



Agenda Report

December 16, 2019

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (December 10, 2019)

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO ENTER INTO AGREEMENTS WITH THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA TO PURCHASE WATER THROUGH THE CYCLIC STORAGE PROGRAM

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA"), pursuant to State CEQA Guidelines per Section 15061 (b)(3), the "common sense exemption" in that CEQA applies only to projects which have the potential for causing a significant effect on the environment;
2. Authorize the City Manager, or his designee(s) to execute an agreement ("Cyclic Agreement") with the Metropolitan Water District of Southern California ("Metropolitan") for deliveries of water up to 10,000 Acre Feet ("AF") at any point in time in the cyclic account during the term of ten years; and any other documents and agreements to effectuate and administer the Cyclic Agreement.

The proposed contracts are exempt from Competitive Bidding and Competitive Selection pursuant to City Charter Section 1002(H), contracts with other governmental entities or their contractors for labor, materials, supplies or services and Pasadena Municipal Code Section 4.08.049(A), contracts with other governmental entities.

MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:

At its December 10, 2019 meeting, the Municipal Services Committee expressed general support for the concepts but did not take action on the staff recommendation. The Committee advised staff to bring forward an updated Agenda Report directly to the City Council and provided numerous suggestions that have been incorporated in this revised report.

BACKGROUND:

During some years, especially when there is higher than normal rainfall and snow levels, Metropolitan has more water supplies available than it can use or store. In these circumstances, Metropolitan financially incentivizes its members to take these excess water supplies and reduce their own water supplies and/or replenish groundwater. These types of water deliveries occur under an agreement called "Cyclic Agreement" which is between Metropolitan and its individual members such as the City of Pasadena ("Pasadena").

The underlying intent is that the water purchased under the Cyclic Agreement is in addition to the normal expected annual water purchase from the Metropolitan by the purchaser. The purchaser is required to maintain a cyclic water account, subject to review by Metropolitan. The proposed Cyclic Agreement limits water deliveries up to 10,000 Acre Feet ("AF") at any point in time in the cyclic account during the term of ten years. Under the terms of the Cyclic Agreement, Pasadena has the option to take water deliveries, but no obligation. Specific amounts of water, pricing, recordkeeping and other related documents such as, but not limited to, letter agreement(s) regarding schedule for deliveries and payment, In-Lieu Treated Deliveries to effectuate and administer the Cyclic Agreement are executed on an as-needed-basis.

There are only a few years that are wet enough for such excess water to be available under the Cyclic Agreement and during those years the incentive amount and available quantities are determined by Metropolitan. For the calendar year ("CY") 2019, under the Cyclic Agreement, Pasadena would be eligible for a reduction of \$141 per AF from the normal cost of \$1,050 per AF. Currently, there is no water available under the Cyclic Agreement beyond December 31, 2019.

Beginning in August 2019, Pasadena Water and Power ("PWP") reduced groundwater pumping and increased Metropolitan water purchases by about 2,000 AF. The intent for this shift was to reduce water supply cost for Pasadena rate payers and an opportunity to influence a long-term strategy to enhance local groundwater storage in the Raymond basin. If the City Council approves the Cyclic Agreement with Metropolitan, Pasadena plans to purchase 2,000 AF of water in CY2019 that would result in the following two major benefits.

1. Benefits to Pasadena Rate Payers

For water deliveries of 1,000 AF received in CY 2019, Pasadena ratepayers would benefit from the discounted cost of water by \$141,000 (discount of \$141 per AF for 1,000 AF) under the Cyclic Agreement and avoidance of annual cost escalation of \$28,000 (an increase of \$28 per AF for 1,000 AF effective January 1, 2020). Thus resulting in an overall cost savings of \$169,000.

2. Benefits to Raymond Groundwater Basin

Pasadena has a vested interest in enhancing storage and overall health of the Raymond groundwater basin. The groundwater provides security in case normal water supplies from Metropolitan are interrupted and it is a lower cost water

resource. Pasadena plans to sell the other 1,000 AF without a mark up to the Raymond Basin Management Board ("RBMB") who is responsible for the management of the Raymond groundwater basin. Pasadena is a member of RBMB and has 42% pumping rights in the Raymond groundwater basin. The RBMB would pay for the proposed 1,000 AF from its reserves without affecting Pasadena's current budget.

Pasadena is facilitating this transaction to benefit the Raymond groundwater basin because the RBMB is not a member of Metropolitan and has no individual pumping rights, and therefore it cannot directly purchase the water from Metropolitan nor participate in the Cyclic program.

The net cost of \$731,000 (\$731 per AF for 1,000 AF) to Pasadena would be reimbursed by the RBMB. The net cost of \$731 per AF to recharge the Raymond basin is the lowest cost of any water resource except natural surface water infiltration. This transaction is financially neutral to Pasadena ratepayers and does not affect the FY2020 budget but creates a sustainable remedial mechanism for the Raymond groundwater basin. Such sustained actions in the future would provide greater reliability of water supply and self-reliance to Pasadena.

In summary, this is an action to implement Pasadena's long-term objectives of reducing operating costs and the replenishment of the Raymond groundwater basin. The net impact of entering into the Cyclic Agreement with Metropolitan will allow PWP to purchase water at a discount, recharge the groundwater basin, and allow Metropolitan to use wet year water more efficiently. Although a small action, this agreement creates a shift in the RBMB to actively engage in efforts to improve the Raymond Basin, which is the foundation of long-term water supply reliability for Pasadena.

COUNCIL POLICY CONSIDERATION:

The proposed agreement is consistent with the City Council Strategic Planning Goal to increase conservation and sustainability. It supports PWP's Urban Water Management Plan adopted by the City Council in 2016 to provide water supply reliability and is consistent with the objectives of the Raymond Basin Management Board.

ENVIRONMENTAL ANALYSIS:

The proposed action is exempt from the California Environmental Quality Act ("CEQA"), pursuant to State CEQA Guidelines per Section 15061 (b)(3), the "common sense exemption" in that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The proposed action has an environmental benefit as it is an agreement that would enable PWP to use surplus water supplies from Metropolitan rather than pumping additional groundwater from the Raymond Basin.

FISCAL IMPACT:

As a result of these agreements, PWP will purchase approximately 2,000 AF of additional water in CY2019 at a discounted rate. In CY 2020, PWP will purchase 1,000 fewer AF and sell 1,000 AF to the RBMB to recharge the groundwater basin. A net savings of approximately \$169,000 is anticipated.

Respectfully submitted,



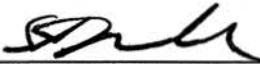
GURCHARAN S. BAWA
General Manager
Water and Power Department

Prepared by:



Brad Boman
Engineering Manager

Approved by:



STEVE MERMELL
City Manager