



## Legislation Details (With Text)

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**Title:** Actions pertaining to Water Sale and Transfers:  
1. Adopt findings of Statutory Exemptions pursuant to CEQA Guideline Section 15282(u) for water sales and transfers below.  
2. Authorize the City Manager or Designee to Execute Agreements for Water Sale and Transfer to the Dudley Ridge Water District for 371 Acre Feet, at \$800 per Acre Foot.  
3. Authorize the City Manager or Designee to Execute Agreements for Water Sale and Transfer to the Wheeler Ridge-Maricopa Water Storage District for 5,629 Acre Feet, at \$800 per Acre Foot.

**Sponsors:** Department of Public Utilities

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**Attachments:** 1. 2016 City of Fresno-DRWD Purchase 11-12-16.pdf, 2. 2016 City of Fresno-DRWD Transfer 11-12-16.pdf, 3. 2016 City of Fresno-WRMWSD Purchase 11-12-16.pdf, 4. 2016 City of Fresno-WRMWSD Transfer 11-14-16.pdf

Date	Ver.	Action By	Action	Result
12/1/2016	1	City Council	approved	Pass

## REPORT TO THE CITY COUNCIL

**December 1, 2016**

**FROM:** THOMAS C. ESQUEDA, Director  
Department of Public Utilities

## SUBJECT

Actions pertaining to Water Sale and Transfers:

1. Adopt findings of Statutory Exemptions pursuant to CEQA Guideline Section 15282(u) for water sales and transfers below.
2. Authorize the City Manager or Designee to Execute Agreements for Water Sale and Transfer to the Dudley Ridge Water District for 371 Acre Feet, at \$800 per Acre Foot.
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## RECOMMENDATION

The Administration recommends Council adopt findings of statutory exemptions pursuant to CEQA Guideline Section 15282(u) and approve agreements with the Dudley Ridge Water District and Wheeler Ridge-Maricopa Water Storage District to purchase and transfer up to 6,000 acre feet (AF) of Class 1 Central Valley Project (CVP) water (Project Water) at a cost of \$800 per AF, and authorize the City Manager, or designee, to execute such agreements.

## EXECUTIVE SUMMARY

The City relies on both groundwater and surface water to meet daily water supply needs of approximately 130,000 water accountholders. During calendar years 2013, 2014, and 2015, the City delivered 47.8, 42.5, and 36.4 billion gallons of water to the community, respectively.

Thus far for Water Year 2016-17, the City has contracts in place with the United State Bureau of Reclamation to purchase 64,880 acre feet of water, which represents 108 percent of the City's normal-year Class 1 allocation of 60,000 AF. With a surplus of water available, the City is in a position to make surface water available for agricultural purposes to other water districts in the San Joaquin Valley.

The Dudley Ridge Water District and Wheeler Ridge-Maricopa Water Storage District have requested an opportunity to purchase 6,000 AF of the City's Class 1 water supply, which the City transferred to the San Luis Reservoir during August 2016. The sale of 6,000 AF of water to the Dudley Ridge Water District and Wheeler Ridge-Maricopa Water Storage District will leave the City with 53,880 AF of water supply for Water Year 2016-2017, which represents a surplus of 8,880 AF above the Bureau's current declaration of 75 percent (45,000 AF).

## BACKGROUND

On December 22, 2010, the City entered into a contract with the United States Bureau of Reclamation (Bureau) providing for a Class 1 allocation of CVP Water (Project Water) from Millerton Lake (the "9D Contract"). In accordance with the 9D Contract, on an annual basis the USBR shall make available for delivery to the City 60,000 acre-feet of Class 1 water for municipal and industrial purposes, subject to the terms and conditions of the 9D Contract and regional hydrologic conditions such as rainfall, snow pack, watershed yield, and pumping operations in the Sacramento-San Joaquin Delta. The Bureau's water year for Millerton Lake operations runs from March 1<sup>st</sup> to February 28<sup>th</sup> each year.

On or about February 20th of each year, the 9D Contract requires the Bureau to declare an initial allocation of Project Water to be made available to the City and other Friant Division Contractors. The annual allocation can be adjusted during the year depending upon CVP operational conditions and regional hydrologic conditions. Once the annual allocation is made, the City submits to the Bureau a written schedule defining when the City will take delivery of surface water from Millerton Lake. The 9D Contract requires the City to submit its delivery schedule by March 1<sup>st</sup> of each year. The Bureau made 0% allocations for water years 2014-2015 and 2015-2016 to the City of Fresno and other Friant Division Contractors.

City staff has worked with Bureau staff and other Friant Division contractors to increase the volume of water available to the City above the 75-percent allocation (45,000 AF) declared by the Bureau for Water Year 2016-17. Through City staff efforts, the City has been able to work with the Bureau to

secure a combination of the Class 1 water supply from the 9D contract, plus Uncontrolled Season Release water, plus Unreleased Restoration Flow water, for a total water supply of 64,880 AF at an average price of \$83.61 per AF -- 19,880 AF above the Bureau's current 75 percent allocation for Class 1 contractors, and approximately 108 percent of the City's 60,000 AF maximum Class 1 allocation.

Due to City staff's success in securing additional water supply for the City above the Bureau's current 75 percent declaration, the City is in a position to assist other water districts in the San Joaquin Valley with additional water supply for Water Year 2016-2017. Recognizing the availability of surplus water, the City worked with the Fresno Irrigation District and USBR to transfer 6,000 AF of the City's Class 1 water supply to the San Luis Reservoir in August 2016. The Dudley Ridge Water District and Wheeler Ridge-Maricopa Water Storage District have requested an opportunity to purchase 6,000 AF of the City's Class 1 water in San Luis Reservoir for delivery in December 2016.

The sale of 6,000 AF of water to the Dudley Ridge Water District and Wheeler Ridge-Maricopa Water Storage District will leave the City with 53,880 AF of water supply for Water Year 2016-2017, which represents a surplus of 8,880 AF above the Bureau's current declaration of 75 percent.

The Administration recommends the City Council authorize the City Manager, or designee, to Execute and Water Sale Agreement with the Dudley Ridge Water District and Wheeler Ridge-Maricopa Water Storage District for 6,000 AF, at a cost of \$800 per AF.

### **Current Water Supply Conditions**

The City's surface water supply resources are stored in Pine Flat Reservoir and Millerton Lake, with total combined entitlements of 180,000 acre-feet (AF) per year during a normal-precipitation, normal snow pack, normal watershed yield year. However, given the severity of California's ongoing four-year drought, the City's surface water entitlements from Pine Flat Reservoir and Millerton Lake have been reduced along with entitlements for all parties throughout the State. Fortunately, the rainfall precipitation for water year 2016 has been above normal, and while snowpack depths remain below normal, snowpack totals for water year 2016 are greater than during the 2015 water year. Following is a summary of the current surface water supply conditions for the City of Fresno:

- 1) For Pine Flat Reservoir, FID estimated the City's surface water entitlements for the 2016 water year (Oct 1 to Sep 30), to be approximately 84,000 AF. This is a 70-percent entitlement, as the City's entitlement during a normal precipitation year is 120,000 AF.
- 2) For Millerton Lake, the Bureau has made water supply available to the City through three types of water supply sources - Uncontrolled Season Releases; Unreleased Restoration Flows, and Class I Declaration. A summary of the water made available to the City by the Bureau is presented below:
  - a. Class 1 Declaration (75%) = 45,000 AF
  - b. Uncontrolled Season = 11,938 AF
  - c. Tier 1 Unreleased Restoration Flows = 2,317 AF
  - d. Tier 2 - Unreleased Restoration Flows = 5,625 AF

## **Total Millerton Lake Water Supply 2016-2017 Water Year = 64,880 AF**

During Water Year 2015-2016, the City's available surface water supplies were 42,582 AF - all exclusively from Pine Flat Reservoir. For Water Year 2016-2017, the City's available surface water supplies will be 148,880 AF from Millerton Lake and Pine Flat Reservoir, and the water will be used for surface water treatment, groundwater recharge, and other beneficial uses in the City's service area. When the City completes construction of the Recharge Fresno Program, the City proposes to use 110,000 AF of surface water for surface water treatment.

## **Beneficial Use of Net Proceeds from Water Sale**

The total proceeds from the recommended water sale will be \$4.8 million, and the original cost of the water purchase was \$501,660, resulting in net proceeds of \$4,298,340.

Staff recommends that the proceeds from this sale be allocated to the construction of a new 6 million gallon finished water storage reservoir at the Northeast Surface Water Treatment Plant.

## **Recommendation**

The Administration recommends Council authorize the City Manager or designee to execute agreements to transfer and sell a total of 6,000 AF to Dudley Ridge Water District (371 AF) and Wheeler Ridge-Maricopa Water Storage District (5,629 AF) at a cost of \$800 per AF.

## **ENVIRONMENTAL FINDINGS**

Staff has performed a preliminary environmental assessment of the transfers and determined they fall within the Statutory Exemption set forth in CEQA Guideline Section 15282(u), which exempts temporary changes in the point of diversion, place of use, or purpose of use due to a transfer or exchange of water or water rights as set forth in Section 1729 of the Water Code, because the agreements will result in delivery of water to Dudley Ridge Water District and Wheeler Ridge-Maricopa Water Storage District rather than the City.

## **LOCAL PREFERENCE**

Local preference was not considered because the sale and change of diversion point of surface water does not include a bid or award of a construction or services contract.

## **FISCAL IMPACT**

There is no financial obligation for the General Fund for this surface water purchase. The funding source for this surface water purchase will be the Water Division Enterprise Fund. For Fiscal Year 2016, the Water Division did not budget for additional revenues to be generated from the sale of surface water to other agencies. The revenue resulting from this transaction will be applied to the construction of a new finished water storage reservoir at the Northeast Surface Water Treatment Plant.

## **Attachments:**

Water Purchase Agreement between Dudley Ridge Water District and City of Fresno

Water Transfer Agreement between Dudley Ridge Water District and City of Fresno

Water Purchase Agreement between Wheeler Ridge-Maricopa Water Storage District and City of Fresno

Water Transfer Agreement between Wheeler Ridge-Maricopa Water Storage District and City of Fresno