May 10, 2016

NOTICE OF MEETING – REQUEST FOR RSVPS

Members of the Joint Recycled Water Committee
   SCVWD Director Tony Estremera, Committee Member
   SCVWD Director Barbara Keegan, Committee Member
   SCVWD Director Gary Kremen, Committee Member

And Supporting Staff Members
   Norma Camacho, Acting Chief Executive Officer
   Stan Yamamoto, District Counsel
   Anthony Fulcher, Sr. Assistant District Counsel
   Jim Fiedler, Chief Operating Officer, Water Utility
   Katherine Oven, Deputy Operating Officer, Water Utility Capital
   Garth Hall, Deputy Operating Officer, Water Supply Division
   Angela Cheung, Deputy Operating Officer, Water Utility & Maintenance
   Chris Elias, Deputy Administrative Officer, District Communications
   Marta Lugo, Public Information Representative III, District Communications
   Hossein Ashktorab, Water Use Efficiency Unit Manager, Recycled & Purified Water
   Luis Jaimes, Senior Project Manager, Recycled & Purified Water
   Miguel Silva, Assistant Engineer II (Civil), Recycled & Purified Water
   Phillipe Daniel, Contractor
   Toni Vye, Staff Analyst, Recycled & Purified Water
   Natalie Dominguez, Board Administrative Assistant II, Clerk of the Board

A meeting of the Joint Recycled Water Committee will take place from 1:00 – 3:00 p.m., on Thursday, May 12, 2016, at the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, 1st Floor, Room A-143, San Jose, California.

Attached for your convenience is a copy of the agenda and corresponding materials. Please bring these materials to the meeting with you.

Please RSVP at your earliest convenience by email to ndominguez@valleywater.org, or by calling 408-630-2659.

Regards,

Natalie F. Dominguez
Natalie F. Dominguez
Board Administrative Assistant
Santa Clara Valley Water District
Office of Clerk of the Board

Enclosures
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AGENDA
Recycled Water Committee
Santa Clara Valley Water District Headquarters Building, 1st Floor, Room A-143
5700 Almaden Expressway, San José, California
Thursday, May 12, 2016
1:00 PM to 3:00 PM

Time Certain:
1:00 p.m. 1. **Call to Order/Roll Call.**

1:00 p.m. 2. **Time Open for Public Comment on Any Item Not on the Agenda**
Comments should be limited to two minutes. If the Committee wishes to discuss a subject raised by the speaker, it can request placement on a future agenda.

3. **Approval of Minutes:** March 1, 2016.
   Recommendation: Approve the minutes.

4. **Action Items.**

   4.1 Proposed Agenda for the Recycled Water Policy Advisory Committee (City of San José/SCVWD/City of Santa Clara-TPAC). (G. Hall)
      A. Draft Agenda for Recycled Water Policy Advisory Committee meeting
      B. South Bay Water Recycling Audit Report

      Recommendation:
      Receive presentation, discuss next steps, and provide guidance.

   4.2 Operations and Maintenance (O&M) Budgets for South Bay Water Recycling (SBWR) and Silicon Valley Advanced Water Purification Center (SVAWPC) FY 16-17. (G. Hall)
      A. SVAWPC O&M Budget
      B. SBWR Budget

      Recommendation:
      Receive and discuss Silicon Valley Advanced Water Purification Center operations and maintenance status and provide guidance.

   4.3 Pure Water Silicon Valley Program Update (a.k.a. “Expedited Purified Water Expansion Program”). (K. Oven)
      A. Key Updates
      B. Dual Track Procurement Process
      C. Title XVI Appropriations

      Recommendation:
      Receive information and discuss next steps on Pure Water Silicon Valley Program.
4.4 Pure Water Silicon Valley Stakeholder Outreach Plan. (C. Elias)

**Recommendation:**
Receive information on branding update and discuss direction for Stakeholder Outreach Plan.

4.5 Sunnyvale Purified Water Project. (G. Hall)

**Recommendation:**
Receive presentation and discuss next steps.

4.6 Recycled and Purified Water Efforts in Northwest County. (G. Hall)

A. Update on the RO Feasibility Study Contract
B. Recycled Water Strategic Planning

**Recommendation:**
Receive presentation and discuss next steps.

4.7 South County Recycled Water Expansion. (G. Hall)

**Recommendation:**
Receive information and discuss the next steps on the 2015 South County Recycled Water System Master Plan Update.

4.8 Countywide Recycled & Purified Water Master Plan. (G. Hall)

**Recommendation:**
Receive information and discuss next steps on the District’s Countywide Recycled and Purified Water Master Plan.

4.9 Potential Topic(s) for Next Meeting. (G. Hall)

**Recommendation:**
Receive and discuss potential topic(s) for next meeting.

4.10 Next Meeting Dates. (G. Hall)

**Recommendation:**
Discuss and select next meeting dates.

5. **Clerk Review and Clarification of Committee Requests and Recommendations**

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during discussion of Item 4.

6. **Adjourn**

Adjourn to next meeting.
1. Call to Order/Roll Call: A meeting of the Joint Recycled Water Committee was called to order at the Santa Clara Valley Water District Headquarters Boardroom, 5700 Almaden Expressway, San Jose, California at 9:30 a.m.

Committee members in attendance were District 6 Director T. Estremera, District 2 Director B. Keegan, and District 7 Director G. Kremen, constituting a quorum of the Committee.

Staff members in attendance were N. Camacho, Acting Chief Executive Officer, T. Alvarado, H. Ashktorab, A. Cheung, N. Dominguez, J. Fiedler, G. Hall, L. Jaimes, K. Oven, M. Silva, and T. Vye.

2. Time Open for Public Comment on Any Item not on the Agenda: Director Estremera declared time open for public comment on any item not on the agenda. There was no one present who wished to speak.

3. Election of Chair and Vice Chair: It was moved by Director Keegan, seconded by Director Kremen, and unanimously carried to elect Director Estremera 2016 Committee Chairperson.

It was moved by Director Keegan, seconded by Chairperson Estremera, and unanimously carried to elect Director Kremen 2016 Committee Vice Chairperson.

4. Action Items:

4.1. Review of February 9, 2016, Memorandum to the Board of Directors from Chair Keegan and Director Hsueh, entitled, Recommendation on Implementation of Expedited Purified Water: Director Keegan reviewed the information on this item per the attached Board Agenda Memo.

The Committee noted the information, without formal action.

4.2. Expedited Purified Water Program Update: Ms. Katherine Oven, Deputy Operating Officer, reviewed the information on this item per the attached Committee Agenda Memo, and staff reviewed the attached presentation materials in the revised Attachment 2, identified as Handout 4.2-A, herein, as follows: Ms. Katherine Oven, Deputy Operating Officer, Slides 1 through 11, 18, 19, and 28 through 30; Ms. Vanessa De La Piedra, Groundwater Management Unit Manager, Slides 12 and 13; Ms. Debra Butler, Senior Project Manager, Slides 14 through 17; Mr. Luis Jaimes, Senior Project Manager, Slides 20 through 22; and Ms. Charlene Sun, Business Resources Unit Manager, Slides 23 through 27.

The Committee noted the information, without formal action.

4.3. Recycled Water and Purified Water Efforts in Northwest County: Mr. Garth Hall, Deputy Operating Officer, reviewed the information on this item, per the attached Committee Agenda Memo; and Mr. Henry Barrientos, Associate Engineer (Civil), reviewed the attached presentation materials, Attachment 2, Slides 31 and 32.

The Committee noted the information, without formal action.
4.4. **South County Recycled Water Expansion:** Mr. Hossein Ashktorab, Water Use Efficiency Unit Manager, reviewed the information on this item, per the attached Committee Agenda Memo; and reviewed the attached presentation materials, Attachment 2, Slides 33 and 34.

The Committee noted the information, without formal action.

4.5 **Potable Reuse Demonstration Test Plan Update:** Mr. Ashktorab reviewed the information on this item, per the attached Committee Agenda Memo; and reviewed the attached presentation materials, Attachment 2, Slides 35 and 36.

The Committee noted the information, without formal action.

4.6. **Silicon Valley Advanced Water Purification Center Operations and Maintenance Update:** Ms. Angela Cheung, Deputy Operating Officer, reviewed the information on this item, per the attached Committee Agenda Memo; and reviewed the attached presentation materials, Attachment 2, Slides 37 through 40.

Director Kremen requested that staff provide information regarding potable million gallons produced per day of potable recycled water and percentage utilized from June 2015 forward, at the next meeting.

The Committee noted the information, without formal action.

4.7. **Potential Topics for Next Meeting:** The following items were identified by the Committee:

- Follow-up on Item 4.1, Memorandum from Chair Keegan and Director Hsueh: Staff to identify assumptions, risks, options, and critical points and junctures to check in with the Board of Directors;

- Costs by Alternative: Staff to provide a list of all alternatives, programs, credit rating, etc., and a comparison of a full program versus an incremental program; and

- Staff to prepare a Board Agenda item for March or April 2016 to provide a status update on the Expedited Purified Water Program.

The Committee concurred to remove the word Joint from the Committee’s title and rename the Committee the Recycled Water Committee.

5. **Clerk Review and Clarification of Committee Requests and Recommendations:** Ms. Natalie Dominguez, Board Administrative Assistant II, confirmed there were no formal Committee requests or recommendations for Board consideration.

6. **Adjourn:** Chairperson Estremera adjourned the meeting at 12:30 p.m., to a future meeting to be scheduled by the Chairperson, and posted in accordance with the Brown Act.

Respectfully submitted,

Natalie F. Dominguez
Board Administrative Assistant II

Approved:

nd:0419a.docx 03/01/16
COMMITTEE AGENDA Memo

SUBJECT: Proposed Agenda for the Recycled Water Policy Advisory Committee (City of San José/SCVWD/City of Santa Clara-TPAC)

RECOMMENDED ACTION:

Receive presentation and discuss next steps, and provide guidance.

SUMMARY:

On March 2, 2010, the Recycled Water Facilities and Programs Integration Agreement No. A3351S (Integration Agreement) was executed between the City of San José (City) and the Santa Clara Valley Water District (District). This Integration Agreement outlines the areas of collaboration between the City and the District. Attachment 2 is the agenda for the Recycled Water Policy Advisory Committee meeting for May 19, 2016.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
Attachment 2: Draft Agenda for May 19, 2016 RWPAC Meeting
Attachment 3: Draft Minutes from the April 16, 2015 RWPAC Meeting
DRAFT AGENDA
Joint Recycled Water Policy Advisory Committee
City of San José/SCVWD/City of Santa Clara-TPAC
San José City Hall, Room 1734
City of San José, 200 East Santa Clara Street, San José, CA 95113
THURSDAY, MAY 19, 2016
10:00 AM to 12:00 PM

Time Certain:
10:00 a.m.

1. **Call to Order/Roll Call**

2. **Time Open for Public Comment on Any Item Not on the Agenda**
   Comments should be limited to two minutes. If the Committee wishes to discuss a subject raised by the speaker, it can request placement on a future agenda.

3. **Approval of Minutes:** April 16, 2015 Meeting
   **Recommendation:** Approve the minutes.

4. **Action Items:**

   4.1 Elect Committee Chair & Vice Chair for 2016 (B. Keegan)
   **Recommendation:**
   Receive presentation and discuss next steps.

   4.2 South Bay Water Recycling Audit Report (S. Erickson/K. Romanow/ K. Oven)
   - Audit Overview
   - San José Administration Response
   - District Comments
   **Recommendation:**
   Receive presentation and discuss next steps.

   4.3 Proposed Operation and Maintenance Budgets FY 16-17 (G. Hall/K. Romanow)
   - Silicon Valley Advanced Water Purification Center Budget
   - South Bay Water Recycling Budget
   **Recommendation:**
   That the Joint Recycled Water Policy Advisory Committee make recommendations to the Board of Directors of the Santa Clara Valley Water District and the City Council of the City of San José on their respective proposed budgets for the ensuing fiscal year for the maintenance, expansion, replacement, improvement and operation of the South Bay Water Recycling system and the Silicon Valley Advanced Water Purification Center (Article 3.G.3 of Integration Agreement).
4.4 Pure Water Silicon Valley Program Update (a.k.a. “Expedited Purified Water Program”) (G. Hall/K. Oven)
   A. Overview
   B. Opportunities and Challenges
   C. Schedule

   Recommendation:
   Receive information and discuss next steps on the Pure Water Silicon Valley Program.

4.5 Update on Other Issues (G. Hall)

   Recommendation:
   Receive information and discuss next steps.

5. Clerk Review and Clarification of Committee Requests and Recommendations
   This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during discussion of Item 4.

6. Adjourn: Adjourn to next regularly scheduled meeting at 10:00 A.M., April 20, 2017 at the SCVWD HQ Building, Boardroom, 5700 Almaden Expressway, San José, California 95118.

REASONABLE EFFORTS TO ACCOMMODATE PERSONS WITH DISABILITIES WISHING TO ATTEND COMMITTEE MEETINGS WILL BE MADE. PLEASE ADVISE THE CLERK OF THE BOARD’S OFFICE OF ANY SPECIAL NEEDS BY CALLING (408) 630-2277.

Meetings of this committee will be conducted in compliance with all Brown Act requirements. 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 same time that the public records are distributed or made available to the legislative body, at the following locations:

<table>
<thead>
<tr>
<th>Location</th>
<th>Address</th>
<th>City</th>
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</thead>
<tbody>
<tr>
<td>Santa Clara Valley Water District</td>
<td>5700 Almaden Expressway, San José, CA 95118</td>
<td></td>
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<tr>
<td>Clerk of the Board</td>
<td>200 East Santa Clara Street</td>
<td></td>
</tr>
<tr>
<td>City of San José</td>
<td>San José, CA 95113</td>
<td></td>
</tr>
<tr>
<td>City of Santa Clara</td>
<td>1500 Warburton Avenue</td>
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<tr>
<td>Joint RWPAC Purpose:</td>
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The Purpose of the Joint RWPAC is to enter its advice to the District’s Board of Directors and the City Council of San José with respect to policy matters relating to the production, distribution and use of recycled water from facilities under administration by these agencies.
Call to Order/Roll Call: A meeting of the Joint Recycled Water Policy Advisory Committee (Committee) of the City of San Jose (CSJ), Santa Clara Valley Water District (District), and the City of Santa Clara (CSC) -Treatment Plant Advisory Committee (TPAC) was held at 10:00 a.m., on April 16, 2015, at the District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

The following Committee members were in attendance, constituting a quorum of the Committee: CSC Mayor J. Matthews, CSJ Council Members M. Matthews and P. Oliverio, and District Directors T. Estremera and L. LeZotte, Chairperson presiding.

District Director G. Kremen was absent.

Also in attendance were District staff members B. Goldie, Chief Executive Officer (CEO), T. Alvarado, H. Ashktorab, A. Cheung, J. Fiedler, A. Fulcher, G. Hall, P. John, M. Lugo, M. Meredith, L. Orta, K. Oven, E. Sans, and M. Silva; CSJ staff members J. Provenzano, K. Romanow, R. Tsangtaatarii, and M. Young; and CSC staff member C. De Groot.

Time Open for Public Comment: Chairperson LeZotte declared time open for public comment on any item not on the agenda. There was no one present who wished to speak.

Approval of Minutes: The Committee considered the attached draft minutes of the March 4, 2015 meeting. It was moved by Council Member Oliverio, seconded by Director Estremera, and unanimously carried that the minutes be approved as presented.

Action Items: Chairperson LeZotte called for staff presentations on agenda Items 4.1 through 4.4.

Elect Committee Chair and Vice Chair for 2015.

Chairperson LeZotte called for the nomination and election of Chair and Vice Chairperson for Fiscal Year (FY) 2015-2016.

It was moved by Mayor Matthews, seconded by Council Member Oliverio, and unanimously carried that the Committee nominate and re-elect Director LeZotte as FY 2015-16 Chairperson.
It was moved by Mayor Matthews, seconded by Council Member Matthews, and unanimously carried that the Committee nominate and elect Council Member Oliverio as FY 2015-16 Vice Chairperson.

**4.2 Update to Indirect Potable Reuse Timeline (Revised Schedule).**

Mr. Beau Goldie, Chief Executive Officer (CEO), and Mr. Garth Hall, Deputy Operating Officer, reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee made the following requests:

- Staff is to keep the Committee advised of any California Environmental Quality Act issues that may arise before the next regular Committee meeting. (J. Matthews);
- Staff is to advise Committee members when opportunities arise to assist with soliciting support for expediting recycled water implementation from other elected officials, and come back with a strategy for expediting the implementation. (J. Matthews); and
- Staff is to prepare a letter, similar to the letter that was recently prepared for presentation to the Cities Association, that Committee members can distribute to other elected officials to enlist support for recycled water implementation. (J. Matthews)

Mayor Matthews suggested that staff consider pursuing membership in a statewide coalition of agencies who are also executing Indirect Potable Reuse, and Council Member Oliverio confirmed the potential for up to **$5 million** unallocated City of San Jose funds to be allocated towards expediting recycled water.

**4.3 Proposed Budget FY 2015-16.**

The following persons reviewed the attached presentation materials as follows: Mr. Garth Hall, Deputy Operating Officer, Slides 1 through 4; Ms. Angela Cheung, Deputy Operating Officer, Slide 5; and Ms. Kerrie Romanow, CSJ Environmental Services Director, Slides 6-7.

It was moved by Mayor Matthews, seconded by Director Estremera, and unanimously carried that the Committee recommend that the District Board of Directors adopt the SVAWPC proposed budget for FY 2015-16, and that the SJC Council adopt the SBWR draft budget for FY 2015-16.

**4.4 Update on Other Issues.**

Ms. Romanow reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee noted the information, without formal action.

**5. Clerk Review and Clarification of Committee Requests and Recommendations:**

Ms. Eva Sans, Board Administrative Assistant, read the new Committee recommendation into the record, as follows:
It was moved by Mayor Matthews, seconded by Director Estremera, and unanimously carried that the Committee recommend that the District Board of Directors adopt the SVAWPC proposed budget for Fiscal Year 2015-2016, and that the SJC Council adopt the SBWR draft budget for FY 2015-16.

6. **Adjourn**: Chairperson LeZotte adjourned the meeting at 10:40 a.m., to the next regularly scheduled meeting at 10:00 a.m., Thursday April 21, 2016, at San Jose City Hall, 200 East Santa Clara Street, San Jose, California.

Respectfully submitted,

Eva Sans
Board Administrative Assistant

Approved:
COMMITTEE AGENDA MEMO

SUBJECT: Operations and Maintenance (O&M) Budgets for South Bay Water Recycling (SBWR) and Silicon Valley Advanced Water Purification Center (SVAWPC) FY 16-17

RECOMMENDED ACTION:

Receive and discuss Silicon Valley Advanced Water Purification Center operations and maintenance status and provide guidance.

SUMMARY:

On March 2, 2010, the Recycled Water Facilities and Programs Integration Agreement, No. A3351S (Integration Agreement) was executed between the City of San José (City) and the Santa Clara Valley Water District (District). This Agreement outlines the terms of the operational support payments upon commencement of operation of the Silicon Valley Advanced Water Purification Center (SVAWPC) as well as the policy considerations for the recycled water produced and blended with the purified water from the distributed by the City via the South Bay Water Recycling system (SBWR) and purified water produced by the SVAWPC. The Integration Agreement also specifically requires that on an annual basis, before May 1 of each year, that the parties review the budgets of SBWR and SVAWPC and make recommendations to the Board of Directors of the Santa Clara Valley Water District and the City Council of the City of San José on their respective proposed budgets for the ensuing fiscal year for the maintenance, expansion, replacement, improvement and operation of the SBWR and SVAWPC Article 3.G.3 of Integration Agreement). However, due to travel commitments to Washington, D.C., the members of this committee were unable to meet until May 19, 2016.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
COMMITTEE AGENDA MEMO

SUBJECT: Pure Water Silicon Valley Program Update (a.k.a. “Expedited Purified Water Program”)

RECOMMENDED ACTION:
Receive information and discuss next steps on Pure Water Silicon Valley Program.

SUMMARY:
This committee agenda memorandum presents a status update on various work efforts underway for the Pure Water Silicon Valley Program (a.k.a. Expedited Purified Water Program).

Overview
Pure Water Silicon Valley (a.k.a. the Expedited Purified Water Program) was initiated in response to the extended and ongoing drought in California. It seeks to accelerate implementation of potable reuse to provide greater water supply reliability to the County and to avert groundwater depletion that could result in ground surface subsidence. The Board approved development of up to 45,000 acre-feet per year. To do so will involve three major components:

1. Production of purified water from wastewater sources
2. Conveyance of purified water to its distribution points
3. Operation of Distribution points
   a. Groundwater recharge via percolation ponds or injection wells with subsequent extraction by well users
   b. Surface water augmentation and subsequent treatment at one of the District’s conventional water treatment plants

A number of studies were initiated in mid-2015 to assess the detailed feasibility issues associated with each of these major components. The primary issues of focus for these analyses include:

• RO concentrate chronic toxicity studies to determine the potential production capacity for the Silicon Valley Advanced Water Purification Center (SVAWPC) Expansion, without adversely impacting regulatory compliance with the Regional Water Facility’s National Pollutant Discharge Elimination System (NPDES) permit.
SUBJECT: Pure Water Silicon Valley Program Update (a.k.a. “Expedited Purified Water Program”)

- Groundwater basin operational modeling to assess the storage capacity for purified water, potential groundwater quality impacts, and regulatory travel time requirements.
- Injection wells, in terms of viable locations with respect to recharge, land availability and costs.
- Sunnyvale ongoing project assessment, in terms of the various options under consideration and their financial viability.

Work under the preliminary engineering contract authorized by the Board on February 9, 2016, has commenced, and will provide additional information for cost development relating to all the alternatives under consideration.

Program Schedule

The Pure Water Silicon Valley schedule, updated in March 2016, is shown in Figure 1.

**Major Technical Issues**

The major technical issues currently being analyzed include:

1. **Assessment of Program Capacity Options:** Staff is evaluating water supply-demand projections in light of the water system operation modeling work to determine what range of purified water capacity will be required and the associated timing. This will include an evaluation of ground water basin storage capacity and the impacts of out-of-county storage or use.

2. **Determination of Potable Reuse treatment capacity at the San José-Santa Clara Regional Wastewater Facility (RWF):** This determination will decide whether the RWF will be able to provide all the necessary supply, or whether additional facilities will be needed in the short-term. The major factor influencing how much potable water can be produced by the RWF without impacting NPDES permit compliance (i.e. any water...
quality impacts) is properly managing the reverse osmosis concentrate in the RWF outfall. To answer this question two studies are being conducted:

a. Chronic toxicity testing on various RO concentrate levels. These studies will be completed by July 2016. The City of San José and City of Santa Clara staff will review the results and deliberate on the implications with District staff.

b. Hydrodynamic modeling to comply with various regulations (i.e. can “dilution credits” be given for the RWF NPDES permit conditions). District staff believes collaboration between the City of San José and Santa Clara staff on modeling scenarios will be essential in the next few weeks.

Conclusion of these analyses will be integral to development of a potable reuse agreement with the City of San José and City of Santa Clara.

3. Preliminary Engineering on Conveyance Alignments: The engineering consultant will be obtaining detailed information on utilities from the cities of San José, Santa Clara and Campbell, for the development of alternative pipeline alignments and to develop a preferred alternative. In addition, an analysis will be conducted on potential siting of injection wells. An alternative alignment for a raw water augmentation option will also be developed.

Agreements
There are two major agreements under development as summarized in Table 1.

Table 1. Major Integration Agreement Issues for Resolution with San José/Santa Clara and Sunnyvale

<table>
<thead>
<tr>
<th>Issues</th>
<th>San José/Santa Clara</th>
<th>Sunnyvale</th>
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<tr>
<td></td>
<td>Current</td>
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<tr>
<td>Land</td>
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<td>Wastewater Quality</td>
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<td>RO Concentrate</td>
<td>~ 1.5 MGD</td>
<td>~ 8 MGD</td>
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<tr>
<td>Other</td>
<td>Cost sharing</td>
<td>Cost sharing</td>
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City of San José staff initiated an audit of the South Bay Water Recycling (SBWR) Program in 2015, and the Audit Report was completed in March 2016 (Attachment 2). The City’s Administration prepared a response to the Audit Report’s four (4) recommendations on March 30, 2016 (Attachment 3). Based on the Administration’s response to Recommendation #4, the City/District 2010 Integration Agreement for the Silicon Valley Advanced Water Purification Center may require revisions that would have to be negotiated between the District and the City.
SUBJECT: Pure Water Silicon Valley Program Update (a.k.a. “Expedited Purified Water Program”)

Dual Track Procurement Status

Statements of Qualification were received for the Public-Private Partnership and Progressive Design-Build procurement tracks on April 15, 2016. A list of submitting firms is provided in Table 2. The analysis and scoring of the submissions will be conducted through May, a preliminary shortlist will be announced in early June, and the final shortlist by the end of June or early July.

Table 2. List of Respondents Submitting Statements of Qualification

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<tr>
<th>Progressive Design-Build (PDB)</th>
<th>Public-Private Partnership (P3)</th>
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<tr>
<td>SAWWPC Expansion</td>
<td>Purified Water Pipeline</td>
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<tr>
<td>1. CH2M (CH2M)</td>
<td>1. CH2M (CH2M)</td>
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<tr>
<td>2. Fluor (Kiewit)</td>
<td>2. Fluor (ARB)</td>
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<td>4. CDM-PCL</td>
<td>4. Ranger Pipelines (HMM)</td>
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<tr>
<td>5. MWH/Webcor</td>
<td>5. Poseidon (Sacyr, Arcadis &amp; Poseidon)</td>
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Title XVI Grant Appropriation

The United States Bureau of Reclamation Title XVI Water Reclamation and Reuse Program focuses on the reclaim and reuse of municipal, industrial, domestic, agricultural wastewater, naturally impaired surface, or ground waters. To participate in the program, a project must obtain a Title XVI authorization through the federal government and then apply and compete for funding allocations when funding opportunities for the program are issued.

In 1992, the City of San José, in collaboration with the District, received a Title XVI authorization for a program to develop and expand water reuse in the metropolitan area of San José.

The Public Law 102-575, dated October 30, 1992, states:

“TITLE XVI-RECLAMATION WASTEWATER AND GROUND WATER STUDIES

Sec. 1607. San José Area Water Reclamation and Reuse Program.

(a) The Secretary, in cooperation with the city of San José, California, and the Santa Clara Valley Water District, and local water suppliers, shall participate in the planning, design and construction of demonstration and permanent facilities to reclaim and reuse water in the San José metropolitan service area.

(b) The Federal share of the costs of the facilities authorized by subsection (a) shall not exceed 25 per centum of the total. The Secretary shall not provide funds for the operation or maintenance of the project.”
SUBJECT: Pure Water Silicon Valley Program Update (a.k.a. “Expedited Purified Water Program”)  

The authorization was based on an estimated $436 million program that translates to approximately $109 million in grants based on Reclamation’s 25 percent reimbursement policy. The program specifically calls out work by the City of San José in conjunction with the District. At this time, the $109 million cap in federal grants has not been reached. District staff recommends collaborating with the City of San José to use a portion of this funding authorization to apply for funds to finance the expansion of the Silicon Valley Advanced Water Purification Center.

District Board Decisions

A number of policy issues will be brought before the Board over the next several months, as the supporting information becomes available:

1. Decide on the dual track procurement approach or select one procurement method prior to issuing Requests for Proposals (RFPs).
2. Decide whether or not to proceed with a different potable reuse implementation approach in advance of the regulations (i.e., involving a portion of the water being treated at the District’s surface water treatment plants in addition to groundwater recharge) provided that the potential cost savings are significant and the risk is acceptable.
3. Decide which components should be included in the program (e.g., plant expansion at RWF, Sunnyvale, Ford Ponds, injection wells, pipelines, etc.).
4. Decide if the program will be implemented in a single stage or multiple stages.

Next Steps

Further updates will be provided to the Committee at future scheduled meetings.

ATTACHMENT(S):

Attachment 1:  PowerPoint Presentation
Attachment 2:  Audit of South Bay Water Recycling – Memorandum April 14, 2016
Attachment 3:  Response to Audit of SBWR – Memorandum March 30, 2016
TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Toni J. Taber, CMQ
City Clerk

DATE: April 14, 2016

SUBJECT: Audit of South Bay Water Recycling

RECOMMENDATION: As recommended by the Transportation and Environment Committee on April 4, 2016, accept the Audit Report on the efficiency and effectiveness of South Bay Water Recycling.
Office of the City Auditor

Report to the City Council
City of San José

SOUTH BAY WATER RECYCLING: BETTER INFORMATION AND RENEGOTIATION OF CONTRACTUAL OBLIGATIONS WILL INCREASE TRANSPARENCY AND AID PROGRAM SUCCESS

Report 16-05
March 2016

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South Bay Water Recycling: Better Information and Renegotiation of Contractual Obligations Will Increase Transparency and Aid Program Success

For the past fifteen years, San José has operated a water recycling program as part of its operation of the San José Regional Wastewater Facility. The recycled water program, South Bay Water Recycling, started as and remains a wastewater diversion program, but now also serves as a useful part of the region’s water supply, providing non-potable water to over 700 large-scale water users. This past fiscal year, for the first time, the Wastewater Facility was able to earn more in operating revenue from the sale of recycled water than it expended on operating costs for its South Bay Water Recycling program. It is expected that South Bay will be able to break-even on its operating costs into the foreseeable future.

Finding 1: Improvements to South Bay Expense Tracking Will Improve Program Managers’ Ability to Effectively Operate the Water Recycling Program

Over the past several years, South Bay program managers have worked to improve expense tracking for South Bay. Previously, South Bay expenses had not been rigorously separated from other Wastewater Facility expenses. San José has a Strategic Plan performance goal of covering all South Bay operating expenses with sales revenues, and a Green Vision goal of using all wastewater for beneficial purposes. Because of these goals and to make informed business decisions, South Bay’s managers need easy access to comprehensive financial information about South Bay’s revenues and expenses throughout the year. Further, San José has entered into an agreement with the Santa Clara Valley Water District that requires audited financial statements and other financial information concerning recycled water costs and revenues to be exchanged each year.

South Bay expense tracking is currently time-intensive, requiring manual entries of financial information into the South Bay expense tracking spreadsheet that program management maintains. If South Bay were accounted for separately from other aspects of the Wastewater Facility, in separately budgeted funds, it would be significantly easier to obtain timely and accurate financial information which would aid managers.

Finding 2: Contractual Obligations with the Water District Limit South Bay’s Ability to Cover Capital Costs

To date, South Bay capital costs have totaled roughly $250 million. The Wastewater Facility (whose primary source of revenue is from sanitary sewer ratepayers in San José, Santa Clara, and neighboring jurisdictions) provided more than two-thirds of that construction cost because of the Facility’s need to reduce its flows to the bay. San José, Santa Clara, and the tributary agencies are obligated to pay an average of $9 million per year until 2021 when the debt is paid off.
In 2010, the City of San José entered into an agreement with the Water District to build the Advanced Facility; a facility on Wastewater Facility land that would test operations of advanced water purification (wastewater that has been purified to the point that it exceeds drinking water standards) and could further augment the South Bay water supply. The Wastewater Facility provided $11 million in funding and in-kind services to build the facility, and the City agreed to contract terms that share recycled water net revenue with the Water District.

The ongoing cost sharing formula limits South Bay's ability to use operating revenues to offset debt service payments or fund infrastructure needs. We recommend that the Integration Agreement be renegotiated to ensure sufficient funding of South Bay capital needs.

This report includes four recommendations. We will present this report at the April 4, 2016 meeting of the Transportation and Environment Committee. We would like to thank the Environmental Services Department and the City Attorney's Office for their time and insight during the audit process. The Administration's response will be distributed under separate cover.

Respectfully submitted,

Sharon W. Erickson
City Auditor

Audit Staff: Jazmin LeBlanc
Ani Antanesyan

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    Kerrie Romanow Michele Young
    Jeff Provenzano Darlene Van der Zon
    Dave Sykes Laura Burke
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This report is also available online at www.sanjoseca.gov/audits
BACKGROUND

The South Bay Water Recycling Program (SBWR) was established in 1997 as part of the San José-Santa Clara Regional Wastewater Facility treatment process to divert effluent from the San Francisco Bay in compliance with the National Pollutant Discharge Elimination System (NPDES) requirements. While SBWR was established and remains as a wastewater compliance program, it also contributes to our regional water supply. To proactively prepare for future local water needs, the City in conjunction with the Santa Clara Valley Water District (District), completed a two-year Strategic Plan that explored the long-term goals for SBWR and wastewater effluent in general. These goals are long-term and require additional analysis and environmental review before they can be implemented.

The Advanced Treatment Facility (AWT), a joint project with the District, became operational in FY15-16 and provides high quality product water that is blended with recycled water to provide a higher quality recycled water to SBWR customers. To minimize the cost of operating SBWR for sewer ratepayers, the Administration has reduced staffing and expenses, prioritized SBWR infrastructure activities, and managed rate increases to achieve operational cost recovery for the first time in FY2014/15.

As part of the joint effort with the District, the Administration improved financial tracking procedures for SBWR, and revised operational cost management, and rate strategies to appropriately capture costs associated with SBWR. This 2016 audit provides a valuable review of the program status and opportunities for continuous improvement.

1 The legal, official name of the facility remains San José/Santa Clara Water Pollution Control Plant, but beginning in early 2013, the facility was approved to use a new common name, the San José-Santa Clara Regional Wastewater Facility.
RECOMMENDATIONS AND RESPONSE

Recommendation #1: The Department of Environmental Services should work with the Budget Office and Finance Department to establish operating and capital funds for South Bay separate from other Wastewater Facility operating and capital funds.

Administration Response: The administration generally agrees with this recommendation. Prior to the Audit, the Administration was in the process of implementing new accounting practices that will enable program staff and key stakeholders to review the specific portions of Fund 513 that is attributable to SBWR. However, it is important to retain a clear linkage to the wastewater fund, as SBWR will remain a key asset of the RWF, operated by the City as the administering agency of the RWF, and required by the NPDES permit to treat and discharge wastewater effluent.

Yellow - The Administration will evaluate the feasibility of establishing a separate fund that would allow for the program to remain as part of the RWF for accounting and budget purposes.

Recommendation #2: To improve South Bay’s operating and capital accounting, the Department of Environmental Services should:

a) Establish South Bay staff time allocations for all ESD programs with corresponding charge codes and ensure that they are incorporated in the budgeting process and consistently used by staff.

b) Establish clearly documented cost methodologies for South Bay that include all costs associated with the program and as detailed in Appendix A of this report.

Administration Response: The Administration agrees that updated methodologies and staff accounting practices are valuable for consistent and accurate cost accounting. The Administration is already implementing revised staff allocation codes and timecard procedures to assure that staff inputs to the South Bay Water Recycling program are accurately tracked. The Administration will revise the existing cost methodology procedures document to include the updated staff codes and procedures.

The Administration agrees with the recommendation to create new charge codes in Appendix A, but would like to clarify that there is a distinction between accurately calculating costs, and automating reports for easy access. The creation of new charge codes will only allow for automation of the reports, while the Administration will also apply management reviewed methodologies to accurately calculate the South Bay Water costs of service.

Green - The program can implement this recommendation within one year.

Recommendation #3: ESD should prepare annual financial statements for South Bay, to be audited by the City’s external financial auditor.
TRANSPORTATION AND ENVIRONMENT COMMITTEE  
March 30, 2016  
Subject: Response to the 2016 Audit of South Bay Water Recycling  
Page 3

**Administration Response:** The administration agrees with this recommendation. The revised accounting procedures currently being implemented will facilitate external financial audits of South Bay Water Recycling. All wastewater funds are currently audited annually by an external auditor.

Green- The program can implement this recommendation within one year.

**Recommendation #4:** To sustain South Bay’s operational and capital cost recovery status in the future, ESD should:

a) Re-negotiate the revenue sharing terms of the Integration Agreement to allow the City to access South Bay revenue to fund South Bay’s projected capital costs sooner than is projected to occur under the Agreement as currently written.

b) Secure a recycled water wholesale cost of service study that can be used to maximize the ability to maintain cost recovery for South Bay.

**Administration Response (Part a):** The Administration requires more information on this recommendation. The Integration Agreement establishes the Advanced Water Treatment facility as part of SBWR as it treats water that is distributed by SBWR. By showing only the share of net revenue as oppose to gross revenue, the Audit Report does not reflect the true current value of the Integration Agreement to SBWR. SBWR currently retains 100 percent of the revenue necessary to pay SBWR operating costs. The City receives all of the purified water from the Advanced Facility but pays only 60 percent of Net Revenue to offset the operational costs of the Advanced Facility. The City also receives 40 percent of the net revenue from recycled water sales.

The cost share formula between the City and the District for the cost to operate the AWT does limit, in the near term, the City’s ability to retain some of the revenue for capital costs. The Administration cannot respond directly to the scenarios presented in this Audit Report because the Administration has not had the opportunity to fully review the District’s statement of Advanced Facility operation costs for 2014-2015; project future operating costs; and perform the calculation of investment value of SBWR and AWT for any given year required by the Integration Agreement to apportion the cost share. The above factors and the results of the cost of service study would need to be considered before the Administration could develop a scenario that can accurately project these costs and values into the future. The scenarios also assume stagnant recycled water demand of 11,000 AFY, which conflicts with the demand projections of up to 15,000 AFY estimated by the local water retailers during the Strategic Master Plan.

In addition, with increases in recycled water rates, the cost share formula should enable the City to retain a greater portion of the revenue for capital investment to maintain SBWR. This additional revenue would align with the capital investment in reliability projects which are not anticipated to occur for another five (5) years due to the need for further study and environmental review. The costs associated with potential expansion of SBWR, as identified in the Strategic
Plan, would be funded from sources other than recycled water wholesale revenue or sewer ratepayer revenues.

The Administration is currently reviewing multiple agreements related to SBWR with the Santa Clara Valley Water District and will consider re-negotiation of the Integration Agreement in conjunction with these other agreements.

Yellow- The recommendation would require integration into a multi-faceted negotiation with the Santa Clara Valley Water District. It is unclear at this time, how this objective will align with the negotiation of existing and agreements with the Water District. The recommendation provides information that the Administration will take into consideration.

Administration Response (Part b): The Administration disagrees with the Audit Report conclusion that SBWR does not currently have a rate model. SBWR currently uses the same “model” used by most other recycled water wholesalers, which sets the recycled water rates below potable water cost (ground water) or costs of service, whichever is less. The wholesale rates for all retailers are the same as stipulated in the wholesale water supply contracts with the retailers. The Administration also notes that the rate model “Questions” cited in the Audit Report, e.g. conservation, are not applicable to recycled water.

The administration agrees with the recommendation to conduct a cost of service study. A cost of service study will provide a useful tool in analyzing program costs and determining the optimum strategy for setting wholesale rates.

Green- The program can implement this recommendation within two years.

CONCLUSION

The Program agrees that clarified and consistent methodologies, as well as review of key agreements, are valuable for South Bay Water Recycling as a wastewater initiative that integrates State regulations, stakeholder interests and agreement requirements. The program looks forward to on-going follow up with the auditor’s office in the implementation of these recommendations.

/s/

KERRIE ROMANOW
Director, Environmental Services

For questions, please contact Jeff Provenzano, Deputy Director, Environmental Services, at (408) 277-3671.
COMMITTEE AGENDA MEMO

SUBJECT: Pure Water Silicon Valley Stakeholder Outreach Plan

RECOMMENDED ACTION:

Receive information on branding update and discuss direction for Stakeholder Outreach Plan.

SUMMARY:

The Pure Water Silicon Valley outreach staff will present the draft Stakeholder Outreach Plan, which is centered on a phased approach that:

1. Leverage active/existing supporters via supporter initiative efforts
2. Engage new and potential supporters that are critical to the program’s success

A preliminary list of 30-40 new or potential supporters made up of local leaders has been developed for initial review. This list includes primarily environmental, health and civic leaders, as well as elected officials that have not yet toured the facility. The goal is to introduce them to the program and then ask for letters, resolutions, endorsements or testimonials of support.

The Pure Water Silicon Valley outreach staff is looking to implement a three-tier approach to obtain this support from these groups by implementing: Tier 1. Supporter Coalition, Tier 2. Roundtables, Forums or Summits, and Tier 3. Speaker’s Bureau program.

Last fall, the staff initiated tier item number 1. Supporter Coalition efforts to start collecting signed purified water “supporter cards” to create a database of active supporters. The supporter cards were first collected during the Community Open House and during all subsequent tours. In addition, a digital supporter card was developed and added to the post-tour surveys for all existing tour participants. An eNews also went out to the entire database of all past tour participants with the digital supporter card. The next step is to add supporter names to the PureWaterSV.org website and develop official support letters and endorsements, including official City resolutions working through the District’s Government Relations Unit and the Board.

The next phase of the stakeholder outreach focuses on identifying new and potential supporters and introducing them to the program via tier item number 2. Roundtables, Forums or Summits. This effort has begun with several initial one-on-one meetings, special tours, including roundtable presentations. The next step for further exploration and discussion is hosting a forum and/or water summit for October. The last tier item number 3. Speaker Bureau program engagements is ready to be launched this spring to go out to either key stakeholder groups and/or community and neighborhood groups to provide key information.

ATTACHMENT:

Attachment 1: PowerPoint Presentation
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COMMITTEE AGENDA MEMO

SUBJECT: Sunnyvale Recycled and Purified Water Projects

RECOMMENDED ACTION:

Receive presentation and discuss next steps.

SUMMARY:

The Santa Clara Valley Water District (District) is currently engaged in non-potable and potential potable water reuse projects with the City of Sunnyvale (City). On the non-potable reuse side, the Wolfe Road Recycled Water Facilities Project construction is moving forward. The contractor’s schedule indicates that testing of the installed pipeline will be completed in December 2016. On the potable reuse side, District staff has developed several options in collaboration with the City to lay the foundation for a potential potable reuse project at or near the Sunnyvale Water Pollution Control Plant. The options consider the potential construction of a membrane bioreactor (MBR) and a water purification facility (WPF) to treat wastewater for potable reuse. District and City staff continue to meet regularly to draft terms of agreement, which are planned to be negotiated and consolidated into a potential integration agreement once the potable reuse option has been selected.

Background

Wolfe Road Recycled Water Facilities Project

The Wolfe Road Project is a partnering project between the District, the City, California Water Service Company (Cal Water), and Apple Inc. (Apple). Its purpose is to expand the recycled water distribution system in the City and provide service to Apple’s Campus 2 in Cupertino. This project will allow for future extensions of recycled water service to the City of Cupertino. The $17.5 million Wolfe Road Project includes the construction of approximately 13,300 linear feet of 24-inch diameter recycled water pipeline, a booster pump station, and related appurtenances. The project was jointly funded by the parties above, with additional grant funding from the Department of Water Resources.

The City and District continue to work cooperatively on public outreach and stakeholder engagement for the Wolfe Road Project. The District is leading the public outreach process and a community outreach plan that was developed in conjunction with the City. A Wolfe Road Project website has been established to keep the community informed on the project’s progress (<http://www.valleywater.org/EkContent.aspx?id=12623&terms=wolfe+road>).
Potable Reuse Options in Partnership with the City of Sunnyvale

As reported to the Committee on March 1, 2016, the District, in cooperation with the City, continues work on developing potable reuse options. Attachment 1 presents a project risk analysis on factors related to land, cost, urgency of decision, water availability, permitting, reverse osmosis concentrate management, and technology. The potable reuse options considered can be summarized as follows:

Option 1 – District-City MBR Cost Share and On-Site Water Purification Facility (WPF): This option focuses on a possible cost-sharing partnership between the City and District for the construction of an MBR water treatment system at the Water Pollution Control Plant (WPCP). Staff from both agencies have been meeting regularly over the past year to work on identifying the cost differential of building an MBR over a Conventional Activated Sludge (CAS) system at the WPCP. An incremental cost estimate was reviewed by staff from both agencies and the District’s consultant. In addition to the MBR system, the District would need to fund the construction of a WPF, as well as a distribution and recharge/injection system. The next step in the negotiations for Option 1 would be to develop and execute a potential cost share agreement for construction and operation of the MBR system and WPF.

Option 2 – MBR Treated Water Purchase and On-Site WPF: As an alternative to cost-sharing the construction of an MBR treatment process, this second option focuses on negotiating a purchase agreement for MBR-treated water, whereby the City would produce MBR treated water to be purchased by the District. The MBR water would be further treated at the WPF (developed and owned by the District) and would be co-located within the WPCP. A cost estimate was developed based on preliminary data from the City. Next steps for this option include finalizing City’s price proposal for MBR-treated water and subsequent negotiations to complete a potential integration agreement.

Option 3 – Receive Secondary Treated Water from the City at a District Off-Site WPF: This concept includes the District purchasing a site in the vicinity of the WPCP to build a WPF (and all related infrastructure) to bring in recycled water to the WPF and send out purified water and RO Concentrate. A preliminary assessment of real estate near the WPCP identified candidate land parcels. Next steps include District-City negotiations on the integration agreement and initiating purchase actions of a land parcel for the WPF.

Timeline for Sunnyvale Potable Reuse Options
A potential integration agreement between the City and District is being developed. The City is finalizing a price proposal for Option 2, which is expected to be completed by mid-2016. Staff analysis will be presented to the Recycled Water Committee in September 2016.

ATTACHMENT(S):
Attachment 1: PowerPoint Presentation
COMMITTEE AGENDA MEMO

SUBJECT: Recycled and Purified Water Efforts in Northwest County

RECOMMENDED ACTION:

Receive presentation and discuss next steps.

SUMMARY:

The District, in partnership with the City of Palo Alto (City), selected a consulting firm to conduct the Advanced Water Purification Feasibility Study at the Palo Alto Regional Water Quality Control Plant (RWQCP). This study will determine how to improve recycled water quality from the RWQCP. The City, in partnership with the District, will manage the project with cost sharing from the District and City of Mountain View. The District has signed the cost share agreement which is currently on the City Council’s consent calendar for May 16, 2016 approval. The notice to proceed to the consultant will occur in early June 2016.

The District is also working on a second cost-sharing agreement with the City that will focus on creating a Northwest County Recycled Water Strategic Plan (Strategic Plan) associated with the Palo Alto RWQCP and recycled water customers in East Palo Alto, Stanford, Los Altos, Los Altos Hills, Menlo Park and Mountain View. The City, in partnership with the District and Mountain View, will share costs and hire a consultant to complete the Strategic Plan. The Strategic Plan will include Phase III of the recycled water system expansion, financial planning, preliminary design, funding, and a study of groundwater in Northwest County. The purpose of the groundwater study is to evaluate the feasibility for indirect potable reuse. The District’s share of costs will not extend benefits to parties outside Santa Clara County.

The City released the Request for Proposals on March 31, 2016 and held a pre-bid meeting on April 12, 2016, which was attended by 15 consulting firms. Proposals are due on May 11, 2016 and after that date the District and City staff will review the submittals and schedule interviews for June 2, 2016. The cost sharing agreement for this effort is currently being drafted and will be discussed at the next Recycled Water Committee meeting on June 28, 2016. The contract is expected to be awarded in late July 2016.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
COMMITTEE AGENDA MEMO

SUBJECT: South County Recycled Water Expansion

RECOMMENDED ACTION:

Receive information and discuss next steps on the 2015 South County Recycled Water System Master Plan Update.

SUMMARY:

The District, in partnership with the South County Regional Wastewater Authority (SCRWA) and in collaboration with the cities of Gilroy and Morgan Hill, is developing a final update to the South County Recycled Water System Master Plan (Master Plan). The final Master Plan update is scheduled to be completed by June 30, 2016.

The District is preparing to submit an application to request $6.7 million in funding through State Proposition 1 / Clean Water State Revolving Fund (Prop 1/CWSRF) for the South County Recycled Water Pipeline Short-Term Phase 1B/2A Project (Project) in May 2016. The Project includes the design and construction of approximately 13,000 linear feet of a 30-inch to 36-inch diameter recycled water pipeline extension in the Gilroy area.

Background

Based on the Producer and Wholesaler Agreements, the District, in partnership with the South County Regional Wastewater Authority (SCRWA) and in collaboration with the cities of Gilroy and Morgan Hill, prepared a draft update of the 2004 Master Plan in 2015. This Master Plan update evaluates opportunities to provide reliability, redundancy, and expansion of the recycled water system within Gilroy and surrounding area, and evaluates alternatives to provide service to Morgan Hill. The recommendations include an estimated $98 million capital improvement program for expansion of the treatment and distribution of non-potable recycled water to the southern portion of Santa Clara County. The draft Master Plan update was presented to the District Board on February 23, 2016, SCRWA Board on March 2, 2016, and City of Morgan Hill Council on March 2, 2016. Also, a public workshop was held on March 14, 2016.

The District is implementing the design and construction of the Project as recommended in the 2004 Master Plan and current Master Plan update. This Project is included in the District’s five year capital improvement program. Project plans and specifications are estimated to be completed by June 2016 and construction is to be completed by October 2017. The planning, design, and construction phases of the Project are estimated to cost $25.8 million. A United
States Bureau of Reclamation (USBR) WaterSMART grant application for the Project was submitted in December 2015. If awarded, the District could receive up to $4 million in funding. The USBR is scheduled to announce a notice of project selection in Spring 2016.

Next Steps

District Staff will submit a State Prop 1/CWSRF funding application for the Project by May 31, 2016. A final Master Plan is scheduled to be completed by June 30, 2016, and will be presented separately to the District and SCRWA Board’s for acceptance. In conjunction with the Master Plan update, the District will continue collaboration with the partnership agencies on potential amendments to existing partnership agreements and development of cost share agreements.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
COMMITTEE AGENDA MEMO

SUBJECT: Countywide Recycled and Purified Water Master Plan

RECOMMENDED ACTION:

Receive information and discuss next steps on the District’s Countywide Recycled and Purified Water Master Plan.

SUMMARY:

The District is developing a proposed scope of work for a Countywide Recycled and Purified Water Master Plan (CRPWMP) for the Santa Clara County. As part of the scope development, the District will be hosting a workshop in May 2016 to collaborate with and solicit input on the CRPWMP scope from recycled water producers, wholesalers, and retailers in the County.

Background

The primary objective of the CRPWMP is to provide a comprehensive vision and framework for the development and implementation of non-potable and potable reuse capital improvement projects in the County. This master plan will integrate and build upon the most recent planning studies on existing non-potable and potable reuse systems within the County prepared by the District and other entities.

Next Steps

The District will host a scope development workshop for the CRPWMP in May 2016. A final master plan scope will be prepared and a request for proposals for consultant services to assist the District in the preparation of a CRPWMP is scheduled to be released in June 2016.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
COMMITTEE AGENDA MEMO

SUBJECT: Potential Topic(s) for Next Meeting

RECOMMENDED ACTION:
Receive and discuss potential topic(s) for next meeting.

SUMMARY:
None.

ATTACHMENT(S):
Attachment 1: PowerPoint Presentation
COMMITTEE AGENDA MEMO

SUBJECT: Next Meeting Dates

RECOMMENDED ACTION:
Discuss and select next meeting dates.

SUMMARY:
None.

ATTACHMENT(S):
Attachment 1: PowerPoint Presentation
Recycled Water Committee

May 12, 2016
Agenda Outline

4.1 Proposed Agenda for the Recycled Water Policy Advisory Committee
4.2 O&M Budgets for SBWR and SVAWPC FY 16-17
4.3 Pure Water Silicon Valley Program Update
4.4 Pure Water Silicon Valley Stakeholder Outreach Plan
4.5 Sunnyvale Purified Water Project
4.6 Recycled and Purified Water Efforts in Northwest County
4.7 South County Recycled Water Expansion
4.8 Countywide Recycled and Purified Water Master Plan
4.9 Potential Topic(s) for Next Meeting
4.10 Next Meeting Dates
4.1 Proposed Agenda for the Recycled Water Policy Advisory Committee
### 4.1 Proposed Agenda for the Recycled Water Policy Advisory Committee

**A. Draft Agenda:**

1. Elect Committee Chair and Vice Chair for 2016
2. City of San José South Bay Water Recycling (SBWR) Audit Report
3. Proposed Operation and Maintenance Budgets FY 16-17
   - Silicon Valley Advanced Water Purification Center Budget
   - SBWR Budget
4. Pure Water Silicon Valley Program Update
5. Update on Other Issues

**B. City of San José SBWR Audit Report**
4.1 CSJ Audit Report of South Bay Water Recycling

- Issued March 2016
- CSJ Administration Response March 30, 2016

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Response</th>
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<tbody>
<tr>
<td>#1 – Separate SBWR’s capital and operating funds from wastewater facility funds</td>
<td>Evaluating</td>
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<tr>
<td>#2 – Budget and track staff time for SBWR separately</td>
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<td>#3 – Prepare annual statements for SBWR</td>
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<td>#4a – Re-negotiate current revenue sharing terms of the Integration Agreement</td>
<td>Evaluating</td>
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<td>#4b – Conduct a cost of service study</td>
<td>Implementing</td>
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Audit Recommendation #4a
Re-negotiate revenue sharing terms [Article 7] to allow CSJ to access revenue earlier to fund SBWR capital costs.

Board Committee Comments?
4.2 O&M Budgets for SBWR and SVAWPC FY 16-17
4.2 O&M Budgets for SBWR and SVAWPC FY 16-17

A. SVAWPC O&M Budget

B. SBWR Budget
### 4.2 SVAWPC Budget

<table>
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<th>Description</th>
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*FY 14 was the start-up year, with testing beginning in January 2014 and facility serving SBWR in March 2014*

*<sup>1</sup>FY 15 is the first full year of operation, and these are the financial audited numbers*

*<sup>2</sup>Sinking fund in reserves - not expended as yet- estimated sufficient to replace MF and RO membranes when needed*
### 4.2 SBWR Budget

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<tr>
<th>Description</th>
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4.3 Pure Water Silicon Valley Program Update
4.3 Pure Water Silicon Valley Program Update

A. Key Updates
   1. Agreements (Existing and Future)
   2. RO Concentrate Assessment
   3. Groundwater Studies
   4. Private Letter Ruling

B. Dual Track Procurement Process

C. Title XVI Appropriations
4.3 Overview: Potential Program Elements

SVAWPC Expansion

- Ford Ponds
- Sunnyvale

Lo Gatos Ponds
- Injection Wells

Ponds
- Injection Wells
- Ponds
## 4.3 Agreements

<table>
<thead>
<tr>
<th>Issues</th>
<th>San José/Santa Clara</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Proposed</td>
</tr>
<tr>
<td>Land</td>
<td>5 acres</td>
<td>20+ acres</td>
</tr>
<tr>
<td>Treated Wastewater</td>
<td>~ 12 MGD</td>
<td>Up to 50 MGD</td>
</tr>
<tr>
<td>Wastewater Quality</td>
<td>Secondary treated</td>
<td>Secondary treated</td>
</tr>
<tr>
<td>RO Concentrate</td>
<td>~ 1.5 MGD</td>
<td>Up to 8 MGD</td>
</tr>
<tr>
<td>Other</td>
<td>Cost sharing</td>
<td>Cost and risk sharing</td>
</tr>
</tbody>
</table>
4.3 Agreements: Issues and Challenges

1. Focus on cost recovery:
   • Land lease?
   • Re-negotiation of 2010 Integration Agreement?

2. No wastewater funds can be used for working on agreements.

3. Creative approaches to overcome concerns/fears of RO concentrate disposal via RWF outfall.
4.3 RO Concentrate

1. RWF has experienced sporadic chronic toxicity.

2. Capacity to dispose of RO concentrate through RWF outfall has significant impact on program costs (number of purification facilities).


4. Potential for regulatory flexibility from Regional Board.
4.3 Groundwater Studies

- Groundwater modeling continuing to assess travel time and flow paths
- Todd Groundwater scope being amended
- Plan to advertise for monitoring well construction services separately
4.3 District/City of San José IRS Private Letter Ruling

- MOU still being finalized.
- District/City to draft joint Private Letter Ruling request to IRS.
- Qualified Management Contract commercially viable option.
### 4.3 Dual Track Procurement Process

1. Evaluation of statement of qualification on-going
2. Shortlist anticipated in July
3. Board decision to continue dual track in Aug-Sep

<table>
<thead>
<tr>
<th>Progressive Design-Build (PDB)</th>
<th>Public-Private Partnership (P3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SVAWPC Expansion</td>
<td>Purified Water Pipeline</td>
</tr>
<tr>
<td>1. CH2M (CH2M)</td>
<td>1. CH2M (CH2M)</td>
</tr>
<tr>
<td>2. Fluor (Kiewit)</td>
<td>2. Fluor (ARB)</td>
</tr>
<tr>
<td>4. CDM-PCL (CDM Smith)</td>
<td>4. Ranger Pipelines (HMM)</td>
</tr>
<tr>
<td>5. MWH/Webcor</td>
<td></td>
</tr>
</tbody>
</table>

Recycled Water Committee Meeting – May 12, 2016
4.3 Board Policy Decision in Aug-Sep?

Progressive Design Build or Public-Private-Partnership

• Opportunity to elect one track prior to issuing the Request for Proposals?

• Staff proposes:
  1. Convene selected industry experts for primer on key elements, relevant case studies and intensive debate
  2. Board committee/Board work-study sessions to follow
  3. Board consideration: identify one track prior to issuing RFPs
4.3 Updated Procurement Schedule

- **RFQs Issued** (Jan 2016)
- **Shortlists** (Jul 2016)
- **RFPs Issued** (Sep-Oct 2016)
- **Decision Point** (Feb 2017)
- **Guaranteed Max Price** (Aug 2018)

Decision?
4.3 Title XVI Appropriations

- $109 M Title XVI grant funding authorized in 1992 for reuse projects in San Jose metro area
- $47 M unused - appropriation required
- Informed Reclamation we will seek inclusion in its budget
4.4 Pure Water Silicon Valley
Stakeholder Outreach Plan
4.4 Continuing to Build Public Support

Community Outreach

- Targeted open houses/events
- External taste test events
- Multicultural outreach campaigns

Stakeholder Outreach

- Briefings with key stakeholders
- Supporter’s Coalition Efforts
- Roundtables/ forum or water summits
- Speaker’s bureau presentations
4.4 Stakeholder Outreach Plan

**Goal:** Build a widespread base of support from state and local community leaders that results in active support.

**Strategy:** Begin with a phased approach to reach different levels of supporters:

1. Leverage active/ existing supporters
2. Engage new and potential supporters critical to success

**Tactics:** Use a three-tier system to obtain support

1. Supporter Coalition efforts
2. Roundtables /Forums or Summits
3. Speaker’s Bureau Program
4.4 Key Stakeholders

- **Elected Officials & Civic Groups**
  - Statewide/ local elected officials
  - League of Women Voters
  - Bay Area Council
  - The Bay Institute

- **SV Businesses**
  - Silicon Valley Leadership Group
  - Building + Construction Trades Council
  - Apple, Google, Cisco, etc.
  - Panasonic, AT&T, etc.

- **Environmental groups**
  - Regional US EPA Region 9
  - US Fish & Wildlife Services
  - Nature Conservancy
  - Defenders of Wildlife

- **Academics/ Schools**
  - SJSU
  - Stanford
  - Santa Clara University
  - UC Berkeley

- **1st Tier**
  - Local County Public Health & Environmental Officials
  - Medical/ health practitioners
  - State & local Environmental NGOs

- **2nd Tier**
  - Academic professors
  - Multi-Cultural Organizations
  - Neighborhood Associations
  - HOAs
4.4 Stakeholder Outreach Strategy

Target Audience Groups:

1. **Active/ Existing Supporters**

   Leverage and obtain from all past tour/meeting participants:
   - Pure Water SV “Supporter Cards”
   - Obtain Letters of Support, Endorsements or Resolutions
     - Elected Officials/ Cities/ Chambers – Coordinate with GRU unit to gather
     - Community, Business, NGO Leaders – Pure Water SV outreach staff

2. **New and Potential Supporters Critical to Success**

   Engage new and potential supporters that are critical to the program’s success:
   - 1:1 meetings, presentations or speaker’s bureau
   - Invite for tours, roundtables, forums, summits, etc.
   - Speaker’s Bureau engagements
4.4 Stakeholder Outreach Tactics

Tier 1
Supporter Coalition
- 1:1 meetings/
- Supporter Toolkit- letters/cards, resolutions
- E-news updates
- Multicultural outreach
- Special outreach events
- Testimonials

Tier 2
Roundtables Forums Summits
- Health & Environmental roundtables
- Partnerships for future forums/summits
- Multicultural outreach
- Joint articles

Tier 3
Speaker’s Bureau Program
- Build awareness of the program
- Community outreach
- Multicultural outreach

Recycled Water Committee Meeting – May 12, 2016
4.4 Supporter Coalition

- Supporter Toolkit
  - Supporter Cards (Electronic & Postcards)
  - Supporter Letters
  - Resolutions
- E-news Updates
- Multicultural Outreach
- Testimonials – Quotes
4.4 Roundtables/ Forums or Summits

☑ Host small roundtable meetings, forums or summits
☑ Request endorsements
☑ Ask them to identify other key groups or individuals in the same field

Health focus
- Local and state public health officials
- Nurse associations
- Medical groups
- Dental groups
- Doctors and nurses

Environmental focus
- Local environmental groups
- Scientists
- Academic and university- in the health and science field
- State water resources
- Other regional water control boards
4.4 Speakers Bureau

Targeted presentations for key civic and community groups:

• Special Meetings
• Civic Groups- Rotaries, etc.
• Neighborhood Associations

**Goal:** 1-2 per month
4.5 Sunnyvale Purified Water Project
4.5 Option 1 – MBR Cost-Share

- Cost-share on the MBR with the City of Sunnyvale
- Land lease option with the City of Sunnyvale
- RO concentrate management with the City of Sunnyvale

**Updates:** Validated estimated incremental cost of CAS vs. MBR
  - All construction cost estimates are within a reasonable range
  - Consider non-economic factors and risks
4.5 Option 2 – MBR Treated Water Purchase

- Purchase MBR treated water from the City of Sunnyvale
- Land lease option with the City of Sunnyvale
- RO concentrate management with the City of Sunnyvale
- **Update:** Developed initial cost estimate based on City of Sunnyvale’s preliminary price proposal
4.5 Option 3 – District Facility Near Sunnyvale’s Water Pollution Control Plant

- Build water purification facility near Sunnyvale’s Water Pollution Control Plant
- Receive recycled water from the City
- RO concentrate management

Updates:
- Researched potential options to acquire land
- Developed preliminary cost estimates
- Completed independent cost review of option
## 4.5 City of Sunnyvale’s Potable Reuse: Risks

<table>
<thead>
<tr>
<th>Item</th>
<th>Risk</th>
<th>Option 1 Cost Share MBR</th>
<th>Option 2 Buy MBR Water</th>
<th>Option 3 Off-site AWTF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water Availability</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Cost Considerations</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>3</td>
<td>Land</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>4</td>
<td>RO Concentrate</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>5</td>
<td>Permitting</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>6</td>
<td>Urgency of Decision</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>7</td>
<td>Technology</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>
4.5 Sunnyvale/District Potable Reuse: Outline Terms

Developed Sunnyvale-District draft terms of integration

- Length of Agreement
- District Role
- System Ownership
- Water Quantity
- Land Requirements for Advanced Purification Facility
- RO Concentrate Management
- District Costs
- City Costs
- Water Quality
- Environmental Review
- Permitting
- Grant and External Funding
- Governance Coordination
- Sunnyvale’s Existing Non-potable Customers
## 4.5 Sunnyvale/District Potable Reuse: Schedule

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>District’s go/no-go decision on Options</td>
<td></td>
</tr>
<tr>
<td>District Recycled Water Committee Review</td>
<td></td>
</tr>
<tr>
<td>Joint Recycled Water Committee with Sunnyvale and District Review</td>
<td></td>
</tr>
<tr>
<td>Staff submittal of recommendation to Board</td>
<td></td>
</tr>
<tr>
<td>Integration agreement with City</td>
<td></td>
</tr>
</tbody>
</table>
4.6 Recycled and Purified Water Efforts in Northwest County
4.6 Recycled and Purified Water Efforts in Northwest County

A. Update on RO Feasibility Study Contract

B. Recycled Water Strategic Planning
4.6 Recycled and Purified Water Efforts in Northwest County

A. RO Feasibility Study
   • Improve recycled water quality including reduced salinity
   • Total Agreement Cost approximately $325,000
   • Cost Share: 80% SCVWD and 20% Palo Alto
   • Timeline: FY 16-17

B. Strategic Planning
   • Develop comprehensive master planning for expansion of recycled water (including purified water) in Northwest County
   • Total Agreement Cost approximately $1.5M
   • Cost share to be resolved
   • Timeline: FY 17-18
4.6 Recycled and Purified Water Efforts in Northwest County

- **ADVANCED WATER PURIFICATION SYSTEM FEASIBILITY STUDY**
  - At PARWQCP
  - FY 18
  - Consultant SCVWD/PALO ALTO

- **WHITE PAPER INITIAL DESCRIPTION OF ALL WATER SOURCES**
  - FY 16
  - PALO ALTO

- **PARW PHASE III BUSINESS PLAN, PREDESIGN & SECURING FUNDING**
  - FY 16
  - CONSULTANT SCVWD/PALO ALTO

- **GROUNDWATER LOWER & UPPER AQUIFER ANALYSIS RECHARGE/STORAGE REUSE**
  - FY 18
  - CONSULTANT SCVWD/PALO ALTO

- **NORTHWEST COUNTY RECYCLED WATER STRATEGIC PLAN**
  - (PARWQCP Recycled Water Strategic Plan)
  - FY 18
  - PALO ALTO

- **ONGOING PALOALTO POTABLE WATER SUPPLY RESOURCE PLANNING**
  - FY 16
  - PALO ALTO

- **MOUNTAIN VIEW RECYCLED WATER DISTRIBUTION EXPANSION & SUNNYVALE TIE-IN**
  - FY 16
  - Consultant MOUNTAIN VIEW

- **RWQCP PARTNER AGENCIES INTEREST IN RECYCLED WATER**
  - FY 18
  - CONSULTANT SCVWD/PALO ALTO

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4.7 South County Recycled Water Expansion
4.7 South County Recycled Water Expansion

• Submit Proposition 1/Clean Water State Revolving Fund application for Recycled Water Pipeline Extension *(May 2016)*

• Potentially amend partnership agreement, prepare funding agreements, and prepare cost share agreements as needed *(June/July 2016)*

• Final Master Plan to Board for acceptance *(June 2016)*

• Final Master Plan to South County Regional Wastewater Authority Board for acceptance *(June 2016)*
4.8 Countywide Recycled and Purified Water Master Plan
4.8 County-wide Recycled and Purified Water Master Plan

- Scope Development Workshop (May 2016)
- RFP for Consultant Services (June 2016)
4.9 Potential Topic(s) for Next Meeting
4.10 Next Meeting Dates