



## Staff Report

**TO:** City Council  
**FROM:** Thaxton Van Belle, General Manager of Utilities  
**DATE:** August 2, 2022  
**SUBJECT:** **Amendment to the Perricone Juices Pretreatment Facilities Agreement with an Extension until December 31, 2023**

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### **Background and Analysis:**

As part of the City's Wastewater Treatment Plant Salt Mitigation Upgrade, the City initiated a collaborative effort with local significant wastewater dischargers to improve water quality at the source with the goal of minimizing impacts and resulting costs at the City's Wastewater Treatment Plant (WWTP). In addition to minimizing impacts at the WWTP, revised water quality limits, monitoring and enforcement actions are necessary to meet the stringent discharge requirements for the brine line owned and operated by the Santa Ana Watershed Protection Agency. This connection is vital to the success of the City's Salt Mitigation Upgrade which relies on this pipeline to dispose of salt from the watershed.

On October 1, 2019, The City and Perricone Juices (Perricone) entered a Pre-Treatment Facility Agreement (Attachment A). The Agreement authorized the City to utilize an interim wastewater rate of \$3.09/HCF in return for Perricone investing approximately \$3 million in onsite wastewater treatment equipment resulting in an improved effluent water quality. The interim rate reflected an overall annual revenue increase of 20% over the estimated revenue from Perricone in the City's Sewer Rate Study (June 2018). The agreement included provisions requiring Perricone to meet schedule milestones, performance requirements and minimum investment thresholds or face financial penalties. The duration of the interim agreement was established July 1, 2018, to December 31, 2022. Per the contract, the interim rate is scheduled to increase for the 22/23 fiscal year to \$7.61/HCF.

In a letter dated December 3, 2021, Perricone requested a one-year extension to the agreement and rate (Attachment B). City staff responded with a request for information on the state of the project and a plan moving forward and engaged in several status update meetings. Perricone retained the engineering services of MKN and Associates

to formulate a revised plan committed to optimizing the design of the remaining components and the construction of a water recycling system to reduce effluent discharges further. These system improvements are estimated to cost an additional \$900,000, bringing Perricone’s total spending to \$4 million. On behalf of Perricone, MKN and Associates submitted a letter summarizing the challenges faced during the original agreement term and a recommitment to complete the project resulting in improved quality discharge to the wastewater treatment plant with a request to extend the interim rate schedule. (Attachment C)

**Perricone Proposed Project Implementation Schedule:**

ACTION	MILESTONE
City Council Approval of Extension	August 2022
Complete Sampling and Process Selection	January 2022 to March 2022
30% Design and Design Build Contract Executed	April 2022 to July 2022
Final Design and Permitting	August 2022 to December 2022
Materials Procurement and Construction	October 2022 to June 2023
Startup and Optimization	July 2023 to August 2023
Sampling Program/ New SIU Discharge Permit	September 2023 to December 2023
End of Interim Rate	December 31, 2023

City staff supports the efforts of Perricone as a local business to improve the waste discharged which in turn lowers impacts on the wastewater treatment plant.

**Fiscal Impact:**

Perricone’s interim wastewater rate to continue as outlined in the amended agreement through December 31, 2023. The cost to prepare this report and agreement is approximately \$1,250.

**Recommended Action:**

Approve an amendment to the Perricone Juices Pretreatment Facilities Agreement, granting an extension to December 31, 2023, including a \$3.24/HCF rate for July 1, 2022 through June 30, 2023, and a \$3.41/HCF rate for the period of July 1, 2023 through December 31, 2023.

**Attachments:**

- A. Original pretreatment facilities agreement.
- B. Perricone Juices Letter requesting an extension.
- C. MKN Letter with schedule and interim rate request.
- D. Amendment to Perricone Pretreatment Facilities Agreement.