



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Approve Drought Grant Reimbursement Agreement between the City of Sunnyvale and Santa Clara Valley Water District (SCVWD) for Receipt and Administration of State Grant Funds for the Sunnyvale Continuous Recycled Water Production Facilities and Wolfe Road Pipeline project and approval of Budget Modification No. 24

BACKGROUND

The Proposition 84 Chapter 2 Integrated Regional Water Management Plan (IRWMP) 2014 Grant Program, administered through the Department of Water Resources (DWR), provides funding to drought-affected communities for projects and programs that assist local public agencies to meet long term water needs of the state, including the delivery of safe drinking water and the protection of water quality and the environment.

On July 15, 2014, City Council adopted the Bay Area IRWMP as a required condition for receipt of the subject grant funding (Report to Council 14-0593) and authorized staff to complete the grant application process.

In October 2014, the DWR awarded approximately \$221 million to fund projects statewide. As part of a \$32,178,423 Bay Area Drought Relief Program grant award, the City of Sunnyvale and Santa Clara Valley Water District (SCVWD) project team will receive \$4,000,000 in grant funding for the Sunnyvale Continuous Recycled Water Production Facilities and Wolfe Road Pipeline. The Sunnyvale component of this project, the Continuous Recycled Water Production Facilities, is earmarked to receive \$1,500,000. The remaining \$2,500,000 will partially reimburse the projects costs of the Wolfe Road Recycled Water Pipeline being built by the SCVWD.

The Continuous Recycled Water Production Facilities project that is being constructed as a component of Capital Improvement Project (CIP) 829430, WPCP Chlorine Conversion, will rehabilitate the plant production facilities to allow for production of recycled water while concurrently discharging to the San Francisco Bay which will improve the overall reliability and flexibility to produce recycled water. This project is currently under construction through a contract awarded to Anderson Pacific Engineering Construction, Inc. of Santa Clara (Public Works Project No. UY-12/09-15).

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

Approval of the Drought Grant Reimbursement Agreement will provide funding for the Continuous Recycled Water Production Facilities Project and the Wolfe Road Pipeline Project. The Continuous Recycled Water Production Facilities Project is Categorically Exempt from environmental review under CEQA Guidelines Section 150301(d), because the project involves rehabilitation of existing facilities and mechanical equipment with no expansion of an existing use. A CEQA Notice of Exemption was filed by the City on May 1, 2015. A Mitigated Negative Declaration (MND) was adopted by the City for the Wolfe Road Pipeline Project on September 24, 2014.

DISCUSSION

SCVWD is one of a number of sub-recipients of a \$32,178,423 Proposition 84 IRWMP 2014 Drought Grant that the State of California, Department of Water Resources (DWR) awarded to help fund certain local, sub-regional and regional projects located within the San Francisco Bay Area IRWM region. Of the \$32,178,423 State Grant, \$4,000,000 was awarded to the SCVWD as a sub-recipient for the Sunnyvale Continuous Recycled Water Production Facilities and Wolfe Road Pipeline Project. The SCVWD and the City applied for the grant with the understanding that of the \$4,000,000 from the State Grant allocated to the Project, up to \$1,500,000 will be available to reimburse Sunnyvale for certain costs for the Sunnyvale Continuous Recycled Water Production Facilities and up to \$2,500,000 will be available to reimburse the District for certain costs for the Wolfe Road Pipeline. Sunnyvale is responsible for the planning, design and construction of the Sunnyvale Continuous Recycled Water Production Facilities portion of the Project and the SCVWD is responsible for the planning, design and construction of the Wolfe Road Pipeline portion.

The Association of Bay Area Governments (ABAG), which applied for the State Grant on behalf of the SCVWD and other sub-recipients, entered into a grant agreement with DWR. This agreement imposes certain obligations onto ABAG to ensure State Grant funds are properly administered by ABAG and the sub-recipients, including the SCVWD. ABAG and the SCVWD will enter into an agreement which passes through certain obligations contained in the State Grant Agreement to the SCVWD as a sub-recipient of the State Grant. In order to fulfil those obligations the SCVWD requires Sunnyvale to provide the SCVWD with, among other things, reporting information and documentation of all eligible reimbursable expenses or costs incurred by Sunnyvale for the Sunnyvale Continuous Recycled Water Production Facilities portion of the Project and updates regarding the status of designing and constructing the Sunnyvale Continuous Recycled Water Production Facilities.

Conditions stipulating the terms for the grant share between the SCVWD and City as well as the City's obligations to meet those terms are specified in the grant reimbursement agreement (Attachment 1). Approval of this agreement will ensure that staff has the necessary approvals to fulfil the City's obligations and submit the necessary documentation to seek reimbursements for the construction costs of the project.

FISCAL IMPACT

The FY 2015/16 Budget includes a project to fund the City's portion of the Continuous Recycled Water Production Facilities. When Council awarded the contract for construction, staff identified that the grant approval was still pending and that an appropriation would be required upon approval of the grant. The grant agreement requires "matching funding" of \$800,000 for the Continuous Recycled Water Production facilities and those funds are budgeted as part of the project budget for Capital Improvement Project (CIP) 829430. Budget Modification No. 24 has been prepared to recognize and appropriate the grant funding to the project.

BUDGET MODIFICATION NO. 24			
FISCAL YEAR 2015/2016			
	Current	Increase (Decrease)	Revised
Wastewater Management Fund			
<u>Revenues:</u>			
Department of Water Resources Grant	\$0	\$1,500,000	\$1,500,000
<u>Expenditures:</u>			
Project 829430 WPCP Chlorine Conversion	\$4,939,577	\$1,500,000	\$6,439,577

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.

STAFF RECOMMENDATION

1) Authorize the City Manager to execute the drought grant reimbursement agreement between the City of Sunnyvale and Santa Clara Valley Water District (SCVWD) for receipt and administration of state grant funds for the Sunnyvale Continuous Recycled Water Production Facilities and Wolfe Road Pipeline project; and 2) Approve Budget Modification No. 24 to appropriate the grant funds to the WPCP Chlorine Conversion Project.

Prepared by: Bhavani Yerrapotu, Division Manager, Environmental Services

Reviewed by: John Stufflebean, Director, Environmental Services

Reviewed by: Timothy J. Kirby, Acting Finance Director

Reviewed by: Rebecca Moon, Senior Assistant City Attorney

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENT

1. Grant Reimbursement Agreement