

AGENDA ITEM #: _____

DATE: September 23, 2019

CAR #: 2019-6714



CITY COUNCIL ACTION REPORT

SUBJECT: Groundwater Savings Facility Agreement with Salt River Valley Water Users' Association and the Well Lease and Credit Recovery Agreement with the Salt River Valley Water Users' Association and Salt River Project Agricultural Improvement and Power District

STAFF PRESENTER(S): Barbara Chappell, Deputy Public Works Director
Gretchen Erwin, Water Resources and Sustainability Manager

OTHER PRESENTER(S): N/A

Summary: Two agreements with Salt River Valley Water Users' Association (Association) are required to allow the city to store annually a specified volume of the city's Central Arizona Project (CAP) water in a Groundwater Savings Facility on the Salt River Reservoir District (SRRD) lands in return for Long-Term Storage Credits (LTSCs). When needed, the city will be able to recover the credits using the Association's wells and deliver the stored CAP water to the city using the Association's canals.

Recommendation:

1. Approve the Groundwater Savings Facility Agreement Between Salt River Valley Water Users' Association and city of Goodyear, Arizona.
2. Approve the Well Lease and Credit Recovery Agreement Among city of Goodyear, Salt River Valley Water Users' Association and Salt River Project Agricultural Improvement and Power District.
3. Authorize and direct the City Manager or her designee to take any and all actions to execute all documents necessary to carry out the intent of these agreements.

Fiscal Impact:

There will be new revenues and operational and administrative costs associated with these agreements, as detailed below.

Groundwater Savings Facility Agreement:

1. Storage at the Groundwater Savings Facility will begin in CY2020.
2. The Association shall pay to Goodyear \$25.00 per acre-foot for water stored in the SRRD lands. This will be remitted to Goodyear by the end of the month following the month during which the water was received by the Association.

This is a revenue we do not currently receive and will also reduce the recharge expense paid to CAP related to storage.

Well Lease and Credit Recovery Agreement:

1. Credit Recovery and Water Transportation to the city will not begin until after the surface water treatment facility construction is completed (December 2021) and then only on an as-needed basis.
2. Goodyear shall pay to Salt River Project (SRP) a Recovery Well Lease Fee of \$155.71 for each acre-foot of Goodyear LTSCs requested by Goodyear for recovery.
3. Goodyear shall pay to SRP a Water Transportation Fee of \$59.00 for each acre-foot in accordance with the Goodyear-SRP CSIF Lease and Water Transportation Agreement.
4. Beginning in the year Goodyear first requests recovery and transportation services under the agreement, Goodyear shall pay annually to SRP an Annual Administrative Fee of \$1,000.
5. Beginning January 1, 2020 and each January 1 thereafter, the Recovery Well Lease Fee and the Annual Administrative Fee shall be adjusted upward by the greater of (a) 3 percent, or (b) the percentage change in the CPI Index measured from the 3rd quarter to the 3rd quarter.
6. On January 1, 2022 and every 5 years thereafter, the Recovery Well Lease Fee and the Annual Administrative Fee shall be subject to revision based on an analysis of the costs incurred by SRP to operate, maintain, and replace the infrastructure associated with such fees.

The credits will not be needed unless there is inadequate surface water (emergency or shortage) to operate the surface water treatment facility. Staff will monitor surface water supplies and plan for future expenditures as necessary as part of the annual budget process. Under the current growth and supply projections, it is not anticipated that stored water credits will be withdrawn until FY2030.

Background and Previous Actions

The city has a Municipal & Industrial subcontract with the U.S. Bureau of Reclamation for 10,742 acre-feet per year (AFY) of Colorado River water and a lease with the Gila River Indian Community for 7,000 AFY of Colorado River water. Currently, the city cannot take direct delivery of the water until the first phase of the Surface Water Treatment Facility is complete (December 2021) which will allow for approximately one-half of the water to be treated and directly delivered to Goodyear customers.

Historically, the city has stored water in a CAP recharge facility earning LTSCs and recovered the LTSCs/water using wells within the city's service area.

On January 23, 2017, Council approved the agreement between the city of Goodyear and the Salt River Valley Water Users' Association and the Salt River Project Agricultural Improvement and Power District to deliver the city's CAP water allocation through their canal system to a point of receipt. This agreement resulted in the need for Goodyear to move ahead with the current Water Treatment and Raw Water Delivery project.

On January 22, 2018, Council authorized the purchase of approximately 28 acres of land situated west of the existing Goodyear Water Reclamation Facility on 157th Avenue for the site of the surface water treatment facility.

On April 23, 2018, Council approved the expenditure of funds for design services and owner's representative for the Water Treatment Facility and Raw Water Delivery Pipeline.

On December 17, 2018, Council adopted Resolution No. 2018-1924 authorizing the acquisition of any property rights necessary for the Water Treatment Facility and Raw Water Delivery Pipeline.

On August 26, 2019, Council approved the expenditure of the annual water order of the city's full Colorado River allocation and the annual capital charge payment for CY2020 as required under the Municipal and Industrial (M&I) subcontract with the federal government.

On August 26, 2019, Council also authorized expenditures of up to \$110,401,000 for all fees and costs to complete the Goodyear Water Treatment Facility and Raw Water Delivery Pipeline project.

Staff Analysis

Storing water at a CAP storage facility allows the city to earn LTSCs for recovery from city wells. Recovering LTSCs allows the city to meet its renewable water supply requirements as per our Designation of Assured Water Supplies; however, it does not add new wet water to the city. Storing water in the SRRD lands will allow the Association to recover those LTSCs and deliver the wet water to the city using their canals and the city's transmission line to the surface water treatment facility. This will increase the city's wet water supply.

Attachments

1. Groundwater Savings Facility Agreement Between Salt River Valley Water Users' Association and city of Goodyear, Arizona.
2. Well Lease and Credit Recovery Agreement Among city of Goodyear, Salt River Valley Water User's Association and Salt River Project Agricultural Improvement and Power District.