TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: UTILITIES
DATE: JUNE 2, 2008
CMR: 255:08

SUBJECT: ADOPTION OF A WATER FUND BUDGET AMENDMENT ORDINANCE IN THE AMOUNT OF $30,000 AND APPROVAL OF AN AMENDMENT TO CONTRACT C07120333 WITH RMC WATER & ENVIRONMENT, INC. TO ADD $25,000 FOR COMPLETION OF A RECYCLED WATER FACILITY PLAN AND PREPARATION OF ENVIRONMENTAL DOCUMENTS FOR CAPITAL IMPROVEMENT PROGRAM PROJECT WS-07001, (RECYCLED WATER DISTRIBUTION SYSTEM EXTENSION) FOR A TOTAL NOT TO EXCEED AMOUNT OF $267,700

RECOMMENDATION
Staff recommends that Council:

1. Adopt a Budget Amendment Ordinance (BAO) in the amount of $30,000, transferring $30,000 from the Water Fund Rate Stabilization Reserve to existing Capital Improvement Project (CIP) WS-07001, (Recycled Water Distribution System Extension); and

2. Approve and authorize the City Manager or designee to execute an amendment to the existing contract with RMC Water & Environment, Inc. (Attachment A) for a not-to-exceed amount of $25,000 for planning and engineering design services for the Recycled Water Expansion Capital Improvement Program Project (WS-07001), bringing the total not to exceed amount of the contract to $267,700.

BACKGROUND
On April 16, 2007, the City Council approved and authorized the City Manager to execute a contract with RMC Water & Environment, Inc. (RMC) for preparation of a Recycled Water Facility Plan and preparation of associated environmental documents for Capital Improvement Program Project WS-07001 (CMR:191:07). The original contract included $220,700 for professional services and reimbursable expenses, plus a contingency of $22,000, for a total not to exceed amount of $242,700.

The original Scope of Work (SOW) focused primarily on preparation of a Recycled Water Facility Plan and associated environmental documents that would position the project to compete
for State and Federal grant funding and low interest loans. This generally included analyses of all of the essential components of a potential expanded recycled water system to serve additional users in the City of Palo Alto.

**DISCUSSION**

The project cost increase can be attributed to a variety of factors that were either beyond the original SOW or required much more detailed work within the existing SOW. The primary drivers for the request include:

- The State Water Resources Control Board (SWRCB) administers various grant and loan programs for projects of this nature. In order to apply for these projects, certain milestones must be met. While the original SOW included a reasonable approximation of these milestones, the SWRCB recently notified the City that it requires an additional cultural resources study as part of the environmental document. The details of the additional study are included in Appendix B. This task is expected to cost an additional $19,500.

- As part of the Facility Plan and Environmental document preparation, RMC researched and developed plant operations data and storage/pumping facility alternatives at the Regional Water Quality Control Plant (RWQCP) that were beyond what was envisioned in the original SOW. This was necessary to assess the ability of the RWQCP to meet current and future recycled water deliveries. Potential onsite and offsite storage options were also reviewed as another option to meet peak flow demands. This task is expected to cost an additional $17,500.

- Considering the densely urban nature of the project route, RMC developed alternative alignments that are included in the environmental documentation. While not required for a Mitigated Negative Declaration, this approach gives some flexibility to choose the appropriate route and may also be helpful towards satisfying federal National Environmental Policy Act requirements that will be required if the project were to seek any federal grants. This task is expected to cost an additional $9,000.

- RMC prepared an application to place the project on the State Revolving Fund (SRF) priority list that was not included in the original SOW. SRF loans have interest rates on the order of one half of the CA State General Obligation Bond Rate and can reduce project costs significantly. This task is expected to cost an additional $1,000.

These additional tasks will require expenditure of the original $22,000 contract contingency as well as an additional $25,000, for a total of $47,000.

**RESOURCE IMPACT**

A BAO is required in the amount of $30,000 to add funds to the existing recycled water CIP (WS-07001). Of the $30,000 total, $25,000 will be allocated to the consultant contract with RMC and $5,000 is for staff costs. With the addition of the $30,000, the original budget for this project of $250,000 (comprised of contract and staff costs) increases to $280,000. To fund this amendment, $30,000 will be transferred from the Water Rate Stabilization Reserve.
The FY 07-08 budget contains an expected grant credit from the SWRCB of $75,000. The grant will result in a net project cost of $205,000. There will be no impact to the General Fund.

POLICY IMPLICATIONS
Amending the contract is consistent with Council policy. This project is consistent with the Council-adopted Water Integrated Resource Plan Guideline 3: “Actively participate in development of cost effective regional recycled water plans.” The project is also consistent with Council direction to seek to reduce imported water supplies and limit or reduce diversions from the Tuolumne River.

ENVIRONMENTAL REVIEW
The City is currently preparing an Initial Study and Mitigated Negative Declaration for this project.

NEXT STEPS
After the facility plan and environmental documents are complete, staff will pursue potential grant funding opportunities and develop a recommendation on whether to proceed towards construction of the required facilities. The recommendation will then be submitted to the Council for consideration.

ATTACHMENTS
A: Amendment No. One to Contract No. C07120333
B: RMC Cost Estimate for Additional Cultural Work
C: Budget Amendment Ordinance

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