

## AGENDA ITEM SUMMARY

City Council



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### STAFF

Jen Dial, Water Resources Manager

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### SUBJECT

**Resolution 2026-095 Adopting the One Water Utility Long-Term Water Rental Policy.**

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### EXECUTIVE SUMMARY

The purpose of this item is for Council to adopt the One Water Utility Long-Term Water Rental Policy that provides guidance for the consideration, evaluation, and approval of long-term (greater than one-year) water rental agreements. Currently, the Utility follows the long-standing practice of executing one-year rental agreements through City Council authorization when there are excess supplies. Under this Long-Term Water Rental Policy, long-term water rental requests could be considered, and if determined viable by the Utility Water Resources Manager, proposed agreements would require review and approval by Council.

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### STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

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### BACKGROUND / DISCUSSION

The Utility's Water Supply and Demand Management Policy guides the Utility's planning for an adequate, safe, and reliable water supply that meets customer water demands through a 1 in 50-year drought. This planning approach means that in periods of non-drought (most average or wet years), the Utility often has surplus supplies that can be put to beneficial use by non-customers without impacting service levels for customers.

Currently, the Utility follows the long-standing practice of executing one-year rental agreements through City Council authorization when there are excess supplies. The authorization for these rentals and the rates is currently set by Council every three years. e.g., Ordinance No. 047, 2024.

There is a desire to have the ability to provide long-term (greater than one year) rentals that could benefit the City, the Utility, and region. This policy provides guidance for the consideration and evaluation of long-term water rental requests including the entities or uses that the Utility would consider, as well as the terms and conditions that would be required in an agreement.

Because the opportunities for long-term rentals vary in terms of the values and benefits to the City and Utility, long-term rental requests will be evaluated on a case-by-case basis depending on projected

available supplies at the time of the request and benefits to the City and the Utility. For all requests, the Utility would benefit from rental payments.

Any request for a long-term rental will be evaluated by the Utility's Water Resources Manager. If the Utility's Water Resources Manager determines the request is viable under this policy, the Utility Water Resources Manager will work with the City Attorney's Office to draft and negotiate a proposed long-term rental agreement including all necessary and appropriate terms and conditions. The Utility's Water Resources Manager will then bring any such proposed long-term rental agreement to Council for review and potential approval. All long-term rental agreements must be approved by Council prior to going into effect.

### **CITY FINANCIAL IMPACTS**

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Any long-term water rental agreement will provide revenue to the Utility, and at a minimum, the cost of the rental agreement will recover any annual assessments and associated costs, such as administrative costs.

### **BOARD / COMMISSION / COMMITTEE RECOMMENDATION**

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Staff presented to the Water Commission at the May 21, 2026, Regular Meeting. Commissioners had several questions and concerns that staff agreed to follow up on (see Attachment 1 for meeting minutes). Staff provided a follow-up memo in the July 16th Water Commission Meeting Packet (Attachment 2) and was present for questions. The Water Commission voted 5-2 to recommend Council adopt the One Water Long-Term Water Rental Policy (see Attachment 3 for meeting minutes).

### **PUBLIC OUTREACH**

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None.

### **ATTACHMENTS / LINKS**

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1. May 21, 2026, Water Commission Meeting Minutes
2. May 21, 2026, Water Commission Meeting Follow Up
3. June 16, 2026, Water Commission Draft Meeting Minutes (excerpt)
4. Resolution 2026-095