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AUG 28 2008



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Where Values Make The Difference

MEMORANDUM Municipal Utilities Department Memo ER9-008

DATE: AUGUST 28, 2008

TO: MAYOR AND COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER
 DAVE SIEGEL, MUNICIPAL UTILITIES DIRECTOR

FROM: GREGG CAPPS, WATER RESOURCE MANAGER

SUBJECT: Approve the Purchase of Central Arizona Project (CAP) Incentive Recharge Water for a Cost of \$708,210.

RECOMMENDATION: Staff recommends Council approve the purchase of Central Arizona Project (CAP) incentive recharge water for a cost of \$708,210.

BACKGROUND/DISCUSSION: The 1980 Groundwater Management Act requires cities demonstrate they have an assured water supply (renewable water resource) for any proposed new development. To assist the City in maintaining its designation of assured water supply, the City purchases surface water from the Central Arizona Water Conservation District (CAWCD), when available, on a year to year basis. Each year in the Capital Improvement Program and Water Operating budget, staff budgets funds to purchase water for new growth and development (system development fees) and to meet future demands during drought (water user fees).

CAWCD has offered to sell CAP incentive recharge water to cities in calendar year 2009 to offset future groundwater pumping. Council approved a Groundwater Savings Facility Agreement with New Magma Irrigation & Drainage District (NMIDD) on February 24, 2004. This agreement allows NMIDD to receive and use CAP incentive recharge water purchased by Chandler. In return, the City receives recharge credits for groundwater not pumped by NMIDD. Recharge credits are essential for Chandler to stay in compliance with the State's 1980 Groundwater Management Act. These credits will be used to 1) support an assured water supply for future growth and development, and 2) offset groundwater pumping required to meet demand during times of drought.

Purchase of CAP incentive recharge water is accomplished through a partnership with NMIDD. Under this partnership arrangement, CAP incentive recharge water is purchased at a reduced rate (\$82.00 per acre-foot) with NMIDD sharing in the cost. Cost sharing is based on what their cost would be to pump groundwater. NMIDD has the ability to cost share with Chandler on the

purchase of 11,610 acre-feet of incentive recharge water. NMIDD will pay \$21.00 per acre-foot and Chandler will pay \$61.00 per acre-foot.

FINANCIAL IMPLICATIONS:

Cost: Chandler's cost to purchase 11,610 acre-feet of CAP incentive recharge water is \$708,210.

Saving: If the cost were not shared with NMIDD, the cost to purchase 11,610 acre-feet would be \$1,044,900 (\$82 per acre-foot and \$8 per acre-foot operation and maintenance charge). The savings to Chandler is \$336,690.

Long Term Costs: N/A

Fund Source:

<u>Account No.:</u>	<u>Fund Name:</u>	<u>Program Name:</u>	<u>CIP Funded:</u>	<u>Amount:</u>
605.3820.0000.5232.9WA027	Water User Fees	Water Purchases	FY08/09	\$394,800
604.3820.0000.5232.9WA027	Water Resource System Development Fees	Water Purchases	FY08/09	\$267,000
605.3840.0000.5231	Water Operating	Water Purchases	NA	\$ 46,410

PROPOSED MOTION: Move that Council approve the purchase of CAP incentive recharge water in the amount of \$708,210 as recommended by staff.