

# Regional Sewer Contract Negotiations

February 2015

# Issues

Issues Discussed to Date	Issues Still to Discuss
Guiding Principles	Rate Setting/Capacity Charge
Governance	I&I
Our Waters	Short/Long Term Financing
Reclaimed Water	Legislative Issues
Innovation	Budget
Capital Projects and Planning	Wheeling
Local vs. Regional	Regional Operational Issues
Service Area Contraction and Expansion	Asset Management
	Planning/Policies
	General Contract Conditions
	Governance

# Regional Sewer Contract Negotiations

## Guiding Principles

- Goal is to develop a contract that supports:
  - A strong, open, collaborative partnership between WTD and contract agencies
  - Environmental and financial stewardship
  - Regulatory compliance
  - Proactive work to understand system relationships and maximize benefits to all
  - Certainty as well as capacity to be flexible for future and opportunities

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## Governance

- Governance discussions to date:
  - Create a board representing WTD and contract agencies
  - Representation on board has not been determined yet
  - Major policy direction would be memorialized in the contract
  - Board would not be a policy making board
  - Board would serve more of an operational role with WTD in (examples, not fully developed as a concept yet):
    - Capital planning and projects
    - Reclaimed water projects
    - Determination of valuation of assets to transfer to/from regional system
    - Determination of valuation to buy in or out of system
  - Completion of governance discussion will occur later in the process

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## Our Waters

- Development and ongoing management of the program performed in a spirit of partnership
- Contract will provide clarity, consistency, and certainty
- Create a water quality benefit to wastewater service area and ratepayers

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## Reclaimed Water

- Support for Reclaimed Water for addressing environmental and water supply goals consistent with principles.
- Decisions with Board Input
- Cost Allocations Based on Benefits
- Address Stranded Costs for Water Utilities

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## Innovation

- Encourage innovation, but done in a way that protects the financial and operational integrity of the system
- Pursuit of innovation should occur at both the planning and project level
- Support partnerships, both public and private, to leverage new technologies
- Consider opportunities to conduct studies and pilot programs to further our understanding of technologies and alternative approaches

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## Capital Projects and Planning

- Increase transparency and accountability through partnership between WTD and contract agencies
- Board will have a role in:
  - Capital program development
  - Capital project planning
  - Project delivery
- Level of involvement will be proportionate to scale of project
- Other concepts to be applied as appropriate in capital program:
  - Value engineering
  - Innovation
  - Asset management
  - Joint projects and agreements that provide cost-effective benefits to regional system



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## Local vs. Regional

- Define regional facility
- Transfers from Local Agencies to the Regional System are voluntary
- WTD shall accept transfer from a local agency facilities that meet regional definition, subject to an assessment and approval by board
- Local agencies shall accept transfer of WTD facilities that don't meet regional definition, subject to an assessment and approval by board
- When facilities transfer there will be an agreement between WTD and the local agency that addresses financial, operational, maintenance, liability and other responsibilities of the transfer

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## Service Area Expansion and Contraction

- Defines Expansion and Contraction
- Ensure any proposed expansion or contraction accounts for all costs and protects interests and investments of WTD and its contract agency partners
- Establishes minimum conditions for requests to expand or contract to protect the financial and operational integrity of the regional system

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## Next Steps

- Complete principles and Term Sheet for all issues by end of August, 2015
- Develop draft contract language Sept – Dec 2015
- Regional review, finalize contract language 1<sup>st</sup> Quarter 2016
- City, District and County decision making on new contract in 2016