

# POTENTIAL CONSOLIDATION WITH FOOTHILL MUTUAL WATER AND MECCHI WATER COMPANIES

CITY OF MORGAN HILL  
CITY COUNCIL MEETING  
OCTOBER 19, 2016

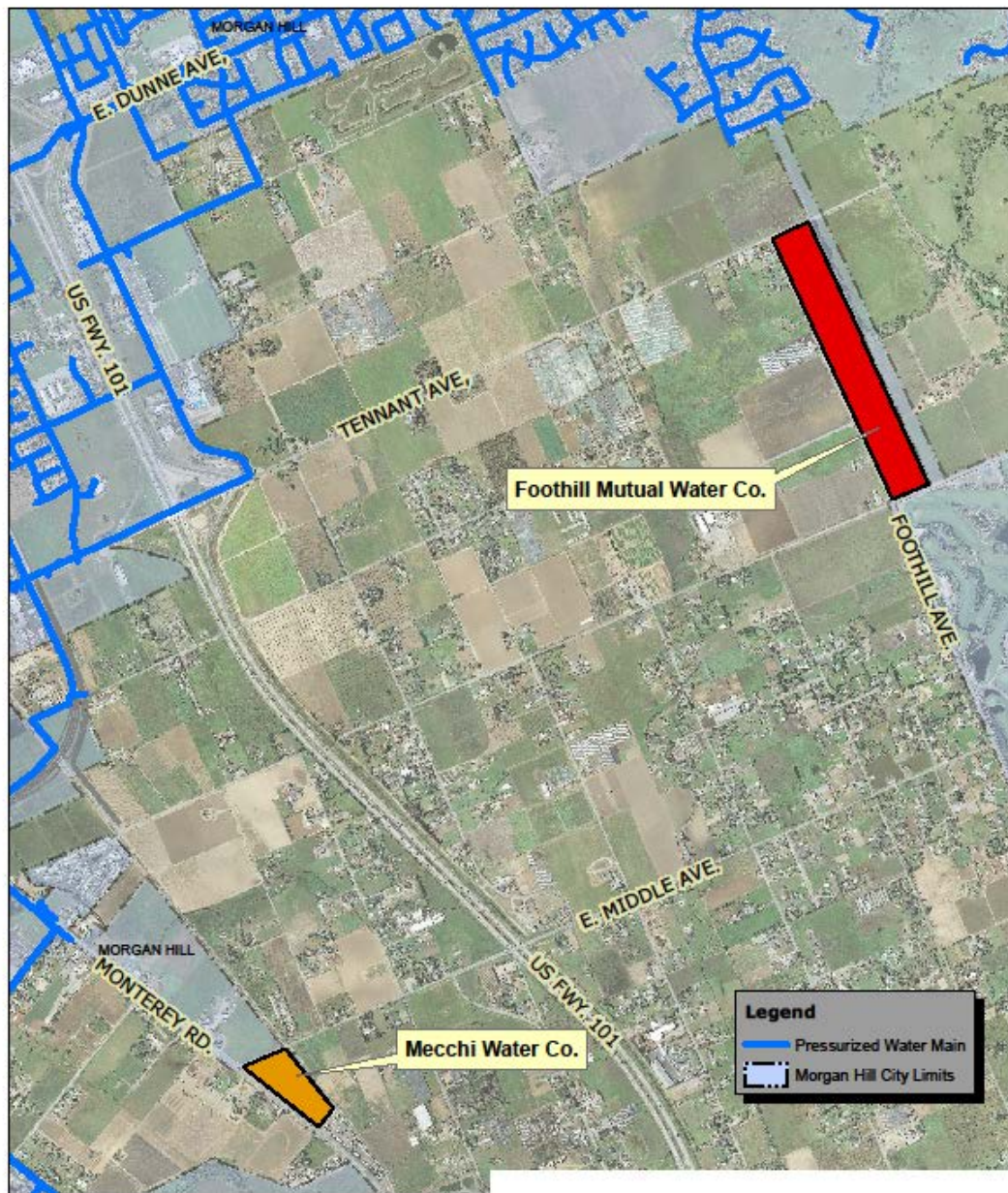
# Agenda

- Introduction
- Water System Overview
- Service Options
- Funding Sources
- Challenges
- Early Actions
- Recommendations

# Introduction

- Two private systems - the Foothill Mutual Water Company (FMWC) and the Mecchi Water Company (MWC) are facing operational difficulties
- Foothill Mutual: water quality is the main issue.
- Mecchi Water: system reliability is the main issue
- The State Division of Drinking Water (DDW) is concerned about health risks and encourages these small water companies to consolidate with larger and more reliable provider.
- Question: should the City invest time studying the consolidation of these systems into its water utility?



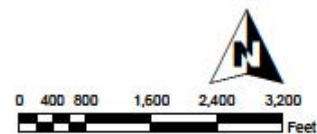


## LOCATION MAP



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ENGINEERING AND UTILITIES DIVISION

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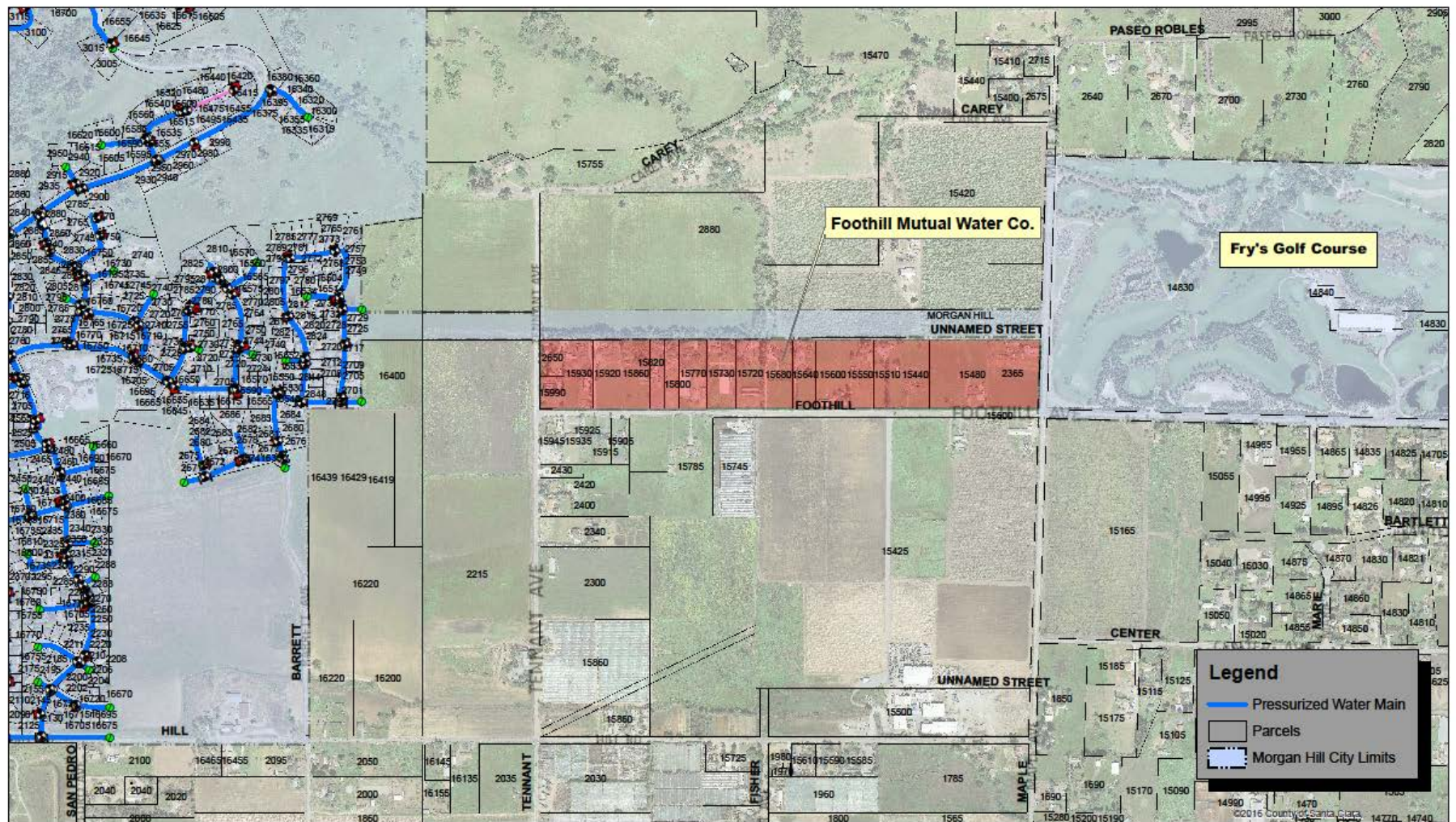


# Water System Overview

## FOOTHILL MUTUAL WATER COMPANY

- Two (2) wells serving twelve (12) residential connections
- Nitrate concentrations above maximum contaminant level (MCL) posing a health risk
- FMWC has tried drilling other wells but all have exceeded the MCL for nitrate
- The remaining option is to install a treatment system
- Will consider consolidation





## Foothill Mutual Water Company Service Area



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0 250 500 1,000 1,500 2,000  
Feet

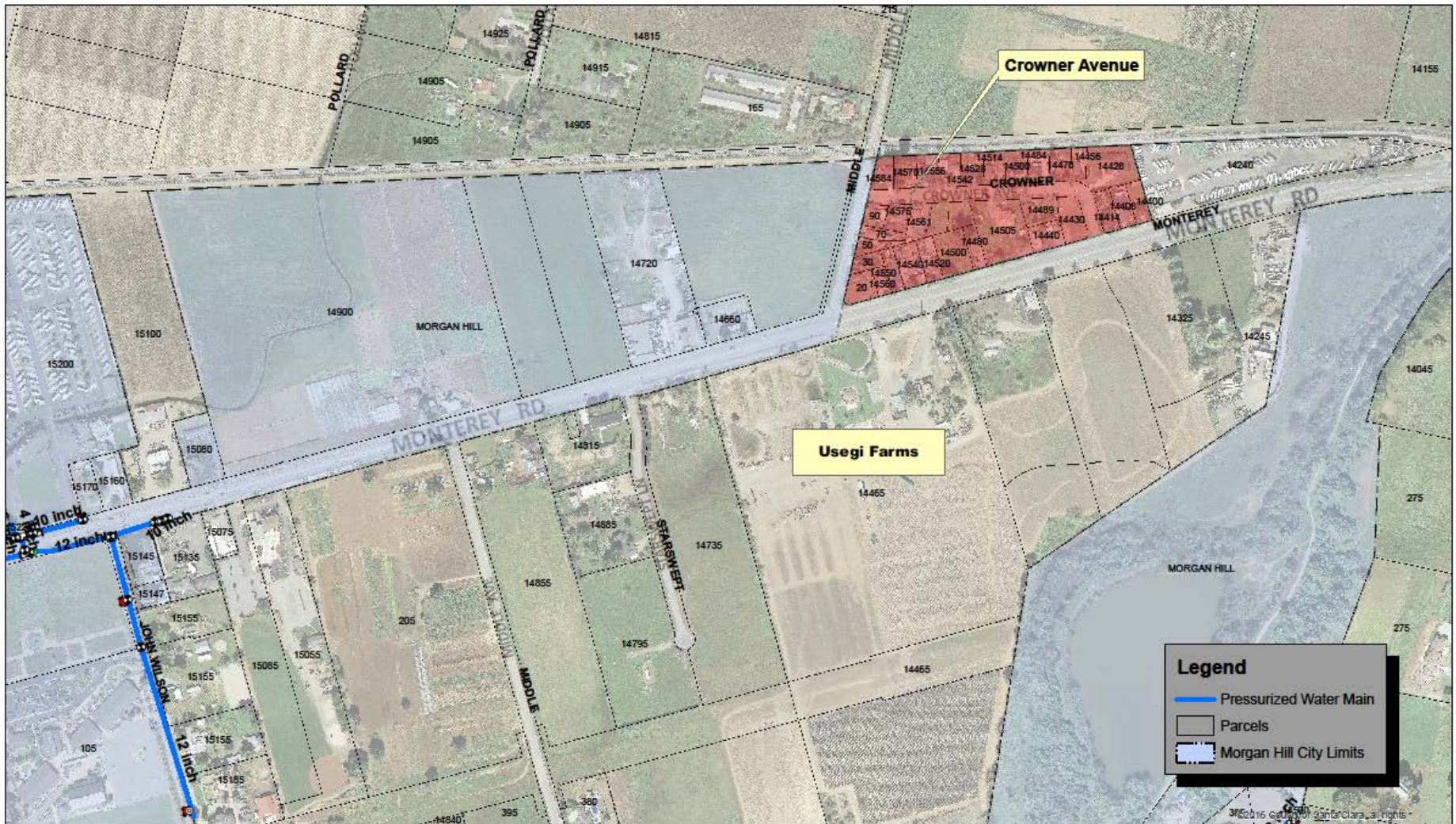


# Water System Overview (cont)

## MECCHI WATER COMPANY

- Two wells serving twenty nine (29) connections
- One of the wells is not permitted for operation
- The MWC has no backup power and no water storage capacity in the system
- The lack of reliability increases the risk for potential public health emergency
- The MWC is currently meeting drinking water quality standards
- The owner of the MWC has indicated that he would be willing to consider selling the company to the City





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## Mecchi Water Company Service Area





# Service Options

- There are three water service options:
  1. operate each as a satellite system
  2. provide a wholesale connection
  3. provide water through City owned mains and metered services meeting City standards.

Note: staff recommends #3 because it meets consolidation requirements to receive State funding

# Potential Funding Assistance

Source of Funds: State Drinking Water Revolving Fund

Type of funds: Grants and Zero Interest Loans

Amount Available:

Grants - \$30,000 per connection max. (but exceptions can be made)

Loans - \$5 million for any water system improvement

Conditions:

Economically disadvantaged (DDW determines)

Requires full consolidation

DDW staff would assist the City in securing monies



# Challenges

- The City Water Utility has not allocated funds for this effort
- Requires changing the water utility service boundary with LAFCO approval
- FMWC and MWC customers willingness and/or ability to pay the costs for the new service. Connection cost (after consideration of State funds) could be as much as \$85,000 for some customers.
- Developing a mechanism to pay for the improvements should the costs exceed available State funding. The City may need to form an assessment district(s) to pay for the improvements.
- The affected residents and/or businesses may protest the assessment which would stop the project.

# Early Actions

- Confirm availability of State Funding
- Confirm support for water system consolidation from LAFCO.
- Define a benefit area and confirm the number of potential water connections.
- Complete a preliminary cost analysis and discuss per connection cost with FMWC and MWC customers.



# Recommendation

- Receive report on current status of the Foothill Mutual Water Company and the Mecchi Water Company; and
- Provide direction on whether or not to further investigate the consolidation of the Foothill Mutual Water Company and the Mecchi Water Company with the City's water utility system.