

SAN JOSÉ/SANTA CLARA TREATMENT PLANT ADVISORY COMMITTEE

CHUCK REED, CHAIR
PETE McHUGH, MEMBER
KEVIN MOORE, MEMBER
JAMIE MATTHEWS, MEMBER
MADISON NGUYEN, MEMBER

KEN YEAGER, MEMBER
JOHN GATTO, MEMBER
ED SHIKADA, MEMBER
KANSEN CHU, MEMBER

AGENDA/TPAC

4:30p.m.

September 8, 2011

Room T-1734

1. ROLL CALL

2. MINUTES

A. August 11, 2011

3. UNFINISHED BUSINESS

4. CORRESPONDENCE

5. REPORTS

A. Open Purchase Orders Greater Than \$100,000
The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1 million and of services between \$100,000 and \$250,000.

6. AGREEMENTS

A. Action Item - TPAC Recommendation for approval:

The following action items are scheduled to be considered by the San José City Council on September 13, 2011:

1. Adopt a resolution authorizing the City Manager to negotiate and execute a WaterSMART Funding Agreement with the U.S. Bureau of Reclamation (Reclamation) to allow the City to accept federal grant funding of \$2,000,000 for design and construction of South Bay Water Recycling (SBWR) Facilities.
2. Adopt a resolution authorizing the City Manager to negotiate and execute Feasibility Study Funding Agreement #R11AF20020 with Reclamation to

allow the City to accept federal grant funding, ranging up to \$1,200,000, to perform a Feasibility Study to revise the South Bay Water Recycling Master Plan.

3. Adopt the following amendments to the Appropriation Ordinance and Funding Sources Resolution for 2011-2012 in the San José/Santa Clara Treatment Plant Capital Fund:

- a. Increase the estimate for Earned Revenue by \$1,268,000;
- b. Increase the appropriation to the Environmental Services Department for the Revised South Bay Action Plan - SBWR Extension by \$1,000,000; and
- c. Increase the appropriation to the Environmental Services Department for SBWR Master Plan by \$268,000.

B. Action Item - TPAC Recommendation for approval:

The following supplemental is scheduled to be considered by the San José City Council on September 13, 2011:

1. Accept the Plant's odor assessment status report and direct staff to continue with the development of a regional odor assessment study:
 - (a) Develop a stakeholder process including the other possible odor generating facilities and the Plant's tributary agencies.
 - (b) Develop a funding plan to include a portion of the funding from sources other than the Sewer Service and Use Charges.
 - (c) Complete development of a scope and engage consultant services. Provide a status report in the fall of 2011 on progress made.

C. Action Item - TPAC Recommendation for approval:

The following action items are scheduled to be considered by the San José City Council on September 13, 2011:

1. It is recommended that the Council adopt a resolution approving the agreements set forth below and authorizing and directing the City Manager or designee to execute subject agreements together with all other documents needed to conclude the transaction.
 - (a) Purchase and Sale Agreement for Electric Pole Line Easement with Los Esteros Critical Energy Facility, LLC ("LECEF") setting forth terms and conditions of City's conveyance of the easement to Pacific Gas and Electric Company ("PG&E") on a 16,575 square foot portion of City's Water Pollution Control ("WPCP") buffer lands, and
 - (b) An Electric Pole Line Easement Agreement with PG&E allowing it the non-exclusive use of a portion of City's WPCP buffer lands for an electrical pole line to connect existing PG&E Transmission Lines with the adjacent LECEF Facility.

7. STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC

A. The following action item was approved by the San José City Council on, August 16, 2011:

Approval of consultant master agreements with the following firms for Environmental Health and Safety support for the Environmental Services Department:

1. BenTyler Enterprises, Inc. for a variety of on-call Environmental Health & Safety consulting services from the date of execution through June 30, 2014 in an amount not to exceed \$250,000 annually.
2. Environmental Resources Management-West, Inc. for a variety of on-call Environmental Health & Safety consulting services from the date of execution through June 30, 2014 in an amount not to exceed \$250,000 annually.

B. The following action item was approved by the San José City Council on, August 16, 2011:

Approval to reject all bids received for the San José/Santa Clara Water Pollution Control Plant, Secondary Air Plenum Filtration Project, and authorization for the Director of Public Works to re-advertise and re-bid the project.

C. The following action item was approved by the San José City Council on, August 16, 2011:

Award the construction contract for the Facilities Roof Replacement Project – Phase I to the low bidder, Andy’s Roofing Company Inc., in the amount of \$600,770.

Approve a contingency in the amount of \$60,000.

D. The following action items were approved by the San José City Council on, August 16, 2011:

Report on bids and award of contract for the Residual Sludge Management - Supernatant Ammonia Management Project to the sole bidder, Anderson Pacific Engineering Construction, Inc., in the amount of \$298,900, and approval of a contingency in the amount of \$44,000.

E. The following action items were approved by the San José City Council on, August 16, 2011:

Approval to reject all bids received for the San José/Santa Clara Water Pollution Control Plant, Handrail Replacement – Phase IV Project, and authorization for the Director of Public Works to re-advertise and re-bid the project.

8. MISCELLANEOUS

- A. The next TPAC meeting will be October 13, 2011, at 4:30 p.m. City Hall, City Manager’s Office, 17th Floor, Room 1734.

9. OPEN FORUM

10. ADJOURNMENT

NOTE: If you have any changes or questions, please contact Monica Perras, Environmental Services, 408-975-2515.

To request an accommodation or alternative format for City-sponsored meetings, events or printed materials, please call Monica Perras at (408) 975-2515 or (408) 294-9337 (TTY) as soon as possible, but at least three business days before the meeting/event.

Availability of Public Records. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at San Jose City Hall, 200 East Santa Clara Street, 10th Floor, Environmental Services at the same time that the public records are distributed or made available to the legislative body.

DRAFT
MINUTES OF THE
SAN JOSÉ/SANTA CLARA
TREATMENT PLANT ADVISORY COMMITTEE
City Hall, City Manager's Office, 17th Floor, Room 1734
Thursday, August 11, 2011 at 4:30 p.m.

1. ROLL CALL

Minutes of the Treatment Plant Advisory Committee convened this date at 4:30 p.m. Roll call was then taken, with the following members in attendance:

Committee members: Pete McHugh, Jamie Matthews, Kevin Moore, Madison Nguyen, Ed Shikada, Ken Yeager, Chuck Reed

Staff present: Monica Perras, Beth Gonzales, Mansour Nasser, Kerrie Romanow, Bhavani Yerrapotu, Jon Newby, Mollie Dent, Dave Sykes, Napp Fukuda, Kirsten Struve.

Others present: Jeff Janssen (City of San Jose), Chris de Groot, Bob Wilson, (City of Santa Clara), Kathleen Phalen (City of Milpitas), David Wall(San José City Resident).

2. APPROVAL OF MINUTES

A. June 16, 2011.

The minutes for June 16, 2011 were approved to note and file.

3. UNFINISHED BUSINESS

4. CORRESPONDENCE

A. Information Memorandum: Status of Working with Stakeholders on Analysis of Biosolids Transition Timing.

Item 4.A was approved to note and file.

5. REPORTS

A. Open Purchase Orders Greater Than \$100,000

The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1 million and of services between \$100,000 and \$250,000.

An amended report was distributed.

Item 5.A was approved to note and file.

6. **AGREEMENTS**

A. Action Item – TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on, August 16, 2011:

Approval of consultant master agreements with the following firms for Environmental Health and Safety support for the Environmental Services Department:

1. BenTyler Enterprises, Inc. for a variety of on-call Environmental Health & Safety consulting services from the date of execution through June 30, 2014 in an amount not to exceed \$250,000 annually.
2. Environmental Resources Management-West, Inc. for a variety of on-call Environmental Health & Safety consulting services from the date of execution through June 30, 2014 in an amount not to exceed \$250,000 annually.

Items 6.A.1&2 were approved unanimously.

B. Action Item – TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on, August 16, 2011:

Approval to reject all bids received for the San José/Santa Clara Water Pollution Control Plant, Secondary Air Plenum Filtration Project, and authorization for the Director of Public Works to re-advertise and re-bid the project.

Item 6.B was approved unanimously.

C. Action Item – TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on, August 16, 2011:

1. Award the construction contract for the Facilities Roof Replacement Project – Phase I to the low bidder, Andy's Roofing Company Inc., in the amount of \$600,770.

Approve a contingency in the amount of \$60,000.

Items 6. C.1 was approved unanimously.

D. Action Item – TPAC Recommendation for approval:

The following action items are scheduled to be considered by the San José City Council on, August 16, 2011:

Report on bids and award of contract for the Residual Sludge Management - Supernatant Ammonia Management Project to the sole bidder, Anderson Pacific Engineering Construction, Inc., in the amount of \$298,900, and approval of a contingency in the amount of \$44,000.

Item 6.D was approved unanimously.

E. Action Item – TPAC Recommendation for approval:

The following action items are scheduled to be considered by the San José City Council on, August 16, 2011:

Approval to reject all bids received for the San José/Santa Clara Water Pollution Control Plant, Handrail Replacement – Phase IV Project, and authorization for the Director of Public Works to re-advertise and re-bid the project.

Dave Sykes, Acting Director of Public Works, gave an update on outreach to the contractor community.

Item 6.E was approved unanimously.

7. **STATUS OF ITEMS PREVIOUSLY APPROVED BY TPAC**

The items that were approved by the San Jose City Council on June 21, 2011 were accepted to note and file.

8. **MISCELLANEOUS**

- A. The next TPAC meeting will be September 8, 2011, at 4:30p.m., City Hall, City Manager's Office, 17th Floor, Room 1734.

PUBLIC COMMENT

- A. David Wall presented a speaker card in Open Forum on various topics.

10. **ADJOURNMENT**

- A. The Treatment Plant Advisory Committee adjourned at 4:35 p.m.

Chuck Reed, Chair
Treatment Plant Advisory Committee

City Manager's Contract Approval Summary
For Procurement and Contract Activity between \$100,000 and \$1 Million for Goods and \$100,000 and \$250,000 for Services

AUGUST 31, 2011

Description of Contract Activity ¹	Fiscal Year	Req#/ RFP#	PO#	Vendor/Consultant	Original \$ Amount	Start Date	End Date	Additional \$ Amount	Total \$ Amount	Comments
NEW:										
MISCELLANEOUS SAND BLASTING AND PAINTING	FY11-12	14847	46685	JEFFCO PAINTING & COATING, INC	400,000	11/1/11	10/31/12			
CONFINED SPACE RESCUE	FY11-12	14877	46672	VEOLIA ENVIRONMENTAL	150,000	9/15/11	9/14/12			
LIQUID SODIUM HYPOCHLORITE 12.5%	FY11-12	14901	46678	SIERRA CHEMICAL CO	995,000	10/1/11	9/30/012			
ELECTRICAL PARTS/SUPPLIES	FY11-12	14906	46676	GRAYBAR ELECTRIC CO INC	180,000	9/1/11	8/31/12			
ONGOING:										
CLEANING OF THREE (3) ANAEROBIC DIGESTERS AT WPCP	FY11-12	13966		NORTH AMERICAN DIGESTER	359,823					
OVERHAUL OF TPS & FLOWAY PUMPS	FY11-12	14065		CONHAGEN, ALFRED INC	200,000					
COATING REHABILITATION SERVICES	FY11-12	14070		JEFFCO PAINTING & COATING, INC	750,000					
ON-SITE REPAIR & CALIBRATION OF INSTRUMENTS	FY11-12	14808	46689	TELSTAR INSTRUMENTS INC	200,000	8/26/11	8/25/12			
TEST, TROUBLESHOOT, REPAIR SERVICE	FY11-12	14833	46648	VINCENT ELECTRIC	120,000	10/18/11	10/17/12			

¹ This report captures in process contract activity (Requisition Number or RFP Number) and completed contract activity (Purchase Order Number, Contract Term, and Contract Amount)



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: 08-22-11

Approved

Date

8/26/11

SUBJECT: FUNDING AGREEMENTS WITH THE UNITED STATES BUREAU OF RECLAMATION FOR DESIGN AND CONSTRUCTION OF SOUTH BAY WATER RECYCLING FACILITIES AND SOUTH BAY WATER RECYCLING MASTER PLANNING

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager to negotiate and execute a WaterSMART Funding Agreement with the U.S. Bureau of Reclamation (Reclamation) to allow the City to accept federal grant funding of \$2,000,000 for design and construction of South Bay Water Recycling (SBWR) Facilities.
- (b) Adopt a resolution authorizing the City Manager to negotiate and execute Feasibility Study Funding Agreement #R11AF20020 with Reclamation to allow the City to accept federal grant funding, ranging from \$268,000 to \$1,200,000, to perform a Feasibility Study to revise the South Bay Water Recycling Master Plan.
- (c) Adopt the following amendments to the Appropriation Ordinance and Funding Sources Resolution for 2011-2012 in the San José/Santa Clara Treatment Plant Capital Fund:
 - (1) Increase the estimate for Earned Revenue by \$1,268,000;
 - (2) Increase the appropriation to the Environmental Services Department for the Revised South Bay Action Plan - SBWR Extension by \$1,000,000; and
 - (3) Increase the appropriation to the Environmental Services Department for SBWR Master Plan by \$268,000.

OUTCOME

The two funding agreements will provide up to \$3,200,000 in federal funds for the design and construction of South Bay Water Recycling Facilities.

BACKGROUND

The Sixth and Eighth Amendments to the Santa Clara Agreement provided \$1,300,000 in funding and authorized the design and construction for the initial phase of the Santa Clara Industrial 3B pipeline project (approved pursuant Council Resolution No. 75176, dated November 17, 2009, and Resolution No. 75668, dated December 14, 2010, respectively). In February 2011, the Council approved the submittal of a WaterSMART grant application under Resolution #75721 that would award South Bay Water Recycling an additional \$2,000,000 towards \$3,300,000 in construction for the full Santa Clara Industrial 3B pipeline. The application proposed water recycling construction that would deliver up to 500 AFY of recycled water for irrigation and industrial purposes. In the grant application, the \$1,300,000 in funding committed by the Sixth and Eighth amendments to the Santa Clara Agreement were proposed as the local share match (39%) for the \$2,000,000 in additional federal funding. In May 2011, Reclamation announced that the City was one of eight award recipients under the WaterSMART's Title XVI Water Reclamation and Reuse Program. The award was for \$2,000,000.

The other grant opportunity, Funding Opportunity Announcement #R11AF20020, provides up to \$1,200,000 in federal funding to the City for a Feasibility Study of the SBWR Master Plan, which will evaluate Process Improvements and System Control Modifications, SBWR Institutional Framework and Financial Performance, and Regional Coordination. In August 2011, Reclamation announced that the City was one of thirteen sponsors awarded funding for feasibility studies to assess the opportunity for water reclamation and reuse of wastewater. Reclamation approved initial funding at \$268,000 and Reclamation staff has informed the City that it is Reclamation's intent to fully fund the federal cost share of \$1,200,000 as federal funds become available.

ANALYSIS

Funding Agreements with US Bureau of Reclamation

The WaterSMART Funding Agreement will provide up to \$2,000,000 in federal funding towards the design and construction of \$3,300,000 of SBWR facilities to deliver a total of 500 AFY of recycled water. Of the \$2,000,000 provided, the USBR may retain up to \$150,000 to cover administrative costs. Funds encumbered as part of the sixth and eighth amendments to the Santa Clara construction services agreement, which provide funding for the design and construction of pipeline facilities to deliver 250 AFY of recycled water in the City of Santa Clara, fulfill the local share requirement of \$1,300,000 for the WaterSMART Funding Agreement. Should the City of Santa Clara's costs for the construction of these pipeline facilities be less than \$1,300,000, the grant amount will be reduced accordingly, such that the City's contribution will

equal 39% of the total project costs, and the federal share will provide for 61%, as described in the Cost Summary section below. The federal grant will be used to design and construct pump improvements at the Transmission Pump Station (TPS) to supplement delivery of 2,000 AFY of recycled water. The project will include engineering and design for additional pumping facilities at the TPS, and the installation of pumps and ancillary equipment to remotely operate and control the new facilities. The additional 2,000 AFY is based on demands requested from Calpine for the expansion of the Los Esteros Critical Energy Facility.

The Feasibility Study for Improvements and Expansions for SBWR Facilities Agreement will provide \$268,000 in federal reimbursement this fiscal year and is expected to be fully funded up to \$1,200,000 (50%) by the end of the grant term, September 30, 2013. Of the \$1,200,000, the USBR may retain up to \$150,000 for administrative costs. The master planning process will include a Feasibility Study to investigate Process Improvements and System Control Modifications, SBWR Institutional Framework and Financial Performance, and Regional Coordination. The study will provide civil designs, seismic analyses, and environmental documentation to meet CEQA and NEPA requirements for any proposed capital projects. The process will review institutional frameworks to address financial, operational and planning issues as a result of SBWR growth and development, and will include an analysis of regional coordination with the Santa Clara Valley Water District. The local cost share of \$1,200,000 to meet the grant term through September 30, 2013, will come from the SBWR Master Plan project in the San José/Santa Clara Treatment Plant Capital Fund. The grant funds will be used to supplement Master Plan work that is scheduled to occur in future years, subject to appropriation of funds, as shown in the 2012-2016 Adopted CIP.

EVALUATION AND FOLLOW-UP

As construction projects are completed in Santa Clara and San José, City staff will certify compliance of all customer connections with local, state, and federal regulations. The increased demand for recycled water will be noted in SBWR performance reports, in updates to the City's Green Vision Plan and reflected in annual revenues.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

During the summer and fall of 2000, the cities of San José, Santa Clara, and Milpitas held public meetings on the local use of recycled water. Representatives of various stakeholder groups (e.g. Sierra Club, League of Women Voters, and Silicon Valley Chamber of Commerce) also met regularly in 1998 and 1999 to create the present plans for extension of the recycled water systems. In addition, staff members from the cities of San José (San José Municipal Water), Santa Clara and Milpitas, and San José Water Company have attended monthly meetings to review South Bay Water Recycling planning and operations.

COORDINATION

This memo has been coordinated with the City's Attorney's Office, Risk Management, and the City of Santa Clara. This memo is scheduled to be heard at the September 8, 2011 Treatment Plant Advisory Committee (TPAC) meeting.

FISCAL POLICY ALIGNMENT

In accordance with the Mayor's prescribed budget strategy, the tasks under this agreement will focus on the protection of a vital core service, emphasizing expenditures that improve reliability of the South Bay Water Recycling system and increasing the "recycling and beneficial reuse of wastewater."

COST SUMMARY/IMPLICATIONS

The WaterSMART grant provides funding to the City up to \$2,000,000 for construction projects to deliver recycled water with a local match requirement. The City is able to meet the local match of \$1,300,000 through encumbered funds as part of Amendments Six and Eight of the contract with the City of Santa Clara, awarded in 2010 and 2011 from funds in the San José/Santa Clara Treatment Plant Capital Fund. Under the terms of the contract with the City of Santa Clara, San José will only reimburse the City of Santa Clara for actual costs incurred. If the proposed projects in Santa Clara come in under budget (less than \$1,300,000), the amount of federal reimbursement would be reduced, such that the City's local match will be 39% of the total (reduced) project costs, and the federal share will provide for 61%. As indicated in the recommendation, it is expected that \$1,000,000 of the federal grant will be spent and reimbursed during 2011-2012, with the remainder to be received in later fiscal years.

The Feasibility Study for Improvements and Expansions for SBWR Facilities Agreement (Funding Agreement #R11AF20020) would require the City to fund \$2,400,000 in a Feasibility Study. As part of the 2011-2012 Adopted Capital Budget, \$2,000,000 was approved for this project in the SBWR Master Plan appropriation in the San José/Santa Clara Treatment Plant Capital Fund. Additionally, this project is scheduled for future appropriations of \$3,000,000 annually as part of the 2012-2016 Adopted Capital Improvement Program. The federal contribution to this project under this grant agreement would be up to \$1,200,000, with \$268,000 in funds already committed. It is the Bureau of Reclamation's intent to award the balance during the grant term, which ends September 30, 2013, as additional funds become available to the

Bureau. It is expected that the full \$268,000 will be received in 2011-2012. Additional funding will be recognized as it becomes available.

Reclamation may retain up to \$150,000 from each grant for administrative costs.

BUDGET REFERENCE

The total \$3,200,000 in funding from both grants will increase the revenue estimated in the San José/Santa Clara Water Pollution Control Plant Fund by \$1,268,000 in 2011-2012. The remaining reimbursement of up to \$1,932,000 will be received in future fiscal years and no later than September 30, 2013, as projects are completed and become eligible for reimbursement.

The chart below indicates the source of the matching funds for both grants.

Fund	Appn. #	Appn. Name	Total Appn.	Amount for Match	2011-2012 Proposed Capital Budget (Page) **	Last Budget Action (Date, Ord. No.)
512	6589	Revised South Bay Action Plan – SBWR Extension*	\$556,000	\$1,300,000	V-165	6/21/2011, Ord No. 28928
512	7364	SBWR Master Plan***	\$2,000,000	\$1,200,000	V-161	6/21/2011, Ord No. 28928

* The recommendations in this memorandum increase the Revised South Bay Action Plan – SBWR Extension appropriation by \$1,000,000 to \$1,556,000. The \$1,300,000 indicated has already been encumbered with prior year funding as part of the sixth and eighth amendment of the contract with the City of Santa Clara.

** The 2011-2012 Operating Budget was adopted by Council on June 21, 2011, and will be published in fall 2011.

*** This grant requires the City to expend \$2,400,000 on this project by Sept. 30, 2013. Additional funds are set aside in future years of the Adopted 2012-2016 Capital Improvement Program. Of this \$2,400,000, the federal grant will reimburse from \$268,000 to \$1,200,000 depending on the funding available to the U.S. Bureau of Reclamation during the grant term. Thus, the final value of the local match will vary.

CEQA

Resolution No. 64667, EIR for the San Jose Nonpotable Reclamation Project, now known as the South Bay Water Recycling Program dated June 15, 1993.

HONORABLE MAYOR AND CITY COUNCIL

08-22-2011

Subject: Funding Agreement with The U.S. Bureau of Reclamation

Page 6

South Bay Water Recycling Nonpotable Water System Environmental Impact Report, San Jose City Council Resolution 64667.

CEQA done by City of Santa Clara for City of Santa Clara Actions:

Santa Clara Industrial 3B: CEQ2010-01113

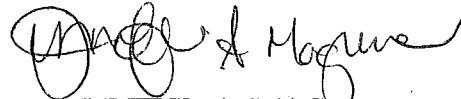
NEPA

In addition to CEQA, all projects have been reviewed by the US Bureau of Reclamation for compliance with the National Environmental Policy Act (NEPA). As the lead agency, Reclamation has issued a Finding of No Significant Impact (FONSI) for each of the proposed projects.

/s/

KERRIE ROMANOW

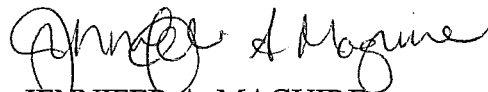
Acting Director, Environmental Services



JENNIFER A. MAGUIRE

Budget Director

I hereby certify that there will be available for appropriation in the San José/Santa Clara Treatment Plant Capital Fund in the Fiscal Year 2011-2012 moneys in excess of those heretofore appropriated there from, said excess being at least \$1,268,000.



JENNIFER A. MAGUIRE

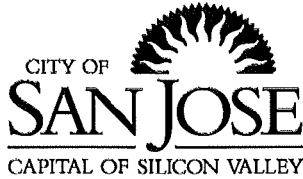
Budget Director

For questions please contact Mansour Nasser, Deputy Director, at (408) 277-2558.

SUPPLEMENTAL

COUNCIL AGENDA: 09-13-11

ITEM: 7.1



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
David Sykes

SUBJECT: SEE BELOW

DATE: 8-30-11

Approved

Date

9/1/11

**SUBJECT: SAN JOSE/SANTA CLARA WATER POLLUTION CONTROL PLANT
(PLANT) – ODOR STATUS AND BIOSOLIDS PROCESS TRANSITION
TIMING**

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

The purpose of this supplemental memorandum is to provide an update on the status of working with stakeholders in responding to the Treatment Plant Advisory Committee (TPAC) request from May 14, 2011, to explore the timing of the biosolids transition to mechanical dewatering.

RECOMMENDATION

Accept the Plant's odor assessment status report and direct staff to continue with the development of a regional odor assessment study:

- (a) Develop a stakeholder process including the other possible odor generating facilities and the Plant's tributary agencies.
- (b) Develop a funding plan to include a portion of the funding from sources other than the Sewer Service and Use Charges.
- (c) Complete development of a scope and engage consultant services.
- (d) Provide a status report in the fall of 2011 on progress made.

BACKGROUND

Development of the Plant Master Plan Preferred Alternative, based on the principles of sustainability, was a three-year process that included extensive community and stakeholder input

and rigorous technical analysis and review. The Preferred Alternative for the Plant Master Plan was approved by Council on April 19, 2011, and includes critical repair and rehabilitation projects to ensure the Plant's continued role in protecting public health and the environment. The Preferred Alternative also includes process changes that will reduce odors and shrink the Plant's footprint, thereby enabling new land uses along the South San Francisco Bay shoreline. An Environmental Impact Report is now being prepared for the Plant Master Plan project.

Council directed staff to return in May 2011, with additional information on reducing odors from the Plant and an analysis of the feasibility to implement the transition to a new biosolids process in three to seven years (April 19, 2011 Memo from Mayor Reed, Vice Mayor Nguyen, and Councilmembers Chu, Rocha, and Liccardo).

In addition, at the December 14, 2010, Council meeting, staff was directed by Council to "prioritize the identification of sources and potential solutions for elimination of odors coming from the Plant and present options for the elimination of odors, with timelines and cost estimates to do so." The April 19, 2011 staff report included estimated costs and timelines for elimination of identified odors in the future. The May 24, 2011 Council memo provides additional information regarding odors and a planned regional odor assessment study that would include the Plant as well as other potential odor sources in the region.

At its May 14, 2011 meeting, TPAC requested that staff meet with City of Milpitas staff and McCarthy Ranch and its technical consultant, ERM, to discuss the timeline for the new biosolids process. A letter was submitted by the City of Milpitas recommending continuance of this item to allow staff to complete a more thorough analysis. In addition, McCarthy Ranch representatives submitted additional information prepared by their consultant, ERM.

City staff, Milpitas staff and McCarthy Ranch representatives worked collaboratively to calendar a meeting date to ensure that all, or most, relevant parties could participate. Over the summer, McCarthy Ranch hired additional consultants Arcadis/Malcolm Pirnie to help with the timeline analysis. The meeting was held on August 15, 2011, the earliest date all parties were available.

ANALYSIS

Staff is continuing to work on developing a study of the Plant and offsite regional odor sources to better identify the relative contribution of each odor source on the neighboring communities of Milpitas and North San José. This study is expected to be a collaborative effort between San Jose, Newby Island Landfill, and Milpitas.

The August 15, 2011 meeting concerning the analysis of the possibility of accelerating the biosolids projects, was attended by City staff from Environmental Services, Public Works, Planning, Building and Code Enforcement, and the Office of Economic Development, staff from the Cities of Milpitas and Santa Clara, as well as McCarthy Ranch representatives and their consultants. At the meeting, City staff and McCarthy Ranch representatives discussed the

schedule presented to TPAC by City staff in November 2010 and May 2011. McCarthy Ranch's consultants identified potential opportunities to shorten the schedule presented by City staff, and asked questions about the task assumptions in the City's schedule. Attachment A shows three draft timelines discussed at this meeting:

1. City's timeline presented in November 2010: Design/bid/build approach at a projected capital cost of \$230 million with a completion date of 2021 and an additional 4 years of lagoon clean up.
2. City's timeline presented in May 2011: Exploring various delivery options, staging concurrent procurement activities, and reducing the amount of pilot testing, City staff presented an accelerated timeline with a completion date of 2018 and an additional three years of lagoon clean up. Operating costs are projected to increase by a total of \$40 million due to the earlier transition.
3. McCarthy Ranch consultant timeline: Using the May 2011 schedule presented by City staff, the consultant's schedule includes opportunities to potentially shorten the transition timeline by about one year compared to City's revised timeline presented in May 2011. The consultant explored further opportunities to collapse the schedule through concurrent activities, such as an early construction start on any small portion of the legacy biosolids area before the entire area was remediated, but there was insufficient information about the schedule tasks to answer these questions at this meeting.

Next Steps

All parties agreed on the need to further refine the scope of the project tasks, including additional detail on implementation logistics, sequencing, and duration of the project tasks, and to meet again to determine if the timeline presented by the McCarthy Ranch consultants can be achieved or improved. The result of this effort will provide Milpitas with increased clarity on when biosolids processing can be transitioned to a new technology. By taking this task on now rather than in a year or two we will provide the Milpitas community with assurance that the transition from the current process will occur. City staff will continue to work with the consultant team, other city departments and stakeholders to develop an implementation plan for the biosolids transition and further explore the quickest feasible implementation. The key next steps include:

- Engage consultant services to develop an implementation plan, alternative project delivery methods, and associated costs.
- Additional stakeholder engagement to further discuss opportunities and any associated costs and trade-offs for accelerating the biosolids transition.
- Staff will update the technical staff of the tributary agencies monthly.
- The results of the meetings will be included in the future report on bio-solids transition plan, anticipated to be presented to TPAC and Council by the end of 2011.

HONORABLE MAYOR AND CITY COUNCIL

08-30-11

Subject: Plant – Odors and Biosolids Projects (Supplemental)

Page 4

COORDINATION

This report has been coordinated with the City Attorney's Office, the Office of Economic Development, the Planning, Building, and Code Enforcement Department. It is scheduled to be reported at the September 2011 Treatment Plant Advisory Committee meeting.

/s/

KERRIE ROMANOW

Acting Director, Environmental Services

/s/

DAVID SYKES

Acting Director of Public Works

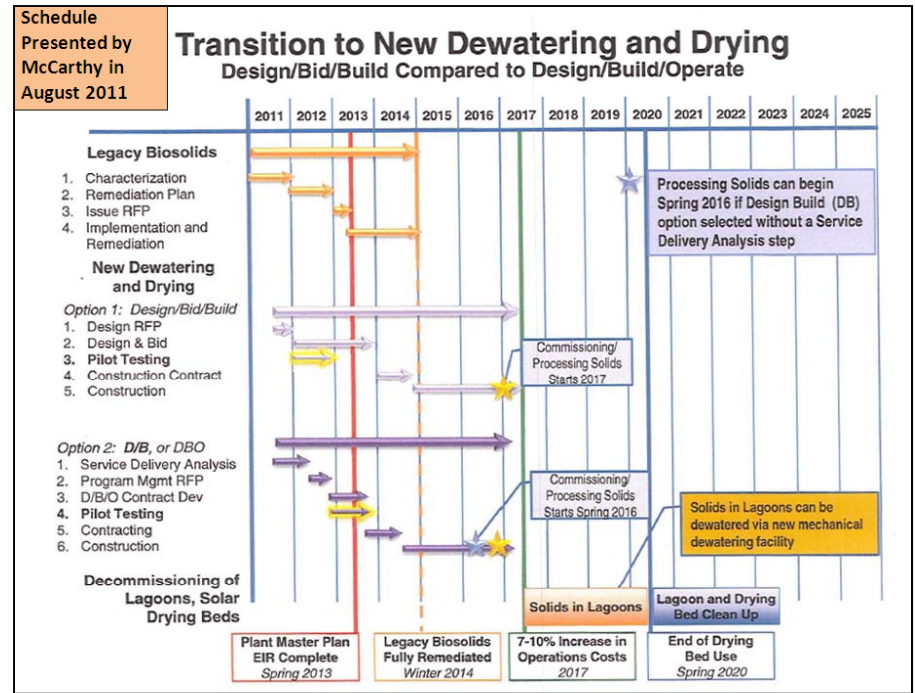
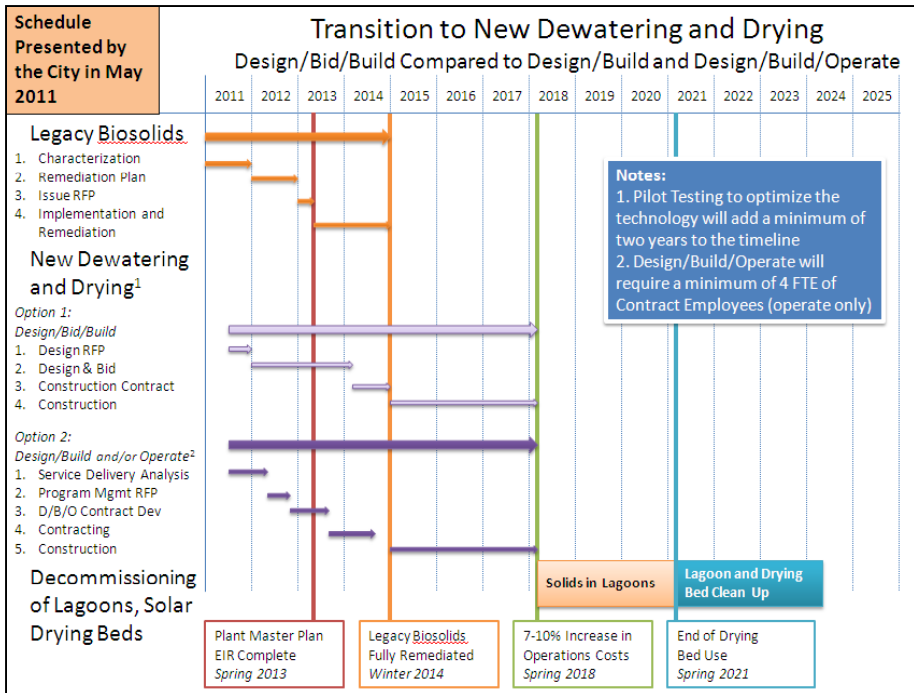
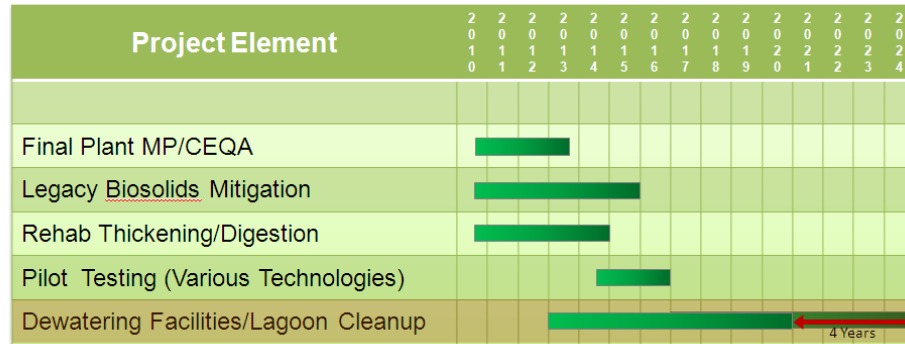
For questions, please contact Bhavani Yerrapotu, Deputy Director, Water Pollution Control Plant (ESD) at 945-5321 or Michael O'Connell, Acting Deputy Director (PW) at 535-8300.

Attachment:

A. Biosolids Transition Timelines

ATTACHMENT A

TRANSITION TO MECHANICAL DEWATERING SCHEDULE PRESENTED IN NOV 2010





Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh

SUBJECT: SEE BELOW

DATE: August 22, 2011

Approved

Date

8/31/11

COUNCIL DISTRICT: #4
SNI: None

SUBJECT: APPROVAL OF AN ELECTRIC POLE LINE EASEMENT PURCHASE AND SALE AGREEMENT BETWEEN THE CITY OF SAN JOSE AND LOS ESTEROS CRITICAL ENERGY FACILITY LLC, ("LECEF") AND ADOPTION OF RESOLUTION DIRECTING AND AUTHORIZING THE CITY MANAGER OR DESIGNEE TO EXECUTE SAID AGREEMENT TOGETHER WITH AN ELECTRIC POLE LINE EASEMENT AGREEMENT WITH PACIFIC GAS AND ELECTRIC COMPANY ("PG&E") CONVEYING SUBJECT EASEMENT ON WATER POLLUTION CONTROL BUFFER LANDS

RECOMMENDATION

It is recommended that the Council adopt a resolution approving the agreements set forth below and authorizing and directing the City Manager or designee to execute subject agreements together with all other documents needed to conclude the transaction.

- a. A Purchase and Sale Agreement for Electric Pole Line Easement with Los Esteros Critical Energy Facility, LLC ("LECEF") setting forth terms and conditions of City's conveyance of the easement to Pacific Gas and Electric Company ("PG&E") on a 16,575 square foot portion of City's Water Pollution Control ("WPCP") buffer lands, and
- b. An Electric Pole Line Easement Agreement with PG&E allowing it the non-exclusive use of a portion of City's WPCP buffer lands for an electrical pole line to connect existing PG&E Transmission Lines with the adjacent LECEF Facility.

OUTCOME

This Electric Pole Line Easement Agreement together with the Purchase and Sale Agreement will now provide PG&E with the rights necessary to maintain its existing electrical facilities and LECEF with a reliable source of energy for its adjacent facility. The easement will also enable

LECEF to obtain final lender approval on \$300,000,000 of financing for the construction of improvements to its facility which will increase efficiency and generating capacity. The City has received the agreed upon compensation in the amount of \$125,307 from LECEF as specified in the Purchase and Sale Agreement.

BACKGROUND

In 2002, in conjunction with the development of the Los Esteros Critical Energy Facility, the City and LECEF/Calpine Corporation entered into a Master Agreement followed by a First Amendment to Master Agreement in 2003, by which the City agreed to convey various easements and licenses on different portions of the City's WPCP buffer lands to LECEF and to PG&E. One of the agreements entered into pursuant to the amended Master Agreement was an electric pole line license agreement in 2005 under which PG&E installed electrical infrastructure in a designated area which infrastructure interconnected to the adjacent LECEF Facility and PG&E's existing transmission facilities.

This agreement further provided that at the request of LECEF and upon payment of additional consideration the City would grant to PG&E a permanent electric pole line easement which would supersede the 2005 license agreement effectively converting a temporary license into a permanent easement. The license agreement expired on October 29, 2007, without the easement conveyance having been made because of questions over the sufficiency of the proposed size and scope of the proposed easement. Conveyance of this easement will enable LECEF to obtain final lender approval on \$300,000,000 of financing for the construction of improvements to its facility which will increase efficiency and generating capacity.

The portion of the subject WPCP buffer lands encompassed within the electric pole line easement is shown on the plat map attached hereto as Exhibit "A".

ANALYSIS

The City and LECEF had previously jointly commissioned appraisals of various property interests and options under the 2002 Master Agreement as amended in 2003 and under the various property transfer agreements which followed. City staff and LECEF have established the easement price of \$7.56 per square foot based upon the appraisal performed by Enright & Company Inc. on March 30, 2007, for a different portion of the same WPCP buffer land parcel.

City staff is of the opinion that the aforementioned amount of \$7.56 per square foot continues to represent fair market value for the subject 16,575 square foot non-exclusive easement. The City will retain the right to utilize the easement area, and allow third parties to utilize it so long as such use does not unreasonably interfere with PG&E's free use and enjoyment of the subject easement area.

EVALUATION AND FOLLOW-UP

No additional follow up actions with the Council are expected at this time.

PUBLIC OUTREACH

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This action does not meet any of the above listed criteria; however it will be posted on the City's website for the September 13, 2011, Council agenda.

COORDINATION

This project has been coordinated with the Department of Environmental Services, City Manager's Budget Office and the City Attorney's Office. This item is scheduled to be heard at the September 8, 2011, Treatment Plan Advisory Committee meeting.

COST SUMMARY/IMPLICATIONS

The City has received compensation of \$125,307 from LECEF. In addition LECEF will pay estimated costs of recordation and documentary transfer taxes in the amount of \$633. Compensation received will be distributed to the City of San Jose, City of Santa Clara and the tributary agencies. Costs of transfer taxes and recordation fee will be paid by LECEF.

Upon City's recordation of the Electric Pole Line Easement Agreement with PG&E conveying said property interest, PG&E will be responsible to maintain the easement area, provide insurance and insure and indemnify the City from potential liabilities that may arise from the grant of the proposed easement.

BUDGET REFERENCE

The compensation paid to City was deposited into the Treatment Plant Income Fund.

CEQA

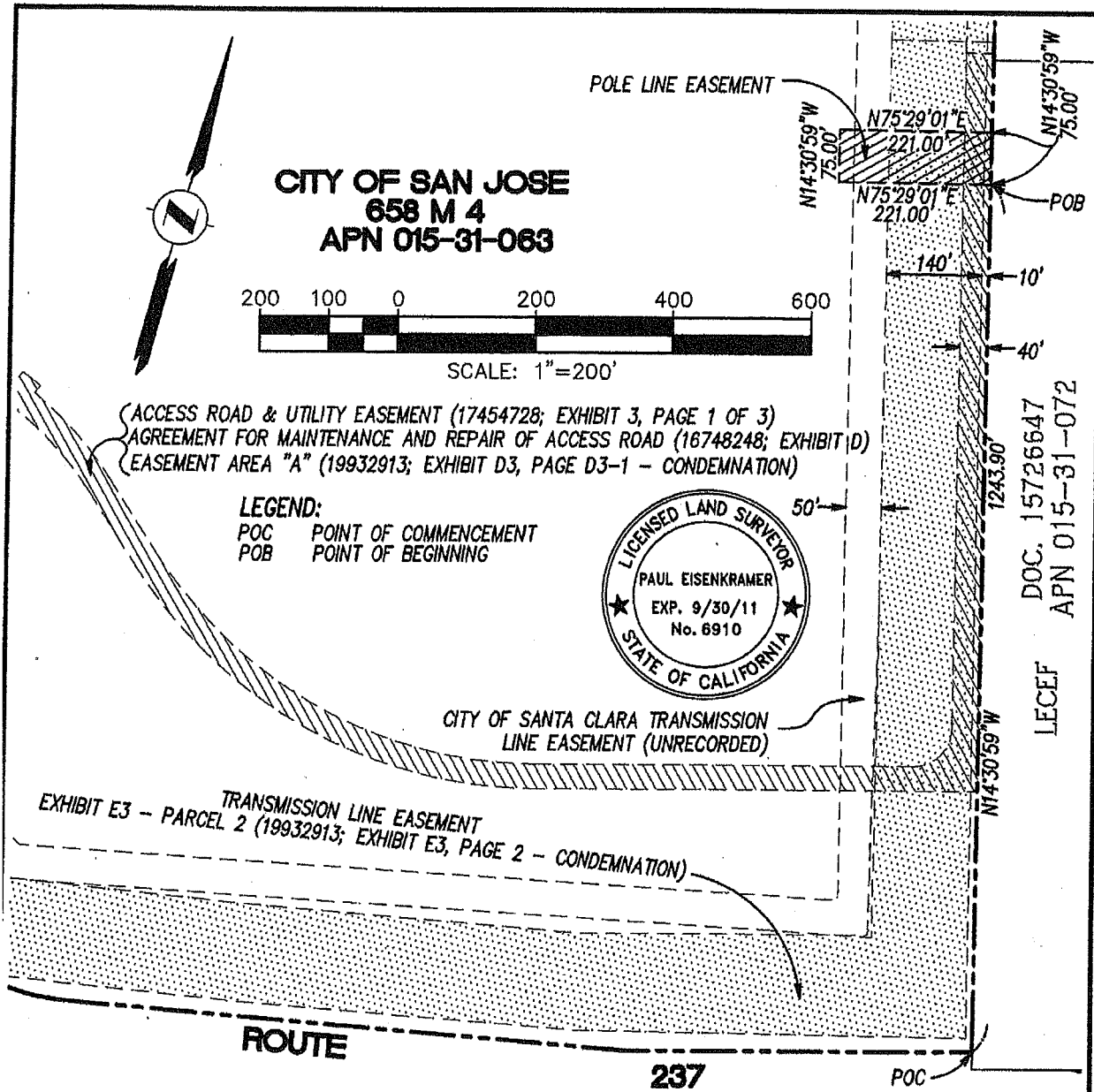
Exempt PP10-135 July 16, 2010.

/S/
KIM WALESH
Director of Economic Development
Chief Strategist

For questions please contact NANCI KLEIN, DEPUTY DIRECTOR, OFFICE OF ECONOMIC DEVELOPMENT, at 535-8181.

Exhibit: Plat of Easement Area At Northeast Corner of Rt. 237 and Zanker Road

EXHIBIT

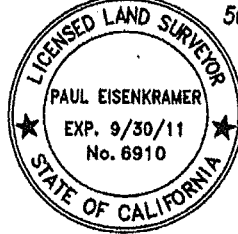


CITY OF SAN JOSE
658 M 4
APN 015-31-063

200 100 0 200 400 600
 SCALE: 1"=200'

ACCESS ROAD & UTILITY EASEMENT (17454728; EXHIBIT 3, PAGE 1 OF 3)
 AGREEMENT FOR MAINTENANCE AND REPAIR OF ACCESS ROAD (16748248; EXHIBIT D)
 EASEMENT AREA "A" (19932913; EXHIBIT D3, PAGE D3-1 - CONDEMNATION)

LEGEND:
 POC POINT OF COMMENCEMENT
 POB POINT OF BEGINNING



CITY OF SANTA CLARA TRANSMISSION
 LINE EASEMENT (UNRECORDED)

TRANSMISSION LINE EASEMENT
 EXHIBIT E3 - PARCEL 2 (19932913; EXHIBIT E3, PAGE 2 - CONDEMNATION)

ROUTE

237

POC

DOC. 15726647
 APN 015-31-072

LECEF

EXHIBIT 'B'
PLAT TO ACCOMPANY LEGAL DESCRIPTION
POLE LINE EASEMENT
 PORTION OF LANDS OF CITY OF SAN JOSE (658 M 4)
 CITY OF SAN JOSE - SANTA CLARA COUNTY - CALIFORNIA



Planners - Engineers - Surveyors
 4071 Port Chicago Hwy., Suite 100
 Concord CA 94520-1122
 Phone: (925) 674-9082
 Fax: (925) 674-9279
 Web: milaniasociates.com

Paul Eisenkramer 1-4-2011
 FOR MILANI & ASSOCIATES DATE
 PAUL EISENKRAMER
 LS 6910 EXP. 9/30/11

DATE: JANUARY 2011

SCALE: 1"=200'

SHEET 1 OF 1 SHEET