



Agenda Item No. \_\_\_\_\_  
File Code No. \_\_\_\_\_

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**DRAFT - ITEM 6C**

**AGENDA DATE:** February 2, 2016

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Request To Negotiate A Recycled Water Sales Agreement With La Cumbre Mutual Water Company

**RECOMMENDATION:** That Council:

Direct staff to enter into negotiations regarding a possible agreement for the sale of City recycled water to the La Cumbre Mutual Water Company, on behalf of the La Cumbre Country Club.

### **DISCUSSION:**

On December 17, 2015, the City received a letter from the La Cumbre Country Club (LCCC) requesting to explore opportunities to connect to the City's recycled water system. On January 7, 2016, the City received a letter from the La Cumbre Mutual Water Company (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. The LCCC has long been interested in receiving recycled water, but since they are located outside the City service area, a path to an agreement has been complicated. Given the severity of the current drought, and the challenges ahead for developing new water supplies, the Water Company is motivated to explore the opportunity of purchasing recycled water from the City.

The LCCC is within the boundaries of the Goleta Water District (GWD) and within the service area of the Water Company. It receives approximately 25 percent of its water from the GWD and 75 percent from the Water Company. If there is insufficient rain this year, the Water Company is prepared to adopt a Stage 5 Drought Emergency in June 2016, which will eliminate water for landscaping. The LCCC is requesting approximately 150 acre feet per year (AFY) of City recycled water, which would eliminate its need to purchase water from the Water Company. In order to facilitate the delivery of recycled water to the LCCC, the Water Company has requested to enter into an agreement to purchase recycled water from the City and sell it to the LCCC.

Detail "A" of the City's recycled water system (see Attachment) shows the recycled water mains that the LCCC must construct in order to bring City-recycled water into the LCCC's

irrigation system. A hydraulic analysis by Carollo Engineers, Inc., has shown that the recycled water is available and can be delivered to the LCCC without modifications to the City's existing recycled water system.

The City's existing capacity to produce recycled water is approximately 1,400 AFY. This capacity is based on both existing and planned future recycled water demands within the City's service area, which are described in the City's 2011 Long Term Water Supply Plan. The existing demand for the recycled system is approximately 1,100 AFY in normal conditions. While the City plans to increase non-potable recycled water use in the future, substantial distribution pipeline expansion is required to reach additional customers. The costs to expand the recycled water distribution system are cost prohibitive at this time, especially in light of the declining condition and the investments that need to be made to our potable water distribution system. Therefore, the City currently has approximately 300 Acre Feet per year (AFY) of unused capacity in the recycled water system. The 150 AFY demand from the LCCC would reduce the City's currently unused capacity to 150 AFY. It is expected that any use of the City's capacity outside the City's service area should be viewed on a first-come-first-serve basis only, when there is not a demand by connected City customers.

The City will limit the time frame for providing recycled water to the Water Company in order to retain our ability for use of recycled water within the City, or potential expanded use of advanced treated wastewater for potable reuse. The City is currently working on a Feasibility Study for Potable Reuse, but any implementation that might require full use of all wastewater produced would be at least 10 years out, given the current status of State regulations and required planning and budgeting for such a major capital investment.

At a minimum, the agreement will need to address the following issues:

- Buy-in fees
- Term of agreement and renewal
- Full cost recovery for recycled water
- Priority of recycled water supply for City customers; any recycled water use outside the City's service area is second priority and only as recycled water supply is available
- Potential recycled water plant shutdowns or limitations
- Amendments to the City's Recycled Water Permit (approving distribution outside the City service area)
- Capital Construction costs to connect
- Encroachment Permit for the extended recycled water line
- Potable water exchange as a replacement supply
- Determination of the role the GWD will play

**BENEFITS:**

Recycled water is one of the City's most expensive water sources. It is attractive because it is a drought proof supply that frees up potable water, increasing the City's water supply reliability. As part of this agreement, the City would be looking for some level of potable water exchange from the Water Company, as a replacement to the City's planned future recycled water supply, should recycled water continue to be provided to LCCC in the long-term.

The ability to more fully utilize the City's recycled water system will reduce the overall recycled water unit cost. Currently, the City subsidizes recycled water to encourage usage, since all customers benefit having increased potable water supply available when overall demands are offset by recycled water use. City policy sets the volumetric rate for recycled water at 80 percent of the Tier 1 Rate for Potable Irrigation Meters at Parks/Recreation/Schools. Being able to reduce the unit cost will ultimately reduce the City's subsidy of recycled water.

**CONCLUSION:**

Staff is looking for Council's approval to begin negotiating terms for a potential recycled water sales agreement. If staff can reach consensus on an agreement it will be brought back to Council for review and approval.

**SUSTAINABILITY IMPACT:**

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

**ATTACHMENT(S):** 1. La Cumbre Country Club letter, December 17, 2015  
2. La Cumbre Mutual Water Company letter, January 7, 2016  
3. City Recycled System - LCCC Hydraulic Analysis

**PREPARED BY:** Joshua Haggmark/RLR/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

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

