APPROVE SUPPLEMENT NO. 2 TO THE WATER SUPPLY AND COST ALLOCATION AGREEMENT WITH THE CALIFORNIA WATER SERVICE COMPANY, LINCOLN VILLAGE MAINTENANCE DISTRICT AND COLONIAL HEIGHTS MAINTENANCE DISTRICT

RECOMMENDATION

It is recommended that the City Council approve a motion authorizing the City Manager to:


It is further recommended that the City Manager be authorized to take appropriate actions to carry out future supplements to the Stockton East Water District Treated Water Supply and Cost Allocation Agreement between the City of Stockton, California Water Service Company, Lincoln Village Maintenance District, and Colonial Heights Maintenance District.

Summary

This action, if approved, would authorize the City Manager to amend the allocation of treated water supplied by the Stockton East Water District (SEWD) to the City. With the projected availability of, and capacity to treat surface water from the Delta Water Treatment Plant, the City is able to decrease the amount of treated surface water purchased from the SEWD. The City’s allocation of surface water is proposed to be 6,000 acre-feet, or 30%, of the projected 20,000 acre-feet of available treated surface water from the SEWD for the period of April 1, 2016 through March 31, 2017. The remaining 14,000 of the total 20,000 acre-feet of SEWD surface water would be allotted to the California Water Service Company, Lincoln Village Maintenance District and Colonial Heights Maintenance District. The City’s percentage share of SEWD surface water has decreased from the original allocation agreement in 2012 to this latest supplement of the allocation agreement from 37.6% to 30%. The change in allocation of surface water to the City would be reflected in Supplement No. 2 to Stockton East Water District Treated Water Supply and Cost Allocation Agreement Between the City of Stockton, California Water Service Company, Lincoln Village Maintenance District, and Colonial Heights Maintenance District (Attachment A).

DISCUSSION

Background

The City Council, by Resolution No. 87-0508 adopted September 21, 1987, authorized the execution of a Second Amended Contract for the Sale of Treated Water Between the City of Stockton, Stockton East Water District, California Water Service Company, Lincoln Village Maintenance District, and
Colonial Heights Maintenance District in order to maximize the use of treated surface water produced from the SEWD for the protection of groundwater overdraft and saline intrusion (Attachment B).

The City Council, by Motion 2012-04-24-1508, authorized the City Manager to execute the Stockton East Water District Treated Water Supply and Cost Allocation Agreement between the City, Cal Water, and County Maintenance Districts (Attachment C). The Allocation Agreement specified the annual allocations of water supplies delivered by SEWD following completion of the Delta Water Supply Project Water Treatment Plant in 2012.

With this Allocation Agreement, the City took less surface water from SEWD while more surface water was made available to Cal Water and the County Maintenance Districts. The Allocation Agreement also established annual cost allocation of water supplied by SEWD commensurate with the percentage of water delivered. The percentage allocated to the City was 37.6% of SEWD's available treated water supply.

City Council, by Motion 2015-06-09-1203, authorized the City Manager to execute Supplement No. 1 to the Treated Water Supply and Cost Allocation Agreement (Attachment D) for the 2015 Water Year, April 1, 2015 to March 31, 2016. The City’s percentage of water delivered was reduced to 31.9% or 6,380 acre-feet of SEWD’s available water of 20,000 acre-feet. The remaining available SEWD treated water supply was allotted to the California Water Service Company, Lincoln Village Maintenance District and Colonial Heights Maintenance District. As with the prior agreements, Supplement No. 1 runs concurrent with the Second Amended Contract or until the parties change, modify or terminate the Agreement. The City is not opposed to the reallocation of the 14,000 acre feet of SEWD treated water because of the availability of treated surface water from the Delta Water Treatment Plant.

Present Situation

The Treated Water Supply and Cost Allocation Agreement provides the necessary flexibility to adjust Stockton East treated water deliveries to the City, Cal Water, and the County Maintenance Districts. Annual adjustments in supply and delivered water cost can be better approximated and assured from year to year. This results in more predictive annual budgeting of purchased water costs for all parties.

Supplement No. 2 to the Allocation Agreement, adjusts the City’s water supply and purchased water cost for Fiscal Year (FY) 2016-17. With the projected availability of treated surface water supply from the Delta Water Treatment Plant in the 2016 Water Year, the City is decreasing its SEWD allocation to 30% of the available 20,000 acre-feet, which also results in cost savings to the Water Utility.

FINANCIAL SUMMARY

The cost of purchased water to the Water Utility has decreased as SEWD water deliveries are reallocated to Cal Water and County Maintenance Districts under the Allocation Agreement.

Sufficient funds are available for purchased water costs in the Water Utilities annual operating budget in FY 2015-16 account no. 421-4251-571 Water Purchase. The FY 2016-17 budget for purchased water will be adjusted based on this allocation amendment.
There is no financial impact to the General Fund, or any other unrestricted fund from this action.

Attachment A - Supplemental No. 2 to Stockton East Water District Treated Water Supply and Cost Allocation Agreement Between the City of Stockton California Water Service Company, Lincoln Village Maintenance District, and Colonial Heights Maintenance District

Attachment B - Second Amended Contract, adopted 9/21/87

Attachment C - Stockton East Water District Treated Water Supply and Cost Allocation Agreement between the City, Cal Water, Lincoln Village Maintenance District, and Colonial Heights Maintenance District, dated May 1, 2012

Attachment D - Supplement No. 1 to Stockton East Water District Treated Water Supply and Cost Allocation Agreement Between the City of Stockton, California Water Service Company, Lincoln Village Maintenance District, and Colonial Heights Maintenance District