.

VOICE VOTE: MOTION CARRIED

AYES: All.

NOES: None.

ABSENT: None.

8. Scopes of work for Water Supply Augmentation Strategy Work Plan: Raftelis - Financial Analysis of RW/ Dudek - Update of Desal project.

Ms. Luckenbach provided information on the scopes of work for Raftelis Financial Consultants Inc. (Los Angeles CA) for Phase 1 of the Water Reliability Impact Study and Dudek (Santa Cruz CA) for the Preparation of a Desalination Feasibility Update.

### **Raftelis Financial Consultants, Inc. discussion**

What does pricing recycled water mean?

- A pricing policy for a project will depend on the value the project provides. For example, if you have a recycled water project that is an irrigation-only project (i.e., it will not solve the water supply issue), you will likely have a different pricing policy than if you have a project similar to Direct Potable Reuse (DPR) that does help to solve a water supply issue.

Does pricing recycled water mean that we are going to be selling water to others besides our water customers?

- It could. If you have a different customer base your pricing policy may change. Pricing policy will be taken into account on a project by project basis.

For purposes of the analysis, is it pricing recycling, costing recycling or both?

- It is probably both because there is a cost to make the water but you may have a different pricing strategy. For example, because it is very costly to treat recycled

water to a potable water standard, we would need to think about how we would allocate those costs.

Will the financial analysis determine future individual customer fees?

- No, this analysis will not determine future individual customer fees. That level of detailed analysis would be undertaken in a future study.

Will Raftelis do the work for in-lieu and ASR?

- Yes and we've updated the Water Commission work plan to indicate that we are bringing back a Phase 2 scope from Raftelis in a few months that will do this type of financial analysis for those alternatives.

### **Dudek discussion**

Can the intake locations change?

- It is unknown if we can change them, but we will likely reduce the number of intakes based on the comments and feedback we received in comments to the draft EIR for the scwd2 desalination project.

As staff developed their statement of work with Dudek, what considerations were made related to the Moss Landing Desal project?

- That desal option was not specifically defined in the WSAC work plan so the idea of including the Moss Landing Desal project as an element to observe was not contemplated when staff developed their statement of work with Dudek.

### **Final Comments and Requests for Follow Up**

- Evaluate the intertie component with Soquel Creek Water District in the feasibility update.
- Provide two desalination alternatives to City Council, city only and a regional project with Soquel Creek Water District.
- Observe energy costs and environmental impacts the same way we examine these impacts for ASR, in-lieu, and our recycled water alternatives.
- Update language on the second bullet point of task 3A to state: "Evaluate the intertie component of the project."

Public comments made by Christy Kirven and Kim Adamson.

Commissioner Schifffrin moved to accept the staff recommendation on the scopes of work for Raftelis Financial Consultants, Inc. and Dudek with the additional recommendation that the contract with Dudek be amended to evaluate the intertie component.

Commissioner Baskin seconded.

VOICE VOTE: MOTION CARRIED

AYES: All.

NOES: None.

ABSENT: None.

9. Memorandum of Agreement (MOA) between the City of Santa Cruz and Soquel Creek Water District (SqCWD) regarding treated wastewater effluent for use in a potential future Pure Water Soquel Project

Ms. Menard provided an overview of the Memorandum Agreement between the City of Santa Cruz and Soquel Creek Water District.

What has changed since the last time the MOU was brought to the Commission?

- The language has been clarified in Paragraph 2. The language was also modified in Paragraph 5 to clarify procedural and timing matters related to implementation of portions of the MOU, certifying the EIR and approving a project.

How do we know how much water we need to get 1,500 acre-feet of advanced treated recycled water?

- 1,500 acre-feet of water is equal to 500 million gallons or 1.3 million MGD. The City's Wastewater Treatment Facility dry weather flow is about 6 mgd and it goes up in the winter season. It used to be 9-10 mgd but with conservation efforts, it is averaging between 6-7 MGD. The analysis has been done to determine how much untreated wastewater is required to produce 1,500 acre-feet of ATRW.

Is the purpose of this MOU for SqCWD to proceed with their recycled water program?

- Yes. SqCWD has been considering a project that uses a membrane bioreactor, which is basically a treatment process to treat raw sewage to secondary standard. Last year the City sent a signed a letter to SqCWD saying they can have access to the City's wastewater. This MOU provides SqCWD with additional certainty and clarity that they will have access to wastewater effluent from the City and they won't need include in the environmental analysis consideration of a facility to treat raw sewage.

Isn't it a better deal for SqCWD if we treat the water and sell it to them?

- Not necessarily, because if they build a water recycling treatment facility, they can finance it and spread those costs over 30 years. If SqCWD is a customer of ours, they pay the full freight of operating and capital costs without the benefit of getting to capitalize the major facility cost.

Is there a benefit for the potential wastewater treatment plant to reduce wastewater outflow into Monterey Bay?

- There is an agreement between a variety of parties around Monterey Bay for a water quality monitoring program. It's an annual program, the costs of which are divided among the participating agencies. As fewer agencies discharge into the bay, the size of the program doesn't go down; the costs may be allocated to the agencies who are still releasing flows into the ocean.

Final Comments and Requests for Follow Up

- Establish whether or not a time limit and/or a termination clause should be included in the agreement.
- List all the definitions in the same place within the agreement.

- Suggest updating language in section 2 to state: "... 1,500 acre-feet per year (not to exceed 1.3 million MGD).
- Correct Districts in section 2 so it is possessive.
- Determine the enforceability of the agreement and consider a risk analysis and loss analysis if it is considered to be enforceable.
- Identify what will happen if we do not choose to move forward with this agreement or plan.
- Confirm how we can get out of this plan.
- Amend the agreement to state that the parties involved will have to decide if they want to continue the agreement or not in X years.
- The language in section 5, and in one other section, originated specifically from SqCWD's CEQA attorney that was designed to help withstand future legal challenges. This was done so it doesn't presuppose an outcome of the CEQA process and the SqCWD Board decision making.

Commissioner Schiffrin moved that the Commission recommend that the City Council approve the Memorandum of Agreement between the City of Santa Cruz and Soquel Creek Water District with a further recommendation that the City Attorney review the agreement again and provide the City Council with information on any enforceability risks that the City would be subject to because of the agreement and also determine if there is a benefit to adding a termination clause after a limited time period to the agreement. Commissioner Engfer seconded.

VOICE VOTE: MOTION CARRIED

AYES: All.

NOES: None.

ABSENT: None.

#### **Subcommittee/Advisory Body Oral Reports**

- Commissioner Baskin reports that the Mid-County Groundwater Agency work to develop a Groundwater Sustainability Plan for the Santa Cruz Mid-County Groundwater Basin is in its early stages.

**Director's Oral Report** No action shall be taken on this item.

**Adjournment** Meeting adjourned at 8:38 p.m. The next meeting of the Water Commission is scheduled for May 1, 2017, at 7:00 p.m. in Council Chambers.

Respectfully submitted,

**Amy  
Poncato**

Digitally signed by Amy Poncato  
DN: cn=Amy Poncato, o=Water  
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Staff