

January 4, 2025

Premise: Millwood believes it can make money selling water.

Millwood has been asked by at least one other water districts if Millwood would sell water. Not water rights, but bulk actual water transferred from Millwood's system to their water system.

Millwood's sell of water to residents and businesses of Millwood is not covering the costs to do so, much less maintain the water system.

Millwood's aging water supply equipment in the streets of Millwood is failing and needs replaced.

Residents of Millwood do not like, and some cannot really afford to pay more each year for water and sewer.

The Big Question:

Is Millwood able to sell water to others at a profit and is this profit enough to make it feasible?

Using the Butler well as mentioned in the 2024-16 info request. Now that the true costs of selling water and other topic information Mr. Sanders brought to the table are being worked on: factor 75% of Butler Well allowed capacity, multiply it by the profit portion of the selling price, what is the potential profit? Is this profit amount enough to make an impact, especially if Millwood carries the cost of connection to Irvin as suggested in the info request correspondence.

It is my intent that this document is received in a trying to be helpful tone of voice. One of my sayings at work is: Ideas lead to ideas that

lead to ideas. It is my hope that a fresh answer to my questions and thoughts would help you to think through everything again.

Suggestion:

Ordinance # 543 has been tabled for further study, and I say well done.

I also know Millwood needs to make a decision sooner than later. So, I suggest Millwood City Council authorizes a feasibility study to answer the big question, and then determine next steps accordingly.

Is it possible to perform this study by forming a new commission of mostly Millwood residents that have proven professional experience in the expertise you decide is needed. Like the mayor did bringing in an expert on water rights to present to council, the commission may need to ask for advise along the way to not get on a wrong path, sort of a periodic review. Therefore, the authorization may need to have a dollar amount to it.

After this commission believes it is possible to sell water at enough of a profit, have a step by step outline on how to proceed, and they have identified guiding principles and questions that need to be reviewed along the way, then the mayor can bring back to the council the ordinance to get the project started.

I would suggest the commission needs to remain as a permanent component of the Millwood government structure over watching the continued operation of the water and sewer services.

Following is a set of ideas, questions, and other such thoughts that I scribbled down while thinking on the subject. After I typed up my scribbles I remembered the Public Records request LaDonna DeMent made, and figured I better read its response.

Below is from P. 10 & 12 of the Public Records request 2024-16 provide to LaDonna DeMent .

From: Paul Dempsey
Sent: Monday, July 29, 2024 2:05 PM To: Joe Carroll

Anticipated Wholesaling Pricing Parameters

Suffice it to say, there are still several details to be worked out. And we'll need to engage with you gentlemen on specifics before we get too much further into the process. But for high-level discussion purposes, we anticipate the wholesale prices will be determined roughly as follows:

Millwood has four existing customer classifications within its current service area: Residential; Commercial; Private Irrigation (Non-residential); and Public Irrigation (parks and schools). And within those classifications are different rate tiers based on meter size (for commercial) and monthly consumption. We expect Millwood Water System Plan amendments to include adoption of an additional customer classification for Wholesale Supply, with an annually-determined flat rate up to specified maximum acre-feet delivery. Any additionally required wholesale water would be subject to a to-be-determined premium charge. As is the case with the City's existing customer pricing, each year base rates will be set to capture anticipated annual system O&M expenses, a production cost (expected to be related to the energy cost per volume of pumping), plus a long-term capital improvement component. As necessary, there will be an additional fee to recover City costs for project-specific infrastructure improvements or new construction necessary to deliver water; this fee would be imposed over a three-to-five year duration based on negotiations between Millwood and Irvin.

I am confused by this highlighted sentence. From my impression of what has been conveyed during city council

meetings the city of Millwood lacks resources. So where do we come up with the money to perform this work and then finance it for 3 to 5 years?

I believe Millwood needs to design into any water selling program the buying entities are responsible for all interfacing equipment and construction costs up front, and then they are responsible to maintain it. It is their equipment. Millwood is responsible to bring a water line from the well to the buyer's connection point. The buyer's side of the junction has all the equipment needed to prevent back flow, to measure, modify water pressure, and perform an emergency shut off.

The goal is for the city of Millwood to make money selling water and water only. The sale of water will already have the costs of running the water out of the ground to the buyer's pipe. The cost of all the equipment and construction needed being carried by Millwood likely is going to put us in the negative cash flow not a positive profit. Millwood would be doing the other water supplier a huge service just providing the water, so let's not dismiss the value of Millwood. This sounds like one of the items that can go very, very badly for the Millwood. If Millwood is holding the cost for 3 to 5 years, then something financially devastating happens to the water district buying the water, then Millwood would be stuck with the costs that do not benefit Millwood. Risks is a big part of the latest ISO9000 mind set, and risks prevention should be one of the main control ideas should this project move forward.

Now to my scribbles:

The Millwood water system is broken, and the revenue from providing water to Millwood residents is not enough to cover the expense of fixing it.

At some point is someone going to ask the 5 Whys of how this happened?

We need to research and see if there is a plan/design that will make enough money, not just break even. The plan needs to make a profit. We cannot end up losing money.

The mayor is aware of other water jurisdictions that have had bad experiences from selling their water to others. We need to understand these experiences so we can develop principles of operation that prevent us from having the same bad outcomes.

- What are these bad experiences?
- Ask the 5 whys drilling down to the root cause of them.

Create a Millwood Water and Sewer Commission. A team with professional expertise covering the issue involve in the water and sewer business. The commission should include Kyle and or Matt.

I believe now is the time to hire a full time Civil Engineer as a part of the city staff. There are times when being understaffed is actually less efficient and more expensive. Hiring someone with experience in water and sewer systems would be a plus, though good experience in other areas is transferable. It is the sound engineering skill that is needed. This does not mean we do not need outside engineering help, but we only pay the higher cost of it when it is needed.

Currently the mayor and others are working hard to get a correct handle on the true cost of Millwood producing water. This is excellent in and of itself but will also be helpful when looking at what the city needs to sell water to others for.

Some Background: what are the details of what is broken now? What are the costs to both fix and maintain it into the future?

Is the city properly staffed to handle the extra work of being in the business of selling water? I've already suggested we need to employ a full-time city engineer. This project alone would consume a large percentage of their time, and then the city could handle tasks inhouse that no longer would need to go outside. I am not saying to eliminate WC, but where the task does not need all the resources they have, which are an overhead part of their fee, will we save time and money doing so inside. Again, just asking the question.

What are the legal "Water Plan" issues involved and what are the best options for our success. Reading through the information request response there was consistent talk about one option or another. These all need to be presented to the water and sewer commission and the city council.

A permanent water and sewer commission. Water and Sewer are going to be an ongoing big deal. The initial commission would be three months to a year significant commitment. If the commission determines selling water is not a good thing for Millwood and the city council agrees, then some of them would be done. If they determine it is a good thing and the city council agrees, then I would guess they have a year commitment. The comment was made by Shawna recently to the effect, so we are not going to talk about what went wrong we are just going to fix it now. I took this comment as asking for public transparency. Whether or not the city sells water, a commission would then be asking the questions on a regular basis about how things are working and report to the council what is needed. This would also increase the improved transparency many residents of Millwood would like to see.

Protecting Millwood's water supply from back flow contamination needs to be a priority. The design will need to have the equipment needed to prevent the buyer's water system from feeding back into Millwood's. Any other equipment the Millwood

design team believes is needed and is designed in on the Millwood side of the connection will be added to the cost of selling water now and into the future.

Begin work on the first draft of contracts. Do we envision continuous flow to a certain amount? Or repeatable bulk purchase of a certain amount? Was the problem for other sellers something in their contract. Payment terms and consequences of late payment. Retainer, like first and last month's rent up front.

The equipment needed to make the interconnection between systems. The city of Millwood would specify the equipment needed, and the other district pay to purchase and install it on their side of the connection? This saves Millwood out of pocket money, and ensures quality equipment is installed.

Meters: Do we need redundancy, one on each side of the connection? Meters will need regular calibration of the meter. Initially often then stretch out the time as the repeatability of the meter proves itself. Is a meter on each side of the connection needed? Does any other equipment need to have a redundant pair installed? What about spare equipment.

What are the operational investments that need to be made? How much compacity will our existing pumps handle? In the instrumentation world we do not want power supplies to operate at more than 50% of their rating. What is true for the water pump world? What replacements / repairs to our existing water lines will be needed to ensure we can supply reliably? What added cost will need to be figured in if Millwood needs to run the pumps more than they are now.

How much profit is needed to make this a viable option for Millwood to engage in? If our water line replacement is 50 million dollars (I have no idea), then making a profit of 100 dollars of month does not make much sense. Exaggerated of course.

What professional skill sets will be needed for the initial water commission? Financial- perhaps a CPA, Operations, Engineering, Purchasing, Legal, Kyle and Matt, a council member?

Who do we know that could be asked directly, and then send out a general solicitation to residents. The city residents rightfully need to know what is going on. Make a public presentation of the facts of where we are, of the reality of what needs to happen, and the help being requested. If the council knows people already, ask them first. Then ask for help and interview who responds.

Thank you for reading my ramblings. I apologize for not getting all the redundancy out of this. Some of it comes at the same topic from a different angle over the course of time I was scribbling. It is quite possible you have already worked on much if not all of this. I am hopefully that my ideas and question will lead you to other ideas and questions.

Wishing you the best success as you proceed,

Doug Sadler
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