REPORT TO COUNCIL
City of Sacramento

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Consent
June 21, 2007

Honorable Mayor and
Members of the City Council

Title: Approval of the Fiscal Year (FY) 2007/08 Operating Budget for the Sacramento City-County Office of Metropolitan Water Planning (CCOMWP)

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** to approve the FY2007/08 Operating Budget for the CCOMWP.

Contact: Kathy Howard, Administrative Analyst (916) 808-1995, Sarah Foley, Program Manager (916) 808-1997

Presenters: Not Applicable

Department: Utilities

Division: City-County Office of Metropolitan Water Planning

Organization No: 8810

Description/Analysis

Issue: The FY2007/08 Proposed Operating Budget includes estimated revenue and expenditures necessary to maintain staffing levels and fund prior program and service commitments in the new-year. In addition, the Proposed Budget addresses the next phase of the lower American River Flow Standard update project, an essential requirement of the Water Forum Agreement (WFA).

Policy Considerations: This report is submitted in compliance with the policy direction provided by the Sacramento City Council and Sacramento County Board of Supervisors in forming the CCOMWP, approving its work plan, and supporting the efforts of the Water Forum (City Agreement 2001-005).

Environmental Considerations: This recommendation does not constitute a "project" and therefore is exempt from the California Environmental Quality Act (CEQA) according to Section 15061 (b)(3) of the CEQA guidelines.

Commission/Committee Action: Approved by the Water Forum Coordinating Committee on April 18, 2007, and by the Water Forum Plenary on May 17, 2007.

Rationale for Recommendation: Approval of this Proposed Budget will enable the Water Forum to continue its services related to regional water resource issues in order to implement the Water Forum Agreement (WFA) (City Agreement No. 1999-222).

Financial Considerations: The CCOMWP Operating Budget for FY2007/08 is $1,871,408 (Fund 513 - $1,351,844 and Fund 514 -$519,564). This includes activities for the two co-equal objectives of the Water Forum Agreement outlined below.

Revenue obtained from the cost sharing partners for the WFSE is credited to Fund 513, and revenue obtained from the cost sharing partners for the HME is credited to Fund 514. These funds are interest bearing accounts that are held separate from the City of Sacramento's General Fund.

The decision to use undesignated fund balance from the WFSE (Fund 513) and HME (Fund 514) was made last year on April 11, 2006, when the Water Forum Coordinating Committee discussed and approved its use to support the activities associated with the adoption of a revised flow management standard for the Lower American River (LAR) in the amount of $428,851. A revised flow standard that is more protective of the aquatic resources of the LAR is one the WFA's seven elements and critical to meeting its co-equal objectives. These activities include modification of the U.S. Bureau of Reclamation's water right permit through the State Water Resources Control Board. In 2007 the CCOMWP, on behalf of the WFSE, will begin work on environmental documentation, including defining the scope of work and developing a project description and project alternatives. It is the intent of the CCOMWP to draw $428,851 from its WFSE fund balance (Fund 513) for this purpose during FY2007/08.

Water Forum Successor Effort (WFSE) $1,351,844 (Fund 513)

Funding for the WFSE portion of the budget is cost-shared by water purveyor signatories and is based on the number of water connections served by each entity. Sacramento Municipal Utility District (SMUD) and the El Dorado County Water Agency (EDCWA) are the exceptions to this arrangement.

SMUD's annual contribution is equal to a 2001 base amount of $10,000. This contribution is adjusted each year for inflation as set by the January issue of the "Engineering News Record" published construction Cost Indexes for US - 20 Cities Average and for the San Francisco Bay Area. The Annual adjustment index is calculated using the average of the cost indexes for these two areas, currently 1.052; this is multiplied by the prior year contribution amount.

EDCWA contributes a flat one percent of the total budget on behalf of the El Dorado Irrigation District and the Georgetown Divide Public Utility District, all of which currently have Water Forum Procedural Agreements.

As soon as EDCWA has negotiated a Specific Agreement, it will contribute to the Water Forum Successor Effort on the same basis as other purveyors that have Specific Agreements.

The City of Sacramento's cost-share amount is $267,888 for the WFSE budget and is included in the Department of Utilities FY2007/08 budget within its Water Fund (413) adopted by the Sacramento City Council on June 12, 2007. The other cost-sharing partners have agreed to their funding portions and will execute reimbursement agreements prior to the end of the FY2007/08.

Cost-sharing partners for the WFSE FY2007/08 operating budget (Fund 513):

County of Sacramento – Zone 13 (encompassing the pro rata share of all the water districts in the unincorporated area and the cities of Citrus Heights, Rancho Cordova and Elk Grove)	$486,613
City of Sacramento	267,888
City of Roseville	74,573
City of Folsom	36,901
Placer County Water Agency	19,803
San Juan Water District, (Placer County Service Area)	13,890
Sacramento Municipal Utility District	14,095
El Dorado County Water Agency	9,230
Sub-Total:	922,993
Use of undesignated Fund Balance	428,851
Total:	**$1,351,844**

Major expenditures projected for the FY2007/08 WFSE budget are:

- $132,300 for technical consultant services
- $225,007 for other services/supplies including leased office space and indirect costs paid to the City
- $160,000 for other professional services
- $405,686 for staff salaries and benefits
- $428,851 for Environmental documentation related to completion of revised lower American River (LAR) Flow standard

Habitat Management Element (HME) of the Water Forum Agreement $519,564 (Fund 514)

One of the obligations in the WFA is to fund an HME budget for lower American River projects and studies. The HME portion of the budget is funded by the City of Sacramento, County of Sacramento, and other diverters of non-Central Valley Project (CVP) water from the American River.

The WFA describes the cost-sharing among the Water Forum purveyors for the Habitat Management Element. Contributions by the City of Sacramento and County of Sacramento were initially set at $125,000 and $250,000 annually, respectively. These contributions are adjusted each year for inflation as set by the January issue of the "Engineering News Record" published construction Cost Indexes for US - 20 Cities Average and for the San Francisco Bay Area. The Annual adjustment index is calculated using the average of the cost indexes for these two areas, currently 1.052; this is multiplied by the prior year contribution amount.

For FY2007/08, the City of Sacramento's HME contribution is $164,592 and is included in the Department of Utilities operating budget within the Water Fund (413) adopted by the Sacramento City Council on June 12, 2007. Sacramento County's contribution, $329,185 is included as a part of the Sacramento County Water Agency's Zone 13 budget.

For FY2007/08, Golden State Water Company will contribute $3.00 per acre-foot of water purchased from SMUD as replacement water for supplies lost to groundwater contamination. The projected total contribution is $15,000.

In addition, other purveyor signatories to the WFA that divert non-CVP water from the American River will pay into the HME Fund. The cities of Folsom and Roseville, Placer County Water Agency and the San Juan Water District (Placer County service area) agreed to contribute $3 per acre-foot to the HME for diversions of non-CVP water over their 1995 baseline amounts. These contributions are also adjusted each year for inflation by the same method as described above.

Cost-sharing partners for the HME FY2007/08 operating budget (Fund 514):

County of Sacramento – Zone 13 (encompassing the pro rata share of all the water districts in the unincorporated area and the cities of Citrus Heights, Rancho Cordova and Elk Grove)	$329,185
City of Sacramento	164,592
Golden State Water Company	15,000
City of Roseville	6,462
San Juan Water District in Placer County	4,325
Total:	**$519,564**

The major expenditures projected for the FY2007/08 HME budget include:

- $484,349 for professional and technical services related to completion of a revised LAR flow management standard, implementation of the Fisheries and In-Stream Habitat Plan and consulting and mediation/facilitation for continued interest-based negotiations.

- $35,215 Operating services and supplies

Emerging Small Business Development (ESBD): None.

Respectfully Submitted by: _____
Thomas R. Gohring, Executive Director
City-County Office of Metropolitan Water Planning

Recommendation Approved:

for _____
Ray Kerridge, City Manager

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Attachment 1

Background Information:

- The Water Forum is a diverse group of business and agricultural leaders, citizens groups, environmentalists, water managers, and local governments (including the City of Sacramento) in the Sacramento region that have joined to fulfill two co-equal objectives:
    - Provide a reliable and safe water supply for the region's economic health and planned development to the year 2030; and
    - Preserve the fishery, wildlife, recreational, and aesthetic values of the lower American River

- In November 1999, after six years if intense interest-based negotiation, 40 stakeholder signatories (including the City of Sacramento) approved a comprehensive Water Forum Agreement (WFA) (City Agreement 1999-222).

- The WFA consists of integrated actions necessary to provide a regional solution to water shortages, environmental damage, groundwater contamination and limited economic prosperity. To make the WFA work over time, the stakeholders created the Water Forum Successor Effort (WFSE).

- City Agreement 2001-005 established the City-County Office of Metropolitan Water Planning (CCOMWP) to provide staffing and administrative support for the WFSE to the year 2030. Its objective is to promote the implementation and continued vitality of the WFA. It also specifies that all administrative arrangements of the CCOMWP will be processed according to the City of Sacramento's established policies and procedures.

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVAL OF THE FY2007/08 OPERATING BUDGET FOR THE SACRAMENTO CITY-COUNTY OFFICE OF METROPOLITAN WATER PLANNING

BACKGROUND

A. The Water Forum is a diverse group of business and agricultural leaders, citizens groups, environmentalists, water managers, and local governments (including the City of Sacramento) in the Sacramento region that have joined to fulfill two co-equal objectives:

- Provide a reliable and safe water supply for the region's economic health and planned development to the year 2030; and
- Preserve the fishery, wildlife, recreational, and aesthetic values of the lower American River

B. In November 1999, after six years if intense interest-based negotiation, 40 stakeholder signatories (including the City of Sacramento) approved a comprehensive Water Forum Agreement (WFA) (City Agreement 1999-222).

C. The WFA consists of integrated actions necessary to provide a regional solution to water shortages, environmental damage, groundwater contamination and limited economic prosperity. To make the WFA work over time, the stakeholders created the Water Forum Successor Effort (WFSE).

D. City Agreement 2001-005 established the City-County Office of Metropolitan Water Planning (CCOMWP) to provide staffing and administrative support for the WFSE to the year 2030. Its objective is to promote the implementation and continued vitality of the WFA. It also specifies that all administrative arrangements of the CCOMWP will be processed according to the City of Sacramento's established policies and procedures.

E. On April 11, 2006, the Water Forum Coordinating Committee approved the use of undesignated fund balance in the following year from WFSE (Fund 513) and the Habitat Management Element (HME) (Fund 514) to support the activities associated with the adoption of a revised flow management standard for the Lower American River (LAR). A revised flow standard that is more protective of the aquatic resources of the LAR is one the Water Forum Agreement's seven elements and critical to meeting its co-equal objectives. These activities include modification of the U.S. Bureau of Reclamation's water right permit through the State Water

Resources Control Board. In 2007 the CCOMWP, on behalf of the Water Forum Successor Effort, will begin work on environmental documentation, including defining the scope of work and developing a project description and project alternatives. It is the intent of the CCOMWP to draw $428,851 from its fund balances for this purpose.

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

Section 1. Approve the CCOMWP operating budget for FY2007/08 in the amount of $1,871,408. This includes revenue and expenditure activities for the Water Forum Successor Effort (WFSE) (Fund 513) and the Habitat Management Element (HME) (Fund 514) of the Water Forum Agreement.

Section 2. Establish the FY2007/08 Revenue Budgets for the City-County Office of Metropolitan Water Planning Fund for the WFSE and HME, as follows:

513-880-8810	$922,993
514-880-8810	$519,564

Section 3. Establish the FY2007/08 Expenditure Budgets for the City-County Office of Metropolitan Water Planning for the WFSE and HME, as follows:

513-880-8810	$1,351,844
514-880-8810	$519,564

Section 4. Authorize the use of the undesignated fund balances for Fund 513 in the amount of $428,851 to support the activities associated with the adoption of a revised flow management standard for the Lower American River (LAR).