

APPROVED
BY THE CITY COUNCIL

SEP 30 1997

OFFICE OF THE
CITY CLERK



4.2

DEPARTMENT OF
UTILITIES

OFFICE OF THE DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

5770 FREEPORT BLVD.
SUITE 100
SACRAMENTO, CA
95822-2911

PH 916-433-6607
FAX 916-433-6652

September 15, 1997

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Sale of bottled water by City

LOCATION AND COUNCIL DISTRICT: City-wide

RECOMMENDATION:

Staff recommends that the City Council authorize staff to determine the feasibility of bottling and potentially retailing City of Sacramento's drinking water and approve the attached resolution allocating \$40,000 for a demonstration project.

CONTACT PERSONS:

Liz Brenner, Administrative Services Officer, 433-6606

FOR THE COUNCIL MEETING OF:

September 30, 1997

SUMMARY:

Staff recommends that the City of Sacramento explore the feasibility of bottling its drinking water for retail purposes. In order to explore project feasibility staff recommends a demonstration period that would serve to provide additional information as to costs and customer acceptance. In addition, an in-house task force would be formed, with representatives from the Administrative Services, Neighborhood/Planning, Downtown, and Utilities Departments, to guide demonstration efforts.

City Council
Subject: Sale of Bottled Water by City
September 15, 1997

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

Many municipalities throughout the United States have recently considered entering into the business of bottling water. Cities such as Kansas City, Missouri; North Miami Beach, Florida; Houston and Milwaukee are among the latest municipalities to consider selling water bottled at their treatment plant (see attachments). Not only does the business venture provide an opportunity to promote that tap water from the city system is of equal quality, if not better than that of its competitors, but has economic value as well.

Achieving a niche in a growing market has many water purveyors exploring plans to market the "sale" of water from their own municipal supply. Sales of bottled water is a \$4 billion/year market predominately served by Evian and Perrier and dozens of regional bottled-water producers. According to the American Water Works Association (AWWA), 35% of retail bottled water already comes from municipal supplies. The difference is an additional processing is done before bottling.

In California, any water bottling plant must obtain a license from the Food and Drug Branch of the Department of Health Services. The methods of treatment vary in the industry but each are an equivalent disinfection process approved by Department of Health Services. Prior to bottling, the water must be subjected to filtration and effective germicidal treatment by ozone, ultraviolet or carbon dioxide.

The notion of bottling Sacramento's tap water was prompted by the City's efforts to pursue "the All-American City Award". The project was strictly a promotional give-away, packaged as an educational message emphasizing the City's source and quality of water supply.

As a result of our initial bottled water success, staff would like to explore further the idea of bottling and potentially distributing water from its municipal supply. We believe that the City's water supply is of equal quality to commercially available bottled waters and that by packaging our product in different, more convenient forms it will be a benefit to the citizens of Sacramento and may very well be profitable to the City's General Fund.

City Council

Subject: Sale of Bottled Water by City
September 15, 1997

Staff is therefore recommending that the City explore opportunities in the bottled water area by initiating a demonstration project. This effort would include:

- Formation of an in-house task force to help guide demonstration efforts.
 - Department of Utilities
 - Administration Services Department
 - Neighborhood/Planning Department
 - Downtown Department

- Bottling additional quantities of City drinking water (not for retail purposes) to further test acceptability of consumer perceptions of bottled water and to gather data to gauge public "buying" opportunities.

- Retain a consultant to develop and implement a market study to identify:
 - Public acceptability
 - Scope of Sacramento bottled water market
 - How best to market our product
 - How to price our product
 - Identify viable methods of distribution
 - Estimate potential sales and profits

It is proposed that the demonstration effort be completed before July 1998. A report to City Council would then be prepared to report the in-house task force findings and suggest recommendations.

ENVIRONMENTAL CONSIDERATIONS:

Environmental review is not required for feasibility and planning studies related to possible action that has not yet been formulated or approved (CEQA Guidelines Section 15262).

FINANCIAL CONSIDERATIONS:

The estimated cost to complete a demonstration project is \$40,000. Initial efforts would be focused on development of a market study as well additional bottling of City drinking water. Funding for the demonstration project is available through existing appropriations from the Water Fund. However, if the City decides to ultimately sell bottled drinking water the City Attorney's office has opined that the City's General Funds must be used as a funding source.

City Council
Subject: Sale of Bottled Water by City
September 15, 1997

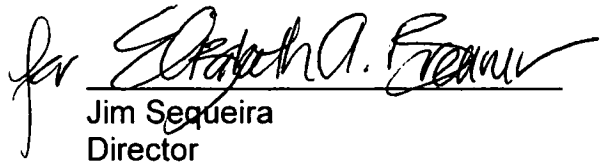
POLICY CONSIDERATIONS:

City Council has no policy relative to City-bottled water and its associated commercialization. However, Council has encouraged staff to look for innovative ways to increase revenues for General Fund supported activities. This demonstration project will explore opportunities in this area.

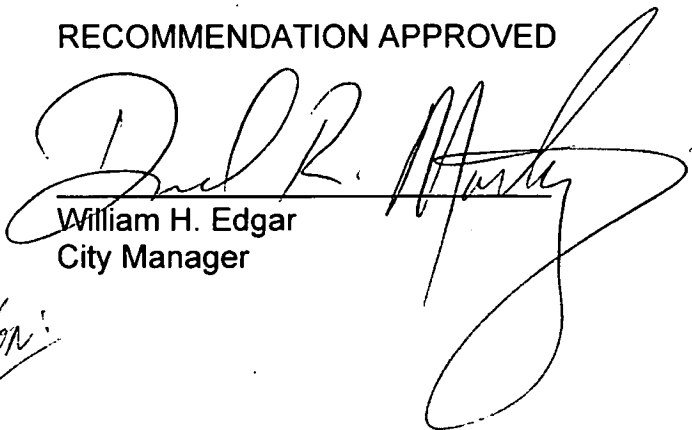
MBE/WBE EFFORTS:

Any goods or services purchased during this process will comply with the City's MBE/WBE goals, policies and procedures.

Respectfully submitted,

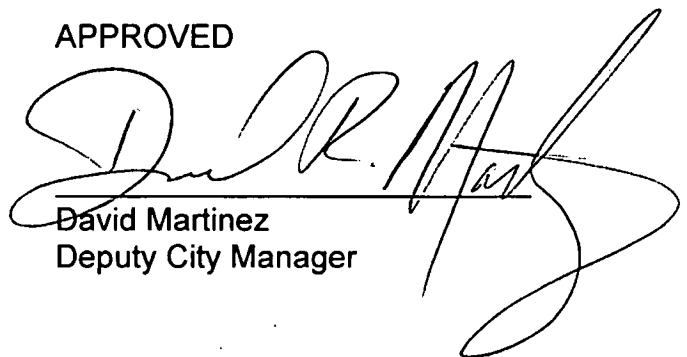

Jim Sequeira
Director

RECOMMENDATION APPROVED


William H. Edgar
City Manager

ton

APPROVED


David Martinez
Deputy City Manager

APPROVED
BY THE CITY COUNCIL
SEP 30 1997
OFFICE OF THE
CITY CLERK

AMENDED

RESOLUTION NO. 97-553

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**AUTHORIZE THE DIRECTOR OF THE DEPARTMENT OF UTILITIES
TO INITIATE A DEMONSTRATION PROJECT
TO PROVIDE BOTTLED CITY DRINKING WATER
FOR CITY FACILITIES AND EVENTS**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

- RESOLUTION NO.**
1. The Director of the Department of Utilities is hereby authorized to initiate a Bottled City Drinking Water Project **BY THE SACRAMENTO CITY COUNCIL**
 2. Funding for the project is not to exceed \$20,000 and any costs associated with the project will be reimbursed to Water Fund 413.
 3. Upon completing the demonstration Bottled City Drinking Water Project, staff recommendations will be presented to Council no later than October 1, 1998.

RESOLUTION NO. _____
MAYOR

ATTEST:

ADOPTED BY THE CITY COUNCIL ON THIS _____ DAY OF _____

ON DATE OF _____

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 6 _____

Amended

RESOLUTION NO. 97-553

ADOPTED BY THE SACRAMENTO CITY COUCIL

ON DATE OF _____

**AUTHORIZE THE DIRECTOR OF THE DEPARTMENT OF UTILITIES
TO INITIATE A DEMONSTRATION PROJECT TO DETERMINE THE
FEASIBILITY OF SELLING BOTTLED CITY DRINKING WATER**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. The Director of the Department of Utilities is hereby authorized to initiate and complete a demonstration Bottled City Drinking Water Project.
2. Funding of the demonstration project is not to exceed \$40,000 and is available through existing departmental appropriations.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____
DATE ADOPTED: _____

More municipalities consider bottling plant water

Kansas City, Mo.; North Miami Beach, Fla.; Houston; and Milwaukee are the latest municipalities to consider selling water bottled at their treatment plants to tap into the \$4-billion/year market cornered by Evian, Perrier and dozens of regional bottled-water producers, according to recent newspaper reports. The International Bottled Water Association reports that sales of bottled water had grown to 3 billion gallons/year in 1996, up from 250,000 gallons/year in 1976.

Kansas City is looking at the office-jug and sports-bottle market and is working with private bottlers to test-market a municipal water product by the end of this year. Houston city council, meanwhile, has directed the water board to explore the idea of marketing "Houston Superior Water" bottled directly at the plant, with the hopes of having it on store shelves by next year. And in Milwaukee, which recently spent \$74.5 million on water system improvements, water officials are looking at bottled water not only as a way to recoup some of those costs but also as a way to promote the high quality water now available from the city system.

According to AWWA's figures, 35 percent of retail bottled water already comes from municipal supplies. Among the municipal suppliers are Baltimore and Memphis, Tenn., although the municipal water from both goes through additional processing before bottling. Baltimore's bottled water, which is sold through a regional supermarket chain for 83 cents a gallon, runs through a membrane filter, activated carbon and ultraviolet and ozone processes before hitting the shelves. Memphis water, sold under the name of Pure Memphis at \$1.49 for 1.5 liters, also undergoes additional membrane treatment.

S.F.
Chronicle 8/6/97
NATION

Cities Tap Thirst for Bottled Water

By Sam Howe Verhovek
New York Times

Houston

Americans love to drink water out of bottles, especially if the words on the label make the beverage sound all the more tasty and pristine: "Artesian," "Canadian Natural," "Crystal Clear," "Mountain Fresh."

Now, some new labels may be coming to supermarket shelves, and the question is whether they will similarly entice: "Houston," "Kansas City," "North Miami Beach."

Seeking to tap the booming, \$4 billion-a-year market for bottled water, officials in these cities say they are exploring plans to market water from their municipal water supplies.

Bottling Tap Water

The water is the same water from treatment plants that goes through water mains into residents' homes. The marketing plans dare consumers to pay as much as \$1 for a quart of water that could be drawn from their own taps for less than one-tenth of one cent, at current average rates for water service.

"This is a bit ironic," observes Jennifer Levine, a spokeswoman for the International Bottled Water Association, the main trade group for the industry. "They're setting themselves up to compete against their own tap water."

In Houston, water officials are completely serious about it.

"What comes out of the tap here is truly excellent water," says Jimmie Schindewolf, Houston's director of public works and engineering, who dreamed up the idea after seeing bottled water fly off supermarket shelves. "We have a superior product, and this would simply make that product available in a different form."

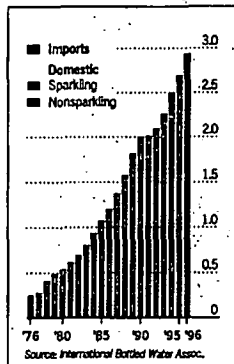
Houston's water, from underground aquifers and from rivers to the north, has indeed been rated "superior" by state officials; one prototype name for the bottled product is "Houston Superior."

Public Health Scares

Many bottled-water distributors insist that their product is far preferable to municipal water, either because it has not had chemical treatment such as chlorination or because it has been filtered to remove elements. The industry also has gotten a boost from public health scares like Milwaukee's 1993 outbreak of cryptosporidium, which sickened tens of

BOTTLED, PLEASE

Bottled water consumption in the United States, in billions of gallons.



thousands of people and was blamed for the deaths of as many as 100 immuno-compromised residents.

Conversely, many municipal water officials bring up other health scares as a way of evening the score: Perrier, among the industry's premium brands, voluntarily yanked its bottles in 1990 after traces of benzene showed up in samples.

In any event, people in the United States are drinking a lot of bottled water — 11 gallons per capita annually, or about 10 times as much as they did two decades ago — and nobody questions that successful marketing has a lot to do with it.

More than 35 percent of all bottled water sold in the United States is municipal water run through a filter, said Jack Hoffbuhr, executive director of the Denver-based American Water Works Association, which represents municipal suppliers.

Under FDA regulations, some terms must mean exactly what they say. Spring water, for instance, must flow "naturally from an underground formation to the surface of the earth."

Brand Name Confusion

Similarly, brand names can be a bit confusing: Yosemite Waters, a popular California brand, actually comes from a deep well in Fullerton, outside of Los Angeles.

Private bottlers say they are confident that they will beat back any competition from municipal water agencies. "Taste is always subjective," said Jane Lazgin, a spokeswoman for The Perrier Group of America, the Greenwich, Conn.-based company that markets Perrier, Ozarka, Utopia and other brands. "But a distinguishing point about our spring waters is, they are natural and not processed in any way that alters their composition or character."

But city water officials say that in blind taste tests, their bottled water does just as well as those with chic names. "I'm serious," said Jones in Houston. "If you take the label off, it's down to the difference of some like Pepsi, some like Coke."



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RECOMMENDATION:

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CONTACT PERSONS:

Liz Brenner Administrative Services Officer, 433-6606

FOR THE COUNCIL MEETING OF:

September 23, 1997

SUMMARY:

Staff recommends that the City of Sacramento explore the feasibility of bottling its drinking water for retail purposes. In order to explore project feasibility staff recommends a demonstration period that would serve to provide additional information as to costs and customer acceptance. In addition, an in-house task force would be formed, with representatives from the Administrative Services, Neighborhood/Planning, Downtown, and Utilities Departments, to guide demonstration efforts.

City Council
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September 15, 1997

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

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City Council
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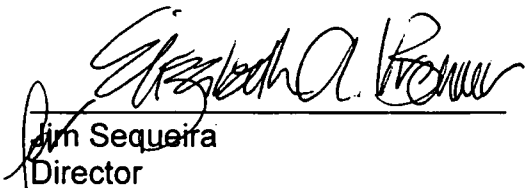
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MBE/WBE EFFORTS:

Any goods or services purchased during this process will comply with the City's MBE/WBE goals, policies and procedures.

Respectfully submitted,



Jim Sequeira
Director

RECOMMENDATION APPROVED

APPROVED

William H. Edgar
City Manager

David Martinez
Deputy City Manager

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUCIL

ON DATE OF _____

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TO INITIATE A DEMONSTRATION PROJECT TO DETERMINE THE
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BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

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2. Funding of the demonstration project is not to exceed \$40,000 and is available through existing departmental appropriations.

MAYOR

ATTEST:

CITY CLERK

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S.F. Chronicle 8/16/97

NATION

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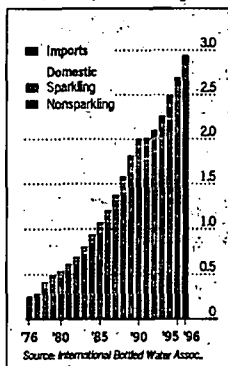
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FOR DISTRIBUTION TO COUNCIL MEMBERS

September 29, 1997

Mayor and City Council Members
City Hall
915 I Street
Sacramento, CA 95814

RE: BOTTLED SACRAMENTO WATER AND ITS MARKET

Dear Honorable Members in Session:

We understand that the City of Sacramento may be interested in marketing in a broader fashion its bottled water. This item was used in promoting Sacramento at the All American Cities competition in Kansas City last June, and it appeared to be a great favorite among participants there.

The Midtown Business Association certainly would be supportive of an initial demand/price analysis to determine the market which exists for this item and the proper price positioning, as well as the possible channels of distribution for it.

Sincerely,

Dick D. Skelton, President
Midtown Business Association

cc: William H. Edgar, City Manager

FAX TRANSMITTAL

Sept. 22, 1997

TO: MAYOR JOE SERNA, JR.
FROM: STEVE MARKSTEIN
MARKSTEIN BEVERAGE CO.

SUBJECT: CITY GOVERNMENT IN THE BOTTLED WATER BUSINESS

Why would you *consider* competing against private enterprise?

- Your own tax-paying residents, businesses and supporters would be your competition.
- Tax-paying citizens now employed by wholesalers such as ours could have their jobs threatened.

And one more factor you may not be aware of:

- This is a small margin business.

I strongly urge you to remember this when the water department asks the council for \$40,000 to study the idea.

*Markstein Beverage Co.
P.O. Box 15379
Sacramento, CA 95851
(916) 920-9070
private fax: (916) 920-2219*



**PACIFIC RIM
STREET
FEST**

P O. BOX 221129
SACRAMENTO, CA 95822
(916) 443-6223

City Council
City Hall
915 I Street
Sacramento, Ca.

September 29, 1997

Dear Honorable Members in Session,

The Pacific Rim Street Fest supports the proposed concept of bottled water by the City. It might be a good fundraising opportunity for community groups, and it would also assist the City's General Fund.

Bottles of Sacramento's tap water were promoted at the City's "All-American City Award" competition this year. We saw the tremendous enthusiasm and success of the bottled Sacramento water. This would be a positive promotion of our quality water supply.

We urge your favorable consideration of the bottling of water which will offer convenience and also benefit the Sacramento community.

Sincerely,

Dean Lan
Event Co-chair

cc. Bill Edgar, City Manager

SEP-29-1997 22:51

P.02



September 25, 1997

Mayor Joe Serna, Jr.
Members of City Council
City Hall
915 I Street
Sacramento, CA 95814

Dear Mayor Serna and Councilmembers:

My eye was immediately drawn to the photograph of the Sacramento City bottled water when it appeared in The Sacramento Bee last week. It brought back fond memories of how proud Sacramento's contingent was when distributing it at the All-American Cities Conference in Kansas City last June.

I was equally excited about the opportunity for Sacramento Theatre Company to offer it at the concession stand during our season. What a grand partnership between non-profit organizations and the City of Sacramento. Sacramento Theatre Company would proudly display and sell the bottled water, and both the City and STC could benefit from this association.

I will be the first in line to help make this succeed!

Very truly yours,


Janey Potts
Director of Development & Finance

cc: Bill Edgar
City Manager

SEP-26-1997 18:02

1419 H Street

Sacramento, CA 95814

Business: 916-446-7501

Box Office 916-443-6722

FAX: 916-446-4066

P. 02

MICHAEL
HIMOVITZ
GALLERY

at Building on the Boulevard

9/29/97

TO: The Honorable Mayor, Joe Serna Jr.
Sacramento City Council

FR: Charles Miller

RE: City sales of bottled water

I am in support of exploring the viability of competitive sales of bottled city water as a means of generating a funding source for city supported non-profit entities. While I am not aware, at present, of all the possible constraints and issues this concept may raise or has raised, I do believe it to be a uniquely credible and creative funding means at a time when governmental financial support is rapidly diminishing.

cc. Bill Edgar, City Manager

1616 Del Paso Boulevard . Suite 3 Sacramento. Ca . 95815 916.929.7896 ph 916.929.7899fx

Greta Cannon
2183 Meadowview road
Sacramento CA

September 28, 1997

Dear Mayor and City Council:

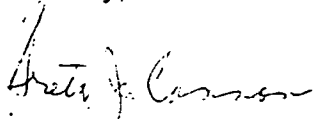
It was my pleasure to be a delegate to the All-America City award competition in Kansas City. As part of our effort to win this prestigious award, we took back Sacramento bottled water. What a hit! So many people wanted our water we barely had enough.

I think the concept of using bottled water to support City programs, and to help community and neighborhood groups with their fundraising efforts is very creative, and an excellent example of how to build partnerships with community groups. I complement City staff on bringing this concept forward.

I urge the City Council to proceed with further work on this concept.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Greta Cannon".

Greta Cannon



Donald L. Mendonsa

5210 Laguna Crest Way
Elk Grove, CA 95758-7309

Telephone (916) 684-0406

September 25, 1997

Honorable Mayor Serna & Honorable Members of the City Council
City Hall
915 I Street,
Sacramento, CA 95814

The Honorable Mayor Serna, and Honorable City Council Members,

Hello, my name is Donald Mendonsa and I am a resident of the Sacramento region. This past Tuesday, while at the City Council meeting, I was a little disappointed that a few members of the Council were "unsure" of how to vote regarding the bottle water sales. I believe that without a doubt this is the best idea that has come before Council in many months.

The idea, I understand, is to produce the bottle water and then sell it at community events. I also understand from the article in *The Sacramento Bee*, that a portion of the proceeds will be returned into the community. After hearing that there will be money going back into the community, I cannot see a logical reason to oppose this issue.

In June of this year a team of representatives went back to Kansas City for The All American City Competition, one representative was my son. Sacramento decided to give out our water as a gift at the civic fair. When my son returned he told me that we needed 100 more cases. The water was gone in an hour. The temperature was warm, and the need and demand for water was present, thus we were a success. Now imagine that it is one-hundred degrees plus in Old Sacramento, and the Jazz Festival has just begun, people are thirsty and the demand for a refreshing bottle of water is everywhere. Now imagine if OUR water was on sale, I would bet that citizens would buy Sacramento water knowing that a portion of the money would be returned to their communities.

I close this letter urging you to please vote for the bottle water issue. The plan that is before you threatens no jobs, and only brings revenue to the Sacramento region. This is a good sound plan, and I would hope that as my representatives, you too will agree with me.

If you have any questions, please feel free to contact me at (916) 684-0406.

Cordially,

Donald L. Mendonsa
Concerned Citizen

CC: Bill Edgar, City Manager

NEIGHBORHOOD SERVICES
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September 28, 1997

Honorable Mayor Serna and
Honorable Members of the City Council
915 I Street
Sacramento, CA 95814

Dear Mayor Serna and Members of the City Council,

My name is Andrew Mendonsa and I am writing to urge you to vote for the proposed bottled water issue. I actively hold many positions in local, state, and national bodies; on such bodies I belong to is the Sacramento City Youth Commission, where I am the Commissioner for Council District number five. Through these committees and coalitions, I see that our community needs help. We as city officials can no longer sit behind desks and wish change. We need everybody to be involved to change our community. The bottled water proposition does just that; it gives community organizations that are trying to do good for others in society, the option to sell the water as fundraising items. The City of Sacramento would in return see a partial profit, but most of all would see the City becoming a better place to live.

In June of this year I was selected to represent the City of Sacramento in Kansas City for the *All American City Awards*. During my stay in Kansas City I was part of the delegation which gave out bottled Sacramento City drinking water. When the idea to do so was being considered, like many of you are thinking now, I thought it was a terrible idea; to my surprise the water was gone in less than two hours, it was a great success. The weather was hot and people wanted something to refresh their thirst with, and Sacramento water was the answer. Imagine if the acceptance of Sacramento bottled water was that tremendous here.

As an active member of many organizations, I feel that residence of both the County and City of Sacramento would embrace this idea, and support it in many ways; may it be by buying it from a youth door-to-door, or buying it at a community event in which it is being sold. I know I would!

In closing I urge you to vote to continue the process for this great idea, I know that many times it is hard to give the "go" on an unsure item, but I foresee this "idea" to be something the City of Sacramento can be proud of! If I can be of any assistance, please feel free to contact me at (916) 769-2503.

Cordially,



Andrew D. Mendonsa

CC: William Edgar, City Manager