



DATE: April 14, 2020

CATEGORY: Consent

DEPT.: Public Works

TITLE: **Approve Amendment 10 to the Regional Water Quality Control Plant Basic Agreement**

RECOMMENDATION

Authorize the City Manager to execute Addendum No. 10 to the Regional Water Quality Control Plant Basic Agreement between the cities of Palo Alto, Mountain View, and Los Altos to fund rehabilitation of the existing treatment plant effluent outfall, construct a new outfall, and rehabilitate and upgrade the primary sedimentation tank and associated mechanical and electrical equipment.

BACKGROUND

In 1968, the cities of Mountain View and Los Altos agreed to retire their wastewater treatment plants and approved a contract with the City of Palo Alto (Basic Agreement, also referred to as the Partners Agreement) for the acquisition, construction, and maintenance of a joint wastewater treatment plant; the plant began operating in 1972. The Basic Agreement was originally set to expire on July 1, 2035 but was extended to December 31, 2060 as part of Amendment No. 8, approved in 2015.

The Palo Alto Regional Water Quality Control Plant (Treatment Plant) provides wastewater treatment services for the cities of Palo Alto, Mountain View, and Los Altos; the Town of Los Altos Hills; Stanford University; and the East Palo Alto Sanitary District. The Treatment Plant is an advanced treatment facility that uses a multi-stage process to remove organic materials and toxins from the approximately 19 million gallons per day of wastewater generated within the service area. The treated effluent is predominantly discharged to San Francisco Bay and meets the stringent discharge requirements of the California Regional Water Quality Control Board as well as the requirements for reuse in recycled water applications. Per the Basic Agreement, Palo Alto owns and operates the Treatment Plant's wastewater treatment and disposal facilities and is responsible for managing capital improvements to the plant. Partner cities must amend the Basic Agreement to implement and fund major capital projects for the replacement of obsolete or end-of-life equipment.

In 2012, Treatment Plant staff conducted a Long Range Facilities Plan (LRFP) to review existing and future (50-year time frame) capacity needs, plant condition and deficiencies, the impacts of potential regulatory changes, alternatives to the existing solids incineration and liquid treatment processes, site layouts for plant improvements and potential expansion, and preliminary cost estimates. The LRFP, which was the first comprehensive long-range plan since 1966, included recommendations to rehabilitate and replace existing facilities nearing the end of their useful life. The highest priority projects are being implemented over a 10-year period to smooth the impact of rate increases.

Based on LRFP recommendations, Council approved Amendment No. 8 in 2015 and Amendment No. 9 in 2018 to authorize construction and cost-sharing of a sludge dewatering and truck load-out facility; funding for planning/design for the rehabilitation of the primary sedimentation tank; funding for planning/design of the fixed film reactor rehabilitation; and funding for planning/design for the Treatment Plant laboratory/environmental services building.

The LRFP also included a recommendation to improve the treatment plant outfall, which transports treated wastewater to the San Francisco Bay. The outfall was designed to accommodate a peak flow of 80 million gallons per day, but due to deterioration and gradual sea level rise, the capacity of the outfall has decreased. The design for rehabilitating the existing outfall and constructing a second outfall has been completed using Treatment Plant small capital project budget funds.

ANALYSIS

Amendment No. 10 will authorize construction funding to rehabilitate the existing plant outfall, add the second outfall, and rehabilitate the primary sedimentation tank. Staff anticipates funding will be secured through a State Revolving Fund (SRF) loan, which provides a low-cost option for funding construction projects. The projects' timelines and costs are summarized below. As explained in the Fiscal Impact section of this report, the City of Mountain View is responsible for a portion of these costs, proportionate to the City's wastewater flows.

Outfall Rehabilitation and Construction

Timeline

Design:	Complete
Construction contracts approved:	August 2020
Construction begins:	October 2020
Construction complete:	December 2022

Costs

Construction:	\$10,740,000
Construction management:	<u>1,260,000</u>
Total cost:	\$12,000,000

Primary Sedimentation Tank Rehabilitation

Timeline

Design:	Complete
Construction contracts approved:	August 2020
Construction begins:	October 2020
Construction complete:	December 2022

Costs

Design:	\$ 965,000*
Construction:	14,635,000
Construction management:	<u>1,400,000</u>
Total cost:	\$17,000,000

* Palo Alto is recommending retroactively funding primary sedimentation tank rehabilitation design costs through the SRF to take advantage of low-interest financing and provide funding for future projects.

FISCAL IMPACT

The SRF loan for the outfall and primary sedimentation tank projects is estimated to total \$29 million. Loan repayments will begin in December 2023, one year after project completion. The City's share of the loan, which is based on wastewater flows, is 37.89 percent; the City's annual payment is estimated to be \$464,000 per year, with the last payment scheduled for December 2052. Loan costs are based on a 30-year term and an interest rate of 1.6 percent. If SRF funding is not available and an alternate funding

strategy results in a higher-than-estimated payment, staff with return to Council to request approval for the increased costs.

Following the completion of the LRFP, in Fiscal Year 2014-15, the City incorporated the first of 10 annual 2 percent wastewater rate increases to generate sufficient revenue to fund the City's share of the Treatment Plant's rehabilitation project costs. The estimated loan repayment costs for the outfall and sedimentation tanks projects are consistent with the earlier cost estimates, and the planned rate increases are anticipated to generate adequate revenue to cover project costs.

ALTERNATIVE

1. Do not approve the amendment to the Basic Agreement and direct staff to work with City of Palo Alto staff to identify alternative funding mechanisms.
2. Provide other direction to staff.

PUBLIC NOTICING – Agenda posting.

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