

1st DRAFT Principles of Agreement

(version 7, 21-March-2022)

Introduction and Background

Through its work on the Paradise Sewer Project (Project), the Town of Paradise (Town) has identified a connection to the Chico Water Pollution Control Plant (WPCP) as its preferred alternative for wastewater treatment and disposal, and has approached the City of Chico (City) to explore the feasibility of such a connection. The Councils of the Town of Paradise and City of Chico have formed a Sewer Regionalization Project Advisory Committee (Committee) as a mechanism for exploring this proposal. The Central Valley Regional Water Quality Control Board (Regional Board) has agreed to facilitate the activities of the Committee.

Membership on the Committee is limited to elected officials from the Town and City, as those two parties are signatories to the Cooperative Funding Agreement (CFA) and will be signatories to a future inter-municipal agreement (IMA). The Town and City have both designated their Mayors and Vice Mayors as their Committee members.

The Committee will develop an agreed-upon list of basic principles for an IMA, which will be captured in this document, the Principles of Agreement (POA). It is anticipated that a draft POA will be developed by the Committee, which will then be brought to the Town Council and City Council for review and approval. The final POA would then be turned over to legal counsel from the Town and City to draft into an IMA for consideration by the Town Council and City Council.

City of Chico Municipal Code

The City of Chico has a provision in its municipal code *Section 15.40.285—Regulation of Waste Received from Other Jurisdictions* that specifically addresses handling wastewater from outside the city's sanitary sewer system. That code section is presented in its entirety at the end of this document.

Principles of Agreement

The Principles of Agreement are divided into 17 subject areas, as listed below. (Other subject areas may be added over time.) The first eight items reflect the eight items specified in Section 15.40.285. Over the course of its work, the Committee will develop specific agreed-upon statements (principles of agreement) for each of these items.

1. **Sewer Use Ordinance:** The Town will need to adopt a sewer use ordinance that parallels the City's sewer use ordinance. The POA could contain a commitment from the Town to have an ordinance completed by a certain milestone.
 - **DRAFT:** The Town will adopt a sewer use ordinance that parallels the City's ordinance. The Town's ordinance shall be adopted and in place 30 days prior to the commencement of discharge into the Project.
2. **User Inventory:** The Town will need to submit an annual inventory of entities discharging into the sewer system. The POA could contain a statement to that effect.
 - **DRAFT:** The Town will submit a quarterly inventory of entities discharging into its sewer system, classified by residential and commercial dischargers. This quarterly report will also contain an estimate of new connections estimated to occur over the upcoming 12 months, broken down by the same classifications.

This inventory will reflect data from July 1 through June 30 of each year, and will be submitted by August 1 of each year.

- **DRAFT:** The Town will develop and administer a Sewer Application process, with two parts—a Town-reviewed portion for the collection system and a City-reviewed portion for treatment. The treatment portion will follow the existing City sewer application. If the proposed discharge exceeds the thresholds established in the pretreatment program (see below), it will have to treat its discharge to a sufficient degree to meet the City's pretreatment program requirements. Businesses would face the same pretreatment requirements, whether they are in Paradise or Chico.
 - **DRAFT:** The Town and the City agree to prohibit future connections to the export pipeline in the portion of the pipeline that sits outside of the Town limits or City limits.
3. **Pretreatment:** The City has an existing pretreatment program to monitor industrial/commercial dischargers, which Town dischargers will need to meet. (The City has two employees conducting annual inspections of commercial/industrial dischargers.) The POA could contain a statement to that effect. In addition, the Town will need to decide whether to create and administer its own pretreatment program, or simply comply with the City's pretreatment program. Ultimately, the Town and City will need to determine who implements the various pretreatment activities for Paradise dischargers. The POA could contain the basic definition of these divisions of responsibility.
- **DRAFT:** The Town will follow the City's pretreatment program, including future changes; the Town will not develop a pretreatment program of its own. This includes the City's Fats, Oils & Grease (FOG) program. Dischargers would follow the City's pretreatment program application process, which includes setting monthly fees. Pretreatment program fees will be collected by the Town and conveyed to the City, similar to the process outlined in Item 10.
4. **Pretreatment Data Access:** The Town will need to provide the City with all information it obtains related to the pretreatment activities. The POA could contain a statement to that effect.
- **DRAFT:** The Town will provide the City with all information it obtains relative to meeting the City's pretreatment program requirements.
 - **DRAFT:** ~~Paradise will contract with the City or hire and use qualified professionals (Industrial Waste Inspectors, testing, labs, etc.) to conduct its pretreatment activities.~~ [Staff Input: This statement may no longer apply, given the decision made on Item 3—Pretreatment. Delete.]
5. **Wastewater Limits:** The agreement will need to define limits on the volume and quality of Paradise wastewater discharged to the Chico Water Pollution Control Plant (WPCP). This will likely be addressed by the City's CFA efforts; the Committee would then review those

results and draft POA language. Town and City staff are currently awaiting results from the City's engineering consultant in order to draft suggested language for this item.

- **DRAFT:** Associated with the treatment connection payment (described below), the Town of Paradise wastewater flow to the Chico WPCP will be limited to 0.464 million gallons per day (mgd) average dry weather flow (ADWF). ADWF will be calculated using criteria specified by the Central Valley Regional Water Quality Control Board in the Chico permit. It is anticipated that a majority of the wastewater discharges into the Paradise collection system will be of typical residential and commercial quality. However, all potential Town discharges will be subject to the Pretreatment requirements of this agreement, as specified in Section 3.
6. **Wastewater Monitoring:** The agreement will need to define how the volume and quality of Paradise wastewater will be monitored.
- **DRAFT:** The Termination Structure, to be constructed as part of the Paradise Sewer Project, will contain wastewater monitoring equipment (e.g., flow meter, composite sampler). Because the City has staff familiar with this type of equipment, and because it has its own wastewater laboratory for testing wastewater samples, the flow metering and monitoring equipment will be operated and maintained by City staff, and samples will be processed in the City lab. Consideration will also be given to having some level of monitoring equipment at the upper end of the export pipeline. A payment will be negotiated at the start of the contract and paid annually by the Town to the City to cover the costs associated with these efforts.
7. **Access to Facilities:** The City will need to be granted access to the Town's wastewater facilities, including those within the Town's boundaries. The POA could contain a statement to that effect.
- **DRAFT:** The Town will grant the City access to the Town's wastewater facilities, including those within the Town's boundaries for purposes of inspection, sampling, and other duties deemed necessary by the City. The City will give the Town sufficient notice to allow the Town to arrange safe access to the facilities. The Town and City will look for efficient ways to jointly conduct inspections to minimize impacts to both entities' staff.
8. **Remedies for Breach of Agreement:** Like all legal agreements, the IMA will need to address how the parties would handle any breach of the agreement. This item might need input from Town and City attorneys, in order to draft appropriate POA language. These remedies will vary by the various required items in this POA.
- **DRAFT:** If disagreements exist between the Town and City attorneys regarding agreement language, those disagreements will be brought back to the Committee to attempt to resolve.

9. **Treatment Connection Payment.** A number of items need to be addressed related to the treatment connection payment to be paid by the Town for connecting to the Chico WPCP. These will likely be addressed by the City's CFA efforts; the Committee would then review those results and draft POA language. Items include:
- How much should the initial connection payment be (e.g., for the initial Paradise flow or the ultimate flow)?
 - If ongoing connection fees are to be collected for future connections, how much should they be (e.g., linked to the City of Chico's current connection fee schedule)?
 - How should they be collected and paid to the City of Chico (e.g., collected by the Town of Paradise on an ongoing basis and paid to the City of Chico quarterly)?
 - **DRAFT:** The goal is to obtain funding for the treatment connection payment in a similar manner to the remainder of the Paradise Sewer Project. The payment is currently estimated at \$14.9 million (estimated as December 2026 dollars; as documented in "Regionalization Planning Report for the Paradise Sewer Project," Carollo Engineers, March 2022), which the Town of Paradise would pay to the City of Chico to cover treatment capital costs associated with a wastewater flow from the Town of 0.464 mgd ADWF (see ADWF definition above). From six to 12 months before the date of connection, the estimated treatment connection payment will be recalculated using the methodology established in the Carollo study. This payment is assumed to be made at the time that initial Paradise flows are sent to the Chico WPCP, currently estimated to start on or about December 2026.
10. **Monthly User Fees.** A number of items need to be addressed related to the monthly fees to be paid by the Town for discharging to the Chico WPCP. (Note: The City does not currently break its monthly fees into treatment and collection system components.) Items include:
- How much should the monthly user fees charged to the Town be (e.g., linked to the treatment portion of the City of Chico's current monthly user fees)?
 - **Draft:** Assuming that the City establishes a treatment portion of its monthly user fee, the Town users will pay that treatment monthly user fee to the City. Town users will also pay a collection system monthly user fee to the Town associated with the Town's collection system and export pipeline O&M costs.
 - How should they be collected and paid to the City of Chico?
 - **Draft:** The Town will collect the treatment monthly user fee from its users. The Town will submit the total treatment monthly user fee amount to the City on a [monthly/quarterly] basis. The Town will be responsible for collecting unpaid treatment monthly user fees from its users.

- How should future rate updates be handled?
 - **Draft:** As discussed above, the Town users will pay the treatment monthly user fee established in the City’s fee schedule, including any future increases made to those fees. The assumption is that the City and Town users will pay the same monthly treatment fee based on the established fee schedule. Future increases will follow the Prop 218 process, including public noticing.
- [There is potential for power generation as the wastewater moves from Paradise down off the Ridge to Chico. Need to address potential for sharing any electrical generation revenue.]
 - **DRAFT:** It is generally not practical to generate electricity from raw wastewater flows, especially intermittent flows that we will see in the export pipeline. Therefore, this item will not be addressed in the POA. [leave this item in the POA, to allow others to see the discussion/conclusion]
- [There is potential for Chico to treat its wastewater for recycling. Need to address the potential for revenue sharing.]
 - **DRAFT:** Because the City’s wastewater system operates as an “enterprise” fund, any income or cost resulting from water recycling will be incorporated into the City’s connection fees and monthly user fees. This item can be stated in the POA as an item not included. [leave this item in the POA, to allow others to see the discussion/conclusion]
- [Include a requirement for producing an annual financial report.]
 - **Draft:** In general, wastewater costs and revenues will be captured in the annual budgets of both the Town and City. Also, the City will be provided the ability to audit the Town’s financial records related to the collection of monthly treatment fees. Therefore, no separate annual financial report is needed.

11. O&M of Facilities. The Town will construct the export pipeline and a termination structure at or near the Chico WPCP. The Town would own the export pipeline. The POA would need to address who is responsible for O&M and future repairs/replacements of the export pipeline and termination structure at the Chico WPCP.

- **DRAFT:** It is anticipated that the Town will own the entire export pipeline and will provide all operation and maintenance associated with it, with the exception of wastewater monitoring efforts, which are described in item 6 above.
- [It may work best to develop a separate “O&M Agreement” to cover all of the various items related to operating costs.]

- **Draft:** The City and Town intend to develop an inter-municipal agreement based on these Principals of Agreement. In the future, if O&M items arise and warrant it, the two parties may wish to develop an O&M Agreement. For example, one item that might arise is that the Town might wish to contract with the City to provide some O&M services on the export pipeline, given that the City has on-staff expertise in this area.

12. **Term and Termination of the Agreement.** [Need to develop the term and termination of the agreement. The term of the agreement should match any financing requirements and/or the lifespan of the infrastructure. Also need to address how to handle disaster scenarios. This item might need input from Town and City attorneys, in order to draft appropriate POA language.]

13. **“Revisit” Clause.** [Need to develop a statement that allows for an evolution of the roles and responsibilities established in this document. For example, in the future, if the Town grows to a size that it makes sense for it to create and run its own pretreatment program, the document should allow for that to happen. This item will need input from Town and City attorneys.]

[ADDITIONAL ITEMS 14, 15, and 16 came from “Crafting Interlocal Water and Wastewater Agreements,” UNC Environmental Finance Center, 2019. Text in quotes is taken from that document]

14. **Service Area Boundary.** “When two or more service providers agree to buy or sell water services to one another, it is extremely important to remove as much ambiguity as possible about current and future service areas.” Identify the service area boundary as the Town of Paradise town limits. The Sphere of Influence and Town/City limits may change...

- **Draft:** This item relates to the potential for the two entities to have adjacent or overlapping service area boundaries. The Town of Paradise and the City of Chico will not overlap with respect to providing wastewater services. In the future, spheres of influence could overlap (although this is extremely unlikely). If that situation arises, it should be addressed at that time. [Ask the attorneys for their input, including if language should be included on this subject in the inter-municipal agreement.]

15. **Notice Requirements for Fee Changes.** “The contract should also include language to cover notice requirements or any other processes related to when and how rates will be changed. If there will be a process for modifying rates in the future, the parties should contemplate what shall constitute reasons to justify modification.”

- **Draft:** In California, formal notification to citizens regarding fee increases is covered by Prop 218. If the City is considering a fee update, City staff will inform the Town Council of an upcoming fee adjustment process.

16. **Excessive Inflow and Infiltration.** “Inflow and infiltration (I&I) can be a big problem for wastewater interlocal agreements. If possible, partners should consider how to contract in language that will address how I&I should be handled.”

- **Draft:** Because the Town’s collection system and export pipeline will be entirely new, the initial amount of I&I should be very low. Over time, it is possible I&I will increase. The Town of Paradise will monitor its wet weather flows each year and assess the level of I&I it is experiencing. If excessive I&I is seen, the Town will complete such corrective measures to eliminate excessive I&I as are reasonably demonstrated to be cost effective by studies conducted and funded by the Town. [Perhaps move this item up to Section 11--O&M of Facilities]

17. **Resolving Conflicts or Disagreements.** [“Regardless of how carefully an interlocal agreement may be contracted, there can still be conflict or disagreement, particularly when unanticipated needs or challenges arise. Parties to an agreement should anticipate the need to potentially negotiate at some point during the life of the agreement, and should build in language that lays out what process should be used.” This item will need input from Town and City attorneys.]

- [Note from Staff: The City of Folsom/SRCSD contract has extensive sample language for this item, which the attorneys can use if they wish to.]

City of Chico, Code Section 15.40.285

The City of Chico has a provision in its municipal code, Section 15.40.285—Regulation of Waste Received from Other Jurisdictions, that specifically addresses handling wastewater from outside the city's sanitary sewer system. Here is the code section in its entirety:

15.40.285 Regulation of Waste Received from Other Jurisdictions

If another municipality or user located within another municipality contributes wastewater to the city's sanitary sewer system, the director shall enter into an inter-municipal agreement with the contributing municipality. Prior to entering into an agreement, the director shall request the following information from the contributing municipality:

- 1. A description of the quality and volume of wastewater discharged to the city's sanitary sewer system by the contributing municipality;*
- 2. An inventory of all users located within the contributing municipality that are discharging to the city's sanitary sewer system; and*
- 3. Such other information as the director may deem necessary.*

An inter-municipal agreement shall contain the following conditions:

- 1. A requirement for the contributing municipality to adopt a sewer use ordinance which is at least as stringent as this ordinance and local limits, including required baseline monitoring reports which are at least as stringent as those set out in section [15.40.024](#). The requirement shall specify that such ordinance and limits must be revised as necessary to reflect changes made to the city's ordinance or local limits;*
- 2. A requirement for the contributing municipality to submit a revised user inventory on at least an annual basis;*
- 3. A provision specifying which pretreatment implementation activities, including wastewater discharge permit issuance, inspection and sampling, enforcement, will be conducted by the contributing municipality; which of these activities will be conducted by the director; and which of these activities will be conducted jointly by the contributing municipality and the director;*
- 4. A requirement for the contributing municipality to provide the director with access to all information that the contributing municipality obtains as part of its pretreatment activities;*
- 5. Limits on the nature, quality, and volume of the contributing municipality's wastewater at the point where it discharges to the city's sanitary sewer system;*
- 6. Requirements for monitoring the contributing municipality's discharge;*
- 7. A provision ensuring the director access to the facilities of the users located within the contributing municipality's jurisdictional boundaries for the purpose of inspection, sampling, and other duties deemed necessary by the director; and*
- 8. A provision specifying the remedies available for breach of the terms of the inter-municipal agreement.*