



AGREEMENT FOR OPERATION OF GAGE CANAL FACILITIES BETWEEN THE CITY AND THE GAGE CANAL COMPANY

Public Utilities Department

Board of Public Utilities
November 9, 2020

HISTORICAL BACKGROUND

1. Gage Canal Company established in 1890
2. Other entities sought to condemn in 1959
3. COR exercised eminent domain
4. Stipulated judgement entered on June 9, 1965
5. Company assets condemned to COR
6. Established Operating Agreement and retained Company

BACKGROUND OF OPERATING AGREEMENT

1. Operating Agreement entered on June 9, 1965
 - a. Part of Friendly Condemnation
 - b. 23 sections
2. Established guidelines and obligations of:
 - a. Ownership, performance, and maintenance responsibility
3. Six amendments
 - a. 1976, 1982, two in 2001, 2007, and 2010
 - b. Sixth amendment has 29 Sections

COMPONENTS OF OPERATING AGREEMENT

1. Retain Gage staff to operate system
2. Protect shareholder rights
3. Froze shares at 14,055 and no new shares
4. No new business
5. Gage staff not City employees

COMPONENTS OF OPERATING AGREEMENT

6. Sets limits of liability
7. Right to access books
8. Protect fixed works
9. Notify City when share transaction
10. City pays for covering

COMPONENTS OF OPERATING AGREEMENT

- 11. Gage pays for capital improvements/replacements necessary to serve
- 12. City pays for their # of shares
- 13. Water only to authorized lands
- 14. City has rights to excess water
- 15. City to keep shareholders whole

COMPONENTS OF OPERATING AGREEMENT

- 16. City can encumber shares in default
- 17. City pays property taxes
- 18. Company patrols and maintains properties
- 19. City can terminate agreement

PURPOSE OF OPERATING AGREEMENT

Section 3 states:

“It is the purpose of this agreement to make available to the City of Riverside the knowledgeable irrigation water production and distribution supervision, management, operation and maintenance personnel and facilities and experience of the Company for the purpose of carrying out the duties and obligations of the City assumed and imposed by law as a result of the Judgment, for the benefit of the citizens of the City and in particular for the benefit of the shareholders and contractual obligees who possess water delivery and other contractual rights which the City has assumed and which it recognizes. Subject to the terms of the Judgment, it is the purpose of this agreement to assure that all persons lawfully entitled to receive water pursuant to the ownership of shares in The Gage Canal Company on the date of the Judgment will be protected in their respective rights to have and receive for use upon their lands irrigation water delivered in the manner to which they have become accustomed, for so long as the water is put to beneficial use on lands within the Service Area”.

OPERATING AGREEMENT AND CAPITAL IMPROVEMENTS

Section 15 states:

“All capital improvements, additions and replacements necessary to fully exercise the water rights condemned to the use of the City and necessary to the Company’s performance of this agreement shall be paid for by the Company, installed only on former Gage properties condemned to the City and shall be the property of the City. The Company shall submit an annual capital expenditure budget for approval by the City; costs of such improvements necessary to efficient performance of this agreement shall be borne by all shareholders, including the City, and/or contractual obligees as operating expense in accordance with previous practices and existing agreements; except the City shall assume the shareholders’ allocation of expense for canal covering instigated by the City”.

AMENDMENTS TO THE OPERATING AGREEMENT

1. City maintains “pipeline”
2. City can use right of way for paths
3. City maintains utilized ROW
4. Gage released from some maintenance
5. City reimburses Gage at actual cost of extra production

GAGE FISCAL YEAR 20/21 CAPITAL BUDGET

| <u>Project</u> | <u>Estimated Cost</u> |
|--|------------------------------|
| New fencing at Headworks location in San Bernardino | \$146,300 |
| New fencing at Jackson Street in Riverside | \$105,938 |
| Last section of canal lining | \$61,000 |
| New radial gate for #1 spillway | \$25,000 |
| New furniture and fixture for Headworks office in San Bernardino | \$16,225 |
| Total | 354,463 |

ADDITIONAL INFORMATION RELATED TO OPERATING AGREEMENT

1. City representatives currently hold 3 seats on Gage's board
2. Three properties not condemned
3. Fifty-five years of successful and cooperative operation

GAGE WELL REHABILITATION HISTORY

1. Three Gage wells replaced, four added, since 1966
2. Five fully funded by RPU (29-3R, 31-1R, 92-1, 92-2, 92-3)

| Well | Funding Agency | Year | Board/Council Approval Date | Board Approval Cost | Reason | Power Source | Billing Party |
|------------|-------------------|------|-----------------------------|---------------------|---|--------------|---------------|
| Gage 29-3R | City of Riverside | 2020 | 12/9/2019, 9/28/2020 | \$4,520,000 | Replacement well | Electric | RPU |
| Gage 31-1R | City of Riverside | 2013 | 10/5/2012 | \$3,547,000 | Replacement well | Electric | RPU |
| Tippecanoe | City of Riverside | 2007 | 12/18/2007 | \$240,000 | Total \$1,411,279, City paid \$240,000, Caltrans paid remaining | Electric | RPU |
| Gage 92-3 | City of Riverside | 1993 | 10/6/1992 | \$1,195,784.38 | Replacement wells | Electric | Gage |
| Gage 92-2 | City of Riverside | 1993 | | | | Electric | Gage |
| Gage 92-1 | City of Riverside | 1993 | | | | Electric | Gage |
| Gage 46-1R | LMC | 2007 | | | Replacement well | Gas | Gage |
| Gage 98-1 | FEMA | 1999 | 11/24/1998 | \$426,310 | Replaced 21-1, received \$416,010 from FEMA | Electric | Gage |

WELL NEEDS RELATED TO PRODUCTION RIGHTS AND OBLIGATIONS

1. 14,055 Company shares = ~30,000 AFA
 - a. Plus ERWCo Obligation = ~8,000 AFA
2. 29,000 AFA from Bunker Hill basin
3. 8,000 AFA from Riverside basin
4. Company needs all wells, except 29-3R
5. Capital cost of \$5M = ~ \$356/share

RECOMMENDATION

That the Board of Public Utilities receive and file this report on the Agreement for Operation of Gage Canal Facilities between the City of Riverside and the Gage Canal Company.