



BOARD ACTION

REVISED

TO: Governing Board (Engineering and Operations Committee)

FROM: Carlos Quintero, General Manager
Roberto Yano, Assistant General Manager
Erick Del Bosque, Director of Engineering and Operations

DATE: July 28, 2023

SUBJECT: Consideration of a Cost-Sharing Agreement with Otay Water District for the Recycled Water Market Study

SUMMARY

At its September 14, 2022 meeting, the Governing Board (Board) directed staff to coordinate with Otay Water District (Otay) to jointly fund a Recycled Water Market Study (Study), explore grant funding opportunities, and to provide a cost-sharing agreement that would be mutually beneficial to both Sweetwater Authority (Authority) and Otay for said Study.

In coordination with both water agencies, and after the review of several applicable funding programs, staff identified the Water Recycling Funding Program from the State Water Resources Control Board (SWRCB) as a suitable grant.

Otay took the lead in the joint effort of preparing the grant application and submitted it to the SWRCB on February 9, 2023. The grant application included the following main elements, as referenced by the ad-hoc, for the Study:

- Identification of potential end-users and associated demand for recycled water.
- Identification of alternative connection points and pipeline alignments for an expanded distribution system from Otay's system into the Authority's service area. Attachment 1 identifies potential connection points from Otay's recycled water system, to expand recycled water into the Authority's service area.
- Identification of required infrastructure.
- Identification of regulatory requirements and legal issues associated with a recycled water system expansion.
- Feasibility assessment of constructing, operating, and maintaining the proposed infrastructure.

A total estimated cost of \$300,000 was identified in the grant application, which has a fifty percent local match requirement.

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The SWRCB indicated that they want to see an executed cost sharing agreement between the Authority and Otay, before a grant is awarded for the Study. As per the Board's request and the SWRCB requirement, Attachment 2 is the agreement between the Authority and Otay (Agreement). The Agreement has been prepared and reviewed by the Authority's and Otay's respective Legal Counsel. The Agreement outlines an equal responsibility of the amount not covered by the grant for each agency. It also outlines that future phases (pilot project, environmental, and design) that may arise from this Study would require a separate agreement. Otay intends to present the Agreement to its Board at its August 2, 2023 meeting, for approval before execution.

On June 15, 2023, the Otay Water/Sweetwater Authority Working Group Ad Hoc Committee (Ad Hoc) met to discuss progress on the Study. The presentation provided to the Committee is included as Attachment 3, for reference. During this Ad Hoc meeting, in addition to providing an update on the status of the grant application process, staff from Otay communicated that a Request for Proposals (RFP) was being developed, to select a consultant to perform the Study. Authority staff reviewed the RFP; Otay plans to advertise the RFP in mid-August 2023, after the cost sharing Agreement is executed. Proposals in response to the RFP would be due in early October 2023, and will be jointly evaluated by staff from both agencies, before presenting it to the Ad Hoc Committee for consideration of a consultant selection and recommendation to the Governing Boards of both water agencies. The draft RFP is enclosed for reference as Attachment 4. Highlighted dates shown on the draft RFP will be updated accordingly before advertisement.

PAST BOARD ACTIONS

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| June 28, 2023 | The Governing Board selected the FY 2023-24 Option 2 Budget Adjustment and Adopted Resolution 23-13 adopting the FY 2023-24 Budget.

The Governing Board approved the FY 2023-24 Strategic Plan Detailed Work Plan as presented. |
| September 14, 2022 | The Governing Board directed staff to coordinate with Otay to jointly fund a market study for recycled water opportunities that are mutually beneficial to both the Authority and Otay; directed staff to explore potential grant funding opportunities for the recycled water market study; and directed staff to provide to the Board a cost sharing agreement with Otay for the recycled water market study. |
| August 28, 2019 | The Governing Board approved to form a working group with Otay; and directed that additional clarification regarding the |

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meetings, transparency, and the scope of the roles within the working group be brought back for Board for review and approval.

FISCAL IMPACT

The Study is anticipated to cost \$300,000, with cost sharing as follows:

- 50 percent funded by Otay.
- 50 percent funded by the Authority
- It is anticipated that \$150,000 will be funded by the SWRCB's Water Recycling Funding Program grant (subject to grant award from the SWRCB). If the funds are received, the cost of the Study for both agencies will be reduced equally.

The Authority's FY 2023-24 Budget includes \$150,000 for this effort, with \$75,000 allocated towards the Study and \$75,000 towards initial funds for design and/or environmental documentation purposes.

POLICY / STRATEGIC PLAN

Strategic Plan Goal 2: System and Water Supply Reliability – Achieve an uninterrupted, long-term water supply through investment, maintenance, innovation and developing local water resources.

- Objective SR11: Ensure future reliability of cost-effective water supplies by exploring options for new water sources including but not limited to: conservation, recycled water, potable reuse, stormwater retention, and groundwater/desalination.
 - Task 002.00: Collaborate with Otay Water District to investigate a potential partnership to leverage new water supplies, such as recycled water and indirect potable reuse.
 - Task 003.00: Recycled Water Analysis.

Strategic Plan Goal 6: Administrative Effectiveness – Provide efficient and effective administrative systems and procedures in accordance with best management practices.

- Objective AE4: Form strategic partnerships with other water and municipal agencies and community-based organization to collaborate and address various water issues throughout the region.
 - Task 002.00: Collaborate with Otay Water District to investigate a potential partnership to leverage new water supplies, such as recycled water and indirect potable reuse.

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ALTERNATIVES

1. Authorize the General Manager to execute the Agreement with Otay Water District for cost-sharing of the Recycled Water Market Study, **estimated to cost \$300,000,** with any costs not funded through a grant to be equally shared between Sweetwater Authority and Otay Water District, **and any grant proceeds to be distributed equally between Sweetwater Authority and Otay Water District.**
2. Other direction as determined by the Governing Board.

RECOMMENDATION

Staff recommends that the Governing Board authorize the General Manager to execute the Agreement with Otay Water District for cost sharing a Recycled Water Market Study, **estimated to cost \$300,000,** with any costs not funded through a grant to be equally shared between Sweetwater Authority and Otay Water District, **and any grant proceeds to be distributed equally between Sweetwater Authority and Otay Water District.**

ATTACHMENTS

1. Potential connection points for Recycled Water System
2. Agreement with Otay for cost sharing the Recycled Water Market Study
3. June 15, 2023 Presentation to Ad Hoc Committee
4. Request for Proposals