



City of Rialto

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Title: Request City Council to: (1) Approve the Term Sheet with the Inland Empire Utilities Agency (IEUA) Relating to the Long-Term Sale of Wastewater Effluent for Recycled Water Purposes; and (2) Authorize the City Manager to Execute the Final Agreement with IEUA Consistent with the Term Sheet and All Related Documents.
POWERPOINT
(ACTION)

Sponsors:

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Attachments: 1. 1. Principles of Agreement.pdf, 2. Rialto-IEUA Recycled Water Term Sheet for Signatures 092022 Final.pdf, 3. City of Rialto Term Sheet City Council Presentation 9-27-22.pdf

Date	Ver.	Action By	Action	Result
9/27/2022	1	City Council		

For City Council Meeting [September 27, 2022]

TO: Honorable Mayor and City Council

FROM: Marcus Fuller, City Manager

Request City Council to: (1) Approve the Term Sheet with the Inland Empire Utilities Agency (IEUA) Relating to the Long-Term Sale of Wastewater Effluent for Recycled Water Purposes; and (2) Authorize the City Manager to Execute the Final Agreement with IEUA Consistent with the Term Sheet and All Related Documents.

POWERPOINT

(ACTION)

BACKGROUND

The City of Rialto owns and operates a Wastewater Treatment Plant (“WWTP”) located in the southern area of the City just north of the Santa Ana River and south of Santa Ana Ave. The WWTP currently treats domestic sewage and generates recycled water meeting state regulations that is discharged to the Santa Ana River. Generally, the City’s WWTP produces approximately 7,000,000 gallons per day of recycled water and has a maximum capacity to treat up to 11,700,000 gallons per day at build-out of the City.

The Santa Ana River is an important ecosystem and part of the Upper Santa Ana River Multi-Species Habitat Conservation Plan (the “SAR MSHCP”). The City has obligations to continue discharging a certain amount of recycled water into the Santa Ana River to support the ecosystem, currently 7 cubic feet per second (cfs) or 3,800,000 gallons per day. However, the conveyance system of the City’s recycled water from the WWTP to the Santa Ana River includes a concrete lined drainage channel, and in the summer months the temperature of the City’s recycled water increases and may harm the

sensitive ecosystem within the Santa Ana River.

The Inland Empire Utilities Agency (“IEUA”) is a regional wastewater treatment agency and wholesale distributor of imported water. IEUA is responsible for serving approximately 875,000 people over 242 square miles in western San Bernardino County, with one of its core missions to develop recycled water, local water resources, and conservation programs to reduce the region’s dependence on imported water supplies, thus enabling the service area to become drought-resilient.

IEUA currently has 56,800 acre-feet per year (AFY) of recycled water supply, however, these supplies are insufficient to support their demand for recycled water during the summer months between May and October. IEUA anticipates the need of up to 6,000 AFY of additional external supplies to shoulder the increased demand during the summer months. In an effort to obtain the additional external supplies, the City and IEUA began exploratory discussions that resulted in the Principles of Agreement, which were approved by the City Council on March 8, 2022. A copy of the Principles of Agreement is included as **Attachment 1**.

The Principles of Agreement outlined the framework for compensation by IEUA to the City, and IEUA capital improvement contributions for the required infrastructure to convey the water. The Principles of Agreement served as the foundation for the more detailed Term Sheet now being considered by the City Council. This proposed Term Sheet is consistent with the Principles of Agreement.

Preliminary engineering and evaluation of the conveyance facilities between the City’s WWTP and IEUA’s system are ongoing under a preliminary design report (PDR) effort by IEUA. The PDR effort has advanced far enough to confirm the basis of the proposed Term Sheet. The PDR effort is expected to continue into the spring of 2023 to continue to collect information that will be incorporated into the final design of the conveyance facilities. Upon completion of the PDR a Final Agreement consistent with the Term Sheet will be prepared. The City’s consultant has been engaged in the PDR process and would continue to be engaged through preparation of the final PDR and preparation of the Final Agreement with IEUA.

ANALYSIS/DISCUSSION

Taking into account obligated flows from the WWTP to the Santa Ana River, the City has excess recycled water produced from the WWTP that is discharged to the Santa Ana River. This recycled water is a high value commodity and can be redirected for other suitable purposes. Therefore, the commodity has value and it is in the City’s best interests to pursue opportunities to monetize the recycled water to its highest and best use.

There is an alignment of goals and objectives between the City and IEUA in the City’s availability of recycled water during the summer months and IEUA’s demand for recycled water at the same time. Understanding this synergy, the IEUA Board on February 16, 2022, approved a concept for Principles of Agreement outlining a potential arrangement between the City and IEUA allowing for the long-term exchange of recycled water that ensures the sensitive ecosystem in the Santa Ana River is protected while the excess recycled water is allocated to better use.

The proposed Term Sheet is included as **Attachment 2**. IEUA will be taking action on the Term Sheet in October 2022.

Following both the City’s and IEUA’s approval of the Term Sheet, a Final Agreement will be prepared incorporating the Term Sheet terms and conditions. The Final Agreement will be prepared following

IEUA's completion of the PDR, anticipated Spring 2023. It is recommended that with the City Council's approval of the Term Sheet, the City Council authorize the City Manager to execute the Final Agreement in a form acceptable to the City Attorney consistent with the Term Sheet.

ENVIRONMENTAL IMPACT

Pursuant to Section 15378 of the California Environmental Quality Act, the proposed request is not a project. A 'Project' means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. A project does not include the creation of government funding mechanisms or other government fiscal activities that do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment or Organizational, or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY

This action is consistent with Guiding Principle 3A in the General Plan:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW

The City Attorney has reviewed and supports this staff report.

FINANCIAL IMPACT

Capital Improvement Budget Impact

Under the Term Sheet, IEUA is funding the planning, design and construction of a proposed pump station and conveyance pipeline from the City's Wastewater Treatment Plant to IEUA's Regional Recycling Plant (RP-4), located approximately 12 miles away in the City of Rancho Cucamonga. The City's financial participation to the capital improvements is through the differential or discounted initial price of \$275 per acre-foot for the first 3,500 Acre-Feet of effluent, versus \$375-\$400 per acre foot for any flows over 3,500 Acre-Feet. As a result, the City is not expected to provide an out of pocket financial contribution to the pump station or pipeline. Should any cost savings alternatives be identified during the completion of the PDR, the Term Sheet contains provisions for those potential savings to be mutually negotiated and shared between the City and IEUA.

During the six-month period of summer diversions to IEUA (May through October), it is anticipated that some flows to the Santa Ana River will be necessary to maintain the City's obligations under the HCP. This is largely anticipated during the transitional months of May and October. To accomplish providing these flows, IEUA is contributing \$1 million towards a well, at a location of the City's choice. The well is currently anticipated to be located at the City's Wastewater Treatment Plant. Therefore, no property acquisition costs are anticipated. Under the Term Sheet, the City would cover costs over the \$1 million contribution.

Operating Budget Impact

Under the principles of agreement, IEUA will own and operate the proposed pump station and conveyance pipeline. The City will own and operate the proposed well. Because the well sizing will be performed as part of the infrastructure analysis, operations and maintenance cost are not yet established. However, costs are expected to be substantially less than a normal City well operation, due to partial operations between May to October.

RECOMMENDATION

Staff recommends that the City Council:

- (1) Approve the Term Sheet with the Inland Empire Utilities Agency (IEUA) Relating to the Long-Term Sale of Wastewater Effluent for Recycled Water Purposes; and
- (2) Authorize the City Manager to Execute the Final Agreement with IEUA Consistent with the Term Sheet and All Related Documents