

DATE: January 29, 2008

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Recycled Water Facilities Plan – Authorization for the City Manager to Execute an Agreement with RMC Water and Environment to Prepare a Recycled Water Facilities Plan; and Appropriation of Additional Funds

RECOMMENDATION

That Council adopts the attached resolutions:

1. Authorizing the City Manager to execute an agreement with RMC Water and Environment in an amount not to exceed \$170,000 for preparation of a Recycled Water Facilities Plan; and
2. Appropriating additional funding of \$110,000 from the Sewer Capital Improvement Fund for this project.

BACKGROUND

The Capital Improvement Program (CIP) includes a project to evaluate the potential for and cost of utilizing recycled water for certain uses, such as irrigation and appropriate industrial applications. On July 24, 2007, staff provided City Council with an update on steps taken to implement this project. To briefly recap, staff has been working with RMC Water and Environment, a consulting firm based in Walnut Creek, to complete a preliminary recycled water feasibility study. The main goals of the study were to determine whether there is: 1) a consumer market for recycled water; 2) ability to produce sufficient quantities of recycled water to meet the demand; and 3) economically feasible distribution system alternatives.

DISCUSSION

The preliminary study, completed in October, indicates that a market for recycled water could be developed in Hayward, particularly for irrigation. Other possible industrial uses were identified as well. The study also included three conceptual distribution systems, two of which run along the industrial corridor and utilize an abandoned fuel oil pipeline that the City may be able to acquire,

while a third alternative conveys recycled water to large irrigation customers at higher elevations. The preliminary water production cost estimates for the alternatives range from about \$2,400 to \$3,700 per acre-foot of recycled water. These costs are substantially higher than even the projected future cost of \$1,600 per acre-foot for purchasing water from San Francisco Public Utilities Commission. In addition to the high production costs, recycled water projects often experience significant public acceptance challenges that may require extensive and sometimes costly outreach and education efforts. However, given that the recycled water costs are rough estimates only and that recycled water can contribute to a sustainable water supply, staff recommends that a Recycled Water Facilities Plan be developed to further explore the potential demand and refine the costs.

Also described in the July 24 agenda report was the availability of \$75,000 recycled water planning grants from the State Water Resources Control Board to assist agencies in preparing Recycled Water Facilities Plans. Council authorized staff to submit a grant application, which is currently under review by Board staff. To date, the Board has not taken formal action on the City's grant request, but based on discussions with Board staff, it is anticipated that the application will be approved. The funding is in the form of a matching grant, and the City would be required to contribute at least an equal amount towards preparation of the Facilities Plan. The funding guidelines also require that specific issues be addressed in the Facilities Plan, such as a market assessment, evaluation of alternatives, and construction financing. It should be noted that acceptance of grant funding does not obligate the City to construct recycled water facilities.

Staff issued requests for proposal for the preparation of a Recycled Water Facilities Plan that meets the requirements of the SWRCB funding guidelines. The following five qualified consulting firms were invited to submit proposals:

- Brown and Caldwell
- CH2M Hill
- Dotson Psomas
- Kennedy Jenks Consultants
- RMC Water and Environment

The scope of work included further assessment of the recycled water market in Hayward, analysis of the alternative distribution systems and recommendation, preparation of a construction financing plan, completion of an environmental checklist to identify potential environmental issues, and preparation of a facilities planning report. The City received one proposal only and that was from RMC. Staff's review of the proposal confirmed that it satisfactorily covered the scope of work at a reasonable cost and includes a sufficient level of effort to prepare a useful report such that the City can make informed decisions regarding the use of recycled water. The team that RMC has proposed for the project consists of qualified and experienced personnel. Many of the team members who worked on the Recycled Water Feasibility Study, including the project manager, will continue in their roles for development of the Facilities Plan. The firm has worked on similar plans for the Cities of Palo Alto, Pittsburg, and Antioch and for Delta Diablo Sanitation District, among others. Staff recommends that the City enter into an agreement with RMC to prepare a Recycled Water Facilities Plan.

FISCAL IMPACT

The cost of the basic scope of services proposed by RMC is \$150,000. Staff suggests including \$20,000 in the agreement for additional services that may be required to prepare a thorough Facilities Plan or for further outreach to potential key customers to identify their interests and concerns regarding the use of recycled water. Thus the agreement would have a not-to-exceed amount of \$170,000.

The 2006-07 CIP allocates \$100,000 for the Recycled Water project, \$40,000 of which has been spent on the feasibility study and preparation of the planning grant. Therefore, it is necessary to appropriate an additional \$110,000 in order to complete this project. As noted above, \$75,000 of this amount is anticipated to be covered by a SWRCB grant. Staff will also explore the availability of funding from other sources. However, the Sewer Capital Improvement Fund has a sufficient fund balance to cover the requested amount, even if outside funding does not materialize.

PUBLIC CONTACT

To date, there has been no public notification made or public meetings conducted regarding the Recycled Water Facilities Plan. However, as part of the Recycled Water Facilities Plan preparation, potential customers will be contacted to provide information regarding recycled water, to discuss their interest in utilizing this water source, if available, and to address any concerns and issues that they may have. Prior to taking any action regarding construction of recycled water facilities, a full public hearing would be conducted, along with any other needed communication with stakeholders and the community.

NEXT STEPS

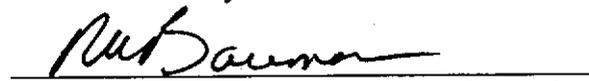
If approved, it is anticipated that preparation of the Recycled Water Facilities Plan will start early in February and be completed by the end of November 2008.

Prepared by:



Alex Ameri, Deputy Director of Public Works

Recommended by:



Robert A. Bauman, Director of Public Works

Approved by:



Gregory T. Jones, City Manager

Attachment: Draft Resolutions

DRAFT *1/1/08*

HAYWARD CITY COUNCIL

RESOLUTION NO. 08-

Introduced by Council Member _____

RESOLUTION AMENDING RESOLUTION 07-081, AS AMENDED, THE CAPITAL IMPROVEMENT BUDGET RESOLUTION FOR FISCAL YEAR 2007-08, RELATING TO AN APPROPRIATION OF FUNDS FOR PREPARATION OF A RECYCLED WATER FACILITIES PLAN

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that Resolution No. 07-081, as amended, the Capital Improvement Budget Resolution for fiscal year 2007-08, is hereby amended by approving an appropriation of \$110,000 from the Sewer Capital Improvement Fund, Fund 613, for preparation of a recycled water facilities plan.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2008

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward