

10/29/01

SOUTHERN CALIFORNIA INTEGRATED WATERSHED PROGRAM
GRANT FUNDING CONTRACT
BETWEEN THE
SANTA ANA WATERSHED PROJECT AUTHORITY
AND
CITY OF REDLANDS

This Southern California Integrated Watershed Program ("SCIWP") Grant Funding Contract is made between Santa Ana Watershed Project Authority ("SAWPA"), and the City of Redlands, (the "Constructing Agency"). SAWPA and the Constructing Agency may be individually referred to as "Party", and collectively referred to as the "Parties".

WHEREAS Division 26, Chapter 6, Article 5 of the Water Code (§ 79104.20 *et seq.*) establishes the SCIWP and provides approximately \$235 million for local assistance grants to be allocated to SAWPA for projects to rehabilitate and improve the Santa Ana River Watershed; and

WHEREAS in January 2001, the State Water Resources Control Board ("SWRCB") and SAWPA entered into a contract providing that SAWPA would serve as the program manager for the SCIWP funds expended, providing various programmatic requirements for the construction of projects meeting California Environmental Quality Act ("CEQA") requirements, and ensuring that the maximum benefit of such funds are realized in the Santa Ana River Watershed.

THEREFORE, based on the foregoing incorporated recitals and in consideration of the mutual covenants and conditions set forth in this Grant Funding Contract, the parties hereby agree to the following:

SECTION 1. PROJECT DESCRIPTION.

The Project, commonly known as the City of Redlands Recycled Water Project, generally consists of the construction of facilities necessary to provide advanced wastewater treatment processes at the existing Redlands Wastewater and Disposal Treatment Facility (RWTF) and the installation of underground pipelines to convey recycled water to various locations within the City. The proposed project would help to achieve the Southern California Integrated Watershed Program (SCIWP) goals of contaminant and salt removal through reclamation, water conservation and efficiency, and abatement of effects from discharges into waters of the State. The City of Redlands ("Constructing Agency") is the Lead Agency for CEQA purposes.

The City of Redlands (City) owns and operates the Redlands Wastewater Treatment and Disposal Facility (RWTF). The RWTF was constructed in the 1960s and has been expanded and upgraded over the years to its current treatment capacity of 9.5 million gallons per day (MGD). The RWTF presently treats and disposes of between 6 to 7 MGD of wastewater collected from its service area.

The RWTF currently utilizes a treatment process that generally consists of two main processes: (1) primary treatment – a mechanical process that uses screens to remove debris from the influent followed by a settling tank to remove most suspended solids; and (2) secondary treatment – a biological process using aerobic bacteria as a first step to remove most of the biodegradable, oxygen-demanding organic wastes. Activated sludge is processed in large tanks which mix and aerate the bio-solids for several hours. The sludge then goes to sedimentation tanks for further settling; this is followed by anaerobic digestion and disinfection to remove bacteria and viruses. Secondary treated effluent can be percolated or be used for limited irrigation purposes.

Currently, secondary treated effluent from the RWTF is transported by pipeline to percolation ponds located about one-half mile easterly of the plant site. The City has determined that its present treatment and disposal methods should be modified to provide a more effective use of the effluent from the RWTF. Additionally, proposed new regulations for the quality of effluent discharged from the RWTF will require the City to produce a higher quality effluent regardless of the end use. To meet the proposed effluent quality regulations and provide a better use of the effluent, the City will alter its treatment process to produce recycled water that meets the requirements contained in Title 22, Division 4, Chapter 3, Water Recycling Criteria of the California Code of Regulations (Title 22). The process alteration will also allow the City to more effectively produce effluent that meets the proposed new regulations for total inorganic nitrogen (TIN) concentrations of 10 milligrams per liter (mg/l) or less.

Tertiary treatment is a third, specialized physical and chemical process that further removes solids, pollutants, bacteria, and viruses. After this level of treatment, the effluent is termed recycled or reclaimed water and can be used for any purpose except direct human consumption. The City will install pipelines from the RWTF to transport recycled water to customers within the City. The City anticipates that the recycled water will be sold and used for irrigation purposes at various locations and for cooling water at the nearby Mountain View Power Company's electricity generating plant. The TIN removal reduction process will allow the City to continue to percolate effluent from the RWTF at the percolation ponds.

1.1 Project Location & Alignment

The RWTF is located along the southerly bank of the Santa Ana River between Nevada and Alabama streets in the City of Redlands. The RWTF is about one-half mile northerly of Palmetto Avenue and is situated between the City's East Side and West Side landfills. Pipelines will primarily be located within dedicated public roadways within the City of Redlands and within the County of San Bernardino. Pipelines for this project will generally be located along the following streets: Nevada Street, Palmetto Avenue, Marigold Avenue, San Bernardino Avenue, Mountain View Avenue, and Lugonia Street.

Ultimately (final build-out but not a part of this project) recycled water to irrigate features easterly of the RWTF will be delivered to existing storage facilities located at the intersection of Texas Street and Lugonia Avenue (Texonia Park). It is anticipated that pipelines will be installed in agricultural properties and in public streets such as: Buckeye Street, Pioneer Avenue, Texas Street, Domestic Avenue, Tennessee Street, and San Bernardino Avenue. The provision of water for additional uses westerly of the RWTF will result in the installation of pipelines through existing agricultural areas

and public streets such as: Palmetto Avenue, California Street, and San Bernardino Avenue. The ultimate total length and location of these pipelines will depend both on the funding available and the anticipated users. However, the approximate total pipeline length is three miles and the approximate pipeline diameter range is 8-24 inches.

1.2 Project Components

Project construction will consist of the following components:

Redlands Wastewater and Disposal Treatment Facility: To implement the recycled water project, modifications and upgrades to the existing plant and equipment are required. Some of the mechanical and electrical equipment has reached the end of its useful life. Other equipment will be upgraded to incorporate advancements in energy efficiency. The following areas of the existing RWTF will be upgraded: Headworks, Peak Pond Pump Station, Blower Building, Return Activated Sludge and Waste Activated Sludge Pump Station, Final Effluent Pump Station, Auxiliary Systems, and Electrical System.

In addition, Redlands must add filtration and disinfection processes, or an equivalent or better process, and provide additional reliability features, in order to process the secondary effluent into tertiary effluent that meets the Title 22 requirements for disinfected tertiary recycled water. The City has examined alternative methods of meeting the requirements to reduce TIN concentrations and provide recycled water. These alternatives provide the same treatment results but incorporate similar but different processes. Selection of the exact processes to be utilized will be made during final project design.

1.3 The Project shall comply with all SWRCB and SAWPA requirements including, but not limited to, all contract documents, and shall be consistent with the Project Authorization Package attached hereto as Exhibit D.

SECTION 2. CONTRACT DOCUMENTS; ORDER OF PRECEDENCE; CONSTRUCTING AGENCY GENERAL COMMITMENT.

This Contract incorporates the following documents:

Exhibit A, Grant Funding Contract General Conditions;
Exhibit B, Grant Funding Contract Special Conditions;
Exhibit C, Implementation Policy for the SCIWP; and
Exhibit D, Project Authorization Package.

In the event of any inconsistency in the contract documents, except as otherwise specifically provided, the inconsistency shall be resolved by giving precedence in the following order: the provisions of this Grant Funding Contract, the Grant Funding Contract General Conditions (**Exhibit A**), the Grant Funding Contract Special Conditions (**Exhibit B**), the Implementation Policy for the SCIWP (**Exhibit C**), and the Project Authorization Package (**Exhibit D**).

The Constructing Agency accepts and agrees to comply with all terms, provisions, conditions, and

commitments of this Contract, including all incorporated documents.

SECTION 3. ESTIMATED ELIGIBLE CONSTRUCTION COST OF PROJECT; GRANT AMOUNT.

The estimated reasonable cost of the Project at the time of SAWPA's and SWRCB's approval of the Project is Fifteen Million Five Hundred Thousand dollars (\$15,500,000). Subject to all of the terms, provisions, and conditions of this Contract, and subject to the availability of the grant funds, SAWPA shall disburse such grant funds in a sum not to exceed Five Million dollars (\$5,000,000). However, SAWPA's actual grant disbursements to the Constructing Agency under this Contract shall not exceed 32.3% of actual Project Construction Costs.

If the Constructing Agency proceeds to construction of such facilities, the final grant amount, including the allowance, will be determined in accordance with the provisions of the Contract. If the Constructing Agency fails or refuses to proceed with or complete the construction of facilities, SAWPA shall consider such failure or refusal to be a material violation and breach of this Contract. SAWPA shall have all rights and remedies as are otherwise available to it for breach of this Contract by the Constructing Agency.

If actual Project costs exceed the Project's estimated reasonable cost, SAWPA shall have no obligation to provide grant funds for such exceedence.

SECTION 4. COMPLETION OF PROJECT.

The Constructing Agency understands that time is of the essence, and agrees to expeditiously proceed with and complete the Project.

SECTION 5. DISBURSEMENT.

Grant funds will be disbursed in accordance with the disbursement provisions of Sections 6 and 7 in the Grant Funding Contract General Conditions (Exhibit A).

SECTION 6. FISCAL MANAGEMENT SYSTEMS AND ACCOUNTING STANDARDS.

The Constructing Agency agrees that, at a minimum, its fiscal control and accounting procedures shall be sufficient to permit tracking of grant funds to a level of expenditure adequate to establish that such funds have not been used in violation of State law or this Contract. The Constructing Agency shall maintain separate Project accounts in accordance with generally accepted government accounting standards.

SECTION 7. TERM.

This Contract shall not be effective until it has been signed by SAWPA and approved in writing by SWRCB. It shall remain in effect until completion of the Project including successful start-up, unless sooner terminated pursuant to the provisions of the Contract Documents. Notwithstanding the foregoing, the obligations of Sections 8 and 9 below shall survive the Term of this Contract.

SECTION 8. COVENANT TO OPERATE AND MAINTAIN PROJECT FACILITIES.

The Constructing Agency covenants and agrees to properly staff, operate and maintain all portions of the Project during the Project's useful life and in accordance with all applicable state and federal laws, rules and regulations. In the event that the Constructing Agency assigns or transfers any or all portions of the Project to another entity, the Constructing Agency shall be responsible to ensure that the assignee or transferee of any or all portions of the Project shall properly staff, operate and maintain all portions of the Project during its useful life and in compliance with all applicable state and federal laws, rules and regulations. The Parties to this Agreement understand and agree that this covenant shall survive the expiration or termination of this Agreement. The Parties further understand and agree that this covenant is for the benefit of SAWPA and the SWRCB and shall be enforceable during the useful life of the Project facilities. The Parties agree that the useful life of the Project facilities is 20 years from and after Project completion.

Constructing Agency shall prepare and maintain a Quality Assurance Project Plan (QAPP) where applicable. SWRCB and SAWPA shall approve the QAPP before the Constructing Agency implements any sampling or monitoring activities.

Constructing Agency shall not abandon, substantially discontinue use of, lease, or dispose of the Project, including its construction, or any significant part or portion thereof, during the useful life of the Project without SAWPA's and SWRCB's prior written approval.

Failure at any time to comply with this Section shall be considered a material breach and violation of this Agreement, and a nonexclusive remedy shall include reimbursement by the Constructing Agency of all grant funds disbursed under this Agreement, plus accrued prejudgment interest thereon from the date of disbursement of such funds.

SECTION 9. ASSIGNMENT.

Neither this Agreement, nor any duties or obligations under this Agreement, nor any of the Project facilities referenced in this Agreement shall be assigned by any Party without the prior written consent of SAWPA.

Should an assignment or transfer occur, whenever SAWPA or the Constructing Agency are named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in SAWPA and the Constructing Agency, and all agreements and covenants required hereby to be performed by or on behalf of SAWPA and/or the Constructing Agency shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Failure at any time to comply with this Section shall be considered a material breach and violation of this Agreement, and a nonexclusive remedy shall include reimbursement by the Constructing Agency of all grant funds disbursed under this Agreement, plus accrued prejudgment interest thereon from the date of disbursement of such funds.

SECTION 10. SWRCB APPROVAL.

This Contract, and all related Contract Documents, shall be of no force or effect until signed by both parties and approved in writing by the SWRCB.

IN WITNESS THEREOF, the parties have executed this Contract amendment on the dates set forth below.

CITY OF REDLANDS
Constructing Agency

By:



Authorized Representative

By:

Designated Representative

Karl N. Haws

Typed Name

Typed Name

Mayor

Title

Title

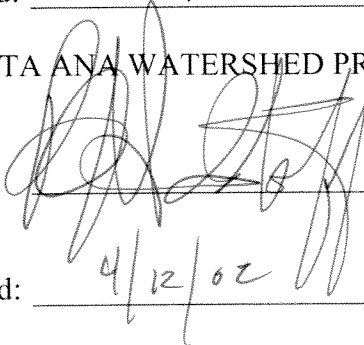
Attest:

Dated: June 4, 2002


Lorrie Poyzer
City Clerk

SANTA ANA WATERSHED PROJECT AUTHORITY

By:



Dated:

4/12/02

EXHIBIT A

GRANT FUNDING CONTRACT GENERAL CONDITIONS

SECTION 1. DEFINITIONS.

- (A) “Change in the scope of the Project” means any change from the Project description in the Project Authorization Package.
- (B) "Completion of the Project" or "Project completion" means determination and approval by the Constructing Agency, after consultation with SAWPA, that the work of building and erection of the Project is substantially complete.
- (C) “Force Account” means the use of the Constructing Agency’s own employees or equipment for construction of the Project.
- (D) "SAWPA" means the Santa Ana Watershed Project Authority, or any other designated entity authorized by SAWPA to administer this Contract.
- (E) “SWRCB” means the State Water Resources Control Board.

SECTION 2. COMPLIANCE WITH LAWS AND REGULATIONS

The Constructing Agency agrees that it shall, at all times, comply with and require its contractors and subcontractors to comply with all applicable federal and state laws, rules, regulations and guidelines. The Constructing Agency shall comply with, implement, and fulfill all environmental mitigation measures applicable to the Project, and which may otherwise be required by this Contract, the California Environmental Quality Act ("CEQA"), and the State CEQA Guidelines.

SECTION 3. CONSTRUCTION ACTIVITIES AND NOTIFICATION.

The Constructing Agency shall immediately notify SAWPA in writing of:

- (1) Any substantial change in the scope of the Project. The Constructing Agency agrees that no substantial change in the scope of the Project may be undertaken until written notice of the proposed change has been provided to SAWPA, and SAWPA and SWRCB have given written approval for such a change;
- (2) Unscheduled cessation of all major construction work on the Project where such cessation of work is expected to or does continue for a period of 30 calendar days or more;
- (3) Any circumstance, combination of circumstances, or condition which is expected to delay project completion for a period of 90 calendar days or more beyond the initial estimated date of completion of the Project previously provided to SAWPA;

- (4) Completion of construction of the Project.

SECTION 4. PAYMENT OF PROJECT COSTS.

The Constructing Agency agrees that it shall provide for payment of its full share of the Project costs. All costs and payments for the Project shall be paid by the Constructing Agency promptly and in compliance with all applicable laws.

SECTION 5. DISBURSEMENT OF FUNDS; AVAILABILITY OF FUNDS, INVOICE DOCUMENTATION.

(A) Except as may be otherwise provided in this Contract, grant funds will be disbursed as follows:

(1) Upon execution of this Contract and approval by SAWPA and SWRCB, grant funds due to the Constructing Agency will be promptly disbursed to the Constructing Agency for Project costs incurred by the Constructing Agency upon receipt of proper and acceptable invoice from the Constructing Agency, provided that payment shall not be made more frequently than once a month (every thirty (30) calendar days). The Constructing Agency shall not submit an invoice for any Project cost until such cost has been incurred, although the actual payment of such cost by the Constructing Agency is not required as a condition for submitting an invoice. After the Constructing Agency has awarded a construction contract for the Project, the Constructing Agency may submit an initial invoice for grant funds for actual costs incurred during planning, design, and bidding the Project, not to exceed ten (10%) percent of the amount of the construction contract awarded, and SAWPA shall process such invoice with SWRCB. Such actual costs may include the Constructing Agency's staff time. Supporting documentation for the costs incurred shall be provided as required in paragraph (C) below;

(2) The Constructing Agency agrees to provide a certification with each invoice that the costs shown in the invoice have already been incurred;

(3) Notwithstanding any other provision of this Contract, no disbursement shall be required at any time or in any manner which violates or conflicts with federal or state laws, rules, regulations, guidelines or policies, or any loss of tax-free status on State bonds, pursuant to any federal or State statute or regulation; and

(B) SAWPA's obligation to pay any sum to the Constructing Agency is contingent upon the availability of sufficient grant funds to permit the payments provided for herein. In the event that sufficient grant funds do not become available because of delays in obtaining payment from SWRCB or for reasons beyond the control of SAWPA, (including, without limitation, the failure of the State government to appropriate funds necessary for payment of grant amounts, or the State's failure to sell those bonds necessary to provide grant funds), SAWPA shall not be obligated to make any payments to the Constructing Agency under this Contract. This provision shall be construed as a condition precedent to the obligation of SAWPA to make any payments under this Contract. Nothing in this

Contract shall be construed to provide the Constructing Agency with a right of priority for payment over any other Constructing Agency. Nothing in this contract shall obligate SAWPA to make any payments should grant funds be exhausted or otherwise become unavailable. If any payments which are otherwise due to the Constructing Agency under this Contract are deferred because of unavailability of sufficient funds, such payments will promptly be made to the Constructing Agency if and when sufficient funds do become available.

(C) The Constructing Agency shall submit an invoice by the 15th of the month following the actual expenditure of funds for the Project. All invoices and supporting documentation shall be provided in electronic format and submitted to SAWPA electronically. Three hard copies shall also be submitted to SAWPA for the validation of the electronic copy. Failure to submit such invoice documentation in this manner shall be considered an improper submittal. The invoice shall contain the following information, reports and documentation:

- (1) The word "INVOICE" and the invoice number, shall appear in a prominent location at the top of the page(s);
- (2) Printed name of the Constructing Agency;
- (3) Business address of the Constructing Agency, including P.O. Box, City, State, and Zip Code;
- (4) The date of the invoice;
- (5) The number of the agreement upon which the claim is based;
- (6) An itemized account of the services for which SAWPA is being billed;
- (7) The time period covered by the invoice;
- (8) Descriptions of the service and work performed;
- (9) The method of computing the amount due. The invoice shall detail the percentage of the project completed during the invoice period, and shall include the amount and percentage of grant funds expended for the invoice period, the total amount of grant funds paid to the Constructing Agency as of the invoice date, the total estimated grant funds remaining unpaid, and the total Project costs expended and remaining as of the invoice date;
- (10) The total amount due; this should be in a prominent location in the lower right-hand portion of the last page and clearly distinguished from other figures or computations appearing on the invoice; the total amount due shall include all costs incurred by Constructing Agency under the terms of this Contract;
- (11) Original signature of Constructing Agency;

- (12) Monthly report of progress, indicating key progress metrics and milestones completed;
- (13) Back-up and support for all costs claimed on the project, including general and subcontract invoices and reports;
- (14) Summary of any issues or difficulties in construction, permitting, claims, expected Project completion, or any other interruptions in project progress; and
- (15) An updated Project schedule showing progress versus baseline, including critical path progress;
- (16) A complete expenditure cash flow forecast for the project including updated monthly invoice estimates for the duration of the Project;
- (17) The final invoice must be clearly marked FINAL INVOICE, and shall include the amount of the remainder of the contract work performed;
- (18) All invoices, documents and reports shall be submitted on recycled paper.

(D) Cash flow and expenditure forecasting is essential. Bonds will be sold to supply the grant funds needed to make the grant disbursements for the eligible construction costs pursuant to Section 3 of the Grant Funding Contract. If insufficient bonds are sold funds may not be available to pay invoices. If excess bonds are sold, the interest paid on the funds will be charged to the grant subaccount and reduced from the total amount available. Projects that repeatedly miss their forecasts may be considered failing to maintain reasonable progress toward Project completion pursuant to Section 6 of these General Conditions.

SECTION 6. WITHHOLDING OF GRANT DISBURSEMENTS.

(A) SAWPA may withhold all or any portion of the grant funds provided for by this Contract in the event that:

- (1) The Constructing Agency has materially violated, or threatens to materially violate, any term, provision, condition, or commitment of this Contract;
- (2) The Constructing Agency fails to maintain reasonable progress toward completion of the Project; or
- (3) SWRCB directs SAWPA to withhold any such grant funds.

SECTION 7. RECORDS AND REPORTS.

(A) Without limitation on the requirement that Project accounts be maintained in accordance with generally accepted government accounting standards, the Constructing Agency shall:

- (1) Establish an official Project file that documents all significant actions relative to the Project;
 - (2) Establish separate accounts that adequately and accurately itemizes and describes all amounts received and expended on the Project, including all grant funds received under this Contract;
 - (3) Establish separate accounts that adequately and accurately itemizes and describes all income received which is attributable to the Project, specifically including any income attributable to grant funds disbursed under this Contract;
 - (4) Establish an accounting system that adequately and accurately itemizes and describes final total costs of the Project, including both direct and indirect costs;
 - (5) Establish such accounts and maintain such records as may be necessary for the State, SWRCB and SAWPA to fulfill federal reporting requirements, including any and all reporting requirements under federal tax statutes or regulations; and
 - (6) If Force Account is used by the Constructing Agency for any phase of the Project, establish an account that adequately and accurately itemizes and describes all employee hours, and associated tasks charged to the Project per employee.
- (B) The Constructing Agency shall require all Project contractors and subcontractors to maintain books, records, and other material relative to the Project in accordance with generally accepted accounting standards, and to require that such contractors and subcontractors retain such books, records, and other material for a minimum of three years after Project completion. The Constructing Agency shall require that such books, records, and other material shall be subject, at all reasonable times, to inspection, copying, and audit by SAWPA, SWRCB or its authorized representatives.
- (C) The Constructing Agency shall maintain its books, records and other material concerning the Project in accordance with generally accepted government accounting standards. The Constructing Agency agrees to retain its Project records for a minimum of three years after Project completion, and for such longer period as may be required for the State, SWRCB and SAWPA to fulfill federal reporting requirements under federal tax statutes and regulations. All Constructing Agency records relative to the Project shall be subject, at all reasonable times, to inspection, copying, and audit by SAWPA or its authorized representatives.
- (D) All documents required or requested to be provided to SAWPA shall be in electronic format.
- (E) The Constructing Agency agrees to expeditiously provide, during work on the Project and for three years after the projection completion, such reports, data, information and certifications as may be reasonably required by SAWPA or SWRCB. Such documents and information shall be provided in electronic format.

SECTION 8. PROJECT REVIEW AND EVALUATION; FINAL REPORTS AND AUDIT

(A) SAWPA may perform a project review or otherwise evaluate the project to determine compliance with the contract documents at any time or if questions about the proper use or management of the funds arise. SAWPA may review or evaluate the contractor or vendor for compliance with the terms and conditions of the contract document. The project review and evaluation may be performed by SAWPA or may be contracted to a responsible third party. Any findings and recommendations of the project review and evaluation shall be addressed by the constructing agency within 60 days of the date such findings and recommendations are provided to the constructing agency and before the next invoice is paid by SAWPA.

(B) Within 90 days after completion of Project the Constructing Agency agrees to provide to SAWPA, a final Project summary report on the Project. The summary shall include, at a minimum, all of the following:

(1) A brief description of the completed project, the general performance characteristics (e.g. the delivery rate and quantity of water pumped) of the constructed facilities, when applicable, a summary of the water quality benefits attained from the construction of the project, and a summary of the construction program. The summary shall also contain a brief description of startup activities, problems encountered, and corrective measures completed.

(2) A final cost summary listing the total project cost, total project costs eligible for grant funding under the SWRCB's grant funding program and this Contract, total amount of grant funds received, and other financial information as may be reasonably required by the SWRCB to verify Constructing Agency's entitlement to grant funds, to assure program integrity, and to comply with federal requirements.

The report shall be accompanied by such other financial information as may be required by SAWPA or SWRCB to verify Constructing Agency entitlement to grant funds, to assure program integrity, and to comply with any federal or state requirements. A duly authorized representative of the Constructing Agency shall certify the report as correct.

(C) SAWPA may call for an audit of financial information relative to the Project, where SAWPA determines that an audit is desirable to assure program integrity or where such an audit becomes necessary because of federal or state requirements. Where such an audit is called for, the audit shall be performed by a Certified Public Accountant independent of the Constructing Agency and at the cost of the Constructing Agency. The audit shall be in the form required by SAWPA.

SECTION 9. PROJECT CLOSEOUT DOCUMENTATION

(A) To ensure that that the Project is closed out in a manner that provides an auditable file for SAWPA, Constructing Agency shall follow a close-out procedure that includes payment of all subcontracts, completion of all punch lists, defects correction, satisfaction of warranty or guarantee issues, and any other requirements for the completion of the scope of work. Such close-out procedures shall include:

- (1) Entering all documents into the document management system;
- (2) Review and approval by SAWPA of all agreements or terms that extend past project completion;
- (3) Providing to SAWPA close-out letters or notice of completion for the existing construction contract;
- (4) Unqualified releases from all subcontractors and suppliers, if appropriate;
- (5) Confirmation that all project invoices, purchase orders, work agreements, task orders and all other subcontracts are closed, paid or otherwise satisfied;
- (6) Confirmation that all manufacturer warranties have been provided;
- (7) Confirmation that as built drawings and operation manuals have been received and approved by the Constructing Agency;
- (8) Confirmation that final project information and performance documentation plan is acceptable;
- (9) Confirmation that the documented inspection schedule has been received and is acceptable;
- (10) Confirmation that the project completion closeout process has been completed by the Constructing Agency.

SECTION 10. TERMINATION; IMMEDIATE REPAYMENT; INTEREST.

- (A) This Contract may be terminated by written notice at any time prior to completion of the Project at the option of SAWPA, upon violation by the Constructing Agency of any material provision of this Contract after such violation has been called to the attention of the Constructing Agency and after failure of the Constructing Agency to bring itself into compliance with the provisions of this Contract within a reasonable time as established by SAWPA.
- (B) In the event of such termination, the Constructing Agency agrees, upon demand, to immediately repay to SAWPA an amount equal to the amount of grant funds disbursed to the Constructing Agency prior to such termination. In the event of termination, prejudgment interest shall accrue on all amounts due from the date that notice of termination is mailed to the Constructing Agency to the date of full repayment by the Constructing Agency.
- (C) SAWPA may terminate this Contract should SWRCB terminate SAWPA as program manager, or terminate funding for this Contract or the Project or should SWRCB terminate its standard agreement with SAWPA on this Project. Upon such SWRCB-caused termination, SAWPA shall not be liable to Constructing Agency for any damages, costs or expenses resulting from such

termination.

SECTION 11. DAMAGES FOR BREACH AFFECTING TAX EXEMPT STATUS.

In the event that any breach of any of the provisions of this Contract or other action by the Constructing Agency shall result in the loss of tax exempt status for any bonds, or if such breach shall result in an obligation on the part of the SAWPA to reimburse the federal government by reason of any arbitrage profits, the Constructing Agency shall immediately reimburse the SAWPA and/or SWRCB in an amount equal to any damages paid by or loss incurred by the State due to such breach.

SECTION 12. ARBITRATION.

Any dispute which may arise under this Contract by and between the SAWPA and the Constructing Agency, including the Constructing Agency's subcontractors, laborers, and suppliers, shall be submitted to binding arbitration. Arbitration shall be conducted by the San Bernardino/Riverside Panel of the Judicial Arbitration and Mediation Services, Inc., in accordance with its rules in effect at the time of the commencement of the arbitration proceeding, and as set forth in this Section. The arbitrator must decide each and every dispute in accordance with the laws of the State of California, and all other applicable laws. Reasonable discovery may be conducted in the arbitration proceeding pursuant to Section 1283.05 of the Code of Civil Procedure. Unless the Parties stipulate in writing to the contrary, prior to the appointment of the arbitrator, all disputes shall first be submitted to non-binding mediation, conducted by Judicial Arbitration and Mediation Services, Inc., in accordance with its rules and procedures for such mediation.

SECTION 13. COSTS AND ATTORNEY FEES.

In the event of arbitration or litigation between the parties hereto arising from this Contract, it is agreed that the prevailing party shall be entitled to reasonable costs and attorney fees.

SECTION 14. WAIVER.

The parties hereto may, from time-to-time, waive any rights under this Contract unless such waiver is contrary to law, provided that any such waiver shall be in writing and signed by the party making such waiver, and approved by SAWPA and the SWRCB.

SECTION 15. AMENDMENT.

This Contract may be amended at any time by mutual written agreement of the Parties and the SWRCB.

SECTION 16. DRUG-FREE WORKPLACE CERTIFICATION.

(A) By signing this Contract, the Constructing Agency hereby certifies under penalty of perjury under the laws of the State of California that the Constructing Agency will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code Section 8350 et seq.) and

will provide a drug-free workplace.

SECTION 17. SAWPA REVIEWS; CONSTRUCTING AGENCY AS INDEPENDENT CONTRACTOR.

(A) The parties agree that review or approval of the Project or Project plans and specifications by SAWPA is for administrative and eligibility purposes only and does not relieve the Constructing Agency of its responsibility to properly plan, design, construct, operate, and maintain the Project. As between SAWPA and the Constructing Agency, the Constructing Agency agrees that it has sole responsibility for proper planning, design, construction, operation, and maintenance of the Project.

(B) The Constructing Agency is an independent contractor exclusively responsible for the design, construction, operation and maintenance of the specific project funded by this Grant Funding Contract and that the Constructing Agency is not acting as SAWPA's agent, nor is SAWPA acting as an agent of the Constructing Agency.

SECTION 18. INDEMNIFICATION.

(A) The Constructing Agency shall defend, indemnify and hold harmless SAWPA and SWRCB and their directors, commissioners, officers, employees, agents and assigns (collectively the "Indemnified Party") against any and all losses, claims, damages or liabilities, joint or several, including attorneys fees and expenses incurred in connection therewith, to which such Indemnified Party may become liable in connection with or arising from this Contract, and the transactions, funding and construction activities contemplated by this Contract. Constructing Agency shall reimburse Indemnified Party for any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or related to this Contract, and the transactions, funding and construction activities contemplated by this Contract. Constructing Agency shall indemnify and save the Indemnified Party harmless from and against any claims, losses, damages, attorneys fees and expenses arising from any and all contracts, contractors, subcontractors, suppliers, laborers, and any other person, entity or corporation furnishing or supplying such services, materials or supplies in connection with Constructing Agency's Project funded, in part, by this Contract. Constructing Agency shall indemnify and save Indemnified Party harmless from any and all claims, losses, damages, attorneys fees and expenses that may arise from any breach or default by Constructing Agency in the performance of its obligations under this Contract, or any act of negligence by the Constructing Agency or any of its agents, contractors, subcontractors, servants, employees or licensees concerning the subject matter of this Contract or the Project. Constructing Agency shall indemnify and hold the Indemnified Party harmless from any and all claims, losses, damages, attorneys fees and expenses arising out of the completion of the Project or the authorization of payment of Project Costs to or by the Constructing Agency. No indemnification is required under this Section for claims, losses or damages arising out of the sole and exclusive misconduct or negligence under this Contract by SAWPA.

(B) The Constructing Agency understands and agrees that it has complied with CEQA and the State CEQA Guidelines for the project which is the subject matter of this Grant Funding Contract. Constructing Agency understands and agrees that it is ultimately and solely responsible, as the lead

agency, for compliance with CEQA and any mitigation measures required for the Project. The Constructing Agency hereby agrees to indemnify, defend and hold harmless SAWPA and the SWRCB from any and all claims or actions that may be made by any third party or public agency alleging, among other things, violations of CEQA or the State CEQA Guidelines.

(C) The Constructing Agency shall ensure that adequate insurance coverage is provided by Constructing Agency and/or its contractors and subcontractors on the Project funded, in part, by this Contract. Such insurance shall include adequate coverage for comprehensive commercial general liability, business auto liability, workers compensation liability, professional and errors and omissions liability, property insurance, including all builders risk insurance. Such insurance coverage shall, at a minimum, insure against injuries to third parties, damage to property owned by third parties, physical damage to the Project and all related facilities, theft of building materials and supplies intended for the Project, delays in Project completion, delays in Project Completion due to strikes and governmental actions, liquidated damages, employee injuries and work-related illnesses, design errors resulting in increased project costs, environmental damage caused by construction activities related to the Project, and nonperformance by the contractors and subcontractors. Such insurance coverages shall be provided by admitted insurance companies authorized to do business in the State of California, and with a minimum "Best's Insurance Guide" rating of "A:VII".

SECTION 19. PROJECT AND INFORMATION ACCESS.

The Constructing Agency agrees to ensure that SAWPA, SWRCB, or any authorized representative thereof, shall have suitable and reasonable access to the Project site at all reasonable times during Project construction, and thereafter for the useful life of the Project.

SECTION 20. PERMITS, SUBCONTRACTING, DEBARMENT.

The Constructing Agency shall cause to be obtained all permits and licenses necessary to accomplish the work contemplated in this Contract, pay all charges and fees, and give all notices necessary and incidental to the lawful prosecution of the work contemplated by this Contract. Constructing Agency shall not contract or subcontract with any party who is debarred or suspended or otherwise excluded from or ineligible for participation in federal assistance programs.

SECTION 21. COMPUTER SOFTWARE.

Constructing Agency certifies that it has appropriate systems and controls in place to ensure that the grant funds disbursed under this Contract will not be used for the acquisition, operation or maintenance of computer software in violation of copyright laws.

EXHIBIT B

GRANT FUNDING CONTRACT SPECIAL CONDITIONS

- ☒ No special conditions are attached to this grant. **or**
- ☐ Special conditions are imposed as part of this grant.

The special conditions that must be complied with are as follows:

EXHIBIT C

IMPLEMENTATION POLICY

Incorporated by reference is the “Implementation Policy for SCIWP”.

EXHIBIT D

PROJECT AUTHORIZATION PACKAGE



**Santa Ana Watershed Project Authority
Southern California Integrated Watershed Program
Project Authorization Package
for**

**City of Redlands Recycled Water Project
Index Number 55**

Background

On March 7, 2000, the electorate of the State of California voted to approve Proposition 13, the Costa-Machado Water Act of 2000 (Act). Contained within the Act is the Southern California Integrated Watershed Program (SCIWP) (California Water Code Sections 79104.20 through 79104.34), providing \$235 million for local assistance grants. Upon appropriation by the State Legislature to the State Water Resources Control Board (SWRCB), the funding may be allocated to the Santa Ana Watershed Project Authority (SAWPA) for projects to rehabilitate and improve the Santa Ana River Watershed. The Act specifically identified funding to the following types of projects:

1. Basin water banking
2. Contaminant and salt removal through reclamation and desalting
3. Removal of non-native plants and the creation of new open space and wetlands
4. Programs for water conservation and efficiency and storm water capture and management
5. Planning and implementation of a flood control program to protect agricultural operations and adjacent property and to assist in abating the effects of waste discharges into waters of the State

On July 17, 2000, the SWRCB and SAWPA entered into a Memorandum of Understanding (MOU) to set forth in general terms the understanding of the procedures and criteria for the selection of projects to be funded by the SCIWP and the process to assure that the funds are used properly, in a timely fashion, and in a manner consistent with the Act. Consistent with those goals, the MOU obligates SAWPA to develop a project priority list through a broad-based stakeholder process and to submit the list to the SWRCB for possible future funding under the SCIWP.

On January 25, 2001 SAWPA and the SWRCB fully executed a contract implementing the MOU. This contract directs SAWPA to serve as the program manager for funds expended and to provide the indicated programmatic requirements for the contract and related activities for activities under the SCIWP. These activities include the management of this contract, preproject development and stakeholder activities, and programmatic effort for aggregation of program needs. Consistent with the MOU and Program Management and Administration SAWPA has prepared this project authorization package. Upon project authorization preparation of contract documents will begin.

Findings

Approval of this authorization package by the Santa Ana Watershed Project Authority Commission ("SAWPA Commission") means that the SAWPA Commission finds that the following conditions have been satisfied:

- The project was reviewed and selected based on the broad based stakeholder objectives indicated in the SCIWP;
- The project is consistent with the goals, objectives, and funding type purposes of the SCIWP;
- The project applicant has provided a complete authorization package for submittal to the California State Water Resources Control Board (SWRCB); and
- The Lead Agency for the project has completed adequate environmental documentation pursuant to the California Environmental Quality Act ("CEQA", Section 21000 et seq. of the Public Resources Code) and the State CEQA Guidelines (Section 15000 et seq. of the California Code of Regulations).

Project Summary

The City of Redlands (City) owns and operates the Redlands Wastewater Treatment and Disposal Facility (RWTF). The RWTF was constructed in the 1960s and has been expanded and upgraded over the years to its current treatment capacity of 9.5 million gallons per day (MGD). The RWTF presently treats and disposes of between 6 to 7 MGD of wastewater collected from its service area. This project proposes the construction of advanced wastewater treatment processes at the existing RWTF and the installation of underground pipelines to convey recycled water to various locations within the City.

The RWTF currently utilizes a treatment process that generally consists of two main processes: (1) primary treatment – a mechanical process that uses screens to remove debris from the influent followed by a settling tank to remove most suspended solids; and (2) secondary treatment – a biological process using aerobic bacteria as a first step to remove most of the biodegradable, oxygen-demanding organic wastes. Activated sludge is processed in large tanks which mix and aerate the bio-solids for several hours. The sludge then goes to sedimentation tanks for further settling; this is followed by anaerobic digestion and disinfection to remove bacteria and viruses. Secondary treated effluent can be percolated or be used for limited irrigation purposes.

Currently, secondary treated effluent from the RWTF is transported by pipeline to percolation ponds located about one-half mile easterly of the plant site. The City has determined that its present treatment and disposal methods should be modified to provide a more effective use of the effluent from the RWTF. Additionally, proposed new regulations for the quality of effluent discharged from the RWTF will require the City to produce a higher quality effluent regardless of the end use. To meet the proposed effluent quality regulations and provide a better use of the effluent, the City is proposing to alter its treatment process to produce recycled water that meets the requirements contained in Title 22, Division 4, Chapter 3, Water Recycling Criteria of the California Code of Regulations (Title 22). The process alteration proposed will also allow the City to more effectively produce effluent that meets the proposed new regulations for total inorganic nitrogen (TIN) concentrations of 10 milligrams per liter (mg/l) or less.

Tertiary treatment is a third, specialized physical and chemical process that further removes solids, pollutants, bacteria, and viruses. After this level of treatment, the effluent is termed recycled or reclaimed water and can be used for any purpose except direct human consumption. If the proposed plant alterations are implemented, the City would install pipelines from the RWTF to transport recycled water to customers within the City. The City anticipates that the recycled water will be sold and used for irrigation purposes at various locations and for cooling water at the nearby Mountain View Power Company's electricity generating plant. The TIN removal reduction process will allow the City to continue to percolate effluent from the RWTF at the percolation ponds.

To implement the recycled water project, modifications and upgrades to the existing plant and equipment is required. Some of the mechanical and electrical equipment has reached the end of its useful life. Other equipment will be upgraded to incorporate advancements in energy efficiency. The following areas of the existing RWTF will be upgraded: Headworks, Peak Pond Pump Station, Blower Building, Return Activated Sludge and Waste Activated Sludge Pump Station, Final Effluent Pump Station, Auxiliary Systems, and Electrical System.

In addition, Redlands must add filtration and disinfection processes, or an equivalent or better process, and provide additional reliability features, in order to process the secondary effluent into tertiary effluent that meets the Title 22 requirements for disinfected tertiary recycled water. The City has examined alternative methods of meeting the requirements to reduce TIN concentrations and provide recycled water. These alternatives, which are detailed in the Initial Study, provide the same treatment results but incorporate similar but different processes.

Project Location

The RWTF is located along the southerly bank of the Santa Ana River between Nevada and Alabama streets in the City of Redlands. The RWTF is about one-half mile northerly of Palmetto Avenue and is situated between the City's East Side and West Side landfills. Pipelines will primarily be located within dedicated public roadways within the City of Redlands and within the County of San Bernardino. Pipelines for this project will generally be located along the following streets as shown on the attached map: Nevada Street, Palmetto Avenue, Marigold Avenue, San Bernardino Avenue, Mountain View Avenue, and Lugonia Street.

Ultimately (final build-out but not a part of this project) recycled water to irrigate features easterly of the RWTF will be delivered to existing storage facilities located at the intersection of Texas Street and Lugonia Avenue (Texonia Park). It is anticipated that pipelines will be installed in agricultural properties and in public streets such as: Buckeye Street, Pioneer Avenue, Texas Street, Domestic Avenue, Tennessee Street, and San Bernardino Avenue. The provision of water for additional uses westerly of the RWTF will result in the installation of pipelines through existing agricultural areas and public streets such as: Palmetto Avenue, California Street, and San Bernardino Avenue. The ultimate total length and location of these pipelines will depend both on the funding available and the anticipated users. However, the approximate total pipeline length is three miles and the approximate pipeline diameter range is 8-24 inches.

Anticipated Benefits of the Project to the Santa Ana River Watershed

The proposed project would help to achieve the following SCIWP goals:

- Contaminant and salt removal through reclamation and desalting
- Programs for water conservation and efficiency
- Abating the effects of waste discharges into waters of the State

This project includes the study, design, and construction of improvements to the City of Redlands' municipal recycled and wastewater treatment water system. This project will improve the quality of the effluent discharged to meet the current and proposed quality standards for the current and proposed uses of the treated effluent. As the RWTF currently discharges into percolation basins adjacent to the Santa Ana River, improving the quality of effluent discharged will improve water quality in the Bunker Hill Groundwater Basin. Use of recycled water for irrigation or as cooling water will also benefit domestic water supplies by reducing the demand for domestic water for non-potable water uses, thereby supporting the goal of water conservation within the Santa Ana River Watershed. Use of a pressurized irrigation system rather than the current practice of flood irrigation by citrus growers will efficiently use and conserve reclaimed water, further reducing demand on groundwater supplies. This project has the capacity to reduce demand on higher quality groundwater by up to 9,500 acre-feet per year.

SCIWP Funding Requested

\$5,000,000.00 was requested and recommended for funding based on a total project cost of \$15,500,000.

Project Duration

The completion of this project is expected to take approximately 12 months.

CEQA Review

SAWPA through their consultants, EIP Associates has reviewed the Initial Study/Mitigated Negative Declaration and supporting documentation prepared for CEQA compliance for this project, which includes the following:

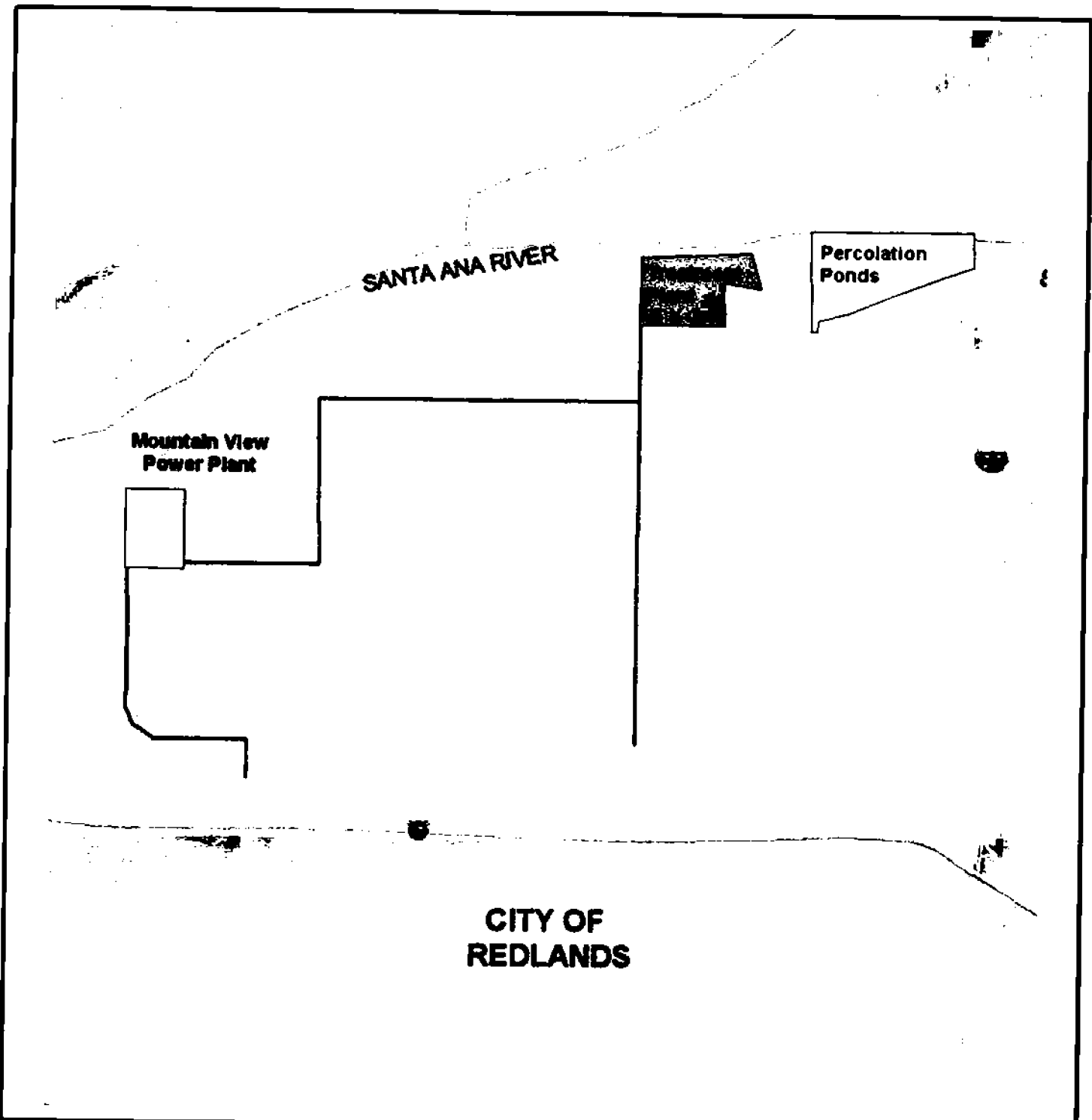
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| <ul style="list-style-type: none">▪ Notice of Preparation▪ Initial Study for the Redlands Recycled Water Project▪ Responses to Notice of Preparation▪ Notice of Intent to Adopt a Mitigated Negative Declaration, 7/10/2001 | <ul style="list-style-type: none">▪ Acknowledgement of Receipt from the Governor's Office of Planning and Research State Clearinghouse, 5/16/01▪ Record of Agency Decision (Request for Council Action to Review the Proposed Redlands Recycled Water Project and Authorization of an Additional Appropriation in the Amount of \$2,000,000: 11/21/00) |
|--|---|

*Authorization Package for the Santa Ana Watershed Project Authority
City of Redlands Recycled Water Project*

- Agreement for the Provision of Recycled Water from the City of Redlands to the Mountainview Power Company
- Request for Planning Commission Action, Commission Review and Approval No. 731, 7/10/01
- Notice of Determination for the Project, 7/23/01

These documents have been found to be complete and adequate. These documents are on file and available for review at SAWPA's headquarters. Electronic copies of the documents (in pdf format) may also be accessed on the World Wide Web at http://www.sawpa.net/Shed_Pres/prop_13/open.asp.

DRAFT



Water Recycling

Water Quality



Southern California Integrated Watershed Program
City of Redlands - Recycled Water
Index Number 55

