



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

CONSENT
May 11, 2010

**Honorable Mayor and
Members of the City Council**

**Title: Agreement: Consent to Groundwater Substitution Transfer with
Sacramento Suburban Water District**

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) authorizing the City Manager to sign an Agreement for Consent to Groundwater Substitution Transfer with Sacramento Suburban Water District (SSWD) allowing SSWD to sell water that SSWD receives under a wholesale water supply agreement with the City as part of the 2010 Water Transfer program; 2) ratifying the petition previously filed with the State Water Resources Control Board for temporary transfer of surface water and authorizing the City Manager and the City Manager's designees to take such other administrative actions as may be necessary to effectuate the transfer and sale of this water; and 3) authorizing the City Manager to accept the revenue from the sale of the water into the water fund (6005) and to adjust the revenue and expenditure budgets for the water fund (6005) for the sale of the water in an amount up to \$236,338.

Contact: David L. Brent, Engineering Services Manager, 808-1420; Dan Sherry, Supervising Engineer, 808-1419.

Presenters: Not applicable

Department: Utilities

Division: Engineering Services

Organization No: 14001321

Description/Analysis

Issue: Authorizing the execution of an agreement and other administrative actions that will allow SSWD to sell water that SSWD receives under a wholesale water supply agreement with the City to members of the State Water Contractors Association as part of the 2010 Water Transfer program.

Policy Considerations: The action requested herein is consistent with the City of Sacramento's Strategic Plan goals of improving and enhancing livability.

Environmental Considerations:**California Environmental Quality Act (CEQA):**

Approval of the Agreement for Consent to Groundwater Substitution Transfer would allow SSWD to sell water to members of the State Water Contractors Association in 2010, provided that this temporary transfer is approved by the State Water Resources Control Board (State Board). The approval of temporary water transfers is exempt from CEQA pursuant to Section 1729 of the California Water Code and Section 15282(u) of the CEQA Guidelines.

The Agreement for Consent to Groundwater Substitution Transfer with SSWD provides the City's consent and cooperation in seeking the necessary State Board approval, and provides for payment to City based on the amount of water that is transferred and sold by SSWD. Approval of this Agreement, and the other actions recommended in this report, does not present any possibility of causing any significant effects on the environment, other than potential environmental effects associated with approval of the temporary water transfer itself, which is exempt from CEQA review as noted above. CEQA Guidelines section 15061(b)(3) provides that CEQA does not apply when it can be seen with certainty that there is no possibility that the activity if question may have a significant effect on the environment.

The Agreement for Consent to Groundwater Substitution Transfer provides that SSWD is the lead agency for the proposed sale of SSWD's wholesale water. The SSWD Board of Directors authorized execution of SSWD's water purchase agreements with various State Water Contractors, on April 19, 2010, and SSWD filed a Notice of Exemption on April 20, 2010. In addition, the Bureau of Reclamation signed a Finding of no Significant Impact (FONSI number 10-10MP) in February 2010 on behalf of all participants in the 2010 temporary water transfer program.

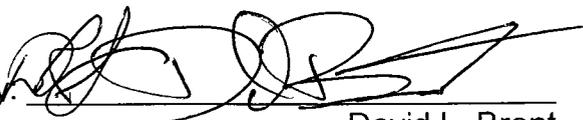
Commission/Committee Action: Not applicable

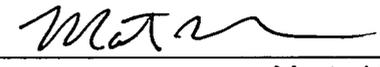
Rationale for Recommendation: The City's partnership with SSWD in the 2010 Water Transfer program offers additional revenue to the Department of Utilities Water fund and provides water to other agencies that are in short supply of water. In order to meet the necessary timelines for approval of the water transfer and sale by SSWD, the petition necessary to obtain approval of the temporary water transfer was filed with the State Board on behalf of the City and SSWD, as co-petitioners, on April 20, 2010. This report recommends that the City Council ratify the petition previously filed with the State Board and authorize City staff to take such other administrative actions as may be necessary to effectuate the transfer and sale of this water by SSWD.

Financial Considerations: The Agreement for Consent to Groundwater Substitution Transfer provides for compensation to the City of \$54 for each acre foot of water sold by SSWD, with a minimum payment of \$7,000 required to cover the City's administrative costs associated with the agreement and transfer

approval process. The actual quantity of water that SSWD can transfer is not guaranteed and therefore the actual revenue to the City is unknown. The maximum revenue to the City for participating is \$236,338. The revenue and expenditure budgets for the Water fund (6005) will be adjusted upon receipt of the proceeds.

Emerging Small Business Development (ESBD): ESBD requirements are not applicable to the Water Transfer program.

Respectfully Submitted by: 
David L. Brent
Engineering Services Manager

Approved by: 
Marty Hanneman
Director of Utilities

Recommendation Approved:

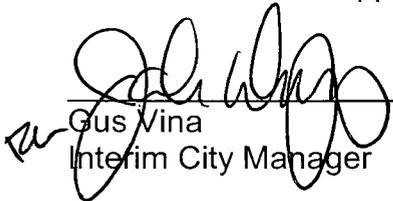

Gus Vina
Interim City Manager

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Background Information:

The proposed City-SSWD Agreement is substantially similar to the City-SSWD Agreement that the City Council approved last year, for the transfer and sale of SSWD's wholesale water to the 2009 Drought Water Bank. In 2010, the Department of Water Resources (DWR) and the U.S. Bureau of Reclamation (Reclamation) are not operating a Drought Water Bank, as was the case in 2009. However, the possibility of continuing drought and low reservoir storage levels are likely to require some areas in California to supplement their water supplies with transfers from willing sellers. The purpose of the 2010 Water Transfer Program is to facilitate the transfer of water throughout the State between willing sellers and buyers that are at risk of experiencing water shortages in 2010.

DWR will continue to work cooperatively with Reclamation and the State Board to expedite water transfers. Accordingly, in 2010, water transfers will be approved on an individual basis. Most transfers are expected to occur between willing sellers upstream from the Sacramento-San Joaquin Delta to buyers that export water from the Delta. DWR and Reclamation are also providing assistance with environmental compliance and endangered species coverage for 2010 transfers.

SSWD is participating in the 2010 Water Transfer program and has negotiated an agreement with members of the State Water Contractors to sell up to 4,377 acre feet of surface water by pumping additional groundwater. SSWD is proposing to sell surface water that SSWD otherwise is entitled to receive from the City on a wholesale basis under a 2004 Wholesale Water Supply Agreement with the City. SSWD would be forgoing the receipt of this water (which is only available to SSWD during periods when lower American River flows exceed the Hodge flow criteria), by pumping additional groundwater.

Since the City's surface water supply is subject, among other things, to the terms of a 1957 water rights settlement contract between the City and Reclamation, the City has obtained consent to the proposed transfer and sale from Reclamation staff.

The proposed City-SSWD Agreement provides the City's consent for SSWD's sale of this water. The Agreement provides that SSWD will pay the City \$54 per acre-foot of forgone surface water to offset lost wholesale revenue, with a minimum payment of \$7,000 required to cover the City's administrative costs associated with the agreement and transfer approval process, for maximum revenue to the City of \$236,338.

RESOLUTION NO. 2010-

Adopted by the Sacramento City Council

MAY 11, 2010

**APPROVING THE AGREEMENT FOR CONSENT TO
GROUNDWATERSUBSTITUTION TRANSFER WITH SACRAMENTO SUBURBAN
WATER DISTRICT**

BACKGROUND

- A. In 2010, the Department of Water Resources and the U.S. Bureau of Reclamation are not operating a Drought Water Bank, as was the case in 2009. However, the possibility of continuing drought and low reservoir storage levels are likely to require some areas in California to supplement their water supplies with transfers from willing sellers. The purpose of the 2010 Water Transfer Program is to facilitate the transfer of water throughout the State between willing sellers and buyers that are at risk of experiencing water shortages in 2010.
- B. Sacramento Suburban Water District (SSWD) is participating in the 2010 Water Transfer program and has negotiated an agreement with members of the State Water Contractors to sell up to 4,377 acre feet of surface water by pumping additional groundwater. SSWD is proposing to sell surface water that SSWD otherwise is entitled to receive from the City on a wholesale basis under a 2004 Wholesale Water Supply Agreement with the City. SSWD would be forgoing the receipt of this water (which is only available to SSWD during periods when lower American River flows exceed the Hodge flow criteria), by pumping additional groundwater.
- C. City and SSWD staff have negotiated an Agreement that provides the City's consent and cooperation in seeking necessary approvals for SSWD's transfer and sale of this water. The Agreement also provides that SSWD will pay the City \$54 per acre-foot of forgone surface water to offset lost wholesale revenue, with a minimum payment of \$7,000 required to cover the City's administrative costs associated with the agreement and transfer approval process. The maximum revenue to the City for participating is \$236,338.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager is authorized to execute an Agreement between the City of Sacramento and SSWD for Consent to Groundwater Substitution Transfer.
- Section 2. The petition previously filed with the State Water Resources Control Board for temporary transfer of surface water is ratified, and the City Manager and the City Manager's designees are authorized to take such other administrative actions as may be necessary to effectuate the transfer and sale of this water.
- Section 3. The City Manager is authorized to accept the revenue from the sale of the water into the water fund (6005) and to adjust the revenue Section 4. Exhibit A is part of this Resolution.

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Exhibit A – Agreement for Consent to Groundwater Substitution Transfer