



SUMMARY REPORT

Agenda Date: 11/28/2023

To: Board of Directors, Sonoma County Water Agency
Department or Agency Name(s): Sonoma County Water Agency
Staff Name and Phone Number: Kevin Booker, (707) 521-1865
Vote Requirement: 4/5th
Supervisory District(s): Fourth

Title:

Supplemental Agreement for Wastewater Treatment between Sonoma Water and Gualala Community Services District

Recommended Action:

- A) Supplemental Agreement for Wastewater Treatment between Sonoma Water and Gualala Community Services District (Fourth District)
- B) Adopt a Resolution authorizing adjustments to the Board Adopted Budget for FY 2023/2024 for the Sea Ranch Sanitation Zone Operations Fund in the amount of \$60,000. (4/5th Vote Required)

Executive Summary:

Pursuant to an existing agreement, the Sonoma County Water Agency (Sonoma Water) currently pays the Gualala Community Services District (Gualala CSD) to treat the wastewater sent by Sonoma Water to the Gualala CSD Treatment Plant. As required by the existing agreement, Sonoma Water and Gualala CSD have met in good faith to negotiate over proposals to address changed circumstances affecting cost. In the interests of resiliency and sustainable operations for both parties, Sonoma Water recommends approval of the Supplemental Agreement for Wastewater Treatment between Sonoma Water and Gualala Community Services District (Supplemental Agreement). The Supplemental Agreement provides for additional payments and a mechanism to adjust payments in the future.

Discussion:

The Gualala Community Services District (Gualala CSD) provides wastewater disposal services for the Gualala area of Mendocino County. Gualala CSD built and operates a wastewater treatment facility, on the Sonoma Ridge above the north end of The Sea Ranch in Sonoma County.

Sonoma Water owns and operates the Sea Ranch Sanitation Zone (Zone). In turn, the Sea Ranch Association acts as Sonoma Water's contractor in operating the Zone. The Zone serves portions of the Sea Ranch area.

Gualala CSD currently provides wholesale treatment to the Zone pursuant to contract. In 2016, Sonoma Water, Gualala CSD, and Sea Ranch Golf Links, L.P. entered into an Amended and Restated Agreement for Reclaimed Water Disposal on Golf Course (Reclaimed Water Agreement). This agreement followed from prior agreements of predecessor entities, starting in 1991. Under the Reclaimed Water Agreement, Sonoma Water sends secondary treated wastewater to Gualala CSD, to combine it with secondary treated wastewater from

Gualala CSD for tertiary treatment. Sea Ranch Golf Links, L.P. then must pay for treated water and uses it for golf course irrigation. Under the Reclaimed Water Agreement, Sonoma Water pays Gualala CSD \$8.49 per 1,000 gallons to treat the wastewater sent to the Gualala CSD Treatment Plant.

Paragraph 26 of the Reclaimed Water Agreement requires the parties to meet and discuss revisions in good faith. Gualala CSD has informed Sonoma Water that it has faced economic hardship under the agreement, to the point where performance could not be guaranteed in the future. Thus, Sonoma Water and Gualala CSD have met in good faith to negotiate over proposals to address the changed circumstances affecting the treatment costs.

Through the Supplemental Agreement, and in the interest of resiliency and sustainable operations for both Sonoma Water and Gualala CSD, Sonoma Water staff recommends the additional payments provided for in the Supplemental Agreement.

The Supplemental Agreement meets the requirements of the Reclaimed Water Agreement, but does not amend that agreement.

Under the proposed Supplemental Agreement, Sonoma Water will pay Gualala CSD \$13.28 per 1,000 gallons, an increase of \$4.79, or 54.5%, per 1,000 gallons. To ensure a resilient system, and in light of deferred system expenses by Gualala CSD, Sonoma Water will pay \$60,000 within 60 days of the effective date of the Supplemental Agreement, and an additional \$60,000 by August 1, 2024. For comparison, in FY 2022/2023 Sonoma Water paid Gualala CSD \$146,400 for 17.2 million gallons of raw wastewater. At the new rate, the payment for this volume of wastewater would be \$229,000.

Over the past five years, Sonoma Water has sent 14.8 million gallons of raw wastewater per year on average to Gualala CSD. Sonoma Water currently estimates that annual rate increases of 8.9% per year will be necessary at least through FY 2027/2028 in order to operate and maintain the system, including meeting the terms of this agreement. The FY 2023/2024 Sea Ranch rate increase was 8.9%. Annual increases in prior years averaged 3.5%.

Once approved, beginning on January 1, 2025, the \$13.28 per 1,000 gallons rate would be increased in an amount equal to the non-seasonally adjusted U.S. Bureau of Labor's Consumer Price Index-U (CPI-U), provided however, that any increase in the contractual rate that results in a rate increase to the Zone, as determined by Sonoma Water, would only go into effect after Zone's new sewer rates go into effect.

Negotiations have taken time because Sonoma Water has not agreed with all of Gualala CSD's analysis, but the proposed Supplemental Agreement is a good deal for both parties. The Supplemental Agreement requires Gualala CSD to provide indemnity and has agreed to these terms.

County of Sonoma Strategic Plan:

N/A

Sonoma Water Strategic Plan Alignment:

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Goal: 2. Planning and Infrastructure - Implement comprehensive, integrated, and innovative infrastructure planning to strengthen existing services, minimize life cycle costs, and prepare for the future.

Strategy: 6.2 Build collaborative partnerships, trust, and long-term relationships with the community through proactive communication and education.

Action Item: 2.1.3 Continue to engage in planning efforts to support reliable wastewater and flood management services.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

None

FISCAL SUMMARY

Expenditures	FY23-24 Adopted	FY24-25 Projected	FY25-26 Projected
Budgeted Expenses	\$200,000	\$310,000	\$270,000
Additional Appropriation Requested	\$60,000		
Total Expenditures	\$260,000	\$310,000	\$270,000
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$200,000	\$310,000	\$270,000
Use of Fund Balance	\$60,000		
General Fund Contingencies			
Total Sources	\$260,000	\$310,000	\$270,000

Narrative Explanation of Fiscal Impacts:

Budgeted amount of \$200,000 is available from FY 2023/2024 appropriations for the Sea Ranch Sanitation Zone Operations Fund. Additional appropriations of \$60,000 for Gualala CSD deferred system expenses are required. With Board approval of the attached budgetary resolution, FY 2023/2024 appropriations of \$60,000 will be made in the Sea Ranch Sanitation Zone Operations Fund. Future appropriations of \$250,000 based on the new rate of \$13.28 per 1,000 gallons plus \$60,000 for Gualala CSD deferred system expenses will be made in FY 2024/2025. FY 2025/2026 appropriations will be budgeted in that fiscal year.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

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Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Resolution

Proposed Supplemental Agreement between Sonoma County Water Agency and Gualala Community Services District

Related Items “On File” with the Clerk of the Board:

None