



Town of Discovery Bay

"A Community Services District"

STAFF REPORT

Meeting Date

May 2, 2018

Prepared By: Michael R. Davies, General Manager
Submitted By: Michael R. Davies, General Manager

MRD

Agenda Title

Discussion and Possible Action Regarding Water Meter Installation Project / Payment Options.

Recommended Action

Direct staff to return all water meter installation payments received thus far, and Adopt Resolution 2018-xxxx authorizing the Town to charge newly metered customers \$8.01 a month on their water bill effective July 1, 2018 until the cost of the Water Meter Installation Project has been satisfied.

Background Overview:

State law provides that water providers install water meters to its users by 2025 and allows the Town to recover the costs related to the purchase, installation, and operation of the water meters from rates, fees, or charges.

The Town, under its authority to provide water service, has the authority adopt and enforce regulatory programs ensuring that the Town continues to provide a safe and reliable water source to its customers. Installation of water meters is not only required by State law, but also furthers the Town's regulatory program of providing a safe and reliable water source to its customers. As a regulatory function, the Town is further authorized by state law to recover its costs of such a regulatory program which includes costs for purchase, installation and operation of the water meters from rates, fees or charges.

In 2016, a Water and Wastewater Rate Study that included a \$9 water meter charge was presented to the public and the Board for consideration. The Board subsequently adopted the proposed rates in the 2016 Water and Wastewater Rate Study; however, the Board opted, at that time, to not include the proposed \$9 water meter charge.

A survey was undertaken to estimate the number of residential water meters that needed to be installed and to categorize an estimated number of construction types (Type 1, 2, 3, other). An RFP was written by Luhdorff and Scalmanini Consulting Engineers. The Town received 3 bids and accepted the lowest bid of \$1,391,490, by J.W.Backhoe. The total Water Meter Installation Project cost, including the construction bid by J.W.Backhoe, was estimated to be \$3,111,359.

In January 2017, the Board considered options for funding the project. The Board decided that the project would be funded through a \$1.5m bond and the rest financed through Town water fund reserves. The Board also considered how costs would be charged to residents receiving a new meter. It was originally presented by staff that if the costs were spread equally among the newly metered residents it would amount to about \$906 each. A firm cost estimate could not be provided, because the exact number of meters and construction types were yet to be known, and the actual costs could not be known until the project was completed. The Board, in response to public comment, decided that customers should be charged based on the actual cost to the District for the meter installation at each individual property. The Board provided that customers should have an opportunity to pay the costs up front in full or pay over time in a combination loan that provided 36 months interest free (to pay back reserves) and a 10-year loan that included bond interest.

The Water Meter Installation Project began toward the end of January 2017. Construction management oversight was conducted by Luhdorff and Scalmanini Consulting. Included in the oversight, was an accounting of the materials and construction type for each property.

Residents were kept informed through the Town Website (FAQs, phase progression mapping, email blasts), a tri-fold mailer,

media reports, several public open houses, and through numerous updates provided to the Board and the Water and Wastewater Committee at public meetings.

Customers with new meters installed prior to July 1, 2017 received their first water volume usage bill in August. The remaining water meter installs were completed around the end of November (some back-order items were added later) and by February 2018 all customers were now receiving water volume usage bills.

Staff received a final accounting from Luhdorff and Scalmanini in April 2018. The actual cost of the project came to \$3,129,107.95 (\$17,748.95 over estimated budget). Total interest on the bond is \$398,001.67.

Pursuant to individual cost accounting, customers were sent a letter dated April 13, 2018 that provided the total cost of the water meter installation at their property. Customers were provided two payment options: Pay in full by May 15, 2018 or be automatically enrolled in a 10-year payment plan with a share of the bond interest. The exact share of interest would not be known until the number of people who paid up front could be determined.

During the Regular Board Meeting of April 18, 2018, the Board received a presentation on the Water Meter Installation Project. During public comment a myriad of objections were voiced, including the cost of the water meter installation and the payment options. The Board determined that further consideration is needed to address the options available for Water Meter Installation Payments.

Staff Review

Questions raised during public comment at the Board Meeting have been addressed with FAQs on the Town's website.

Since issuance of the cost letter, staff has been inundated with phone calls and emails with questions and criticisms concerning the options for payment and requests for an itemized breakdown of cost calculations for individual properties. Many customers are disputing the construction type and demanding appeal review. Staff is backlogged in providing information to our customers. Processing countless appeals will be an expensive, time consuming and administrative challenge to the District.

The cost to the District for this project is:

Project Cost:	\$3,129,107.95
Bond Interest:	<u>\$ 398,001.67</u>
Subtotal:	\$3,527,109.62
Less Net Bond Discount:	<u>-\$ 165,000.00</u>
TOTAL:	\$3,362,109.62

Staff, in consultation with legal counsel, has reviewed several potential customer payment alternatives. Staff has considered the burden of payback on our customers, the impacts of individualized pricing, staff workload and additional costs to the District.

Staff recommends that the Water Meter Installation Project be treated in the same way as any other public works project – the cost is contained in the water rate and spread equally amongst all the newly metered customers.

With this recommendation, the customer cost would be \$8.01 each month to those customers that received a new meter and would cover the customer's proportional cost of the Water Meter Installation Project. This cost would be added to the customer's monthly water bill until the cost of the Water Meter Installation Project has been satisfied.

Previous Relevant Board Actions for This Item

Attachments

AGENDA ITEM: