

September 12, 2012

To: Members, Formation Commission

From: Martha Poyatos, Executive Officer

Subject: Cordilleras Mutual Water Company and Neighboring Water Customers of SFPUC

As reported in the January 19, 2011 Municipal Service Review and Sphere update for the City of Redwood City, unincorporated residents in the sphere of influence off Edgewood Road are in the Redwood City water service area but are served by Cordilleras Mutual Water Company, a customer owned company that purchases water wholesale from SFPUC and bills customers for water service and a capital charge. In addition, numerous other homes in the adjacent unincorporated area are retail customers of SFPUC without a contract for service. LAFCo staff recently attended a meeting hosted by the City of Redwood City Water Department to discuss transfer of these customers from SFPUC to the City of Redwood City. The meeting was also attended by representatives of SFPUC and Cordilleras Mutual Water Company.

At the meeting observations and issues identified for further research included the following:

- Cordilleras Mutual Water Company Members do not possess the expertise necessary for water quality and regulatory issues, are not prepared for operational challenges resulting from service interruptions and the system infrastructure does not meet current standards
- 2. Issues related to Redwood City assuming service include water supply assurance given City of Redwood City water use at limit of water supply assurance; water quality; infrastructure; and maintenance.
- 3. SPPUC priority is with retail customers located in San Francisco and primary response during an emergency will focus on Bay Division pipelines and customers within San Francisco retail service area (i.e. City of San Francisco); rate inequities between retail customers inside and outside City of San Francisco, consistency with water service boundaries and sphere of influence boundaries and elimination of inefficient service delivery patterns.
- 4. Regulatory issues include application of Government Code Section 56133 to City of Redwood City adding service outside city boundaries, California Department of Public Health requirements for transfer of services, individual supply guarantee adjustments in the form of "deduct credit" by SFPUC in lieu of opening wholesale customer agreement, infrastructure requirements, general vote by Cordilleras Mutual Water Company members to decide whether or not it will switch from SFPUC to Redwood City,

- evaluation of the potential of a special rate structure or assessment district to pay for necessary upgrades, Cordilleras Mutual potentially turning over infrastructure reserve funds to pay for upgrades, SFPUC to pay fair share of necessary upgrades to ensure existing Redwood City customers are not subsidizing costs.
- 5. It was also noted that Redwood City could further benefit from property tax and other revenue should it annex subject properties.
- 6. Information needs include but are not limited to: an inventory of all other SFPUC customers in the area because SFPUC desires that Redwood City serve all possible SFPUC retail customers within Redwood City's water service area

It was indicated at the meeting that SFPUC would initiate and fund the necessary engineering/feasibility studies to move the project forward contingent upon support from the City of Redwood City, LAFCo and Supervisor Horsley's office and a commitment that Redwood City would hire consultants and finance the study, with reimbursement by SFPUC.

Staff recommends that the Commission send a letter of support for this endeavor as it is consistent with the sphere of influence of Redwood City reaffirmed by LAFCo and the municipal service review determination concerning Cordilleras Mutual Water Company. A draft letter is attached for your consideration.



September 19, 2012

David Briggs, Local and Regional Water Systems Manager San Francisco Public Utilities Commission (SFPUC) 1155 Market Street, 11<sup>th</sup> Floor San Francisco, CA 94103

Subject: Cordilleras Mutual Water Company and Neighboring Water Customers of SFPUC

Dear Mr. Briggs:

I write to commit the Commission's support for exploring the transfer of Cordilleras Mutual Water Company and nearby direct retail SFPUC customers located in the Redwood City sphere of influence and the City's water service area to the City of Redwood City. Currently, Cordilleras Mutual Water Company purchases water wholesale from SFPUC and bills customers for water service and a capital charge. In essence the property owners are owners of the mutual water company and do not have the expertise or resources to efficiently operate a public water system. In addition numerous other homes in the adjacent unincorporated area are retail customers of SFPUC without a contract for service.

As shown in the map that SFPUC provides, this service is clearly not an efficient service delivery model given the distance of the area from SFPUC operations facilities and reflects a fragmented approach to municipal water delivery. In contrast, these properties are adjacent to the City of Redwood City water system and as noted above are already in the water service area set forth in the water supply agreement between SFPUC and the City. Transfer of these properties from Cordilleras Mutual and retail service by SFPUC to the City of Redwood City is consistent with recommendations made in the LAFCo Municipal Service Review and Sphere of influence update adopted by the Commission on January 19, 2011.

The existence of these irregular service delivery patterns is an anomaly that merits correction for several reasons. In case of an emergency, the SFPUC's primary focus will be on City of San Francisco retail customers. These San Mateo County residents would turn to the City of Redwood City and the County for assistance. Emergency response by the County and Redwood City would be hindered by the illogical water service area boundaries and unfamiliarity with water infrastructure maintained by SFPUC. This transfer would in the long run, benefit both the affected residents who are designated to one day annex to Redwood City and the City of Redwood City by improving reliability and safety of the water system and result in an increased customer base promoting a more efficient and cost effective system.

SFPUC's willingness to be a full partner is encouraging and appreciated. The City of Redwood City's longstanding concern about adequacy of water allocation is addressed by your statement at the August 22 meeting hosted by the City of Redwood City Water Department indicating that the individual supply guarantees associated with these homes would transfer to Redwood City in the form of a credit against the City's supply assurance should the City of Redwood City assume water service for these homes. You also indicated willingness on the part of SFPUC to reimburse the City for the necessary engineering and feasibility studies to move the project forward and to participate in infrastructure upgrades that increases the likelihood of success.

As Chair of the Commission, I am pleased to report that the Commission considered these issues at the September 19 LAFCo meeting and wholeheartedly supported this effort. Please let LAFCo know what we can do to be of assistance.

Sincerely,

Linda Chair Chair

C: Mayor Alicia Aguirre, City of Redwood City
Peter Vorametsanti, City Engineer, City of Redwood City
Adrienne Tissier, President, San Mateo County of San Mateo Board of Supervisors
Art Jensen, Chief Executive Officer, Bay Area Water Supply and Conservation Agency
(BAWSCA)

Rick Thall, Cordilleras Mutual Water Company

