



CITY COUNCIL AGENDA REPORT



DEPARTMENT: Public Works

MEETING DATE: April 16, 2019

PREPARED BY: Sean Sullivan, Public Works Division Manager

AGENDA LOCATION: AR-3

TITLE: Temporary Lease of 1,000 Acre Feet of Main San Gabriel Basin Water Production Rights from the Azusa Valley Water Company and Authorization to Purchase up to 200 Acre-Feet of Replenishment Water from Main San Gabriel Basin Watermaster

OBJECTIVE: To authorize a temporary lease agreement for 1,000 acre-feet of water production rights in the Main San Gabriel Basin from Azusa Valley Water Company, and the authorization for staff to purchase up to 200 acre-feet of replenishment water from the Main San Gabriel Basin Watermaster.

BACKGROUND: The City's water is supplied from the Main San Gabriel Groundwater Basin (Basin), which is managed by the Main San Gabriel Basin Watermaster (Watermaster). The Watermaster was created in 1973 pursuant to Judgment No. 924128, which adjudicated the water rights within the Basin and established a framework for the management and utilization of groundwater in the region.

Based on the legal framework established through the creation of the Watermaster, the City was granted water rights in the amount of 3.095% of the available annual safe-yield for the Basin as established by the Watermaster, plus a fixed 1,098 acre feet / year as a surface water diversion credit.

For Fiscal Year 2018/19, the Watermaster established a safe yield for the Basin at 150,000 acre feet of water. Given that allotment, the City's allocated water production right is 4,642 acre feet. When combined with the City's 1,098 acre feet of surface water diversion credit, Monrovia has 5,740.8 acre feet worth of water available through our by-right allocation for the current fiscal year.

Of particular note, if we produce more than 5,740.8 acre feet of water, the City is required to either purchase replenishment (replacement) water, either from the Watermaster directly, or from another agency with water rights in the Basin. If we fail to do so, the City is assessed a \$100 / acre foot penalty by the Watermaster.

The City's water demands and overall production have varied during the past several years, and during the five-year period between FY 2013/14 through FY 2017/18, the City produced an average of 6,945.85 acre feet of water per year, as outlined in the chart below.

Year	Total Water Production
FY 13/14	7,973.01
FY 14/15	6,874.82
FY 15/16	6,100.85
FY 16/17	6,580.52
FY 17/18	7,200.03

Based on actual water usage levels through March 2019, staff is currently projecting that we will produce around 6,950 acre-feet of water. Of note, this level of water usage is lower than our usage levels from a year ago, but higher than our five-year average.

Additionally, given our by-right production rates, the estimated 6,950 acre feet of water usage will require that we procure rights for an additional 1,209.2 acre feet of water production, pursuant to the analysis outlined below:

By-Right Water Production Rate: 5,740.8 acre feet
Estimated FY 2018/19 Usage: 6,950.0 acre feet
Additional Water Rights Needed: 1,209.2 acre feet

Under the adjudication of the Basin, when any member agency produces more water than it has in available production rights, that agency must then secure additional pumping rights from other Basin member agencies or purchase replenishment (replacement) water from the Watermaster directly. If the water producer fails to secure additional pumping rights or replenishment water, an administrative penalty of \$100 per acre-foot of water is assessed.

ANALYSIS: Based on three-quarters of the year of usage data for Fiscal Year 2018-19, staff is projecting a total annual production of approximately 6,950.00 acre feet. To supplement the City's annual by-right allocation of 5,740.1 acre-feet, staff is recommending the acquisition of up to 1,200 acre feet of water, through pumping rights and replenishment water, in order to meet our needs for this current year.

For Fiscal Year 2018-19, the price of replenishment water has been set at \$834 per acre foot by the local water wholesaler, Upper District. The established pricing structure also allows member agencies in the Basin to sell any excess water rights at 92% of the established price (\$767.28/acre foot). In addition, if no arrangements are made in advance of overproduction, through the purchase of either excess rights or replenishment water, the cost of overproduction water is \$934 per acre foot.

Azusa Valley Water Company has informed staff that they have an allotment of 1,000 acre-feet of production rights available for the City to lease. The City has purchased temporary lease rights from Azusa Valley Water Company every year since FY 2014-15 in varying quantities based upon need and availability.

In order to offset the possible remaining shortfall of approximately 200 acre-feet, staff is recommending that the City Council authorize staff to pre-purchase any necessary replenishment water directly from the Watermaster, in an amount of up to 200 acre feet. Making arrangements for the purchase at this time will save the City from the overproduction assessment that would be levied upon the water after July 1.

A summary of amounts and costs associated with this acquisition is as follows:

Source of Water	Cost / Acre Foot	Total Acre Feet	Total Purchase
Azusa Valley Water Co.	\$ 767.28	1,000	\$ 767,280.00
Main San Gabriel Basin Watermaster (if needed)	\$ 834.00	200	\$ 166,800.00
		TOTAL	\$ 934,080.00
Overproduction Assessment (if not pre-purchased)	\$ 934.00	1,200	\$ 1,120,800.00
		Net Savings	(\$ 186,720.00)

ENVIRONMENTAL IMPACTS: There are no environmental impacts associated with acquiring temporary lease rights for excess water production.

FISCAL IMPACTS: As outlined within this report, the combined total of the purchase from Azusa Valley Water Company and Main San Gabriel Basin Water Master would be \$934,080 and the necessary funding is available in the approved Operations and Maintenance Budget for this Fiscal Year. Of note, staff is seeking the authority to acquire 1,000 acre feet of water production rights through a temporary lease with Azusa Valley Water Company for \$767,280. In addition, staff is seeking the authority to acquire up to 200 acre feet of replenishment water from the Watermaster on an as-needed basis for \$166,800.

OPTIONS: The following options are provided for the City Council's consideration:

1. Approve the acquisition of 1,000 acre feet of water production rights through temporary lease from Azusa Valley Water Company in the amount of \$767,280, and authorize staff to purchase up to 200 acre-feet of replenishment water from Main San Gabriel Basin Watermaster in the amount of \$166,800, for a total authorized expenditure of \$934,080.
2. Request additional information from staff before taking action.

RECOMMENDATION: Staff recommends Option 1.

COUNCIL ACTION REQUIRED: If City Council concurs, the appropriate action would be a motion to approve the acquisition of 1,000 acre feet of water production rights through temporary lease from Azusa Valley Water Company in the amount of \$767,280, to authorize staff to purchase up to 200 acre-feet of replenishment water from Main San Gabriel Basin Watermaster in the amount of \$166,800, to authorize a total expenditure of up to \$934,080 for the purchase, and to authorize the City Manager to execute the necessary documents in a form approved by the City Attorney