

SAN JOSÉ/SANTA CLARA TREATMENT PLANT ADVISORY COMMITTEE

CHUCK REED, CHAIR
PETE McHUGH, MEMBER
KEVIN MOORE, MEMBER
JAMIE MATTHEWS, MEMBER
MADISON NGUYEN, MEMBER

KEN YEAGER, MEMBER
JOHN GATTO, MEMBER
ED SHIKADA, MEMBER
KANSEN CHU, MEMBER

AMENDED
AGENDA/TPAC

4:30p.m.

April 12, 2012

Room T-1734

1. ROLL CALL

2. MINUTES

A. March 8, 2012

3. UNFINISHED BUSINESS

4. CORRESPONDENCE

- A. Information Memorandum: Recycled Water Policy Advisory Committee
- B. Managers Letter to Mayor of Milpitas Regarding South Bay Recycled Water System
- C. Managers Letter to Cupertino Sanitary District Regarding Resolution No. 1230

5. REPORTS

- A. Open Purchase Orders Greater Than \$100,000
The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1 million and of services between \$100,000 and \$250,000.

6. AGREEMENTS

- A. Action Item - TPAC Recommendation for approval:

The following action is scheduled to be considered by the San José City Council on April 17, 2012:

Accept this report update on the South Bay Water Recycling program and strategic planning effort.

7. **STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC**

A. Acton Item - TPAC Recommendation for approval:

The following action items were approved by the San José City Council on March 13, 2012:

Adopt a resolution authorizing the City Manager to:

1. Negotiate and execute a Master Service Agreement with BLP Engineers, Inc. for technical lead and quality assurance/control support for the Digester Rehabilitation Program at the San José/Santa Clara Water Pollution Control Plant for an amount not to exceed \$2,200,000 for an initial term commencing upon approval of the agreement and continuing through June 30, 2014
2. Execute up to three additional one-year options and to increase the compensation in an amount not to exceed \$1,100,000 for each additional one-year term, subject to the annual appropriation of funds by the City Council

B. Acton Item - TPAC Recommendation for approval:

Adopt a resolution authorizing the City Manager to:

1. Execute the Sixth Amendment to the Environmental Enforcement Data Management System (EEDMS) Agreement with enfoTech & Consulting, Inc. to extend the term of the agreement by twelve months from January 31, 2012 to January 31, 2013 and increase the maximum compensation by \$45,025 for a revised not-to-exceed amount of \$1,426,623 in order to complete the upgrade of the existing EEDMS to a web-based system and to add additional features and functionality.
2. Add \$6,754 to the previous contingency amount of \$72,750 for a total contingency amount not to exceed \$79,504 to cover any unanticipated changes to the system upgrade, report development, system maintenance, and support.
3. Execute amendments to extend the term of the agreement beyond January 31, 2013 as required in the event that additional time is needed to complete the project.

8. **MISCELLANEOUS**

- A. The next TPAC meeting will be May 10, 2012, at 4:30 p.m. City Hall, City Manager's Office, 17th Floor, Room 1734.

9. **OPEN FORUM**

10. ADJOURNMENT

NOTE: If you have any changes or questions, please contact Monica Perras, Environmental Services, 408-975-2515.

To request an accommodation or alternative format for City-sponsored meetings, events or printed materials, please call Monica Perras at (408) 975-2515 or (408) 294-9337 (TTY) as soon as possible, but at least three business days before the meeting/event.

Availability of Public Records. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at San Jose City Hall, 200 East Santa Clara Street, 10th Floor, Environmental Services at the same time that the public records are distributed or made available to the legislative body.

DRAFT
MINUTES OF THE
SAN JOSE/SANTA CLARA
TREATMENT PLANT ADVISORY COMMITTEE
City Hall, City Manager's Office, 17th Floor, Room 1734
Thursday, March 8, 2012 at 4:30 p.m.

1. ROLL CALL

Minutes of the Treatment Plant Advisory Committee convened this date at 4:30 p.m. Roll call was then taken, with the following members in attendance:

Committee members: Pete McHugh, Kevin Moore, Ed Shikada, Ken Yeager, Chuck Reed

Staff present: Monica Perras, Beth Gonzales, Jon Newby, Bhavani Yerrapotu, Mollie Dent, Kerrie Romanow, Mike O'Connor, Linda Charfauros,

Others present: Chris de Groot (City of Santa Clara), Kathleen Phalen (City of Milpitas), Edward Oyama (West Valley Sanitation), John Ryan(CH2MHILL), Madison Casserly (Kennedy/Jenks Consultants), Joe Rios, Avi Yotam, Rosa Tsongtaatarii (City of San Jose), David Wall (San Jose Resident).

2. APPROVAL OF MINUTES

A. February 9, 2012

The minutes for February 9, 2012 were approved to note and file.

3. UNFINISHED BUSINESS

4. CORRESPONDENCE

**A. Status Update: San Jose/Santa Clara Water Pollution Control Plant
Energy Reliability Update**

Item 4.A was approved to note and file.

5. REPORTS

A. Open Purchase Orders Greater Than \$100,000

The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1 million and of services between \$100,000 and \$250,000.

Item 5.A was approved unanimously.

6. **AGREEMENTS**

A. Acton Item - TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on February 14, 2012:

Adopt a resolution authorizing the City Manager to:

1. Negotiate and execute a Master Service Agreement with BLP Engineers, Inc. for technical lead and quality assurance/control support for the Digester Rehabilitation Program at the San José/Santa Clara Water Pollution Control Plant for an amount not to exceed \$2,200,000 for an initial term commencing upon approval of the agreement and continuing through June 30, 2014
2. Execute up to three additional one-year options and to increase the compensation in an amount not to exceed \$1,100,000 for each additional one-year term, subject to the annual appropriation of funds by the City Council

**David Wall presented a speaker card on this item.
Item 6.A was approved unanimously.**

B. Acton Item - TPAC Recommendation for approval:

The following action item is scheduled to be considered by the San José City Council on February 14, 2012:

Adopt a resolution authorizing the City Manager to:

1. Execute the Sixth Amendment to the Environmental Enforcement Data Management System (EEDMS) Agreement with enfoTech & Consulting, Inc. to extend the term of the agreement by twelve months from January 31, 2012 to January 31, 2013 and increase the maximum compensation by \$45,025 for a revised not-to-exceed amount of \$1,426,623 in order to complete the upgrade of the existing EEDMS to a web-based system and to add additional features and functionality.
2. Add \$6,754 to the previous contingency amount of \$72,750 for a total contingency amount not to exceed \$79,504 to cover any unanticipated changes to the system upgrade, report development, system maintenance, and support.
3. Execute amendments to extend the term of the agreement beyond January 31, 2013 as required in the event that additional time is needed to complete the project.

Item 6.B.1-3 was approved unanimously.

7. STATUS OF ITEMS PREVIOUSLY APPROVED BY TPAC

The items that were approved by the San José City Council on February 14, 2012 were accepted to note and file.

8. MISCELLANEOUS

- A. The next TPAC meeting will be April 12, 2012, at 4:30p.m., City Hall, City Manager's Office, 17th Floor, Room 1734.

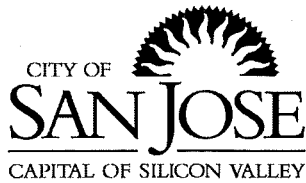
PUBLIC COMMENT

- A. **David Wall presented a speaker card on power deal with Santa Clara.**

10. ADJOURNMENT

- A. The Treatment Plant Advisory Committee adjourned at 4:45 p.m.

Chuck Reed, Chair
Treatment Plant Advisory Committee



SENT TO COUNCIL:

Distributed on:
APR - 3 2012
City Manager's Office


Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

**SUBJECT: RECYCLED WATER POLICY
ADVISORY COMMITTEE**

DATE: April 2, 2012

Approved  Date *4/2/12*

INFORMATION

In March 2010, Council approved a recycled water Integration Agreement with the Santa Clara Valley Water District (District) that included the creation and governance of a Recycled Water Policy Advisory Committee (PAC) to advise Council and the District Board on issues pertaining to the production, distribution and use of recycled water.

The PAC is made up of six appointed representatives: the District Board appoints three of its own members and Council appoints three: one from San José, one from Santa Clara, and one from the Treatment Plant Advisory Committee voting membership. Current members of the PAC are District Board Members Estremera, Gage, and Kwok, Council Members Oliverio and Chu, and Santa Clara Mayor Matthews.

The PAC meets annually on the third Thursday of April. This year's meeting will be held on April 19, 2012. Attached is the agenda for April 19 PAC meeting.

Staff will update the City Council and Treatment Plant Advisory Committee on all recycled water recommendations received from the PAC.

/s/
KERRIE ROMANOW
Acting Director, Environmental Services

For questions, please contact René Eyerly, Acting Manager, Sustainability and Compliance Division, ESD at 975-2594.



DRAFT

RECYCLED WATER POLICY ADVISORY COMMITTEE

- Kansen Chu, *Council Member, City of San José*
- Tony Estremera, *Board Member, Santa Clara Valley Water District*
- Don Gage, *Board Member, Santa Clara Valley Water District*
- Patrick Kwok, *Board Member, Santa Clara Valley Water District*
- Jamie Matthews, *Mayor, City of Santa Clara*
- Pierluigi Oliverio, *Council Member, City of San José*

AGENDA
Recycled Water Policy Advisory Committee

**Santa Clara Valley Water District
Headquarters Building Boardroom
5700 Almaden Expressway
San Jose, CA 95118**

**THURSDAY, APRIL 19, 2012
10:00 AM – 12:00 PM**

Meeting Objective: Develop Recycled Water Recommendations to Governing Bodies

CALL TO ORDER:

1. Roll Call
2. Approval of Minutes – September 7, 2011 Meeting
3. Presentation on:
 - 3.1 FY13 Budgets for South Bay Water Recycling and the Silicon Valley Advanced Water Purification Center
 - 3.2 South Bay Water Recycling Strategic and Master Planning Process
 - 3.3 Silicon Valley Advanced Water Purification Center Operations and Maintenance Agreement
 - 3.4 Silicon Valley Advanced Water Purification Center Construction Update
 - 3.5 Silicon Valley Advanced Water Purification Center Outreach Plan
4. Approval of Staff Recommendations
5. Public Comment
6. Adjourn to Next Meeting

TO ARRANGE AN ACCOMMODATION UNDER THE AMERICANS WITH DISABILITIES ACT TO PARTICIPATE IN THIS PUBLIC MEETING, PLEASE CALL (408) 535-8555 OR (408) 294-9337 (TTY) AT LEAST 48 HOURS BEFORE THE MEETING.

(A quorum of the Board may be in attendance.)

Availability of Public Records. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarter Building, 5700 Almaden Expressway, San José, CA 95118 or at City Hall, Office of the City Clerk, 200 East Santa Clara Street, Wing – 2nd Fl., San José, CA 95113, at the same time that the public records are distributed or made available to the legislative body.

April 9, 2012

Mayor Jose S. Esteves
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035-5479

RE: Northern Regional Connector Pipeline Expansion of the South Bay Recycled Water System

Dear Mayor Esteves:

I am writing to follow up on your letter, dated March 6, 2012, regarding the South Bay Water Recycling (SBWR) program.

We sincerely appreciate the City of Milpitas' interest in this issue. As you may know, a strategic planning effort has been initiated for the SBWR program, and will be discussed at TPAC this Thursday (April 12th) and reported to the San José City Council on April 17th. A copy of the staff report on this item is attached.

Procurement to support this strategic planning effort will begin soon, with the planning process being completed in late 2013. In January 2012, the City began meeting with representatives of its Tributary partners and the Santa Clara Valley Water District to begin a strategic business review of SBWR's mission and objectives from both wastewater and water supply perspectives. This business review will conclude early this summer and will provide the foundation supporting a more in-depth strategic planning effort as the initial task in our overall comprehensive planning effort.

In February 2010, the Santa Clara Valley Water District (SCVWD) and the City of San José entered into an agreement that allows for the integration of the SBWR Program with the SCVWD's Silicon Valley Advanced Water Purification Center, planned for operation in 2013. This integration agreement promotes cooperation between the two agencies related to the management and operation of their respective recycled water facilities and programs.

As we move forward, the City and the tributary agencies will begin to discuss long term strategic planning of the SBWR Program with the SCVWD that will include governance, rate setting, cost recovery, water quality, expansion, and reliability of additions to the system. Funds to cover the strategic planning effort will be shared by the City and the SCVWD, with up to 50% reimbursement provided through a \$1.2 million United States Bureau of Reclamation planning grant on all costs incurred. Wastewater funding for this planning effort will only be used exclusively to support system reliability and infrastructure replacement, and for other issues related to meeting San Jose-Santa Clara Water Pollution Control Plant (Plant) regulatory requirements.

In the interim period while the planning proceeds, staff is recommending suspension of wastewater funded expansion projects, such as the Northern Regional Connector Pipeline project. As a member of the TPAC, the City of Milpitas may make recommendations on all matters regarding the Plant, which includes the SBWR program, which must be subsequently approved by our City Council.

In addition to the City of Milpitas' representation on TPAC, staff from all our Tributary agencies meets monthly to confer on significant action items pertaining to the Plant, including proposed projects and budgets for the SBWR Program. We greatly appreciate your staff's continued participation through these venues, and look forward to discussing these issues further to answer any questions and share information regarding the SBWR Program.

Please feel free to contact Kerrie Romanow, Acting Director Environmental Services Department at 408-535-8552 with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Debra Figone', with a long horizontal flourish extending to the right.

Debra Figone
City Manager

Attachment

C: Santa Clara Mayor and City Council
West Valley Sanitation District
Cupertino Sanitation District
Kerrie Romanow, Acting Director Environmental Service Department

April 9, 2012

Mr. Richard Tanaka
District Manager
Cupertino Sanitary District
20833 Stevens Creek Boulevard, Suite 104
Cupertino, CA 95014-2154

RE: Cupertino Sanitary District Resolution No. 1230

Dear Mr. Tanaka:

This letter of correspondence is to acknowledge the City of San José's receipt of Resolution No. 1230 adopted by the Cupertino Sanitary District (District) on March 7, 2012.

As you may know, a strategic planning effort has been initiated for the SBWR program, and will be discussed at TPAC this Thursday (April 12th) and reported to the San José City Council on April 17th. A copy of the staff report on this item is attached.

Procurement to support this strategic planning effort will begin soon, with the planning process being completed in late 2013. In January 2012, the City began meeting with representatives of its Tributary partners and the Santa Clara Valley Water District to begin a strategic business review of SBWR's mission and objectives from both wastewater and water supply perspectives. This business review will conclude early this summer and will provide the foundation supporting a more in-depth strategic planning effort as the initial task in our overall comprehensive planning effort.

In February 2010, the Santa Clara Valley Water District (SCVWD) and the City of San José entered into an agreement that allows for the integration of the SBWR Program with the SCVWD's Silicon Valley Advanced Water Purification Center, planned for operation in 2013. This integration agreement promotes cooperation between the two agencies related to the management and operation of their respective recycled water facilities and programs.

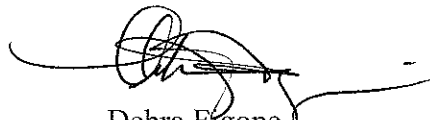
As we move forward, the City and the tributary agencies will begin to discuss long term strategic planning of the SBWR Program with the SCVWD that will include governance, rate setting, cost recovery, water quality, expansion, and reliability of additions to the system. Funds to cover the strategic planning effort will be shared by the City and the SCVWD, with up to 50% reimbursement provided through a \$1.2 million United States Bureau of Reclamation planning grant on all costs incurred. Wastewater funding for this planning effort will only be used exclusively to support system reliability and infrastructure replacement, and for other issues related to meeting San Jose-Santa Clara Water Pollution Control Plant (Plant) regulatory requirements.

In the interim period while the planning proceeds, staff is recommending suspension of wastewater funded expansion projects, such as the Northern Regional Connector Pipeline project. I also understand that there are specific issues raised by the Resolution adopted by the District; I have asked Environmental Services Department staff to follow up with you directly on these issues.

In addition to the District's representation on TPAC, staff from all the agencies meet monthly to confer on all significant action items pertaining to the Plant including proposed projects and budgets for the SBWR Program. We appreciate the District's continued participation through these venues. We greatly appreciate your staff's continued participation through these venues, and look forward to discussing these issues further to answer any questions and share information regarding the SBWR Program.

Please feel free to contact Kerrie Romanow, Acting Director Environmental Services Department at 408-535-8552 with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Debra Figone', with a long horizontal flourish extending to the right.

Debra Figone
City Manager

Attachment

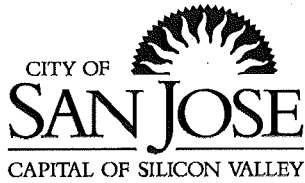
C: District Board of Directors
Kathleen Phalen, City of Milpitas
Christopher deGroot, City of Santa Clara
Robert Reid, West Valley Sanitation District
Kerrie Romanow, Acting Director Environmental Services Department

City Manager's Contract Approval Summary
For Procurement and Contract Activity between \$100,000 and \$1 Million for Goods and \$100,000 and \$250,000 for Services

February 28 - March 31, 2012

Description of Contract Activity ¹	Fiscal Year	Req#/RFP#	PO#	Vendor/Consultant	Original \$ Amount	Start Date	End Date	Additional \$ Amount	Total \$ Amount	Comments
NEW:										
25% SODIUM BISULFITE	FY11-12	13920	45960	UNIVAR USA INC	\$400,000	7/1/11	6/30/12	\$160,000	\$560,000	
CONFINED SPACE RESCUE TEAM SERVICES	FY11-12	14877	46672	VEOLIA ENVIRONMENTAL	\$150,000	9/15/11	9/14/12	\$100,000	\$250,000	
REPLACEMENT 3-PHASE 40 KVA FERRO UPS	FY11-12	15490		AMETEK SOLID STATE CONTROLS	\$144,066					
ONGOING:										
TRACTORS - AERATOR MODIFICATIONS	FY11-12	15317		PETERSON TRACTOR CO	\$900,000					
PO:SERVICES: FIBER OPTIC NETWORK EXPANSION	FY11-12	15360		ROSENDIN	\$245,000					

¹ This report captures in process contract activity (Requisition Number or RFP Number) and completed contract activity (Purchase Order Number, Contract Term, and Contract Amount)



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

**SUBJECT: SOUTH BAY WATER RECYCLING
STRATEGIC PLAN**

DATE: March 26, 2012

Approved

Date

3/29/12

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Accept this report update on the status of the South Bay Water Recycling program and strategic planning effort.

OUTCOME

This recommendation will provide Council and the Treatment Plant Advisory Committee an update on South Bay Water Recycling Strategic Plan.

BACKGROUND

The City's Environmental Services Department operates South Bay Water Recycling (SBWR), which includes the distribution and wholesale of recycled water generated by the San Jose/Santa Clara Water Pollution Control Plant (Plant). The Plant is a regional wastewater treatment facility serving the communities of San José and Santa Clara, the Plant's co-owners, and the cities of Milpitas, Campbell, Cupertino, Los Gatos, Saratoga, and Monte Sereno, who are represented by the Plant's tributary agencies that include the City of Milpitas, West Valley Sanitation District, Cupertino Sanitary District, County Sanitation District 2-3, and the Burbank Sanitary District.

SBWR delivers approximately 10,000 acre-feet per year (AFY) or 9 million gallons per day (mgd) of recycled water through 130 miles of pipelines ("purple pipes") throughout San José, Santa Clara, and Milpitas, which accounts for about 2% of the regional water use in Santa Clara County. Over 620 government and commercial customers use recycled water for a variety of purposes including industrial cooling, landscape irrigation, and dual plumbed buildings. Further, SBWR supports the City's Green Vision Goal to recycle or beneficially reuse 100% of our wastewater by 2022.

Since the early 1990s, SBWR was one of several remedies prescribed in the South Bay Action Plan by the San Francisco Bay Regional Water Quality Control Board to reduce Plant effluent flows to protect the salt marsh habitats of the South San Francisco Bay. The Plant's National Pollutant Discharge Elimination System (NPDES) permit, in effect, limits the dry-weather effluent discharge to the Bay at 120 mgd. Should the Plant exceed this maximum effluent flow trigger, the City of San José, the City of Santa Clara, and the tributary agencies could be subject to a sewer connection moratorium.

In March 2010, Council approved Integration (cost sharing) and Lease agreements with the Santa Clara Valley Water District (District) to develop and operate the Silicon Valley Advanced Water Purification Center (SVAWPC) on Plant buffer lands. The SVAWPC will produce higher quality recycled water with fewer total dissolved solids (TDS) than what SBWR currently supplies. The SVAWPC is expected to be completed by spring 2013.

In September of 2011, SBWR was awarded a \$1,200,000 grant by the US Bureau of Reclamation to conduct a "Feasibility Study for Improvements and Expansions to SBWR Facilities." The Feasibility Study (Study) will enable SBWR to assess the ability of its existing infrastructure to meet current and future recycled water demands. This Study represents a significant portion of master planning activities that will be undertaken as part of SBWR's Strategic Planning process, and will include a strategic business review of SBWR's mission and objectives from both wastewater and potable water supply perspectives. Procurement for a consultant to support the strategic planning effort is anticipated to begin in April 2012, with the planning process being completed in late 2013. The local matching funds of \$1,200,000 for the grant are included in the approved Capital Improvement Program budget. These matching funds will be used to master plan existing SBWR infrastructure, including replacement and reliability needs. The preparation of a final consultant procurement document and consultant selection process will be a collaborative effort with the Plant Tributary Agencies and the District; District staff has agreed to cost share the local funding portion for the strategic planning process.

ANALYSIS

In 2011, City staff identified the need to conduct a comprehensive planning effort to identify and prioritize the short-term and long-term improvements necessary to maintain, improve and expand the SBWR system, and meet regulatory and financial commitments into the future. The outcome will provide Council an opportunity to consider the optimum approaches toward operating and maintaining current SBWR assets and improving system reliability, water quality, and the fiscal health of the SBWR system. The following discussion highlights some of the issues that will be evaluated as part of the planning process.

Treatment Plant Capacity and MGD Treated

The Plant has a rated treatment capacity of 167 mgd. For 2011, the Plant had an average daily influent flow of 100.3 mgd; well below the rated Plant capacity and flows which would trigger expansion planning efforts. State Board Order WQ 90-5 (1990) directed the San Francisco Bay Regional Water Quality Control Board to limit the amount of treated effluent discharged by the Plant to 120 mgd during the dry weather period to protect rare and endangered species residing

in the South Bay. For the Plant to exceed that regulatory threshold, the Plant's influent flows during the dry weather period would need to approach 134 mgd.

SBWR Strategic Plan Scope and Timeline

Plant Owners and tributary agencies have funding agreements with the Plant for construction of the recycled water system in order to assist in maintaining the Plant's compliance with discharge limitations. Based upon recent input from Plant owners and tributary agencies, staff has suspended expansion activities until planning efforts can be completed. In March 2012, the Mayor of Milpitas requested that expansion of the SBWR system be suspended until Strategic Planning efforts have been completed; and the Cupertino Sanitary District questioned the specific use of Plant funds for SBWR operation, maintenance, and capital expenses, as well as the economic benefit of SBWR to Cupertino Sanitary District ratepayers. Staffs from other tributary agencies have also requested that the strategic planning process be completed before consideration of further system expansion.

The planning process will address the following issues for the SBWR system raised by staff, Santa Clara and our tributary agencies, and other stakeholders including the District.

1. **System Reliability.** Currently, SBWR experiences summer-time peaking events that result from competing customer demands on recycled water. These unpredictable events add additional strains on normal operations to meet state water quality requirements under Title 22 of the California Code of Regulations. SBWR has limited storage, as it is dependent on the continual pumping at TPS to service customers with recycled water. The recycled water system has been built over the past 14 years in fragments in response to development needs and lacks redundant loops and other reliability measures common to other water distribution systems. Strategic planning would identify and prioritize critical replacement needs and develop a funding strategy for this work.
2. **Economic Viability.** Currently, SBWR operations are subsidized by San José and Plant Tributary Agency sewer rate payers. Financial (including wholesale and retail rate evaluation) and operational analysis (including existing system rehabilitation and maintenance) analyses will be necessary to support development of a new business model for the existing SBWR system to achieve cost recovery and potentially a return on investment. This evaluation would include the most appropriate strategy for SBWR to expand, including a potential IPR market, given the legal, funding, and infrastructure constraints of the system. Further, in the next two years, SBWR and District costs for recycled water infrastructure will be shared per provisions in the Integration Agreement, which will need to be incorporated into the business model.
3. **Governance.** The Plant's governing structure, TPAC, and the City of San José Council, make policy and budget decisions related to SBWR, prioritizing the interests and needs of the Plant and sanitary sewer rate payers of San José and the Tributary Agencies. The Integration Agreement between the City and the District provides the frame work for the City and District to financially and administratively support the production and use of recycled water in Santa Clara County. The Agreement also outlines the framework for coordination and cooperation between the City and the District to achieve the most cost effective, environmentally beneficial utilization of recycled water to meet both water

supply and wastewater treatment and disposal needs. A new governance model maybe needed to expend the system to meet future needs.

The process for competitively selecting a consultant to conduct the SBWR planning effort will take approximately eight weeks and is expected to begin in March 2012 with Council contract approval anticipated in August 2012. Once selected, it is estimated that the Study planning process will take approximately 18 months to complete.

Future Markets for Recycled Water

One new market for recycled water currently under evaluation by the District is indirect potable reuse (IPR), or using highly purified recycled water for replenishment of groundwater basins in the next ten to fifteen years, augmenting existing potable water resources, similar to the groundwater replenishment system jointly administered by the Orange County Water and Sanitation Districts. On February 10, 2012, District staff presented to the District's Recycled Water Policy Advisory Subcommittee some issues under consideration as part of the District's Indirect Potable Reuse Feasibility Study currently underway. These included increased regulatory requirements, negative public perception of IPR, the cost of processing water through an advanced purification system to meet quality standards for IPR, and funding additional pipeline and pump stations necessary to deliver recycled water to recharge locations identified by the District, which could include Anderson Reservoir and the Los Gatos percolation ponds. Staff expects the District to release the final IPR by summer 2012. In the future, the water produced by SBWR could be used entirely for IPR or a combination of IPR and continued use directly by industrial, institutional, and landscape customers.

Interim Strategy

SBWR's current strategy is to suspend all Plant-funded system expansion projects until the strategic planning process has been completed. Developer and recycled water retailer efforts such as those now being implemented by the San Jose Water Company could still move ahead as long as they are fully funded by the developer or retailer. Once the planning efforts have concluded, staff will be better able to inform Council on expansion policy options and strategies for consideration. The strategic planning process is expected to produce a carefully planned platform to guide SBWR's future while ensuring wastewater discharge potential and planned growth opportunities as well as water supply expectations to ensure local potable water needs are secured for future generations.

EVALUATION AND FOLLOW-UP

Staff will present an update on the SBWR Master Planning process in fall 2012 to the Transportation and Environment Committee. Staff is also expected to bring a recommended Master Plan consultant selection to Council in August 2012.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Councilor or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This recommendation does not meet any of the above criteria, however it will be heard at the April 12, 2012 TPAC meeting, and will be posted on the City's website for the April 17, 2012 City Council meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office. This item is scheduled to be heard at the April 12, 2012 Treatment Plant Advisory Committee meeting.

CEQA

Not a Project, File No.PP10-069(a), Staff Reports.

/s/
KERRIE ROMANOW
Acting Director, Environmental Services

For questions please contact David Tucker, SBWR Program Manager at (408) 795-1865.