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Seal Rock Water District

General Manager's Report:
 Board Meeting March 14, 2019

This report is an executive summary provided with this Board agenda to Commissioners with recommended actions if any. Detailed information, staff reports, and supporting materials are provided within the full agenda packet.

PHASE-4 SOURCE WATER PROJECT:

Significant delays as a result of the Federal Shutdown are placing pressure on the project schedule. Several time sensitive items are being delayed causing the district to risk the in-water work period generally scheduled for July 1, 2019. District staff and engineer are working with representatives from Oregon Department of State Lands (DSL) in a preparation for extending the in-water work period before permit approval. Consultants and USDA-RD continue to work with representatives from National Marine Fisheries Services (NMFS) a division of NOAA in an effort to complete the Biological Opinion (BiOp) originally expected in early January. However, due to the 38-day Federal Shutdown a significant delay is now expected before the District receives the completed BiOp, a BiOp is expected by mid March 2019. This delay has the unintended impact to affect some time sensitive items. While there are no official details from NMFS regarding any conditions that might be placed on the project, it sounds like there isn't anything major that would alter project design. Other permitting updates:

On January 28, 2019 after federal offices opened District staff and engineers immediately began corresponding with USDA-RD in preparation for the release of the BiOp. District staff continues to work with representatives from multiple State, Local and Federal agencies to provide additional information in an effort to expedite the review process. Phase-4 improvements project continues to move forward with several critical path tasks currently in progress:

- Staff is working with the engineering team to provide additional modifications for the completion of the 90% final design.
- 90% final design and contract documents are being reviewed by the States USDA-RD engineer.
- District staff and representatives with USDA-RD are reviewing final finance information to satisfy USDA underwriting.
- Staff is also working with representatives from USDA-RD, the Districts finance consultant, and Bond Council to discuss Phase-4 funding options.
- **WATER RATE RECALCULATION, SETTLEMENT AGREEMENT WITH CITY OF TOLEDO:**

District staff and Commissioners have meet with Toledo Staff and City Counselors to discuss settlement agreement regarding recalculated rate. The Water Purchase Agreement between the City of Toledo and Seal Rock Water District, effective December 21, 2012, sets forth the procedure for water rate adjustments. Section 6.1.3 requires the City to evaluate the annual costs of delivering water to the District based on audited statements of these costs. That section requires the City to provide a trial balance of the audit on or before

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October 1 of each year, and to provide a copy of the completed audit on or before January 1 of each year. The rate increase under this provision was approved by City Council on December 5, 2018 through a resolution effective on January 1, 2019.

On January 28, 2019, the District received an email from Toledo with several attachments related to a potential water rate increase for the District. That email letter dated January 28, 2019, advised of an intent to submit to the City Council on February 6, 2019, a “Request for Council Action” to raise the water rate to be charged to the District effective March 1, 2019. In response to that email and the proposed action, the District convened a meeting with Toledo representatives to discuss an offer to settle the legal issues raised by this proposed action.

The purpose of this meeting was to commence settlement alternatives to be presented to our respective governmental bodies. Among settlement provisions, settlement proposal would be an agreement for the City to continue to provide the District with emergency source water beyond the scheduled termination date. That agreement could be mutual, upon completion of the District’s primary source water supply system.

As a result, representatives of the City and the District met on February 5th and February 19th, 2019 to discuss possible settlement as it relates to the recalculated rate. The City seemed intent on adopting the revised rate and unwilling to discuss anything other than settling the rate as soon as possible. A tentative agreement was proposed with the understanding that any decision for approval was subject to adoption by the respective governing bodies.

On February 25, 2019 the District submitted a settlement option to the City for consideration, however, the City chose not to include this option to Council at the February 27, 2019 Council Work Session. While the District did not present the revised settlement option on February 25, 2019, it was recommended by the District that this language be considered in ongoing discussions to develop a successor agreement through a series of meetings with the joint working group beginning March 12, 2019, starting in Toledo. The Public Works Director and the Seal Rock Water District General Manager also met for lunch on March 1, 2019 to initiate preliminary discussions related to the draft successor agreement and potentially provide a revised agreement for consideration and discussion at the March 12th joint meeting.

- **FIVE YEAR WATER MANAGEMENT AND CONSERVATION PLAN UPDATE:**

With support of District staff, GSI Water Solutions completed the Water Management and Conservation Plan (WMCP) Progress Report. This WMCP progress report fulfills the requirement in the Final Order approving SRWD’s 2014 WMCP (issued by the Oregon Water Resources Department on May 14, 2014) to submit a 5-year WMCP progress report and it contains the information required under OAR 690-086-0120(4).

The progress report contains eight exhibits that provide updates on SRWD’s water management and conservation efforts:

Exhibit 1 describes SRWD’s progress addressing the 5-year water management and conservation benchmarks included in the 2014 WMCP. The highlights of SRWD’s water conservation efforts over the past five years were the replacement of 61,360 linear feet of pipeline from 2014 through 2016 and the installation of an Advanced Metering Integration (AMI) system in August 2018. The pipeline replacement resolved major pipeline leakage issues. AMI improves accounting by better aligning demand and consumption data, allows for faster leak detection, improves billing accuracy with installation of the new meters, and enables customers to access daily water use information so they can improve their water conservation efforts. The United States Department of Agriculture (USDA) Rural Development, through its Water and Waste Disposal Loan and Grant Program, provided

SRWD with \$5.5 million for water line replacement projects and \$1.5 million for the AMI project. SRWD received the Outstanding Special District Program Award for Advanced Metering Integration (AMI) from the Special Districts Association of Oregon in February 2019 for its AMI project.

Exhibit 2 presents average monthly and daily diversions under SRWD’s water rights from Fiscal Year (FY) 2012-2013 through FY 2017-2018.

Exhibit 3 presents SRWD’s demand and consumption from 1982 through 2012, as reported in SRWD’s 2014 WMCP, and **Exhibit 4** presents SRWD’s demand and consumption from FY 2012-2013 through FY 2017-2018 to enable comparison of recent consumption to consumption reported in the 2014 WMCP. Consumption refers to the metered customer water use (i.e., annual water sold) within the finished water distribution system. Exhibit 3 shows that consumption decreased from around 100 MG to slightly more than 80 MG in the five most recent years reported in the 2014 WMCP (horizontal lines are in 20 MG increments starting at zero and vertical lines are in one year increments starting in FY 1982-1983 and ending in FY 2011-2012). Since then, consumption has remained relatively even, ranging between approximately 82 MG and 88 MG.

Exhibits 5 and 6 present annual metered water consumption by customer category from FY 2012-2013 through FY 2017-2018, and **Exhibit 7** presents monthly-metered water consumption by customer category for the same time period.

Exhibit 8 presents SRWD’s water loss from FY 2012-2013 through FY 2017-2018. Water loss represents the difference between demand and metered consumption plus accounted for water loss, divided by demand. Demand refers to the quantity of finished water delivered to SRWD’s water distribution system. Consumption refers to the metered customer water use within the finished water distribution system. Accounted for water loss represents non-revenue water used for maintenance of the distribution system, including routine flushing, pipeline replacement flushing, and disinfection activities. SRWD’s water loss values dropped dramatically in the past two fiscal years as a result of the replacement of 51,000 linear feet of pipeline throughout SRWD’s service area in 2015 and 2016, and the installation of AMI in 2018. The pipeline replacement project did result in increased water demand and increased accounted for water loss from FY 2015-2016 through present due to increased flushing and disinfection. Meanwhile, water conservation and improved accounting stemming from the pipeline project and installation of AMI, respectively, resulted in the substantial decrease in water loss in the past four fiscal years. In FY 2017-2018, SRWD’s water loss was 12.2 percent. The District attributes a large portion of the remaining water loss to leaks in the Toledo Supply Line, which the District will be addressing as resources allow.

Exhibit 8. Annual Water Audit, FY 2012-2013 to FY 2017-2018.

Fiscal Year	Demand (MG)	Metered Consumption (MG)	Accounted For Water Loss (MG)	Water Loss (MG)	Water Loss (%)
2012-2013	108.2	81.7	3.2	23.3	21.5
2013-2014	109.3	81.7	4.3	23.3	21.3
2014-2015	115.8	86.4	11.6	17.8	15.3
2015-2016	128.3	86.4	22.6	19.3	15.4
2016-2017	110.7	84.0	9.2	17.4	15.7
2017-2018	110.2	87.8	9.0	13.5	12.2

- **OTHER NOTABLE ACTIVITIES FOR THE MONTHS OF FEBRUARY/MARCH INCLUDE:**

- Attended Mid-Coast Integrated Water Resources Coordinating Committee meeting.
- Hosted regional municipal and water district working group meeting February 19, 2019.
- Attended SDAO Legislative Committee meeting in Salem.
- Participated in project team meeting to discuss Phase-4 permitting and 90% final design.
- Attended Toledo City Council work session February 27, 2019.
- District Commissioners and staff attended a meeting with Toledo February 19, 2019 to discuss proposed actions by the city to adjust the wholesale water rate to the District.
- Provided testimony to the Joint Committee on Ways and Means – Transportation and Economic Development in support of Oregon Business Development (OBDD), Safe Drinking Water Revolving Loan Fund Program, in Salem February 28, 2019.
- Assisted with revisions to the Management, Discussion and Analysis (MD&A) to complete the June 30, 2018 audit report.
- Attended a meeting with consultants working on the Sampling and Analysis Plan (SAP) report for DEQ and OWRD.
- Completed first year SAP report information and submitted to State agencies as part of the District's conditions for withdrawal of water from Beaver Creek.
- Completed 5-year regulatory update for the District's Water Management and Conservation Plan due March 30, 2019.
- Met with representatives from USDA-RD and Bond Council to discuss Phase-4 funding options.
- Attended a Webinar hosted by BOLI regarding Pay Equity compliance February 21, 2019.
- Met with Toledo to discuss long term supply of water/Successor Agreement March 1, 2019
- District staff hosted a meeting with Oregon Association of Water Utilities (OAWU) circuit rider consultant to complete leak detection training.
- District staff hosted the first in the series of AMI Customer Portal demonstrations at the Makai Community Special Road District meeting on Monday February 25, 2019.
- Attended 41st annual OAWU Management Conference in Central Oregon March 4th through March 9th.