

STAFF REPORT

To: Coastside County Water District Board of Directors

From: David Dickson, General Manager

Agenda: February 14, 2017

Report

Date: February 9, 2017

Subject: Proposed CCWD-SAM Recycled Water Agreement General Terms

Recommendation:

Consider proposed terms for CCWD-SAM Recycled Water Agreement.

Background:

Sewer Authority Mid-Coastside (SAM) has contracted with SRT for a 25% design of facilities to produce recycled water. The 25% design, expected to conclude in Spring 2017, will provide SAM and CCWD with cost estimates for construction and operation of the facilities to support the agencies' further decisions on proceeding with a recycled water project.

The Guiding Principles for Recycled Water Project Between SAM, CCWD and MWSD ("Principles", Attachment A) state that "An agreement outlining the final details of Phase 1 shall be entered into prior to commencing the design and construction of Phase 1." At the CCWD-SAM Joint Recycled Water Committee meeting on January 27, 2017, all parties agreed that negotiating the agreement is a vital next step and should proceed immediately.

Based on the Principles and on discussion with the Board's ad-hoc Recycled Water Committee, staff has developed a set of basic recycled water agreement terms (Attachment B) for the Board's consideration. These terms, if approved by the CCWD Board, will then be presented to SAM for the SAM Board's discussion and possible approval. Terms approved by both agencies will form the basis for drafting of detailed agreement language by SAM and CCWD staff and counsel.

Fiscal Impact:

None.

GUIDING PRINCIPLES FOR RECYCLED WATER PROJECT BETWEEN SAM, CCWD AND MWSD

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 County Water District (CCWD) and the Montara Water and Sanitary District (MWSD) are retail water suppliers for their respective service areas.

The parties (SAM – CCWD – MWSD) intend that a recycled water treatment facility shall be constructed at the SAM treatment plant in order to treat the wastewater generated to a water quality level sufficient for its use as recycled water for distribution and sale by CCWD. Phase 1 of the project (Phase 1) is intended to provide recycled water to the Ocean Colony Partners (OCP) golf course only.

Phase 1 has been proposed consisting of two components:

- (A) A Recycled water treatment facility located at the SAM plant, the capacity of which shall be designed, at a minimum, to serve recycled water to OCP's golf courses
- (B) Recycled water transmission and distribution systems for CCWD's service area, specifically for transmitting recycled water to OCP's golf courses

The parties intend to proceed with the design and construction of Phase 1 with funds secured by the parties to self-fund Phase 1. If grants or low interest financing provided by the federal or state governments is available, these funds will be pursued. The parties further intend that SAM shall be reimbursed for its expenditures for Phase 1.

It is anticipated by the parties that after Phase 1 is completed, additional recycled water projects will be studied for potential benefits and funding. The recycled water plant will be designed to handle additional recycled water projects after Phase 1.

These Guiding Principles shall serve as the basis for an agreement or agreements among SAM as the producer of recycled water and CCWD and MWSD as distributors of recycled water.

TERMS AND CONDITIONS

The purpose of the Agreement is to set out the basic terms and conditions pursuant to which SAM, CCWD and MWSD will agree to finance, design, construct and operate the Phase 1 Project, including the following:

1. **Jurisdiction:** SAM will be the producer of the recycled water. CCWD and MWSD will be the distributors of recycled water to all recycled water customers within their respective service areas.
2. **Point(s) of Delivery:** The Point or Points of Delivery of recycled water from SAM to CCWD and MWSD, respectively, shall be defined as that point or points in the recycled water treatment facility immediately downstream of the last treatment unit and from which delivery of recycled water is made to CCWD and MWSD.
3. **Design and Construction:** SAM will be responsible for the design, construction, and operation of the recycled water treatment facilities for Phase 1 with input from CCWD and MWSD (and future Phases). The facilities will be designed to satisfy the water quality specified by the CCWD and MWSD and the combined production requirements of CCWD and MWSD; provided, that in no event shall said requirements exceed the maximum flow rate of SAM's treatment facilities; provided, further, that SAM shall have the final authority with regard to determining selection of treatment technology.

CCWD and MWSD shall be responsible for the design, construction, and operation of all facilities for the transmission and distribution of recycled water within their respective service areas.

4. **CEQA:** The parties will be responsible for complying with the California Environmental Quality Act (CEQA) for the components of Phase 1 which each proposes to construct, with the understanding that the parties shall cooperate with each other and coordinate their efforts for CEQA compliance.
5. **Permits:** As much as practicable and for the sake of expediency, the parties will jointly apply for permits from the San Francisco Bay Regional Water Quality Control Board and the California Department of Public Health, for all permits necessary to construct Phase 1. If not practicable or expedient, then the parties will apply separately for such permits pertaining to their respective components of the Phase 1 Project.
6. **Financing:** The financing for Phase 1 is agreed to be self-funded by the parties. Ideally SAM will secure the needed funding for Phase 1. If SAM is unable to fully fund Phase 1 and CCWD is able to fund and provide all or part of the financing for Phase 1, the monies provided by CCWD will be repaid by SAM to CCWD over time. The specific details of any repayment will be specified at the time funding is finalized.
 The parties also intend to apply for grant or low interest financing provided by the federal or state governments (Collectively, "Grant Funding") for the design and construction of Phase 1. The parties shall jointly apply for such financing to the extent allowable under Grant Funding programs; provided, that if such financing is based on ownership of the individual components, i.e., SAM's recycling treatment facilities, CCWD's transmission and distribution facilities and MWSD's transmission and distribution facilities, then the parties shall apply for Grant Funding

corresponding to ownership, but in any event, the parties shall cooperate with and assist each other in obtaining Grant Funding.

7. **Facilities ' Ownership:** SAM will own, operate and maintain the recycled water treatment facilities to the point(s) of delivery to CCWD and MWSD. CCWD and MWSD will own, operate and maintain their respective recycled water transmission and distribution facilities downstream of the point of delivery.
8. **Operation and Maintenance:** SAM will operate and maintain the recycled water treatment facilities to the point(s) of delivery. CCWD and MWSD will operate and maintain their respective recycled water transmission and distribution facilities downstream of the point of delivery.
9. **Records:** Without limitation upon record-keeping requirements, SAM shall keep and maintain accurate records of recycled water production and the volume of recycled water provided to CCWD and MWSD, respectively. The records or the data contained therein shall be provided periodically to CCWD and MWSD and upon demand as CCWD and MWSD may require.
10. **Access to Treatment Facilities:** MWSD and CCWD shall have reasonable access to the recycled water treatment facilities during construction and from and after SAM's acceptance thereof to ascertain SAM's compliance with the terms and conditions of the agreement entered into in pursuance of these Guiding Principles.
11. **Dispute Resolution:** Disputes regarding the interpretation of, or performance under, the agreement entered into in pursuance of these Guiding Principles shall be resolved initially by meeting and conferring between or among the parties to the dispute and if not resolved thereby, by submittal to mediation.
12. **Successors:** The agreement entered into in pursuance of these Guiding Principles shall be binding upon and inure to the benefit of the successors and assigns of the parties thereto.
13. **Reimbursement:** SAM shall be reimbursed by CCWD and MWSD for all costs incurred by SAM for the Phase 1 Project which are not reimbursed by Grant Funding. Such costs shall be allocated between CCWD and MWSD in proportion to the flow of recycled water allocated to them in the Project.
14. **Effect:** These Guiding Principles shall be effective upon the last of the dates of execution hereinafter set forth and shall be incorporated in an agreement or agreements between and among the parties for the implementation of the Project. These Guiding Principles are merely a statement of the terms upon which the parties may be interested in pursuing further negotiations. An agreement outlining the final details of Phase 1 shall be entered into prior to commencing the design and construction of Phase 1.

Signature Page

IN WITNESS WHEREOF, the parties (below) have executed these Guiding Principles upon the dates hereinafter listed below and agree to the intent and principles of these guidelines:

SAM

General Manager: _____ Date: _____

Board President: _____ Date: _____

CCWD

General Manager: _____ Date: _____

Board President: _____ Date: _____

MWSD

General Manager: _____ Date: _____

Board President: _____ Date: _____

City of HALF MOON BAY

City Manager: _____ Date: _____

Mayor: _____ Date: _____

GRANADA COMMUNITY SERVICES DISTRICT

General Manager: _____ Date: _____

Board President: _____ Date: _____

Proposed CCWD-SAM Recycled Water Agreement Basic Terms
February 14, 2017

1. 2-party agreement between SAM and CCWD.
2. CCWD will provide reclaimed water quantity and quality specification.
3. SAM commits to provide reclaimed water in quantity and quality specified.
4. The parties agree that CCWD will be the exclusive distributor of recycled water within its jurisdictional boundaries and that applications, customers, terms of use and pricing for recycled water distributed by CCWD shall be determined by CCWD.
5. Recycled water treatment facilities shall be designed for increase of capacity and optional additional level(s) of treatment as agreed between SAM and CCWD.
6. SAM will commit to costs for capital, operation, and maintenance of the facilities – term to be determined.
7. SAM to fund costs for design, construction, and operation of recycled water production facilities.
8. CCWD will pay SAM's total capital cost – up to the maximum determined in 6 above – on an amortized basis over the same term as the SAM borrowing used to provide the capital. Any grant funding received by the parties shall be applied 100% to the capital cost of the project.
9. CCWD will reimburse SAM for operation and maintenance costs as incurred, plus reasonable SAM overhead and other expenses, up to the maximum agreed between CCWD and SAM.
10. Payments from CCWD to SAM to be conditioned on SAM meeting water quality, quantity, and level of service specifications.
11. Each party will be responsible for compensating the other party for its failure to perform under the agreement.