

"Placerville, a unique historical past forging into a golden future."



City Manager's Report

December 8, 2020, City Council Meeting

Prepared by: Cleve Morris, City Manager

Dave Warren, Assistant City Manager/Director of Finance

Item #: 12.1

Subject: Adopt a resolution approving amendments to the Water Supply Agreement with El Dorado Irrigation District and authorize the Mayor and City Manager to execute the agreement.

Purpose: To adopt amendments including cost updates and time extension to the existing Water Supply Agreement with El Dorado Irrigation District.

Background: The City purchases water from the El Dorado Irrigation District (EID) as a municipal ratepayer based on an agreement that was approved by the City Council at its meeting held on February 23, 2016. The agreement will expire on December 31, 2020, and staff has negotiated a new water supply agreement with EID. At its meeting held on November 9, 2020, the EID Board of Directors adopted the proposed water supply agreement. Tonight, staff recommends the City Council approve the new water supply agreement with EID as presented.

Discussion: The proposed agreement encompasses the five year period from January 1, 2016 to December 31, 2020. Other than the revised rates and charges, the agreement is essentially the same as the previous agreement. EID adopted water rate increases for the five year period to help offset anticipated increases in costs of operating and maintaining its water system which serves the City. Below are the current and proposed wholesale water rates for the City:

	Municipal Water Rate					
	2020	2021	2022	2023	2024	2025
		5%	5%	5%	5%	5%
Meter Size Inches	Bi-Monthly Base Charge					
2"	\$ 238.58	\$ 250.51	\$ 263.03	\$ 276.18	\$ 289.99	\$ 304.49
3"	\$ 507.48	\$ 532.85	\$ 559.50	\$ 587.48	\$ 616.85	\$ 647.69
4"	\$ 901.71	\$ 946.80	\$ 994.14	\$ 1,043.85	\$1,096.04	\$ 1,150.84
6"	\$1,987.21	\$2,086.57	\$2,190.90	\$ 2,300.45	\$2,415.47	\$ 2,536.24
8"	\$3,393.71	\$ 3,563.40	\$3,741.57	\$ 3,928.65	\$ 4,125.08	\$ 4,331.33
10"	\$5,294.38	\$ 5,559.10	\$5,837.05	\$ 6,128.90	\$ 6,435.35	\$ 6,757.12
14"	\$8,919.76	\$ 9,365.75	\$9,834.04	\$ 10,325.74	\$10,842.03	\$11,384.13
	Commodity					
\$/CCF	\$ 0.62825	\$ 0.66011	\$ 0.69312	\$ 0.72778	\$ 0.76417	\$ 0.80238

The rate increase percentages shown above are the same as those adopted by EID for the entire District. Tonight's action would not directly increase the City's water rates. The City's water rates assume EID's increases in the wholesale water rate increases through Fiscal Year 2022/2023. EID's rate increases for Fiscal

12.1

Years 2023/2024 and 2024/2025 will need to be incorporated in the next water rate study. The equivalent increase in City water rates due to the increased cost of purchasing water from EID are as follows:

	Projected				
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Equivalent Water Rate Increase	1.38%	1.14%	1.14%	1.20%	1.26%

Most of the other changes in the document are date changes to reflect the new agreement. Section 4c of the agreement addresses increases in the water Facility Capacity Charges (FCCs) the City collects on behalf of EID for each new connection. Beginning in July of 2021, the City will be subject to annual increases in the water FCC that are proportional to the FCCs charged within the entire District. .

Options:

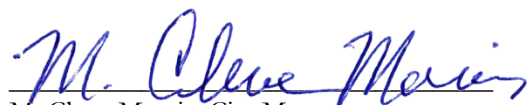
1. Approve the agreement as outlined.
2. Request staff return with additional information prior to adoption.
3. Other

Cost: The projected cost over the next five years is:

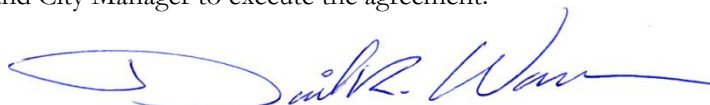
	Actual	Projected				
	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Water Purchase Costs	\$ 502,232	\$ 531,765	\$ 557,403	\$ 584,206	\$ 612,348	\$ 641,896
Annual Increase in Cost		29,533	25,638	26,803	28,142	29,548

Budget Impact: The adopted Fiscal Year 2020/2021 Water Enterprise Fund Operating Budget assumed the 5.00% water rate increase effective January 1, 2021. The City's current water revenue program assumes the increased cost in EID's wholesale water rates through Fiscal Year 2022/2023. Staff plans on preparing a new five-year water rate study that will address EID's wholesale water rate increases from Fiscal Years 2023/2024 through 2027/2028. If the proposed amendments to the EID Water Supply Agreement are approved by the City Council, staff will assume the remaining water rate increases in the Water Enterprise Fund budget in succeeding years.

Recommendation: Adopt a resolution approving amendments to the Water Supply Agreement with El Dorado Irrigation District and authorize the Mayor and City Manager to execute the agreement.



M. Cleve Morris, City Manager



Dave Warren, Assistant City Manager/ Director of Finance

Attachments:

- A. Resolution
- B. Amended Agreement
- C. Existing Agreement