

Agenda Report

Date: June 2, 2003

To: City Council

From: City Manager

Subject: Authorization to Enter into Contract with Lincoln Avenue Water Company to Lease 1,000 Acre-Feet of Pasadena's Groundwater Rights in the Raymond Groundwater Basin

RECOMMENDATION

It is recommended that the City Council authorize the City Manager to enter into a contract with Lincoln Avenue Water Company (Lincoln) to lease 1,000 acre-feet of Pasadena's fiscal year 2002-2003 groundwater rights to Lincoln in the Monk Hill sub-basin of the Raymond Groundwater Basin.

BACKGROUND

The City of Pasadena and Lincoln are two of sixteen parties with decreed groundwater rights in the Raymond Groundwater Basin (Basin), which the City of Pasadena overlies. The Basin is comprised of three sub-basins: Monk Hill, City of Pasadena and Santa Anita. City of Pasadena has water rights in both the Monk Hill and City of Pasadena sub-basins, while Lincoln only has water rights in the Monk Hill sub-basin.

The Raymond Basin Judgment allocates each Basin party annual groundwater rights every fiscal year (July 1 through June 30) and is overseen by the Raymond Basin Management Board (RBMB). The RBMB administers the provisions of the Judgment, oversees the groundwater pumping, and manages the overall operation of the Basin. The Judgment also stipulates that Basin parties are able to voluntarily sell, lease, or exchange water, water rights, or storage space in order to promote the efficient use of water in the basin.

During fiscal year 2002-2003, the Pasadena Water and Power Department has not been able to produce its annual groundwater rights in the Monk Hill sub-basin due to perchlorate contamination at its wells. The lack of groundwater production capacity has caused Pasadena to purchase more imported water from the Metropolitan Water District of Southern California (MWD), increasing purchased water costs.

In addition, Pasadena would have to lease groundwater storage space from other water agencies in the Raymond Basin to store the groundwater that cannot be extracted. Annual groundwater that is not extracted during any fiscal year must be stored in order for an agency to produce that water at a later time. If it is not stored, that agency will lose the right to extract that water.

An alternative to alleviate this problem is for Pasadena to lease 1,000 acre-feet of groundwater rights in the Raymond Basin to Lincoln. In exchange for the leased groundwater, Lincoln shall pump and deliver 662.5 acre-feet of water for Pasadena on Pasadena's demand. Pasadena shall pay Lincoln the remaining 337.5 acre-feet of the 1,000 acre-feet of leased groundwater. All production and deliveries of the groundwater shall be completed by June 30, 2004.

The cost of producing groundwater from City wells is approximately \$135 per acre-foot and historically the price of leased groundwater in the Monk Hill sub-basin has been approximately \$265 per acre-foot. Therefore, the averted total cost of producing 662.5 acre-feet of water by Pasadena (\$89,438) is equal to the total market value of 337.5 acre-feet of water that Pasadena will be paying Lincoln.

Lincoln shall pump the water out of its own wells and deliver the water to Pasadena through the Canyon Crest Road Interconnection between the two agencies. Lincoln shall deliver water that complies with all Federal and State water quality standards.

Leasing the groundwater to Lincoln and having them produce it for Pasadena will eliminate the need to purchase more storage space for the water that would not have been extracted and decrease Pasadena's cost in having to buy more expensive MWD water. Pasadena will also save in the pumping required to move the water to a higher zone, thus saving in pumping cost. If this water was not pumped and used by Pasadena, Pasadena would lose the allocated groundwater set forth by the RBMB.

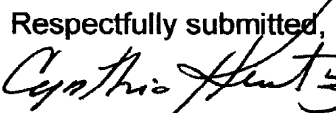
In addition, even if Pasadena were to find storage space for the unproduced groundwater, the storage would most likely be in the Pasadena sub-basin, which is at a lower elevation. When the water is produced at a later time, there would be additional pumping costs of approximately \$165 per acre-foot or a total of \$109,313 for 662.5 acre-feet. The unit pumping cost is the unit cost difference for Pasadena to pump the water from the storage area to Lincoln's delivery point at the Canyon Crest Road Interconnection. This future expense would be averted under this transaction because the water would be produced by Lincoln and delivered to Pasadena in the Monk Hill sub-basin.

As the cost of imported water from MWD is increasing, it is essential for Pasadena to utilize local water resources to their fullest extent. Managing this valuable resource in an effective manner will also have long term environmental and financial benefits for Pasadena's customers.

The Environmental Administrator has determined that the lease of 1,000 acre-feet of groundwater by Pasadena to Lincoln is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) of the CEQA Guidelines. This section is known as the "General Rule" and states that CEQA applies only to projects that have the potential for causing significant effect on the environment, "Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."

FISCAL IMPACT

There is no impact on the Water Fund as a result of this contract. A future operating expense of \$109,313 would be avoided as a result of this contract.

Respectfully submitted,

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