

# Agenda Report

**Date:** March 9, 1998

**To:** City Council

**From:** City Manager

**Subject:** Authorization to Enter into a Contract with: (a) Kinneloa Irrigation District (Kinneloa) to Purchase Water, Lease Groundwater Rights, and Establish Interconnections Between Kinneloa's and the City's Water Systems, and (b) Lincoln Avenue Water Company (Lincoln) and Kinneloa to Transfer and Exchange Groundwater Rights in the Raymond Basin

## **Recommendation**

It is recommended that the City Council authorize the General Manager of the Water and Power Department to enter into a contract without competitive bidding pursuant to Subsection 1002(H), contracts with other governmental entities or their contractors for labor, material, supplies, or services with (a) Kinneloa to purchase water, lease groundwater rights, and to establish an interconnection between their water systems and (b) Lincoln to transfer and exchange groundwater rights in the Raymond Basin from Kinneloa to Lincoln.

It is further recommended that this contract be granted total exemption from the Affirmative Action in Contracting Ordinance, Pasadena Municipal Code, Chapter 4.09 in accordance with Section 4.09.060(A)(3), contracts with other governmental entities for labor, material, supplies, or services.

## **Background**

The City of Pasadena (Pasadena), Kinneloa, and Lincoln are water purveyors with water rights in the Raymond Basin, which is an area of groundwater that underlies the City of Pasadena. The basin is comprised of three sub-basins: Monk Hill, Pasadena, and Santa Anita. Pasadena has water rights in both the Monk Hill and Pasadena Sub-basins, while Kinneloa only has water rights in the Pasadena Sub-basin, and Lincoln only has water rights in the Monk Hill Sub-basin. The Raymond Basin groundwater rights and groundwater storage space are administered by the Raymond Basin Management Board.

Kinneloa has approximately 500 acre-feet of excess groundwater every year in its Raymond Basin account after meeting its customers' normal demand. Kinneloa desires to sell Pasadena

any of this excess water that it can produce by operating its production facility at full capacity. Kinneloa intends to lease to Lincoln any of the said 500 acre-feet of groundwater that remains in Kinneloa's Raymond Basin account after the sale of water to Pasadena. The proposed contract has the following principles in its provisions:

1. The City will purchase the excess groundwater from Kinneloa for the period commencing May 1 and ending September 30 for the price that is 83.6% of the Metropolitan Water District (MWD) rate for the treated non-interruptible water that Pasadena normally pays for water purchase from MWD during this period. Beyond this period, Pasadena buys water from MWD at the shift seasonal storage rate, which is lower than the purchase price of excess water from Kinneloa. However, Pasadena still desires to have the right to buy the excess water from Kinneloa for the price specified above commencing October 1 of any year and ending March 1 of the following year, for emergency purposes.
2. The City and Kinneloa will establish an interconnection to facilitate the transfer of water from Kinneloa's water system to Pasadena's. Since Pasadena and Kinneloa will benefit from the interconnection, both parties will equally share the cost of installing the interconnection. Upon completion, Kinneloa will be responsible for the operation, maintenance, and repair of the interconnection.
3. Kinneloa wants to lease to Lincoln, subject to letter agreement, any of the said 500 acre-feet of groundwater that remains in Kinneloa's Raymond Basin account after the sale of water to Pasadena. Lincoln wants to lease the groundwater in the Pasadena Sub-basin from Kinneloa but Lincoln does not have any water rights in this sub-basin to make this transaction possible. Pasadena's assistance is needed to exchange the groundwater rights from Kinneloa to Lincoln through the exchange of equivalent water rights in the Pasadena and Monk Hill Sub-basins.

To facilitate this lease, Kinneloa will lease to Pasadena the groundwater in the Pasadena Sub-basin and in turn Pasadena will lease to Lincoln an equivalent amount of groundwater in the Monk Hill Sub-basin. Under this arrangement, Lincoln will pay Kinneloa for the leased groundwater and Pasadena will not be obligated to pay Kinneloa. Lincoln will pay Pasadena for Pasadena's cost of transferring groundwater rights from the Pasadena Sub-basin to the Monk Hill Sub-basin, which includes booster pumping cost, net well pumping cost as well as associated administrative cost.

4. In the event Kinneloa and Lincoln do not agree to a groundwater lease described in Item 3 above, then Pasadena would have the right to lease the remaining groundwater from Kinneloa through letter agreement. This option will give Pasadena the opportunity to save money if the lease price and Pasadena's cost to produce the water are lower than the MWD rate.

Under the terms of the proposed contract, Kinneloa will be responsible to meet the water quality standards required by the California Department of Health Services. Pasadena shall have the right to reject water for delivery to its distribution system that does not meet the said applicable standards. The proposed contract will have a two-year term that will expire April 30, 2000 with three additional one-year options to renew on the same terms and conditions upon agreement of the General Manager without further Council approval.

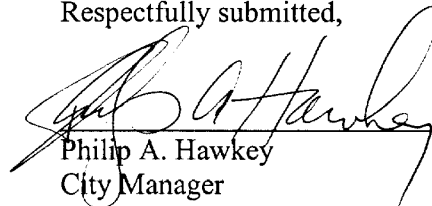
Staff estimates that Pasadena will save up to \$20,000 per year from the purchase of water from Kinneloa and will generate revenue of up to \$20,000 per year from the transfer of water rights to Lincoln. Pasadena will spend approximately \$10,000 for the installation of the interconnection. The water purchased and delivered through the interconnection will increase Pasadena's water system reliability.

The Environmental Administrator has determined that the contract and its related work are categorically exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15303 "New Construction or Conversion of Small Structures".

**Fiscal Impact**

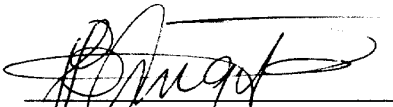
Funds have been allocated in the Water Division Capital Improvement Budget Number 1042, Don Benito/Murray Water Main for the construction of interconnection. In addition the water fund will receive up to \$20,000 per year under the proposed water rights transfer agreement.

Respectfully submitted,



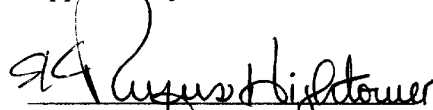
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