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City Manager's Report

May 28, 2024, City Council Meeting

Prepared by: Cleve Morris, City Manager

Dave Warren, Assistant City Manager/Director of Finance

Item #: 12.2

Subject: Consider approving the second amendment to the current Water Supply Agreement with El Dorado Irrigation District, authorizing the Mayor and City Manager to execute the same, and directing staff to incorporate the costs of the second amendment in the current water cost of service study and Water Enterprise Fund Budgets over the next five years.

Recommendation:

Adopt a resolution:

1. Approving the second amendment to the current Water Supply Agreement with El Dorado Irrigation District (EID) and authorize the Mayor and City Manager to execute the same; and
2. Directing staff to incorporate the costs of the second amendment in the current water cost of service study and Water Enterprise Fund Budgets over the next five years.

Purpose:

To address the increased cost for providing wholesale water to the City and memorialize those costs as part of the current Water Supply Agreement with EID.

Strategic Plan Strategies:

Fiscal Stability /Sustainability: 1. Identify financial risks and opportunities. 6. Meet financial commitments and reporting requirements.

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 City Council renewed the agreement when it approved the first amendment at its meeting held on December 8, 2020.

EID completed its latest cost of service study for both retail and wholesale water rates in 2023. The EID Board approved new retail water rates for the next five years at its meeting held on December 11, 2023. Since then, City staff and EID staff have met to discuss the proposed wholesale water rates for the next five years. Tonight, staff respectfully requests the City Council to approve the proposed second amendment to the current Water Supply Agreement with EID and the proposed wholesale water rates from 2024 through 2028.

Discussion:

The proposed second amendment to the agreement encompasses the period from July 1, 2024 to December 31, 2028. Other than the revised rates and charges, the agreement is essentially the same as the previous agreement. EID adopted new retail 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						
	2023	2024	2025	2026	2027	2028
	5%	12%	12%	12%	12%	12%
Meter Size Inches	Bi-Monthly Base Charge					
2"	\$276.19	\$309.33	\$346.45	\$388.03	\$434.59	\$486.74
3"	\$587.46	\$657.96	\$736.91	\$825.34	\$924.38	\$1,035.31
4"	\$1,043.85	\$1,169.11	\$1,309.41	\$1,466.53	\$1,642.52	\$1,839.62
6"	\$2,300.45	\$2,576.50	\$2,885.68	\$3,231.97	\$3,619.80	\$4,054.18
8"	\$3,928.65	\$4,400.09	\$4,928.10	\$5,519.47	\$6,181.81	\$6,923.62
10"	\$6,128.91	\$6,864.38	\$7,688.10	\$8,610.68	\$9,643.96	\$10,801.23
14"	\$10,325.74	\$11,564.83	\$12,952.61	\$14,506.92	\$16,247.75	\$18,197.48
	Commodity					
\$/CCF	\$0.72778	\$0.81511	\$0.91293	\$1.02248	\$1.14518	\$1.28260

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. EID’s rate increases will need to be incorporated in the City’s water cost of service study, which is currently underway. The equivalent increase in City water rates due to the increased cost of purchasing water from EID are as follows:

	Projected				
	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Equivalent Water Rate Increase	4.49%	3.27%	3.54%	3.83%	1.95%

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 October, 1 2024, 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 second amendment with EID recommended by staff.
2. Approve the second amendment with EID with revisions.
3. Direct staff to take other action.

Environmental:

Tonight’s action has no associated impacts.

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

Description	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Water Purchase Costs	\$ 587,378	\$ 697,335	\$ 781,015	\$ 874,737	\$ 979,706	\$ 1,035,161
Annual Increase in Cost		\$ 109,957	\$ 83,680	\$ 93,722	\$ 104,968	\$ 55,455

Budget Impact:

If approved, staff will incorporate the wholesale water rates into the City’s water cost of service study and the proposed Water Enterprise Fund Operating Budget beginning in Fiscal Year 2024/2025.



M. Cleve Morris, City Manager



Dave Warren, Assistant City Manager/
Director of Finance

Attachments:

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