

# STAFF REPORT

## City of Lancaster

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Date: December 8, 2009

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Adopt Resolution Establishing Recycled Water Rate Schedule for Users of the City of Lancaster Recycled Water System**

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**Recommendation:**

Adopt **Resolution No. 09-118**, establishing a Recycled Water Rate Schedule for users of the City of Lancaster Recycled Water System.

**Fiscal Impact:**

Initially the City will operate the recycled water system at a loss due to limited recycled water availability and the small number of customers. However, as additional recycled water becomes available and more customers connect to the existing system, the system will begin to cover its costs of operation and maintenance.

The proposed rate for recycled water is set 15% less than water purchased from Los Angeles County Waterworks District 40 Antelope Valley, Region 4, Lancaster, California. The reduced cost is an incentive to proposed users to connect to the recycled water system. The reduced cost will allow proposed users to recover, over time, their capital investment to convert from potable water to recycled water use. The City's cost to purchase recycled water from the Sanitation District (District) is based on operation and maintenance costs incurred by the District in accordance with the Recycled Water Purchase Agreement (Agreement).

In an effort to assist the City's implementation of a recycled water program, the District agreed to provide recycled water at no cost until the full scale tertiary treatment facilities are completed and operational. The full scale facilities are expected to be operational in late 2010 and the City would begin paying for recycled water beginning July 1, 2011, in accordance with the Agreement.

The Proposed Recycled Water Rate Schedule included as Exhibit "A" with the attached Resolution includes four (4) rates for various users. The RW-1 and RW-2 rates include a quantity charge, monthly meter charge, and, if applicable, a connection charge. Rate RW-3 covers charges for temporary/portable meters and rate RW-4 is for non-metered municipal uses.

**Background:**

In December 2004, the City Council approved moving forward with the establishment of a recycled water system for the City of Lancaster to allow much needed reuse of disinfected tertiary treated wastewater in place of potable water supplies. In March 2005, Ordinance No. 841 was adopted establishing a recycled water master plan and implementation of procedures for a City owned and operated recycled water distribution and direct reuse system in the City of Lancaster. Ordinance No. 841 provides that a recycled water rate is to be established by resolution of the City Council. In February 2008, the City Council approved Resolution No. 08-23 which established the rate structure for the recycled water system. Since then the County has raised its water rates.

In keeping with the Council's direction to keep recycled water costs less expensive than potable water to encourage potential users to connect to the recycled water system as well as to collect the funds for operation and maintenance of the recycled water system, it is recommended that the attached Resolution and Proposed Recycled Water Rate Schedule be adopted as the rates charged for recycled water to all users to be served by the City of Lancaster Recycled Water System. Recycled water is proposed to be provided to users at a rate that is approximately 85% of the cost of potable water.

The connection charge has been revised to reflect more accurately the "per acre-foot" cost based on pipe capacity and proposed future improvements. The cost is distributed according to recycled water use. The resolution allows the Public Works Director the ability to permit certain reductions in the connection charge due to other potable water related costs the developer/future user may incur for their site.

The recycled water system will operate at a loss until sufficient users are connected and using recycled water.

Currently the City serves recycled water to the Lancaster University Center for irrigation and it is used for other municipal purposes such as street sweeping, dust control and sewer cleaning. Based on funding, Carter Park and City Park should be connected to the recycled water system in approximately 18 months. There are developers of other sites moving through the development process that will use recycled water for grading operations and onsite industrial processes.

SD:lcs

**Attachments:**

Resolution No. 09-118