



Staff Reports

File #: 1664-2018, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Philip Brun, Utilities Director

Prepared By: Joy Eldredge, Deputy Utilities Director

TITLE:

Contract for Water Supply from State Water Project

RECOMMENDED ACTION:

Authorize the Mayor to execute Amendment No. 16 to the Contract for Water Supply with Napa County Flood Control and Water Conservation District (“District”) (City Agreement No. 1482; and District Agreement No. 1573); and determine that the potential environmental effects of the actions authorized by Amendment No. 16 were adequately analyzed by the Final Environmental Impact Report for the Water Supply Extension Project, certified by the California Department of Water Resources on November 13, 2018.

DISCUSSION:

Since 1963 the Napa County Flood Control and Water Conservation District (“District”) and the California State Department of Water Resources (“DWR”) have been party to the State Water Supply Agreement “Agreement.” The District represents the only three entities, also referred to as “Member Units”, in Napa County that own water supply entitlements as part of the State Water Project: City of Napa, American Canyon and Calistoga. This contracting relationship was a common practice during the establishment of the State Water Project to limit the number of agreements for the statewide project. At the time the agreement was established there were five member units, however over the last five decades consolidation of water entitlements has occurred within Napa County leaving only the three aforementioned Cities holding water right entitlements. On behalf of the three Cities, the District is a member of the State Water Contractors Association, which is comprised of all 29 entities statewide that contract for State Water Project water.

The terms of the Contract between City of Napa (City) and the District are specified in District Agreement No. 1573 (City Agreement No. 1482), hereinafter “Contract”, entered into on April 5, 1966, and subsequent amendments Nos. 1 - 15.

This Amendment No. 16 to the Contract authorizes the District, on behalf of the City, to execute Amendment No. 25 to the Agreement with DWR. The Amendment No. 25 is the result of a multi-year negotiation between the State Water Contractors Association and DWR. Staff has been informed throughout the lengthy process and in 2014 the City Council adopted Resolution R2014-180 to approve the Agreement in Principle concerning extension of the terms of the Agreement and increased financial oversight of DWR.

The term of Amendment No. 25 is through December 31, 2085, or latest bond maturity date. This results in a 50-year extension from the current 2035 State Water Project contract period. This term is important because it allows DWR to extend the period for which it issues bonds for major capital projects and normalizes costs over a longer period of time. This is desired and fair since the major infrastructure projects will benefit future generations and ensure proportionate shares are paid over time by those beneficiaries.

The articles that are amended in the attached Amendment No. 25 to the Water Supply Agreement between the District and DWR focus on cost escalations and financial accountability and are summarized as follows:

-Articles 22 through 29, 50 and 51 are deleted in their entirety and amended as shown on Exhibit A.

- Article 22 Delta Water Charge
- Article 23 Transportation Charge
- Article 24 Capital Components of Transportation Charge
- Article 25 Minimum Operation, Maintenance, Power and Replacement Component of Transportation Charge
- Article 26 Variable Operation, Maintenance and Power Component of Transportation Charge
- Article 27 Transportation charge repayment schedule
- Article 28 Delta Water Charge and Transportation Charge Redetermination
- Article 29 Time and Method of Payment of Delta Water Charge and Transportation Charge
- Article 50 defines the Water System Facility Revenue Bond Financing Costs
- Article 51 defines the Financial Adjustments to be made and ensure accountability of funding through and after transition to an extended Contract period

-Article 61 is added as shown on Exhibit B and defines the financial accounts and activities including a process to review and justify account balances according to identified needs.

-Appendix B is added as shown on Exhibit C and defines the system reporting principles that will be employed to ensure financial accountability.

This Amendment No. 16 between the City and the District shall become effective when Amendment No. 25 to the State Water Supply Agreement becomes effective. Amendment No. 25 can only be defined in its entirety when written confirmation of participating agencies is received.

FINANCIAL IMPACTS:

There are no immediate financial impacts to the Water Fund as a result of this Amendment No. 16. However, future costs for State Water Project water will be based on the amended cost calculations contained in Amendment No. 25 to the State Water Supply Agreement and will be passed on to the City of Napa pursuant to Amendment No. 16 between the City and the District.

CEQA:

As the lead agency under the California Environmental Quality Act (“CEQA”), the California Department of Water Resources (“DWR”) certified the Environmental Impact Report for the Water Supply Extension Project on November 13, 2018 (“EIR”). As a responsible agency under CEQA, City staff recommends that the City Council determine that the EIR certified by the DWR adequately analyzes the potential environmental effects of Amendment No. 16 (in accordance with CEQA Guidelines Sections 15050 and 15096).

DOCUMENTS ATTACHED:

ATCH 1 - Amendment No. 16 to Napa County Flood Control and Water Conservation District Agreement No. 1573 (City Agreement No. 1482) with Exhibits A-C.

ATCH 2 - Resolution 2014-180 Approving an Agreement in Principle Concerning Extension of the State Water Project Water Supply Contract.

ATCH 3 - Link to the Final EIR - Water Supply Contract Extension Project, November 2018

NOTIFICATION:

Phillip M. Miller, District Engineer, Napa County Flood Control Water Conservation District