



**Department:** Utilities  
**Cost Center:** 6001 and 6101  
**For Agenda of:** 2/4/2025  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Aaron Floyd, Utilities Director  
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**SUBJECT:** AUTHORIZE EXECUTION OF FIRST AMENDMENT TO CITY/CAL POLY WATER AND SEWER RATE AGREEMENT TO EXTEND THE TERM OF THE AGREEMENT BY ONE YEAR WITH OPTION FOR EXTENSION

### RECOMMENDATION

1. Authorize the City Manager to execute the First Amendment to the Agreement Between the City of San Luis Obispo and the Board of Trustees of the California State University Regarding Water and Sewer Rates, which would extend the current water and sewer service agreement with California Polytechnic State University (Cal Poly) by one year; and
2. Authorize the City Manager to approve additional extensions up to a cumulative total of three years (up until June 30, 2028).

### POLICY CONTEXT

General Plan [Water and Wastewater Element](#) Program A2.3.1 addresses the collaborative nature of staff's work with California Polytechnic State University (Cal Poly), stating that the City will "work cooperatively on regional water issues and water resource planning (Water Resource Advisory Committee, Whale Rock Commission, Groundwater Sustainability Commission, etc.)." The existing agreement to be extended related to the University's capacity interest in City facilities is consistent with Water and Wastewater Element Policies A5.2.5 and B2.2.3; these policies address fair share contributions to upgrades to water and wastewater facilities.

### DISCUSSION

#### Background

The City and Cal Poly have a long-standing relationship, with the City providing water treatment and wastewater collection and treatment services to Cal Poly dating back to the 1960s. The City provides Cal Poly with water and wastewater services via agreement because the University lies outside the City limits. In April 2021, the City entered into the current water and sewer agreement ("Agreement") with Cal Poly, supporting both parties' water and wastewater service needs (Attachment A).

## Item 5c

The Agreement, set to expire on June 30, 2025, has facilitated a long-standing relationship of providing Cal Poly with treated potable water<sup>1</sup> and the University's capacity interests in the City's Water Treatment Plant, Water Resource Recovery Facility (WRRF), and wastewater collections system. Since the Agreement was executed, Cal Poly has proceeded with implementation of its [2035 Master Plan](#), including, but not limited to design and construction of on-campus housing and plans for the University's own [Water Reclamation Facility](#) (wastewater treatment plant).

In anticipation of the expiration of the existing Agreement, City and Cal Poly staff have initiated negotiations on amendments to existing terms and have identified a need for additional time to comprehensively and collaboratively amend the Agreement. To allow staff and University representatives adequate time to address each party's concerns and to develop a comprehensive, mutually beneficial, long-term contract, staff recommends approving the proposed one-year extension (Attachment B) of the existing agreement. This extension will allow both parties the time needed to establish terms that align with the City's and University's shared goals. As proposed, the Amendment would also allow for additional extensions up to a cumulative total of three years (up until June 30, 2028), subject to the approval of the City Manager.

All other terms of the existing Agreement would remain unchanged and in effect until replaced by the new agreement.

### **Previous Council or Advisory Body Action**

On [June 16, 2020](#), the City Council authorized the City Manager to enter into Agreements with the University (on behalf of the Board of Trustees of the California State University) for water and wastewater service to the University. Executed Agreements included the current Water and Sewer Rate Agreement, Capacity Interest Agreement, and a Capacity Memorandum of Understanding.

### **Public Engagement**

This item is placed on the City Council Consent Agenda, which provides the opportunity for the public to provide comments prior to and during the public meeting.

### **CONCURRENCE**

Cal Poly has agreed to the proposed language in the First Amendment to the Agreement. The City Attorney's Office has approved the form of the First Amendment to the Agreement.

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<sup>1</sup> Cal Poly has its own source of water supply from Whale Rock Reservoir.

**ENVIRONMENTAL REVIEW**

The proposed action would result in the continuance of the existing Agreement and would not result in any physical change to the environment. Furthermore, pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15273, CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates...or other charges by public agencies, because the University’s continued payment of rates and fees would not fund capital projects not otherwise evaluated under CEQA. Capital projects identified in the existing Agreement proposed to remain in effect include the Water Energy Efficiency Project and WRRF Project, both of which obtained CEQA determinations prior to construction:

- The Community Development Department issued a Notice of Exemption on January 24, 2019 for the Water Energy Efficiency project per Section 15301, Class 1 – Existing Facilities.
- The Final Environmental Impact Report for the Water Resource Recovery Facility Project was certified by the City Council on [August 16, 2016](#).

**FISCAL IMPACT**

Budgeted: No  
 Funding Identified: No

Budget Year: 2024-2025

**Fiscal Analysis:**

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
Water and Sewer Funds	*	*	*	*
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Note: The University will continue to pay for water and wastewater services pursuant to the formula identified in the existing Agreement.

**ALTERNATIVES**

***Council could decide not to approve the agreement amendment to extend the current agreement.*** This alternative is not recommended, as it would limit the time available to negotiate updated agreement terms. Without the extension, there is a risk that both parties may not reach a consensus and secure approval from their respective Councils/Boards before the current agreement’s expiration on June 30, 2025, potentially leaving them without a formal agreement in place.

**ATTACHMENTS**

- A - Current 2021 City of San Luis Obispo and Cal Poly Water and Sewer Agreement
- B - First Amendment to the Agreement