



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 14-0593, Version: 1

REPORT TO COUNCIL

SUBJECT

State of California Department of Water Resources 2014 Drought Grant Solicitation - Adopt the 2013 Bay Area Integrated Regional Water Management Plan, Direct Staff to Complete the Grant Application Process and to Return to Council with Recommendations on Funding Strategy and Consultant Selection for Design Services for the Project

REPORT IN BRIEF

The City, in partnership with the Santa Clara Valley Water District (SCVWD), submitted a concept proposal for a Department of Water Resources (DWR) grant solicitation in the amount of \$4M to help fund the "Continuous Recycled Water Production and Wolfe Road Pipeline Project (Project)". This project has been approved to be included in a regional grant application proposal being prepared by the Bay Area Integrated Regional Water Management Plan (IRWMP) and has a high chance of being funded by the DWR. The IRWMP is a policy document outlining ways to improve water supply reliability among other things; adoption of the IWRMP is a necessary condition for receipt of the grant. The grant would provide partial funding for two sub-projects: the Continuous Recycled Water Production Sub-project (\$1.5M of grant funds to support \$4.63M project cost), and the Wolfe Road Pipeline Sub-project (\$2.5M of grant funds to support \$17.5M project cost).

Staff is recommending that Council adopt the Bay Area IRWMP (Attachment 1); direct staff to complete the grant application process; and direct staff to return to Council with recommendations on funding for the project and consultant selection for the design services for the project.

BACKGROUND

Between 2002 and 2006 California voters passed various bond measures to help support water related projects. Proposition 1E, Proposition 84, and Proposition 50, appropriated grant funds for Integrated Regional Water Management (IRWM) projects to assist local public agencies meet the long-term water needs of the State. To be eligible for funding through this grant program, projects must be consistent with an adopted Integrated Regional Water Management Plan (IRWMP) as stated in Chapter 8 Section 79564 (a) of the California Water Code. The Bay Area IRWMP is a multi-stakeholder, nine-county effort to develop such a regional water resources management plan. The work of the Bay Area IRWMP is administered through a coordinating committee with area-wide representation. The Bay Area IRWMP was initially completed in 2006 and updated in 2013. The updated plan documents progress towards meeting IRWMP objectives, and identifies ongoing regional needs and issues. A resolution adopting the Bay Area IRWMP is attached (Attachment 2).

On January 17, 2014, Governor Brown declared a Drought State of Emergency for California and directed state officials to take all necessary actions to prepare for these drought conditions. On March 1, 2014, Governor Brown signed legislation to assist drought-affected communities and provide funding to better use local water supplies. The Governor and Legislature have directed the

Department of Water Resources (DWR) to expedite the solicitation and award of \$200 million in IRWM funding to support projects and programs that provide immediate drought relief. To expedite the funding, DWR is using a streamlined grant application process for the 2014 Drought Solicitation with solicitation guidelines released in April 2014 and applications due by July 21, 2014.

Over the last two months, the Bay Area IRWMP Coordinating Committee called and screened project concepts from Bay Area agencies for inclusion in a regional grant application to be submitted in response to the 2014 Drought Solicitation. The City, in partnership with the Santa Clara Valley Water District (SCVWD) submitted the “Continuous Recycled Water Production and Wolfe Road Pipeline Project” (Project) as a project concept for consideration with a grant request of \$4M. This project was one of the 54 projects submitted for consideration. At the May 28, 2014 Coordinating Committee meeting, this Project was approved as one of the 11 projects, four of which focused on recycled water, that would move forward to be included in the Bay Area grant application for a total grant request of \$32M.

EXISTING POLICY

Sunnyvale General Plan, Chapter 7 Environmental Management

Goal EM-1 Adequate Water Supplies: Acquire and manage water supplies so that existing and future reasonable demands for water, as projected in the 20-year forecast, are reliably met.

Policy EM-1.2: Maximize recycled water use for all approved purposes both within and in areas adjacent to the City, where feasible.

Policy EM-1.2b: Pursue opportunities for external funding for existing and future recycled water projects by supporting the efforts of regional water quality and recycling organizations such as BARWRP as they seek and apply for funding for expansion and continued support of recycled water and water quality in the region.

ENVIRONMENTAL REVIEW

Adoption of the IRWMP: The 2013 Bay Area IRWMP is exempt from environmental review under California Environmental Quality Act Guidelines Section 15262 (Feasibility and Planning Studies) and 15306 (Information Collection). The Plan is not a project, and involves planning studies for possible actions that the participating agencies may, or may not approve, and consists of basic data collection that would not result in the disturbance of any environmental resources.

Continuous Recycled Water Production: Improvements at the WPCP related to the continuous production of recycled water are likely exempt from CEQA under Guideline Section 15301(d) (rehabilitation of deteriorated structures, facilities, or mechanical equipment to meet current standards of public health and safety entailing negligible or no expansion of an existing use). A CEQA determination will be made at the time of the construction contract award, as is typical of projects of such nature.

Wolfe Road Pipeline: Council adopted the Mitigated Negative Declaration for the Wolfe Road Pipeline Project at the September 24, 2013 council meeting.

DISCUSSION

Approval of this report would result in the authorization to submit a grant application, as part of a regional effort, to the State of California Department of Water Resources 2014 Drought Grant Solicitation and requires that the Council adopt the 2013 Bay Area Integrated Regional Water Management Plan. Additionally, this report also directs staff to return to Council with recommendations on a funding strategy and consultant selection for design services for the project. The Project consists of two sub-projects:

1. Continuous Recycled Water Production - This first sub-project is for the improvements at the WPCP that enable uninterrupted production of recycled water, a feasibility study of which was completed in October 2013.
2. Wolfe Road Pipeline Project - The second sub-project is the construction of a 13,500 linear feet of pipeline along Wolfe Road to deliver an additional 0.44 million gallons per day of recycled water, which is led by the SCVWD and is at a 15percent design completion.

The proposed recommendation puts in place the first required action to joining our regional partners to advance the expanded use of recycled water. As this project is scoped out into two sub-projects, at a future City Council meeting, City staff will return with the remaining actions necessary to initiate design services and to address any funding gap that may exist. Below is additional background:

Continuous Recycled Water Production

As part of the FY 2012/13 Adopted Budget, Council approved the WPCP Chlorine Conversion Project (Project No. 829430). The scope of this project included pre-design studies related to “simultaneous” production of recycled water. Recycled water production at the Sunnyvale WPCP is a batch process and has been challenging to operate given the age of infrastructure and more recently the challenges associated with treatment pond dredging operations impacting WPCP operations. Ongoing testing related to toxicity screening of the effluent requires an un-interrupted discharge to the Bay during the testing period, thus making it impossible to produce recycled water. WPCP also faced ammonia compliance challenges in the last year which was associated with the dredging operations. To meet the ammonia discharge requirements, staff had to implement a complex flow management strategy that ruled out any batch production of the recycled water as it further complicated flow management. Aging infrastructure has also resulted in several control systems related failures with the disinfection and filtration systems, without which, it was impossible to produce recycled water.

Uninterrupted, simultaneous recycled water production is imperative for the success of delivering required water quality and quantities to the City’s recycled water customers. Identifying improvements needed to address and provide “uninterrupted/continuous” recycled water was part of the scope of the pre-design study that was conducted as part of the WPCP Chlorine Conversion Project. This study identified improvements related to the filtration system, air floatation tanks, and chlorine contact tanks that would allow for the WPCP to produce recycled water at the same time as treated effluent is discharged to the Bay. The estimated cost for these improvements is \$4.63M.

Wolfe Road Pipeline Project

In addition to existing customers, new high-use customers such as Apple’s new campus are anticipated to create an additional demand for continuous recycled water deliveries. The Wolfe Road Pipeline project, in partnership with the SCVWD (as approved by council in September 2013, RTC No. 13-226), will enable the delivery of recycled water to Apple and potentially other customers along Wolfe Road. Total project cost for the Wolfe Road pipeline project is \$17.5M with the City contribution capped at \$2.1M. The remainder of the project costs will be contributed by the SCVWD; Apple, Inc.;

and the California Water Service Company (CalWater).

By combining the above two sub-projects into one concept proposal, the City will be able to leverage the partnership and regional involvement of the SCVWD in the IRWMP process and also significantly enhance the project unit cost factors, as the continuous recycled water production is key to delivering the necessary recycled water through the Wolfe Road pipeline. Furthermore, the SCVWD is working on a long term Indirect/Direct Potable Re-use (IPR/DPR) plan to enhance the regional water supply and the Wolfe Road pipeline alignment is a key element of that long-term plan. All of these proposed aspects of the project meet the key guidelines for the IRWMP Drought Solicitation thus making this project a strong contender for grant funding from DWR. Therefore, the Coordinating Committee approved this Project for inclusion in the regional application package for a total grant request of \$4M (\$1.5M for the Continuous Recycled water production sub-project and \$2.5M for the Wolfe Road Pipeline sub-project). As the primary water supply agency for the county and due to their previous involvement in the IWRMP grant process, the SCVWD is submitting the Project proposal as the lead agency with the City as the key partner.

Conditions for Receipt of the Grant:

Receiving grant funding as part of this solicitation would mean adhering to the solicitation guidelines - most of which are procedural in nature and do not substantially impact the project or the City's implementation plan, nor would it trigger any specific policy change by the City. The following are the key terms of the grant:

1. Agencies must provide 25% funding match
2. Projects must start construction by April 2015
3. Projects must adhere to labor compliance requirements

Provision of 25% Matching Funds

Total combined project cost between the two sub-projects is \$20.78M. Per DWR guidelines, agencies are required to provide a minimum of 25 percent project cost match (\$5.195M) to apply for the grant. As mentioned in the background section, the Wolfe Road Pipeline element of the project is already partially funded by the City (\$2.1M), Apple (\$4.8M) and CalWater (\$1.5M) for a total funded cost of \$8.4M. These funding sources make up for more than the 25 percent required match for this project.

The Bay Area IRWMP has also hired a consultant to prepare the grant application and is requiring agencies to contribute \$15,000 per project towards the consultant fees for the preparation of the grant application. The City and SCVWD will be sharing these costs evenly and the City can absorb this expenditure.

Start of project construction by April 2015

Because this round of grant solicitation is intended to provide for immediate drought relief, DWR is specifically looking for projects that can start construction by April 2015.

1. Continuous Recycled Water Production: Several actions are required to ensure we meet the timeline requirements of "starting construction by April 2015" for this sub-project. Staff will return to Council with additional detail on the sub projects and related staff recommendations to put this plan into place
2. Wolfe Road Pipeline; This sub-project is already under design, led by the SCVWD, and is

anticipated to be on-time to meet the April 2015 construction start date.

Project adherence to labor compliance requirements

Solicitation guidelines for this program also require agencies to enforce a Labor Compliance Program (LCP) pursuant to California Labor Code 1771.5(b) for public works project contracts awarded using funds from this grant. While Sunnyvale currently has a process in place for monitoring labor compliance and adherence with prevailing wage requirements for public projects, the City's program is not a Department of Industrial Relations (DIR) approved LCP. To be an approved LCP, the City Council would need to adopt a resolution and submit an application packet to the DIR for review including a proposed manual outlining the responsibilities and procedures of the LCP. LCPs are required to file annual reports with the Director of Industrial Relations. Approval of the LCP has to be in place before the award of the construction contract. Staff is seeking to pursue a third-party administrator to help train and certify City staff and also to help with ongoing administration of the LCP provisions. Total cost for compliance with LCP is estimated to be 0.5percent of the project construction cost which is included in the project cost estimates.

Next Steps:

As noted above, there are several immediate actions required of the City to meet the grant timelines to position the City for the potential receipt of the grant and demonstrate commitment to the delivery of the project. Therefore, staff will be returning to Council with recommendations for the following:

1. Funding strategy for the project and related budget modifications
2. Consultant selection for design services

Based on the previous rounds of applications by the Bay Area IRWMP there is a high chance of success for the regional application to be approved as submitted, as this is the only regional application for the Bay Area. While the competition is statewide, the Bay Area has traditionally been very effective at putting forth strong convincing grant applications. Staff will return to Council in fall of 2014 to update on the status of the grant and seek any additional Council actions related to the project, such as the adoption of the resolution related to the LCP, any necessary agreements of grant disbursement between the City and SCVWD, and potential need for consultant services related to the administration and management of the project.

FISCAL IMPACT

Staff will return to Council with detailed recommendations on funding for the project. The City's contribution for the grant application preparation costs (\$7,500) will be covered by existing funds from the WPCP Operating Budget. It should be noted that staff anticipated that funding for the City's share of design and construction of the Continuous Recycled Water Production sub-project will come from a combination of Water and Wastewater funds and therefore will have an impact on water and wastewater utility rates which will be presented to Council in a comprehensive report over the next month. For this reason, staff will bring forward a report that outlines the fiscal impact, and related budget modifications, to advance the project. As this project is not included in the FY 2014/15 Budget, in order for construction to begin in April 2015, funding will need to be appropriated from the reserves of each Fund. Depending on timing, the impact may be included with the FY 2015/16 Recommended Budget, but further detail will be brought back to the City Council for its consideration as a separate action.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

As part of the declaration of a "water shortage emergency condition", the City is already doing additional public outreach through direct mailing and site visits. On a regional level, during the development of the 2013 Bay Area IRWMP, public workshops were held to provide the public and stakeholders an opportunity to ask questions, provide comments, and make recommendations. The Draft 2013 Bay Area IRWMP was released for public review and comment and all comments were addressed in the final 2013 Bay Area IRWMP, which was released in October 2013. The 2013 Bay Area IRWMP is presented as Attachment 1 or can be downloaded at <http://bairwmp.org/>.

IRWM grant solicitation guidelines were also released for public comment from April 3, 2014 to May 15, 2014.

ALTERNATIVES

1. Adopt the attached resolution adopting the Bay area IRWMP.
2. Direct staff to complete the grant application process.
3. Direct staff to return to Council with a recommendation on funding for the project and consultant selection for the design services.
4. Other actions as determined by Council.
5. Do not pursue the grant at this time.

STAFF RECOMMENDATION

Alternatives 1, 2, and 3:

1. Adopt the attached resolution adopting the Bay area IRWMP.
2. Direct staff to complete the grant application process.
3. Direct staff to return to Council with a funding strategy, and proposed budget modifications, for the project and a recommendation for consultant selection for the design services.

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Reviewed by: John Stufflebean, Director, Environmental Services

Reviewed by: Timothy J. Kirby, Assistant Director, Finance

Reviewed by: Robert A. Walker, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Bay Area Integrated Regional Water Management Plan (hyperlink)
2. Resolution Adopting the Bay Area IRWMP Update