



Meeting Date: 03/24/2009

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Study Session

Prepared By: Anthony Emmert *[Signature]*

Agenda Item No. I-8

Reviewed By: City Manager *[Signature]*

City Attorney *[Signature]*

Finance *[Signature]*

Public Works *[Signature]*

DATE: March 16, 2009

TO: City Council

FROM: Mark Norris, Assistant Public Works Director
Public Works Department, Utilities Services Branch *[Signature]*

SUBJECT: Metropolitan Water District of Southern California Local Resources Program Funding for Recycled Water Program

RECOMMENDATION

That City Council approve the draft agreement for the Local Resources Program Funding of City of Oxnard Advanced Water Purification Facility Phase 1 Project Recycled Water Program with Metropolitan Water District of Southern California and Calleguas Municipal Water District, and authorize the Mayor to execute the final agreement in form and substance substantially similar to the draft.

DISCUSSION

The City of Oxnard currently purchases approximately 40% of its drinking water supplies from the Calleguas Municipal Water District (CMWD), a member agency of the Metropolitan Water District of Southern California (MWDSC). MWDSC obtains the majority of its water supplies from the Colorado River via its Colorado River Aqueduct and from Northern California via the State Water Project. Due to climate, environmental, political and legal challenges, available supplies from both of these sources are limited, and long term sustainability is waning. In response, MWDSC created the Local Resources Program to provide financial incentives for water utilities within its service area to develop new water supplies that reduce dependence on imported water.

Typical projects funded by the MWDSC Local Resources Program are those that develop or further the use of recycled water or those that develop previously unused groundwater resources. The City of Oxnard Groundwater Recovery Enhancement and Treatment (GREAT) Program's Advanced Water Purification Facility Phase 1 Project and Recycled Water Backbone Phase 1 Project collectively meet MWDSC's requirements for participation in the Local Resources Program. If approved by the MWDSC Board of Directors, the Local Resources Program financial incentives would help to offset the City's capital and operations and maintenance expenditures for those projects. CMWD approved the draft agreement in Resolution No. 1624 dated January 21, 2009.

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If approved, the proposed agreement between MWDC, CMWD and the City of Oxnard would provide a financial incentive of up to \$250 per acre foot of recycled water produced and delivered, over a 25 year term. Prior to each fiscal year of operation, MWDC would set an incentive rate payment for recycled water deliveries during the ensuing year, based upon MWDC rates, the City's capital costs and projected operations and maintenance costs, as well as projected recycled water deliveries. At the end of each year, MWDC would conduct a reconciliation to determine the actual incentive rate based on actual project costs and production and delivery data. Following the annual reconciliation, MWDC and the City of Oxnard will make over- or under-payment adjustments, as necessary. Over the 25 year term of the agreement, as MWDC's water rates increase, incentives rates will likely decrease by a yet unknown amount, as MWDC reasons that a greater differential between its per unit water costs and the per unit recycled water costs of the City's project would require less incentive to be financially feasible for the City.

The City of Oxnard estimates that its Advanced Water Purification Facility Phase 1 and Recycled Water Distribution Phase 1 Projects will collectively produce and distribute up to 3,500 acre feet per year of recycled water, as early as mid-2012. MWDC has determined that 2,310 acre feet per year, or 66% of the total, is eligible for the incentive. If the MWDC Board maintains the incentive at \$250 per acre foot of recycled water, and if the City is able to distribute the full 3,500 acre feet per year by mid-2012, then the total financial incentive over the 25 year term of the agreement would be up to \$15,000,000. It is possible, though unlikely, that the MWDC could reduce the annual incentive to \$0 at some point over the term of the agreement.

Authorization of this draft agreement by the City of Oxnard will put this proposed agreement between MWDC, CMWD and the City of Oxnard on the June agenda, at the earliest, as the MWDC board only meets once a month. Staff anticipates completing the design of the Advanced Water Purification Facility Phase 1 Project by mid-2009, putting the project out to bid in late 2009, and completing construction by mid-2012. Staff also anticipates completing the design of the Recycled Water Distribution System Phase 1 Projects over the next few months, and putting the projects out to bid in late 2009, and completing construction by 2011.

FINANCIAL IMPACT

The MWDC Local Resources Program incentives, over the 25 year term of the agreement, will provide up to \$15,000,000, offsetting the City's expenditures by the Water Enterprise Fund toward the capital costs of the project, as well as the ongoing operations and maintenance costs.

(AAE:joh)

Attachment #1 Draft Agreement No. 94274 Oxnard Advanced Water Purification Facility Project 2007 Local Resources Program Agreement Among the Metropolitan Water District of Southern California, Calleguas Municipal Water District, and City of Oxnard

Attachment #2 CMWD Resolution No. 1624 Approving Agreement No. 94274

Note: The Draft Agreement No. 94274 Oxnard Advanced Water Purification Project 2007 Local Resources Program Agreement Among the Metropolitan Water District of Southern California, Calleguas Municipal Water District, and the City of Oxnard has been provided to the City Council. Copies are available for review at the Circulation Desk in the Library after 6:00 p.m. on the Thursday prior to the Council meeting and at the City Clerk's Office after 8:00 a.m. on Monday.

RESOLUTION NO. 1624

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE CALLEGUAS MUNICIPAL WATER DISTRICT
APPROVING AGREEMENT NO. 94274
OXNARD ADVANCED WATER PURIFICATION FACILITY PROJECT
2007 LOCAL RESOURCES PROGRAM AGREEMENT
AMONG THE METROPOLITAN WATER DISTRICT OF SOUTHERN
CALIFORNIA, CALLEGUAS MUNICIPAL WATER DISTRICT, AND
THE CITY OF OXNARD

THE BOARD OF DIRECTORS OF CALLEGUAS MUNICIPAL WATER DISTRICT
RESOLVES AS FOLLOWS:

SECTION 1. That the general terms and conditions of the draft Agreement No. 94274 concerning partial funding of the Oxnard Advanced Water Purification Facility Project through the 2007 Metropolitan Water District of Southern California Local Resource Program are hereby approved.

SECTION 2. That the General Manager of the Calleguas Municipal Water District is hereby authorized to negotiate final terms and conditions and to execute the agreement.

ADOPTED, SIGNED AND APPROVED this twenty-first day of January, 2009.



Ted Grandsen, President
Board of Directors

I HEREBY CERTIFY that the foregoing Resolution was adopted at the regularly scheduled meeting of the Board of Directors of Calleguas Municipal Water District held on January 21st, 2009.

ATTEST:



Donald Hauser, Secretary
Board of Directors

(SEAL)