



**CITY OF FOUNTAIN VALLEY
CITY COUNCIL**

COUNCIL ACTION REQUEST

To: Honorable Mayor and
Members of the City Council

Agenda Date: November 4, 2025

SUBJECT: Water Well Permit and Encroachment Agreement between the City of Fountain Valley, the City of Newport Beach, and the Laguna Beach County Water District for the construction, operation, and maintenance of two municipal production wells and associated facilities at 17902 Bushard Street.

Three-Year Strategic Goals

- ☒ Enhance the culture and environment of “A Nice Place to Live”
- ☒ Achieve fiscal stability by evaluating processes, and attract and retain revenue producing businesses/opportunities
- ☐ Attract and retain quality staff through best practices and trends
- ☒ Maintain, build, and modernize infrastructure to support growth and future needs of the City
- ☐ Not applicable

EXECUTIVE SUMMARY:

The City of Newport Beach (Newport Beach) and Laguna Beach County Water District (LBCWD) plan to develop a groundwater production facility at LBCWD-owned property located at 17902 Bushard Street in the City of Fountain Valley (Fountain Valley).

LBCWD and Newport Beach have entered into a separate, standalone Memorandum of Understanding establishing a framework for collaboration on the use of the property for a new water well facility that would supply groundwater from the Orange County Ground Water Basin to LBCWD’s and Newport Beach’s water customers. LBCWD owns the property, and Newport Beach will construct and operate the well sites and has taken the lead on the agreement with Fountain Valley.

Per Fountain Valley Municipal Code (FVMC) Section 14.16.040, a well that is intended to transport water outside city limits must be in the public interest and requires a City Council approved agreement. The Water Well Permit and Encroachment Agreement (Agreement) satisfies the FVMC requirements, as it preserves Fountain Valley’s primary rights-of-way, assigns all maintenance to Newport Beach, and secures public benefit/mitigation payments and in-kind improvements. The Agreement provides the following public interest benefits to Fountain Valley:

1. \$82,000 one-time mitigation payment;
2. \$10,000 annual public benefit payment (CPI adjusted and compounded annually);
3. \$45,000 one-time payment towards encroachment and inspection fees;
4. \$100,000 one-time public benefit payment toward Fountain Valley public safety or future water/well projects;
5. A System Interconnect stub-out for a future Fountain Valley-built interconnection; and
6. A Newport Beach constructed, Fountain Valley owned and operated 8-inch C900 main from La Amapola Circle to Bushard Street with easement.

DISCUSSION:

The proposed Agreement lets Newport Beach and LBCWD drill two groundwater wells at the LBCWD owned property located at 17902 Bushard Street in Fountain Valley. It allows water lines in Bushard Street and Talbert Avenue to run in Fountain Valley's rights-of-way. Because the wells will send water outside of Fountain Valley, FVMC Section 14.16.040 requires a City Council approved agreement and that the project is in the interest of the public.

Fountain Valley keeps full authority to work on and in the streets. If Fountain Valley needs to work on or in the streets, it may do so. Newport Beach must restore everything to its prior condition and is responsible for the maintenance of the property. Newport Beach will build, operate, and maintain the wells, pipelines, walls, and storm drain, and LBCWD, as the owner of the property, will provide access for the same. Fountain Valley will not pay for maintenance.

The Agreement requires Newport Beach and LBCWD to carry \$2,000,000 per occurrence and \$4,000,000 aggregate in liability insurance, and also requires Newport Beach and LBCWD to fully indemnify Fountain Valley and name the City of Fountain Valley as an Additional Insured under the policy.

Before permits are issued, Newport Beach must submit a stormwater flow sufficiency report and if the City Engineer determines that the Bushard/Talbert lines need upsizing to handle the project's flow, Newport Beach will build those upgrades at its sole cost and expense. This ensures that Fountain Valley will not incur any costs for storm drain upgrades.

Staff recommends the Council find that this Agreement is in the public interest per the standards set in FVMC Section 14.16.040. It preserves the Fountain Valley's rights-of-way, places all construction and liability on Newport Beach, and secures the following benefits to Fountain Valley:

1. \$82,000 one-time payment for mitigation of potential lost revenue in permits, plan checks, and fees;
2. \$10,000 annual public benefit payment (CPI adjusted and compounded annually) for the loss of potential property tax revenue;
3. \$45,000 one-time payment towards encroachment into the rights-of-way to include the placement of the water main, storm drain, and all curb, gutter, and sidewalk improvements;

4. \$100,000 one-time public benefit payment toward Fountain Valley public safety or future water/well projects;
5. A System Interconnect stub-out for a future Fountain Valley-built interconnection for emergency use; and
6. A Newport Beach constructed, Fountain Valley owned, 8-inch C900 main from La Amapola Circle to Bushard Street with easement, at no cost to Fountain Valley, for the Fountain Valley water system to improve water quality and system redundancy.

FISCAL REVIEW:

The Agreement yields a net positive fiscal impact for Fountain Valley. It secures a one-time revenue of \$82,000 mitigation payment, a one-time \$45,000 payment towards encroachment and inspection fees, and a one-time \$100,000 public benefit payment, plus an annual \$10,000 public benefit payment (CPI adjusted and compounded annually). In addition, Newport Beach will construct an 8-inch C900 main (La Amapola to Bushard) and grant an easement (in kind improvements), and will provide a System Interconnect emergency stub out for a future Fountain Valley built tie in.

PUBLIC NOTIFICATION:

Notification was made through the regular agenda process.

ENVIRONMENTAL IMPACT REVIEW:

Under the California Environmental Qualification Act ("CEQA"), Newport Beach is the Lead Agency for the physical construction of the two wells and related facilities. Newport Beach will circulate and adopt appropriate CEQA documents prior to issuing a construction notice to proceed.

ATTORNEY REVIEW:

The Attorneys for the City have reviewed and approved the Agreement.

ALTERNATIVES:

Alternative No. 1: Approve the Water Well Permit and Encroachment Agreement between the City of Fountain Valley, the City of Newport Beach, and the Laguna Beach County Water District for the construction, operation, and maintenance of two municipal production wells and associated facilities at 17902 Bushard Street.

Alternative No. 2: Do not approve the Water Well Permit and Encroachment Agreement.

RECOMMENDATION:

Staff is requesting City Council approval of Alternative No. 1 to approve the Water Well Permit and Encroachment Agreement between the City of Fountain Valley, the City of Newport Beach, and the Laguna Beach County Water District for the construction, operation, and maintenance of two municipal production wells and associated facilities at 17902 Bushard Street.

Prepared by: Vanessa Lassooy, Attorneys for the City

Reviewed by: Omar Dadhabhoy, Community Development Director

Reviewed by: Scott Smith, Director of Public Works

Fiscal review by: Ryan Smith, Finance Director

Approved by: Maggie Le, City Manager

Attachments: Water Well Permit and Encroachment Agreement