

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

December 10, 2012

**Agreement for Delivery of Reclaimed Water
to Omni Tucson National Resort**

Synopsis

The Board of Directors is requested to approve an agreement with Omni Tucson National for the delivery of reclaimed water.

Background

Pima County has required Omni/Tucson National to use reclaimed water for its newest nine hole golf course when it becomes available for the golf course to take. For a number of years, the District has been working with Pima County to deliver reclaimed water to Omni/Tucson National golf course. The basic concept is that District would construct the reclaimed line from Thornydale Road along Cortaro Farms Road to deliver its effluent water to Omni/Tucson National, Pima County would financially contribute to the construction, and then Omni/Tucson National would repay the District over time through an agreement.

In August 2011, the District entered into an agreement with Pima County to ensure that the County would contribute to the construction of the water line as originally agreed upon. The agreement was approved before construction of the reclaimed line began. The construction of the reclaimed line has remained on schedule. Pima County has reimbursed the District for the agreed upon \$500,000 for its contribution to the construction of the reclaimed line. The District is responsible to pay for the balance of the construction cost of the reclaimed line as well as the construction of the metering station that will connect the reclaimed line to Tucson Water's reclaimed system.

In October 2011, the District approved an intergovernmental agreement with Tucson Water for the delivery of the District's reclaimed water from and through Tucson Water's reclaimed system. The District would then deliver 225 acre-feet of reclaimed water to Omni/Tucson National. The agreement states that the District will receive reclaimed water on an interruptible-as-available basis. This is due to Tucson Water's reclaimed water system being at almost full capacity with its previous commitments to Dove Mountain, the Town of Oro Valley and the County. This means Tucson Water may have to interrupt delivery during the pre-monsoon and over seeding seasons of the calendar year. Therefore, Omni/Tucson National will be required to take the 225 acre-feet at other times of the year. Under the attached intergovernmental agreement, the District will pay the City of Tucson's interruptible or environmental rate.

Currently, that rate is at 62 cents per ccf (hundred cubic feet – 748 gallons). That cost would then be recaptured in the amount charged under an agreement with Omni/Tucson National for receiving reclaimed water from the District.

At the September 10, 2012 meeting, the Board approved Resolution 2012-5, which will allow for funding for another capital project, the equipping of the Riverside Well. Originally, it was to be financed using the Repair and Replacement Funds but would now be funded through a WIFA loan. Those Repair and Replacement funds that had been targeted for equipping the Riverside Well will now be used for the reclaimed line construction, which is estimated to cost no more than \$400,000. The District will seek to obtain a WIFA loan to pay for the Riverside Well rather than the reclaimed line, which is estimated to cost no more than \$600,000. If the equipping of the Riverside Well exceeds \$400,000, the remainder will be paid by the Repair and Replacement funds. The payments from Omni Tucson National will be used to cover the repayment for the WIFA loan for the Riverside Well.

Report

Please find attached the agreement between the District and Omni/Tucson National for the delivery of reclaimed water. The agreement has been signed by Omni/Tucson National.

The agreement requires the District to annually deliver 225-acre feet of reclaimed water to Omni/Tucson National. Omni/Tucson National decides when and at what volumes does it want the 225-acre feet of reclaimed water to be delivered over the year. Omni/Tucson National will pay a monthly “take or pay” charge calculated as the principles and interest on the reclaimed water line and the metering station construction costs incurred by the District and amortized over twenty years. Also, there is a usage charge calculated by the City of Tucson’s rate for reclaimed water with an administrative overhead of 10% added to the usage charge to cover the District’s operation and maintenance. The exact amount is not yet finalized since construction is not completed but is estimated in Exhibit A.

The agreement also outlines the District and Omni/Tucson National’s respective responsibilities in meeting the regulatory requirements of delivering and receiving reclaimed water. District staff is currently working with Arizona Department of Environmental Quality to secure the required permits.

The agreement is to become effective when the construction is completed, which is expected to be by March 31, 2013. The main construction remaining is that of the metering station that Tucson Water is to complete at Thornydale and Cortaro Farms Road.

Legal Counsel worked with staff to develop this agreement.

It should be noted that the reclaimed line was also constructed to deliver 25 acre-feet a year of reclaimed water to the Pima County Parks at the Northwest YMCA and to the CDO Linear Park. At this time, Pima County has said it does not want to enter into an agreement with the District

for the delivery of such water. Pima County says it wants to enter into an agreement directly with Tucson Water, which would ensure a lower cost and have access to non-interruptible water. The reclaimed water line is constructed so that if Pima County changes its position, the District would be willing to enter into an intergovernmental agreement to allow for the delivery of reclaimed water to the Northwest YMCA and CDO Linear Park.

Recommendation

It is recommended that the Board of Directors approve the attached agreement with Omni/Tucson National Resort for the delivery of reclaimed water. This agreement will ensure payment over a 20 year period for the construction of the reclaimed line. This agreement allows the District to put to use 225 acre-feet of its effluent, reduce that amount of groundwater being used by Omni/Tucson National's grandfathered wells, and improve the management of that aquifer within the District.

Suggested Motion

I move to approve the agreement with Omni/Tucson National Resort for the delivery of reclaimed water.

Respectfully submitted,

Mark R. Stratton, P.E.
General Manager