



RECYCLED WATER LIAISON COMMITTEE

Kansen Chu, *Council Member, City of San José*
Tony Estremera, *Board Member, Santa Clara Valley Water District*
Rosemary Kamei, *Board Member, Santa Clara Valley Water District*
Patrick Kwok, *Board Member, Santa Clara Valley Water District*
Patricia Mahan, *Mayor, City of Santa Clara & Chair of Treatment Plant Advisory Committee*
Pierluigi Oliverio, *Council Member, City of San José*

AGENDA

Recycled Water Liaison Committee
SANTA CLARA VALLEY WATER DISTRICT BOARD ROOM
5700 ALMADEN EXPRESSWAY
SAN JOSÉ, CA 95118

THURSDAY, NOVEMBER 20, 2008
9:30 AM – 11:30 AM

Meeting Objective: Develop Long-term Agreement Program Element Options
Chair: Rosemary Kamei, Chair, Santa Clara Valley Water District
Facilitator: Paul Brown, *Camp Dresser & McKee Inc.*

CALL TO ORDER:

1. Roll Call.
2. Public Comment
3. Approval of October 16, 2008 Minutes
4. Overview of Program Element Options
5. Discussion on Common Interests, Benefits and Areas of Agreement and Identification of Viable Program Element Options
6. Adjourn to next Meeting at 9:30 a.m., on January 15, 2009, at the City of José

TO ARRANGE AN ACCOMMODATION UNDER THE AMERICANS WITH DISABILITIES ACT TO PARTICIPATE IN THIS PUBLIC MEETING, PLEASE CALL (408) 535-8555 OR (408) 294-9337 (TTY) AT LEAST 48 HOURS BEFORE THE MEETING.

(A quorum of the Board may be in attendance.)

Availability of Public Records. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarter Building, 5700 Almaden Expressway, San José, CA 95118 or at City Hall, Office of the City Clerk, 200 East Santa Clara Street, Wing – 2nd Fl., San José, CA 95113, at the same time that the public records are distributed or made available to the legislative body.



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DRAFT MINUTES

**Recycled Water Liaison Committee
SAN JOSÉ/SANTA CLARA WATER POLLUTION CONTROL PLANT
LARGE CONFERENCE ROOM
700 LOS ESTEROS, SAN JOSÉ, CA 95113**

**THURSDAY, OCTOBER 16, 2008
10:00 AM**

(Paragraph numbers coincide with agenda item numbers)

CALL TO ORDER:

1. Roll Call: The following Committee members and staff were in attendance:

City of San José City (City): Council member Pierluigi Oliverio.

Santa Clara Valley Water District (District): Board Chair, District 1 Director Rosemary Kamei; At-Large Director Tony Estremera.

City of Santa Clara: Mayor Patricia Mahan, Chair of the Treatment Plant Advisory Committee. Mayor Mahan presided as Chair for the meeting.

City of San José staff in attendance: Mollie Dent, Senior Deputy City Attorney; John Stuffelbean, Environmental Services Director; Mary Ellen Dick; Christina Martin; Mansour Nasser; Eric Rosenblum and Bob Wilson.

City of Santa Clara staff in attendance: Alan Kurotori, Director of Water and Sewer.

District staff in attendance: Olga Martin Steele, Chief Executive Officer; Emily Cote, Senior Assistant District Counsel; Jim Fiedler, Chief Operating Officer; Hossein Ashktorab; Pamela John; Camille Tavlian; Keith Whitman; and Stanley Zhu.

Facilitator: Paul Brown, Camp Dresser and McKee, Inc.

Other attendees: District 3 Director Richard Santos, Santa Clara Valley Water District, was also in attendance as an observer; George Belhumeur, San José Water Company; Mary Hoang, HydroScience, Inc.; Bahman Sheikh, Water Reuse Specialist; and Betty Brown, Public.

3. Approval of September 18, 2008 Minutes occurred before Agenda Item 2.

It was moved by Council Member Oliverio, seconded by Director Kamei and unanimously carried that the September 18, 2008 Recycled Water Liaison Committee (RWLC) minutes be approved as presented.

2. Introductions

Chairperson Mahan introduced Paul Brown, Camp Dresser and McKee, Inc., who served as facilitator for the meeting. Mr. Brown explained the meeting's objective was to gather background information on the institutional structure and financing mechanisms of each entity before discussions begin on the nature of the agreement to be formed between the entities. He explained the committee would receive a presentation on examples of similar agencies with collaborative models. The committee would be given the opportunity to provide feedback on these models in order to provide direction on the committee's next steps towards an agreement.

4. Overview of Recycled Water System, Legal, Institutional and Financial History

Mr. John Stufflebean, Environmental Services Director, San José, gave an administrative and financing overview of South Bay Water Recycling (SBWR), which is owned and operated under a joint powers agreement (JPA) formed in 1959 between the cities of San José and Santa Clara. He explained that other contributory agencies own percentages of the capacity of the Water Pollution Control Plant (WPCP) based on master agreements.

San José is the administering agency for the Plant, including SBWR, which represents approximately five percent of the operations of the treatment plant. The San José and Santa Clara City Councils are advised by the Treatment Plant Advisory Committee (TPAC), consisting of nine members from San José, Santa Clara, Milpitas, West Valley Sanitation District and Cupertino Sanitation District.

With regards to financing, Mr. Stufflebean explained that San José proposes the annual budget, with cost sharing allocations for each of the tributary agencies based upon their individual treatment capacity. Each of these agencies collects revenue as appropriate to its own agency to pay their cost share for the operation of the Plant and SBWR. Agencies have the option of paying cash or financing the capital cost share.

The agreement also contains revenue sharing provisions, such that if SBWR generates revenue above and beyond the cost of operations, the revenues would be distributed back to the agencies, based on a contributory formula.

The Clean Water Financing Authority is a separate Joint Powers Authority, formed in 1981 for the purpose of financing, acquisition, construction, maintenance and operations of facilities and properties for the collection, treatment and disposal of sewage waste and stormwater. This Authority is served by a five-member board from the Cities of San José and Santa Clara. The Authority issues and refinances bonds, pays debt service, and receives state and federal grants and loan funds. The current amount of Clean Water Financing Authority's outstanding bonds for SBWR is approximately \$100 million.

Mr. Stufflebean explained that the largest source of operational funds for SBWR comes from Sewer Service and Use Charges (derived in San Jose, for example, from property

taxes and monthly bills). Other sources of funds include recycled water revenues. Santa Clara Valley Water District (SCVWD) pays a reimbursement of approximately \$1 million per year to SBWR (\$115/AF of recycled water sold as an offset to the use of potable water). That money is used to partially fund operations.

Mr. Stufflebean explained that the source of capital financing is generally connection fees from cities and tributary agencies, as well as grants and loans from the Bureau of Reclamation and the State Water Board. These funds pay for capital improvements at the plant and South Bay Water Recycling. SCVWD (through the Silver Creek Agreement) contributed \$6M toward extending the Silver Creek pipeline.

Mr. Stufflebean offered tours of the treatment plant for anyone interested.

Mr. Brown (Camp, Dresser and McKee, Inc.) asked which agency the SCVWD would be negotiating with in any recycled water agreement discussions. Mr. Stufflebean responded that SCVWD would be negotiating with the City of San José as the administering agency and the City of Santa Clara as a co-owner of the public facility within the joint powers agreement.

Chairperson Mahan stated the information presented was extremely helpful toward understanding the existing relationship in order to form the foundation of a future agreement between the entities.

Mr. Jim Fiedler gave the administrative and financing overview for SCVWD, a special services district formed by the State legislature in 1929. He explained that its operations merged with County Flood Control in the 1960's to form the existing agency as a water wholesaler, as well as providing flood protection and water resource management throughout Santa Clara County. SCVWD is governed by a seven-member Board of Directors, five elected and two appointed.

SCVWD's financial framework consists of both a Water Utility and a Flood Control entity. From a Water Utility Enterprise perspective, there are essentially three sources of revenue: 1) water revenues from the sale of groundwater or a groundwater charge on groundwater pumping; 2) treated water charges on treated water sold to treated water customers or contractors; and 3) property tax revenue. The bulk of property tax revenue for the Water Utility underwrites an obligation incurred in the 1960's with the State Water Project. SCVWD also receives state and federal loans.

On the Flood Control side, the sources of revenues are primarily property tax and a special parcel tax from 2000 (Measure B) that supports flood protection and watershed operations. SCVWD has also entered into agreements with the federal government through the Army Corps of Engineers to fund flood protection projects throughout the county.

Mr. Fiedler explained that financing for capital projects of the SCVWD Water Utility come from water revenues, revenue bonds, state and federal grants or loans and property taxes.

The source for funding SCVWD operations and maintenance (approximately \$120 million for the current year) is through water revenues.

Mr. Brown asked if the Water Pollution Control Plant (WPCP) wished to build advanced water treatment facilities and store treated groundwater in SCVWD groundwater basins,

why they would need to consult with SCVWD. Mr. Fiedler stated that, through enabling legislation in the District Act, SCVWD is responsible for managing the groundwater basin for beneficial reuse and would need to be consulted.

5. Review Alternative Facilities Ownership and Financing Options

Mr. Brown introduced Mr. Bahman Sheikh, Water Reuse Specialist, who has extensive experience in creating successful collaborations on water recycling throughout California.

Mr. Sheikh presented four models of collaborative agreements between other agencies which could be used as a foundation for discussions in the collaborative efforts between SBWR and SCVWD. The four collaborative options included:

- 1) Funding/Incentive Agreement
- 2) Customer Contract for Purchase
- 3) Cooperative Agreement
- 4) Joint Powers Authority (JPA)

Option 1: Funding/Incentive Agreement

Mr. Sheikh presented the Funding Incentive Agreement as the most similar arrangement to what currently exists between SBBR and SCVWD. SCVWD provides an incentive of approximately \$115 per acre-foot to the City of San José, as the administering agency for the WPCP and for SBWR. SBWR works with the retailers, who deal with recycled water customers and sells recycled water to them. He compared this relationship to Metropolitan Water District of Southern California, who provides reimbursement incentives to its member agencies of approximately \$250 per acre foot for recycled water.

Option 1: Benefits for SCVWD

- 1) Avoiding cost of acquisition of new water supply
- 2) Joint funding for new Capital Projects
- 3) Option for decision making limited to new joint Facilities

Option 1: Benefits for San José as Administering Agency of WPCP/SBWR

- 1) Potential for increased revenue from additional recycled water sales
- 2) Joint funding for new Capital Projects
- 3) Maintain decision making on existing facilities

Mr. Sheikh emphasized the importance of maintaining decision making on existing facilities for the City San José, since it is written into a number of agreements and contractual requirements for the City of San José.

Mr. Brown stated that Option 1 represented the status quo for the agencies, with incentives on the part of SCVWD to SBWR to produce recycled water, which provides in turn an incentive to SCVWD in that it reduces the need to develop supplies outside of the surface area.

Option 2: Customer Contract for Purchase

Mr. Sheikh explained this would involve a contract between SCVWD and SBWR for the purchase of recycled water in future years. SBWR would retain its role and relationship with its existing customers. SCVWD, as a wholesaler, would purchase water into the future and would have the option of using it for non-potable purposes or for indirect potable use. Mr. Sheikh compared this relationship scenario to West Bay Municipal Water District (WBMWD) in Southern California, which provides additional treatment to a secondary effluent and purchases water from the City of Los Angeles, Los Angeles County Sanitation District (LACSD), at a cost of \$7.50 per acre-foot. Revenues are earmarked specifically for water recycling only. This provides the City of Los Angeles with up to 50,000 acre-feet per year for 30 years. WBMWD uses this secondary effluent and treats it to five different levels of water quality, depending on use.

Option 2: Benefits for SCVWD

1. Ability to buy available recycled water supply at contract price
2. Provides total control over construction and operation of new District funded recycled water facilities
3. Could include contract provisions for guaranteed allocations (“take or pay”)

Option 2: Benefits for San José as Administering Agency of WPCP/SBWR

1. Potential increased revenue from additional recycled water sales
2. Total control over construction and operation of their own new facilities
3. Retain authority over existing facilities

Mr. Brown explained this example with WBMWD and LACSD involves secondary treated effluent that would otherwise be released to the ocean and, therefore, remain unused. WBMWD, as a contracting agency, mines the effluent at a nominal price and handles all the treatment to arrive at Title 22 grade and higher.

Mr. Brown stated that revenues that could be created in this type of collaboration could go towards reducing the sewer rates of all of the members of the WPCP Joint Powers Agreement.

Chairperson Mahan commented this option could also create needed revenue for Santa Clara’s Water Utility.

Mr. Fiedler explained that San José operates a very efficient wastewater treatment plant, meeting all National Pollutant Discharge Elimination System (NPDES) requirements, treating the water to a higher standard than required. San José takes a portion of the wastewater for non-potable water delivery (10-15,000 acre-feet). Currently, however, approximately 80 MGD of that water does not go to the recycled water system, but instead flows out to the bay through the outfall. This represents an opportunity for SCVWD to provide for the water supply needs of the county.

Mr. Stufflebean cautioned that there may come a time that the regulatory agencies develop a standard for the water supply that must be discharged to the bay; therefore, the entire 80 MGD may not be available.

Mr. Brown explained that there are a number of beneficial uses to which the WPCP effluent can be put, both in continued discharge to the bay, the recycled water currently in use, as well as the potential for greater recycling to the extent that SCVWD wishes to advance to as indirect potable reuse.

Mr. Fiedler stated, as previously presented by both SCVWD and San José to the Board and City Council, utilizing this supply in groundwater recharge made the best and most cost effective use of this unused resource. He stated the county of Santa Clara is fortunate to have a large groundwater basin, with over 300 acres of ponds that replenish the aquifer, allowing the groundwater to provide over 50% of the water supply for Santa Clara County.

Mr. Stufflebean stated that making use of non-potable water is a cost-effective solution to a point. Since the investment and purple pipe is in place, adding the customers next to the pipes does make sense, but groundwater provides a more cost effective alternative beyond this point. He also mentioned that stream flow augmentation using recycled water, also provides groundwater recharge and provides flow to the bay and therefore provides some interesting possibilities.

Mr. Brown emphasized that both groundwater recharge and stream flow augmentation opportunities could not be implemented without collaboration with SCVWD.

Councilmember Oliverio asked for an explanation of the “take or pay” system.

Mr. Sheikh stated that in order to maintain a revenue stream that is consistent, the contractual arrangement illustrated under Option 2 could include a “take or pay” provision; whereby, the District agrees to pay a set amount per year, whether or not it uses all of the allotment. This would guarantee the City of San José a revenue stream, and guarantee SCVWD water when they need it.

Option 3: Cooperative Agreement

Mr. Sheikh described Option 3 as a cooperative situation involving an agreement between the City of San José and SCVWD, which would act in a parallel situation with regard to future development of recycled water.

The City would develop future uses for its retailers and customers, and SCVWD would act as a wholesaler for its future non-potable, as well as indirect potable reuse projects. The cooperative agreement would provide for several advantages to both agencies.

Mr. Sheikh gave the example of the cooperative agreement between Orange County Water District (OCWD) and Orange County Sanitation District (OCSD). By current standards, Mr. Sheikh stated this represents the ultimate in water conservation and water recycling, and involves approximately 72,000 acre-feet per year (roughly equivalent to 72 million MGD).

In this model, the facility is owned by OCWD, but there is a 50/50 split capital cost share between OCWD and OCSD. The incentive for the OCSD to enter into this split agreement was that if they did not participate in the agreement, all of the 72,000 acre-feet per year would have to be discharged out to the ocean in the outfall. This would

end up costing them approximately half of the \$490 million (the cost of the new facility), in addition to the cost of providing water supply to the entire county).

For the first year, the two Districts shared operations and maintenance costs on a 50/50 basis; after which, OCWD and OCSD each paid their own operations costs. OCSD pays to get the water to the secondary level and OCWD pays the costs all the way to the advanced treatment level.

One of the benefits of the cooperative agreement is that there is a committee of the two agencies (Joint Cooperative Committee), which has been authorized to make decisions of up to \$10 million without going back to their respective Boards. This gave them a great deal of flexibility to go forward with construction and operations.

Option 3: Benefits for SCVWD

1. A secure water supply assurance
2. Joint funding for Capital Projects
3. Shared decision making for new joint funded facilities
4. A secure salt discharge capacity for Advanced Water Treatment (AWT)

Option 3: Benefits for San José as Administering Agency of WPCP/SBWR

1. Increased revenue from additional recycled water sales
2. Joint funding for Capital Projects
3. Maintain full decision making on existing facilities
4. Capacity to remove salts

Option 4: Joint Powers Authority

Mr. Sheikh explained that Option 4 was very similar to Option 3, except that it creates a Joint Powers Authority (JPA) to create the new groundwater recharge and advanced treatment facilities. The JPA would take care of existing customers of recycled water and sell to new recycled water customers. He presented the example of the Dublin-San Ramon Services District (DSRSD) and East Bay Municipal Utility District (EBMUD) relationship as a model JPA for recycled water.

Mr. Sheikh explained that DSRSD and EBMUD formed together a JPA called DERWA, which is designed to allow available recycled water from DSRSD to be sold to the customers of EBMUD across District boundary lines. Capital operations and maintenance costs are shared 50/50, with a four-member Board (two from each entity). DERWA is staffed with current employees of the two districts.

Option 4: Benefits for SCVWD

1. Secure water supply assurance
2. Joint funding of Capital Projects
3. Joint decision making for facilities owned by new JPA
4. Secure salt discharge capacity

Option 4: Benefits for San José as Administering Agency of WPCP/SBWR

1. Increased revenue from additional recycled water sales
2. Joint funding for Capital Projects
3. Maintain decision making on existing WPCP owned facilities
4. Capacity to remove salts

6. Discuss Issues and Interests Regarding Agreement Options

Mr. Brown asked the committee for direction in developing the options to be brought forward based on the four models presented.

Council member Oliverio stated that Option 2 would further the relationship beyond what exists today and allows the two entities to move in the direction of the future on recycled water and recharging the groundwater basin, without contractual obligations like Orange County. The WPCP would obtain additional revenues with additional benefits of stream flow augmentation.

Director Kamei stated that she felt that SCVWD and SBWR could do better than the status quo. While she stated she is willing to carefully explore Option 2, if SCVWD and the SBWR are to truly change the way they do business and make large investments in infrastructure, at a minimum she envisioned beginning at the cooperative agreement level (Option 3).

Mr. Brown asked what concerns Chairperson Kamei would have for a contract for a specific amount. Chairperson Kamei stated that, while it sounds easy to return the supply to the District ponds or recharge the aquifer, the District has not done this before and it may take more effort than anticipated, particularly in light of public perception. Operational changes, infrastructure and costs would also need to be researched.

Mr. Stufflebean asked, assuming public support was present, how much water SCVWD could store. Director Estremera responded it would depend on the facilities, the operation, the time and type of year.

Mr. Brown mentioned, as an example, that, in the case of OCWD, once the barriers of public perception and feasibility were overcome, OCWD took the position of taking as much secondary effluent supply as they could get; however, he did acknowledge the collaboration process. He mentioned the agreement between OCWD and OCSD represented a hand-off between the two agencies, with the OCSD being responsible for the effluent up to a certain point of delivery, quantity and quality. After this, OCWD has the responsibility to take it and integrate it into the water supply for Orange County. While they work closely together, they operate as two independent agencies. He mentioned that it would be difficult to have a simple customer contract (Option 2) without some terms and conditions between the two agencies (approaching Option 3).

Director Estremera stated that the process has been tried unsuccessfully before at the District, as it lacked public acceptance of the concept of recycled. He acknowledged the difficulties in establishing the groundwork to begin formulating a cooperative agreement, such as Orange County.

Chairperson Mahan mentioned that there is a need to look to the future; however, in the past, it may have been easier to enter into a cooperative agreement (Option 3) before

the investment had been made in SBWR. She suggested that, were SCVWD and the WCTP current partners in SBWR, discussions for the future would be quite different. She stated the need to begin now educating the public on the groundwater recharge process. She envisioned the future for the two entities as more than a customer relationship and stated groundwater recharge should be the ultimate goal for the future of the region.

Director Kamei agreed on the need for looking ahead into the future to ensure success in groundwater recharge.

Director Estremera acknowledged that the District has recognized it should have been a greater participant in SBWR; however, it did not have the opportunity. He stated that the District does not wish to miss any future opportunities and wishes to prevent any further estrangement in this area. He acknowledged commonalities with Orange County's groundwater recharge system, and stated that he agreed with Chairperson Mahan in that the District could not afford to let this collaborative opportunity go by.

Mr. Brown summarized that, in the past, there was a need for a land outfall, due to regulatory constraints on flow release to the bay. Despite the similarities with Orange County, the outcome in Santa Clara County was different. Mr. Brown explained, for whatever reason, SBWR undertook it themselves and did not rely on SCVWD to accomplish it, bringing the two entities to where they are today. He suggested that to recreate what should have been in the past was not a worthwhile venture. He recommended there were a number of steps that needed to be taken together going forward to get beyond the non-potable Title 22 system. He recommended concentrating on steps to develop the future, and recommended the two agencies needed to, at a minimum, come to a type of cooperative agreement.

Chairperson Mahan asked if Mr. Brown was proposing that SBWR should stay as it is, serving who it serves at present, and then concentrate on building a new relationship within a new system. Mr. Brown recommended that SBWR and SCVWD work on a new venture first, rather than going back into past developments. He emphasized there were new facilities and new opportunities that could be done differently from the past.

7. Discuss Agreement Points and Next Steps

Mr. Brown stated in the next meeting, more details would be brought forward to suggest measures to take to bring forward the options, which he said, based on the committee's comments, would likely be arrayed between Options 2 and 3. He suggested starting with a cooperative agreement as a foundation, as Option 4 (JPA) was more complex.

Director Kamei stated she liked Option 3 (Cooperative Agreement); however, there is a need to look at current work being performed by SCVWD on the Advanced Treatment Plant and the investment of funds on its design, particularly if SCVWD may be only a "customer" in this venture. She suggested there needs to be a greater understanding of the partnership before SCVWD proceeds further with investing in the Advanced Water Treatment facility design. The District needs to have a greater understanding of why it would be paying for the design of the facilities before knowing the benefits it would receive in recycled water. Director Kamei asked what SBWR would need at the next meeting.

Chairperson Mahan stated she hoped the partnership resulted in either Option 3 or 4, stating she did not wish to rule out the option of a JPA.

Director Estremera stated he envisioned an agreement somewhere between Options 3 and 4 as the goal.

Director Kamei and Council member Oliverio stated they would like more information before deciding on which option to explore.

8. Public Comment

Mr. Stufflebean suggested that the next meeting on November 20, 2008 be extended to two hours, instead of one and one-half hours, and recommended the committee meet from 9:30 a.m. to 11:30 a.m.

Mr. George Belhumeur, Senior Vice President, Operations, San José Water Company, expressed the interest of San José Water Company in both non-potable recycled water, as well as advanced treated recycled water. He stated San José Water Company was in the process of completing a Master Plan for recycled water and may possibly be able to offer some solutions with regards to cost mitigation of advanced water treatment. He encouraged not ignoring the possibility of expansion within the existing service area for non-potable recycled water.

District 3 Director Richard Santos, SCVWD, stated that the need for increased recycled water supplies is serious and more urgent than most understand. He explained the increased runoff to the bay is causing great environmental damage, and he wished to see a greater effort in increasing recycled water supplies.

9. Adjournment to Next Meeting

The meeting was adjourned at 11:45 a.m. to the next meeting scheduled for 9:30 a.m. on November 20, 2008 at the Santa Clara Valley Water District, Board Room, at 5750 Almaden Expressway, San José, California.

Respectfully submitted,

Camille Tavlian
Board Administrative Assistant

Recycled Water Liaison Committee

November 20, 2008



Key Points



Review of Collaboration Options



Program Elements

2

- The presentation will provide more information on:
 - the collaboration options discussed at prior meetings and
 - key program elements that will be part of any long term agreements .

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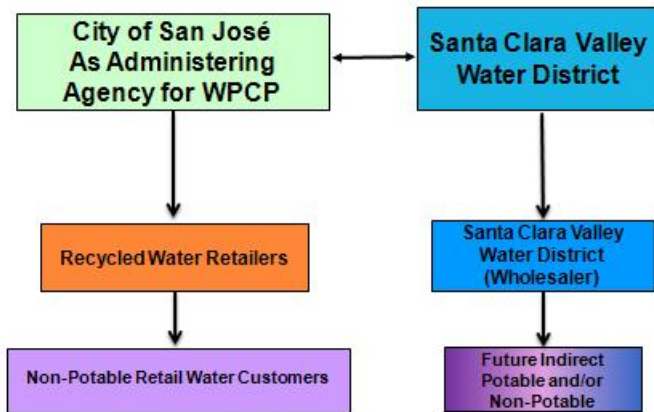
Collaborative Governance Options

1. Funding/Incentive Agreement
2. Purchase Agreement
3. Cooperative Agreement
4. Joint Powers Agreement → Joint Powers Authority

3

- Four Collaborative Governance Options were discussed at the October 16, 2008 Recycled Water Liaison Committee Meeting.
- The Committee expressed a preference for Options 3 and 4.

Option 3 - Cooperative Agreement



4

Key Points

- This option is a Long-Term Cooperative Agreement between the City of San José as administering agency for the Water Pollution Control Plant and the District.

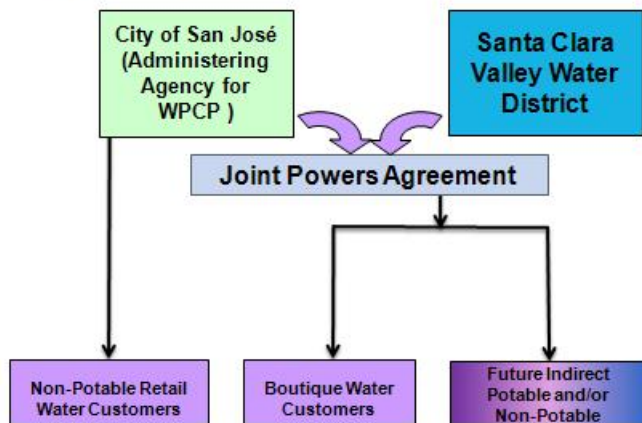
Example: Orange County Groundwater Replenishment Program

- **Parties**
 - Orange County Water District (OCWD)
 - Orange County Sanitation District (OCSD)
- **Selected Terms and Conditions**
 - OCWD owns Advanced Water Treatment Facility
 - OCWD and OCSD jointly funded \$490 million AWT facility cost (50/50); OCSD avoided cost of new outfall
 - Both parties jointly fund O&M cost in first year only (50/50); OCWD pays O&M costs in subsequent years

5

- The 70-mgd Groundwater Replenishment Program in Orange County is a successful example of a Long-Term Cooperative Agreement.
- The Sanitation District contributed 50% of the AWT cost because that was cheaper for them than building a new outfall.

Option 4 - Joint Powers Agreement



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- This Option is a Joint Powers Agreement between the District and the WPCP to provide funding, management, and decision making on new JPA-owned facilities.
- This option is the most complex.
- SBWR will continue to serve customers through the existing system
- The new JPA will provide water for future indirect potable and boutique water customers

Example: DERWA Recycled Water Authority

• Parties

- Dublin-San Ramon Services District (DSRSD)
- East Bay Municipal Utility District (EBMUD)

• Selected Terms and Conditions

- EBMUD and DSRSD each appoint two members of four-member board of directors
- New agency staffed by current employees, managers of both partners or new hires subject to board approval
- EBMUD and DSRSD jointly fund capital and O&M costs of JPA owned facilities (50/50)
- JPA designed to allow available recycled water from DSRSD to serve EBMUD service area customers

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Key Points

- Dublin San Ramon Services District and East Bay Municipal Utilities District have successfully utilized this type of agreement. Its JPA is staffed by current employees, and has a four-member Board.
- The purpose of this JPA was to allow Dublin San Ramon to sell to recycled water in the East Bay MUD service area.



Review of Collaboration Options



Program Elements

8

15 ELEMENTS

- Parties
- Roles and Responsibilities
- Third-Party Involvement
- Quantity of Recycled Water
- Water Quality for Distribution
- Non-Potable Rates, Charges
- Revenue
- Grants
- Non-Potable Recycled Water System
- Baseline AWT, Storage
- Streamflow Augmentation
- O&M of AWT Facilities
- Reverse Osmosis Brine
- Public Outreach
- Studies

9

- These are the 15 most common elements in a Long-Term Recycled Water Agreement.

PARTIES

San Jose-Santa Clara Water Pollution Control Plant (WPCP)	Santa Clara Valley Water District (District)
City of San José as Administering Authority for WPCP JPA	District as Regional Water Supplier
Common Objectives	
<ul style="list-style-type: none"> • Maximize public benefits from existing and future investments • Achieve individual missions of Parties 	

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Key Points

- The Negotiating Parties are the District and the Water Pollution Control Plant.
- San José is the Administering Authority for the WPCP JPA.
- San José and Santa Clara staff are representing the interests of the WPCP/TPAC.

ROLES AND RESPONSIBILITIES

<u>WPCP Interests</u>	<u>District Interests</u>
WPCP (through SBWR) continues to wholesale non-potable recycled water to current retailers	District controls recycled water, for indirect potable reuse
WPCP (through SBWR) extends service to new customers to improve return on investment	Establish and maintain a high level of public confidence in indirect potable reuse
Protect South Bay Habitat	Wholesale to potential retailers of recycled water

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Key Points

- The Roles and Responsibilities of the District and the WPCP are different though complementary.

ROLES AND RESPONSIBILITIES (Cont'd)

<u>Common Objectives</u>	<u>Possible Terms and Conditions</u>
District takes lead role in ownership, operation and maintenance of AWT facilities	<ul style="list-style-type: none"> • District designs AWT • District responsible for AWT O&M
WPCP/SBWR retains control over existing non-potable recycled water system	WPCP continues to provide program services, personnel in support of recycled water expansion
AWT facilities do not negatively impact WPCP or SBWR operations	WPCP and SBWR do not negatively impact AWT

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Possible Terms:

- The District should take the lead role in the AWT design, and its O&M.
- WPCP will retain control over the non-potable recycled water system.

QUANTITY

WPCP Interests	District Interests
Under 120 mgd discharge flow trigger	Long-term water supply reliability
Recycled water supply commitments to customers	Locally controlled source of water
Return on investment	Return on investment
Flexibility to meet future regulatory requirements	Operational flexibility requirements
	Target: 10% of overall water supply by 2020 (40,000 AFY)

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Key Points

Quantity: The amount of recycled water that will be identified in the agreement.

- Securing a future quantity of water is a key interest of the District.
- Each Party wants to ensure a return on its investment.

QUANTITY (Cont'd)

Common Objectives	Possible Terms and Conditions
District has use of sufficient quantity of recycled water	<ul style="list-style-type: none"> • District secures rights to 18,000 acre feet per year of recycled water • District secures first right of refusal for up to an additional 32,000 acre feet per year of recycled water
WPCP gets guaranteed income	District pays WPCP for right to water (e.g. "take or pay")

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NONPOTABLE RECYCLED WATER

WPCP Interests	District Interests
Maximize return on investment	Protect underlying groundwater resources
Offset additional sanitary flows	Enhance recycled water quality via AWT
Leverage third party investments	Third party investments do not negatively impact District
	Replace some existing raw water customers' demand with recycled water

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- Each Party wants to maximize a return on its investment.
- District's interests is offsetting potable or raw water demand and protecting certain sensitive underlying groundwater resources.

Key Points

NONPOTABLE RECYCLED WATER (Cont'd)

<u>Common Objectives</u>	<u>Possible Terms and Conditions</u>
Agreement on appropriate uses of recycled water	Process for approving recycled water applications over unconfined aquifer areas
Offset potable demand	

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BASELINE AWT, STORAGE

<u>WPCP Interests</u>	<u>District Interests</u>
Additional filtration capacity	Demonstration value of AWT water for the District
Retailing enhanced water quality for non-potable uses, or "boutique" water	Promotion of public acceptance
Continued affordability of recycled water	Secure land for AWT and possible expansion
	Reduce microconstituents

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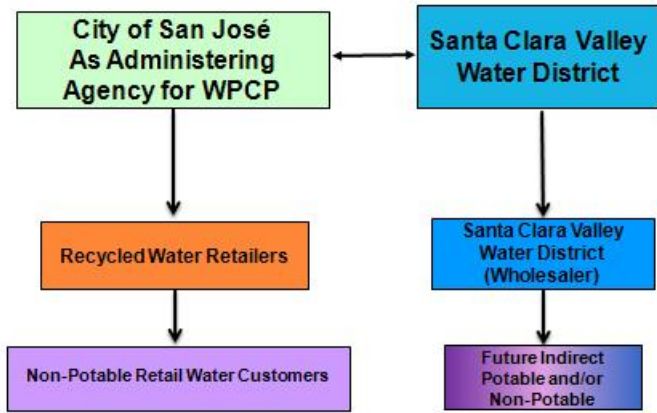
- The baseline AWT has tremendous demonstration value that is essential for proving the capability to the public and the regulators
- .Building the baseline AWT provides a filtration benefit for the WPCP.

BASELINE AWT, STORAGE (Cont'd)

<u>Common Objectives</u>	<u>Possible Terms and Conditions</u>
District and WPCP cost share to be established	WPCP CIP contribution will take into account land value
Minimize O&M costs	District CIP contribution will take into account groundwater protection benefits
Manage salinity	
Promotion of public acceptance	

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Option 3 - Cooperative Agreement

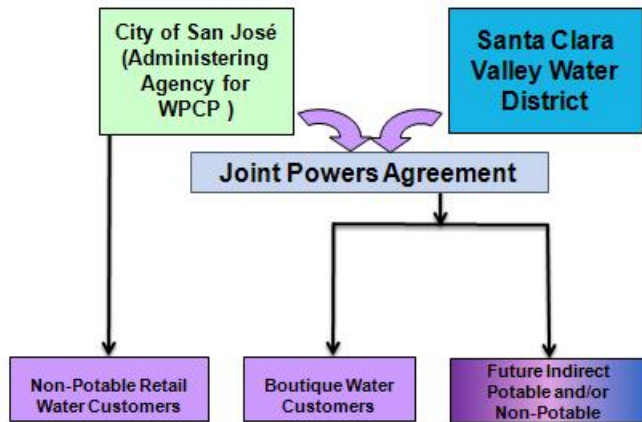


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Key Points

- This option is a Long-Term Cooperative Agreement between the City of San José as administering agency for the Water Pollution Control Plant and the District.

Option 4 - Joint Powers Agreement



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- The District and the WPCP JPA form a new JPA to provide funding, management, and decision making on new JPA-owned recycled water facilities.
- The WPCP will continue to provide service through the existing SBWR system,

Benefits Common to Options 3 and 4

City of San José as Administering Agency for WPCP	District
1. Increased revenue from additional recycled water sales	1. Secure water supply assurance
2. Joint funding for Capital Projects	2. Joint funding for Capital Projects
3. Maintain decision making on existing WPCP (SBWR) owned facilities	3. Joint decision making for new facilities including AWT
4. Capacity to remove salts	4. Secure salt discharge capacity

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- There are a number of benefits common to both Option 3 & 4.

Comparing Governance Options

	Option 3 Collaborative Agreement	Option 4 Joint-Powers Agreement
Governing Board	All authority retained by boards of individual contracting partners	JPA board = elected representatives from San Jose City Council, TPAC, and District Board
Decision-Making	<ul style="list-style-type: none"> Agreement may provide for independent or joint staff decision on routine matters Joint City Council and District Board decisions on major items 	JPA board ultimately responsible for all decisions
Funding	<ul style="list-style-type: none"> Agreement may provide for various levels of contribution on specific projects Contracting partners may individually finance their separate contributions 	Joint Powers Authority has broad range of funding options, depending on initial agreement

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Key Points

- This and the next slide present the differences between Options 3 & 4 for some key program elements.

Comparing Governance Options (Cont'd)

	Option 3 Collaborative Agreement	Option 4 Joint-Powers Agreement
Staffing	Individual agency staffs continue to provide services	JPA staff may be drawn from city and district or new hires
Term	Finite term (e.g. 30 or 50 Years), with termination clause	Permanent or until terminated by parties
Advantages	<ul style="list-style-type: none"> Quick set up Relatively inexpensive to negotiate and establish 	<ul style="list-style-type: none"> More flexible, efficient long-term decision-making JPA board may adapt to new conditions as they arise
Disadvantages	<ul style="list-style-type: none"> Potentially cumbersome for unforeseen conditions Less flexible 	<ul style="list-style-type: none"> Initially more expensive and lengthy to establish Creates an additional layer of bureaucracy Greater number of partners

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Next Steps

- January 15, 2009 Meeting Objective:
 - Develop Proposed Agreement Among Parties to Advance Common Interests and Goals

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Recycled Water Liaison Committee Proposed Meeting Schedule & Agendas

