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**Public Works
Department**

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Staff Report

ITEM NO. SS-1

To: Lemoore City Council
From: Rick Joyner, City Engineer
Date: September 25, 2015 **Meeting Date:** October 6, 2015
Subject: Water Rate Study and TTHM Compliance

Proposed Motion:

Not agendized for action. Information only. Council can provide direction to staff if desired.

Subject/Discussion:

This agenda item is to provide the City Council with an update regarding the status of the water rate study and obtain direction regarding total trihalomethane (TTHM) mitigation. The Federal government modified how TTHM levels are calculated and due to the new calculation methods, the City maybe out of compliance with the new federal standards on some of the wells based on a per well measurement (as opposed to a blended water sample, which used to meet the prior standards). City staff received an update from Quad Knopf's sub-consultant, Corona Solutions; Corona needs more time to conduct additional testing and analysis to develop recommendations for treatment of TTHM.

The first phase of the water rate study is complete and that the following is an update regarding the current Phase of the study (phase 1 of 3):

- The newly proposed City water rates will replace those adopted in 2007. The new rates are proposed for adopting for the 2016-2017 fiscal year and will use an incremental increase for the duration of the water rate study, typically 5 years.
- The Water Department for 2015-2016 has a deficit. As such, the water department will be required to borrow money for its operations from the replacement capital account. The amount borrowed from the replacement capital account will be in the neighborhood of \$150,000.
- The new rate structure must be volume-based for all rate payer classes after the basic per meter charge.
- Due to the Governor's water rate reduction order, the City is expected to see a reduction in revenue in an amount estimated to be \$150,000.

- Operating expenditures could increase with the operating costs for implementation of total trihalomethane (TTHM) mitigation.
- Phase 2 of the report will include: data analysis and documentation, capital improvement projects, and the rate study and adoption.

Financial Consideration(s):

Phase 1 of the water rate study is \$15,000.

The cost for Phase 2 of the water rate study is estimated to be \$34,200. The amount will be funded from the existing Water Department replacement capital account.

The cost of Phase 3 of the water rate study is unknown at this time.

Alternatives or Pros/Cons:

The City of Lemoore is faced with the challenges of an aging water system, population growth and additional Federal and State water regulations placed on water providers. If the City decides not to proceed with Phase 2 of the water rate study the City’s general fund will likely suffer further budgetary impacts.

The draft Alternate Compliance Order issued by the Water Source Control Board (SWRCB) contains a requested provision that the City of Lemoore shall initiate the public notice period of the proposed rate change by March 31, 2016, which will require completion of the entire rate study.

City staff continually reviews grant opportunities to fund the needed infrastructure upgrades.

Commission/Board Recommendation:

Not Applicable

Staff Recommendation:

This item is for information purposes only. An item will be prepared at a future date for consideration.

Attachments:

- Resolution
- Ordinance
- Map
- Other _____

Review:

- Finance
- City Attorney 10-2-15
- City Manager 10/2/15
- City Clerk 10/2/15

Date: