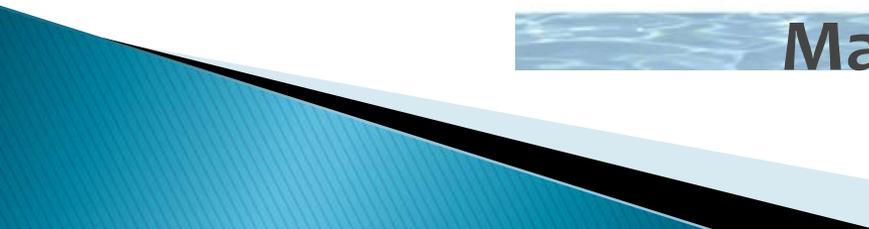


# Council Workshop

## Water's New Normal



May 20, 2015



# Workshop Outline

Water System and Drought Effects

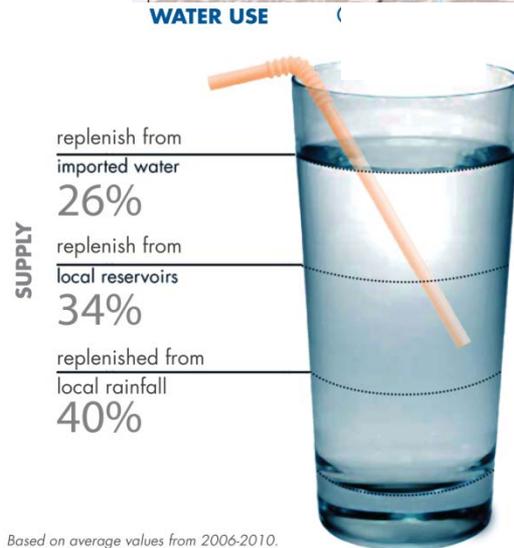
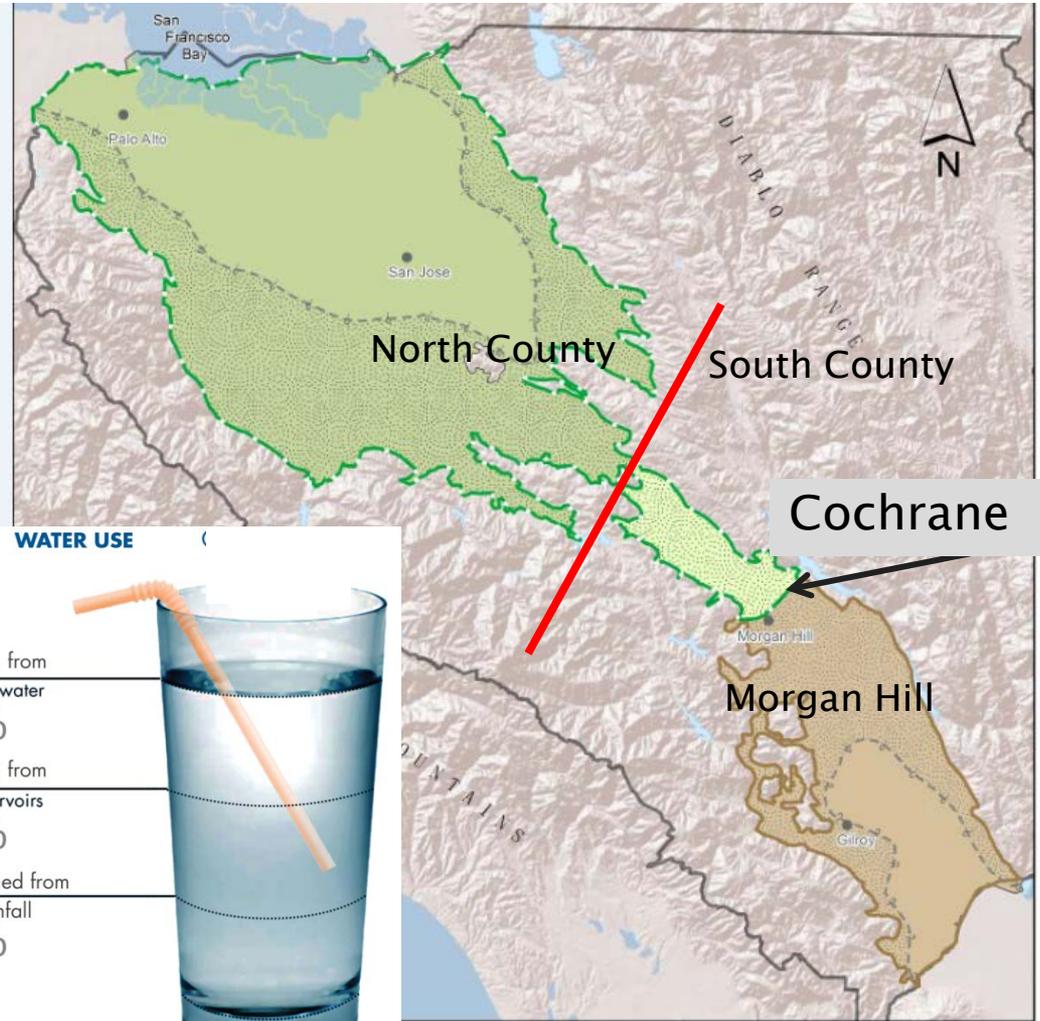
Recycled Water

Conservation

Drought Response

# Water Sources

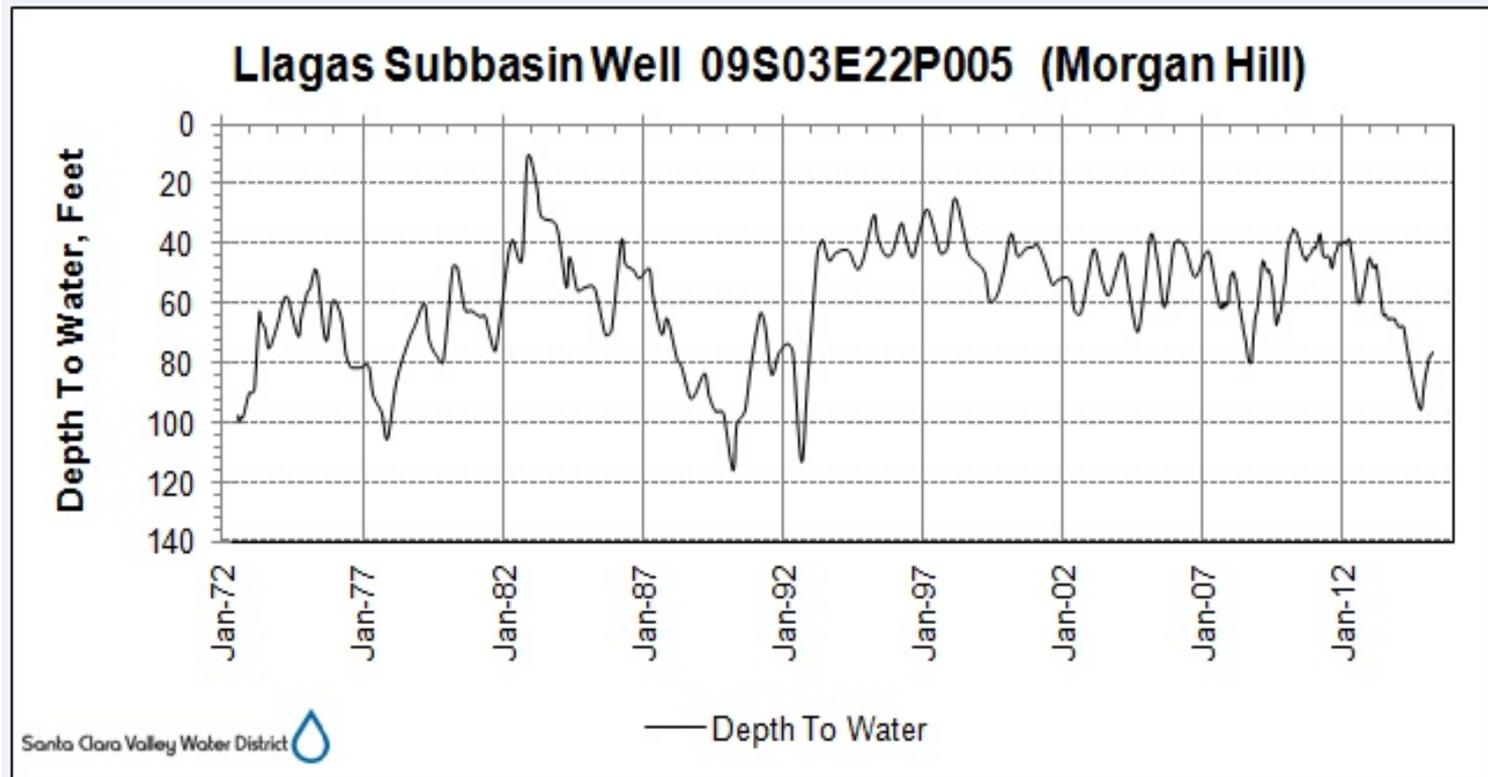
100% of the City's water supply comes from two groundwater tables, the Coyote Valley and Llagas sub-basins. These sub-basins are part of the groundwater resources managed by Santa Clara Valley Water District.



Based on average values from 2006-2010.

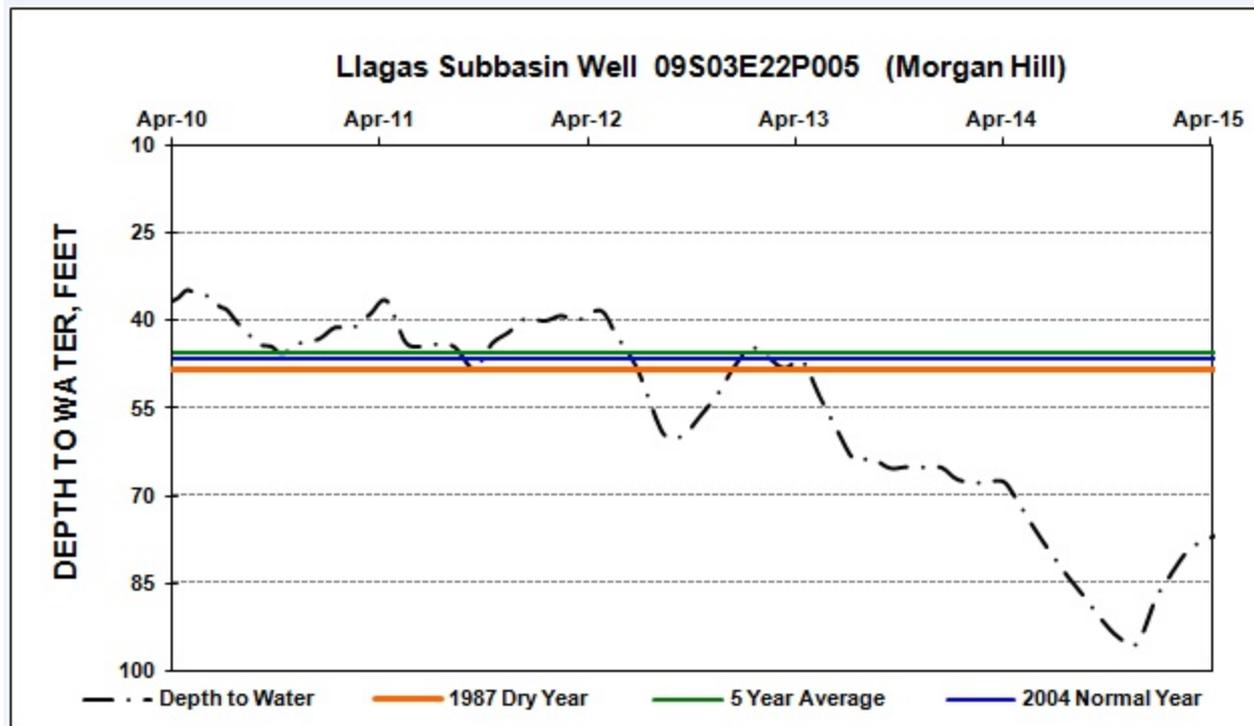
# Historic Water Table Elevations

- ▶ Depth to Water



# 5-Year Historic Water Table

- ▶ Depth to Water
  - April 2010 through April 2015



# Impact to System

- ▶ Reduced groundwater levels will:
  - Reduce well productivity
  - Lead to longer well runtimes
  - Increase energy costs
- ▶ Ground Subsidence
  - Unlike the groundwater basins to the north of Morgan Hill, ground subsidence is less likely to occur due to the soil composition in the Coyote Valley and Llagas sub-basins.

# Impact to Water Fund

## ▶ Current Water Rates

- Council Approved Annual Rate Increases
  - Final Rate Increase of 6.25% in January 2016
- Conservation Tier Structure
- Fixed vs. Variable Revenues and Costs
  - Revenues: 16% fixed, 84% variable
  - Costs: 68% fixed, 32% variable

## ▶ Overview of Water Fund

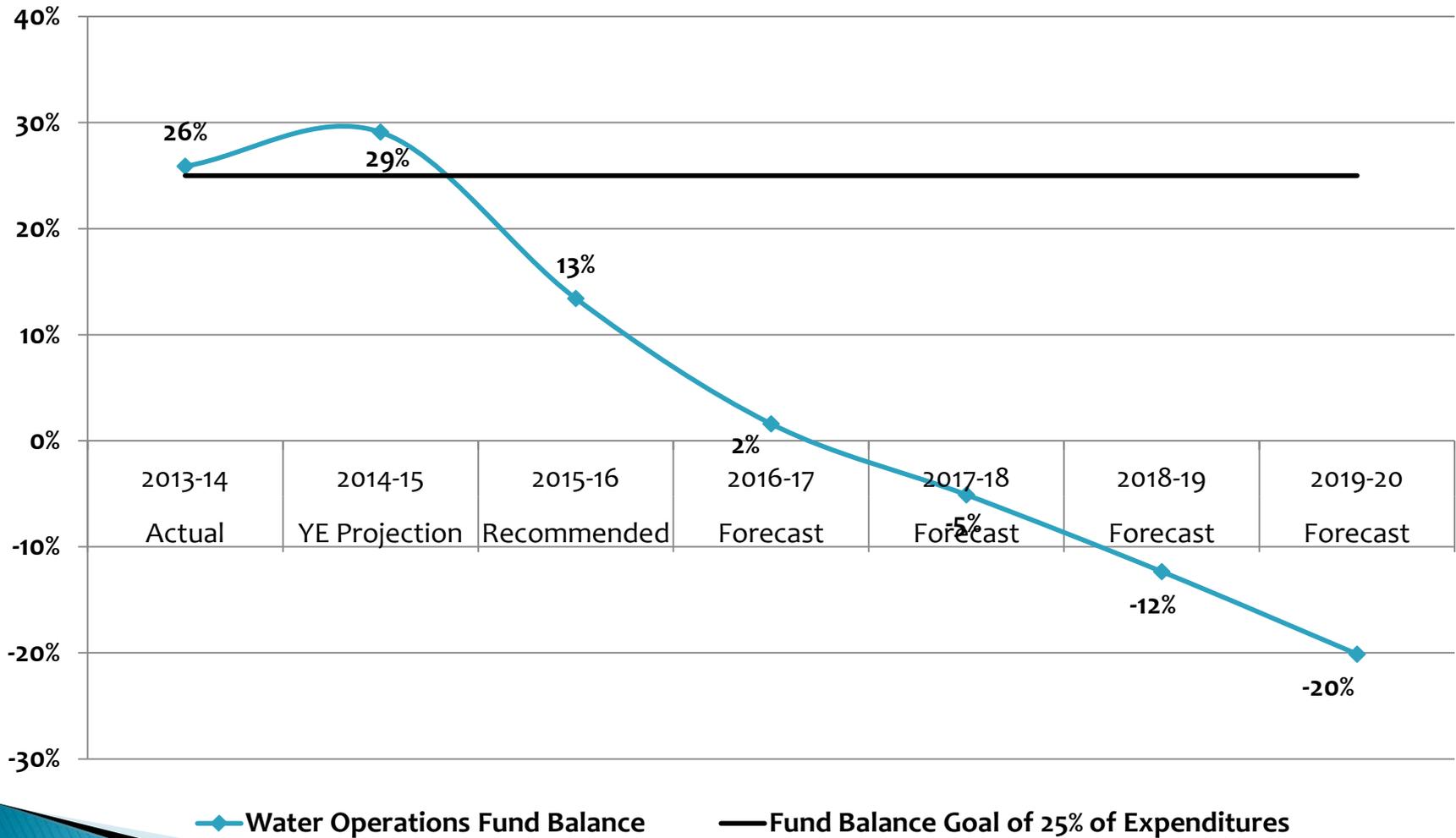
- Revenues, Expenditures, Fund Balance
  - Recommended Budget Assumptions
    - Groundwater Production Charge +11.6%
    - Water Conservation by Fiscal Year
    - -30%, -30%, -20%, -20%, -20%

# Revenues, Expenditures, Fund Balance

## Water Fund 5 Year Forecast (in Million of dollars)

	YE Projection	Recommended	Forecast	Forecast	Forecast	Forecast
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<i>Beginning Balance</i>	\$ 3.3	\$ 2.7	\$ 1.3	\$ 0.2	\$ (0.6)	\$ (1.4)
Revenues/Transfers In	\$ 8.9	\$ 8.5	\$ 8.8	\$ 10.1	\$ 10.3	\$ 10.5
Expenditures/Transfers Out	\$ (9.4)	\$ (9.9)	\$ (10.0)	\$ (10.8)	\$ (11.1)	\$ (11.4)
<i>Ending Balance</i>	\$ 2.7	\$ 1.3	\$ 0.2	\$ (0.6)	\$ (1.4)	\$ (2.3)
<i>Operating Margin</i>	(0.5)	(1.4)	(1.2)	(0.7)	(0.8)	(0.9)
<b>Fund Balance/Expenditure (%)</b>	29%	13%	2%	-5%	-12%	-20%

# Water Enterprise Fund Balance

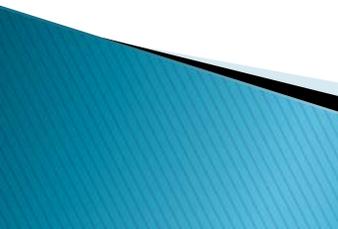
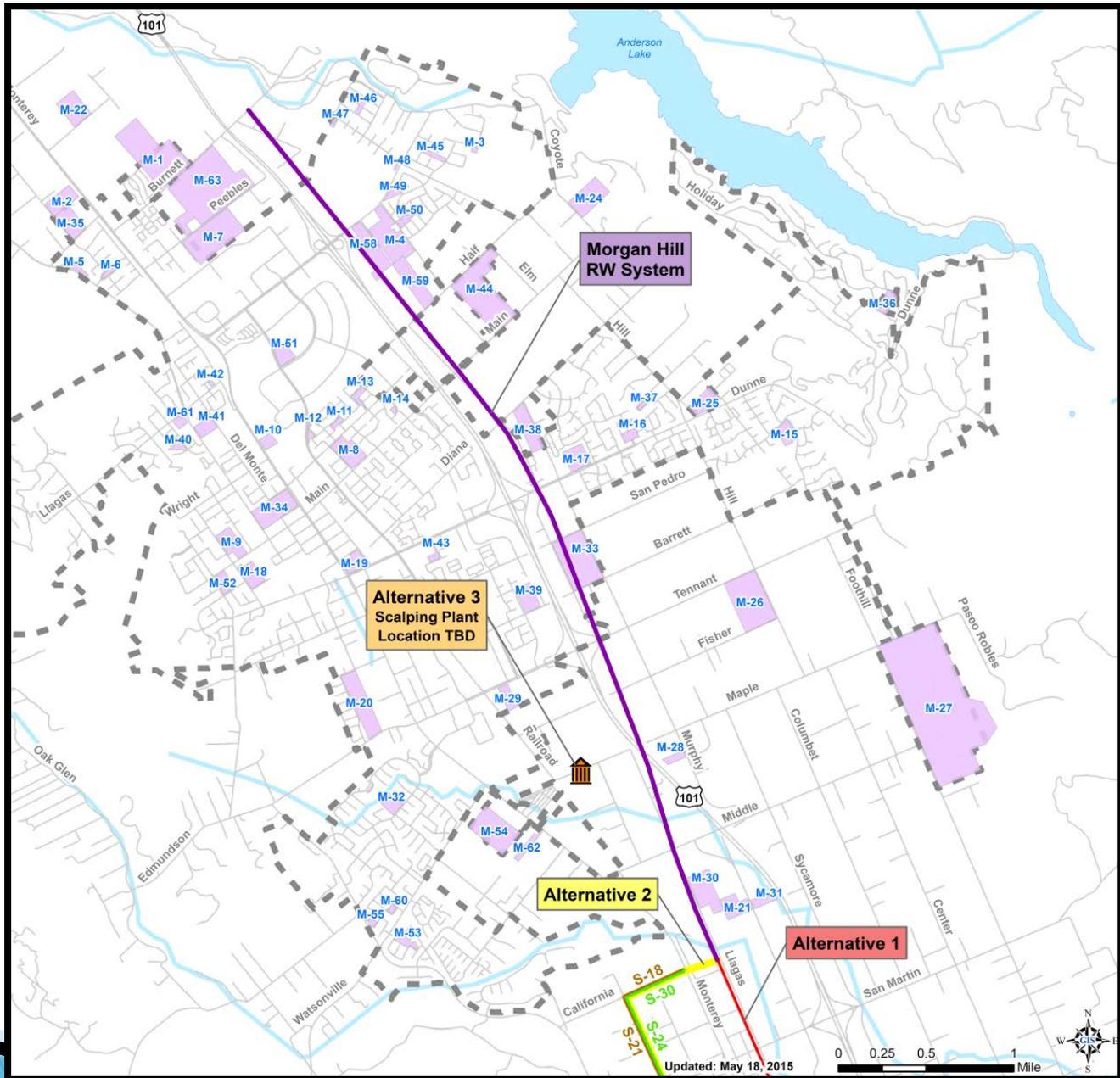


# Upcoming Rate Study

- ▶ Goal is to Balance Financial and Environmental Sustainability
- ▶ Request for Proposals
  - 3 Proposals Received
  - Award Contract in June 2015
- ▶ Proposition 218 Process
  - Provide Council Rate Options to Consider
- ▶ *Questions?*

# Recycled Water Studies Underway

- ▶ South County Recycled Water Master Plan Update 2015
  - SCRWA Recycled Water
  - More Emphasis on Morgan Hill Opportunities
  - To be Completed in December 2015
- ▶ Morgan Hill Recycled Water Master Plan 2015
  - Piggyback off of Larger South County Plan
  - Focus on Morgan Hill
  - Potential Sources (South, North, Local)
  - Customers, Distribution, Costs
  - To be Completed in September 2015
- ▶ Recommended FY 15–16 \$400,000 in CIP



# Water Conservation Approaches:

*Enhancing Efficiency To Preserve and Extend Supplies.....Long-Term Approaches*

- ▶ Why Continue to Grow?
- ▶ Development Standards (Regional Effort)
- ▶ Advanced Metering Infrastructure (AMI)
  - Leak Detection
  - Customer Empowerment
- ▶ Water Waste Ordinance Amendments

# Water Waste Ordinance Revisions...

## Future Discussion Points

- ▶ Private Wells
  - ▶ Vehicle Washing
  - ▶ Construction Water
  - ▶ Irrigation Rule Fine Tuning
  - ▶ Shift Start of Irrigation from 5 pm to 10 pm
  - ▶ Pool Filling
  
  - ▶ *Discussion*
- 

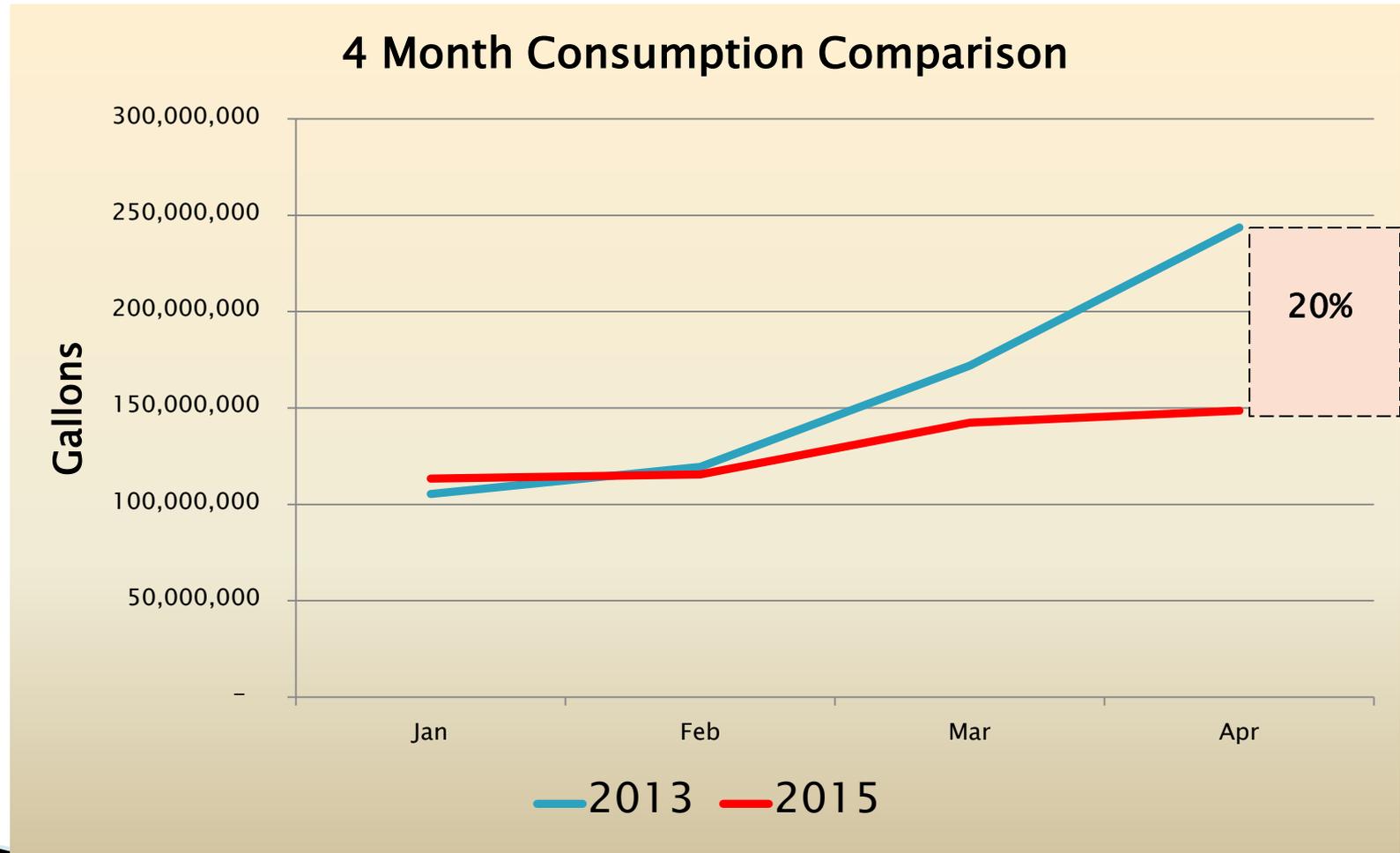
# Drought Response

## *Short-Term Actions to Immediately Reduce Water Consumption*

- ▶ State Water Resources Board Rules and City Response (28% vs. 30%)
- ▶ Morgan Hill per-capita Use Higher than County Average
- ▶ Measures Taken by City Operations
  - Turf Removal + Other Activities
- ▶ What Are Other Cities Doing?
- ▶ Public Engagement Approach
- ▶ Compliance Assurance Approach



# Conservation – Year to Date





QUESTIONS?



Chesbro Reservoir