



Townhall Meeting

June 24, 2024

What We'll Cover Today

- Purpose of today's Town Hall—to update the public on a proposed new path for SWD.
- What has changed for SWD in recent years?
- What challenges does the future hold?
- How SWD intends to meet those future challenges: options, and a proposed path forward.
- Q&A

CHALLENGES

Decrease Liability/Costs

Increase Reliability



2018: STATE MANDATES INSPECTION OF ALL DAM SPILLWAYS

- 2018 Lake Oroville Spillway fails, nearly taking out Oroville Dam. Catastrophe narrowly averted.
- CA Division of Safety of Dams mandates ALL dams in CA be inspected due to the failure of Lake Oroville's spillway.
- Prior to Oroville, our spillway and dam met all state specifications



Santiago Reservoir Spillway — Expensive TLC needed



Santiago Reservoir Outlet Tower—Also Requires Rehab/Replacement



Smith Reservoir and Booster Pump Station

Requires Replacement/Rehab



Walt E. Howiler Jr. Treatment Plant

- 4 Million Gallon Per Day treatment of native water from Santiago Reservoir and imported water as well.
- Much of SWD system tied to this treatment plant and it would be difficult to just abandon the Santiago Reservoir.
- During the construction of the PFAS filtration plant, 100% of the supply came from Santiago Reservoir and was treated at this Walt E. Howiler Jr. Treatment Plant.



YEAR 2020

Estimated \$35-45 Million Capital Replacement Costs

- 2020 - \$35 Million - Santiago Reservoir Spillway and Outlet Tower Replacement. DSOD Seismic Upgrades, State Mandated Improvements
- \$6 Million – Smith Reservoir Tank Replacement (circa 1970)
- \$4 Million – Pipeline, Treatment Plant Rehabilitation, Groundwater Well Generator and related equipment.

TODAY

2024 Estimated \$100-\$150 Million Capital Replacement Costs

- 2024 - \$85-\$120 Million - Santiago Reservoir Spillway and Outlet Tower Replacement. DSOD Seismic Upgrades, State Mandated Improvements
- \$30 Million – Smith Reservoir Tank Replacement (circa 1970)
- \$8-\$12 Million – Pipeline, Treatment Plant Rehabilitation, Groundwater Well Generator and related equipment.
- Escalating costs for projects, which could go even higher.

TODAY: Costs to Retain the Lake Have Become Unsustainable for a Small District

- Today the estimate over the next few years to pay for required capital rehab/replacement is a 10%-15% rate increase each year doubling current rates very quickly.
- It has reached an unaffordable level to expect 2285 meters to support such costly projects.
- SWD contacted other agencies to discuss alternatives that could allow SWD to continue to provide high quality water to its customers—at reasonable rates.

Best Alternative and Recommended Path Forward-Trade Costly Assets/Liabilities for Increase in Reliability

- Transfer Ownership of Santiago Creek Reservoir to Irvine Ranch Water District—the Co-Owner of the Lake.
 - Up to \$120 Million avoided costs on SWD ratepayers.
- Transfer Treatment Plant to IRWD
 - Avoid required capital and O&M needed for future upgrades, while retaining back-up supply via IRWD.
- New Connection from IRWD for Additional Reliability
- Smith Reservoir Project shrinks from \$30 Million to \$8-\$10 Million project.

Decrease Liability

Increase Reliability

- After long discussions and many meetings, SWD and IRWD mutually approached the situation to develop a win-win solution.
- IRWD conceptually agreed to accept transfer of Santiago Reservoir and Howiler Treatment Plant in exchange for providing backup supplies to SWD in the future.
- SWD will continue to be run from within Villa Park, and will continue to provide water to SWD customers from wells within SWD.
- IRWD will provide same water that SWD previously provided from treatment plant if well water is insufficient.

Decrease Liability

Increase Reliability

- In addition, SWD will be provided a new interconnection that will supply backup water from three other sources.
 - Metropolitan Treated (MWD) Import
 - Dyer Road Well Field
 - Orange Park Acres Well
- End Result: Going forward SWD will continue to supply current rate payers with a more reliable water supply. This will allow SWD to remain competitive with other county water districts.

Significant Avoided Capital Cost

- ~~\$150 Million~~ Now liability of SWD for future capital is approximately \$15 Million.
- Huge benefit for SWD ratepayers.

Next Steps

- Tentative agreement (Term Sheet) with IRWD
June 2024
- The legal staff will work on final agreement details
September 2024
- Formal Agreement and Transfer
November 2024

Thank You. Questions?

