

AGENDA ITEM NO.
COUNCIL MEETING
APPROVED BY
DEPARTMENT DIRECTOR
CITY MANAGER

January 9, 2007

FROM: *for* RENE A. RAMIREZ, Director 
Department of Public Utilities - Administration

BY: *for* GARTH GADDY, Interim Manager *G.M.*
Department of Public Utilities - Water Division

SUBJECT: ADOPT A RESOLUTION AUTHORIZING THE PURCHASING MANAGER TO NEGOTIATE AND ENTER INTO A CONTRACT FOR PROVIDING THE HERNDON WATER COMPANY A SURPLUS WATER TANK

KEY RESULT AREA

Resource Management

RECOMMENDATION

Staff recommends that the City Council adopt a resolution authorizing the Purchasing Manager to negotiate and enter into a contract providing, at no cost, a surplus hydropneumatic water tank to the Herndon Water Company.

EXECUTIVE SUMMARY

The Herndon Water Company is a privately owned water system that serves about 80 customers in northwest Fresno. This small water system is over 60 years old, operates with a single well and a system of deteriorating and undersized pipelines ranging in size from 3-inches down to 3/4-inches. The owner of the Herndon Water Company has offered the water system to the City at no cost but staff has determined that it does not meet City standards for domestic and fire flows. To improve the reliability of the Herndon Water Company system while Community Development Block Grant (CDBG) funding is pursued to fund the construction of a new water system to current standards, Water Division desires to provide the Herndon Water Company a surplus 10,000 gallon hydropneumatic water tank at no cost.

KEY OBJECTIVE BALANCE

This proposal, which will provide City residents within Herndon Townsite a 10,000 gallon potable water reserve, supports the three focus areas of Customer Satisfaction, Employee Satisfaction and Financial Management. The tank will improve the reliability of the Herndon Water Company water system for the safe delivery of water to City residents while enabling grant funding to be pursued to construct a new water system.

BACKGROUND

The Herndon Water Company is a small privately owned water system that provides water service to approximately 80 customers located in the Herndon Townsite in northwest Fresno, near the intersection of Herndon Avenue and Highway 99. The population served by this water system is 161 persons, 76 of which

are over the age of 50 years and 66 of which are retired or disabled. The average annual salary for the 42 individuals who are employed full-time is \$26,000. The water system serving this small community is currently failing due to age. The existing water system consists of a single low production well and a series of small, shallow pipelines ranging in size from 3-inches down to ¾-inches. Due to numerous pipeline failures, water pressure is maintained at 25 psi, or less, to minimize leaks. Operation of the water system in this manner does not permit some residents the ability to shower after noon each day and provides no capacity for fire suppression activities.

In August 2006, the City of Fresno, Water Division, was approached by Mrs. June Curtis, owner of the Herndon Water Company, who offered the Herndon Water Company system to the City at no cost. Mrs. Curtis, a widow, no longer desires to continue the operation and maintenance of the water system due to her age and declining health. After a review of the water system infrastructure offered by Mrs. Curtis, it was determined that the City could not take over the water system as offered due to its age and existing condition. In order for the City to adequately and reliably provide water and fire suppression service to this area, it was determined that the Herndon Water Company system would need to be fully reconstructed to City standards. The estimated cost to reconstruct the water system is approximately \$1.1 million. This cost includes the construction of approximately 8,000 LF of 8-inch water main, 12 fire hydrants, 73 water services and connection of homes to the new water mains.

The Herndon Townsite is currently identified as a City CDBG eligible area. In an effort to acquire funding that would allow the City to construct the new water mains and install water services needed to abandon the Herndon Water Company water system, the Water Division is proceeding with an application for a \$1.1 million CDBG grant. The use of grant funding in this situation will provide a benefit to low income City residents without burdening existing City utility rate payers by subsidizing the cost of the necessary water improvements. In an effort to keep the existing Herndon Water Company water system operating for another two to three years while funding can be acquired and the improvements constructed, the Water Division proposes to provide, at no cost, a surplus 10,000 gallon hydropneumatic water tank to the Herndon Water Company. The tank will be utilized in conjunction with a second private water well that will be drilled within Herndon Townsite and will become part of the Herndon Water Company water system. The tank, together with the new well, will increase the reliability of the existing water system by providing a 10,000 gallon reserve and a redundant water supply source. The Herndon Water Company is to agree to accept the tank "as is," and to indemnify and hold City harmless against, any loss, liability and damages related to the company's acquisition and use of the tank.

FISCAL IMPACT

The hydropneumatic water tank has an estimated market value of \$5,000 (\$0.50 per gallon). The tank will become property of the Herndon Water Company at no cost. Once capital improvement funding has been identified to reconstruct the Herndon Water Company water system, it is anticipated that the City will reacquire the tank along with the water system. The net fiscal impact to the City will be zero.

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO,
CALIFORNIA AUTHORIZING THE PURCHASING MANAGER TO
NEGOTIATE AND ENTER INTO A CONTRACT FOR PROVIDING A
SURPLUS CITY 10,000 GALLON HYDRO PNEUMATIC WATER TANK
TO THE HERNDON WATER COMPANY

WHEREAS, the Herndon Water Company is a privately owned water system that provides water service to approximately 80 customers located in the Herndon Townsite within the City of Fresno; and

WHEREAS, the Herndon Water Company water system consists of a single low production well and a series of small, shallow pipelines ranging from 3-inches to ¾-inches and is operated at 25psi to prevent leaks; and

WHEREAS, the water system is deteriorating due to age and does not provide a reliable source of potable water and capacity for fire suppression activities; and

WHEREAS, June Curtis, sole owner of the Herndon Water Company has offered the water system to the City at no cost; and

WHEREAS, the City has determined that such water system would be a financial liability, and requires reconstruction before it can provide potable water service and adequate fire suppression capacity meeting State of California, Department of Health Service standards; and

WHEREAS, the cost of reconstructing the water system is estimated to be \$1.1 million and neither the City nor the Herndon Water Company has the funding to complete the improvements; and

WHEREAS, Herndon Townsite is identified as a City Community Development Block Grant eligible area and the City, through its Water Division of the Department of Public Utilities ("Water Division"), has applied for grant funding to reconstruct the water system; and

WHEREAS, the City owns a 10,000 gallon hydropneumatic water tank ("Tank"), valued at \$5,000, which has been declared surplus property by the Purchasing Manager in accordance with section 3-202 of the Fresno Municipal Code; and

WHEREAS, the Water Division desires to provide the Tank to the Herndon Water Company, "as is" and at no cost, to increase the reliability and improve the existing water system while funding is acquired and a new water system is constructed; and

WHEREAS, Council recognizes that providing the Tank will temporarily improve the Herndon Water Company water system until a new water system is constructed and City will reacquire the Tank upon completion of a new water system construction; and

WHEREAS, the City is to be indemnified and held harmless by Herndon Water Company against, any loss, liability or damages related to the company's acquisition and use of the Tank.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Fresno that the Purchasing Manager is authorized to negotiate and enter into a contract with the Herndon Water Company to turn ownership of the Tank over to the company, "as is" and at no cost, to use in improving its existing water system. The contract shall include an agreement by Herndon Water Company to indemnify and hold City harmless against any loss, liability or damages related to the company's acquisition and use of the Tank. Such contract shall be subject to the approval as to form by the City Attorney's Office.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, REBECCA E. KLISCH, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, California, at a regular meeting held on the _____ day of _____, 2007.

REBECCA E. KLISCH
City Clerk

Deputy

APPROVED AS TO FORM:
JAMES C. SANCHEZ

By: 
Sr. Deputy/Assistant