

**CITY OF GOODYEAR  
COUNCIL ACTION REPORT**

<b>SUBJECT:</b> Approve the Amended and Restated Bulk Water Delivery Agreement, the Operation and Maintenance Agreement, and the First Amendment to the Amended and Restated Bulk Water Agreement between the City and Adaman Mutual Water Company and Adaman Irrigation Water Delivery District No. 36	<b>STAFF PRESENTER:</b> Barbara Chappell, Interim Public Works Director  <b>CASE NUMBER:</b> None.  <b>OTHER PRESENTER:</b> None.
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**PROPOSED ACTION:**

1. Approve the Amended and Restated Bulk Water Delivery Agreement between the city of Goodyear, Adaman Mutual Water Company, and Adaman Irrigation Water Delivery District No. 36.
2. Approve the New Well Facilities Operations and Maintenance Agreement between the city of Goodyear, Adaman Mutual Water Company, and Adaman Irrigation Water Delivery District No. 36.
3. Approve Amendment No. 1 to the Amended and Restated Bulk Water Agreement between the city of Goodyear, Adaman Mutual Water Company, and Adaman Irrigation Water Delivery District No. 36.

**BACKGROUND AND PREVIOUS ACTIONS:**

The city has developed water supply strategies to include partnerships with neighboring utilities. As an example of this approach, the city originally entered into an agreement with Adaman Mutual Water Company in 2007. The Current Agreement included the exclusive use of two wells that belong to Adaman and up to 4.4 MGD (million gallons per day) of groundwater from their service area.

**STAFF ANALYSIS:**

AMENDED AND RESTATED BULK WATER DELIVERY AGREEMENT

The current Bulk Water Agreement (the “Current Agreement”) is being amended and restated to address changes that have occurred since the effective date of the Current Agreement. There were some developments that precipitated the amended and restated agreement. The major changes between the Current Agreement and the Amended and Restated Bulk Water Agreement are discussed below.

The Amended and Restated Bulk Water Delivery Agreement was revised to reflect the completion and satisfaction of the city’s obligations in the Current Agreement. It was also amended to reflect the status of the regulatory approvals necessary for the city’s use of water delivered pursuant to the Bulk Water Delivery Agreement.

The Current Agreement provided for the delivery of up to 10 MGD but the Arizona Department of Water Resources (“ADWR”) only approved the delivery of up to 4.4 MGD. The Amended and Restated Bulk Water Agreement reflects the current limitations approved by ADWR and includes provisions that will allow for additional deliveries up to 10 MGD if supported by updated hydrology studies and approved by ADWR.

The Current Agreement required the city to convey the wells that the city developed to the Adaman Mutual Water Company. Adaman Mutual Water Company wanted the city to convey the wells to the Adaman Irrigation Water Delivery District No. 36 instead (the “Adaman Irrigation District”). The city did not conceptually object to the ownership of the wells by the Adaman Irrigation District, but was not willing to convey the wells to the Adaman Irrigation District until the city’s rights to the water from the wells the city developed were guaranteed. This necessitated the inclusion of the Adaman Irrigation District as a party to the Amended and Restated Bulk Water Delivery Agreement.

In order to increase pumping in the area to the maximum allowable amount (4.4 MGD), an agreement was reached to allow the city the rights to a well that had been drilled, but not equipped, generally located at the southeast corner of Loop 303 and Bethany Home Road. The Amended and Restated Bulk Water Delivery Agreement set forth the terms, including payment terms, and for the city to acquire the rights to the water from that well.

A project to expand arsenic treatment at the Site 21 Booster Station is underway to treat the additional water supply from this third well. Additionally, a transmission line has been designed and will be constructed to convey the flows from the third well to Booster Station 21.

#### OPERATION AND MAINTENANCE AGREEMENT

Historically the city has owned the property as well as operated and maintained the well sites. This Agreement is established to memorialize the operations and maintenance arrangement and allow for access to the sites that will be conveyed to the Adaman Irrigation Water Delivery District No. 36.

#### FIRST AMENDMENT TO THE AMENDED AND RESTATED BULK WATER AGREEMENT

Since Adaman had already signed the Amended and Restated Bulk Water Delivery Agreement, an amendment was drafted to allow for early payoff with no penalty after a \$100,000 down payment and 60 amortized payments of \$3,431 per month for the exclusive use of the third Adaman well in lieu of.

#### **FISCAL ANALYSIS:**

Per the Agreement, Goodyear is required to pay Bulk Commodity Fees for all water delivered pursuant to the Agreement, electricity related to the well sites the city utilizes, an administrative fee, and amortized payments for the sole use of the well. The city requested an amendment to the agreement that would allow for an early payoff with no penalty after 60 amortized payments for the exclusive use of Adaman well 3. If paid off early the lump payment would be programmed in

the CIP in 2023 or later and paid with appropriate capital funds. Amortized payments will be made from operating funds.

The Amended and Restated Bulk Water Delivery Agreement requires that the city reimburse Adaman, in an amount not exceed \$20,000 per city fiscal year for any reasonable engineering, consulting, and legal fees incurred by Adaman due to the city's request to take actions in connection with the Agreement. These terms were modified from the original Agreement, which allowed for a maximum cap of \$50,000 for reimbursement purposes based on Adaman's inability to fund these types of requests.

Once the third well is on line, annual expenses are estimated to be \$310,000. For the second half of FY18, expenses are estimated at \$150,000 and is available in the current operating budget.

**RECOMMENDATION:**

Staff recommends Council approve the Amended and Restated Bulk Water Agreement, Operation and Maintenance Agreement and the First Amendment to the Amended and Restated Bulk Water Agreement between the City and Adaman Mutual Water Company and Adaman Irrigation Water Delivery District No. 36.

**ATTACHMENTS:**

Amended and Restated Bulk Water Agreement  
New Well Facilities Operations and Maintenance Agreement  
Amendment No. 1 to Amended and Restated Bulk Water Delivery Agreement