



AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: June 18, 2013

Agenda Item 6E
Approvals:
City Manager PG
Dept. Head JV
Attorney _____
Finance JV

Department: Finance & Administrative Services
Prepared By: Thomas Rendina, Business Services Officer

Subject: *FIRST AMENDMENTS WITH BELLA COLLINA AND THE SAN CLEMENTE MUNICIPAL GOLF COURSE FOR RECYCLED WATER CONTRACTS.*

Fiscal Impact: None. No modification to existing rates is recommended at this time.

Summary: In September 2011 the City executed two-year volume purchase agreements for non-potable, or "recycled", water, with the San Clemente Municipal Golf Course and with Bella Collina, a private golf course, which both expire on June 30th of this year. Staff is recommending a one-year extension, to June 30, 2014, for both golf course contracts. An expansion of the City's recycled water facility is underway and a cost of service study to recommend updated pricing strategies for recycled water will be completed in the coming year. A one-year extension of the two contracts will allow time for completion of the cost of service study and development of a long-term pricing strategy for all non-potable water customers, which can then be used to structure recycled water contracts beginning in FY 2015.

Background: Golf courses are historically large users of water. With increases in water rates over the past five years, both Bella Collina and the San Clemente Municipal Golf courses experienced significant operating increases and both courses began to implement plans to reduce irrigable areas on their respective courses to reduce operating costs.

In 2011 management from Bella Collina approached the City with a proposal to maintain or increase their annual usage, but at a lower "per unit" rate than the City's existing non-potable rate structure. Based on input from the City Attorney, staff negotiated a "volume purchase agreement" with Bella Collina, whereby the non-potable rates were reduced in exchange for a contractual commitment to purchase minimum levels of non-potable water per year. A similar contract was executed with the City's Municipal Golf Course.

Two-year contracts were recommended at the time to coincide with the planned completion of the recycled water expansion project. The impact to non-potable rates as a result of the expansion project was unknown in 2011, also contributing to the recommended two-year duration of the contracts. The recycled water expansion project has since been delayed and is now expected to be complete by June, 2014.

Discussion: The City's current production of recycled water is consumed by three customers: The City's Municipal Golf Course, Bella Collina, and the City's Wastewater Reclamation Plant. A project to expand the City's recycled water production is

underway and will essentially double the current non-potable water production capacity. More importantly, a distribution and reservoir system will be developed to convert existing irrigation users of potable water to the recycled system.

Staff has engaged Raftelis Financial Consultants, who performed other water and sewer-related studies for the City, to conduct a cost of service study to examine and recommend pricing strategies for non-potable water based on the expansion project. This study will be completed by the end of the 2013 calendar year, at which time staff will present recommendations to the City Council to establish long-term non-potable pricing policies for irrigation customers being converted from potable water supplies, and for the existing non-potable irrigation water contract customers, namely Bella Collina and the City's Municipal Golf Course.

Non-potable rates have been held constant since 2011. As indicated above, the two golf courses currently purchase under volume contract agreements. Should the contract pricing expire, both courses will experience an increase in their current cost of non-potable water from \$2.07 per unit to \$2.55, the existing "non-contract" rate. The extension of the two contracts will allow the two customers to maintain the "contract rate" they are currently paying until the updated cost of service study is complete and a new long-term pricing strategy can be put in place.

The table below provides the minimum purchase requirements for both courses and the actual purchases for fiscal year 2012 and year-to-date in 2013 (ten months):

Customer	Minimum acre feet	Fiscal Year 2012 Actual	Fiscal Year 2013 Year-to-date
Bella Collina	235	261	237
San Clemente Municipal	188	190	170

Recommended Action:

STAFF RECOMMENDS THAT the City Council:

1. Approve and authorize the Mayor to execute the First Amendment to the NON-POTABLE IRRIGATION WATER AGREEMENT by and between the CITY OF SAN CLEMENTE and GOLF INVESTMENT, LLC (Bella Collina), and
2. Approve and authorize the Mayor to execute the First Amendment to the NON-POTABLE IRRIGATION WATER AGREEMENT by and between the CITY OF SAN CLEMENTE and the San Clemente Municipal Golf Course.

- Attachments:**
1. First Amendment to Non-Potable Irrigation Water Agreement with Golf Investment, LLC
 2. First Amendment to Non-Potable Irrigation Water Agreement with the San Clemente Municipal Golf Course

Notification: None

W.E.J.



FIRST AMENDMENT TO NON-POTABLE IRRIGATION WATER AGREEMENT

This First Amendment to the Non-Potable Irrigation Water Agreement (the "First Amendment") is made and entered into on this 18th day of June, 2013 by and between the CITY OF SAN CLEMENTE, a California municipal corporation ("City"), and GOLF INVESTMENT, LLC, (herein "Owner"), (hereinafter collectively referred to as the "Parties").

RECITALS

WHEREAS, the City provides non-potable water to the Owner located at 200 Avenida La Pata, (known as "Bella Collina Towne & Golf Club") in San Clemente, California; and

WHEREAS, on September 20, 2011, the Owner entered into the Non-Potable Irrigation Water Agreement which expires on June 30, 2013; and

WHEREAS, the Owner desires to continue to purchase non-potable irrigation water under the terms and conditions of the original Agreement; and

WHEREAS, the City desires to continue to provide non-potable irrigation under the terms and conditions of the Agreement; and

WHEREAS, the Parties hereto desire to enter into this First Amendment to amend the Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby confirmed, the Parties hereto agree as follows:

COVENANTS

SECTION 1: Section 1 of the Agreement is amended to read in its entirety as follows:

Term; Annual Periods. City's agreement to charge Owner the Non-Potable Irrigation Water Rate pursuant to Section 2 of this Agreement for the Non-Potable Irrigation Water provided to the Property and Owner's obligation to make the Minimum Purchase pursuant to Section 3 of this Agreement shall apply for the following three fiscal periods (each, an "Annual Period"): the first Annual Period shall be retroactive to July 1, 2011, and shall end on June 30, 2012; the second Annual Period shall commence on July 1, 2012, and shall end on June 30, 2013; and the third Annual Period shall commence on July 1, 2013 and shall end on June 30, 2014.

SECTION 2: Except as expressly amended by this First Amendment, the Agreement and all it's provisions shall remain in full force and effect.

Dated: _____

CITY

CITY OF SAN CLEMENTE,
a California Municipal Corporation

By: _____

Title: _____

OWNER

GOLF INVESTMENT, LLC

By: _____

Title: _____

Golf Investment, LLC
200 Avenida La Pata
San Clemente, CA 92673

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Dated: _____

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FIRST AMENDMENT TO NON-POTABLE IRRIGATION WATER AGREEMENT

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RECITALS

WHEREAS, the City provides non-potable water to the Owner located at 150 Avenida Magdalena, (known as "San Clemente Municipal Golf Course") in San Clemente, California; and

WHEREAS, on September 20, 2011, the Owner entered into the Non-Potable Irrigation Water Agreement which expires on June 30, 2013; and

WHEREAS, the Owner desires to continue to purchase non-potable irrigation water under the terms and conditions of the original Agreement; and

WHEREAS, the City desires to continue to provide non-potable irrigation under the terms and conditions of the Agreement; and

WHEREAS, the Parties hereto desire to enter into this First Amendment to amend the Agreement;

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SECTION 2: Except as expressly amended by this First Amendment, the Agreement and all it's provisions shall remain in full force and effect.

Dated: _____

CITY

CITY OF SAN CLEMENTE,
a California Municipal Corporation

By: _____

Title: _____

OWNER

SAN CLEMENTE MUNICIPAL GOLF
COURSE

By: _____

Title: _____

Golf Investment, LLC
200 Avenida La Pata
San Clemente, CA 92673

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ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Dated: _____