



AGENDA REPORT

Meeting Date: June 17, 2008

Item Number: F-5

To: Honorable Mayor & City Council

From: Shana Epstein, Environmental Utilities Manager

Subject:

- A. ISSUANCE OF A PURCHASE ORDER IN THE AMOUNT OF \$18,253,668 TO PURCHASE THE REVERSE OSMOSIS WATER TREATMENT PLANT AND PUBLIC WORKS FACILITY FROM EARTH TECH, INC. AND AUTHORIZATION TO THE CITY MANAGER TO APPROVE AGREEMENTS FOR ITS CONVEYANCE TO THE CITY
- B. AUTHORIZATION TO THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH EARTH TECH IN AN AMOUNT NOT TO EXCEED \$82,000, AND APPROVAL OF AN ISSUANCE OF A PURCHASE ORDER IN AN AMOUNT NOT TO EXCEED \$82,000.

Attachments: None

RECOMMENDATION

Staff recommends that the City Council approve the issuance of a purchase order for the purchase of the Reverse Osmosis Treatment Plant and the Public Works Facility in accordance with the original Design, Build, Operate and Finance Agreement between the City of Beverly Hills and Earth Tech, Inc dated February 27, 2001, and that the City Council authorize the City Manager to execute an agreement(s) and/or any other documents, in the form approved by the City Attorney and City Manager, to convey the plant and facility to the City. Last, staff is recommending that the City enter into a 60 day agreement with Earth Tech to facilitate the transition of the operation of the plant. Staff requests that the City Council authorize the City Manager to execute an operation agreement in the form approved by the City Attorney and the City Manager.

INTRODUCTION

In 2001, the City entered into an agreement with Earth Tech, Inc to design, build, operate and finance a reverse osmosis treatment plant and a public works facility for the Department of Public Works to be housed. Upon commencement of operating the

treatment plant, the City realized that the plant would not be operating at full capacity; therefore, the City was buying back water that was non-existent. Hence, the most cost effective way to produce 10% of the City's water supply is for the City to own and operate the reverse osmosis treatment plant.

DISCUSSION

Currently, the City purchases 90% of its water supply from Metropolitan Water District and 10% of its water supply from Earth Tech, Inc. The latter originates from four City deep groundwater wells that are then treated at the reverse osmosis treatment plant. When the arrangement with Earth Tech was originally orchestrated, the assumption was that 20% of the City's water supply would be produced locally. If that had occurred then the treatment of the local groundwater would have been comparable to purchasing MWD water since MWD gave a 20 year incentive to produce local groundwater using this plant. Instead the City is paying for that original amount of water and receiving 50% less. By financing the treatment plant through municipal revenue bonds and operating the plant in-house, the City estimates an annual savings of \$227,000 to the water enterprise fund. This savings assists in stabilizing water rate increases.

In preparation for this recommendation to the City Council, the City hired Earth Tech's operations manager at the plant two years ago. The staff expected to operate the plant have been to external trainings and continue to have hands on training within the plant. The City has also budgeted for one extra position. The second agreement is to facilitate an easy transition for 60 days after the sale. Earth Tech will still operate the plant while training City personnel during this transition.

In addition, the City will be purchasing the office and work areas of the Public Works Facility. This building now houses the majority of the Department of Public Works and Transportation.

FISCAL IMPACT

In March of 2008, the City financed this project by issuing revenue bonds on behalf of the Water Enterprise in the amount of \$18.5 million.



Scott Miller
Finance Approval



David Gustavson
Approved By