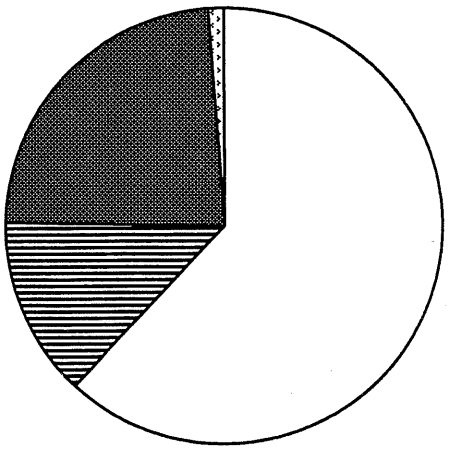
2011-2012 Capital Budget

2012-2016 Capital Improvement Program

Water Pollution Control

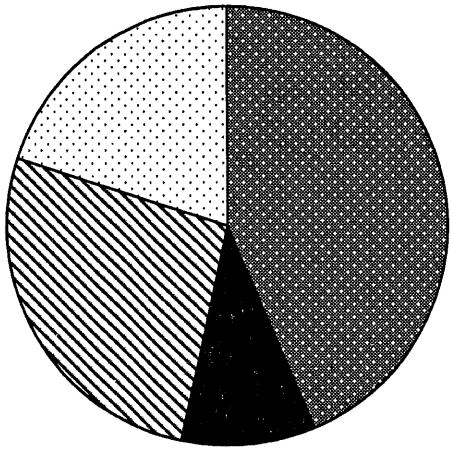
WATER POLLUTION CONTROL
2012-2016 Capital Improvement Program

2011-2012 Adopted Source of Funds



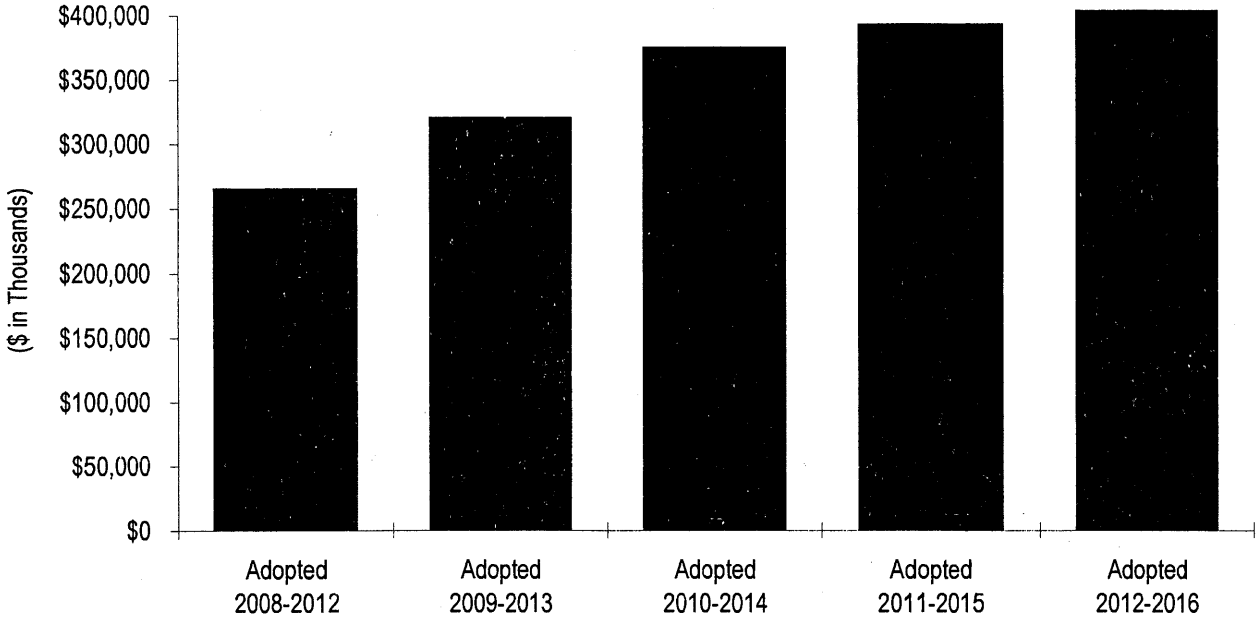
- Beginning Fund Balance
- Other Government Agencies
- Transfers
- Interest and Miscellaneous

2011-2012 Adopted Use of Funds



- Construction
- Non-Construction
- Reserves and Transfers
- Ending Fund Balance

CIP History



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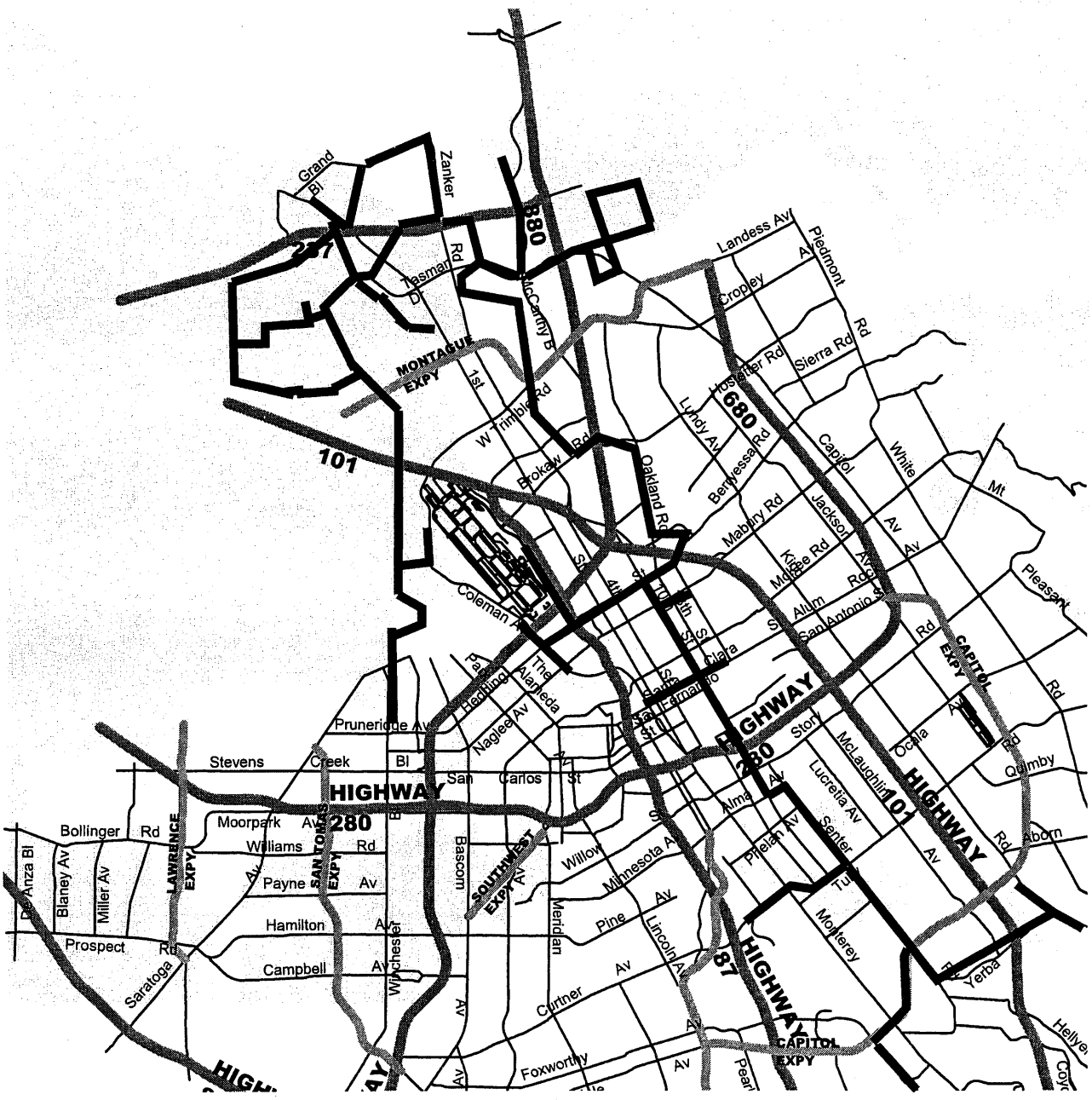
Water Pollution Control

2012-2016 Adopted Capital Improvement Program

2011-2012 Project Approximate Locations:

▬ South Bay Water Recycling Project



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Overview

Introduction

The San José/Santa Clara Water Pollution Control Plant (Plant) is a regional wastewater treatment facility serving eight South Bay cities and four sanitation districts including: San José, Santa Clara, Milpitas, Cupertino Sanitation District (Cupertino), West Valley Sanitation District (Campbell, Los Gatos, Monte Sereno and Saratoga), County Sanitation Districts 2-3 (unincorporated), and Burbank Sanitary District (unincorporated). The Plant is jointly owned by the cities of San José and Santa Clara and is administered and operated by the City of San José's Environmental Services Department (ESD), which is also responsible for planning, designing and constructing new wastewater treatment and water reuse facilities.

The 2012-2016 Adopted CIP provides funding of $426.7 million, of which $132.3 million is allocated in 2011-2012. Capital costs are estimated annually by ESD staff and are reviewed and recommended as a budget by the Treatment Plant Advisory Committee to the San José City Council for appropriation. The costs are allocated to each Agency based on its contracted-for capacity in the Plant. Each Agency is responsible for its allocated share of Plant costs, as well as the operation, maintenance and capital costs of its own sewage collection system; debt service on bonds issued by the Agency for sewer purposes; and any other sewer service related costs. Each Agency is also responsible for establishing and collecting its respective sewer service and use charges, connection fees or other charges for sewer service.

A revenue program is prepared annually by each Agency to establish its sewer service and use charge rates. Rates are adopted by ordinance, or resolution, of the governing body of each Agency. The Agencies' revenue programs, ordinances and resolutions are submitted to the City of San José, as the administering agency, for review to determine conformance with State Water Resources Control Board (SWRCB) revenue program guidelines and are then submitted by San José to the SWRCB for review and certification.

This program is part of the Environmental and Utility Services City Service Area (CSA) and supports the following outcomes: *Reliable Utility Infrastructure* and *Healthy Streams, Rivers, Marsh, and Bay.*

Program Priorities and Objectives

The Water Pollution Control Capital Improvement Program (CIP) projects are currently prioritized using the following criteria established by ESD:

- Projects needed for health and safety.
- Projects needed to maintain the quality of effluent flow.
- Projects mandated by regulatory agencies.
- Projects that ensure adequate process reliability.
- Projects that enhance efficiency and effectiveness.

These criteria will be updated in the next CIP to align with the Plant Master Plan. The preferred alternative of the plan was approved by the City Council on April 19, 2011.

Sources of Funding

Revenues for the Five-Year CIP are derived from several sources: transfers from the City of San José Sewer Service and Use Charge Fund ($207.0 million) and the Sewage Treatment Plant Connection Fee Fund ($15.5

Sources of Funding (Cont'd.)

million); contributions from the City of Santa Clara and other agencies ($109.2 million); Interest Earnings ($8.7 million); Calpine Metcalf Energy Center Facilities Repayments ($1.9 million); federal grants from the US Bureau of Reclamation ($1.5 million), and contributions from the Santa Clara Valley Water District in connection with recycled water projects ($1.0 million).

The Sewer Service and Use Charge Fund derives its revenues from fees imposed on San José users of the residential, commercial, and industrial sanitary sewer system. These fees represent the largest source of funding for this capital program. Transfers from the Sewer Service and Use Charge Fund to the Water Pollution Control Capital Improvement Program over the five years of the CIP reflect a $9.0 million (4.2%) decrease compared to the 2011-2015 Adopted CIP. The transfer is lower than that in the previous CIP because delays in projects resulted in an accumulated Fund Balance that is available to fund projects. This level of transfer includes an approved rate increases of 3% in 2011-2012, and assumes rate increases of 3% in the following years. This level of increase is 50% lower than the 6% increase assumed in the 2011-2015 CIP.

Contributions from the City of Santa Clara and other agencies are determined according to agreements with the participating agencies, based on financing plans, anticipated Plant expenditures and the amount and characteristics of flows from each agency's connections to the Treatment Plant. These contributions reimburse the City for actual project expenditures. In this Adopted CIP, contributions from the City of Santa Clara and the other agencies total $109.2 million, which represents a $13.7 million (14%) increase compared to the 2011-2015 Adopted CIP. This increase results from the additional capital investments included in this CIP, driven by projects such as the East Primary Concrete Tank Repair and Stainless Steel Conversion, Headworks Enhancement, and Plant Infrastructure Improvements projects.

Program Highlights

Plant Master Plan Project

The Plant Master Plan is a three-year process initiated in 2008, which will guide the Plant's capital improvement program and land use changes over the next 30 years. Four key conditions drive the need for the Plan: aging infrastructure, population and job growth, new or stricter regulations, and the availability of better technologies. The Master Plan strives to balance environmental, economic, and community preferences with the technical needs of the Plant in its land use recommendations.

The preferred alternative of the Master Plan was approved by the City Council on April 19, 2011, with environmental clearance to be completed in early 2013. Preliminary cost estimates for many projects based on the recommendations of the Master Plan were incorporated into this CIP. The Master Plan has developed technical recommendations as well as a draft recommended land use alternative. The Master Plan also addresses future regulatory requirements and flows as well as an overhaul of the entire solids treatment process. A financing strategy to cover the estimated $2.2 billion in recommended improvements will be developed in collaboration with the Plant co-owners and tributary agencies.

Program Highlights (Cont'd.)

Plant Master Plan Project (Cont'd.)

The current CIP aligns with the rehabilitation recommendations in the Master Plan related to the liquids process, digesters, and energy generation. It should be noted that several projects in this CIP include significant funding changes as compared to the 2011-2015 CIP, as the Master Plan was still in development at that time. The scope and cost of many projects will continue to be refined as the technologies recommended by the Master Plan are evaluated and tested.

The Master Plan recommendations for wastewater treatment processes are shaping expectations for the future physical footprint of the Plant's operational area. This footprint will enable land use planning of the Plant's 2,600 acres, which include the bufferlands, biosolids treatment area, and Pond A18. Public outreach and stakeholder involvement have been a major component of the Plant Master Plan process. Over 9,000 community members have toured the Plant since 2008, the Plant Master Plan website provides the public with up-to-date information on the Plan's progress, and a Community Advisory Group (CAG) has been formed and meets monthly for detailed discussions of the complex issues facing the Plant.

Headworks Enhancement

All wastewater entering the Plant is received at the headworks, which remove any large debris from the stream before the water proceeds to other stations for treatment. The Plant has two headworks (HW) facilities: HW1 and HW2. HW1 was completed in the early 1960s, and HW2 was built in 2008. At current capacities, either facility can accommodate average dry weather flows, but both facilities must be operated in parallel to accommodate peak wet weather flows. In the future, HW1 will be decommissioned and HW2 expanded to serve as the sole headworks facility. The Headworks Enhancement project will repair HW1 to enable it to continue serving the Plant for the next ten years, and improve the functional reliability of HW2 in advance of decommissioning HW1. The 2012-2016 Adopted CIP includes $38.7 million for this project. While the total cost estimate for this project has been increased by $86.4 million, to $91.6 million, this is primarily due to the incorporation of the Headworks No. 2 Expansion project, which was presented as a separate project in the 2011-2015 CIP, into this project. The cost and scope of this project will continue to be refined as Master Plan recommendations and technologies are evaluated.

Digester Rehabilitation

The Digester Rehabilitation project, which began in 2008, will include structural rehabilitation of four digesters to address cracks in the digestion tanks, replace existing digester gas and digested sludge lines, and facilitate pilot testing of digestion processes and equipment. This CIP includes $37.7 million for the Digester Rehabilitation Project.

The total cost estimate for this project has been decreased by $23.3 million compared to the 2011-2015 CIP, and will continue to be refined as Plant Master Plan recommendations are evaluated, and new technologies tested. The decrease in this CIP reflects scope refinement in response to a recent consultant study. The study suggested alternative technologies and pre-treatment strategies that will result in a lower volume of

Program Highlights (Cont'd.)

Digester Rehabilitation (Cont'd.)

sludge being treated. With a lower volume of sludge expected, fewer digesters will need to be rehabilitated than was previously expected.

Plant Electrical Reliability Program

The 2012-2016 Adopted CIP includes $72.5 million for the Plant Electrical Reliability Program. The current power distribution network has grown in a patched manner over the years, and many electrical system components have reached the end of their useful life. This program consists of multi-phase construction projects to enhance the overall safety and reliability of the Plant electrical systems. Projects included in the Proposed CIP include standby generator installation, engine generator replacement, switchgear upgrades and replacement, breaker replacement, and installation of a new gas turbine for improved efficiency and reliability.

Several elements of the Plant Electrical Reliability program have already been implemented. Construction to add new switchgear and cables to create an interim ring buss distribution system is complete and construction to replace additional switchgears and motor control centers began recently. It is anticipated that this construction will be completed in 2012.

Plant Infrastructure Improvements

The current five-year CIP has been adapted to the preliminary findings of the Plant Master Plan project to ensure that rehabilitation and replacement needs resulting from the Plant's aging infrastructure are covered, and that long-term expectations for liquids treatment, solids treatment, and energy generation are addressed. A $59.7 million allocation for Plant Infrastructure Improvements, as well as funding for several independent infrastructure projects, are included in this CIP.

One of the major preliminary findings of the Plant Master Plan is the need to move ahead with selected piloting and testing of alternative technologies. This will ensure that appropriate technologies are selected given the specific characteristics of the Plant service area's wastewater and increase the optimization level of future design. The current five-year CIP projects will facilitate piloting and testing of clarifier performance, biosolids processing options, filter underdrain system, and fine bubble membrane diffusers. Several projects included in the CIP, such as the Fine Bubble Membrane Diffuser Conversion project, the Fuel Cell project, and the replacement of the existing engine generators as part of the Plant Electrical Reliability Program, are included in this CIP to meet the Plant's energy and reliability goals. Specific elements of the Advanced Process Control and Automation project will improve the Plant's ability to monitor and control Plant treatment processes and increase the reliability of Plant operations.

East Primary Concrete Tank Repair and Stainless Steel Conversion

The scope of the East Primary Concrete Tank Repair and Stainless Steel Conversion, for which $20.2 million is allocated in this CIP, has increased since the 2011-2015 CIP to include seismic upgrades and odor control measures in response to recent Master Plan recommendations. Previously, this project included only concrete repair and coating of the tanks. As a result of these scope changes the cost estimate for the project has increased

Program Highlights (Cont'd.)

East Primary Concrete Tank Repair and Stainless Steel Conversion (Cont'd.)

from $3.6 million in the 2011-2015 CIP to $20.2 million in this CIP and it is anticipated that the total project cost will be $83.8 million. The project is expected to be completed in 2021. The cost and scope of the project will continue to be refined as Master Plan recommendations are explored and new technologies are tested.

South Bay Action Plan

A South Bay Action Plan (SBAP) has been a requirement of the Plant's National Pollution Discharge Elimination System (NPDES) permit since 1991 and includes projects necessary to maintain average dry weather effluent flow for the Plant below the 120 million gallons per day (mgd) flow trigger in order to protect salt marsh habitat for endangered species in the South Bay. The requirement has changed from adherence with specific elements included in the discharge permit to the submission of an annual work plan that allows for adaptive management. In June 1997, both the San Francisco Bay Regional Water Quality Control Board (Regional Board) and the San José City Council approved the Revised South Bay Action Plan (RSBAP). The RSBAP was included as a provision of the 1998 NPDES permit and included the Expanded Water Recycling; Industrial Water Recycling/Reuse,; Groundwater Inflow/Infiltration Reduction; and Environmental Enhancement pilot projects. In February 1998, Council approved a financing plan that identified $127 million in funding sources for the RSBAP, primarily through State Revolving Fund loans from the State Water Resources Control Board (SWRCB), and Treatment Plant Capital Fund reserves. Included in the $127 million was $100 million for water recycling projects. The last of this funding is programmed in this CIP in the Revised South Bay Action Plan – SBWR Extenstion Project.

On April 8, 2009 the Regional Board approved a new NPDES permit for the Plant and continued the requirement for a South Bay Action Plan to comply with the original 1991 Regional Board Resolution. The Regional Board SBAP requirement states that the Discharger will continue to implement its water conservation, industrial recycling and reuse, and recycling programs.

The South Bay Water Recycling System was authorized by the City Council in 1993 as a project to divert up to 15 mgd of treated effluent from the bay during the summer by providing nonpotable recycled water to customers in Milpitas, Santa Clara and San José. The Santa Clara Valley Water District (SCVWD) is expected to complete the Advanced Water Treatment facility in 2012, marking a significant milestone in the evolution of the System. In addition, a continued collaborative effort is underway with the SCVWD for future expansion, operation and maintenance of the system. This CIP includes $2.1 million of funding for the Revised South Bay Action Plan – SBWR Extension project, $14.0 million for a South Bay Water Recycling Master Plan, and $7.5 million for other SBWR projects.

Other Projects

The 2012-2016 Adopted CIP includes other projects that are required to meet regulatory mandates, ensure process reliability, provide a safe work environment, or create process efficiencies or cost savings. These projects

Program Highlights (Cont'd.)

Other Projects (Cont'd.)

include the Secondary and Nitrification Clarifier Rehabilitation ($12.8 million), and the Fine Bubble Membrane Diffuser Conversion ($3.9 million).

Reserve for Equipment Replacement

As in prior CIPs, the 2012-2016 Adopted CIP includes a minimum $5.0 million Reserve for Equipment Replacement. This reserve minimum was established to satisfy three contractual requirements:

The State Water Resources Control Board's (SWRCB) Fund Loan Agreement policy requires annual budgets to include funds for the replacement of major equipment that maintains the capacity and performance of the treatment plant over its useful life.

The Clean Water Financing Authority (CWFA) Bond Covenants require that a reserve be maintained at a minimum level of $5.0 million to help pay the costs of extraordinary repairs and for renewal and replacement of the treatment plant when insurance and other funds budgeted for such purposes are are insufficient to meet the need.

The Master Agreements for Wastewater Treatment between City of San José, City of Santa Clara, and Tributary Agencies established a replacement fund to deposit annual contributions for the replacement of major treatment plant equipment. The Master Agreements also require that each agency pay its proportionate share of the annual replacement contribution.

Other Reserves

Several other reserves have been established or are included in this program. A Reserve of $20.0 million for the Biosolids Program will be used for the disposal of legacy biosolids on Plant Lands. Options for the disposal of these biosolids are currently under evaluation. A Reserve for Odor Control Projects ($10.0 million) has been established for several projects in this program, which will incorporate odor control components. The technologies to be used for odor control are still under evaluation, and the scope of the project is still being refined. The CIP also includes a reserve of $10.0 million for contingencies related to electrical systems as well as for activities related to the Electrical Reliability Improvements project.

Major Changes from the 2011-2015 Adopted CIP

Major changes from the 2011-2015 Adopted CIP include the following:

- A decrease of $23.3 million for Digester Rehabilitation.
- A decrease of $5.9 million for Advanced Process Control and Automation.
- A decrease of $1.5 million for Fine Bubble Membrane Diffuser Conversion.
- An increase of $86.4 million for Headworks Enhancement.
- An increase of $80.1 million for East Primary Concrete Tank Repair and Stainless Steel Conversion.

Major Changes from the 2011-2015 Adopted CIP (Cont'd.)

- A new SBWR Master Plan project ($14.0 million).
- An increase of $13.2 million for the ongoing Plant Infrastructure Improvements allocation.

The increases and decreases to the various project line items in this CIP are reflective of updated recommendations and cost estimates contained in the Plant Master Plan. The changes are also reflective of the need to extend the construction timeline for a number of projects beyond the current five-year CIP to allow for the completion of special studies, pilot testing of new technologies and procurement of technical services and staffing.

Operating Budget Impact

None of the projects included in this CIP are projected to negatively impact operating costs. On the contrary, several projects included in this CIP are aimed at reducing energy and operations costs. As projects are completed, and when energy usage data are available, savings will be evaluated for future reductions to the Environmental Services Department's utilities allocation.

Council-Approved Revisions to the Adopted Capital Improvement Program

During the June budget hearings, the City Council approved the rebudgeting of $17.9 million for fourteen projects: Headworks Enhancement ($3.9 million), Secondary and Nitrification Clarifier Rehabilitation ($3.2 million), Recovery Act – South Bay Water Recycling Phase 1C ($2.1 million), Advanced Process Control and Automation ($1.8 million), East Primary Concrete Tank Repair and Stainless Steel Conversion ($1.6 million), Plant Master Plan ($1.3 million), Plant Electrical Reliability ($1.0 million), Inactive Lagoons Bio-Solids Removal ($750,000), SBWR Reservoir Facility ($404,000), Iron Salt Feed Station ($340,000), Land Management and Improvements ($250,000), Filter Improvements ($200,000), Warehousing Facility Additions ($145,000), and Fuel Cell ($133,000). Also approved were a decrease of $833,000 to the Revised South Bay Action Plan – SBWR Extension appropriation, to account for funding that was already expended in 2010-2011, and the elimination of the Reserve for Digester Rehabilitation. Finally, the City Council approved a decrease of $314,000 to the Public Art appropriation in 2011-2012, and an additional decrease of $2.0 million over the remainder of the 5-year CIP, as a result of an additional review of the public art allocation. Further details regarding these actions can be found in Manager's Budget Addendum #11.

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2011-2012 Capital Budget

2012-2016 Capital Improvement Program

Water Pollution Control

Source of Funds

Use of Funds

The Source of Funds displays the capital revenues by funding source for each year of the Five-Year Capital Improvement Program. The Use of Funds displays the capital expenditures by line-item for each year of the five-year period.

Water Pollution Control

2012-2016 Adopted Capital Improvement Program

Source of Funds

SOURCE OF FUNDS	Estimated 2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	5-Year Total
San José-Santa Clara Treatment Plant Capital Fund							
Beginning Fund Balance	84,115,423	81,942,744	26,328,744	7,381,744	7,945,744	9,505,744	81,942,744 *
Revenue from Other Agencies:							
Federal Government							
- Recovery Act - Federal Revenue	3,000,000	1,000,000					1,000,000
- U.S. Bureau of Reclamation Grant	1,011,000	500,000					500,000
Water Pollution Control Plant User Agencies							
- 2005 Bond Debt Repayment	1,228,000	1,224,000	1,222,000	1,223,000	1,216,000	1,221,000	6,106,000
- Equipment Replacement	587,000	587,000	587,000	587,000	587,000	587,000	2,935,000
- SRF Loan Repayment	1,374,000	1,374,000	1,374,000	1,374,000	1,374,000	1,374,000	6,870,000
- WPCP Projects	10,371,000	13,119,000	19,983,000	20,868,000	19,789,000	19,527,000	93,286,000
Contributions, Loans and Transfers from:							
Special Funds							
- Transfer from the Sewage Treatment Plant Connection Fee Fund (539)	3,090,000	3,090,000	3,090,000	3,090,000	3,090,000	3,090,000	15,450,000
- Transfer from the Sewer Service and Use Charge Fund (541)	26,826,000	27,808,000	38,801,000	46,806,000	44,775,000	48,798,000	206,988,000
Interest Income	1,316,000	261,000	780,000	1,609,000	2,472,000	3,546,000	8,668,000
Miscellaneous Revenue							
- Calpine Metcalf Energy Center Facilities Repayment	389,000	389,000	389,000	389,000	389,000	389,000	1,945,000
- SCVWD - AWT Contribution	1,000,000	1,000,000					1,000,000
Reserve for Encumbrances	30,139,321						
Total San José-Santa Clara Treatment Plant Capital Fund	**164,446,744**	**132,294,744**	**92,554,744**	**83,327,744**	**81,637,744**	**88,037,744**	**426,690,744** *

Water Pollution Control

2012-2016 Adopted Capital Improvement Program

Source of Funds

SOURCE OF FUNDS (CONT'D.)	Estimated 2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	5-Year Total
TOTAL SOURCE OF FUNDS	164,446,744	132,294,744	92,554,744	83,327,744	81,637,744	88,037,744	426,690,744 *

* The 2012-2013 through 2015-2016 Beginning Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Water Pollution Control

2012-2016 Adopted Capital Improvement Program

Use of Funds

USE OF FUNDS	Estimated 2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	5-Year Total
Construction Projects							
Public Art							
1. Public Art	785,000	74,000	92,000	18,000	15,000	251,000	450,000
Total Public Art	**785,000**	**74,000**	**92,000**	**18,000**	**15,000**	**251,000**	**450,000**
Water Pollution Control Managed Projects							
Alternative Disinfection	1,189,000						
Dissolved Air Flotation Pressure Retention Tank and Valves	20,000						
Environmental Services Building Repair	21,000						
M5, Ring Buss, and Cable Replacement	858,000						
SBWR Regional Connector			2,000,000				2,000,000
WPCP Reliability Improvements	21,000						
2. Advanced Process Control and Automation	107,000	1,833,000	1,140,000	250,000	250,000	250,000	3,723,000
3. Digester Rehabilitation	3,119,000	12,820,000	23,205,000	980,000	696,000		37,701,000
4. East Primary Concrete Tank Repair and Stainless Steel Conversion	39,000	1,728,000	1,704,000	2,000,000	5,000,000	9,760,000	20,192,000
5. Fine Bubble Membrane Diffuser Conversion		750,000	354,000	354,000	708,000	1,770,000	3,936,000
6. Fuel Cell	1,193,000	207,000					207,000
7. Headworks Enhancement	456,000	4,791,000	6,771,000	1,385,000	1,090,000	24,661,000	38,698,000
8. Inactive Lagoons Bio-Solids Removal	75,000	800,000	240,000	3,000,000	3,000,000	3,000,000	10,040,000
9. Iron Salt Feed Station		2,340,000					2,340,000
10. Land Management and Improvements		250,000					250,000
11. Plant Electrical Reliability	14,986,000	2,814,000	13,036,000	27,620,000	29,070,000		72,540,000

Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	5-Year Total
Construction Projects							
Water Pollution Control Managed Projects							
12. SBWR Backup Water Supply		3,000,000					3,000,000
13. SBWR Customer Connection Program		1,000,000	1,000,000				2,000,000
14. SBWR Master Plan		2,000,000	3,000,000	3,000,000	3,000,000	3,000,000	14,000,000
15. SBWR Reservoir Facility	5,071,000	404,000					404,000
16. Secondary and Nitrification Clarifier Rehabilitation	811,000	3,489,000	1,106,000	931,000	6,939,000	289,000	12,754,000
17. Warehousing Facility Additions	155,000	145,000					145,000
Total Water Pollution Control Managed Projects	**28,121,000**	**38,371,000**	**53,556,000**	**39,520,000**	**49,753,000**	**42,730,000**	**223,930,000**
Watershed Protection Managed Projects							
ESD MIS Improvements	169,000						
Lab Information Management System	61,000						
18. Dissolved Air Flotation Dissolution Improvements	298,000	1,158,000	23,000				1,181,000
19. Filter Improvements		322,000	442,000	1,684,000	1,684,000	244,000	4,376,000
20. Recovery Act - South Bay Water Recycling Phase 1C	1,855,000	2,145,000					2,145,000
21. Revised South Bay Action Plan - SBWR Extension	18,983,000	556,000	389,000	389,000	389,000	389,000	2,112,000
Total Watershed Protection Managed Projects	**21,366,000**	**4,181,000**	**854,000**	**2,073,000**	**2,073,000**	**633,000**	**9,814,000**
Recurring Projects							
22. Equipment Replacement	4,822,000	1,746,000	3,783,000	1,425,000	1,425,000	1,425,000	9,804,000
23. Plant Infrastructure Improvements	12,126,000	13,102,000	4,868,000	20,316,000	6,870,000	14,551,000	59,707,000

Water Pollution Control

2012-2016 Adopted Capital Improvement Program

Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	5-Year Total
Construction Projects							
Recurring Projects							
24. Unanticipated/Critical Repairs	263,000	250,000	250,000	250,000	250,000	250,000	1,250,000
Total Recurring Projects	**17,211,000**	**15,098,000**	**8,901,000**	**21,991,000**	**8,545,000**	**16,226,000**	**70,761,000**
Total Construction Projects	**67,483,000**	**57,724,000**	**63,403,000**	**63,602,000**	**60,386,000**	**59,840,000**	**304,955,000**
Non-Construction							
General Non-Construction							
Transfer to Clean Water Financing Authority Debt Service Payment Fund	6,978,000	6,956,000	6,947,000	6,953,000	6,915,000	6,943,000	34,714,000
25. Capital Program and Public Works Department Support Service Costs	397,000	300,000	303,000	306,000	309,000	312,000	1,530,000
26. Payment for Clean Water Financing Authority Trustee	5,000	5,000	5,000	5,000	5,000	5,000	25,000
27. Plant Master Plan	3,159,000	1,260,000					1,260,000
28. State Revolving Fund Loan Repayment	4,464,000	4,464,000	4,464,000	4,464,000	4,464,000	4,464,000	22,320,000
Total General Non-Construction	**15,003,000**	**12,985,000**	**11,719,000**	**11,728,000**	**11,693,000**	**11,724,000**	**59,849,000**
Contributions, Loans and Transfers to General Fund							
Transfer to the General Fund: Human Resources/Payroll System Upgrade		10,000					10,000

Water Pollution Control

2012-2016 Adopted Capital Improvement Program

Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	5-Year Total
Non-Construction							
Contributions, Loans and Transfers to Special Funds							
Transfer to the City Hall Debt Service Fund	18,000	47,000	51,000	52,000	53,000	54,000	257,000
Total Contributions, Loans and Transfers to Special Funds	**18,000**	**47,000**	**51,000**	**52,000**	**53,000**	**54,000**	**257,000**
Reserves							
Reserve for Biosolids Program		20,000,000					20,000,000
Reserve for Electrical Reliability Improvements			10,000,000				10,000,000
Reserve for Equipment Replacement		5,000,000					5,000,000
Reserve for Odor Control Projects		10,000,000					10,000,000
Reserve for Rate Studies		200,000					200,000
Total Reserves		**35,200,000**	**10,000,000**				**45,200,000**
Total Non-Construction	**15,021,000**	**48,242,000**	**21,770,000**	**11,780,000**	**11,746,000**	**11,778,000**	**105,316,000**
Ending Fund Balance	81,942,744	26,328,744	7,381,744	7,945,744	9,505,744	16,419,744	16,419,744*
TOTAL USE OF FUNDS	**164,446,744**	**132,294,744**	**92,554,744**	**83,327,744**	**81,637,744**	**88,037,744**	**426,690,744***

* The 2011-2012 through 2014-2015 Ending Balances are excluded from the FIVE-YEAR TOTAL USE OF FUNDS to avoid multiple counting of the same funds.

2011-2012 Capital Budget

2012-2016 Capital Improvement Program

Water Pollution Control

Detail of Construction Projects

Detail of Non-Construction Projects

The Detail of Construction Projects section provides information on the individual construction projects with funding in 2011-2012. The Detail of Non-Construction Projects section is abbreviated and provides information on the individual non-construction project, with funding in 2011-2012. On the Use of Funds statement, these projects are numbered.

1. Public Art

CSA:	Environmental and Utility Services	**Initial Start Date:**	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Economic Development	**Initial Completion Date:**	Ongoing
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This allocation funds the construction and administration of public art in the Water Pollution Control Capital Program. In compliance with the Council adoption of the revised Public Art Master Plan on March 13, 2007, one percent of all construction project funding is required to be allocated to public art, excluding funding for seismic and ADA retrofits, maintenance and operations, non-construction projects (such as studies), or affordable housing. Projects where public art allocations were previously programmed or appropriated are not subject to the revisions of the Public Art Master Plan. Expenditures in this allocation will be subject to the legal revenue restrictions for the use of this funding on public art.

Justification: This allocation is required to comply with the revisions to the Public Art Master Plan adopted by the City Council on March 13, 2007.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	**Prior Years**	**2010-11 Appn.**	**2010-11 Estimate**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5-Year Total**	**Beyond 5-Year**	**Project Total**
Public Art		785	785	74	92	18	15	251	450		
TOTAL		**785**	**785**	**74**	**92**	**18**	**15**	**251**	**450**		
FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund		785	785	74	92	18	15	251	450		
TOTAL		**785**	**785**	**74**	**92**	**18**	**15**	**251**	**450**		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
N/A

Notes:
Project schedule dates and selected budget information are not provided due to the ongoing nature of this project.

FY Initiated:	Ongoing	**Redevelopment Area:**	N/A
Initial Project Budget:		**SNI Area:**	N/A
Appn. #:	5957	**USGBC LEED:**	N/A

2. Advanced Process Control and Automation

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2010
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2015
Council District:	4	**Revised Completion Date:**	2nd Qtr. 2020
Location:	Water Pollution Control Plant		

Description: This project will improve monitoring and control of treatment processes, equipment, and power usage at the Plant. The project includes development of real-time simulation software for optimal energy and Plant operating scenarios, and a Meter Validation and Replacement Program to improve the accuracy and reliability of existing meters at the Plant.

Justification: This project is necessary to improve operational and equipment reliability and operational efficiencies, and to provide accurate data for engineering analyses. The meter validation and replacement component of the project is necessary to improve metering accuracies required for reliable operation.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Equipment		1,940	107	1,833	1,140	250	250	250	3,723	1,250	5,080
TOTAL		**1,940**	**107**	**1,833**	**1,140**	**250**	**250**	**250**	**3,723**	**1,250**	**5,080**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		1,940	107	1,833	1,140	250	250	250	3,723	1,250	5,080
TOTAL		**1,940**	**107**	**1,833**	**1,140**	**250**	**250**	**250**	**3,723**	**1,250**	**5,080**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
2012-2016 CIP - decrease of $5.9 million due to decreased scope.

Notes:

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$11,000,000	**SNI Area:**	N/A
Appn. #:	7224	**USGBC LEED:**	N/A

3. Digester Rehabilitation

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2006
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	**Revised Start Date:**	3rd Qtr. 2008
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2008
Council District:	4	**Revised Completion Date:**	2nd Qtr. 2015
Location:	Water Pollution Control Plant		

Description: This project includes structural rehabilitation of four digesters to address cracks in the existing concrete digestion tanks and mechanical rehabilitation and/or replacement to restore and enhance digester performance; replaces existing digester gas lines to ensure code compliance and safety; rehabilitates and modifies six dissolved air flotation units to improve performance and odor control; and facilitates pilot testing of digestion processes and various equipment to allow the City to make cost effective selections regarding future digestion needs.

Justification: Given current processes, 11 of the 16 digesters at the WPCP must be operational for effective digestion of scum and grease. Currently, five of the digesters are non-operational, leaving only the minimum number in operation. The remaining digesters are also at risk of failure. Rehabilitating four of the digesters will ensure that scum and grease digestion operations can continue uninterrupted. It is expected that in future years, after piloting of new digestion processes and equipment are complete, additional funding will be required to rehabilitate additional aging digesters.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Development	56										56
Design		3,119	3,119	3,057					3,057		6,176
Construction				9,763	23,205	980	696		34,644		34,644
TOTAL	**56**	**3,119**	**3,119**	**12,820**	**23,205**	**980**	**696**		**37,701**		**40,876**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund	56	3,119	3,119	12,820	23,205	980	696		37,701		40,876
TOTAL	**56**	**3,119**	**3,119**	**12,820**	**23,205**	**980**	**696**		**37,701**		**40,876**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

2008-2012 CIP - increase of $1.6 million based on revised estimates during initial study.
2009-2013 CIP - increase of $84.0 million to fund construction/rehabilitation costs due to increased project scope.
2010-2014 CIP - increase of $11.5 million due to increased project scope.
2011-2015 CIP - decrease of $34.0 million due to decrease in project scope.
2012-2016 CIP - decrease of $23.2 million due to changes in project design.

Notes:

This project replaced the Scum Digestion project.

FY Initiated:	2006-2007	**Redevelopment Area:**	N/A
Initial Project Budget:	$1,000,000	**SNI Area:**	N/A
Appn. #:	4127	**USGBC LEED:**	N/A

4. East Primary Concrete Tank Repair and Stainless Steel Conversion

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2009
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	3rd. Qtr. 2010
Department:	Environmental Services	**Initial Completion Date:**	4th Qtr. 2012
Council District:	4	**Revised Completion Date:**	4th Qtr. 2021
Location:	Water Pollution Control Plant		

Description: This project includes rehabilitation of existing primary clarifiers, including coating of concrete and replacement of clarifier mechanisms with corrosion resistant materials. It also includes modifications for seismic stability to accommodate odor control covers.

Justification: This project is needed to ensure the structural integrity and reliability of the aging clarifiers.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	**Prior Years**	**2010-11 Appn.**	**2010-11 Estimate**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5-Year Total**	**Beyond 5-Year**	**Project Total**
Design		1,684	39	1,728	1,704	2,000			5,432		5,471
Construction							5,000	9,760	14,760	63,520	78,280
TOTAL		**1,684**	**39**	**1,728**	**1,704**	**2,000**	**5,000**	**9,760**	**20,192**	**63,520**	**83,751**
FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund		1,684	39	1,728	1,704	2,000	5,000	9,760	20,192	63,520	83,751
TOTAL		**1,684**	**39**	**1,728**	**1,704**	**2,000**	**5,000**	**9,760**	**20,192**	**63,520**	**83,751**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

2012-2016 CIP - increase of $80.1 million due to increase of scope to incorporate new Master Plan recommendations for seismic upgrades and odor control measures. The 2011-2015 CIP did not include a cost estimate for this project beyond 2012-2013 because the Master Plan was not yet completed during the development of the 2011-2015 CIP.

Notes:

The East Primary Concrete Tank Repair and Stainless Steel Conversion became a stand-alone project in 2010-2011. Prior to this, funding for these activities was included in the Plant Infrastructure Improvements allocation. The Initial Start Date above refers to the date when these activities were initiated as part of the Plant Infrastructure Improvements allocation.

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$3,605,000	**SNI Area:**	N/A
Appn. #:	7226	**USGBC LEED:**	N/A

5. Fine Bubble Membrane Diffuser Conversion

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2010
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	2nd Qtr. 2012
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2022
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This project will retrofit up to 24 aeration basins with fine bubble diffusers, including modifications to associated piping and other appurtenances. The project will also involve reconfiguration of interior baffle walls to provide for better compartmentalization of adjacent treatment zones, allowing for operations under different process scenarios for enhanced nutrient removal.

Justification: The aeration basins provide oxygen for the activated sludge process and account for a large portion of the Plant's overall energy use. Retrofitting the existing aeration basins with fine bubble diffusers will result in significant energy savings and help the Plant to achieve its goal of becoming energy self-sufficient by 2022. The project will also help to achieve enhanced nutrient removal and produce a better settling sludge, which in turn will lead to better performing secondary clarifiers and filters.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Development		750		750	354	354	708		2,166		2,166
Design								1,770	1,770	3,177	4,947
Construction										23,727	23,727
TOTAL		**750**		**750**	**354**	**354**	**708**	**1,770**	**3,936**	**26,904**	**30,840**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		750		750	354	354	708	1,770	3,936	26,904	30,840
TOTAL		**750**		**750**	**354**	**354**	**708**	**1,770**	**3,936**	**26,904**	**30,840**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
2012-2016 CIP - increase of $1.5 million due to revised cost estimate.

Notes:

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$29,300,000	**SNI Area:**	N/A
Appn. #:	7228	**USGBC LEED:**	N/A

6. Fuel Cell

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr 2010
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	4th Qtr. 2011
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This project constructs utility connections, including electrical and gas, for a 1.4 MW fuel cell power system to be operated on the Plant's digester gas. The fuel cell system is being provided as part of a Power Purchase Agreement (PPA) with an energy company to finance, develop, design, construct, own, operate and maintain a fuel cell power system operated on the Plant's digester gas. The electrical output provided by this system will be sold to the City for an agreement term of 20 years.

Justification: The WPCP generates its own electricity with engine generators, using methane gas and natural gas as fuel sources. The WPCP also purchases electricity from PG&E, to meet total power demand. By providing the necessary utility connections for the fuel cell described above, this project will enable the generation of additional renewable energy using available methane gas and result in less dependence by the WPCP on the power grid, reducing the WPCP's demand for electricity purchased from PG&E. Energy savings will be realized once negotiations on the Power Purchase Agreement contract have concluded.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Construction		1,326	1,193	207					207		1,400
TOTAL		**1,326**	**1,193**	**207**					**207**		**1,400**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		1,326	1,193	207					207		1,400
TOTAL		**1,326**	**1,193**	**207**					**207**		**1,400**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

None

Notes:

The Fuel Cell project became a stand-alone project in 2010-2011. Prior to this, it was part of the Plant Infrastructure Improvements allocation.

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$1,351,000	**SNI Area:**	N/A
Appn. #:	7229	**USGBC LEED:**	N/A

7. Headworks Enhancement

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2009
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	4th Qtr. 2011
Council District:	4	**Revised Completion Date:**	2nd Qtr. 2019
Location:	Water Pollution Control Plant		

Description: The new headworks were designed to operate in parallel with the old headworks to handle supplementary flows during wet weather. This project includes modifications to the Plant's headworks to allow the new headworks to handle all flows to the Plant when the old headworks are out of service. Modifications include adding gates and piping connections between existing junction structures to reroute flows. Rehabilitation of bar screens, discharge valves, channel gate valves, concrete structures, and process piping is also included in this project.

Justification: This project allows for the old headworks, which was built in the mid 1950s and early 1960s, to be shutdown for maintenance and rehabilitation.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design	165	1,465	456	1,940	578	500	500		3,518		4,139
Construction		2,851		2,851	6,193	885	590	24,661	35,180	52,286	87,466
TOTAL	**165**	**4,316**	**456**	**4,791**	**6,771**	**1,385**	**1,090**	**24,661**	**38,698**	**52,286**	**91,605**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund	165	4,316	456	4,791	6,771	1,385	1,090	24,661	38,698	52,286	91,605
TOTAL	**165**	**4,316**	**456**	**4,791**	**6,771**	**1,385**	**1,090**	**24,661**	**38,698**	**52,286**	**91,605**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

2011-2015 CIP - increase of $1.2 million due to increased project scope.
2012-2016 CIP - increase of $86.4 million due to the incorporation of the Headworks No. 2 Expansion project (shown as a stand-alone project in the 2011-2015 CIP) into this project. The scope of the combined project has also changed significantly since the prior CIP in response to new Master Plan recommendations, and will continue to be refined.

Notes:

FY Initiated:	2009-2010	**Redevelopment Area:**	N/A
Initial Project Budget:	$4,000,000	**SNI Area:**	N/A
Appn. #:	7073	**USGBC LEED:**	N/A

8. Inactive Lagoons Bio-Solids Removal

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2002
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	3rd Qtr. 2010
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2008
Council District:	4	**Revised Completion Date:**	2nd Qtr. 2022
Location:	Water Pollution Control Plant		

Description: The Residual Sludge Management facility has inactive lagoons containing about 320,000 dry tons of toxic bio-solid stockpiles, accumulated between 1960 and 1967, before vigorous and effective source control and pretreatment programs were implemented. These stockpiles contain contaminant levels that could require disposal at a landfill at a significant cost. This project will further study and characterize the materials, assess disposal options based on that study, and dispose of the bio-solids. This project was put on hold a number of times, most recently in 2007 when it was deferred so that possible solutions could be explored in the context of the Plant Master Plan. Based on early Master Planning recommendations, this project is being re-activated to dispose of these bio-solids.

Justification: This project would allow for this land to eventually be used for alternative purposes. Carrying out this project now would also avoid higher disposal costs in the future, when environmental regulations may become more cumbersome.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Development		875	75	800	240				1,040		1,115
Construction						3,000	3,000	3,000	9,000	15,000	24,000
TOTAL		**875**	**75**	**800**	**240**	**3,000**	**3,000**	**3,000**	**10,040**	**15,000**	**25,115**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		875	75	800	240	3,000	3,000	3,000	10,040	15,000	25,115
TOTAL		**875**	**75**	**800**	**240**	**3,000**	**3,000**	**3,000**	**10,040**	**15,000**	**25,115**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

2005-2009 CIP - decrease of $2.5 million to reflect re-scoping of this project to cover the reevaluation of alternatives for the proper disposal of toxic bio-solids.
2007-2011 CIP - decrease of $1.8 million to shift funding for Bio-Solids removal to the Reserve for Bio-Solids Plans.
2011-2015 CIP - increase of $29.3 million to reflect the latest cost estimate for reactiviating the program.
2012-2016 CIP - decrease of $4.4 million to reflect the latest cost estimate for reactivating the program.

Notes:

This project was previously part of an ongoing allocation titled "Residual Sludge Facilities," and has also previously been titled "Inactive Lagoons Bio-Solids Removal Study." The project was initiated in 2003-2004, but was deferred a number of times and funding was decreased over the years. Funding for the disposal contracts will be encumbered within the five years of the CIP, however, depending on the method of disposal that is selected, operations may continue until the 2nd Quarter of 2022. The completion date may be further revised, as options for disposal are evaluated.

FY Initiated:	2003-2004	**Redevelopment Area:**	N/A
Initial Project Budget:	$4,500,000	**SNI Area:**	N/A
Appn. #:	4931	**USGBC LEED:**	N/A

9. Iron Salt Feed Station

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2010
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	1st Qtr. 2012
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2012
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This project will include a chemical storage tank, a concrete containment structure as well as pumps, piping and instrumentation to dose and deliver chemical solution to incoming wastewater.

Justification: The addition of iron salt to incoming wastewater will improve Plant operation by enhancing the settling of sludge in the primary clarifiers, and reducing corrosion and odor.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design		340		340					340		340
Construction				2,000					2,000		2,000
TOTAL		**340**		**2,340**					**2,340**		**2,340**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		340		2,340					2,340		2,340
TOTAL		**340**		**2,340**					**2,340**		**2,340**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
None

Notes:

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$2,340,000	**SNI Area:**	N/A
Appn. #:	7230	**USGBC LEED:**	N/A

10. Land Management and Improvements

CSA:	Environmental and Utility Services	**Initial Start Date:**	2nd Qtr. 1997
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	1st Qtr. 2007
Council District:	4	**Revised Completion Date:**	2nd Qtr. 2012
Location:	Water Pollution Control Plant		

Description: This project provided resources for the environmental planning and review of technical issues related to the development and evaluation of possible alternative uses of salt pond A-18 and the San José/Santa Clara Water Pollution Control Plant buffer lands. The remaining funding will be used to stabilize an existing transformer on Plant lands from further settlement.

Justification: Continued settlement of the transformer could cause localized power loss, which would impact the Plant's effluent sampling and permit compliance.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Property & Land	20,318	250		250					250		20,568
TOTAL	**20,318**	**250**		**250**					**250**		**20,568**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund	20,318	250		250					250		20,568
TOTAL	**20,318**	**250**		**250**					**250**		**20,568**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

1999-2003 CIP - increase of $15.0 million to address scope changes.
2005-2009 CIP - increase of $500,000 for alternative use analysis, property management, and development of salt pond A18.
2007-2011 CIP - decrease of $5.0 million to address scope changes.

Notes:

Funding for the restoration of the Moseley land tract, formerly funded in the Salt Marsh Restoration appropriation, is now programmed in the Land Management and Improvements project. This project was previously titled "Land Acquisitions and Improvements."

FY Initiated:	1996-1997	**Redevelopment Area:**	N/A
Initial Project Budget:	$10,100,000	**SNI Area:**	N/A
Appn. #:	6147	**USGBC LEED:**	N/A

11. Plant Electrical Reliability

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2003
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2015
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This project replaces substations and switches, modifies power distribution buses and cabling, and provides backup systems to enhance the overall safety and reliability of the Plant electrical systems. The project includes a multi-phase construction schedule based upon a study completed in 2004.

Justification: The current power distribution network has grown in a patched manner over the years, and many electrical system components have reached the end of their service life. This project addresses immediate safety needs, and provides for future reliability needs.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design	3,555			1,344	1,336	720			3,400		6,955
Construction		15,986	14,986	1,470	11,700	26,900	29,070		69,140		84,126
TOTAL	**3,555**	**15,986**	**14,986**	**2,814**	**13,036**	**27,620**	**29,070**		**72,540**		**91,081**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund	3,555	15,986	14,986	2,814	13,036	27,620	29,070		72,540		91,081
TOTAL	**3,555**	**15,986**	**14,986**	**2,814**	**13,036**	**27,620**	**29,070**		**72,540**		**91,081**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

2005-2009 CIP - increase of $33.5 million to fund construction/rehabilitation costs due to increased project scope.
2007-2011 CIP - increase of $15.6 million to fund construction/rehabilitation costs due to increased project scope.
2008-2012 CIP - increase of $26.5 million to fund construction/rehabilitation costs due to increased project scope.
2009-2013 CIP - decrease of $3.0 million to reflect a project scope change.
2011-2015 CIP - increase of $11.4 million due to increased project scope.

Notes:

This project replaces a formerly ongoing allocation titled "Electrical System Improvements."

FY Initiated:	2003-2004	**Redevelopment Area:**	N/A
Initial Project Budget:	$7,671,000	**SNI Area:**	N/A
Appn. #:	4341	**USGBC LEED:**	N/A

12. SBWR Backup Water Supply

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2011
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2012
Council District:	City-wide	**Revised Completion Date:**	
Location:	City-wide		

Description: This allocation funds the buildout of backup water supply facilities to provide an alternate water source for critical customers when South Bay Water Recycling operations are interrupted for any reason.

Justification: Without backup water supplies, a failure of the Advanced Water Treatment Facility, which is scheduled to become operational in 2012, would result in wide variations in water quality to irrigation and industrial customers and (in certain circumstances) interruption of water supply altogether to critical facilities. Poor water quality could result in the loss of recycled water customers. A backup water supply is a prerequisite for supplying recycled water to the Mineta-San José International Airport.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design				3,000					3,000		3,000
TOTAL				**3,000**					**3,000**		**3,000**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund				3,000					3,000		3,000
TOTAL				**3,000**					**3,000**		**3,000**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
N/A

Notes:
Operating costs for the backup systems will depend upon the frequency and duration of service interruptions as well as required exercise of valves and other appurtenances. Current estimates suggest that the operation of the backup facility (not related to service interruptions) should not require more than ten hours per year. As a result, no O&M cost has been assigned to this project.

FY Initiated:	2011-2012	**Redevelopment Area:**	N/A
Initial Project Budget:	$3,000,000	**SNI Area:**	N/A
Appn. #:	7362	**USGBC LEED:**	N/A

13. SBWR Customer Connection Program

CSA:	Environmental and Utility Services	**Initial Start Date:**	1st Qtr. 2012
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	4th Qtr. 2012
Council District:	City-wide	**Revised Completion Date:**	
Location:	City-wide		

Description: The project provides grants to prospective recycled water customers to fund onsite retrofits. Retrofits are needed to connect existing recycled water users to the South Bay Water Recycling system.

Justification: Connection of industrial customers to recycled water frequently requires significant investment by the industrial facilities. In general these costs have not been budgeted and present a significant barrier to the use of recycled water. By providing grants to prospective customers, SBWR can increase long-term recycled water revenues. It is anticipated that the amount of grant funding available through the Customer Connection Program will be proportional to the projected amount of recycled water demand such that the grant can be repaid through gross revenues over the course of approximately ten years or less.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Grant				1,000	1,000				2,000		2,000
TOTAL				**1,000**	**1,000**				**2,000**		**2,000**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund				1,000	1,000				2,000		2,000
TOTAL				**1,000**	**1,000**				**2,000**		**2,000**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
None

Notes:

FY Initiated:	2011-2012	**Redevelopment Area:**	N/A
Initial Project Budget:	$2,000,000	**SNI Area:**	N/A
Appn. #:	7363	**USGBC LEED:**	N/A

14. SBWR Master Plan

CSA:	Environmental and Utility Services	**Initial Start Date:**	1st Qtr. 2012
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2016
Council District:	City-wide	**Revised Completion Date:**	
Location:	City-wide		

Description: The SBWR Master Plan will assess the ability of existing infrastructure to meet current and future recycled water demands and will recommend capital improvements to enhance system reliability, maintain water quality and increase recycled water use. Subsequent fiscal years (2012-2013 through 2015-2016) include funding for implementation of capital improvement projects recommended by the SBWR Master Plan, with funding in the second year (2012-2013) reserved specifically for projects to improve hydraulic reliability, including modifications to existing pump stations, additional storage to reduce system peaking and updated system controls.

Justification: The last SBWR Master Plan was completed in 2001. Through updates and revisions, the SBWR Master Plan will be developed as a plan to upgrade recycled water pumping and distribution infrastructure to meet current and future demands. The updated SBWR Master Plan will also address financial and institutional aspects of the water recycling program, including the development of a financing plan and modifications to the Joint Powers Agreement that may be appropriate for long-term development of SBWR.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design					1,050	1,050	1,050	1,050	4,200		4,200
Construction					1,950	1,950	1,950	1,950	7,800		7,800
Master Plan/Study				2,000					2,000		2,000
TOTAL				**2,000**	**3,000**	**3,000**	**3,000**	**3,000**	**14,000**		**14,000**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund				2,000	3,000	3,000	3,000	3,000	14,000		14,000
TOTAL				**2,000**	**3,000**	**3,000**	**3,000**	**3,000**	**14,000**		**14,000**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
None

Notes:

FY Initiated:	2011-2012	**Redevelopment Area:**	N/A
Initial Project Budget:	$14,000,000	**SNI Area:**	N/A
Appn. #:	7364	**USGBC LEED:**	N/A

15. SBWR Reservoir Facility

CSA: Environmental and Utility Services
CSA Outcome: Reliable Utility Infrastructure
Department: Environmental Services
Council District: 4
Location: Water Pollution Control Plant

Initial Start Date: 3rd Qtr. 2008
Revised Start Date: 3rd Qtr. 2009
Initial Completion Date: 2nd Qtr. 2011
Revised Completion Date: 2rd. Qtr. 2012

Description: The South Bay Advanced Recycled Water Treatment facility project is a jointly funded project with the Santa Clara Valley Water District (SCVWD) and includes construction of all facilities necessary to produce 8 million gallons of high-purity, recycled water that will be blended with the existing recycled water supply. The project includes 10 million gallons per day (MGD) of microfiltration (MF) capacity, 8 MGD of Reverse Osmosis (RO) capacity, and 10 MGD of Ultra Violet (UV) disinfection capacity. The project will also include all site work, structural, architectural, geotechnical, building mechanical, pumping, piping, controls and instrumentation, chemical storage and delivery systems, product storage tanks, and electrical improvements necessary to provide a fully functioning system.

Justification: Construction of the facility will improve the reliability of recycled water production, and improve the recycled water quality to the level established by the SCVWD.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	**Prior Years**	**2010-11 Appn.**	**2010-11 Estimate**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5-Year Total**	**Beyond 5-Year**	**Project Total**
Construction	434	5,475	5,071	404					404		5,909
TOTAL	**434**	**5,475**	**5,071**	**404**					**404**		**5,909**
FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund	434	5,475	5,071	404					404		5,909
TOTAL	**434**	**5,475**	**5,071**	**404**					**404**		**5,909**
ANNUAL OPERATING BUDGET IMPACT (000'S)											
TBD											
TOTAL											

Major Changes in Project Cost:

None

Notes:

This project is also referred to as "South Bay Water Recycling Water Storage Facility." Funding for this project has been front-loaded; unused funding will be rebudgeted until this project is completed. Per the contract with the Santa Clara Valley Water District (SCVWD), which began on July 1, 2010, the City and the SCVWD will review the net costs of operating South Bay Water Recycling and an Advanced Water Treatment Facility beginning in 2012. Upon review of these operating costs, the City and SCVWD will equally share these costs, however, the City's share of the costs will never exceed $2 million annually (the current net cost of operating South Bay Water Recycling).

FY Initiated: 2007-2008
Initial Project Budget: $6,000,000
Appn. #: 6508

Redevelopment Area: N/A
SNI Area: N/A
USGBC LEED: N/A

16. Secondary and Nitrification Clarifier Rehabilitation

CSA:	Environmental and Utility Services	**Initial Start Date:**	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	Ongoing
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This project includes systematic rehabilitation of existing secondary and nitrification clarifiers, including coating of concrete and rehabilitation of clarifier mechanisms. The clarifiers are large concrete tanks that serve to treat the wastewater by allowing for solids to settle out to the bottom of the tanks. The treated wastewater flows to the next treatment phase and the solids are removed from the bottom of the clarifiers for further treatment.

Justification: This project is needed to ensure the structural integrity and reliability of the aging clarifiers.

EXPENDITURE SCHEDULE (000'S)										
Cost Elements	**Prior Years**	**2010-11 Appn.**	**2010-11 Estimate**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5-Year Total**	**Beyond 5-Year**	**Project Total**
Development		940	811	489					489		
Design		3,000		3,000					3,000		
Construction					1,106	931	6,939	289	9,265		
TOTAL		**3,940**	**811**	**3,489**	**1,106**	**931**	**6,939**	**289**	**12,754**		
FUNDING SOURCE SCHEDULE (000'S)										
San José-Santa Clara Treatment Plant Capital Fund		3,940	811	3,489	1,106	931	6,939	289	12,754		
TOTAL		**3,940**	**811**	**3,489**	**1,106**	**931**	**6,939**	**289**	**12,754**		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
N/A

Notes:
Project schedule dates and selected budget information are not provided due to the ongoing nature of this project. Condition assessment studies are currently underway and will serve as the basis for developing a pilot project to test various equipment and configurations on one clarifier before undertaking extensive rehabilitation on all 26 secondary clarifiers and 16 nitrification clarifiers. In the 2012-2016 CIP, the cost of the project was increased by $1.2 million due to refinements in project scope and construction cost estimates. These costs will be further refined in the future.

FY Initiated:	Ongoing	**Redevelopment Area:**	N/A
Initial Project Budget:		**SNI Area:**	N/A
Appn. #:	7074	**USGBC LEED:**	N/A

17. Warehousing Facility Additions

CSA:	Environmental and Utility Services	**Initial Start Date:**	3rd Qtr. 2010
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	2nd Qtr. 2012
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This project includes an assessment of inventory storage needs and provide for covered storage facilities for spare equipment, parts, and materials used in wastewater treatment.

Justification: This project allows for equipment, parts, and materials that are currently stored in the open to be stored in a centralized covered area.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design		300	155	145					145		300
Construction										1,500	1,500
TOTAL		**300**	**155**	**145**					**145**	**1,500**	**1,800**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		300	155	145					145	1,500	1,800
TOTAL		**300**	**155**	**145**					**145**	**1,500**	**1,800**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
None

Notes:

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$1,800,000	**SNI Area:**	N/A
Appn. #:	7231	**USGBC LEED:**	N/A

18. Dissolved Air Flotation Dissolution Improvements

CSA:	Environmental and Utility Services	Initial Start Date:	4th Qtr. 2010
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	1st Qtr. 2012
Council District:	4	**Revised Completion Date:**	3rd Qtr. 2012
Location:	Water Pollution Control Plant		

Description: This project replaces existing pressure flow discharge valves and pipe manifold at the Dissolved Air Flotation Facility. This project also includes evaluation and testing of an alternative technology to the existing pressure retention tanks.

Justification: This project improves reliability, addresses safety issues, and maintains the integrity of existing infrastructure. This project also evaluates less costly alternatives to replacing the existing pressure retention tanks.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design		548	298								298
Construction				1,158	23				1,181		1,181
TOTAL		**548**	**298**	**1,158**	**23**				**1,181**		**1,479**

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		548	298	1,158	23				1,181		1,479
TOTAL		**548**	**298**	**1,158**	**23**				**1,181**		**1,479**

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
None

Notes:

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$1,479,000	**SNI Area:**	N/A
Appn. #:	7225	**USGBC LEED:**	N/A

19. Filter Improvements

CSA:	Environmental and Utility Services	**Initial Start Date:**	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	Ongoing
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This project includes the replacement of the existing filter underdrain system with a new type of underdrain technology, and the existing dual-media with a single media type (monomedia). Initially, one of the 16 filter bays would be operated as a full-scale demonstration project. This project will allow the City to evaluate whether it is more economical to upgrade the existing filters or install a new technology.

Justification: The existing filters at the Water Pollution Control Plant were constructed in the 1970s. Due to structural and mechanical deterioration at the filter facility, as well as outdated electrical and instrumentation equipment, a significant investment will be required at the filter facility over the next 10 years to ensure the long-term reliability of the treatment process.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Design		200		200					200		
Construction				122	442	1,684	1,684	244	4,176		
TOTAL		**200**		**322**	**442**	**1,684**	**1,684**	**244**	**4,376**		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		200		322	442	1,684	1,684	244	4,376		
TOTAL		**200**		**322**	**442**	**1,684**	**1,684**	**244**	**4,376**		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

N/A

Notes:

Project schedule dates and selected budget information are not provided due to the ongoing nature of this project. This project became a stand-alone project in 2010-2011. Previously, it was part of the Plant Infrastructure Improvements project.

FY Initiated:	Ongoing	**Redevelopment Area:**	N/A
Initial Project Budget:		**SNI Area:**	N/A
Appn. #:	7227	**USGBC LEED:**	N/A

20. Recovery Act - South Bay Water Recycling Phase 1C

CSA:	Environmental and Utility Services	**Initial Start Date:**	1st. Qtr. 2010
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	3rd Qtr. 2011
Council District:	3, 4, 8	**Revised Completion Date:**	
Location:	City-wide		

Description: This allocation represents the Federal contribution, under the American Recovery and Reinvestment Act of 2009, for eight pipeline extensions and improvements in San José and Santa Clara. Constructing these projects will add approximately nine miles to the South Bay Water Recycling distribution system and initially increase deliveries of recycled water by over 1,400 acre-feet per year. The largest of the pipelines to be constructed with this funding are the Santa Clara Industrial 1, 2, and 3 pipelines and the San José Airport extension.

Justification: This project will provide recycled water to additional customers, increase system reliability, and diversify local water supplies while reducing discharges of treated water to the Bay.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	**Prior Years**	**2010-11 Appn.**	**2010-11 Estimate**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5-Year Total**	**Beyond 5-Year**	**Project Total**
Construction	1,077	5,233	1,855	2,145					2,145		5,077
TOTAL	**1,077**	**5,233**	**1,855**	**2,145**					**2,145**		**5,077**
FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund	1,077	5,233	1,855	2,145					2,145		5,077
TOTAL	**1,077**	**5,233**	**1,855**	**2,145**					**2,145**		**5,077**
ANNUAL OPERATING BUDGET IMPACT (000'S)											
TBD											
TOTAL											

Major Changes in Project Cost:
2012-2016 CIP - decrease of $1.2 million due to lower project cost estimates.

Notes:
Per the contract with the Santa Clara Valley Water District (SCVWD), which began on July 1, 2010, the City and the SCVWD will review the net costs of operating South Bay Water Recycling and an Advanced Water Treatment Facility beginning in 2012. Upon review of these operating costs, the City and SCVWD will equally share these costs, however, the City's share of the costs will never exceed $2 million annually (the current net cost of operating South Bay Water Recycling).

FY Initiated:	2010-2011	**Redevelopment Area:**	N/A
Initial Project Budget:	$6,310,000	**SNI Area:**	N/A
Appn. #:	7161	**USGBC LEED:**	N/A

21. Revised South Bay Action Plan - SBWR Extension

CSA:	Environmental and Utility Services	**Initial Start Date:**	Ongoing
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	Ongoing
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: The National Pollutant Discharge Elimination System (NPDES) permit requires continued development of the South Bay Water Recycling (SBWR) system to increase use of recycled water and further reduce Plant discharge to the bay. This allocation funds recycled water projects that are not yet identified. Included annually in this appropriation is $389,000, which represents recycled water pipeline funding from Calpine for their share of the pipeline to the Metcalf Energy Center, and will be used to fund future recycled water projects.

Justification: The Revised South Bay Action Plan, adopted by the City Council in June 2001, provides for an integrated, cost-effective combination of water conservation, industrial reuse and water recycling projects. The SBWR Extension project includes construction of extensions to the existing recycled water distribution system that will provide additional capacity and ensure diversification of a beneficial resource while reducing flow to the Bay.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Development											
Design											
Construction		19,161	18,983	556	389	389	389	389	2,112		
TOTAL		**19,161**	**18,983**	**556**	**389**	**389**	**389**	**389**	**2,112**		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		19,161	18,983	556	389	389	389	389	2,112		
TOTAL		**19,161**	**18,983**	**556**	**389**	**389**	**389**	**389**	**2,112**		

ANNUAL OPERATING BUDGET IMPACT (000'S)

TBD	
TOTAL	

Major Changes in Project Cost:
N/A

Notes:
Project schedule dates and selected budget information are not provided due to the ongoing nature of this project. In the 2012-2016 CIP, this allocation decreased by $9.4 million due to the completion of several major phases of construction in 2010-2011. Annual Operating Budget impacts are to be determined, and will be evaluated on an ongoing basis. Per the contract with the Santa Clara Valley Water District (SCVWD), which began on July 1, 2010, the City and the SCVWD will review the net costs of operating South Bay Water Recycling and the Advanced Water Treatment Facility beginning in 2012. Upon review of these costs, one party will pay to the other the amount required to equalize the amounts paid by each towards the total net operating cost, however, the City's share of the costs will never exceed $2 million annually.

FY Initiated:	Ongoing	**Redevelopment Area:**	N/A
Initial Project Budget:		**SNI Area:**	N/A
Appn. #:	6589	**USGBC LEED:**	N/A

22. Equipment Replacement

CSA:	Environmental and Utility Services	**Initial Start Date:**	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	Ongoing
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This allocation provides for the replacement and rehabilitation of equipment at the Plant. Equipment anticipated to be replaced or rehabilitated includes air compressors, tanks, pumps, motors, control systems, valves, heat exchangers, engine auxiliaries, lab instruments and other equipment as required. Existing engine-generators and engine-blowers will be retrofitted to meet Air Quality Board emission requirements.

Justification: Replacement and rehabilitation of WPCP equipment is necessary as a result of wear, obsolescence or regulatory requirements. Replacement and rehabilitation will ensure continued efficient operation of the Plant facilities.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Equipment		4,822	4,822	1,746	3,783	1,425	1,425	1,425	9,804		
TOTAL		**4,822**	**4,822**	**1,746**	**3,783**	**1,425**	**1,425**	**1,425**	**9,804**		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		4,822	4,822	1,746	3,783	1,425	1,425	1,425	9,804		
TOTAL		**4,822**	**4,822**	**1,746**	**3,783**	**1,425**	**1,425**	**1,425**	**9,804**		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
N/A

Notes:
Project schedule dates and selected budget information are not provided due to the ongoing nature of this project. In the 2012-2016 CIP, this allocation was decreased by $3.5 million due to refinements to project scope and cost estimates. These costs will be further refined in the future.

FY Initiated:	Ongoing	**Redevelopment Area:**	N/A
Initial Project Budget:		**SNI Area:**	N/A
Appn. #:	4332	**USGBC LEED:**	N/A

23. Plant Infrastructure Improvements

CSA:	Environmental and Utility Services	**Initial Start Date:**	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	Ongoing
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This allocation provides for improvements, rehabilitation, or replacement of existing Plant infrastructure. Examples of the ongoing replacement and rehabilitation work include roof and handrail replacement; concrete repairs; street resurfacing; yard piping condition assessments; and rehabilitation of process facilities, instrumentation, and electrical generation and distribution control systems. In addition to this ongoing work, special projects related to infrastructure may be funded from this appropriation. Examples include pilot projects and connection of various new process areas to existing plant infrastructure. With the completion of the Master Plan Environmental Impact Report (EIR) in early 2013, the number of special projects funded from this appropriation is expected to increase substantially. Examples of these projects include aeration header connection, field verification of filter technology, and biosolids processing improvements. It should be noted that due to the ongoing evaluation of Master Plan recommendations and analysis of available technologies, costs and schedules for a number of projects in this appropriation are expected to be refined substantially in the coming years.

Justification: Rehabilitation, improvements, and replacement of capital infrastructure are necessary to maintain process viability and to ensure regulatory compliance, structural integrity, reliability, functionality, and safety of Plant buildings and process facilities for intended uses.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Construction		12,126	12,126	13,102	4,868	20,316	6,870	14,551	59,707		
TOTAL		**12,126**	**12,126**	**13,102**	**4,868**	**20,316**	**6,870**	**14,551**	**59,707**		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		12,126	12,126	13,102	4,868	20,316	6,870	14,551	59,707		
TOTAL		**12,126**	**12,126**	**13,102**	**4,868**	**20,316**	**6,870**	**14,551**	**59,707**		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

N/A

Notes:

Project schedule dates and selected budget information are not provided due to the ongoing nature of this project. In the 2012-2016 CIP, this allocation was increased by $13.2 million due to refinements to project scope and construction cost estimates. These costs will be further refined in the future.

FY Initiated:	Ongoing	**Redevelopment Area:**	N/A
Initial Project Budget:		**SNI Area:**	N/A
Appn. #:	5690	**USGBC LEED:**	N/A

24. Unanticipated/Critical Repairs

CSA:	Environmental and Utility Services	**Initial Start Date:**	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	**Revised Start Date:**	
Department:	Environmental Services	**Initial Completion Date:**	Ongoing
Council District:	4	**Revised Completion Date:**	
Location:	Water Pollution Control Plant		

Description: This allocation provides funding for any unanticipated and/or critical repairs.

Justification: It is necessary to have funds available to facilitate a rapid response in the event that critical repairs are required to Plant infrastructure, or an unforeseen situation arises during project construction.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Construction		263	263	250	250	250	250	250	1,250		
TOTAL		**263**	**263**	**250**	**250**	**250**	**250**	**250**	**1,250**		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		263	263	250	250	250	250	250	1,250		
TOTAL		**263**	**263**	**250**	**250**	**250**	**250**	**250**	**1,250**		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:
N/A

Notes:
Project schedule dates and selected budget information are not provided due to the ongoing nature of this project.

FY Initiated:	Ongoing	**Redevelopment Area:**	N/A
Initial Project Budget:		**SNI Area:**	N/A
Appn. #:	5691	**USGBC LEED:**	N/A

25. Capital Program and Public Works Department Support Service Costs

CSA: Environmental and Utility Services
CSA Outcome: Reliable Utility Infrastructure
Department: Public Works
Description: This allocation funds capital program and Public Works Department support service costs. Capital program support service costs include the cost of the Capital Project Management System, the bid and award process, labor compliance review, performance measurement reporting, and updates of policies and specifications. Public Works Department support service costs include items such as management, staff support, fiscal services, technical support, and procurement services.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Program Management		397	397	300	303	306	309	312	1,530		
TOTAL		**397**	**397**	**300**	**303**	**306**	**309**	**312**	**1,530**		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		397	397	300	303	306	309	312	1,530		
TOTAL		**397**	**397**	**300**	**303**	**306**	**309**	**312**	**1,530**		

Notes:
Selected budget information is not provided due to the ongoing nature of this project.

Appn. #: 6000

26. Payment for Clean Water Financing Authority Trustee

CSA: Environmental and Utility Services
CSA Outcome: Reliable Utility Infrastructure
Department: Environmental Services
Description: This allocation provides for administrative costs of the San José/Santa Clara Clean Water Financing Authority related to bond issues, including necessary audits, transfers, registration, investment, and disbursement fees.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2010-11 Appn.	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16	5-Year Total	Beyond 5-Year	Project Total
Program Management		5	5	5	5	5	5	5	25		
TOTAL		**5**	**5**	**5**	**5**	**5**	**5**	**5**	**25**		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		5	5	5	5	5	5	5	25		
TOTAL		**5**	**5**	**5**	**5**	**5**	**5**	**5**	**25**		

Notes:
Selected budget information is not provided due to the ongoing nature of this project.

Appn. #: 6584

27. Plant Master Plan

CSA: Environmental and Utility Services
CSA Outcome: Healthy Streams, Rivers, Marsh and Bay
Department: Environmental Services
Description: The Plant Master Plan (PMP) process has been a three-year effort to provide the San José/Santa Clara Water Pollution Control Plant with a phased program of recommended wastewater treatment facilities and management programs to accommodate planned growth and to meet existing and anticipated regulatory requirements through the year 2040. The process resulted in a preferred alternative, which was approved by the City Council in April 2011. The preferred alternative will be analyzed under the California Environmental Quality Act (CEQA). The environmental clearance process is anticipated to complete in early 2013. The remaining funds are required to support staff and consultant services such as planning department reviews, engineering support, public noticing and stakeholder engagement during the EIR phase.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	**Prior Years**	**2010-11 Appn.**	**2010-11 Estimate**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5-Year Total**	**Beyond 5-Year**	**Project Total**
Master Plan/Study	5,748	4,419	3,159	1,260					1,260		10,167
TOTAL	**5,748**	**4,419**	**3,159**	**1,260**					**1,260**		**10,167**
FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund	5,748	4,419	3,159	1,260					1,260		10,167
TOTAL	**5,748**	**4,419**	**3,159**	**1,260**					**1,260**		**10,167**

Notes:
This project was formerly titled "Bio-solids Master Plan."

Appn. #: 4120

28. State Revolving Fund Loan Repayment

CSA: Environmental and Utility Services
CSA Outcome: Healthy Streams, Rivers, Marsh and Bay
Department: Environmental Services
Description: This allocation provides for the repayment of low interest State loans awarded for South Bay Water Recycling projects.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	**Prior Years**	**2010-11 Appn.**	**2010-11 Estimate**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5-Year Total**	**Beyond 5-Year**	**Project Total**
Debt Service	52,502	4,464	4,464	4,464	4,464	4,464	4,464	4,464	22,320	8,994	88,280
TOTAL	**52,502**	**4,464**	**4,464**	**4,464**	**4,464**	**4,464**	**4,464**	**4,464**	**22,320**	**8,994**	**88,280**
FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund	52,502	4,464	4,464	4,464	4,464	4,464	4,464	4,464	22,320	8,994	88,280
TOTAL	**52,502**	**4,464**	**4,464**	**4,464**	**4,464**	**4,464**	**4,464**	**4,464**	**22,320**	**8,994**	**88,280**

Appn. #: 6590

2011-2012 Capital Budget

2012-2016 Capital Improvement Program

Water Pollution Control

Summary of Projects that Start after 2011-2012

Summary of Reserves

Explanation of Funds

Flow and Priority of Funds

The Summary of Projects that Start after 2011-2012 includes those projects that have funding budgeted starting after 2011-2012. The Summary of Reserves includes all reserves budgeted within the Five-Year Capital Improvement Program. On the Use of Funds statement, the projects in these summaries are not numbered.

Summary of Projects that Start after 2011-2012

Project Name:	**SBWR Regional Connector**	**Initial Start Date:**	1st Qtr. 2013
5-Year CIP Budget:	$2,000,000	**Revised Start Date:**	
Total Budget:	$2,000,000	**Initial End Date:**	4th Qtr. 2014
Council District:	N/A	**Revised End Date:**	
USGBC LEED:	N/A		

Description: This project includes the design and construction of pipeline extensions to provide recycled water to jurisdictions outside the San José/Santa Clara Water Pollution Control Plant (WPCP) service area.

Summary of Reserves

Project Name:	**Reserve for Biosolids Program**	**Initial Start Date:**	N/A
5-Year CIP Budget:	$20,000,000	**Revised Start Date:**	
Total Budget:	$20,000,000	**Initial End Date:**	N/A
Council District:	4	**Revised End Date:**	
USGBC LEED:	N/A		

Description: This reserve provides funding for the removal of inactive lagoon biosolids, as well as the design and procurement of dewatering equipment upon the completion of pilot testing and further studies to be conducted in 2011-2012.

Project Name:	**Reserve for Electrical Reliability Improvements**	**Initial Start Date:**	N/A
5-Year CIP Budget:	$10,000,000	**Revised Start Date:**	
Total Budget:	$10,000,000	**Initial End Date:**	N/A
Council District:	4	**Revised End Date:**	
USGBC LEED:	N/A		

Description: This reserve sets aside funding for contingencies related to the WPCP electrical systems, as well as for activities to be added to the Plant's Electrical Reliability Improvements project in the future, once plans for these improvements are more fully developed.

Project Name:	**Reserve for Equipment Replacement**	**Initial Start Date:**	N/A
5-Year CIP Budget:	$5,000,000	**Revised Start Date:**	
Total Budget:	$5,000,000	**Initial End Date:**	N/A
Council District:	4	**Revised End Date:**	
USGBC LEED:	N/A		

Description: This reserve provides for unforeseen replacement and rehabilitation of equipment which, due to age, wear, or obsolescence, must be replaced for the efficient operation of the WPCP.

Project Name:	**Reserve for Odor Control Projects**	**Initial Start Date:**	N/A
5-Year CIP Budget:	$10,000,000	**Revised Start Date:**	
Total Budget:	$10,000,000	**Initial End Date:**	N/A
Council District:	4	**Revised End Date:**	
USGBC LEED:	N/A		

Description: This reserve provides funding for odor control components of various projects. The scope of these projects and the odor control technologies they will use are still being evaluated and refined.

Summary of Reserves

Project Name:	**Reserve for Rate Studies**	**Initial Start Date:**	N/A
5-Year CIP Budget:	$200,000	**Revised Start Date:**	
Total Budget:	$200,000	**Initial End Date:**	N/A
Council District:	4	**Revised End Date:**	
USGBC LEED:	N/A		

Description: This funding provides a reserve for the study and review of rate structures within the industry. This reserve is funded entirely by the City of San José.

Explanation of Funds

Revenues and expenditures for the operation and maintenance of the San José-Santa Clara Water Pollution Control Plant are accounted for by the City of San José, as administering agency, through the San José-Santa Clara Water Pollution Control Plant Operating Fund (Operating Fund) and the San José-Santa Clara Treatment Plant Capital Fund (Capital Fund), established by Ordinance 7214 in July 1959.

Revenues from Tributary Agencies of the San José-Santa Clara Water Pollution Control Plant are recorded directly into the Treatment Plant Operating and Capital Funds, respectively. The Tributary Agencies include the City of Milpitas, City of Cupertino, Burbank and Sunol Sanitary Districts, County Sanitation District No. 2-3, and West Valley Sanitation District.

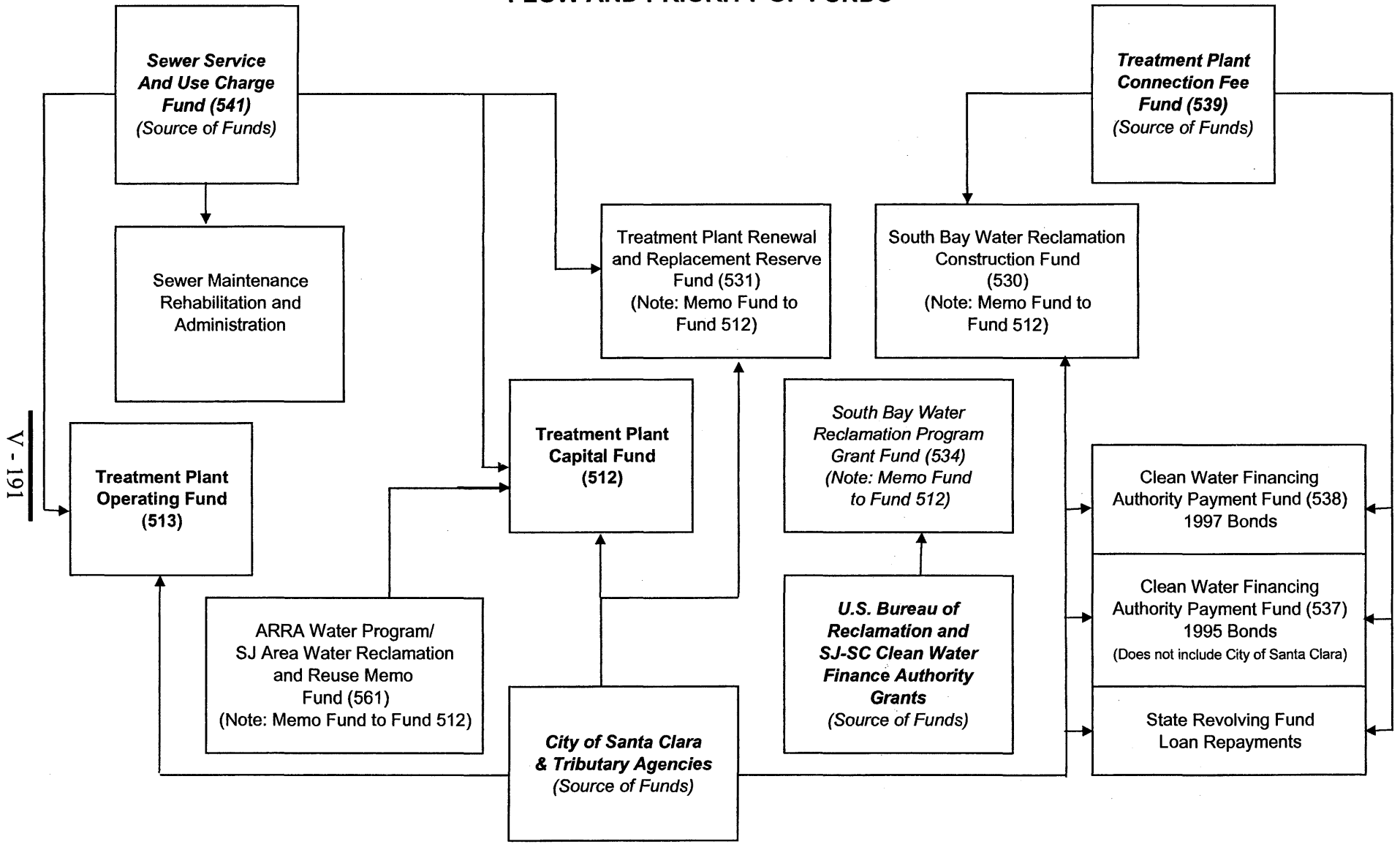
Tributary Agencies are assessed for their share of annual operation, maintenance, equipment, and facilities replacement and capital costs, based on their respective flow and strength of sewage conveyed to the Plant.

The San José Sewer Service and Use Charge Fund was established by the San José City Council by Ordinance Number 7308, adopted in August 1959. This fund is the depository of revenues from Sewer Service and Use Charges received from residential, commercial, and industrial users of the sanitary sewer system. A portion of these moneys are transferred to the Treatment Plant Operating and Capital Funds to pay for the City of San José's share of operating and capital costs of the Water Pollution Control Plant.

The Santa Clara Sewer Revenue Fund was established by Resolution Number 916 of the City Council of Santa Clara in October 1960. Like the City of San José, revenues from this fund are transferred directly to the Treatment Plant Operating and Capital Funds.

The Treatment Plant Capital Fund provides all moneys used for capital projects. Included in this fund is the Treatment Plant Renewal and Replacement Fund. This fund was established to satisfy the Water Pollution Control Plant's federal and State grant agreements as well as to comply with bond covenants. Also included in the Treatment Plant Capital Fund is the American Recovery and Reinvestment Act (ARRA) Water Program/SJ Area Water Reclamation and Reuse Memo Fund, which accounts for American Recovery and Reinvestment Act of 2009 moneys for activities related to South Bay Water Recycling projects.

WATER POLLUTION CONTROL PLANT
FLOW AND PRIORITY OF FUNDS



The arrows indicate the flow of funds from each of the various sources to the fund in which the revenues are expended.

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