

**COOPERATIVE WATER TRANSFER PILOT PROJECT FOR GROUNDWATER RECHARGE  
AND WATER RESOURCE MANAGEMENT  
BETWEEN CITY OF SANTA CRUZ AND SOQUEL CREEK WATER DISTRICT**

The parties to this Agreement are the CITY OF SANTA CRUZ, hereafter referred to as "CITY", and the "SOQUEL CREEK WATER DISTRICT", hereafter referred to as "DISTRICT".

**RECITALS**

- A. The CITY of Santa Cruz is a charter city which owns and operates a municipal water system in the City of Santa Cruz and in portions of the County of Santa Cruz adjoining the District water system.
- B. The DISTRICT is a special district which operates a water system, adjacent to the eastern service boundary of the CITY, and provides water service to a significant portion of mid-Santa Cruz County.
- C. A shared groundwater basin that the DISTRICT relies upon for a significant portion of its water supply, and from which the CITY obtains a small portion of its water supply has been in a state of overdraft since the 1980s and is at risk of additional seawater intrusion.
- D. The DISTRICT and the CITY cooperatively manage groundwater in the over-drafted basin and would benefit from this agreement.
- E. The CITY and the DISTRICT have established three metered interties located at the DISTRICT's O'Neill Ranch well site, at Jade Street and at Bain Street.
- F. During the winter and spring the CITY may have available surface water from its pre-1914 North Coast water rights that could be treated and delivered to the DISTRICT for purchase.
- G. Purchasing and using this treated surface water to meet some part of the DISTRICT's demand would enable the DISTRICT to reduce its groundwater pumping, reduce the potential for accelerating seawater intrusion, and contribute to the beginnings of a longer term process to ameliorate the overdraft condition of the groundwater basin that impacts both entities and other pumpers of groundwater from the Soquel-Aptos basin.
- H. The period during which this agreement operates can be viewed as an opportunity to begin to assess the effects of reduced pumping of the basin by the DISTRICT on the shared groundwater basin. During this pilot project, the CITY and the DISTRICT intend to use this opportunity to collect information related to:
  - 1) the physical operating system issues;
  - 2) system water quality;
  - 3) response of groundwater levels from in-lieu recharge; and
  - 4) the potential opportunity of developing a longer term agreement in which the groundwater basin would be used for a combined in lieu and aquifer storage and recovery program that would help resolve the basin overdraft that would protect CITY and DISTRICT wells from additional seawater intrusion and provide needed drought storage for the CITY.

- I. The CITY and DISTRICT recognize that a fair and appropriate agreement can benefit both parties, the community, and provide better management of locally available water resources.

**NOW, THEREFORE, ITS HEREBY AGREED:**

**1. AGREEMENT TERM:**

Except as provided in Paragraph 11 hereafter, the term of this Agreement shall be for the period November 1, 2021, ending approximately five wet seasons later on May 1, 2026. This Agreement shall not extend beyond said date unless the governing bodies of both the CITY and the DISTRICT so agree in writing.

**2. TERMS AND CONDITIONS FOR PROVIDING WATER:**

Contingent upon the CITY securing all necessary permits and completion of the environmental review process in accordance with Paragraphs 4 and 5 below, water supplied by the CITY will be made available to the DISTRICT for purchase within the scope of the CITY's valid pre-1914 appropriative water rights and changes thereto in compliance with the law. The quantity and availability of water supplied by the CITY under the terms of this agreement shall be based on the following conditions and at the sole discretion of the Director of the Water Department of the CITY. In determining whether supply can be provided, the CITY may take into account any or all of the following factors:

- a. The CITY has not declared, and is not operating under any mandatory water curtailment stage of its 2009 Water Shortage Contingency Plan as it may be amended, updated, or replaced by the CITY from time to time.<sup>1</sup>
- b. Loch Lomond Reservoir is full and is spilling, or if not spilling is projected to be full by April 1 of the water year during which water will be provided to the DISTRICT. The calculation of the potential for the Loch Lomond Reservoir to fill shall be based on the City's short term streamflow modeling tools used to conduct the City's annual water supply forecast, as those tools or other measures to forecast water supply may be amended, updated, or replaced from time to time by CITY.
- c. The CITY is providing flow for aquatic resources that meet regulatory requirements, or other requirements agreed to in writing with the fisheries agencies.
- d. The City Beltz Wells are off, and not needed to meet daily demand.
- e. The planned operation is in compliance with the project as described in the CEQA documents, including the general provision that the water transfer may occur when water is available as described in these terms and conditions between the months of November to April
- f. On a monthly basis, the volume of water delivered to the DISTRICT shall be less than or equal to the amount diverted from the CITY's Liddell Springs and/or Majors Creek supplies as reported to the state of California.

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<sup>1</sup> Mandatory curtailments begin with Stage 2 of the 2009 plan.

- g. The daily volume of water supplied shall not exceed the hydraulic capacity of the interties between the CITY's system and the DISTRICT'S system located at the District's O'Neill Ranch well site and at Jade Street and Bain Street. The hydraulic capacity of these interties is estimated to be 1.5 million gallons per day (mgd) during normal operations and up to 2 mgd on an emergency basis, and is a function of the pressure difference between the CITY and DISTRICT water systems at that point.
- h. The CITY has not determined, in its discretion, that the supply of water to DISTRICT must be suspended or discontinued due to unusual or unanticipated circumstances, which suspension or discontinuation shall not be implemented without providing at least 3 days' advance written notice, except in the case of an emergency, in which event the City shall endeavor to provide DISTRICT notice as soon as reasonably possible after the emergency determination has been made.

### **3. PRICE**

The CITY agrees to sell to the DISTRICT treated water delivered to the CITY-DISTRICT interties located on the DISTRICT's O'Neill Ranch well site and at Jade Street and Bain Street under the terms and conditions described hereof at a price that is equal to \$1,930 per million gallons, or a pro rata amount thereof based on actual volume provided.

The CITY shall bill the DISTRICT on a monthly basis for water delivered to the DISTRICT based on the meter installed at the above specified intertie connections between the CITY and the DISTRICT. The pricing specified above is for this pilot project only. Future water deliveries made outside of this agreement will be subject to a pricing structure developed under any future water transfer or exchange agreement.

### **4. REGULATORY COMPLIANCE – CEQA**

The CITY shall be the designated lead agency for the purposes of California Environmental Quality Act (CEQA) compliance. Cost of CEQA compliance, including preparation of an initial study and any negative declaration, mitigated negative declaration or environmental impact report, and implementation of mitigation measures identified therein and agreed to by the CITY will be equally split between the parties, with the DISTRICT's share shall be billed on a quarterly basis for the duration of this agreement.

CEQA compliance shall address the agreement herein to implement pilot testing of the transfer of water under certain conditions from the CITY to the DISTRICT commencing approximately November 1, 2015 and ending approximately five years later on December 31, 2020. Given that the agreement may potentially be extended beyond said date if both the CITY and the DISTRICT so agree in writing, CEQA shall also address the long-term transfer of water that may occur under such an extended agreement.

### **5. REGULATORY COMPLIANCE – PERMITTING**

The CITY shall be responsible for obtaining any other permits or approvals required to support providing water to the DISTRICT under this agreement, and shall be responsible for compliance with all laws, as necessary to make water available for purchase or to transfer pursuant to this Agreement.

## **6. REGULATORY COMPLIANCE - TREATED WATER DELIVERIES**

Delivered water shall be in compliance with all drinking water regulatory requirements at the intertie point of delivery. Once the water has been delivered the DISTRICT shall be responsible in all respects for that water, and its delivery and use, including without limitation compliance with any distribution system requirements, and any relevant water quality regulations.

## **7. OPERATIONS PLAN**

Prior to initiating the proposed water transfer, the CITY and the DISTRICT agree to jointly prepare and then implement an Operations Plan as the basis for joint operation. The CITY and the DISTRICT may amend the Operations Plan by written joint consent without needing to otherwise amend this agreement.

## **8. NOTIFICATION OF STARTING AND STOPPING WATER DELIVERIES**

The water to be delivered hereunder shall be delivered to the DISTRICT on an interruptible basis, depending upon the availability of water and the terms and conditions described in paragraph 2 of this agreement. A determination that the delivery of water to the DISTRICT must be interrupted shall be at the sole discretion of the CITY Water Director, which determination shall be conclusive upon the DISTRICT. The CITY shall give the DISTRICT notice of interruption or cessation of the transfer of water in accordance with Paragraph 2(g), above.

## **9. DATA COLLECTION, MONITORING, AND ANALYSIS**

The CITY and the DISTRICT shall jointly share the cost to develop, and implement, a data collection, monitoring, and analysis program to further characterize the benefits of the proposed water transfer and identify any potential issues. This program shall include, but not be limited to, monitoring and analyzing groundwater levels from existing wells in the vicinity of wells that the DISTRICT takes offline due to the availability of water from an alternate water source, and distribution system water quality to assess any impacts from surface water being distributed through pipes that have only been used solely for groundwater distribution in the past. The plan shall be developed and implemented by the CITY and DISTRICT prior to commencing any sale of water.

## **10. NOTIFICATIONS AND RECORD KEEPING**

For the purposes of this agreement, the parties shall abide by the record keeping and notification provisions in the Operations Plan.

## **11. NATURE OF AGREEMENT**

It is understood and acknowledged by the DISTRICT and the CITY that this Agreement is only for the term specified herein, that no obligations are imposed on the parties beyond the term hereof, that the water rights of the CITY are not impacted, and that the water during the term hereof is solely dependent on the availability of surplus water as stated in this agreement.

This agreement makes no assumption about the availability or quantity of water to be delivered back to the CITY for use as a drought supply.

**12. EFFECTIVE DATE:**

This Agreement shall become effective only upon its approval by the governing bodies of each party hereto.

**13. TERMINATION ON THIRTY-DAY NOTICE**

This Agreement may be terminated by either party hereto upon the furnishing to the other party by United States Mail, first class, a thirty {30} day notice of intent to terminate or with an email notification that is acknowledged by the receiving party provided, however that DISTRICT'S obligations to pay for water delivered and indemnify, defend and hold CITY harmless pursuant to paragraph 14, below, shall survive termination.

**14. RELEASE AND INDEMNITY**

DISTRICT agrees to indemnify, defend and hold harmless CITY, and any agency or instrumentality thereof, and its elected and appointed officials, officers, employees and agents from and against all liabilities, claims, actions, causes of action, proceedings, suits, damages, judgments , liens, levies, costs and expenses of whatever nature, including reasonable attorneys' fees and disbursements (collectively "Claims") arising out of any actions taken by the City in the implementation of this agreement, or any environmental review conducted under the California Environmental Quality Act (CEQA) in connection with this agreement.

Dated: 3/23/2021

CITY OF SANTA CRUZ  
By:   
City Manager of Santa Cruz

Dated: 3/18/2021

SOQUEL CREEK WATER DISTRICT  
By:   
President of the Board of Directors  
Rachél Lather

APPROVED AS TO FORM:

  
City Attorney

  
DISTRICT Counsel  
Josh Nelson