



CITY OF MOUNTAIN VIEW

MEMORANDUM

Public Works Department

DATE: May 1, 2018

TO: City Council

FROM: Suzanne Niederhofer, Assistant Finance and Administrative Services Director
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Michael A. Fuller, Public Works Director
Patty J. Kong, Finance and Administrative Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: Recycled Water Study Session – Update

BACKGROUND

At the March 6, 2018 Study Session regarding Recycled Water Advanced Treatment, the City Council had several questions related to water that staff was tasked with follow-up. These items included:

1. Reuse of treated contaminated groundwater from the Middlefield-Ellis-Whisman (MEW) Superfund Site for nonpotable purposes.
2. Use of potable water for golf course irrigation, on a temporary basis, while Mountain View's purchases are under the minimum purchase volume required by the San Francisco Public Utilities Commission (SFPUC).
3. Evaluation of recycled water rate increases as part of the current budget cycle.

This memo provides an update to the City Council on these topics.

MEW TREATED WATER REUSE

Groundwater extracted and treated by the MEW Potentially Responsible Parties is currently discharged primarily to storm drains, flowing eventually to Stevens Creek. The Environmental Protection Agency's *Record of Decision for the MEW Superfund Area* (1989) sets a goal of reuse of 100 percent of this water, which currently exceeds 200 million gallons per year.

Staff contacted Alana Lee at the Environmental Protection Agency (EPA) about reusing treated water from the MEW site and inquired about new water quality data. Below are some key points from this discussion with EPA:

EPA Interest: EPA is interested in discussing the potential water reuse of MEW treated water with the City, especially in light of the 100 percent water reuse goal in EPA's *Record of Decision for the MEW Superfund Area* (1989).

Water Quality Data: EPA does not have any new general chemistry data from the MEW site, but can request this data from the cleanup parties. Staff sent EPA a list of water quality parameters identified by the City's consultants during a previous investigation of water reuse for the GTE cleanup site. EPA has requested that the MEW Regional Groundwater Remediation Program collect treatment effluent samples from the Fairchild groundwater treatment systems and the MEW Regional South 101 and Regional North 101 treatment systems so the City can assess the potential suitability of water reuse. EPA expects to receive analytical results for these constituents by Friday, May 18, 2018.

Next Steps: When the City receives the test results, staff will meet with EPA staff to discuss collaboration and evaluation of water reuse options, including the process and anticipated future infrastructure and water demand needs. Depending on the outcome of the meeting with the EPA, staff will report back to Council with an update and may be able to continue with the effort or may need additional resources (staffing, funding, and/or consultant assistance) to continue.

POTABLE WATER FOR GOLF COURSE IRRIGATION

As has been previously outlined in the Narrative Budget Report, the City has a minimum water purchase requirement with the SFPUC. During the most recent drought, the SFPUC waived the minimum purchase requirement. Prior to the drought, if the City had not used the minimum water requirement, the City paid the difference between actual water consumption and the minimum purchase requirement.

Shoreline Golf Links (SGL) currently uses a mix of both potable and recycled water. The mix varies by month and is dependent on the amount of rainfall and the health of the turf, but on average is about 40.0 percent potable and 60.0 percent recycled water.

The City is subject to the Minimum Water Purchase Requirement and starting in Fiscal Year 2017-18, it will again pay for this amount of water even if the actual water usage does not reach the required minimum purchase. For the current fiscal year, the level of potable water usage (consumption) is calculated to cover the cost of water, including

the minimum purchase, at the current rates. Staff is recommending SGL use the water received pursuant to the Minimum Requirement, but is in excess of the actual water usage, at the Recycled Water rate. This usage will not impact the water rates.

RECYCLED WATER RATES

The recycled water rate was previously set to recover the cost of the program, including the loan repayment (\$300,000) and ongoing recycled water program costs (previously \$300,000), with total program costs of \$600,000. Costs have increased over the last three fiscal years due to added limited-period and operating costs for regulatory compliance, while the usage has remained at approximately the same level. This results in the rate no longer recovering the cost of the program based on current usage.

The total budget, estimated costs, and rates are as follows:

	2017-18 <u>Estimated</u>	2018-19 Recomm'd <u>Budget</u>
Revenues	595,700	\$660,000
Operating Expenditures	<u>761,400</u>	<u>1,010,200</u>
Operating Balance (Deficit)	(165,700)	(\$350,200)
Average Usage	180,000	180,000
Current Recycled Rate		\$3.07
Cost Recovery Recycled Rate	\$4.23	\$5.61
Potable Rate	\$6.80	\$6.87
Percentage of Potable	62.2%	81.7%

As noted above, to fully recover costs, the rate should be \$5.61, based on the recommended budget. With the Fiscal Year 2018-19 budget, staff is recommending phasing in a rate increase over three years, in order to cover the cost of the program. The rate for Fiscal Year 2018-19 is recommended to increase 22.0 percent from \$3.07/unit to \$3.75/unit, and for the following two fiscal years staff is recommending increases of approximately 20.0 percent and 11.0 percent each fiscal year to \$4.50/unit and \$5.00/unit, respectively. At a \$5.00/unit rate, it is estimated the recycled water rate will be approximately 73.1 percent of the potable water rate. Staff will continue to reevaluate the revenues and expenses associated with the Recycled Water Program and adjust the rate recommendation. If recycled water consumption increases or decreases, the rate increases recommended will be reduced or increased, respectively.