

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

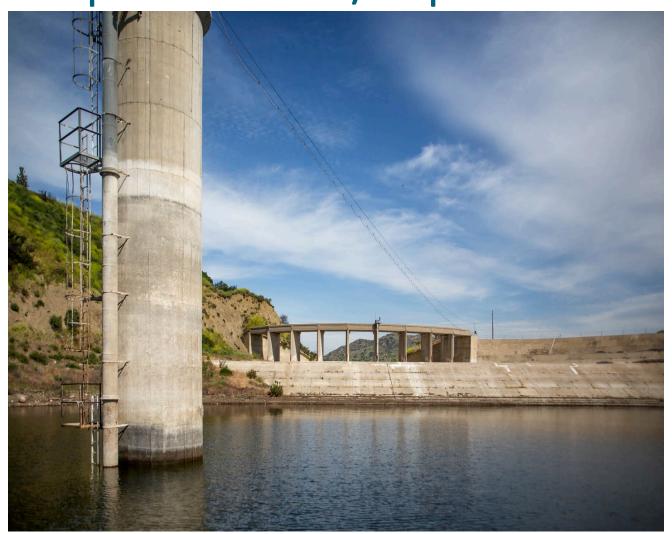
- 2018 Lake Oroville Spillway fails, nearly taking out Oroville Dam.
   Catastrophe narrowly averted.
- CA Division of Safety of Dams mandates <u>ALL</u> dams in CA be inspected due to the failure of Lake Oroville's spillway.
- Prior to Oroville, our spillway and dam met all state specifications



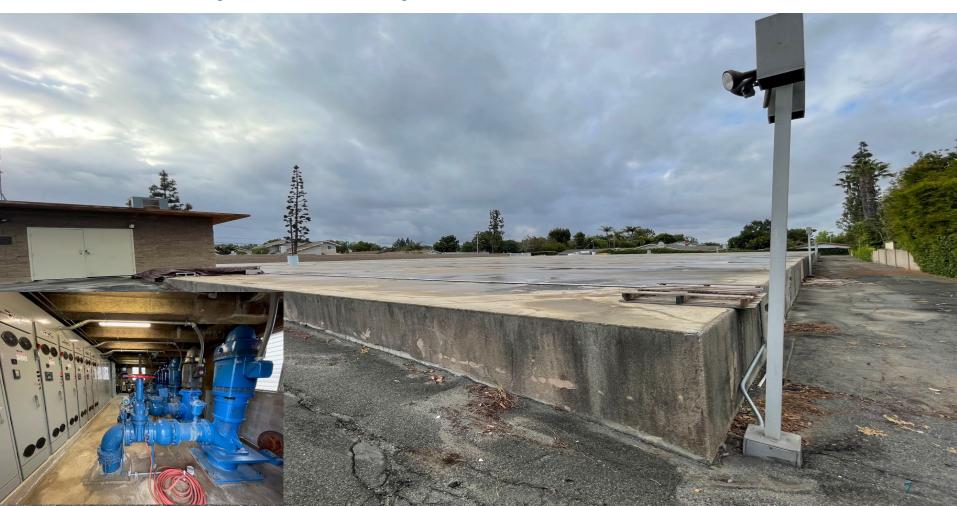
## Santiago Reservoir Spillway – Expensive TLC needed



### 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?

