



Frequently Asked Questions South Orange County Wastewater & The Coastal Treatment Plant

What is the issue among wastewater agencies in South Orange County? This issue stems from \$755,871 in delinquent and contractually owed bills owed by Moulton Niguel Water District (MNWD) for its ownership of the Coastal Treatment Plant (Plant).

The Plant was built in the late 1970s and early 1980s to treat wastewater and is funded through agreements specifying financial responsibility between MNWD, City of Laguna Beach, Emerald Bay Services District and South Coast Water District. MNWD joined the partnership in 1999 but is no longer meeting its financial obligations under the existing contract. MNWD has asked to negotiate its way out of the existing agreement but its initial offer would result in increased fees for customers in Laguna Beach, Emerald Bay and Dana Point. Some of the current agreements regarding MNWD's obligations in the Plant are attached along with documents that provide additional historical context.

How does this issue affect South County communities? Projects to make capital repairs to the Coastal Treatment Plant and prevent sewage spills may be delayed increasing the probability of sewage spills at Aliso Beach affecting ocean water quality and the beaches in Laguna Beach, Emerald Bay and Dana Point. Additionally, if MNWD does not pay, these communities would pay more for the same level of service.

Why is the Coastal Treatment Plant important? The plant treats up to 6.7 million gallons of wastewater (sewage) and produces over one million gallons of recycled water each day for use at South Orange County parks, schools, golf courses and highway medians. Wastewater treatment is essential to public health and the safe recreational enjoyment of the ocean near Laguna Beach, Emerald Bay and Dana Point.

What is the history of the Coastal Treatment Plant?

See timeline below.

Can an agency terminate its obligations under the existing legal agreements? The only way an agency can terminate the agreement prior to the agreement expiring is through the mutual agreement of the other partner agencies.

Are the other partner agencies willing to discuss Moulton Niguel Water District's desire to change its obligations under the current agreements? Yes, if Moulton Niguel Water District pays its outstanding invoices (currently \$755,871) and pays its bills during discussions.

Why won't the other agencies just let the Moulton Niguel Water District out of its current agreement? Because the communities of Laguna Beach, Dana Point and Emerald Bay would have to pay more for the same level of wastewater treatment while Moulton Niguel Water District's customers pay less. To avoid these financial impacts, an equitable, mutually agreeable solution needs to be identified before Moulton Niguel Water District can leave.

Why haven't negotiations between the City Laguna Beach, Emerald Bay and Dana Point Moulton Niguel Water District begun yet? This is a question for MNWD to answer. The other agencies are willing to begin negotiations once MNWD pays its contractually obligated and past due share of the costs for capital repairs and upkeep of the Coastal Treatment Plant.

Have open discussions been held about this matter? Yes. Most recently, we have held two public meetings. MNWD continues to either not pay or attach conditions to its contractually owed payment.

Why isn't MNWD paying? We are not certain. But MNWD first elected to state its objection to paying for capital repairs at the Coastal Treatment Plant in June 2016, and at that time the MNWD General Manager stated Moulton Niguel Water District would stop paying for capital repairs as a way to bring the other agencies to the table. In fact, the other agencies who use the Plant have since sent correspondence and held meetings with representatives of MNWD making it clear that holding back needed funding will not cause discussions to move ahead. Discussions have been delayed by Moulton Niguel Water District's non-payment while efforts are diverted to compel the Moulton Niguel Water District to meet its existing legal obligations so the communities of Laguna Beach, Emerald Bay and Dana Point do not get charged more than is legally permissible.

Why should Moulton Niguel Water District customers pay for a facility their District doesn't use? This is a question for MNWD as to why they requested to purchase the additional capacity in 1999 for several millions of dollars. Please refer to the included letter from MNWD requesting to purchase capacity.

What is the \$755,871 currently owed by MNWD planned for? It is for previously approved capital repairs.

What are the options for customers in Laguna Beach, Emerald Bay and Dana Point to require MNWD meet its obligations under the existing legal agreements? The City of Laguna, Emerald Bay Services District, and South Coast Water District are reviewing all their options currently. It is our desire that MNWD pay its past-due bills so we can begin negotiations.

Why did agencies representing Laguna Beach, Emerald Bay and Dana Point reject the initial proposal from MNWD to buy its way out of the existing agreement? The offer was not fair and equitable to the communities of Laguna Beach, Emerald Bay and Dana Point.

Why did the MNWD initially ask to enter into a contract to spend millions of dollars to acquire capacity in the Coastal Treatment Plant? This is a question for MNWD. The attached historical documents represent the anticipated need for wastewater treatment capacity associated with projected development.

Did MNWD assume all of the obligations of the other parties when it bought capacity? Yes. The parties' agreement at the time obligated MNWD, as follows: "...MNWD assumes all obligations of the CITY related to, and in proportion to, the Assigned Capacity, as such obligations are established in the PC15 Agreement, the Joint Powers Agreement, and any other documents setting forth terms and conditions

with respect to the operations, repairs or maintenance of the Coastal Treatment Plant, inclusive of the export sludge pipeline and the Coastal Treatment Plant access road. MNWD agrees to perform all such obligations after the Effective Date of this Agreement.”

Could fees paid by customers in Laguna Beach, Emerald Bay and Dana Point increase if MNWD doesn't pay its debts? Yes. If MNWD doesn't pay its obligations, other communities will need to pay more than they have budgeted for or planned to pay.

What is the South Orange County Wastewater Authority? SOCWA treats much of South Orange County's wastewater and creates 2.1 billion gallons of recycled water each year. It is a Joint Powers Authority (JPA) with 10 member agencies, including Santa Margarita Water District, El Toro Water District, Irvine Ranch Water District, Moulton Niguel Water District, South Coast Water District, Trabuco Canyon Water District, Emerald Bay Services District and the cities of Laguna Beach, San Juan Capistrano and San Clemente. It also manages the region's two ocean outfalls and all required monitoring and regulatory compliance.

Why is a joint powers authority important to wastewater treatment in South Orange County? It is the most cost-effective way to treat the billions of gallons of wastewater produced by our local communities. Coordinating wastewater treatment among the agencies that share a watershed allows for state and federal funding to build facilities that can stay in compliance with all legal requirements, it combines needs so that facilities can remain cost efficient, it limits the number of treatment plants to just the number needed conserving community funding, and it allows for neighborhoods that have a higher stake in ocean water quality protection to assist in overseeing the actions taken by those who can impact the health of the ocean environment. In the end, all treated wastewater that is not reused as recycled water is discharged to the ocean and it is essential that the ocean is clean for use and enjoyment by our communities and visitors alike.

Timeline of the Coastal Treatment Plant & Project Committee 15

- 1950** – Initial wastewater collection facility constructed at site of today's Coastal Treatment Plant
- 1972** – Clean Water Act signed into law by President Richard Nixon, establishing a new standard of wastewater treatment
- 1972** – Local cities and water districts sign contract to construct wastewater treatment facilities to support the growth and expansion of the cities that would become Mission Viejo, Laguna Niguel, Aliso Viejo, Laguna Hills as well as San Clemente and San Juan Capistrano
- 1976** – MNWD, SCWD, City of Laguna Beach, Emerald Bay Services District and Irvine Ranch Water District sign contract to design, construct and operate the CTP
- 1976** – PC15 members agree to allow IRWD to fund only design and construction, but not acquire wastewater capacity (known as Amendment 1)
- 1980** – MNWD completely divests from PC15 and the CTP by mutual agreement of members (known as Amendment 2)
- 1996** – IRWD divests from PC15 by mutual agreement of members (known as Amendment 6)
- 1998-99** – On several occasions, MNWD requests to re-enter PC15 by acquiring nearly 30 percent of the plant capacity to serve planned development; PC15 members, including SCWD, City of Laguna Beach and Emerald Bay Service District agree; MNWD now re-enters as a PC15 member (known as Amendment 7)
- 2016** – MNWD notifies SOCWA of its desire to divest from PC15 in June; by August, MNWD stops paying its capital costs for PC15
- 2017** – As of May 2, MNWD is past due on \$755,871 in capital costs, unpaid since August 2016