

**Agenda**  
Sacramento Suburban Water District  
**Ad Hoc Water Banking and Transfer Committee**

3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821

Monday, May 18, 2015  
5:00 p.m.

Public documents relating to any open session item listed on this agenda that are distributed to the Committee members less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Committee concerning any item of interest. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The Committee Chair will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679-3972. Requests must be made as early as possible and at least one-full business day before the start of the meeting.

**Call to Order**

**Roll Call**

**Public Comment**

This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

**Items for Discussion and Action**

- 1. 2015 Water Transfer – Partnering with City of Sacramento**  
Receive report and consider partnering in a water transfer with City of Sacramento.

**Adjournment**

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**Upcoming Meetings:**

Thursday, May 21, 2015 at 5:00 p.m., Facilities and Operations Committee Meeting

Monday, June 15, 2015 at 6:30 p.m., Regular Board Meeting

Monday, July 20, 2015 at 6:30 p.m., Regular Board Meeting

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I certify that the foregoing agenda for the May 18, 2014, meeting of the Sacramento Suburban Water District Ad Hoc Water Banking and Transfer Committee was posted by May 15, 2015 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was made available to the public during normal business hours.

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Robert S. Roscoe  
General Manager/Secretary  
Sacramento Suburban Water District



## **Ad Hoc Water Banking and Transfer Committee**

### **Agenda Item: 1**

**Date:** May 15, 2015

**Subject:** 2015 Water Transfer – Partnering with City of Sacramento

**Staff Contact:** Dan York, Assistant General Manager

#### **Recommended Committee Action:**

Receive report on a water transfer partnership with City of Sacramento. Direct staff to request adoption of a resolution of the Board of Directors of the Sacramento Suburban Water District which would 1) Make Findings Under Water Code Section 1745.10, and 2) Authorize General Manager to Enter Into Agreements for Water Transfers, subject to approval by District legal counsel of any non-substantive changes to such agreements.

#### **Discussion:**

With California in a fourth year of a drought, the shortage of water supplies is causing economic projections to show serious impacts to farms, farm workers and agriculture related business. In response to these conditions, On April 1, 2015 the Governor of California issued Executive Order B-29-15016 to achieve a 25% reduction in statewide water use by the end of February 2016.

Many water agencies throughout the state imposed restrictions on water use to stretch their available supplies. The District is capable of providing 100% of its water supply demands to its customers with groundwater. To help protect and improve the North Sacramento Groundwater Basin (NSGB), the District has implemented conjunctive use programs. As part of its conjunctive use programs, the District has entered into two surface water supply contracts; a contract with Placer County Water Agency (PCWA) for untreated surface water delivered to Folsom Reservoir, which is diverted for treatment at San Juan Water District's water treatment plant and delivered into the District's North Service Area; and a contract with the City of Sacramento (City) for up to 20 million gallons a day of treated surface water delivered into the District's South Service Area transmission system.

Both sources of surface water have limitation on availability based on inflow to Folsom Lake or flows in the lower American River. Due to the drought conditions, the District cannot access either its PCWA or City surface water entitlements. Previous groundwater substitution transfers,

which were conducted in 2009, 2010 and 2013, used these sources to allow the District to conduct the transfers using only SSWD resources.

Various agencies are now offering to purchase available water supplies from north of the Delta for transfer to water users downstream of the Delta whose water supplies from the State Water Project and Central Valley Project have been significantly reduced or eliminated altogether.

The City, which is adjacent to the District, has been contacted by possible buyers south of the Delta. The City has indicated a willingness to partner with the District to transfer surface water by entering into an agreement under which the City would purchase groundwater from the District to enable them to make surface water available for transfer. The transfer window for one of the buyers is July 1<sup>st</sup> through August 31<sup>st</sup>. The transfer window for the other buyer is July 1<sup>st</sup> through September 30<sup>th</sup>.

The transfer structure would be the following:

- Transfer amount will be approximately 5,000 acre feet (af) over a maximum three month period.
- The City will exchange surface water diversions for District groundwater.
- The District will receive surface water credits from the City for water delivered during the transfer.
- The District will use its banked groundwater from the SGA Water Accounting Framework system during the transfer.
- During surface water delivery from the City, the District will build back its banked groundwater in the SGA Water Accounting Framework system to the quantity at the beginning of the transfer.
- The City's surface water deliver cost is \$332 af. The District's groundwater deliver cost in the South Service Area is \$109 af.
- Legal / Administration cost split is 50/50. Buyers are taking litigation risks.
- The City and the District will split revenues 50/50 received for the transfer. The current price for transfer water is in \$600 to \$700 af range due to the extreme drought.
- The District will only utilize fluoridated wells in the South Service Area during the transfer.

The water transfer is California Environmental Quality Act exempt under the current drought declaration. A Federal Contractor would require National Environmental Policy Act. The Long Term Water Transfer EIS/EIR was approved May 1, 2015. Both the District and the City are listed as potential sellers in the Long-Term Water Transfer Record of Decision. It provides the environmental coverage for 10 years (2015 thru 2025).

The potential increase in the District's pumping of groundwater supply will not adversely impact the groundwater basin because an increase in groundwater pumping will not cause overall extractions to exceed the sustainable safe yield of the basin as determined by the Sacramento Groundwater Authority. In addition, the District's previous efforts resulting in the banking of

over 190,000 acre-feet of exchangeable groundwater through in-lieu recharge have ensured that there is sufficient groundwater available for pumping without impacting basin sustainability.

The transfer could range from \$900,000 to \$1.4 million for the District's share of revenue. The revenue amount would depend on the amount of water transferred. The additional revenue could be used for water system maintenance and upgrades without any impacts on service. In addition, it could replace the lost revenue due to the District's current conservation measures to save a 32% reduction in water use.

Due to administrative tasks and short timeframes for submittals to participate in water transfers, staff is recommending the General Manager be given authority to take all actions necessary to execute these agreements for water transfer opportunities in 2015, and regularly report to the Board on the status of any transfer agreements.

**Fiscal Impact:**

The District's ratepayers will benefit from water transfer as it will generate additional revenues that can be used by the District for water system maintenance and upgrades without any impacts on service.

**Strategic Plan Alignment:**

4. Finance (C) – Combine sound and efficient business procedures with regular and simple reporting, ensuring proper handling and reporting of all District financial processes. Securing a water transfer agreement will provide revenue to assist in reducing District debt service.

## EXHIBIT 1

### 2015 WATER TRANSFER

#### TRANSFER STRUCTURE:

- Transfer between 2,500 and 5,000 af (depending on agreement with Bureau of Reclamation backing up water in Folsom, timing on getting agreements approved and available groundwater from SSWD).
- The City will exchange surface water diversions for SSWD groundwater.
- SSWD will receive surface water credits from the City for water delivered during the transfer. This will allow SSWD to build back their banked groundwater in the SGA Water Accounting Framework system to the quantity at the beginning of the transfer.
- Legal / Admin costs split 50/50.
- City and SSWD will split revenues received for the transfer 50/50.
- Utilize only SSWD wells that are currently fluoridated.

#### POSSIBLE BUYERS:

- Buyer #1 is interested in receiving 15K af south of the Delta, therefore, they need to purchase 22K af north of the Delta assuming a 30% loss through the Delta. Buyer would take water July 1st through August 31st. They are interested even with a limited transfer capacity.
- Buyer #2 is interested in as much water that can be provided from July 1<sup>st</sup> thru September 30<sup>th</sup>.

#### ENVIRONMENTAL:

- CEQA exempt under drought declaration.
- Federal Contractor would require NEPA. The Long Term Water Transfer EIS/EIR was approved May 1, 2015. It provides the environmental coverage for 10 years (2015 thru 2025).

#### PROs

- Benefits flow down the American River by cutting back diversions off American River at Fairbairn Treatment Plant.
- The current price for transfer water is in the \$600 to \$700 per AF due to extreme drought. The transfer scenarios could range from approximately \$1.8M to \$2.8M to be split 50/50 between the City and SSWD.
- Additional revenue could be used for additional conservation measures.
- Buyers would be taking on litigation risk.
- Test the SGA Water Accounting Framework structure.
- Several water transfers have been approved by the State Board last year and this year.

## **CONs**

- City and SSWD could be pulled into litigation even though buyer takes on full litigation risk.
- Possible operational challenges at FWTP.

## **NEXT STEPS:**

- SSWD to model their system to determine available fluoridated groundwater that could be available to offset City surface water. SSWD Confirmed they can provide approximately 5,800 af over a 90 day period (July, Aug, Sept).
- Get approval from Bureau of Reclamation on transfer and backing up water in Folsom Reservoir (if necessary).
- Approval from City Manager and SSWD to move forward negotiating with buyers.
- Approval from Sacramento County.
- Approval from Sacramento Groundwater Authority.
- Negotiate Buyer / Seller agreement.
- Explore if there are State Contractors interested in buying water from the City.
- Draft partnering agreement with SSWD.
- Negotiate Buyer / Seller agreement.
- Petition State Board for water rights transfer.
- City Council and SSWD Board approval on agreements.