



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 05/15/01

AGENDA ITEM 3

WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Proposed Interim Water Shortage Allocation Plan

RECOMMENDATION:

It is recommended that the City Council approve the proposed Interim Water Shortage Allocation Plan for allocating water during shortages caused by drought:

1. Between the San Francisco Public Utilities Commission (SFPUC) and Suburban Purchasers, and
2. Among Suburban Purchasers.

BACKGROUND/DISCUSSION:

In the early 1960s, the City of Hayward entered into an agreement with the San Francisco Public Utilities Commission (SFPUC) to obtain water from SFPUC's Hetch Hetchy system. Essentially, the agreement states that SFPUC will provide Hayward with a sufficient quantity of water to supply Hayward's needs on a permanent basis, unless adequate water is not available due to supply conditions. In addition to Hayward, 28 other agencies and communities on the Peninsula and in Alameda County, collectively known as suburban purchasers, obtain all or part of their water supply from SFPUC. The Bay Area Water Users Association (BAWUA) was created to represent the suburban purchasers. A critical issue among all of the represented agencies is the method in which available water is apportioned during periods of water supply shortages, both between SFPUC and suburban purchasers and among suburban purchasers.

During the last drought, SFPUC imposed a mandatory "inside/outside" method of water reduction. All SFPUC customers, both suburban and direct San Francisco city customers, were required to reduce indoor water consumption by 10% and outdoor consumption by 60%. Allotments were based solely and uniformly on 1987 water usage. Other than a cumbersome appeal process, there was no mechanism for considering water conservation efforts, growth and development issues, or individual agency supply assurances from SFPUC. This methodology created a greater hardship for agencies that had implemented water conservation and alternative water supply programs in non-drought years and/or that had experienced

residential and industrial growth. Unused allocations could be “banked” by individual agencies and carried forward from year to year; however, no transfers of unused allocations from one agency to another were allowed. Because transfers among BAWUA members were not permitted, there was no flexibility to share available supplies, with the result that some agencies paid high excess use charges, while others “banked” large amounts of unused water.

The Master Water Sales Contract, which governs the legal relationship between SFPUC and suburban purchasers, states that each suburban purchaser’s share of water during a shortage will be equal to its share of the deliveries in the calendar year immediately prior to the shortage. Recognizing the disadvantages of this approach, the Master Contract also indicates that SFPUC and Suburban Purchasers will negotiate a new plan to address water shortages that would encourage ongoing water conservation efforts and development of alternative water supplies.

In accordance with this Master Contract requirement, and in response to concerns about prior shortage allocation methods, BAWUA and SFPUC representatives have jointly developed the proposed Interim Water Shortage Allocation Plan (“Plan”) to address the conditions in which a water shortage would be declared, assessment of excess use charges, and how available water would be allocated between SFPUC and suburban agencies and among all suburban agencies. Staff worked with BAWUA as the Plan was being developed to ensure that Hayward’s allocation would be fair and reasonable.

The following paragraphs highlight the major components of the Plan and describe the impact on Hayward in the event of a water supply shortage.

Water Shortage Allocations

In the event of a system-wide water shortage of up to 20%, total allocations to suburban purchasers would range from 62.5% to 64.5% of the available water, depending on the severity of the shortage. As a drought becomes more severe, allocations to suburban purchasers are lower because there are more opportunities for reductions in suburban use. San Francisco is generally a high-density urban environment with much less outdoor landscaping than suburban communities. Since significant savings can be achieved by reducing outdoor water usage activities, it is reasonable that suburban users have a decreasing allocation, as water supplies become more critical. In the event that an overall reduction of more than 20% is required, BAWUA and SFPUC would negotiate an equitable and appropriate allocation to mitigate undue hardships on individual agencies.

Allocations among individual suburban purchasers would be based on a formula that averages three critical water supply factors:

- 1) the amount of water that SFPUC has agreed to supply each agency (supply assurance);
- 2) average water usage by each agency during the fixed three-year period of FY 1996-97, 1997-98, and 1998-99; and

- 3) average water usage by each agency in the three years immediately preceding the water shortage.

The proposed allocation method, which utilizes the average of three distinct variables, is less of a deterrent to water use reduction efforts and alternative water supply exploration than the previously used allocation method. It recognizes the reality that some communities, including Hayward, are experiencing residential and business growth that results in increased water usage, while others have reached their maximum growth potential and water usage. The formula also considers agency supply assurances from SFPUC, which vary widely. In the absence of a supply assurance, Hayward's projected water usage in 2009 has been used as the supply assurance variable. (As noted earlier, Hayward has no cap on water usage when supplies are normal. However, during drought years, the City is subject to consumption cutbacks as are other BAWUA members and direct San Francisco city users.)

To provide an example of how the proposed allocation method would impact Hayward relative to other agencies, BAWUA staff prepared a sample analysis in the event that SFPUC had required suburban purchasers to reduce their overall consumption by 27% in FY 1999-00. Using the three factors described in the preceding paragraph, Hayward's purchase cutback would have been 22.47% over the prior year. The vast majority of required cutbacks among BAWUA agencies would have ranged from about 22% to 33%. One small agency would only need to cut back by 11%; however, its normal usage is only a fraction of Hayward's usage during normal supply years. If the proposed Plan is not approved, Hayward would be required to reduce consumption by 27%, as would all other customers.

The cutback percentage would most likely increase as we get closer to 2009, when the Plan expires. As Hayward continues to develop, water usage will presumably increase, resulting in a higher percentage reduction needed in drought situations. However, some of this increased water usage will come from landscape irrigation, so even with a higher percentage cutback requirement, Hayward customers should be able to achieve significant water savings through reduced irrigation and other outdoor uses.

The manner in which Hayward customers would achieve the required purchase cutback would be brought before the City Council for discussion and approval in the event that a water shortage occurs. During the most recent drought, Hayward utilized a "sliding percentage scale" that provided households with a water allocation based on a percentage reduction over 1987 usage. Customers who used large amounts of water in 1987 were required to cut back by the greatest percentage, while households that used small amounts of water during that year faced little or no reduction. However, the Plan that is currently under consideration addresses only system-wide reduction percentages, not individual agency water rationing programs.

Excess Use Charges

The proposed Plan includes provisions for excess use charges for water usage that exceeds the City's allocation during a shortage, as has been the practice in past drought periods. The charges would be in the form of multipliers applied to the regular water rates in effect at the

time. The multipliers would be determined at the time of the water shortage and would match the multipliers applied to direct San Francisco customers. Excess use charges would be assessed annually by SFPUC.

Council's Environment Committee Recommendation

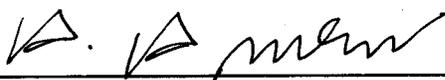
On May 2, 2001, Council's Environment Committee reviewed the Interim Water Shortage Allocation Plan and recommended that the Hayward City Council approve the Plan.

Approval of the Interim Water Shortage Allocation Plan

The Plan must be adopted by all BAWUA members and the SFPUC in order to take effect. The SFPUC approved the Plan in October 2000. This interim Plan would be in effect until June 2009 when the existing Master Contract between BAWUA agencies and SFPUC expires.

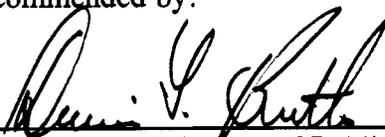
Copies of the "Interim Water Shortage Allocation Plan" and "Interim Water Shortage Allocation Plan Among Suburban Purchasers" will be available for review in the Office of the City Clerk.

Prepared by:



Alex Ameri, Deputy Director of Public Works

Recommended by:



Dennis Butler, Director of Public Works

Approved by:



Jesús Armas, City Manager

DRAFT

HAYWARD CITY COUNCIL



RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION APPROVING PROPOSED INTERIM WATER SHORTAGE ALLOCATION PLANS TO ALLOCATE WATER BETWEEN THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION (SFPUC) AND AMONG SUBURBAN PURCHASERS DURING WATER SHORTAGES CAUSED BY DROUGHT

WHEREAS, the City of Hayward obtains water from SFPUC's Hetch Hetchy system, along with 28 other agencies and communities in the Counties of Alameda, San Mateo, and Santa Clara, collectively represented by the Bay Area Water Users Association (BAWUA); and

WHEREAS, the Master Water Sales Contract (Master Contract) provides, in general, that during periods of water supply shortages, water will be allocated among Suburban Purchasers based on each agency's proportional purchase of water from SFPUC during the year immediately preceding the onset of the shortage; and

WHEREAS, the current allocation method in the Master Contract does not encourage reduction of purchases from SFPUC through development of water conservation programs and alternative water supplies, such as water recycling; and

WHEREAS, The Master Contract also allows for SFPUC and the Suburban Purchasers to negotiate a water shortage allocation plan that allocates water between the City and the Suburban Purchasers in times of shortage and that encourages the development of water conservation programs and alternative water supplies; and

WHEREAS, members of BAWUA agree that water allocations among Suburban Purchasers during drought periods should be equitable and should not discourage water conservation efforts and development of new water supplies; and

WHEREAS, in accordance with the Master Contract, BAWUA and SFPUC staff representatives have jointly developed a proposed Interim Water Shortage Allocation Plan, a copy of which is available for review in the Office of the City Clerk; and

WHEREAS, BAWUA representatives have also developed a proposed Interim Water Shortage Allocation Plan Among Suburban Purchasers , a copy of which is available for review in the Office of the City Clerk; and

WHEREAS, staff has worked with BAWUA to ensure that Hayward's allocation would be fair and reasonable in the event of a water supply shortage and recommends approval.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that Council approves both the Interim Water Shortage Allocation Plan and the Interim Water Shortage Allocation Plan Among Suburban Purchasers to allocate water during shortages caused by drought. These plans shall expire on June 30, 2009.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2001

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward