

REPORT

7.A-1

To the Honorable Mayor and City Council
From the City Manager

December 13, 2004

Subject

Redwood City Recycled Water Project – Financing

Recommendation

Receive and discuss staff report - No action required at this time.

Background

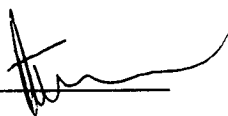
The following copies of slides are intended to be the core of a staff presentation to the City Council on Monday, Dec. 13, 2004. The purpose of the staff report is to engage the Council in a policy-level discussion about the financing of the Recycled Water Project Alternative 'TF' as recommended by the Community Task Force on Recycled Water in their report to the City Council in March 2004. The completed Water Financing Plan will be presented to the Council for consideration on January 10, 2005, followed by final decisions and direction to staff on January 24, 2005.

Alternative

Provide alternative direction.

Fiscal Impact

See attached.



Peter Ingram
Director, Public Works Services



Ed Everett
City Manager

Attachments

Copies of presentation slides (15 sheets total)

Staff Report to City Council

December 13, 2004



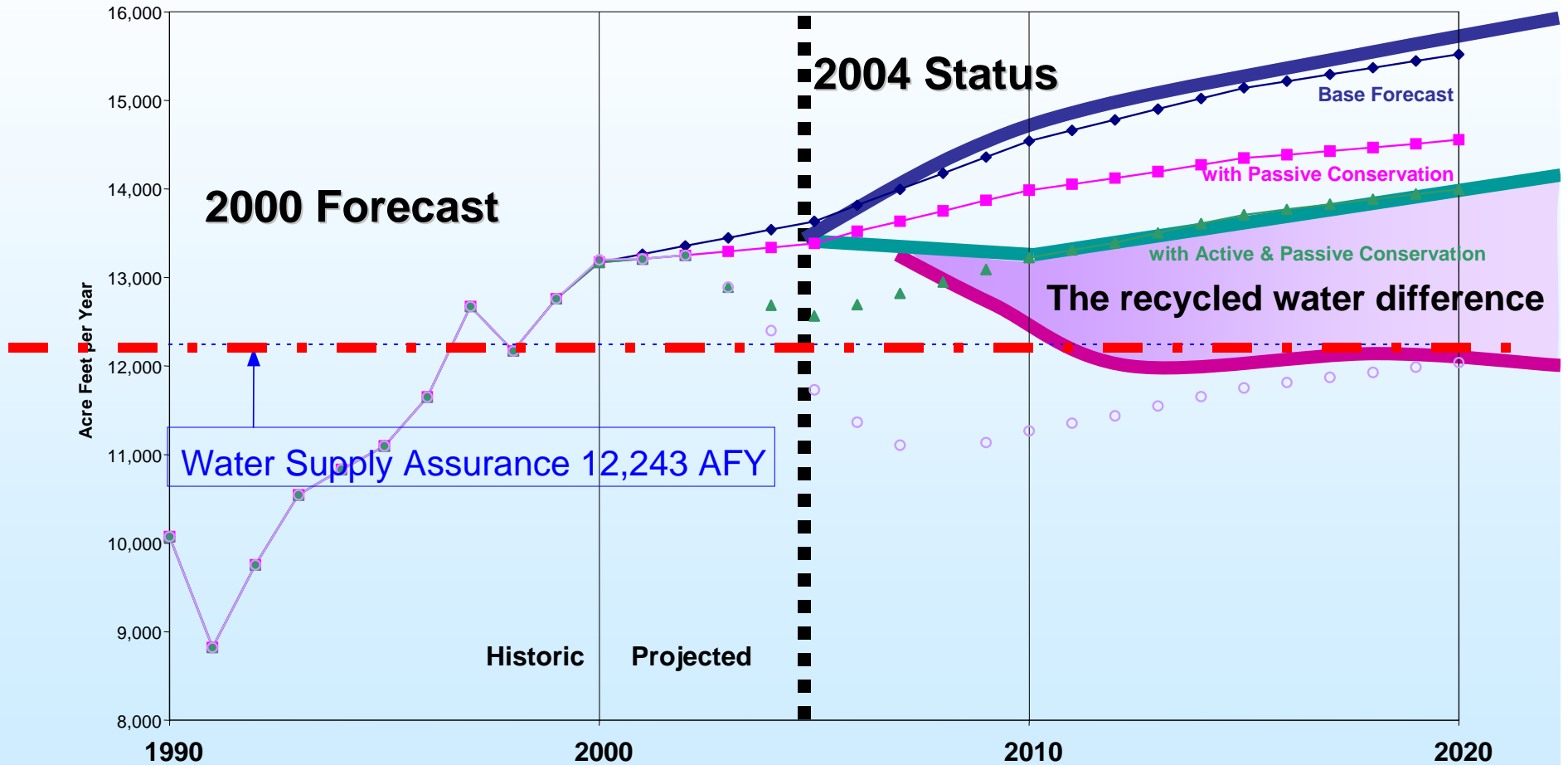
REDWOOD CITY
RECYCLED WATER PROJECT

A VALUABLE COMMUNITY RESOURCE

The Big Picture – Regional Water Supply

- Supply contract overdraft - a major concern!
- What options does the Council have?
- Goal: Erase drinking water overdraft by 2010
- Community Task Force on Recycled Water recommended combination of more conservation and new supply by 2010
- There will be consequences if additional actions not taken – soon

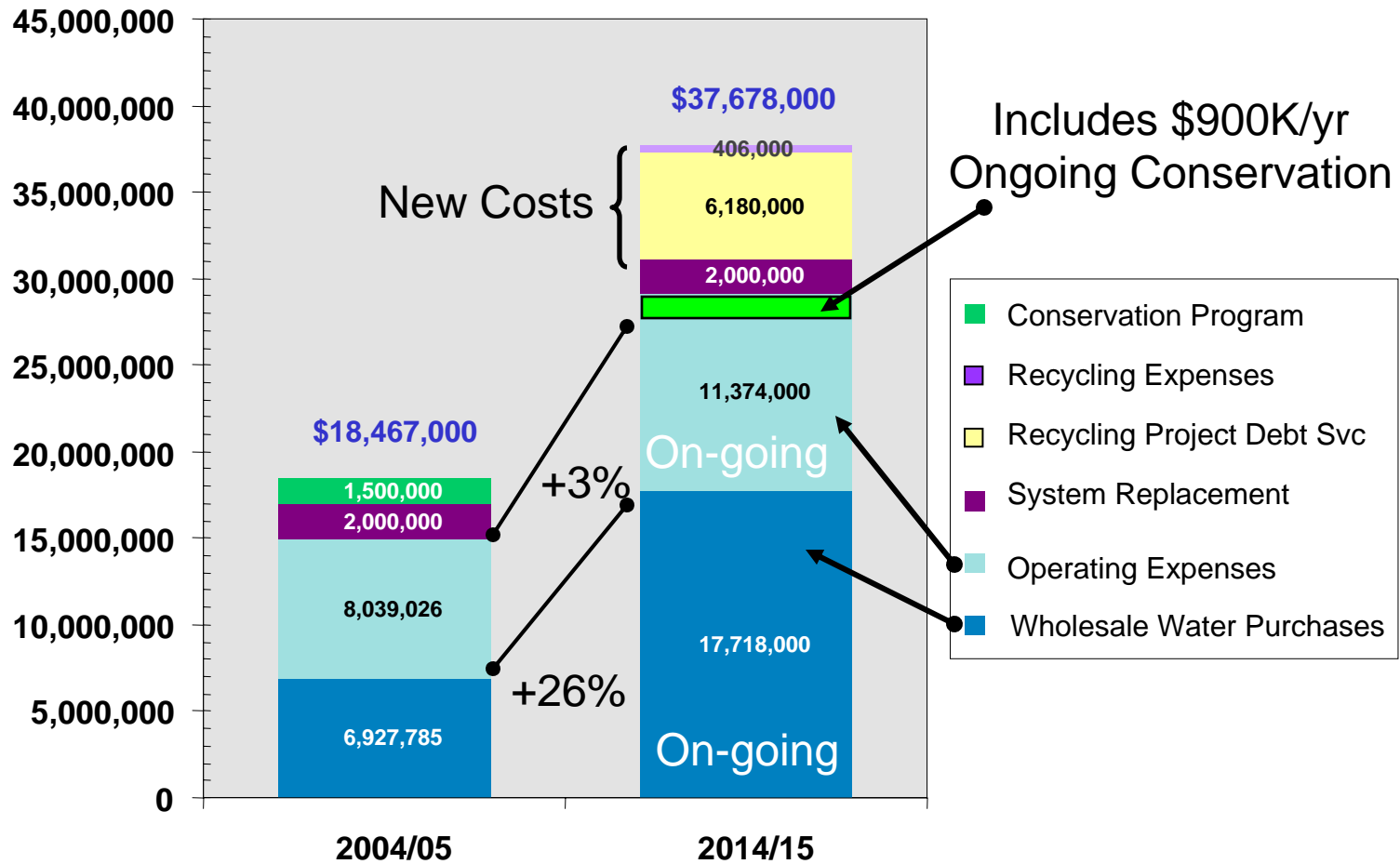
Why? Redwood City has a Supply & Demand Problem



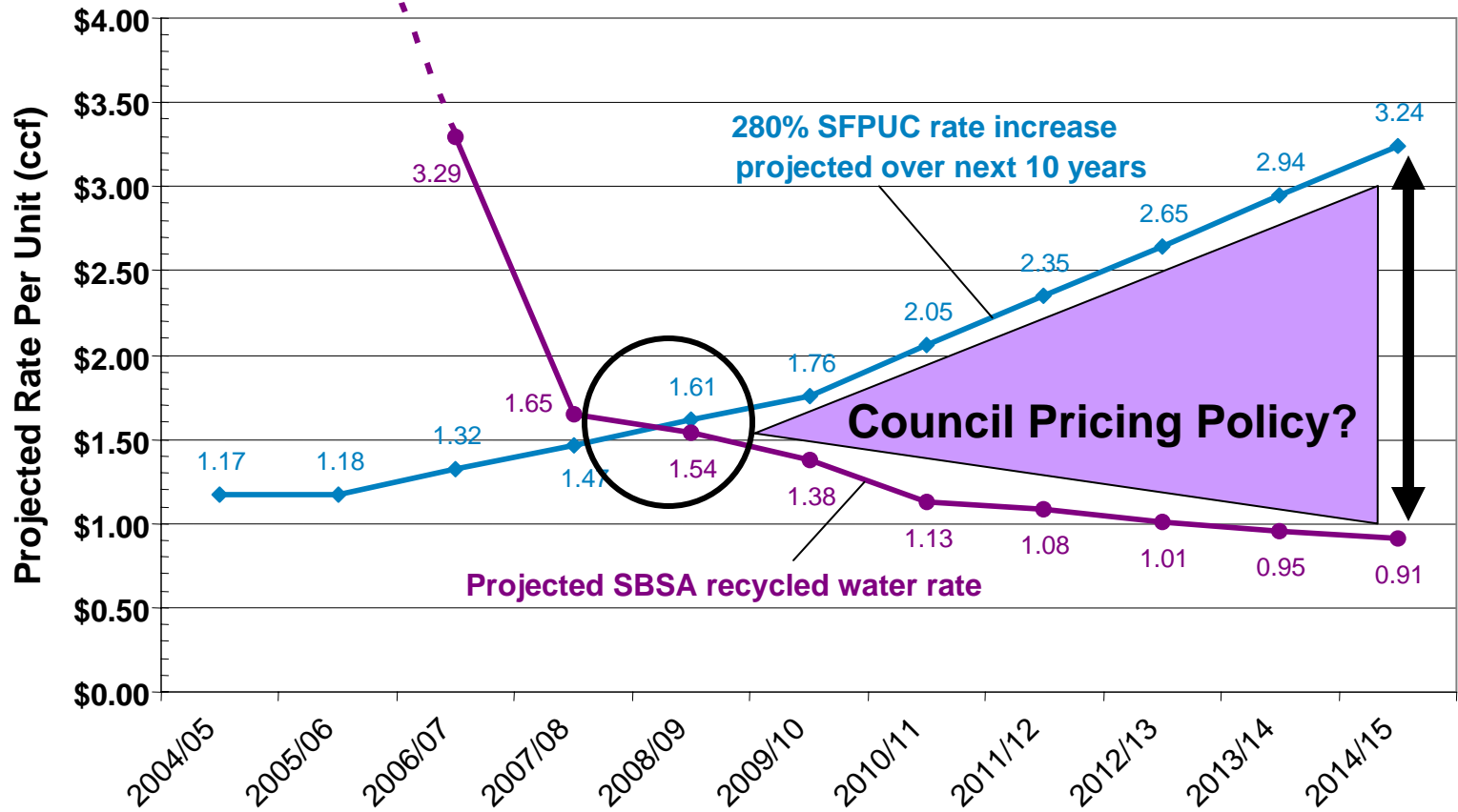
Project Financing

- Approved project – as recommended by the Community Task Force on Recycled Water must be financed to be built
- Strategy:
 - Several bond issues over multiple years
 - Review and adjust plan each year
- Costs are expected to increase – why?
 - Hetch Hetchy wholesale water costs
 - Labor & materials for on-going operation / repair
 - Construction materials
 - Financing / debt service

Why Are Annual Costs Going Up?

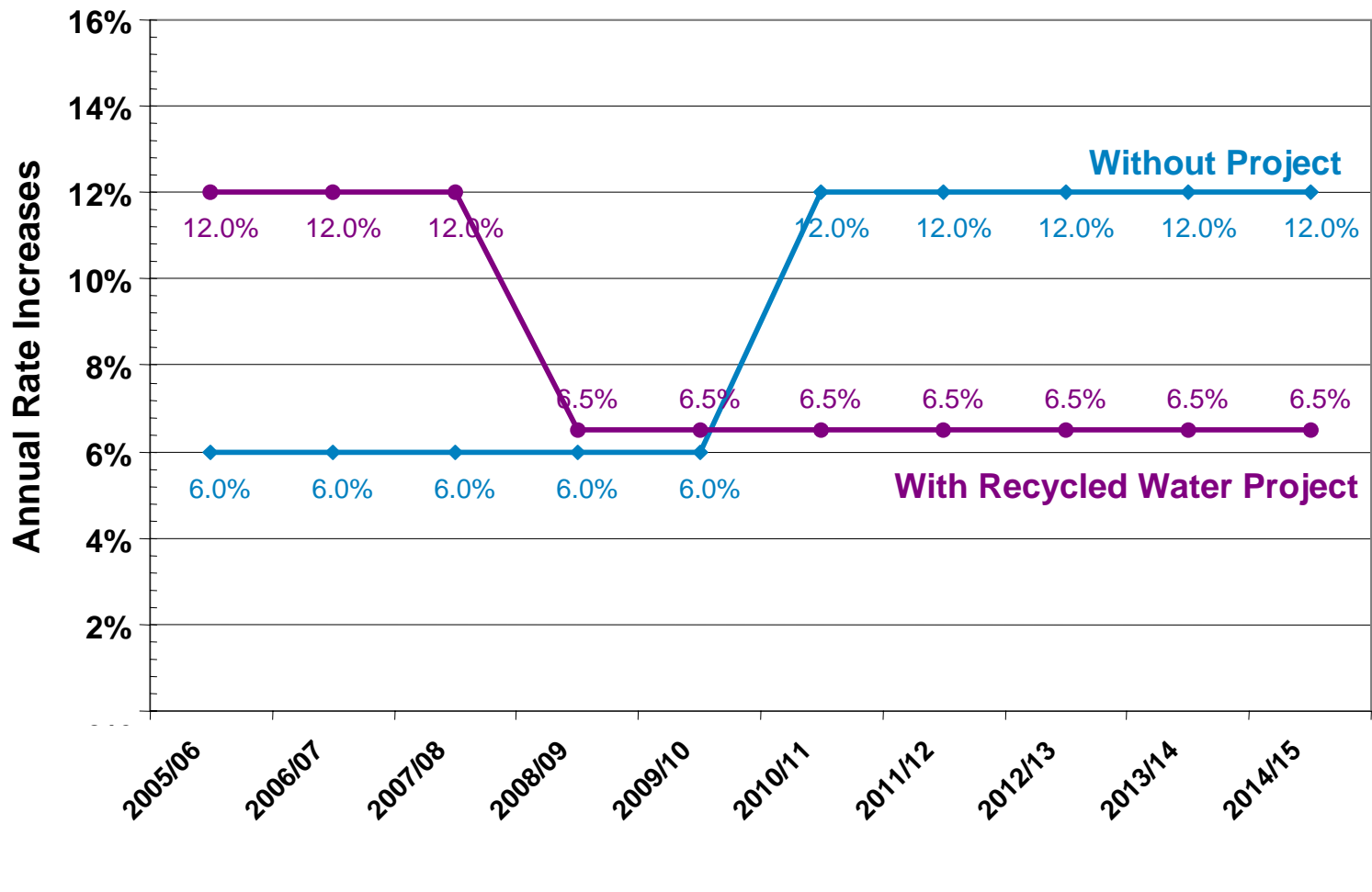


Redwood City Water Financing Plan Projected Wholesale Water Rates Per 100 Cubic Feet (1 Unit)



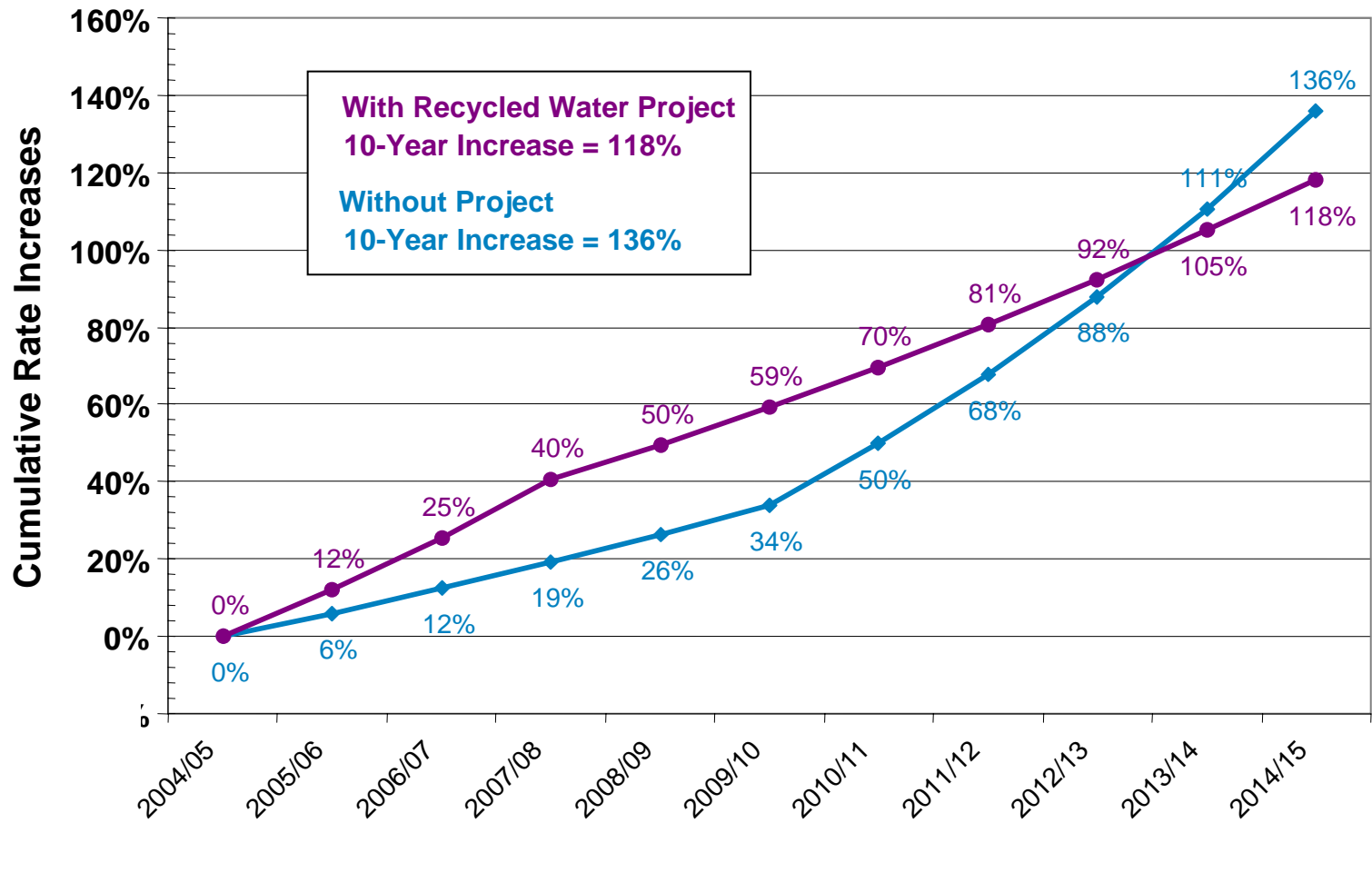
Redwood City Water Financing Plan

Projected Annual Retail Rate Increases With & Without Project



Redwood City Water Financing Plan

Projected Cumulative Retail Rate Increases With & Without Project



2004/05 Retail Water Bill Benchmarking

Agency	10 Units	15 Units	20 Units	40 Units	60 Units
Menlo Park	\$21.50	\$28.25	\$35.00	\$66.00	\$101.00
Foster City	\$37.60	\$43.90	\$50.20	\$75.40	\$100.60
Redwood City	\$34.42	\$44.42	\$54.42	\$100.42	\$152.42
San Mateo (Cal Water)	\$36.12	\$46.99	\$57.85	\$101.30	\$144.74
San Carlos (Cal Water)	\$36.12	\$46.99	\$57.85	\$101.30	\$144.74
S. San Fran (Cal Water)	\$40.42	\$50.00	\$59.59	\$97.94	\$136.29
Belmont County Water	\$36.34	\$52.54	\$68.74	\$133.54	\$198.34
Palo Alto	\$37.07	\$55.92	\$76.05	\$156.55	\$237.05
San Bruno	\$43.30	\$57.05	\$72.74	\$147.14	\$221.54
Millbrae	\$45.12	\$58.12	\$71.12	\$123.12	\$175.12
Bear Gulch (Cal Water)	\$47.44	\$59.19	\$70.94	\$117.94	\$164.94
Brisbane	\$55.50	\$72.00	\$92.14	\$176.34	\$260.54
Burlingame	\$62.19	\$78.16	\$94.13	\$158.01	\$221.89
Hillsborough	\$60.20	\$78.30	\$96.40	\$168.80	\$253.80

2004/05 Water Bill Benchmarking

At 15 units of SF residential water use per billing period:

- **Redwood City Water Bill** **\$44.42**
- Median of 14 agencies **\$54.23**
- Average of 14 agencies **\$60.20**

- ***Redwood City:*** ***18% below median***
26% below average

What Can We Conclude?

- In the long term, customer water rates will be less with the recycled water project than without it and the protections it provides
- Even with sizable annual increases in the near-term, Redwood City customers' bills will stay below the median on the Peninsula
- Council has a water plan that:
 - Makes good economic sense
 - Will benefit the community over the next 10-20 yrs
 - Will build 50-80 year facilities, while paying for them in 30 or less years
 - Is responsible, creative, long-range planning

What Can We Conclude?

- Council stewardship of future water supply is key
- Urgency is created by the next drought shortage and/or regional rationing
- The city can reach it's 2010 goal

Next Steps

January 10, 2005

- Consider Water Financing Plan and relevant policy questions

January 24, 2005

- Approve Financing Plan
- Give policy direction on rate and fee adjustments
- Approve bond documents

February 2005

- Sell bonds
- Award SBSA facilities contract – begin construction!

Questions?



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