

STAFF REPORT*CITY OF OCEANSIDE*

DATE: February 20, 2008

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

SUBJECT: **EXTENSION OF STATEMENT OF UNDERSTANDING AND UTILITIES CONTRACT BETWEEN THE CITY OF OCEANSIDE AND CAMP PENDLETON FOR INTERIM CAPACITY IN THE CITY OF OCEANSIDE OCEAN OUTFALL**

SYNOPSIS

Camp Pendleton has advised Water Utilities staff that they will be exercising the final one-year extension option as outlined in the statement of understanding and utilities contract for interim capacity in the City of Oceanside's ocean outfall that was approved by Council on December 15, 1999. A revision was made on May 9, 2000, extending the term of the contract to November 2008. The duration of the approved statement of understanding and utilities contract is five years with the option of three one-year extensions not to exceed a total of eight years.

BACKGROUND

On December 15, 1999, the City Council approved a statement of understanding and utilities contract with Camp Pendleton for interim capacity in the City of Oceanside's ocean outfall. The statement of understanding and utilities contract provide for the conveyance of up to 3.6 million gallons per day (GPD) of secondary treated wastewater from five existing Camp Pendleton wastewater treatment plants. A May 9, 2000, revision extended the term of the contract to November 2008. Camp Pendleton sent a letter to the City on October 28, 2005, giving notice of their intent to exercise the three option years (Exhibit A).

ANALYSIS

A statement of understanding and utilities contract was developed by Camp Pendleton and City staff which delineated the terms and conditions for Camp Pendleton to access the City's ocean outfall until its tertiary treatment plant is constructed. A revision was made on May 9, 2000, extending the term of the contract to November 2008, including the three one-year extensions. (Exhibit B).

Camp Pendleton constructed 2.2 miles of effluent pipeline in Oceanside that connects with the Oceanside ocean outfall line. Camp Pendleton was responsible for all expenditures associated with design and construction of the pipeline. Additionally, Camp Pendleton was responsible for all costs incurred by the City in providing construction inspection within the City limits. Camp Pendleton began discharging in the ocean outfall in September 2003.

Camp Pendleton paid \$634,700 for the five-year lease and will pay \$126,940 per year for each of three additional years. The charge for the entire lease is calculated on Camp Pendleton's average flow of 2.9 million GPD, or 16.1 percent of the total flow of 18 million GPD through the outfall. The total average outfall flow includes Oceanside's 13.7 million GPD, Fallbrook Public Utilities District's 1.4 million GPD and Camp Pendleton's 2.9 million GPD. Funds will accrue to the sewer fund.

Camp Pendleton also paid \$325,000 for the five-year lease and will pay \$65,000 per year for the three additional years for all costs associated with the transporting of treated effluent through the City-owned pipeline. This charge offsets the annual impact of the pipeline on the public right-of-way within the City limits. Funds will accrue to the sewer fund. This is the last year of the existing statement of understanding.

FISCAL IMPACT

Camp Pendleton's cost share for operations and maintenance since the pipeline went into service in 2003 has been approximately \$10,000 per year. The funds being paid by Camp Pendleton to the City will pay for future expenditures that will become necessary as the pipeline ages.

COMMISSION OR COMMITTEE REPORT

Does not apply.

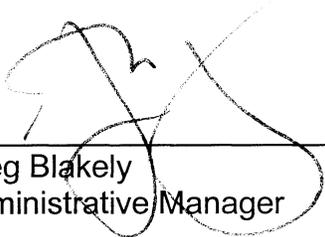
CITY ATTORNEY'S ANALYSIS

City Attorney analysis does not apply.

RECOMMENDATIONS

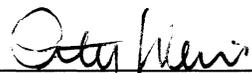
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PREPARED BY:



Greg Blakely
Administrative Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Lonnie Thibodeaux, Water Utilities Director



Exhibit A: Camp Pendleton extension letter dated October 28, 2005

Exhibit B: Original Statement of Understanding



UNITED STATES MARINE CORPS
MARINE CORPS BASE
BOX 555010
CAMP PENDLETON, CALIFORNIA 92055-5010

IN REPLY REFER TO:
11000
FACPWO

OCT 28 2005

City of Oceanside
Attn: City Manager
300 North Coast Highway
Oceanside, California 92054

Dear Sirs:

Pursuant to the Statement of Understanding Between the United States Marine Corps at Camp Pendleton and the City of Oceanside for Sewage Capacity in the City of Oceanside Ocean Outfall, dated 09 December 1999, we are giving our notice of intent to activate our three option years for sewer capacity in the ocean outfall.

If you have any questions please contact Mr. Ed Rogers at 760-725-6452 or Mr. Kirk Nelson at 760-725-6027.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. A. Eve".

R. A. EVE
Colonel, U.S. Marine Corps
Assistant Chief of Staff, Facilities
By direction of
the Commanding Officer

**STATEMENT OF UNDERSTANDING
BETWEEN
UNITED STATES MARINE CORPS AT CAMP PENDLETON
AND
THE CITY OF OCEANSIDE
FOR
SEWAGE CAPACITY IN THE CITY OF OCEANSIDE OCEAN OUTFALL**

This Statement of Understanding (SOU) contains the present understandings of the United States Marine Corps at Camp Pendleton (USMC Camp Pendleton) and the City of Oceanside concerning the City's provision of sewage capacity and operation and maintenance service in the City of Oceanside Ocean Outfall System to USMC Camp Pendleton.

SECTION A - TERMS/DEFINITIONS

1. **Capital Expense:** For purposes of this Agreement, a Capital Expense shall be defined as any project costing more than \$5,000.00, with the exception of those costs clearly being part of Operation and Maintenance (e.g. annual inspection of Outfall).
2. **Catastrophic Damage:** as referred to in Section F, paragraphs 5 and 6, means any damage caused by acts of God or of public enemy; such as, but not limited to, earthquakes, fires, floods, bombings, etc.
3. **Marine Corps Base, Camp Pendleton:** may also be referred to in this Agreement as the Base, MCB, Camp Pendleton or the Government.
4. **MCON P-527:** means the Navy Military Construction (MCON) project involving the installation of pipelines (see Section G, attachment 1), pumping stations, sampling stations, an equalization basin, and holding ponds. All of the equipment and facilities installed by means of this MCON project shall be owned by the Government, with the exception of the pipeline extending from the boundary of MCB to the connection point at the Outfall, of which ownership shall be turned over to the City as partial consideration for connection to the Outfall. The MCON project will permit secondary treated effluent originating from existing sewage treatment plants (STPs) on the base to flow to the Ocean Outfall. Refer to Section G, Attachment 1 for the Government pipeline overview drawing.
5. **Naval Facilities Engineering Command, Southwest Division:** may also be referred to in this contract as SWDIV or the Government.
6. **Outfall:** means the City of Oceanside's Ocean Outfall, including ballast and associated appurtenance.
7. **Peak Daily Flow:** means the highest sustained instantaneous flow for a period of fifteen (15) minutes during a twenty-four (24) hour period.
8. **Permitted Flow:** means the maximum amount of effluent allowed to be discharged by the Base into the Outfall system which cannot exceed 3.6 mgd.

9. **Regional Water Quality Control Board (RWQCB)**: means the California regulatory agency having authority to establish and enforce water standards including waste discharge requirements. Permitting by the RWQCB is, however, subject to approval from the State Water Resources Control Board, and the U.S. Environmental Protection Agency for ocean discharges.
10. **Service**: Service referred to in and provided under this Agreement refers specifically to the City's performance of Operation and Maintenance of the Outfall and maintenance and repair of the treated effluent pipeline extending from the MCB Camp Pendleton boundary to connection at the Outfall.
11. **The City of Oceanside**: may also be referred to as Oceanside or the City.

SECTION B - ELEMENTS OF THE AGREEMENT (SUPPLIES/SERVICES/PRICES/COSTS)

1. **Term**: The duration of this Agreement is a base period of five years, and three one-year options effective from the date the Base begins pumping effluent into the Ocean Outfall. The option years may be activated at the Government's option by providing a 30-day advance notice to the City of such intention.
2. **Infrastructure**: Camp Pendleton will design and construct 2.2 miles of effluent pipeline in Oceanside that will connect with the Ocean Outfall line. The pipeline sequence will start at the City's northern boundary near Interstate 5 and Harbor Drive, crossing the San Luis Rey Bridge, then primarily follow a route along Tremont Street. Camp Pendleton will install telemetry from the Lemon Grove Pump Station to the San Luis Rey Treatment Plant and a metering and sampling station in the City of Oceanside to monitor the effluent leaving the base. The City would then take ownership of the pipeline within the City limits after project completion and acceptance. To help minimize the impact on the construction area, Camp Pendleton will repave the streets, in which pipeline is installed, from curb to curb.
3. **Fees**:
 - a. **Sewage Capacity Charge**: Camp Pendleton's short term (during the 5-year base period agreement) utilization of 3.6 mgd maximum of sewage capacity in the City's Ocean Outfall. The capacity charge for the three option years will be included in the utility contract. There is a lump sum amount for the first 5 years and additional amounts for each of the next three years.

Capacity Charge for base period (5 years):	\$634,700
Capacity charge for first option year:	\$126,940
Capacity charge for second option year:	\$126,940
Capacity charge for third option year:	\$126,940

Note: Base period is calculated on the basis of Camp Pendleton's percentage of current flows through the ocean outfall. The average flow for the City of Oceanside's facilities is 13.7 mgd and Fallbrook is 1.4 mgd. Combined with the 2.9 mgd from the Base equals a total actual flow of 18.0 mgd. The Base's percentage would be 16.1%. Add in the \$40,000 per year from reduced reporting and figure for 5 years to get \$634,700. This fee is a flat rate based on the volume of effluent discharged. Other than agreed upon ocean outfall and pipeline operation and maintenance charges described below, no other fees or service charges (if otherwise applicable) shall be charged for Camp Pendleton's use of the ocean outfall, provided the volume (i.e. flow) of the effluent disposed through the ocean outfall remains at or below 3.6 mgd.

- b. **Service Extension Charge:** This provides for all costs associated with the transporting of treated effluent through the City-owned effluent pipeline. This charge will offset the annual impact of the pipeline on the public right-of-way within the city limits. There is a lump sum amount for the first 5 years and additional amounts for each of the next three years.

Service Extension Charge for base period (5 years):	\$325,000
Service Extension Charge for first option year:	\$65,000
Service Extension Charge for second option year:	\$65,000
Service Extension Charge for third option year:	\$65,000

Note: The base period value is one-half (for 5 years) of the original agreement for \$108,000 per year which was negotiated down to \$650,000 for 10 years.

- c. **Ocean Outfall Annual Operation and Maintenance Charge:** The cost provides for Camp Pendleton's proportionate 16.1% share of the outfall. Terms and conditions shall be part of the utility contract.

Operation and Maintenance charge: \$671/month (Initial monthly estimate - reconciled annually)

- d. **Effluent Pipeline Operation and Maintenance Charge:** The charge provides for the city-owned portion of effluent pipeline extending from the boundary of Camp Pendleton to its connection at the outfall. No change in dollar amount. Terms and conditions shall be part of the utility contract.

Pipeline Operation and Maintenance Charge: \$500/month (Initial monthly estimate - reconciled annually)

- e. **Pipeline Construction Inspection:** The City will hire an inspector to monitor the pipeline construction project within City limits. Project duration is expected to be three to four months. Construction of the pipeline within the City's Business District will not occur during tourist season (June 1st - September 30th). The Business District is defined as those portions of work between the intersection of Michigan Avenue and Tremont Street (Station 75+00) to the intersection of Sportfisher Drive and Tremont Street (Station 100+00). No change in dollar amount.

Pipeline Inspection charge: \$28,000 (one-time lump sum)

- f. **Upgrade of La Salina WWTP Pump Station:** This charge provides for all costs associated with upgrading the City's pumping capacity in order to overcome pressure differentials due to the increased flows to the Ocean Outfall from Camp Pendleton. The costs include design, engineering, retrofitting or replacement of pumps and associated components. MCB Camp Pendleton agrees to purchase a 16.1% share of the upgrades to the La Salina WWTP Pump Station. The La Salina WWTP Pump Station upgrade shall be completed within 24 months of receipt of payment from the Government. Although the terms of this agreement are for 5 years with three one year option periods, should additional agreements be reached between the City and MCB Camp Pendleton for the continued use of the Outfall, no additional sums will be required for any costs associated with the upgrade to the La Salina Plant. The phrase "no additional sums" shall include, but not be limited to, the maintenance or other costs associated with the use of the upgraded pumping capacity beyond the 5 year base period and the option periods. This assumes that no additional adverse impacts due to flow from MCB Camp Pendleton will occur, i.e., flow remains at or below 3.6 mgd.

Pump Station upgrade: \$289,800 (one-time lump sum)

Note: Based upon a 16.1% share of planned capital improvements with a cost of \$1.8 Million.

SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

1. **General Requirements:** The City shall provide capacity in the present Ocean Outfall for the disposal of secondary treated effluent and shall be responsible for the overall management, and operation and maintenance (O&M) of the Outfall, and the City owned portion of the effluent pipeline. The Government shall pay its proportional share (16.1%) of Outfall O&M, and 100% of the City owned portion of the effluent pipeline O&M to the City pursuant to this contract.
2. **Premises to be Serviced:** MCB
3. **Permitted Flow:**

Peak Daily flow	3.6 mgd
Estimated annual flow	1,314 mgy
4. **Point of Connection:** The point of connection shall be made as shown in the final construction drawings of the Military Construction (MCON) project, P-527.
5. **Description of Service:** The City shall provide to the Government a maximum of 3.6 mgd of capacity in the Outfall to dispose of secondary treated effluent flow originating from Camp Pendleton Sewage Treatment Plants. The capacity shall be considered leased property of the Government.
6. **Sewage Capacity Charge:** This is a one time lump sum amount for the five year base period of this Agreement fulfilling all City requirements for providing Camp Pendleton the utilization of 3.6 mgd maximum of sewage capacity in the City's Ocean Outfall. Terms and conditions for the three option year periods shall be part of the Utilities Contract.
7. **Service Extension Charge:** This is a one-time lump sum amount for the five year base period of this Agreement fulfilling all City requirements for providing the transporting of treated effluent through the City limits to the Outfall. Terms and conditions for the three option year periods shall be part of the Utilities Contract.
8. **Operation and Maintenance of the Outfall:** The City shall be responsible for providing the Operation and Maintenance of the Outfall in accordance with good industry practices, and all applicable laws, rules and regulations. Terms and conditions shall be part of the Utilities Contract.
9. **Operation and Maintenance of City Owned Treated Effluent Pipeline:** The City shall be responsible for providing the Operation and Maintenance of the City owned portion of the treated effluent pipeline in accordance with good industry practices, and all applicable laws, rules and regulations. Terms and conditions shall be part of the Utilities Contract.
10. **Inspection of Treated Effluent Pipeline:** The City shall provide construction inspection services for the City owned portion of the treated effluent pipeline in fulfillment of all City requirements pertaining to such construction projects taking place within the City limits.
11. **Upgrade of the La Salina Pump Station:** The City shall provide all design, engineering, retrofitting or replacement of pumps and associated components necessary to accommodate the increased head at the pump station caused by the additional effluent flow to the Outfall from the MCB.

SECTION D - INSPECTION AND ACCEPTANCE

1. **Monitoring of effluent:** The effluent flow from Camp Pendleton shall be treated secondary effluent as prescribed in applicable standards adopted by, and from time to time revised by, the Federal, State, or local agencies having regulatory authority. No reductions in treatment levels below City treatment levels or flows in excess of permitted flows will be permitted without prior approval of the City. Further, such modifications to Camp Pendleton's effluent discharge requirements below City effluent discharge requirements shall be approved by the City. The Government shall maintain a sampling/monitoring station on base to test the quality of treated effluent prior to discharge into the Outfall. The frequency of the sampling shall be on a daily basis with the results of such sampling being recorded, and such records being sent on a monthly basis to the City for their review. In the event effluent quality standards as prescribed by the applicable NPDES permit are not met, the Government shall cooperate with the regulatory authorities and take the necessary steps to bring the effluent into compliance with the quality standards.

SECTION E - AGREEMENT ADMINISTRATION DATA

1. **Communications:** All communications regarding this Agreement shall be addressed as follows:

Oceanside: City of Oceanside
Water Utilities Department
Attn: Mr. Barry Martin
Water Utilities Director
300 Coast Highway
Oceanside, CA 92054
Telephone: (760) 966-4873 FAX (760) 966-4874

Camp Pendleton: Attn: Facilities Maintenance Officer
Assistant Chief of Staff, Facilities
Box 555009
Cam Pendleton, CA 92055
Emergency telephone number (760) 725-4368

For non-emergency communication:
Southwest Division, Naval Facilities Engineering Command
Attn: Code 5C02.KJ
1220 Pacific Highway, Rm. 135
San Diego, CA 92132-5187
Telephone: (619) 532-1456 FAX (619) 532-2381

SECTION F - SPECIAL CONTRACT REQUIREMENTS

1. **Government Property:** The 3.6 mgd sewage outfall capacity the Government is leasing under this Agreement shall be considered leased property of the Government. The Government has the right at the expiration of this Agreement to determine whether to renew the Agreement with the City under substantially like terms, or to enter into negotiations with the City.
2. **National Pollutant Discharge Elimination System (NPDES) Permit:** The Government agrees to obtain a NPDES permit for Camp Pendleton's 3.6 mgd capacity by going through the necessary permitting process as required by the Regional Water Quality Control Board or other cognizant regulatory Agency.

3. **Anti-degradation Study:** The Government agrees to obtain an anti-degradation study if required by the Regional Water Quality Control Board or other cognizant regulatory Agency for the 3.6 mgd acquired under this contract.
4. **Treated Effluent Pipeline Ownership and Limits of Use:** The ownership of the treated effluent pipeline extending from the boundary of MCB to the Outfall is hereby transferred from the Government to the City upon completion of pipeline construction by way of this Agreement as consideration of a connection charge to the Outfall. As part of the ownership transfer, the City hereby agrees that its ownership rights in the pipeline are subject to the Government's right to exclusive use of said pipeline for the transmission of treated effluent. However, it is the intent of the Government to consider common use proposals of said pipeline to further community relationships and to minimize total operating costs. Any alternate or common use of said pipeline for the life of this agreement must have prior written approval of the Government. If relocation of the pipeline is necessary over the course of the Agreement, and agreed to by both parties, the cost of such relocation, subject to the availability of funding, shall be borne by the Government.
5. **City Owned Treated Effluent Pipeline (replacement and catastrophic damage repair):** Although the pipeline extending from the boundary of MCB to the connection with the Ocean Outfall shall be owned and operated by the City, it is hereby agreed that the Government, due to its receiving full benefit of said pipeline, shall be responsible, subject to the availability of funding, for all costs associated with the repair of any catastrophic damage caused to the pipeline over the course of this agreement. In the event of any future common use of said pipeline, as approved by the Government, catastrophic damage repair shall be shared proportionately by the common pipeline users. This excludes any costs associated with the remaining portion of the system, i.e., the Ocean Outfall piping, La Salina Pumping Station, etc.
6. **Catastrophic Flow Event:** A catastrophic flow event is defined as an event that requires the curtailment of flow to the Ocean Outfall due to uncontrollable circumstances such as extreme weather conditions, e.g., a fifty (50) year flood. Both the City and MCB would be responsible to curtail their respective flows during a catastrophic event. The City would notify MCB when such a circumstance occurs and act as a coordinator during the event for controlling flow.
7. **Management of Outfall:** The City shall manage, operate, and maintain the Outfall in an efficient and economical manner sufficient to maintain and preserve it in good repair and working order, all in accordance with recognized and sound engineering practices. The City further agrees to convey and dispose of all effluent received into the Outfall under the terms of this contract in such a manner as to comply with all applicable laws, rules, and regulations.
8. **Anti-Deficiency Act:** Any requirement for the payment or obligation of funds, under the terms of this Agreement, shall be subject to the availability of appropriated funds, and no provision herein shall be interpreted to require obligation or payment of funds in violation of the Anti-Deficiency Act, 31 USC 1341 et seq., the dates established for requiring the payment of obligation of such funds shall be appropriately adjusted. Nothing in this Agreement shall be construed as implying that Congress will, at a later time, appropriate funds sufficient to meet deficiencies.

9. **Cancellation of Option Years:** The term of this agreement consists of a base period of five years and three one-year options. All costs and consideration for the base period and the option years have been negotiated and are included in this Statement of Understanding. The Government may exercise its right to any of the option years at anytime during the term of the agreement so long as the following criteria have been satisfied:
- (1) The Government will present an annual report to the City Council on the status of the funding for military construction of the alternative sewage effluent disposal facility and the status of that project no later than December of each calendar year.
 - (2) The Government certifies to the City Council that it has secured full project funding before the expiration of the five-year base period of the agreement.
10. **Termination of Agreement:** This agreement shall terminate at the end of the five-year base period in the event funding for the alternative sewage effluent disposal facility has not been secured.

In the event the government fails to reach an agreement with the construction contractor under Contract N68711-94-C-1546, MCON P-527B, Sewage Treatment Plant Modifications, Santa Margarita Area, San Onofre/San Mateo Areas at Marine Corps Base, Camp Pendleton, California for the pipeline work, this Agreement shall be rendered null and void.

SECTION G - LIST OF ATTACHMENTS

1. **Drawings:** Government effluent pipeline overview drawing

The foregoing is acknowledged:

USMC CAMP PENDLETON



W. A. SPENCER
Colonel, U.S. Marine Corps
Assistant Chief of Staff, Facilities

CITY OF OCEANSIDE



STEVEN R. JEPSEN
City Manager