REPORT TO COUNCIL
City of Sacramento

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

Consent
March 13, 2007

Honorable Mayor and
Members of the City Council

Title: Agreement: Fruitridge Vista Water Company Wholesale Water

Location/Council District: District 5 and 6

Recommendation: 1) Review and consider the Mitigated Negative Declaration prepared and adopted by the California Department of Health Services (DHS); and 2) adopt a **Resolution** authorizing the City Manager to execute a wholesale water agreement with the Fruitridge Vista Water Company.

Contact: Gary A. Reents, Director of Utilities (916) 808-1433, David L. Brent, Engineering Manager (916) 808-1420, Dan Sherry, Supervising Engineer (916) 808-1419

Presenters: Not Applicable

Department: Utilities

Division: Engineering

Organization No: 3332

Description/Analysis

Issue: The Fruitridge Vista Water Company (Company) is having difficulty supplying water to meet demands in part due to a number of wells identified as contaminated and shut down. In order to meet current and future water needs, the Company needs a replacement water supply. In 2006, the California Public Utilities Commission (CPUC) approved a settlement agreement between the Company and a number of developers, Sacramento County, and the Sacramento Housing and Redevelopment Authority, that requires the Company to enter into a wholesale water agreement with the City to satisfy part of its water supply. The agreement will provide the Company with 3.24 million gallons per day capacity. The agreement is attached to this report as Attachment 2.

Policy Considerations: This action is consistent with the Council focus area of Public Safety.

Environmental Considerations: DHS was the lead agency under CEQA for purposes of conducting environmental review for the various actions contemplated

under the Company's settlement agreement, which includes the construction of interties and booster pump stations to receive water under a wholesale water agreement with the City. DHS prepared and circulated an Initial Study and Mitigated Negative Declaration in accordance with the requirements of CEQA. DHS adopted the Mitigated Negative Declaration for the project on November 27, 2006. The agreement requires the Company to construct all facilities necessary to receive City water.

With respect to the DHS's Mitigated Negative Declaration, the City is considered a responsible agency under CEQA. Section 15096 of the CEQA Guidelines requires a responsible agency to consider the environmental effects of a project as shown in the environmental document prepared by the lead agency, prior to reaching any decision on the project. A copy of the Mitigated Negative Declaration adopted by the DHS has been provided under separate cover, and is available for public review in the Office of the City Clerk. The Mitigated Negative Declaration does not impose any mitigation, monitoring or reporting obligations on the City.

Rationale for Recommendation: The wholesale water agreement is part of a water supply that will allow the Company to supply water and meet fire protection needs in its service area.

Financial Considerations: Under the Agreement, the Company will pay the City capital facility connection fees of $5,676,345, as well as quantity charges for water delivered. The current charges for water delivered are $202.56 per acre foot + $150 month service charge. This rate is adjusted annually.

Emerging Small Business Development (ESBD): Not Applicable

Respectfully Submitted by: _____
David L. Brent
Engineering Manager

Approved by: _____
Gary A. Reents
Director of Utilities

Recommendation Approved:

Ray Kerridge
City Manager

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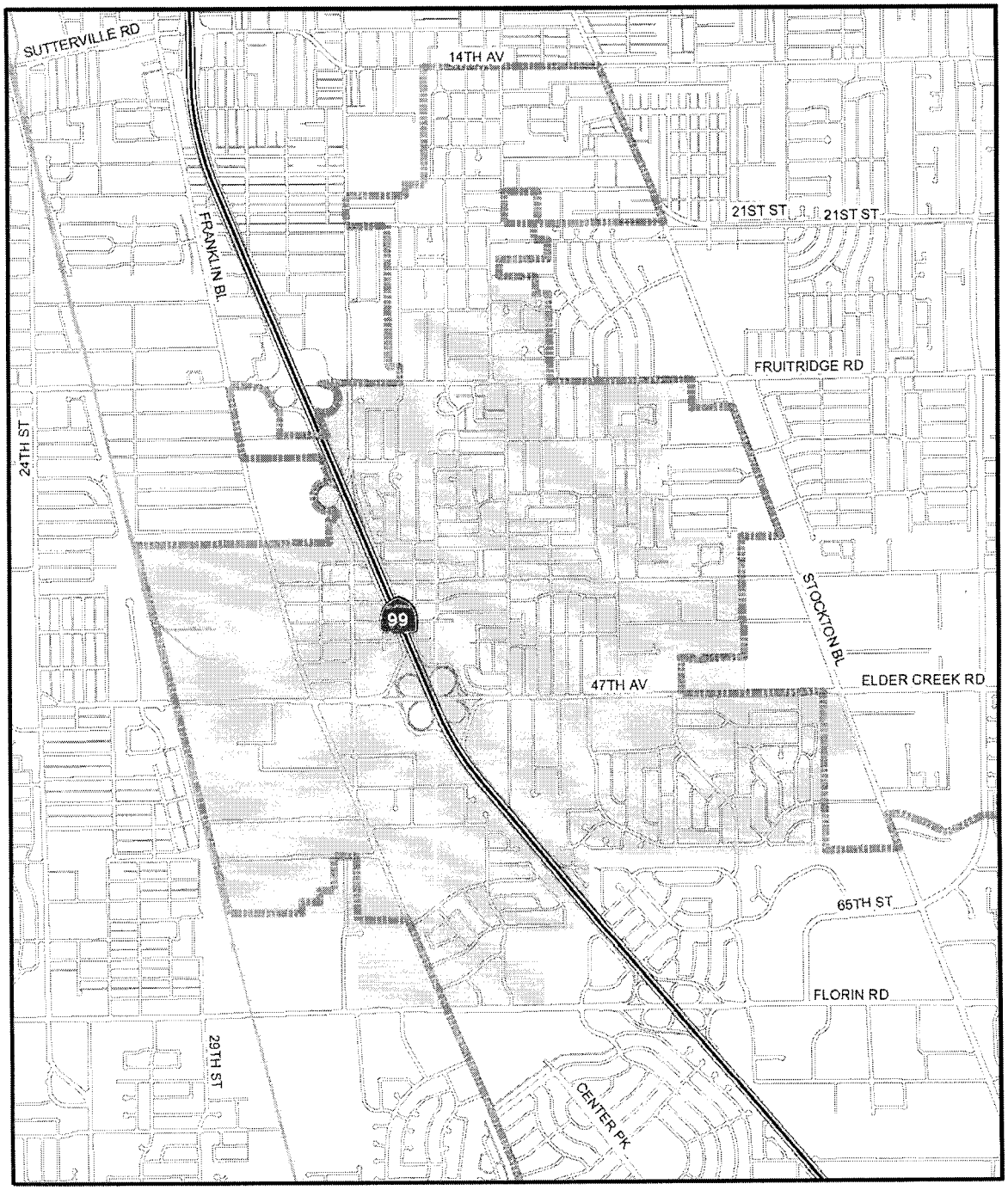
Attachment 1

LOCATION MAP



Fruitridge Vista Water Company

Service Area

Attachment 2

Background

The Fruitridge Vista Water Company (Company) is having difficulty supplying water to meet existing and future needs of the Company's service area. This is in part due to a number of its wells becoming contaminated and having to be shut down.

In 2006, a number of development project applicants, the County of Sacramento, and the Sacramento Housing and Redevelopment Agency filed complaints with the CPUC due to the Company's water supply deficiencies. The CPUC subsequently approved a settlement agreement which specifies a program to enable the Company to serve water to existing and proposed development. The program includes the construction of three new wells, and the construction of two interties with the City, which will allow surface water to be supplied to the Company. The settlement agreement requires that the Company enter into a wholesale water agreement with the City to supply this water.

Attachment 3

RESOLUTION NO.

Adopted by the Sacramento City Council

FRUITRIDGE VISTA WATER COMPANY MASTER WHOLESALE WATER SERVICE AGREEMENT

BACKGROUND

A. The Fruitridge Vista Water Company (Company) is having difficulty supplying water to meet demands in part due to a number of wells identified as contaminated and shut down. In order to meet current and future water needs, the Company needs a replacement water supply.

B. The California Public Utilities Commission approved a settlement agreement between the Company and a number of developers, Sacramento County, and the Sacramento Housing and Redevelopment Authority, that, among other provisions, requires the Company to enter into a wholesale water agreement with the City to satisfy part of its water supply demands. The wholesale water agreement will provide the Company with 3.24 million gallons per day capacity.

C. A mitigated negative declaration for the entire water supply project, which includes construction of the facilities needed to receive water under the City wholesale water agreement, was adopted on November 27, 2006, by the State of California Department of Health Services (DHS), acting as lead agency under the California Environmental Quality Act (CEQA). Under CEQA, the City, as a responsible agency, is required to consider the mitigated negative declaration adopted by DHS before approving the wholesale water agreement.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Council has reviewed and considered the information contained in the Mitigated Negative Declaration prepared and adopted by the State of California, Department of Health Services for a project that includes the construction of interties between the water supply facilities of the City and the Fruitridge Vista Water Company, to provide for the delivery of City water through these facilities in accordance with the provisions of the Agreement identified in section 2, below.

Section 2. The City Manager is authorized to execute the "Master Wholesale Water Service Agreement between the City of Sacramento and Fruitridge Vista Water Company."