



Agenda Item # _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Mitch Ward and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Neil Miller, Director of Public Works

DATE: June 20, 2006

SUBJECT: Authorize the City Manager to Execute a Lease Agreement with Golden State Water Company for 440 Acre Feet of Groundwater Pumping Rights for a Price of \$75 per Acre Foot (\$33,000)

RECOMMENDATION:

It is recommended that the City Council pass a motion authorizing the City Manager to execute a lease agreement with Golden State Water Company for the lease of 440-acre feet of groundwater pumping rights at a cost of \$75 per acre foot (\$33,000 total).

FISCAL IMPLICATION:

Budgeted funds are available in the Water Fund for this lease. Total cost of the leased water rights would be \$75 per acre-foot x 440, or \$33,000. The lease of these water rights allows the City to participate in two cost saving water purchase programs: One, Water Rights retired in lieu of pumping (In Lieu), and two, Seasonal Storage water purchases (at a discounted cost) during years of surplus surface water. By leasing these water rights, water costs savings will be a minimum of \$37,400 to a maximum of \$112,200. The minimum savings results from the difference between the lease cost (\$75 per acre-foot) and the credit allowed in lieu of pumping (\$160 per acre-foot) offered by the Water Replenishment District to retire the pumping rights for one year. The maximum savings will result if the Metropolitan Water District, the City's supplier of imported water, offers a seasonal storage water purchase program for the year. The Seasonal Storage program is a discounted price incentive for pumpers to purchase surface water during years when surplus surface water from snow melt run-off is available. This allows the City to replace retired pumping rights with seasonal priced water. This year the seasonal water is priced at \$365 per acre foot. Normal purchase price of water is \$535 per acre foot. Therefore an additional \$170 per acre foot of water cost is saved for each acre foot of groundwater that is not pumped and retired in the in-lieu program.

BACKGROUND:

The Water Replenishment District of Southern California (WRD) together with Metropolitan Water District of Southern California (MWD) have established incentive programs during times of surplus water to encourage ground water pumpers (Manhattan Beach owns the rights to pump 1,161 acre feet of water per year) to conserve groundwater and instead purchase seasonally price

discounted water. The discounted water price from MWD along with the incentive from WRD to retire the pumping rights for the year is sufficient to make up the savings of pumping water vs. purchasing water at the regular price. In addition, since the City has the capacity to pump more water in a given year than we have water rights to pump, we are eligible to participate in the lease market for other pumpers water rights.

DISCUSSION:

The City has an opportunity to lease 440-acre feet of groundwater pumping rights from Golden State Water Company. These rights are available because Golden State has excess groundwater pumping rights. Water quality issues in the area of some of Golden State's wells renders some of their wells unusable. Therefore, Golden State is not able to pump all of the water for which they own rights to pump.

By leasing these water rights the City's water operation will realize net savings of a minimum of \$37,400 to a maximum of \$112,200 depending on how the water is used. Rather than pumping the additional water it is likely the City will return the water rights to the Water Replenishment District in exchange for the current "in lieu of pumping" incentive of \$160 per acre foot. Golden State is not eligible for the in lieu program as they have not pumped sufficient amounts of groundwater in the previous year to be eligible for the program.

Seasonal Storage

There also may be an opportunity to participate in "seasonal storage" for some or all of the additional water rights. Seasonal storage is an incentive program, offered by Metropolitan Water District (MWD), that helps conserve ground water supplies when surface water is plentiful. The incentive offered by MWD is to sell surface water at a price together with the in lieu incentive that results in a cost to the City less than the cost to pump ground water.

Staff's best projection is that the City could save an additional \$75,000 if the seasonal storage program is available to the City as it has been in other years when surface water is plentiful.

Attachments: A. Lease Agreement

cc: Golden State Water Company

Staff Report Instructions

(delete this entire section before turning in your report)

Titles:

- Due Tuesday by noon, two weeks prior to the meeting at which it will be presented
- Submit titles in writing to the Clerk's Office (hand-delivered or e-mailed)
- Include the following information: complete title, recommended action and placement on agenda, i.e., General Consent, General Business, Public Hearing

GIS Maps:

- Let Bonnie know Tuesday by noon, two weeks prior to the meeting at which it will be presented

Attorney's Office:

- Resolutions, ordinances and contracts must be submitted to the City Attorney's Office Wednesday by 5:00 p.m. two weeks prior to the meeting at which it will be presented

Submitting Staff Reports:

- Due to the Clerk's Office Monday by 5:00 p.m. one week prior to the meeting at which it will be presented
- Signed by everyone (but Geoff) in blue ink
- Printed single-sided on 8 ½ by 11" paper
- Two copies – unstapled original, stapled copy
- Include all supporting documents and attachments
- Mark all attachments (Attachment A, Attachment B, etc.)

Formatting:

- Margins set at L=1", R=1", T=1", B=1"
- 12pt. Times New Roman font
- Justified margins (both right and left margins should be even)
- Headings should be **BOLD & CAPITALIZED**

Processing:

- Clerk's Office assigns a number and returns approved report for final processing
- Need 18 stapled and 10 unstapled copies of the entire report (including attachments)
- Copies must be 3-hole punches, double-sided and returned to the Clerk's Office
- Once the report is returned for final processing it needs to be posted to the web

WATER RIGHTS LICENSE AND AGREEMENT

(West Coast Basin)

For a valuable consideration, the **Golden State Water Company** (Licensor) hereby grants the **City of Manhattan Beach** (Licensee) a license to extract **440** acre-feet of Licensor's Adjudicated Rights allocated to Licensor (or predecessors in interest) pursuant to Judgment, dated August 18, 1961, and entered in Los Angeles Superior Court Case No. 5-6806 entitled "California Water Service Company, et al vs. City of Compton, et al," during the period commencing **July 1, 2005** and including **June 30, 2006** for the amount of **\$33,000 (thirty-three thousand dollars)**

Said License is granted, subject to the following conditions:

- (1) Licensee shall exercise said right and extract the same on behalf of the Licensor during the period above specified and put the same to beneficial use and licensee shall not by the exercise hereunder of said right acquire any right to extract water independent of the rights of the licensor.
- (2) Licensee shall pay assessments levied upon the pumping of said groundwater by the Water Replenishment District of Southern California.
- (3) Licensee shall notify the District and the Watermaster that said pumping was done pursuant to this license and provide Watermaster with a copy of the document.
- (4) Licensee shall note, in any recording of water production for the period of this agreement that said pumping was done pursuant to this license.
- (5) Licensee's Adjudicated Rights shall be increased by the amount hereby leased when computing carryover or allowable over extraction as provided by Paragraph V in said Judgment.
- (6) Licensee acquires hereunder pumping rights only and should be responsible to provide the means and location to effect said pumping itself and shall bear the cost of said pumping.

The **Golden State Water Company** warrants that it has **440** acre-feet of Adjudicated Rights and it has not pumped and will not pump or permit or license any other person to pump any part of said **440** acre-feet during the period of **July 1, 2005** through **June 30, 2006**.

Dated: _____, 2006

**Licensor: GOLDEN STATE
WATER COMPANY**

**Licensee: CITY OF
MANHATTAN BEACH**

Geoff Dolan, City Manager

ATTEST:

XXX, City Clerk

APPROVED AS TO FORM:

XXX, City Attorney