



Agenda Report

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**File #:** 19-0347

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**AGENDA REPORT  
REQUEST FOR CITY COUNCIL AND  
CORONA UTILITY AUTHORITY ACTION**

**DATE:** 4/17/2019

**TO:** Honorable Mayor and City Council Members  
Honorable President and Board Members

**FROM:** Department of Water and Power

**SUBJECT:**

City Council and Corona Utility Authority consideration of the City of Corona and Home Gardens Sanitary District Capacity Transfer Agreement.

**RECOMMENDED ACTION:**

That the:

1. City Council authorize the City Manager, or their designee, to execute the City of Corona and Home Gardens Sanitary District Capacity Transfer Agreement.
2. City Council authorize the City Manager, or their designee, and the City Attorney to negotiate and execute any extensions and/or amendments to the agreement which are either non-substantive or otherwise in compliance with the City Council's actions hereunder.
3. Corona Utility Authority (CUA) review, ratify and to the extent necessary direct that the City Council take the above actions.

**ANALYSIS:**

The City of Corona is a member agency of the Western Riverside County Regional Wastewater Authority (WRCRWA), a regional Joint Powers Authority which operates a regional wastewater conveyance, treatment and disposal system in western Riverside County. WRCRWA operates a wastewater treatment plant on River Road in Eastvale, CA. The City currently owns 2.37 million gallons per day (MGD) of treatment capacity in the plant. Home Gardens Sanitary District (HGSD) is a member agency for WRCRWA and owns 1.0 MGD of capacity in the treatment plant.

The WRCRWA plant recently underwent an expansion project to increase existing capacity in the plant from 8.0 MGD to 14.0 MGD. WRCRWA applied for and received a State Revolving Fund (SRF)

loan for funding the capital costs of the project. The debt service on the loan is repaid by the member agencies proportionally based on the percentage of the expanded capacity (i.e. the additional 6.0 MGD achieved through the expansion project). Total SRF Loan amount is \$74,110,618.40. Before the transfer, Corona is responsible for 38.41%. After the transfer, Corona will be responsible for approximately 42.46% of the debt service. These numbers are considered “approximate” as the SRF loan has not been finalized by WRCRWA and there may be some minor adjustments during the finalization. The Capacity Agreement allows for minor changes in the percentages as needed.

During 2018, HGSD staff identified excess capacity of 0.25 MGD of their owned 1.0 MGD. The City has a desire to obtain the 0.25 MGD additional capacity. The proposed agreement transfers the 0.25 MGD per day from HGSD to the City. If this transfer is approved, HGSD will own 0.75 MGD and the City will own 2.62 MGD capacity in the plant. According to the terms of the agreement, the City will be responsible for the SRF debt service based on the new capacity allocation. With the transfer, Corona is responsible for 42.46% of the loan. Member agencies of WRCRWA made the first debt service payment in December 2018.

Payments in December 2018:

Western paid 0.86% = \$38,584.21

Jurupa Community Services District paid 46.02% = \$2,064,703.97

Norco paid 9.08% = \$407,377.48

Home Gardens Sanitary District paid 5.63% = \$252,591.99

Corona paid 38.41% = \$1,723,278.56

As part of the terms of this agreement, Corona would assume responsibility for the debt service payment retroactively. Once the capacity transfer is complete, WRCRWA will finalize the debt service. Corona will be responsible for approximately \$181,704.71 for the 0.25 MGD capacity that HGSD paid in December 2018. Rather than pay this money directly to HGSD, WRCRWA will adjust future payments to credit HGSD and charge Corona. This is budgeted as part of the City’s debt service for both the interest and principal. In addition to debt service, the member agencies are also responsible for a percentage of capital improvements at the WRCRWA plant. The WRCRWA FY 2019/2020 budget has not been prepared or finalized at this time. It is prepared each year and then charged to the member agencies as the projects are completed. This is done on a monthly basis and is budgeted in the Water Reclamation Fund. Corona is responsible for the capital improvements associated with the 2.62 MGD of capacity (i.e. 2.62 MGD of the total plant capacity of 14 MGD). These capital improvements are billed to member agencies quarterly based on owned capacity. The Capacity Transfer Agreement will be effective retroactively to April 1, 2019, if approved by both agencies.

The City is also party to two other agreements related to WRCRWA that will require amendment if the proposed capacity transfer is approved. The Agreement between Western Riverside County Regional Wastewater Authority and its Member Agencies for the Repayment of State Revolving Fund Loan (“Repayment Agreement”) and the Project and Capacity Agreement for the Expansion of WRCRWA’s Treatment Plant (“Project Capacity Agreement”) will both require amendments in the future and will be brought back to Council at a future date.

**COMMITTEE ACTION:**

Not applicable.

**STRATEGIC PLAN:**

Not applicable.

**FISCAL IMPACT:**

Funding for the recommended action is available in the Fiscal Year 2018-19 Water Reclamation Fund's operating budget and will be included in the proposed FY 2019-20 budget.

**ENVIRONMENTAL ANALYSIS:**

No environmental review is required because the proposed action is not a project governed by the California Environmental Quality Act.

**PREPARED BY:** KATIE HOCKETT, DWP OPERATIONS MANAGER

**REVIEWED BY:** TOM MOODY, GENERAL MANAGER

**REVIEWED BY:** KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

**REVIEWED BY:** MICHELE NISSEN, ASSISTANT CITY MANAGER

**SUBMITTED BY:** MITCHELL LANSDELL, ACTING CITY MANAGER AND EXECUTIVE DIRECTOR

Attachment:

-City of Corona and Home Gardens Sanitary District Capacity Transfer Agreement

## **CITY OF CORONA AND HOME GARDENS SANITARY DISTRICT CAPACITY TRANSFER AGREEMENT**

This Capacity Transfer Agreement (“Agreement”) is made and entered into this 17th day of April, 2019, (“Effective Date”) by and between the City of Corona, a California municipal corporation (“Corona”), and Home Gardens Sanitary District, a sanitary district organized and existing pursuant to the Sanitary District Act of 1923 (Health & Safety Code §§ 6400 *et seq.*) (“HGSD”). All parties are at times referred to collectively as “Parties” and individually as “Party” herein.

### **RECITALS**

**WHEREAS**, Western Riverside County Regional Wastewater Authority (“WRCRWA”) was formed as a Joint Powers Authority in 1992 to construct and operate a regional wastewater conveyance, treatment and disposal system to serve its member agencies; and

**WHEREAS**, HGSD and Corona are member agencies of WRCRWA; and

**WHEREAS**, WRCRWA is expanding the existing capacity in WRCRWA’s Treatment Plant from 8.0 million gallons per day (“MGD”) to 14.0 MGD (“Project”); and

**WHEREAS**, the member agencies of WRCRWA have entered into that certain Project and Capacity Agreement for the Expansion of WRCRWA’s Treatment Plant (“Project Capacity Agreement”), originally dated March 8, 2012, as subsequently amended, to define the allocation of each member agency’s treatment capacity rights in WRCRWA’s Treatment Plant and each member agency’s construction funding obligations for the Project; and

**WHEREAS**, WRCRWA has applied for and obtained a State Revolving Fund (“SRF”) loan from the State of California, State Water Resources Control Board, Division of Financial Assistance for the purpose of funding the capital costs of the Project; and

**WHEREAS**, WRCRWA applied for and was awarded SRF loan forgiveness grant funds on behalf of HGSD in the amount of \$580,794 (“SRF Loan Forgiveness Funds”); and

**WHEREAS**, on or about September 25, 2013, WRCRWA and the member agencies of WRCRWA entered into that certain Agreement between Western Riverside County Regional Wastewater Authority and its Member Agencies for the Repayment of State Revolving Fund Loan (“Repayment Agreement”) whereby each member agency of WRCRWA pledged and dedicated a source of revenue equivalent to their cost obligations to WRCRWA for the timely repayment of the SRF loan; and

**WHEREAS**, pursuant to the Project Capacity Agreement, HGSD is allocated a treatment capacity right of 1.00 MGD at the WRCRWA Treatment Plant and Corona is allocated a treatment capacity right of 2.37 MGD at the WRCRWA Treatment Plant; and

**WHEREAS**, pursuant to the Repayment Agreement, HGSD is responsible for 6.33% of the costs of the Project based upon the treatment capacity right in the WRCRWA Treatment Plant allocated to HGSD; and

**WHEREAS**, pursuant to the Repayment Agreement, Corona is responsible for 39.50% of the costs of the Project based upon the treatment capacity right in the WRCRWA Treatment Plant allocated to Corona; and

**WHEREAS**, HGSD has 0.25 MGD of excess treatment capacity in the WRCRWA Treatment Plant (“HGSD’s Excess Capacity”) based on HGSD’s existing and anticipated future sewer demands and Corona has a need for additional capacity for anticipated future sewer demands and a desire to purchase HGSD’s Excess Capacity.

## **AGREEMENT**

**NOW THEREFORE**, in consideration of the preceding recitals and the mutual covenants and consideration contained herein, the Parties agree as follows:

1. **Incorporation of Recitals.** The Parties acknowledge that the above recitals are true and correct, and incorporate those recitals by reference into this Agreement.
2. **Effective Date.** This Agreement shall be effective as of April 1, 2019.
3. **Amendment to Project Capacity Agreement.** The Parties understand, acknowledge and agree that it will be necessary to amend the Project Capacity Agreement to reflect the transfer of HGSD’s Excess Capacity from HGSD to Corona and the revised treatment capacity allocation for HGSD and Corona, as set forth in Section 4 of this Agreement. The Parties also understand, acknowledge and agree that it will be necessary to amend the Repayment Agreement to reflect the revised percentage of financial obligation for the costs of the Project assigned to HGSD and Corona as a result of the transfer of HGSD’s Excess Capacity from HGSD to Corona, as set forth in Section 5(A) of this Agreement. The Parties shall fully cooperate with one another to amend the Project Capacity Agreement and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.
4. **Assignment and Transfer of Excess Capacity.** As of the Effective Date, HGSD hereby assigns and transfers HGSD’s Excess Capacity in the WRCRWA Treatment Plant to Corona. From and after the Effective Date, the treatment capacity in WRCRWA’s Treatment Plant allocated to HGSD shall be 0.75 MGD and the treatment capacity in WRCRWA’s Treatment Plant allocated to Corona shall be 2.62 MGD.
5. **Project Costs and SRF Loan Obligations.** Upon the transfer of HGSD’s Excess Capacity to Corona, the costs of the Project and the obligations to repay the SRF loan shall be reallocated as follows (subject to minor percentage changes due to final project cost reconciliation and allocation):

- A. HGSD shall be responsible for 2.38% of the total costs of the Project and Corona shall be responsible for 41.99% of the total costs of the Project.
- B. HGSD's debt service obligations for the SRF loan shall be decreased to account for the transfer of HGSD's Excess Capacity to Corona and Corona's debt service obligations for the SRF loan shall be increased to account for the transfer of HGSD's Excess Capacity to Corona.
- C. HGSD's obligations to pay for costs of the Project that are not reimbursed by the SRF loan shall be decreased to account for the transfer of HGSD's Excess Capacity to Corona and Corona's obligations to pay for costs of the Project that are not reimbursed by the SRF loan shall be increased to account for the transfer of HGSD's Excess Capacity to Corona.
- D. The SRF Loan Forgiveness Funds shall be retained by HGSD and no amount shall be transferred to Corona as a result of the transfer of HGSD's Excess Capacity to Corona.

6. **Entire Agreement.** This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements.

7. **Modification.** This Agreement may be modified only in writing, signed by both parties.

8. **Notice.** Written notice, whenever required by this Agreement, shall become effective upon personal service or deposit in the United States mail, postage prepaid, addressed to the following:

CITY:

General Manager –DWP  
City of Corona  
755 Public Safety Way  
Corona, CA 92880

HGSD:

General Manager  
Home Gardens Sanitary District  
13538 Magnolia Ave  
Corona, CA 92879

9. **Venue.** This Agreement shall be interpreted according to the laws of the State of California. Venue shall be in Riverside County, California.

10. **Counterparts.** This Agreement may be executed in counterparts, all of which, taken together, shall be deemed one original.

11. **Corona Utility Authority.** HGSD understands that Corona has entered into a Water Enterprise Management Agreement and a Wastewater Enterprise Management Agreement, both dated as of February 6, 2002, with the Corona Utility Authority (“CUA”) for the maintenance, management and operation of those utility systems (collectively, the “CUA

Management Agreements”). To the extent that this Agreement is deemed to be a “material contract” under either of the CUA Management Agreements, Corona enters into this Agreement on behalf of the CUA and subject to the terms of the applicable CUA Management Agreement (s).

**[SIGNATURES ON NEXT PAGES]**

**CITY'S SIGNATURE PAGE TO  
CITY OF CORONA AND HOME GARDENS SANITARY DISTRICT  
CAPACITY TRANSFER AGREEMENT**

**CITY OF CORONA**  
a California municipal corporation

By: \_\_\_\_\_  
Jason Scott  
Mayor

Consent:

\_\_\_\_\_  
Mitchell Lansdell  
Acting Executive Director  
Corona Utility Authority

Attest:

By: \_\_\_\_\_  
Sylvia Edwards  
City Clerk

Approved as to Form:

By: \_\_\_\_\_  
Dean Derleth  
City Attorney



**HGSD'S SIGNATURE PAGE TO  
CITY OF CORONA AND HOME GARDENS SANITARY DISTRICT  
CAPACITY TRANSFER AGREEMENT**


**HOME GARDENS SANITARY DISTRICT**

a sanitary district organized and existing pursuant to the Sanitary District Act of 1923 (Health & Safety Code §§ 6400 *et seq.*)

By: \_\_\_\_\_  
Efrain Barajas  
President of the Board of Directors

By: \_\_\_\_\_  
Grady Garrison  
Secretary-Treasurer of the Board of Directors

*Approved as to Form:*

By:  \_\_\_\_\_  
Colin Burns  
Harper & Burns LLP  
District Counsel