



Agenda Item: 2

Date: January 13, 2010

Subject: Resolution No. 10-02 Committing Funds to Pay Annual Operation and Maintenance Costs for Water Fluoridation in the North Service Area for 20 Years

Staff Contact: John E. Valdes, CIP Manager

Recommended Board Action:

Approve Resolution No. 10-02, a resolution of the Board of Directors committing funds to pay annual operation and maintenance costs for water fluoridation in the North Service Area for 20 years.

Discussion:

At the October 2009 Board Meeting, the Board of Directors directed staff to complete a First 5 Sacramento Commission funding application to apply for funding to pay for the capital cost to fluoridate groundwater supplies in the NSA. The First 5 Sacramento Commission previously provided grant funding to pay for the capital cost to install fluoridation equipment on 27 wells in the District's South Service Area (SSA). These fluoridation facilities have been online since March 2007.

In 2008, the San Juan Water District (SJWD) commissioned Montgomery Watson Harza (MWH) to prepare an engineering study on the feasibility and costs to add fluoridation facilities for the San Juan "family" agencies. This engineering study was paid for by a grant from the First 5 Sacramento Commission. The District's North Service Area (NSA) was included in this study because the District receives surface water treated at SJWD's Peterson Water Treatment Plant (WTP). MWH's completed report, *Fluoridation Feasibility & Project Cost Report*, is dated June 2009. The report includes an estimate of the capital and operation and maintenance (O&M) costs to add fluoridation facilities to 37 of the District's NSA wells. The report also assumes that SJWD would be adding fluoride at the Peterson WTP so that the customers in the NSA would receive optimally fluoridated water at all times, no matter the mix of groundwater and surface water. From MWH's report, the estimated capital cost to install fluoridation facilities on 37 groundwater wells in the District's NSA is \$6,818,000. This is further broken down into a capital cost of the fluoridation facilities of \$4,735,000, engineering and construction management costs of \$947,000 and a scope contingency of \$1,136,000.

Note: The MWH report did not include the capital cost to add fluoride at the new Verner Well (#N36) which is currently under construction and is scheduled for operation beginning in March

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2010. However, a separate room is being constructed within the building at the Verner Well for the future addition of fluoridation equipment. The capital cost to install fluoridation equipment at the Verner Well is estimated at \$125,000. District staff believes that sufficient funds are included in the "scope contingency" line item within MWH's report to cover this capital cost.

From the MWH report, the estimated annual operation and maintenance (O&M) cost for fluoridation of the NSA groundwater wells is \$372,000 per year (this estimate does not include the Verner Well). The estimated annual O&M cost includes \$158,943 for labor and \$194,006 for chemicals. The report uses a total (including benefits) labor rate of \$60/hour so this works out to 2,649 work hours which is equivalent to more than one new full-time operator position.

District staff has notified the First 5 Sacramento Fluoridation Task Force that if SJWD does not add fluoridation at their Peterson WTP, then the District cannot optimally fluoridate the water being served to NSA customers at all times. The District would also need to add facilities to add fluoride at both the Verner pressure reducing valve (PRV) and the Antelope PRV stations. This would result in additional capital costs. These costs were not estimated in the MWH report because it assumes that fluoridation facilities will be added at the Peterson WTP. The task force members said that they believed that the First 5 Sacramento Commission would be amenable to providing the capital funding and would allow the installed fluoridation equipment and facilities to remain idle until such time that one of two events occurred: either 1) SJWD began fluoridating treated surface water at their Peterson WTP; or 2) the First 5 Sacramento Commission provided additional grant funding to the District to pay for the capital cost of installing fluoridation equipment and facilities to add fluoride at or near both the Verner PRV and the Antelope PRV stations. The capital and O&M costs of adding fluoridation equipment to both branches of the Antelope Transmission Pipeline have not yet been estimated.

On November 5, 2009, CIP Manager John Valdes attended a mandatory meeting with Ms. Debra Payne, Program Planner with First 5 Sacramento to pick up the formal funding application package. The District has until January 28, 2010, to submit the funding application. District staff has been working on the funding application and it is very close to being completed.

One of the application requirements is that the First 5 Commission is asking for the District to commit to fund annual O&M costs for a period of 20 years. The District previously made this same commitment and adopted Resolution No. 05-16 when an application was submitted funding to fluoridate the South Service Area (SSA). Therefore, the attached Resolution No. 10-02 indicates that the District would be committing to funding O&M costs for a period of 20 years in the SSWD NSA. This resolution has been reviewed by District legal counsel.

Note that Resolution No. 10-02 includes a provision that if First 5 Sacramento provides any fluoridation O&M costs to any other Sacramento area water purveyors then this offer would also be provided to the District. The resolution also includes language that makes it clear that the commitment to pay the annual O&M costs associated with installing fluoridation equipment on existing groundwater wells in the SSWD North service area for 20 years will remain in force

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provided that: 1) no changes in existing law occur that would negatively impact fluoridation; 2) the California Department of Public Health continues to approve the District's water supply permit with fluoridation treatment included; or 3) any other factors that might prohibit or otherwise render burdensome the District's continued fluoridation of its NSA.

Fiscal Impact:

The capital cost estimated by MWH to install fluoridation facilities on 37 groundwater wells in the District's NSA is \$6.818 million. Grant funding to pay for these capital costs is potentially available from the First 5 Sacramento Commission. The estimated annual O&M costs are \$372,000 per year (not including the cost to add fluoride at the Verner Well or the Antelope and Verner PRV stations). Additional staff would be needed. The increase in O&M cost includes an allowance for more than one, but less than two, additional staff.

Strategic Plan Alignment:

Water Supply – 1.A. Protect public health and the environment through compliance with all applicable federal, state and local regulations.

This item aligns with this goal because the State of California has adopted regulations that require water fluoridation for any public water system that has at least 10,000 service connections as long as funds sufficient to pay capital and associated costs for the system are made available from any source other than ratepayers, shareholders, local taxpayers, or bondholders of the public water system.

Facilities and Operations – 2.A. The District will utilize appropriate planning tools, identify financial resources necessary, and prioritize system requirements to protect and maintain District assets and attain water resource objectives incorporating resource sustainability into the framework.

This item aligns with this goal because potential grant funding has been identified that could pay for the capital cost to install fluoridation facilities on the NSA groundwater wells.

RESOLUTION NO. 10-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SACRAMENTO SUBURBAN WATER DISTRICT COMMITTING FUNDS TO PAY ANNUAL OPERATION AND MAINTENANCE COSTS FOR WATER FLUORIDATION IN THE SSWD NORTH SERVICE AREA FOR 20 YEARS

WHEREAS, the San Juan Water District (SJWD) recently commissioned Montgomery Watson Harza (MWH) to prepare an engineering study on the feasibility and costs of fluoridating the treated water supplies that SJWD provides to its “Family” agencies;

WHEREAS, the MWH fluoridation study was paid for by a grant from the First 5 Sacramento Commission;

WHEREAS, the District’s North Service Area (NSA) was included in the MWH fluoridation study because the District receives surface water treated at SJWD’s Peterson Water Treatment Plant (WTP);

WHEREAS, MWH estimates that the capital costs to install fluoridation equipment on groundwater supply sources in the NSA would be \$6,818,000 and that annual operation and maintenance costs (O&M costs) would be approximately \$372,000 per year;

WHEREAS, the estimated capital cost to fluoridate groundwater supply sources in the NSA assumes that SJWD would install facilities to add fluoride to the surface water treated at the Peterson WTP to ensure that NSA customers would receive water with “optimum” levels of fluoride regardless of the mix of groundwater and surface water;

WHEREAS, if SJWD does not add fluoride at the Peterson WTP, the District, in order to deliver water with an optimum concentration of fluoride at all times, also would need to construct facilities to add fluoride at both the Verner Pressure Reducing Valve (PRV) and the Antelope PRV stations;

WHEREAS, the capital and O&M costs of adding fluoridation equipment to both the Verner and Antelope PRV stations were not estimated in MWH’s fluoridation study because it assumes that fluoridation facilities would be added at the Peterson WTP;

WHEREAS, the District has been notified by the First 5 Sacramento Commission that it can make available approximately \$7 million in fluoridation funds in its current funding cycle, which ends on June 30, 2010;

WHEREAS, the First 5 Sacramento Commission has indicated that it would provide such grant funding to the District, provided that the District funds the annual operation and maintenance costs associated with water supply fluoridation in the NSA for a period of 20 years beyond project completion;

WHEREAS, the District has requested that the First 5 Sacramento Commission agree to fund the District's O&M costs for operating NSA fluoridation facilities for the same number of years as the Commission offers to fund for any other Sacramento County water purveyor that fluoridates its facilities;

WHEREAS, the District has informed the First 5 Sacramento Commission that the fluoridation of groundwater supplies only in the NSA will result in some customers receiving varying or "sub-optimum" levels of fluoride in their drinking water depending on the mix of groundwater and surface water at any one time;

WHEREAS, the First 5 Sacramento Commission has informed the District that it would fund the construction of groundwater fluoridation facilities in the NSA and consider allowing such facilities to remain idle until such time that one of the following events occurs: 1) SJWD begins fluoridating treated surface water at the Peterson WTP; or 2) the First 5 Sacramento Commission provides additional grant funding to the District to pay the capital costs of installing equipment and facilities necessary to fluoridate surface water received from SJWD at or near both the Verner and the Antelope PRV stations;

WHEREAS, the District Board of Directors has directed staff to proceed with completing and submitting a funding application to the First 5 Sacramento Commission to potentially pay for the capital costs to install fluoridation equipment and facilities on groundwater supply sources in the NSA; and

WHEREAS, the District recognizes the generally accepted health benefits of fluoridated water in reducing dental caries, especially in children, and the U.S. Center for Disease Control's opinion that fluoridation is one of the ten greatest public health achievements of the 20th century, and based on this recognition, the District believes that it is preferable to provide customers in the NSA with a constant and reliable level of fluoride in their water at all times for optimal water quality and the resulting health benefits thereof;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. The District will pay the annual O&M costs associated with operating fluoridation equipment on existing groundwater wells, and potentially the Verner and Antelope PRV stations, in the NSA for a period of 20 years beyond project completion, provided that the District's capital costs to install such equipment are fully funded by the First 5 Sacramento Commission or another outside source, and provided that if the Commission funds O&M costs for another water purveyor in the County, the Commission will similarly fund O&M costs for the District for the same term.
2. The District's commitment to pay the annual operation and maintenance costs associated with installing fluoridation equipment on existing groundwater wells, and potentially the Verner and Antelope PRV stations, in the NSA for a maximum of 20 years shall remain in effect provided that no changes in existing law would cause fluoridation to become illegal or otherwise impossible, the California Department of Public Health's continues to approve the District's drinking water permit with fluoridation treatment included, or no

other actions or events occur that might prohibit or otherwise render burdensome the District's continued fluoridation of the NSA.

3. The Board authorizes and directs the General Manager and staff to take all actions necessary to obtain grant funding from First 5 Sacramento Commission or any other source and to design a program for installing fluoridation equipment on existing groundwater wells in the NSA.
4. Resolution 05-15, entitled *A Resolution of the Board of Directors of the Sacramento Suburban Water District Committing Funds to Pay Annual Operation and Maintenance Costs for Water Fluoridation in the SSWD North Service Area for 20 Years*, which concerns the same subject matter, is hereby repealed, deemed superseded and of no further effect.

PASSED AND ADOPTED by the Board of Directors of Sacramento Suburban Water District, Sacramento County, California at a meeting on the 25th day of January 2010 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

By: _____
Thomas C. Fellenz
President, Board of Directors
Sacramento Suburban Water District

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting hereof held on the 25th day of January 2010.

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District