

**From:** [Rice, Danille](#)  
**To:** [Council, City](#); [Council Agenda Email](#)  
**Cc:** [Executive Leadership Team](#); [O'Rourke, Kyle](#); [ORG - Clerk's Office](#)  
**Subject:** Council Agenda Consent Questions for April 12, Item 5 & 6  
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### Council Question Response

Dear Mayor and Council Members:

On behalf of City Manager Ed Shikada, please find below the staff responses to inquiries made by Council Member Tanaka in regard to the April 12, 2021 Council Meeting agenda.

#### **Item 5: Sludge Blending Tank Recoating Contract at the Regional Water Quality Control Plant.**

- 1. Is the cost for the recoating of the tank shared between Palo Alto and the five other partner agencies funding the RWQCP, or is the recoating solely funded by Palo Alto?**

As stated in the staff report Resource Impact section, "Palo Alto RWQCP treats the combined wastewater from Palo Alto, Los Altos, Los Altos Hills, Mountain View, Stanford University, and the East Palo Alto Sanitary District. Palo Alto's cost share of this project is about 35% and the other five agencies' share is about 65%, based on the contribution of share of treatment costs."

- 2. What would be the long-term cost-benefit of replacing the tank? When does Staff foresee the tank needing to be replaced in the future, and would it be more beneficial to do so now?**

Based on budgetary quotes from tank manufacturers, a new and upgraded 316 stainless steel tank including demolition of the existing carbon steel tank and hook-up of existing mechanical and electrical systems would be approximately \$900,000 to \$1,100,000. At this price range, the existing tank can be recoated a number of times before it makes more sense to replace with stainless steel. Should the carbon steel tank corrode more and fail in the future, a 316 stainless steel tank is a viable option for the RWQCP and would be implemented (however with more downtime during construction).

The existing tank can be recoated numerous times unless the protective coating is not replaced, in which case the underlying carbon steel tank

would corrode. Corroded steel is more difficult to sandblast and recoat. Corroded steel develops holes and loses structural strength putting the tank at risk of operational and structural failure. Non-destructive ultrasonic thickness testing of the carbon steel tank shows that the steel continues to have its original thickness, however given the leaks mentioned in the staff report, it is evident that the protective coating has started to fail and peel off in enough locations to warrant the recoating now. The new coating is an improved coating and should have a longer life than the 22-years of the previous elastomeric coating.

#### **Item 6: Financial Audit Contract Extension**

1. **Can staff provide additional information on what the following line means: "[t]he second component of the total increase to compensation is included in the anticipation of the need to perform audit procedures over a second major program under the Single Audit."?**

The idea of calling out the two 'components' of the amendment is simply to foster an understanding that, at its face, it appears that MGO has increased their fees year over year by roughly \$7k. In reality, they have offered a discount, but we have assumed that there will be a 2nd major program to audit under the Single Audit.

Each year, a determination as to the number of federal grant programs subject to the Single Audit must be made. This determination is based on the dollars expended under each federal grant program as well as the relative risk associated with each program. In the current contract with MGO, there is an assumption that 1 federal grant program will be subject to audit each year. An 'apples to apples' comparison from the current contract to the amended scope (i.e., 1 federal grant program), would be to compare the \$163,725 figure (amendment amt.) to the \$168,742 amount in the existing contract.

The 'second component' of the amendment is the assumption that a second major program will be subject to single audit for FY21. Thus, an additional \$10,275 that is included in the amendment to covers those additional costs.

Thank you.

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