

CITY OF PEORIA, ARIZONA
COUNCIL COMMUNICATION

CC: 9C
Amend No. _____

Date Prepared: February 14, 2008

Council Meeting Date March 4, 2008

TO: Terrence L. Ellis, City Manager

FROM: Stephen L. Bontrager, Utilities Director 

PREPARED BY: Dorothy O'Brien, Acting Water Resource Manager

SUBJECT: Approve a budget transfer for payment of Gila River Indian Community (GRIC) Water Lease Agreement Capital Improvement Project UT00033 CAP Water Rights.

RECOMMENDATION:

That the Mayor and City Council approve a budget transfer in the amount of \$29,685.61 from Water Fund Contingency account 2050-2050-570000 to Water Resource Project Funds account 2169-2229-540000 (land acquisition) for payment of the Gila River Indian Community Water Lease Agreement, Capital Improvement Project UT00033 CAP Water Rights.

SUMMARY:

Ensuring adequate water resources for the City of Peoria is a function of the Utilities Department. The Department actively pursues opportunities to obtain additional water resources to allow for future growth, have an adequate redundancy and to maintain its designation of an Assured Water Supply from the Arizona Department of Water Resources. The City of Peoria engaged with several valley municipalities to negotiate with the Gila River Indian Community for the acquisition of a 100-year lease agreement for additional water rights. Pursuant to prior City Council authorization, the City signed the lease agreement with the Gila River Indian Community (GRIC) on December 14, 2005 to obtain rights for 7,000 acre feet of water. The Federal Government finalized the overall settlement in December of 2007, making the lease agreement effective in January of 2008.

The Gila Indian Water Rights project has been appropriated within the ten year Capital Improvement Plan (payment to be made from the Water Resource Project fund account 2169-2229-540000-CIPWR-UT00033LA CAP Water Rights) and is programmed within the Water Resources impact fees.

CITY CLERK USE ONLY:

- Consent Agenda
- Carry Over to Date: _____
- Approved
- Unfinished Business (Date heard previous: _____)
- New Business

ORD. # _____ RES. # _____
LCON# _____ LIC. # _____
Action Date: _____

The FY2008 programmed CAP Water Rights project contained two projects, both project costs were estimated at the time of budget appropriation. The first was reallocation of Central Arizona Project Water. On November 20, 2007, City Council approved the payment of \$3,670,364.37 for 5,527 acre feet of water to the Central Arizona Project for past Capital fees. A balance of \$829,635 was then available from the CIP account for payment to GRIC.

The GRIC Lease agreement became finalized in December of 2007. The City of Peoria selected the option to make fifteen payments over the next fifteen years. Per the contract agreement the first payment in the amount of \$855,644.44 was required to be paid on February 12, 2008. The Utilities Department staff worked with Budget and Finance to determine payment options for the \$26,009.44 difference in order to make the payment. Budget staff performed a temporary transfer of \$26,010 to allow the payment to be made on time per the contract.

The GRIC Lease agreement requires the use of the Consumer Price Index (CPI) from January 2008 to determine a ratio which is then used to develop the acre-foot cost. Since the January 2008 CPI was not available at the time of the required payment, the December CPI was used as a base for the ratio, as required by the Lease agreement. The Lease requires reconciliation to the January CPI. Therefore, an additional payment of \$3,676.17 is needed to reconcile the account.

The GRIC Lease agreement provides an early payment option which would yield an interest savings of nearly six million dollars. City staff is investigating this opportunity and will return to City Council if this proves to be a viable option.

Staff recommends approval of the following item:

Approve a budget transfer in the amount of \$29,685.61 from Water Fund Contingency account 2050-2050-570000 to Water Resource Project Funds account 2169-2229-540000 (land acquisition) for payment of the Gila River Indian Community Water Lease Agreement, Capital Improvement Project UT00033 CAP Water Rights.