TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PUBLIC WORKS

DATE: MARCH 1, 2004

SUBJECT: APPROVAL OF THE FUNDING STRATEGY, AND ADOPTION OF A RESOLUTION AUTHORIZING THE CITY MANAGER TO FILE AN APPLICATION FOR A GRANT FROM AND TO EXECUTE A GRANT AGREEMENT WITH THE STATE WATER RESOURCES CONTROL BOARD FOR THE CONSTRUCTION OF THE MOUNTAIN VIEW – MOFFETT AREA WATER RECYCLING FACILITY PROJECT

RECOMMENDATION

Staff recommends that Council approve:

1. The funding strategy for the implementation of the Mountain View – Moffett Area Water Recycling Facility project.

2. The attached resolution authorizing the City Manager to apply for a grant not to exceed $5,000,000 from the State Water Resources Control Board (SWRCB) on behalf of the Regional Water Quality Control Plant (RWQCP) for the construction of the Mountain View – Moffett Area Water Recycling Facility project (Attachment A) and to negotiate and execute a grant agreement for same.

BACKGROUND

On January 12, 2004, Council approved the project recommendations and adopted the mitigated negative declaration for the Mountain View – Moffett Area Water Recycling Facility Plan (CMR:101:04). The Facility Plan defined the project elements and provided a funding strategy for the implementation of the project. A copy of the Facility Plan report was presented to Council on February 17, 2004 (CMR:145:04). In that report, staff stated that the potential for State funds is the key to proceeding with this project. The SWRCB presently has funding available to fund 25% of the cost up to $5 million for the construction of eligible water recycling projects. The Mountain View – Moffett Area Water Recycling Facility would benefit the State’s water supply system and is eligible for the State grant. The grant application requires Council authorization in the form of the attached resolution. The State advised RWQCP staff to file the application for the construction grant as soon as possible after the completion of the Facility Plan because the State Water Resources Control Board (SWRCB) will start accepting applications in March 2004 and the fund is available on a first-come-first-serve basis.
DISCUSSION
The project is composed of a conveyance pipeline and laterals necessary to serve the recycled water customers in the Mountain View – Moffett Field area and sized for the ultimate RWQCP service area. The pipeline will deliver approximately 1200 acre-feet of recycled water to restore the service to Shoreline golf links and provide landscape irrigation water to the North Bayshore area in Mountain View. It will also be connected to the existing customers in the City of Palo Alto that currently use approximately 100 acre-feet of recycled water. The pipeline ultimately could provide as much as 5,000 acre-feet of recycled water to the cities of Mountain View, Palo Alto, and the neighboring communities. The project will allow the RWQCP and its partners to achieve several key goals of the City, neighboring communities, and RWQCP stakeholders:

- **Water Supply Management** - The project will provide a dependable, drought-proof, locally controlled water source that reduces dependency on imported water.

- **Wastewater Disposal Management** – The project will restore the RWQCP Recycled Water Program to mitigate the Plant’s discharge to the Bay as required by the discharge permit. Water recycling helps reduce pollutant discharges and improve the overall water quality of the Bay.

- **Long-Term Goal** – The project will contribute to achieving the RWQCP long-term goals established by the stakeholders including taking a leadership role in promoting beneficial reuse and maximizing recycled water as a supplemental water source.

- **Regional Connectivity** – The project will constitute the first step towards the RWQCP’s long-term endeavor to establish connectivity with the recycled water producers and users in the region.

The estimated construction cost for the project is $16 million. The funding sources include the State, the City of Mountain View, the RWQCP, and the City of Palo Alto. The proposed funding strategy is shown in the table below.

<table>
<thead>
<tr>
<th>Project Partner</th>
<th>Estimated Funding</th>
<th>Identified Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWRCB</td>
<td>$4 M</td>
<td>Benefits to Bay-Delta water system</td>
</tr>
<tr>
<td>RWQCP</td>
<td>$1 M FY 04-05 CIP $1 M FY 05-06 CIP</td>
<td>Wastewater disposal management, regional connectivity</td>
</tr>
<tr>
<td>City of Mountain View</td>
<td>$8 M</td>
<td>Water supply management – 1200 AF near-term</td>
</tr>
<tr>
<td>City of Palo Alto</td>
<td>Water Fund $0.5 M FY 04-05 CIP $0.5 M FY 05-06 CIP Wastewater Treatment Rate Stabilization Reserve - $1 M</td>
<td>Water supply management – 100 AF current, future usage up to 1200 AF.</td>
</tr>
</tbody>
</table>
Staff will be working with the City of Mountain View to develop a Memorandum of Understanding (MOU) that would include the funding and user agreements. Staff will submit the MOU to Council for approval, and return to Council during the budget process for the funding.

**RESOURCE IMPACT**
The estimated cost of the project is $16 million. Funding will come from the State and participating agencies as follow:

- $4 million matching grant from the SWRCB
- $2 million from the RWQCP partners: Palo Alto’s share ($0.7 million) was already included in the 2003-04 Adopted and 2004-05 proposed CIP budget (WQ-04010)
- $8 million from the city of Mountain View: already approved by Mountain View city council
- $1 million total from the Palo Alto Utilities, Water fund with $0.5 million in the 2004-05 CIP and $0.5 million in the 2005-06 CIP
- $1 million from the Palo Alto Wastewater Treatment Rate Stabilization Reserve

**POLICY IMPLICATIONS**
The recommendation of this staff report is consistent with City policies.

**TIMELINE**
- Application for State grant: March 2004
- Final Design: July ’04 – March ’05
- Construction: July ’05 – June ‘06
- Recycled water to use sites: summer 2006

**ENVIRONMENTAL REVIEW**
A mitigated negative declaration was considered and adopted for the Mountain View-Moffett Area Water Recycling Facility Plan project by Council, Resolution #8391 on January 12, 2004.

**ATTACHMENTS**
Attachment A: Resolution of Council for the State Water Resources Control Board

PREPARED BY: Daisy Stark, Senior Engineer RWQCP
William D. Miks, Manager RWQCP

DEPARTMENT HEAD: GLENN S. ROBERTS
Director of Public Works
CITY MANAGER APPROVAL:__________________________________________

EMILY HARRISON
Assistant City Manager