



NOTICE OF FINANCE COMMITTEE MEETING

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a regular meeting of the Finance Committee to be held Wednesday, **March 18, 2015 at 9:00 a.m.** at the Operations Building, 13057 Highway 9, Boulder Creek, California.

AGENDA

1. Convene Meeting/Roll Call
2. Oral Communications
This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the Committee. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. No actions may be taken by the Committee on any Oral Communications presented; however, the Committee may request that the matter be placed on a future agenda. Please state your name and town/city of residence at the beginning of the statement for the record.
3. Old Business:
4. New Business
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
 - a. WATER RATES IN OTHER DISTRICTS
Discussion and possible action regarding water rates in other Districts.
 - b. BULK WATER RATES
Discussion and possible action regarding bulk water rates.
5. Informational Material: None.
6. Adjournment

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to

communicate at the District's Public Meeting can contact the District Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on March 13, 2015, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the meeting of the Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on March 13, 2015.

Holly B. Morrison, District Secretary
San Lorenzo Valley Water District

M E M O

TO: District Manager
FROM: Finance Manager

SUBJECT: SURPLUS/BULK WATER RATES

DATE: March 13, 2015

RECOMMENDATION:

It is recommended that the District Manager review and discuss in the Finance Committee meeting.

BACKGROUND:

Current Surplus, or Bulk, water is charged the lowest monthly basic meter charge during which any water is used (currently \$30.64) and then added is usage at the current tiered water rates.

Considering the nature of the drought and review of how other water districts approach bulk water sales, I recommend the Finance Committee discuss and review potential changes to our Districts procedures for financial and environmental reasons. Most districts charge a premium either on the fixed charge, or do a higher usage rate, the article discussed these in more detail.

We have approximately 20 active Surplus Water users, of which, about 35% are higher usage and 8 have addresses on file that are out of our District. Given the nature of our customer base, I propose a blended charge:

For each month of use, the fixed monthly basic charge of a 1.5” meter, currently \$102.50. This results in a more equitable rate considering customers have to pay the basic fee each month, regardless of use.

Then have a fixed Surplus Water rate per unit of water at \$10.00. This is approximately double of what our average tiered rates are over the current rate and the next scheduled increase.

For some perspective, in just this fiscal year, surplus water has been billed over 3.4M gallons versus 630K in the prior full fiscal year. From the article attached, the highest was Santa Cruz which one year had 3.1M gallons.

Stephanie Hill, Finance Manager

Buying in Bulk: Santa Cruz behind in water price, regulation

By

SantaCruzSentinel.com

SANTA CRUZ >> As the city's water ratepayers prepare to conserve their way through a fifth month of rationing, there is a little-known way for a small number of other customers to get as much water as they want.

Last year, the Santa Cruz Water Department sold 3.1 million gallons of drinking-quality water to construction contractors, paving companies and other industrial users through three bulk water stations that operate on the honor system. While the city grapples with its third consecutive dry year and charges residential customers steep overuse fees, the amount of water sold in bulk increased 28 percent from 2010-2013 as the economy improved and construction projects ramped up.

Without question, the amount of bulk water sold is negligible, at less than 1 percent of the system's overall consumption in 2013 and equivalent to the current rationed limit for 35 single-family households. And the amount of revenue made by the city on bulk water sales last year was only \$17,000.

But compared to the mandated residential and large landscape rationing that counts every gallon of drinking water, the bulk water program operates with far fewer controls and offers flat pricing that charges the same rate whether a customer takes 2,000 gallons or 200,000 gallons.

The city does meter how much overall water is taken from bulk stations and reconciles those figures with self-reported use by customers. But there is no way to know for certain if the individual reports are accurate or if bulk haulers actually use all of the water inside the city as required.

Santa Cruz water officials are quick to say they have no reason to believe the dozen bulk permit holders are under reporting, or using or selling water outside the city. In general, they say the department knows which customers are working where in Santa Cruz at any given time, and there have been no reports of customers trucking water outside city limits.

However, the department did recently put up signs on its bulk stations on Natural Bridges Drive, Portola Drive and Sylvania Avenue in the Harvey West industrial area reminding customers that resale of city water is prohibited and will result in the loss of their permit. According to city records, nine of the 12 permit holders are based outside Santa Cruz, including in Salinas, Aromas and San Jose.

Many communities offer bulk water sales but others are more secure than Santa Cruz's program. In neighboring Scotts Valley and Soquel Creek water districts, bulk sales cost more and are individually metered.

Room for improvement

Water Director Rosemary Menard said she is willing to examine changes to the bulk water program. But given the relatively small amount of water involved and the lack of suspicion about misuse or theft, she said there are far greater priorities right now managing a historic drought.

The city has enacted residential rationing for the first time in nearly 25 years and is undergoing a citizen-led study on managing future supply.

"We need to make it work for customers and there needs to be responsibility and accountability on both sides," she said of the program. "It wouldn't hurt to do some more research."

But she said investing in swipe-card readers or an individually metered system isn't merited.

"We could turn them off, but the purpose is dust control and making construction impacts less on an area," she said. "That doesn't seem like a good strategy."

Tommy Souza, superintendent for Don Chapin Co., the construction firm that will soon begin work on the long-delayed Fairfield Inn on Mission Street Extension, said having access to bulk water is critical. The city and regional air-quality regulators require projects to minimize dust.

"We need water for just about every aspect of what we do," Souza said.

The amount of water used by bulk customers isn't high enough that it would make sense for anyone to abuse the system, Souza said. But if the city chose to individually meter customers, he said he would have no objection considering that's how it's done in other jurisdictions.

John Presleigh, head of Santa Cruz County's public works division, which also is a bulk water customer for the city, agreed the service is important.

"If you have a plugged sewer line, you need to be able to flush it out," he said.

How it works

Industrial users apply for a bulk water permit of \$30 annually and make a \$100 deposit. The city charges \$4 per unit of water, the same as the city's commercial rate, which will increase 10 percent in October and every July thereafter for four years as part of a general rate increase. The Water Department also is considering whether to tier commercial rates in the future.

When permit holders report their monthly use, the amounts are reconciled with the overall consumption. The city, which began metering the bulk stations only three years ago, can check consumption by the hour to determine if there is use at odd times, which could be a sign of theft.

Although there is no way to know exactly who is using the water at any given time, Menard said she can't imagine water being siphoned off, and doesn't believe security cameras or personnel at the site is warranted.

"Water is heavy," she said. "People are not going to take water and go someplace else."

When the overall consumption is higher than the total of what customers report taking, however, the department is able to offset costs by charging permit holders a fee of \$60 if they fail to report each month. Customers also are charged a \$30 fee if they report using no water during the month.

The amount of bulk water sales may be affected by the economy, but pricing and regulations certainly have an impact. Soquel Creek Water District officials found greater accountability and higher prices contributed to a dramatic drop-off in bulk sales.

In 2011-2012, the district doubled its bulk water rates and have increased them each year since. The rates were a flat \$5.71 per 1,000 gallons in 2009-2010 and are now \$17 or \$19 per 1,000 gallons depending on volume. About three years ago, after the district installed a pre-paid swipe-card system, it saw bulk water sales drop nearly 55 percent.

In Scotts Valley, the cost to buy bulk water is up to eight times as high as in Santa Cruz. The district

charges a \$203 flat service fee per month and a higher per-unit consumption rate that goes up as the volume of water sold increases.

Davenport hookup

Santa Cruz isn't the only bulk water provider lacking strict regulations, however.

Through its Sanitation District, Santa Cruz County manages Davenport's water supply and has one regular bulk customer, Sala Bros. Water Trucking of Aromas. Like in Santa Cruz, the sales are handled on the honor system — the county doesn't have a meter on San Vicente Creek — but it does keep an eye on creek levels.

"It's really a small percentage of what's going down the creek past our dam," said John Swenson, who manages the program for the county. "We have the water. If it comes to a point where things are looking like they're dwindling, then we would definitely shut them off."

Swenson said the sales help the county pay for the small district, with former cement plant operator Cemex Corp. no longer managing or subsidizing the town's water supply. When a \$5,000 piece of electronic equipment recently broke, the \$2,000 per month the county makes from bulk water sales helped replace it.

"This money that's been coming in has pretty much paid for that," Swenson said.

Presleigh, the county's public works director, said he believes Sala Brothers sells the water to area residents who are on wells that have dried up, but acknowledged there is no way to know whether the company sells all its water locally. Nor is there a requirement to do so.

"They are obviously using it elsewhere," he said, noting Davenport's small population — about 500 residents — and the fact that many homes are hooked up to water lines. But he said, "We just know that they've got a good reputation ... and I feel very comfortable with them doing it."

A representative for Sala Brothers, who is also a Santa Cruz bulk water customer, refused to answer questions about their operations.

Staff writer Jason Hoppin contributed to this report.

Bulk water sales

Santa Cruz, Soquel Creek and Scotts Valley water agencies sell bulk water to industrial users. Here's how many gallons they've sold in rounded numbers during recent years, some of which are represented in calendar year or fiscal year.

Santa Cruz

2013: 3.1 million

2012: 2.8 million

2011: 2.1 million

2010: 2.4 million

Soquel Creek Water District

2010-11: 1.9 million

2011-12: 859,000

2012-13: 725,000

2013-14: 684,000

Scotts Valley Water District

2012-13: 270,000

2013-14: 390,000