

AGENDA ITEM #: \_\_\_\_\_

DATE: August 26, 2019

CAR #: 2019-6740



## CITY COUNCIL ACTION REPORT

**SUBJECT:** Approve CY2020 water order and capital expenditures for the Central Arizona Project (CAP).

**STAFF PRESENTER(S):** Gretchen Erwin, Water Resources & Sustainability Manager

**OTHER PRESENTER(S):** N/A

**Summary:** The purpose of this action is to authorize the funding of the annual water order of the city's full Colorado River allocation and to make the annual capital charge payment for CY2020 as required under the Municipal and Industrial (M&I) subcontract with the federal government.

**Recommendation:** Approve the FY2020 expenditures of \$2,980,656 to order the city's CAP M&I subcontract water and GRIC lease water and \$601,552 for the capital charge payment.

**Fiscal Impact:** The FY2020 budget includes \$3,500,000 in Water operating funds for the water order, and \$767,000 in Water operating funds in the CAP Subcontract Capital Charges project (60007) in the Capital Improvement Program.

### Background and Previous Actions

The Central Arizona Project (CAP) sets the rates for four (4) components of CAP water deliveries. These components include 1) Annual capital charges for making the canal system federal debt repayments; 2) Annual operations, maintenance, and replacement charges (OM&R); 3) Energy charges for transporting water; and 4) Recharge charges associated with those entities that require their CAP water recharged. The annual capital charges are invoiced to the city regardless of whether or not the city orders its water as part of the canal debt repayment schedule to the federal government.

The city has a federal contract (M&I Subcontract) for 10,742 acre-feet per year (AFY). The city also has a 100-year lease with the Gila River Indian Community for 7,000 AFY for a total of 17,742 AFY of Colorado River water that can be annually ordered and delivered by the CAP. The city must pay delivery costs (OM&R plus energy) only on the volume of water ordered annually. The city must pay capital charges every year on the 10,742 acre-feet of the federal contract as part of the CAP canal debt repayment. The city does not pay any capital charges on the 7,000 acre-

feet of CAP water associated with the Gila River Indian Community lease as these capital charges are paid by the United States.

The city did not order any of its available CAP water in calendar years 2018 and 2019 in order to provide additional funding for the Surface Water Treatment Facility project. Prior orders are listed below.

Previous CAP Orders (acre-feet)	
CY2019	0
CY2018	0
CY2017	8,744
CY2016	9,000
CY2015	7,299
CY2014	3,896
CY2013	1,825

## **Staff Analysis**

River water delivered through the CAP is the single largest renewable water supply within the city's water portfolio and ensures the city meets the Assured Water Supply criteria. Currently, the city cannot use that renewable supply directly but it can be recharged at a CAP recharge facility to offset our groundwater pumping. CAP water was not ordered in 2018 and 2019 so those funds could be used toward the Surface Water Treatment Facility project and hence, direct use. Long-Term Storage Credits (LTSCs) were recovered to meet the city's replenishment obligation to use renewable water for those two years. CAP water ordered for CY2020 will help to offset groundwater pumped in CY2020 as well as restore LTSCs to the city's water portfolio used in CY2018 and CY2019. Maintaining a robust LTSC account is crucial to the resilience of our water supply portfolio.

## **Attachments**

CAP CY2020 approved rates and CYs 2021-2024 projected rates. Projected rates assume a shortage on the Colorado River.