



Meeting Date: 04/11/2006

ACTION	TYPE OF ITEM
<input checked="" type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Tamara Sexton *ts* Agenda Item No. I-4  
 Reviewed By: City Manager *[Signature]* City Attorney *pk* Finance *[Signature]* Other *N/A*

**DATE:** April 3, 2006

**TO:** City Council

**FROM:** Anthony Emmert, Acting Water Superintendent *[Signature]*  
Public Works Department

**SUBJECT:** Agreement Between United Water Conservation District and the City of Oxnard for the Delivery of Supplemental Municipal and Industrial Water

**RECOMMENDATION**

That City Council:

1. Approve and authorize the Mayor to execute an Agreement Between United Water Conservation District and the City of Oxnard for the Delivery of Supplemental Municipal & Industrial Water, Agreement No. A-6678.
2. Approve the appropriation of funds in the amount of \$1,061,258 from the Water Fund Balance to Water Procurement for water resources from the Supplemental Municipal & Industrial Water Program.

**DISCUSSION**

The City of Oxnard Water Division is continually looking for opportunities to maximize its use of local groundwater. Groundwater is typically the least cost source of potable water.

The Fox Canyon Groundwater Management Agency ("GMA") recently approved the "Supplemental Municipal & Industrial Water Program." This Program allows Calleguas Municipal Water District ("CMWD") to transfer certain groundwater pumping credits to United Water Conservation District ("UWCD"). UWCD then makes these groundwater pumping credits available for the benefit of its Oxnard-Hueneme Pipeline ("OH Pipeline") contractors. The City, as UWCD's largest OH Pipeline contractor, is the primary intended beneficiary for this program.

The Agreement Between United Water Conservation District and the City of Oxnard for the Delivery of Supplemental Municipal & Industrial Water ("Agreement") establishes the framework through which the City will access these additional groundwater pumping credits. The cost for these credits is composed of three components: a) the costs of obtaining the water through the OH Pipeline, as

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provided in the current City-UWCD OH agreement, b) a relatively small UWCD surcharge intended to reimburse UWCD for its administrative costs of implementing the Program, and c) a CMWD surcharge, initially established at \$128 per acre foot, which reimburses CMWD for a portion of its amortized costs associated with generating the credits for the Program. CMWD generates these credits through its Calleguas Conejo Creek project, which is a partnership between CMWD, Camrosa Water District and Pleasant Valley Water District.

The credits will only be available in certain "wetter" years, as provided in the GMA approved Program. In these wetter years, the Program credits should be available in 3,000 to 4,000 acre-foot annual increments. The Agreement does provide the Water Division with immediate access to approximately 7,750 acre-feet of credits, which have accumulated since the GMA first approved the Program.

**FINANCIAL IMPACT**

Funds in the amount of \$1,061,258.00 will be appropriated from fund balance 601-Water Operation to 601-6010-843-814x. There are sufficient funds in the Water Fund Balance to fund the request. Ultimately, expenditures for the Program will be offset by reduced costs for the purchase of imported water. Future costs will be budgeted in the Water Fund 601, as an element of the overall water supply costs.

(TS)

Attachment #1 – Agreement Between United Water Conservation District and the City of Oxnard for the Delivery of Supplemental M&I Water – A-6678  
#2 - Special Budget Appropriation

**AGREEMENT BETWEEN UNITED WATER CONSERVATION DISTRICT AND THE CITY OF OXNARD FOR THE DELIVERY OF SUPPLEMENTAL M&I WATER**

UNITED WATER CONSERVATION DISTRICT ("United") and the CITY OF OXNARD ("Oxnard") enter into this Agreement for the Delivery of Supplemental M&I Water ("Agreement") on this 11<sup>th</sup> day of April, 2006, in Ventura County, California. United and Oxnard are collectively referred to as the "Parties" and individually, as a "Party".

**RECITALS**

This Agreement is entered into with reference to the following facts:

a. United and its Oxnard/Hueneme ("OH") pipeline customers, including Oxnard, are parties to the "Water Supply Agreement for Delivery of Water Through the Oxnard/Hueneme Pipeline," dated July 1, 1996, which provides for delivery of potable water through the OH Pipeline. This agreement has been amended twice: Amendment No. 1, dated January 2002, and Amendment No. 2 dated January 2003. This agreement, as amended, is referred to as the "OH Agreement".

b. United and Calleguas Municipal Water District ("Calleguas") are parties to an agreement entitled "Agreement between Calleguas Municipal Water District and United Water Conservation District regarding the Supplemental M&I Water Program" ("Supplemental M&I Water Agreement") under which Fox Canyon Groundwater Management Agency ("GMA") credits will be transferred from Calleguas to United for use in a GMA approved groundwater management program referred to as the "Supplemental M&I Water Program".

c. The Supplemental M&I Water Program (or the "Program") was approved by the GMA as a policy under which GMA groundwater credits earned as a result of the Conejo Creek Project will be transferred from Pleasant Valley County Water District ("PVCWD") to Calleguas and then to United. These credits will allow additional pumping of groundwater for delivery to United's participating OH Contractors.

d. The purpose of this Agreement is to set forth how the Supplemental M&I Water Program will be implemented by United and how Oxnard, as an OH Contractor, will participate in the Program.

NOW, THEREFORE, THE PARTIES HEREBY MUTUALLY AGREE as follows:

**1. DEFINITIONS**

The defined terms provided in the OH Agreement are specifically incorporated herein. This Agreement refers to the following additional terms:

a. "Program:" the GMA approved Supplemental M&I Water Program, implemented through the terms of this Agreement.

b. "Program Year:" the period from July 1 through June 30 during the term of this Agreement. The first Program Year shall be from June 1, 2004 through June 30, 2005, and the final Program Year shall be from July 1 of the beginning of that final year through the date this Agreement is terminated.

c. "Credit:" the right to pump one (1) acre-foot of groundwater under the GMA ordinances and GMA policy applicable to the Program, without payment of GMA surcharges.

d. "Program Water:" the water pumped and delivered by United pursuant to this Agreement.

e. "Participant:" an OH Contractor who has elected to participate in the Program and who has executed this Agreement. Oxnard is a Participant.

f. "Calleguas Surcharge:" one component of the cost per acre-foot paid by a Participant to United for Program Water, which will ultimately be paid to Calleguas.

g. "United Surcharge:" one component of the cost per acre-foot paid by a Participant for Program Water.

## 2. IMPLEMENTATION OF THE PROGRAM

### a. Incorporation of OH Agreement

The OH Agreement is incorporated in and made a part of this Agreement. All of the terms and conditions of the existing OH Agreement will remain in effect for all Contractors, including, without limitation, the payment and cost provisions. In particular:

(1) This Agreement does not change the Peak Capacity Allocation of any Contractor.

(2) This Program shall not increase the cost of OH water received by any Contractor under the terms of the OH Agreement.

### b. Participation Optional

(1) The purchase of Program Water provided in this Agreement shall be available to each OH Contractor on a voluntary basis, provided, however, that Contractors who are not members of Calleguas will not be entitled to receive any reimbursements from Metropolitan Water District of Southern California (MWD) or from Calleguas that may become available to Calleguas' customers. The Program shall not adversely affect OH Contractors who do not participate. OH Contractors may elect to participate or to not participate in the Program in any given Program Year.

(2) Program Water offered pursuant to this Agreement will be made available

only to present and future OH Contractors. Participation by any future Contractors will be subject to Section 4C and other relevant terms of the OH Agreement.

c. Annual Notification

Beginning on April 30, 2006, and annually on or before April 30 of each year thereafter, United shall provide written notice to all OH Contractors of the volume of Program Water to be available for the following Program Year. Before May 15, each OH Contractor shall notify United in writing of the amount of Program Water, if any, that Contractor would like to receive during the following Program Year. The amount of Program Water requested or received, however, shall not alter the participating Contractor's OH Suballocation as established by the OH Agreement.

d. Proportional Deliveries to Participants

(1) United shall be solely responsible for determining the amount of Program Water available each Program Year. In some years, no Program Water will be available.

(2) In the event the participating Contractors request more Program Water than is available, United shall allocate the available Program Water in proportion to each requesting Contractor's OH Suballocation. Provided, however, United shall have the right to determine how the available Program Water will be distributed among participating Contractors to accommodate any special need or hardship.

(3) On or before May 31 of each year, United will notify each Participant of how much Program Water will be available for its use during the following Program Year.

(4) On or before June 30 of each year, each Participant shall notify United of the Participant's proposed monthly schedule for receiving its allocated Program Water. Each Participant shall have flexibility to schedule its Program Water deliveries all in any given month or in increments through the Program Year, based on capacity available in the OH Pipeline. The Program is intended to allow flexibility for OH Participants to schedule and receive Program Water, subject to the payment terms of this Agreement.

e. Delivery of Program Water

Program Water will be physically received by each OH Participant in the same manner as that Participant receives OH water. The Program Water will be delivered through existing turnouts and will be metered along with normal OH deliveries. No special meter readings will be required. Meter readings will be made once each month as is currently accomplished pursuant to the OH Agreement.

f. Payment for Program Water

The cost of the Program Water shall consist of the applicable OH Agreement rate (marginal or variable rate), the United Surcharge and the Calleguas Surcharge. Participant shall pay for Program Water at the same frequency provided for payment for water obtained pursuant to the OH Agreement. However, with United's prior approval of specific terms and conditions,

Participant may pay for Program Water in advance of receiving the Program Water. Upon receipt of payment, the corresponding amount of Credits for the Program Water paid for will be added to Participant's OH Subcredit balance.

(1) OH Agreement Rates

Participants shall, in addition to paying the Calleguas Surcharge and United Surcharge described below, pay the same rate for Program Water that they pay for deliveries of OH water. For example, if some Program Water is received during the Program Year prior to a Contractor taking receipt of 75% of its OH suballocation (including both OH water and Program Water), the Participant shall pay the variable rate for that Program Water. If the Participant receives some Program Water after taking delivery of at least 75% of its OH suballocation (including both OH water and Program Water), it shall pay the marginal rate for that Program Water. Each Participant shall pay its unrecovered variable costs in accordance with the OH Agreement.

(2) Calleguas and United Surcharges

In addition to paying normal OH rates for Program Water, Participants will also pay two surcharges for the Program Water, a Calleguas Surcharge and a United Surcharge.

(a) Beginning with the Program Year 2006-07 (July 1, 2006), the Calleguas Surcharge shall be \$128 per acre-foot. Beginning on July 1, 2007, the Calleguas Surcharge shall be adjusted annually on July 1 each year based on the Consumer Price Index and the methods provided in section 4 of the Supplemental M&I Water Agreement, unless otherwise agreed to by the Parties in writing. The Calleguas Surcharge will be established in accordance with section 4 of the Supplemental M&I Water Agreement. The surcharge for Calleguas' customers may be set at a different rate than the surcharge for OH customers who are not Calleguas customers. After payments for this surcharge are received by United from each Participant, these payments will be in turn remitted to Calleguas as further provided in the Supplemental M&I Water Agreement.

(b) Beginning in Program Year 2006-07, the United Surcharge shall be determined by United to compensate United's OH Fund for any additional water losses, maintenance, operational, and administrative costs resulting from the management and delivery of Program Water, not otherwise recovered through the cost of water provided in section 2(f)(1) of this Agreement. United will separately account for all administrative and other costs associated with the Program. The amount of actual costs that are required to implement and maintain the Program will be considered when revising the United Surcharge each year. The intent of the United Surcharge is to ensure that the Program has a negligible cost impact, neither beneficial nor adverse, on OH Contractors that are not Participants.

(c) United will notify each Participant on or before April 30 of each year of the Calleguas Surcharge and the United Surcharge in effect for the following Program Year. If changes to the United Surcharge are made within any Program Year, each Participant will be given at least 60 days' written notice prior to such changes.

g. GMA Credits

United and Calleguas will be solely responsible for obtaining necessary approvals and complying with all GMA-related policies. Program Water shall only be delivered during periods allowed by GMA-approved policy. Each month United will transfer to Participant's OH Subcredit balance, a Credit for each acre-foot of Program Water paid for by the Participant. Participant's Subcredit balance will be held in trust for the Participant, and cannot be transferred out of the OH system without approvals by United and the GMA.

h. Water Losses

The OH Pipeline system is subject to water losses, and any water losses associated with delivery of Program Water will be treated the same as water delivered under the OH Agreement. As provided in section 2(f)(2)(b), United may take into account appreciable water losses due to the Program Water delivered through the OH Pipeline system in setting the United Surcharge.

3. PROGRAM YEARS 2004-05 and 2005-06

The Parties agree that for Program Years 2004-05 and 2005-06, 7,753.4811 acre-feet of Credits are available to Oxnard and by signing this Agreement Oxnard shall have reserved the full 7,753.4811 acre-feet of Credits. Within 30 days of the signing of this Agreement, Oxnard shall pay United a total United Surcharge of \$93,041.77, and Calleguas a Calleguas Surcharge of \$968,215.95. Upon delivery of the above payments, these Credits shall be allocated to Oxnard within its OH Subcredit balance. Oxnard shall pay United the then applicable OH Agreement water rates, as provided in section 2(f)(1) above, when Oxnard elects to make use of these Credits.

4. OXNARD'S PARTICIPATION

Oxnard agrees to participate in the Program described herein and be bound by all of the terms and conditions of the Program and this Agreement.

5. CURTAILMENT

United may curtail the delivery of Program Water pursuant to this Agreement in any given year due to water quality problems, groundwater supply constraints, or other considerations consistent with the GMA policy related to the Program. United will provide at least 60 days written notice to Participants before curtailing the Program in any year. Participants may advise United in writing of what impacts curtailment will have on their water supply. Before curtailing deliveries of Program Water to OH Participants in any year, United will evaluate and consider the water supply needs of those OH Participants.

6. RECORD KEEPING AND AUDIT

(a) United shall establish and maintain accounting records of all Credits that GMA transfers from Calleguas and that are used to pump Program Water from the OH wellfield, including records of monthly balance, deposits, withdrawals, and annual water losses. Records