

STAFF REPORT

To: Coastside County Water District Board of Directors

From: David Dickson, General Manager

Agenda: February 9, 2010

Report

Date: February 4, 2010

Subject: Water Reclamation Update - Principles of SAM-CCWD Agreement for Water Reclamation

Recommendation:

Approve the attached Principles of Agreement for Recycled Water between SAM and CCWD and confirm that CCWD will not reimburse SAM or pay for any recycled water project costs incurred before SAM and CCWD have executed a recycled water project agreement, unless the CCWD Board expressly authorizes such expenditure.

Background:

Beginning in early November 2009, SAM and CCWD staff began working to develop basic principles of an interagency agreement for recycled water. The principles, once approved by both agencies, would serve as the foundation for developing a detailed agreement specifying each agency's role and responsibilities in the recycled water project.

The initial draft of the principles was presented to the SAM Board on November 23, 2009 and to the CCWD Board on December 8, 2009. Both boards directed their respective managers and counsel to further develop the principles and present them at a subsequent meeting for review and approval.

SAM Manager Foley presented the attached principles, which represent the joint effort of SAM and CCWD staff and counsel, to the SAM Board on January 25. SAM directors raised a number of questions and issues related to details of a recycled water contract but did not indicate significant agreement or disagreement with any of the principles. The SAM board took no action on the principles and did not provide specific direction to staff to change any of the principles.

In the CCWD Board's consideration of the principles of agreement, it is important to recognize that the principles should serve only to establish the basic

concepts for an agreement between the agencies, not to define details. Details such as facility capacity, physical location of the point of water delivery, truck access to the site, sharing of information between the agencies, peak flows, specific customers to be served, etc. are necessary and appropriate elements of the final contract to be negotiated. The principles are the foundation on which the detailed agreement will be built.

Approval of the principles by SAM or CCWD does not commit either agency to any obligation beyond the expectation that it will negotiate in good faith toward a recycled water contract consistent with the principles. Staff recommends that the CCWD Board approve the principles as the first step in this negotiation process.

Staff believes that the interest of the District Board and other parties in moving water reclamation ahead as quickly as possible will be served best by focusing on development and execution of a CCWD-SAM agreement for water recycling as the next step on the critical path. We believe it would be imprudent for the District to commit any significant funds to recycled water development efforts before there is an interagency agreement in place to provide assurance that the recycled water project – to be paid for entirely by CCWD under the principles of agreement – will be realized in a way that meets the District's goals. We therefore recommend that the Board consider stipulating in its approval of the principles of agreement that the District will not reimburse any reclamation project-related expenditures incurred before SAM and CCWD have reached an agreement satisfactory to the District.

Fiscal Impact:

None.

Principles of Agreement for Recycled Water
Between SAM and CCWD

(draft of January __, 2010)

BASIS FOR AGREEMENT

The Sewer Authority Mid-Coastside (SAM) is responsible for the treatment and disposal of wastewater collected from within its service area; within the SAM service area, two agencies, the Coastside Water District (CCWD) and the Montara Water and Sanitary District (MWSD) are retail water suppliers within their respective service areas.

It has been proposed that recycled water treatment facilities be constructed at the SAM treatment plant site in order to treat the wastewater generated at that site to a water quality level sufficient for its use as recycled water.

A project (Initial Project) has been proposed which consists of the construction at the treatment plant site of recycled water treatment facilities designed to serve CCWD customers located south of the treatment plant site, and a recycled water transmission and distribution system to serve one or more of those customers.

It is understood that MWSD may desire to obtain recycled water from SAM in order to provide recycled water to its customers and that, in order to do so, facilities beyond those proposed in the Initial Project would be required. Accordingly, SAM and CCWD intend to proceed with the financing, design, and construction of the Initial Project at no cost to MWSD. However, it is understood that, at some future date, MWSD may request that, pursuant to a separate agreement related thereto, recycled water treatment, transmission, and distribution facilities be financed, designed, and constructed in order to provide recycled water to MWSD customers at no cost to CCWD.

TERMS AND CONDITIONS

The purpose of the Agreement is to set out the terms and conditions pursuant to which SAM and CCWD will agree to finance, design, construct and operate the Initial Project, including the following:

1. *Jurisdiction:* SAM will be the producer of the recycled water. CCWD will be the distributor of recycled water to all recycled water customers within CCWD's service area.
2. *Point of Delivery:* The Point of Delivery of recycled water from SAM to CCWD shall be defined as that point in the recycled water treatment facility immediately downstream of the last treatment unit.
3. *Design and Construction:* SAM will be responsible for the design and construction of the recycled water treatment facilities to be constructed. The facilities will be designed to satisfy the water quality and production rate specified by CCWD. As a condition of

cost reimbursement by CCWD, CCWD shall have the right to approve design of the facility, which approval shall not be unreasonably withheld.

CCWD will be responsible for design and construction of all facilities for transmission and distribution of recycled water.

4. *CEQA*: Each party will be responsible for complying with CEQA with respect to the portion of the Initial Project which it is proposing to construct, it being understood that the parties will need to coordinate with respect thereto.

5. *Permits*: As much as practicable and for the sake of expedience, the parties will jointly apply for permits from the Regional Water Quality Control Board and the Department of Public Health and for a coastal development permit and construction permits. If not practicable or expedient, then the parties will separately apply for those permits.

6. *Financing*: CCWD will reimburse SAM for its costs associated with the design and construction of the recycled water treatment facilities needed to meet CCWD's requirements. Grant funds obtained by either party for recycled water project planning, design, or construction shall be applied to the project to reduce the overall cost of design and construction.

6. *Facility Ownership*: SAM will own, operate and maintain the recycled water treatment facilities to the point of delivery to CCWD. CCWD will own, operate and maintain the recycled water transmission and distribution facilities downstream of the point of delivery.

7. *Operation and Maintenance*: SAM will operate and maintain the recycled water treatment facilities to the point of delivery. CCWD will operate and maintain the recycled water transmission and distribution facilities downstream of the point of delivery.

CCWD will reimburse SAM for all costs, including overhead, it incurs in connection with the operation and maintenance of the recycled water treatment facilities to the point of delivery.

8. *Subsequent Projects*: Nothing in the agreement between SAM and CCWD is intended to preclude the ability of SAM to provide recycled water to MWSD, additional recycled water to CCWD, or both, through the design, financing and construction of additional recycling facilities at the treatment plant site.