



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** January 26, 2021

**TO:** Mayor and Councilmembers

**FROM:** Water Resources Division, Public Works Department

**SUBJECT:** Introduction Of Ordinance For Sale Of Excess Recycled Water To La Cumbre Mutual Water Company

### **RECOMMENDATION:**

That Council introduce and subsequently adopt, by reading of title only, an Ordinance of the Council of the City of Santa Barbara Approving an Agreement for the Long Term Wholesale Supply of Recycled Water to the La Cumbre Mutual Water Company.

### **EXECUTIVE SUMMARY**

Over the last several years, City staff has negotiated, at the direction of Council, an agreement with the La Cumbre Mutual Water Company for the long-term sale of surplus recycled water produced at the City's Recycled Water Plant. The Recycled Water Agreement (RWA) promotes regional cooperation to preserve potable water supplies, continues to allow the City to manage both its potable and non-potable water sources to ensure reliable service for its customers during drought and normal periods, and provides fair compensation to the City's rate payers for the value of recycled water.

### **DISCUSSION:**

La Cumbre Mutual Water Company (Water Company) has a 2,000 acre service area in the unincorporated area of Santa Barbara County. The service area includes Hope Ranch, the area between Hollister Avenue and Hope Ranch, and La Cumbre Country Club (LCCC). On December 17, 2015, the City received a letter from LCCC inquiring about opportunities to connect to the City's recycled water system. On January 7, 2016, the City received a letter from the Water Company supporting LCCC's letter, and requesting to enter into an agreement with the City to purchase recycled water for use at the LCCC for landscape irrigation.

On February 2, 2016, Council directed staff to enter into negotiations with the Water Company for the sale of recycled water produced at the El Estero Water Resource Center. At the time, the City was contending with the worst drought on record, and was in the process of bringing the new recycled water plant online; therefore, initial negotiations were put on hold.

The City's original recycled water facility was constructed in 1989 at the El Estero Water Resource Center. It was one of the first recycled water facilities in California and has operated for over 20 years, allowing the City to preserve its potable water supplies, especially during times of drought. In 2012, the City undertook the design and construction of a new Recycled Water Treatment Plant (RW Plant). The work consisted of replacing media filters with new ultrafiltration membranes, rehabilitating the recycled water reservoir, and reconfiguring existing pipes and chemical storage facilities. Since completing the replacement of the RW Plant, the treatment process has been optimized, and the facility is reliably producing recycled water quantities in excess of the City's maximum demands, which are highest during the summer.

With the improving drought condition, and the RW Plant operating at its design capacity, staff resumed negotiations with the Water Company at the beginning of 2020. Since that time, staff has conducted videoconferencing sessions with the Water Company to confer on the guiding principles and terms of the Recycled Water Agreement (RWA). On November 23, 2020, the Water Company Board voted to approve the RWA, including these key principles and provisions:

- **Guiding Principles:** The City will sell and the Water Company will purchase recycled water. To the extent potable water is used to ensure the continued operation of the recycled water distribution system, the agreement provides discretion to the City, without reservation, to manage its potable water supplies for the benefit of its customers. This includes the right to temporarily suspend the agreement to ensure there is sufficient potable water for its customers.
- **Surplus Supply:** The City has determined that the RW Plant has, and will have, for the initial term of the agreement, the capacity to produce recycled water surplus to the demands of the City customers. The RWA between the City and the Water Company provides economic and water supply benefits that will promote water conservation and reduce regional demand on potable water supplies.
- **Term:** The initial term of the agreement is 25 years. However, the City may terminate the agreement after December 31, 2034, if it determines that the recycled water is required for direct or indirect potable reuse supply. After the initial term, the agreement may be extended for one-year periods, contingent on the agreement of both parties.
- **Quantity:** The City will deliver a minimum of 40 acre feet of recycled water per year (AFY) and a maximum of 100 AFY.
- **Infrastructure:** At a point on the existing recycled water distribution infrastructure, the Water Company will pay for the installation of metering facilities necessary to measure and control the flow of recycled water to the Water Company. The Water Company will also pay for and construct distribution facilities from the metering point to its property to complete the conveyance of recycled water.

- **Regulatory Compliance:** The City will deliver tertiary treated recycled water that is in compliance with the Recycled Water Policy, California Code of Regulations (CCR) Title 22, and all applicable state and federal water quality laws. The Water Company is solely responsible for the use and application of recycled water within its service area and the compliance and enforcement of all applicable laws and regulations.
  
- **Delivery Limitations:**
  - The Water Company may take up to a maximum of 0.25 Million Gallons per Day (MGD) of recycled water per day, subject to the City's approval. The City may, at its discretion, limit or change the delivery regime to ensure that there is sufficient recycled water available to meet the demands of City recycled water customers.
  - The City is excused from delivery of recycled water due to uncontrollable circumstances, malfunction of the City's recycled water treatment or distribution systems, required system maintenance, acts of a third party, or orders issued by a governmental regulatory authority.
  - If the City is not expected to deliver recycled water for more than 30 days, the agreement will be paused at the written request of the Water Company. The initial term will be extended by the amount of time the agreement is paused. Applicable payments will be adjusted accordingly.
  - If the City determines that its potable water supplies are insufficient to supplement the City's recycled water system and deliver recycled water to the Water Company, and finds it necessary to preserve its potable water supplies for City customers, the City may pause the agreement and will be relieved of its obligation to deliver recycled water to the Water Company.
  
- **Price:** The Water Company will pay a monthly fixed fee, escalated annually at a rate of 3 percent, for the historical cost and ongoing maintenance of City facilities that produce and convey recycled water. A volumetric charge will be assessed based on the City's adopted Recycled Water Rate, which may change from time to time, and metered deliveries. Regardless of whether or not the Water Company accepts deliveries in any contract year, it will pay a volumetric charge for a minimum of 40 Acre Feet (AF). The Water Company will also pay an administrative fee equal to 15% percent of the Volumetric Charge, which covers a portion of the City's administrative costs for management of the recycled water program.

The RW Plant currently has a peak production capacity of 2.5 MGD. Recycled water demand rises during the summer months, ranging from 1.5 MGD up to 2.0 MGD. Therefore, the City currently has approximately 0.5 MGD of available capacity in the recycled water system when demands are at their peak, and substantially more capacity on non-peak days and during the winter months. The maximum demand of 0.25 MGD from the Water Company would reduce the City's currently unused capacity to 0.25 MGD.

**BUDGET/FINANCIAL INFORMATION:**

At the current adopted recycled water rate, the Water Company would pay to the City, at a minimum, approximately \$156,000 per year. If the Water Company elects to take its maximum allowable deliveries of 100 AF, the annual revenue to the City would increase to approximately \$288,000. To put this in perspective, a one percent rate increase currently equates to approximately \$500,000 in additional revenue. The execution of the RWA will assist in funding operational expenses and capital projects, which may alleviate some pressure to increase rates in the future. Additionally, the ability to use the RW Plant's full production capacity will lead to a recycled water unit cost for City customers that would otherwise be higher without this agreement in place. This reduction in unit cost further incentivizes the use of recycled water as an alternative to the City's limited potable water supplies.

**SUSTAINABILITY IMPACT:**

Recycled water is a key water resource for the City, because it offsets the use of potable water, thereby increasing the City's water supply reliability during droughts and emergencies. State legislation promotes the use of recycled water and allows contracts that provide for the transfer of recycled water across utility boundaries. The sale of recycled water to the Water Company will reduce overall potable water demand for the South Coast.

**ENVIRONMENTAL REVIEW:**

The recommended actions in this report relate to the operation of existing facilities within existing capacity and are not subject to the California Environmental Quality Act (CEQA).

**WATER COMMISSION RECOMMENDATION:**

This item was presented to the Water Commission at its meeting on December 17, 2020, and the Commission voted 4-0 in support of staff's recommendations.

A copy of the report may be requested from the Public Works Department for public review. Please contact us at [PWInfo@SantaBarbaraCA.gov](mailto:PWInfo@SantaBarbaraCA.gov) to request a copy.

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**SUBMITTED BY:** Joshua Haggmark, Acting Public Works Director

**APPROVED BY:** City Administrator's Office