



Staff Report

File #: 21-1032

**REQUEST FOR CITY COUNCIL AND
CORONA UTILITY AUTHORITY ACTION**

DATE: 11/17/2021

TO: Honorable Mayor and City Council Members
Honorable President and Board Members

FROM: Utilities Department

SUBJECT:

Amendment No. 1 to the Water Sale Agreement between the City of Corona and the Home Gardens County Water District.

EXECUTIVE SUMMARY:

The City of Corona and the Home Gardens County Water District entered into a Water Sale Agreement to facilitate the sale of potable water to the District annually. Approval of Amendment No. 1 to the Home Gardens Water Sale Agreement will extend the term of the Agreement through June 30, 2025 and increase the purchase price of water based on the Consumer Price Index.

RECOMMENDED ACTION:

That the:

- a. City Council approve and authorize the City Manager, or his designee, to execute Amendment No. 1 to the Water Sale Agreement between the City of Corona and Home Gardens County Water District.
- b. City Council authorize the City Manager, or his designee, to negotiate and execute any additional extensions and amendments to the Agreement which are either non-substantive or otherwise in compliance with the City Council's actions hereunder, including the determination and implementation of any termination or mutually acceptable extension to the Agreement.
- c. Corona Utility Authority review, ratify, and to the extent necessary, direct that the City Council take the above actions.

BACKGROUND & HISTORY:

Home Gardens County Water District (District) is a local water district that provides water to the

community of Home Gardens. Home Gardens has a population of approximately 11,200 people and is considered to be a disadvantaged community based upon the Office of Environmental Health Hazard Assessment's (OEHHA) CalEnviroScreen 3.0. The CalEnviroScreen 3.0 identifies disadvantaged communities which most suffer from a combination of economic, health, and environmental burdens. Because of the relatively small size of the District and the economic challenges faced by the community that it serves, the District searched for ways to make its water more affordable.

In April 2015, the City and the District entered into an agreement to facilitate the sale of approximately 500 acre-feet (AF) of water per year from the City to the District. The delivery of water occurs at an interagency interconnection point constructed at the northern terminus of Temescal Street. The City had sufficient supply to meet the 500 AF estimated demand, and with the addition of Well 33 in the Home Gardens area, the City has continued to meet the demand.

Since the Agreement began, the City has delivered an average of 363 AF of water per year to the District, generating approximately \$181,000 in revenue. The Agreement provided for the sale of water to the District at a rate of \$500 per AF, with a planned rate increase every five years based upon the compounded percentage change in the Consumer Price Index (CPI).

ANALYSIS:

While the City Council approved the agreement in April of 2015, the term of the Agreement stated it would be retroactive from December 31, 2014 to December 31, 2019. The Agreement specified that a rate increase based upon compounded CPI would be required as of July 1, 2019 and every 5 years thereafter. However, the City did not sell and deliver water to the District in 2014. Because the delivery date of the water did not occur until July 2015, the terms of the Agreement must be amended to enact the rate increase (retroactively) to July 1, 2020 which is 5 years from the date of when water was first delivered to the District.

The City has continued to bill the District at the agreed-upon rate of \$500 per AF. That Agreement condition will remain in place until an Amendment to the Agreement is executed. However, the District was notified that upon execution of the Amendment, the District would be billed for the difference between the initial rate and the updated rate retroactively to July 2020.

The updated rate calculated based upon the compounded CPI will be \$557.90 per AF through June 30, 2025. If both parties agree to extend the Agreement, an additional increase will be based upon compounded CPI effective July 1, 2025. The CPI index will be updated to the United States Bureau of Labor Statistics for All Items, Riverside-San Bernardino-Ontario, CA, All Urban Consumers, Not Seasonally Adjusted.

The Agreement may be terminated upon 30 days' notice in the event of default and upon 180 days' notice if the amount of water requested by the District is not available or if either party does not wish to extend the term of the Agreement at the end of any naturally expiring term.

The Utilities Department recommends approval of Amendment No. 1 to the Home Gardens County Water District Water Sale Agreement, allowing the Department to continue to provide available water

to our neighboring agency and generate an additional revenue stream estimated at \$202,000 per year.

FINANCIAL IMPACT:

Approval of the recommended actions will increase the revenue stream in the Water Utility Fund (570) associated with the sale of water to Home Gardens County Water District. The revenue is anticipated to increase from an average of \$181,000 per year to an average of \$202,000 per year retroactive to July 1, 2020. The increase is included in the Utilities Department Fiscal Year 2022 Operating Budget.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is to approve the Amendment to the Water Sale Agreement between the City and Home Gardens County Water District, and there is no possibility that approving this Amendment will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: JACQUELINE ZUKERAN, BUSINESS MANAGER

REVIEWED BY: TOM MOODY, GENERAL MANAGER

Attachments:

1. Exhibit 1 - Home Gardens County Water District Water Sale Agreement
2. Exhibit 2 - Home Gardens County Water District Water Sale Amendment No. 1