



COUNCIL REPORT

DATE: June 11, 2024
CATEGORY: Consent
DEPT.: Public Works
TITLE: **Valley Water Cost-Sharing Agreement**

RECOMMENDATION

Authorize the City Manager or designee to execute a Cost-Sharing Agreement with the Santa Clara Valley Water District for the City to receive an amount not-to-exceed \$10,100,000 to fund an advanced metering infrastructure program (Smart Metering Program, Project 23-45) and recycled water capital projects (Recycled Water System Expansion, Phase 1, Project 23-40) whose estimated combined cost is \$17,883,000.

BACKGROUND

In 2017, the Santa Clara Valley Water District (Valley Water) Board of Directors adopted a resolution that calls for returning a portion of collected property taxes used to purchase water from the State Water Project (SWP) to agencies in Santa Clara County that receive less than 15% of their water supplies from Valley Water. This policy (called Guiding Principle 5 or GP5) specifies that funds are to be returned through a cost-sharing program for water conservation programs or recycled water infrastructure. The City's share of these funds is equal to actual SWP taxes collected from property owners in Mountain View between Fiscal Year 2018-19 and Fiscal Year 2024-25, and is currently estimated at approximately \$10.1 million. Applications for GP5 funds must be submitted by June 30, 2024, and projects must be completed by June 30, 2033.

As part of the Capital Improvement Program Council Study Session on [May 9, 2023](#), Council supported staff's recommendation to use the City's GP5 funds to implement a smart water meter program (also known as Advanced Metering Infrastructure, or AMI), and to use any excess funds, if available, for recycled water capital projects. Staff subsequently submitted GP5 applications to Valley Water in support of the City's AMI and recycled water projects.

AMI Project Overview

The City has been exploring AMI since 2007 and has implemented a number of pilot programs to test the performance of several different AMI technologies. AMI systems provide remote water meter readings on an hourly basis, reducing the use of staff time to manually read meters and

allowing early identification of customer-side water leaks. Most recently, the City ran a multi-vendor pilot program between 2017 and 2019 to evaluate three types of AMI systems. During this time, the City also completed a feasibility study to evaluate full deployment of AMI.

Recycled Water Project Overview

The City serves recycled water for irrigation, toilet flushing, cooling, and other nonpotable uses in the North Bayshore Area. The City's most recent Recycled Water Feasibility Study (Feasibility Study) was updated in March 2022. This Study identified both near-term and long-term facilities to expand the City's recycled water distribution system, including approximately 42,500' of new pipeline, two storage tanks (totaling 4.5 million gallons), and two booster pumps to provide reliable water pressure to existing and future recycled water customers.

The Feasibility Study recommended a multi-phased approach to reach new users, including those in the North Bayshore Area, the adjacent federal property occupied by NASA Ames/Moffett Field, and the City's East Whisman Area south of U.S. 101 and east of State Route 85. The total recycled water project capital costs were estimated at \$75.2 million (\$27.4 million in near-term projects and \$47.8 million in long-term projects). Staff is nearing completion of a siting study for one of the storage tanks that will be in North Bayshore. Subsequent tasks include design and construction of the North Bayshore storage tank, along with design and construction of additional recycled water distribution pipelines in North Bayshore. Any additional GP5 funds, above what is needed for the AMI project, will be used to support near-term recycled water pipeline capital projects.

ANALYSIS

Staff has been working with Valley Water to negotiate a GP5 cost-sharing agreement (Agreement) to support the City's AMI and recycled water projects. The Agreement specifies terms for cost-sharing between the City and Valley Water as follows:

Valley Water will be responsible for:

- Reimbursing the City for eligible project costs, not to exceed the City's total GP5 available funds (currently estimated at \$10.1 million).

The City will be responsible for:

- Project implementation, ownership, operation, and maintenance;
- Environmental review and compliance;
- Submittals of quarterly reports and invoices to Valley Water;

- Acknowledgment of Valley Water’s cost-share through signage, press releases, website, etc.;
- Project costs above the City’s total GP5 available funds; and
- Completing projects by June 30, 2033.

Following execution of the Valley Water Cost-Sharing Agreement, staff will proceed with consultant selection, vendor solicitations, and equipment procurement for the AMI project. Deployment of the AMI system is expected to be completed within five years, with operation and maintenance to continue through the system’s useful life (typically estimated at 20 years).

FISCAL IMPACT

The City will be responsible for AMI and recycled water project costs in excess of the final available GP5 funding, less any additional outside funding that may be secured. The City’s share of capital costs will be funded from Recycled Water System Expansion, Phase I, Project 23-40, and Smart Meter Program, Project 23-45. Recycled Water System Expansion, Phase I, Project 23-40, and Smart Meter Program, Project 23-45, are both funded from the Water Fund, in the amounts of \$4,190,000 and \$1,000,000, respectively. No additional appropriation is requested at this time.

ALTERNATIVES

1. Do not authorize the City Manager or designee to execute a cost-sharing agreement with Valley Water and direct staff to negotiate different terms.
2. Provide other direction.

PUBLIC NOTICING—Agenda posting.

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