

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*  
GENERAL MANAGER

DATE: JUNE 17, 2011

## AGENDA ITEM

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JUNE 22, 2011

## GENERAL MANAGER'S REPORT

### ITEM

Standing report to your Honorable Board -- *Period covered by this report is June 4, 2011 through June 17, 2011.*

### DISTRICT BUSINESS

#### Administrative

- District Website updated to improve 'intuitiveness' of information
- Staff is developing a draft update of Personnel Policies and Procedures. Tentatively scheduled for Board review August 10, 2011
- News of Interest
  - City Council Declines Developer Fee Reduction; June 8, 2011 (Attached)
  - Water Wise: A look at how groundwater charges benefit the community; June 15, 2011 (Attached)
- Connection Information:
  - Number of Water Connections: 4142
  - Number of Sewer Connections: 2984
  - Number of Meters turned off: 75 (2%)

#### Operations

- Professional Recruiter RFP under development
- See Operations Superintendent Report in this Agenda

#### Capital Projects

- Frontage Road Trunk Line, out to bid, bid is scheduled to be awarded on July 13, 2011, Approximate 6-month construction
- Willow Road Project, Phase I near complete. District elements of Phase II scheduled for fall 2011.
- Southland WWTF Upgrade; 95% Design due mid-June, Construction schedule November 2011-November 2012
- Supplemental Water; \$2.3M Proposition 84 Grant pending, Outreach program underway, Assessment options being weighed. Design idle near 100%

#### Conservation

#### Meetings

*Meetings attended:*

- *June 3, District Information Technology Service Provider*
- *June 7, LAFCO Executive Director David Church*
- *June 7, Golden State Water Service Management, Service Area Discussion*
- *June 8, Regular Board Meeting*
- *June 9, Management Team*

- *June 10, Southland Upgrade Financing Proposal*
- *Willow Road Groundbreaking and Opening Celebration*
- *June 10, District Counsel Coordination*
- *June 14, Coordination with Board Officers*
- *June 15, Garbage Company; rate increase timeline and administrative coordination*
- *June 15, NMMA, draft Annual Report review*
- *June 16, Mesa Water Crisis 'Fact or Fiction'*
- *June 17, Supplemental Water Assessment Bond Team, tax implications*
- *June 17, Santa Maria Times Report, Supplemental Water/District*

*Meetings Scheduled:*

- *June 20, Univision, outreach to Hispanic Community*
- *June 21, Supplemental Water Easement discussion with property owner*
- *June 22, Regular Board Meeting*
- *June 23, Blacklake Management Association (tentative)*
- *June 24, NMMA, Final Annual Report*
- *June 24, Coordination with District Counsel*

*Other Scheduling Note:*

*General Manager will be out of office June 27 – July 5*

**Safety Program**

- No accidents or incidents.

**RECOMMENDATION**

Staff seeks direction and input from your Honorable Board

**ATTACHMENTS**

- City Council Declines Developer Fee Reduction; June 8, 2011
- Water Wise: A look at how groundwater charges benefit the community; June 15, 2011

City manager says giving concessions for apartment project would set precedent

## City Council declines to reduce fees for developer

By Brian Bullock/Staff Writer [bbullock@santamariatimes.com](mailto:bbullock@santamariatimes.com) Santa Maria Times | Posted:

The Santa Maria City Council had to determine Tuesday just how badly it wants to help residential development in the city.

In the end, members did not give potentially precedent-setting concessions to a wealthy development company.

The council declined to reduce and defer developer fees and growth mitigation fees for the Siena Apartments — a 211-unit project in the Westgate area of the city near the intersection of Battles and Blosser roads proposed by the Towbes Group, a Santa Barbara-based development and management company.

Michael Towbes, chairman and owner of the corporation, asked the council to consider reducing and deferring development fees for the project, which City Manager Tim Ness said could amount to more than \$3.4 million and set a precedent that could possibly cost the city even more money.

“If we cut back development fees, existing residents would end up paying those costs,” said Ness, who added that approving the agreement is “basically asking existing residents to pick up the cost for new development.”

Towbes proposed a development agreement for the apartment project that would reduce developer fees by 30 percent — approximately \$774,000 according to city staff.

It also would defer growth mitigation fees for three years from the issuance of the last certificate of occupancy, which could be up to five years from the start of construction. Those fees add up to \$3.34 million, according to the city.

The Siena Apartment project originally was approved by the Planning Commission and the City Council in the summer of 2004 as a 117-unit condominium project. Over the years, which included the crash of the housing and construction industry, it was reworked into a gated apartment complex that was approved two months ago.

Towbes said the reductions and deferments are needed to make the project economically feasible.

In his presentation to the council, Towbes compared development fee costs per square foot on three of his projects in Santa Maria, Goleta and Ventura. He said the Siena fees were \$19.31 per

square foot, compared to \$15.40 at Sumida Gardens in Goleta and \$11.53 at Ralston Courtyards in Ventura.

“It’s a challenge to build market-rate apartments in Santa Maria,” Towbes said.

A number of local business representatives spoke in support of the Towbes Group including Robin Hayhurst, executive director of the Santa Maria Valley Contractors Association, and Laurie Tamura of Urban Planning Concepts.

Most said the city needs the economic boost the project would create.

A few spoke against the idea.

Ness campaigned hard against the proposal, saying it would set a dangerous precedent that even current projects’ developers would attempt to utilize. He said the city has never offered such concessions to a residential development, even one that creates much-needed affordable or low-income housing.

“I firmly believe that if the City Council were to agree to defer and reduce development fees to this project it would set a precedent,” he said.

The council unanimously agreed, voting not to pursue a development agreement with Towbes, but the council left open the door for discussion between the developer and city staff.

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Posted in Govt-and-politics on *Wednesday, June 8, 2011 12:15 am*

## **WATER WISE: A look at how groundwater charges benefit the community**

by Richard P. Santos

Posted: 06/15/2011 03:52:40 PM PDT

Updated: 06/15/2011 03:52:43 PM PDT

On May 24, my fellow board members and I voted to increase groundwater production charges by 9.4 percent (\$1.69 per month for the average household) in cities north of Morgan Hill and by 3.6 percent (34 cents per month for the average household) in the south county. This increase may be reflected in the rate your water provider charges for water service.

The groundwater production charge is what water providers (such as the City of Milpitas or San Jose Water Co.) pay the Santa Clara Valley Water District for water they pump from the groundwater basin. The water district provides a number of services to manage that water supply. Many water providers also purchase water treated at one of our three treatment plants.

While many other water agencies raised rates by double digits over the last three years, our water district cut or postponed projects to keep water charges flat, absorbing cost increases and drops in revenues due to reduced water use. These increases, after three straight years of flat water rates, are necessary to fund essential operations, maintenance and construction projects; such as operating an extensive water-supply system, importing water and running and maintaining water treatment plants.

Financial projections show the need for additional increases over the next several years to tackle major infrastructure challenges. For example, several of the district's local reservoirs are currently under storage restrictions because of earthquake safety concerns. The district needs to make necessary retrofits to ensure public safety, and also to restore its ability to capture local rainfall. The district's infrastructure is aging. Some of the pipelines, valves, pumps and treatment plant equipment facilities are nearing the end of their useful life and must be replaced.

Delaying these and other projects increases the risk of water service interruptions, higher corrective maintenance costs, and a reduced ability to respond to drought conditions. That is why we could not go another year without increasing our rates.

We know, however, that if we're asking you to pay more than that you should have confidence that we are a fiscally responsible organization. I'm proud to say that this past month we also passed a budget that was reduced by \$2.5 million from last year.

The water district's fiscal year 2011-12 budget is \$312.6 million and includes: scheduled construction of 12 capital projects, expected to generate an estimated 900 to 1,700 local jobs; infrastructure improvement and repair, including aging equipment at the water treatment plants; completion of seismic stability evaluations for the Almaden, Calero, Guadalupe, Lenihan and Stevens Creek dams; inspection of 279 miles of streams throughout the county, repairs to eroding creeks, maintenance of creek conveyance capacity and management of acres of

vegetation; expansion of recycled water supply; and securing of imported water supplies, which account for about half of the county's water.

In fiscal year 2011-12, the district will also initiate a comprehensive management audit program. It will assess strengths and identify opportunities for further improvement and strengthen accountability to the board and public.

Among the key efficiencies achieved with the fiscal year 2011-12 budget are:

- Reduced staffing by additional 10 positions, saving \$1.43 million from last year. With the new reductions, the district has cut a total of 92 positions over the last four years;

- Reduced overtime by 16.2 percent, saving \$224,000;

- Reduced consultant services by 1.7 percent, saving \$500,000.

I hope that this information has addressed some of your questions and concerns about our decision to increase groundwater production charges this year.

As always, I am available for questions or comments as your District Three Santa Clara Valley Water District representative for the northern areas of Sunnyvale and Santa Clara; Alviso; Milpitas; and the north San Jose and Berryessa communities. Feel free to contact me at 234-7707.