



REPORT TO COUNCIL

City of Sacramento

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

CONSENT
June 2, 2009

Honorable Mayor and
Members of the City Council

Title: Agreements: 2009 Drought Water Bank

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) authorizing the execution of a Sellers Agreement with the California Department of Water Resources (DWR); 2) authorizing a Consent to Groundwater Substitution Transfer agreement with Sacramento Suburban Water District (SSWD); and 3) authorizing the City Manager and the City Manager's designees to file a petition with the State Water Resources Control Board for temporary transfer of surface water and to take such other administrative actions as may be necessary to effectuate the sale of surface water to the 2009 Drought Water Bank.

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

Presenters: None

Department: Utilities

Division: Engineering Services

Organization No: 14001321

Description/Analysis

Issue: Authorizing the execution of these agreements will allow the City and SSWD to sell water to the 2009 Drought Water Bank operated by DWR.

Policy Considerations: The action requested herein is consistent with the Sacramento City Code, Title 3 and with the City of Sacramento Strategic Plan goals of improving and enhancing livability.

Environmental Considerations:

California Environmental Quality Act (CEQA):

On March 9, 2009, DWR filed a Notice of Exemption determining that the 2009

Drought Water Bank program is exempt from the California Environmental Quality Act (CEQA) based on the Governor's Proclamation declaring a State of Emergency due to Water Shortage, under CEQA's various emergency exemptions codified at Sections 21080(b)(3), 21080(b)(4) and 21172 of Public Resources Code. DWR's determination of exemption has been challenged in a lawsuit filed in Alameda County on April 13, 2009 by the Butte Environmental Council, the California Sportfishing Protection Alliance and the California Water Impact Network.

Rationale for Recommendation: The City's participation in the 2009 Drought Water Bank offers additional revenue to the Department of Utilities Water fund and provides water to other agencies that are in short supply of water due the drought.

Financial Considerations: The actual quantity of water that the City can transfer to the Drought Bank is not guaranteed and therefore the actual revenue to the City is unknown. The maximum revenue to the City for participating in the Drought Water Bank program is \$545,000. This includes \$275,000 from DWR and \$270,000 from SSWD.

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

Respectfully Submitted by:



David L. Brent
Engineering Services Manager

Approved by:



Marty Hanneman
ACM/Director of Utilities

Recommendation Approved:



for Ray Kerridge
City Manager

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Attachment 1**Background Information:**

Following two critically dry years, 2009 has the potential to be one of the most severe drought years in California's history. Water supplies in major reservoirs and many groundwater basins are already well below average. Court-ordered restrictions on water deliveries from the Delta have significantly reduced supplies from the state's two largest water systems. Climate change is reducing mountain snowpack – a critical source of natural water storage. Finally, California's population is growing rapidly, but our statewide water system has not kept pace.

Governor Schwarzenegger has proposed a comprehensive water plan to address the long term water needs of the state. Earlier this summer, he issued an executive order to address the statewide drought and declared a drought emergency for much of the Central Valley. In response to the Governor's executive order, the Department of Water Resources is implementing a number of actions now in preparation for a potentially dry 2009 and beyond.

With the assistance from public, state and federal agencies including the Bureau of Reclamation, DWR is implementing a Drought Water Bank for 2009. Since 2008 was a critically dry year and extremely low reservoir storage levels are forecast in 2009, DWR expects that some California water suppliers will need to supplement local and imported supplies with water transfers from willing sellers.

To implement the 2009 Drought Water Bank, DWR will purchase water from willing sellers upstream of the Sacramento-San Joaquin Delta. This water will be transferred using State Water Project or Central Valley Project facilities to water suppliers that are at risk of experiencing water shortages in 2009 due to drought conditions and that require supplemental water supplies to meet anticipated demands. Water acquired by the 2009 Drought Water Bank would be available for purchase by public and private water suppliers in California based on certain needs criteria as applicable.

The City is proposing to participate in the 2009 Drought Water Bank program by forgoing up to 1,000 acre feet of surface water diversion between July 1, 2009 and September 30, 2009, by pumping additional groundwater.

Per DWR's 2009 Drought Bank Agreement, the City will be reimbursed \$275 per acre-foot of surface water sold to the Drought Water Bank, determined based on the additional groundwater pumped between July 1st and September 30th 2009 compared to the same time period in 2008. Due to the uncertainty in water demands during this time period, the City can only provide an estimate with no guarantees. If the City were to forgo 1,000 acre feet, the revenue would be \$275,000. Since the City's 2009 Drought Bank Agreement had not yet been finalized when this report was submitted,

approval is requested for the City Manager to sign the agreement provided that it is in substantially the same form as the agreement on file in the Office of the City Clerk and is approved as to form by the City Attorney.

Sacramento Suburban Water District is also participating in the Drought Water Bank and is proposing to forgo up to 5,000 acre-feet of surface water diversion between July 1, 2009 and September 30, 2009 by pumping additional groundwater. Since SSWD receives surface water from the City under a wholesale water agreement for that portion of SSWD's service area that is within the City's surface water Place of Use, SSWD would be forgoing the receipt of this water during periods when lower American River flows exceed the Hodge flow criteria, by pumping additional groundwater. The proposed City-SSWD Agreement provides the City's consent for SSWD's sale of this water to the Drought Water Bank. The Agreement provides that SSWD will pay the City \$54 per acre-foot of forgone surface water to offset lost wholesale revenue, for maximum revenue to the City of \$270,000.

Prior to the sale of any forgone City surface water to the 2009 DWB, the City also will need to obtain approval of these temporary transfers from the State Water Resources Control Board.

Attachment 2

RESOLUTION NO.

Adopted by the Sacramento City Council

2009 DROUGHT WATER BANK AGREEMENTS

BACKGROUND

- A. Following two critically dry years, 2009 has the potential to be one of the most severe drought years in California's history.
- B. The California Department of Water Resources (DWR) is implementing a Drought Water Bank program for 2009, whereby DWR will purchase water from willing sellers upstream of the Sacramento-San Joaquin Delta for sale to downstream water suppliers that are experiencing water shortages in 2009 due to drought conditions.
- C. The City is proposing to participate in the 2009 Drought Water Bank program by forgoing up to 1,000 acre feet of surface water diversion between July 1, 2009 and September 30, 2009, by pumping additional groundwater. Per DWR's 2009 Drought Water Bank Agreement, the City will be reimbursed \$275 per acre-foot of surface water sold to the Drought Water Bank.
- D. Sacramento Suburban Water District is also participating in the Drought Water Bank and is proposing to forgo up to 5,000 acre-feet of surface water diversion by pumping additional groundwater. Since SSWD receives surface water from the City under a wholesale water agreement for that portion of SSWD's service area that is within the City's surface water Place of Use, SSWD would be forgoing the receipt of this water from the City during periods when lower American River flows exceed the Hodge flow criteria. The proposed City-SSWD Agreement provides the City's consent for SSWD's sale of this water to the Drought Water Bank, and provides that SSWD will pay the City \$54 per acre-foot of forgone surface water to offset lost wholesale revenue.
- E. Prior to the sale of any forgone City surface water to the 2009 DWB, the City also will need to obtain approval of these temporary transfers from the State Water Resources Control Board.

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 Department of Water Resources to participate in the 2009 Drought Water Bank Program – Seller, provided that the agreement is in substantially the same form as the agreement on file in the Office of the City Clerk and is approved as to form by the City Attorney.

Section 2. The City Manager is authorized to execute an Agreement between the City of Sacramento and Sacramento Suburban Water District for Consent to Groundwater Substitution Transfer.

Section 3. The City Manager and the City Manager's authorized designees are authorized to file a petition with the State Water Resources Control Board for temporary transfer of surface water and to take such other administrative actions as may be necessary to effectuate the 2009 Drought Water Bank sales described above.