TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: UTILITIES

DATE: APRIL 16, 2007

CMR: 191:07

SUBJECT: APPROVAL OF A BUDGET AMENDMENT ORDINANCE IN THE AMOUNT OF $250,000; AND APPROVAL OF A CONTRACT WITH RMC WATER & ENVIRONMENT, INC. IN THE AMOUNT OF $242,700 FOR COMPLETION OF A RECYCLED WATER FACILITY PLAN AND PREPARATION OF ENVIRONMENTAL DOCUMENTS FOR CAPITAL IMPROVEMENT PROGRAM PROJECT WS-07001

RECOMMENDATION

Staff recommends that Council:

1. Approve the attached Budget Amendment Ordinance (BAO) in the amount of $250,000, transferring $85,000 from the Water Rate Stabilization Reserve and $165,000 from the water operations and maintenance (O&M) budget to Capital Improvement Project (CIP) WS-07001, Water Recycling Facilities.

2. Approve and authorize the City Manager to execute a contract with RMC Water & Environment, Inc. (Attachment B) in a not-to-exceed amount of $242,700 for planning and engineering design services for the Recycled Water Expansion Capital Improvement Program Project (WS-07001), including $220,700 for basic services and $22,000 for additional services.

BACKGROUND

The City of Palo Alto currently uses recycled water produced at the Palo Alto Regional Water Quality Control Plant (RWQCP) for certain uses. These uses include: irrigation at the municipal golf course, Greer Park, and around the RWQCP; certain processes at the RWQCP; maintenance of the duck pond; and enhancement of Emily Renzel Marsh. All of these uses are at City-owned facilities. The City of Palo Alto Utilities and the partners/owners of the RWQCP examined the feasibility of expanding the use of recycled water to serve additional City and commercial customers in the RWQCP service area in 1991 and 1992. This examination concluded with the publication of the April 1992 report, “Water Reclamation Master Plan for the Regional Water Quality Control Plant” (Master Plan).
In April 1995, the Council certified the Program Environmental Impact Report (EIR) for the projects identified in the Master Plan [CMR:217:95]. At that time, the Council decided not to go forward with the new projects as they were not cost-effective. Council directed staff to re-evaluate the projects in case of changed conditions such as: 1) changes in the RWQCP discharge permit requirements; 2) increased mass loading to the RWQCP; 3) requests by partner agencies of other local agencies; 4) availability of federal or other funds; and 5) supply-side issues, which may lead to increases in the value of recycled water from a water supply perspective, such as water supply cost, water supply availability, regulatory and legislative initiatives and advanced treatment for potable reuse.

Since that time, a segment of the project identified in the Program EIR, an extension of the RWQCP’s recycled water system to Mountain View and Moffett Field, is moving toward construction. In addition, the wholesale costs of water from the San Francisco Public Utilities Commission (SFPUC), the City’s primary water supplier, are projected to increase dramatically as projects are completed to upgrade SFPUC’s regional water system. In response to these changed circumstances, in July 2006, the City completed a Recycled Water Market Survey (RWMS) to update the 1992 Master Plan and re-examine the feasibility of extending the recycled water system to deliver water to end uses in Palo Alto. The 2006 RWMS identified a total potential demand of about 1,700 acre-feet per year (AFY) in Palo Alto and identified a project to serve about 840 AFY of recycled water demand.

The RWMS also determined that the estimated cost of the recycled water from the project is higher than the expected future cost of water from the SFPUC. Therefore, the project does not appear to be cost-effective unless outside funding can be secured. Before the project can be considered for state and federal funding, additional planning and design work must be completed. Specifically, state grant funds require the completion of a Recycled Water Facility Plan. Therefore, staff solicited proposals from qualified consultants to complete such a plan and submitted an application for a planning grant from the State Water Resources Control Board to cover part of the cost of the plan.

On November 20, 2006, the Council authorized the City to file a Water Recycling Facilities Planning Grant application in the amount of $75,000 with the State Water Resources Control Board (SWRCB) [CMR:415:06]. The City’s application for this planning grant was approved by the state. Attachment C is the funding commitment from the SWRCB.

**DISCUSSION**

Additional state grant funds are expected to become available, including those from the recently passed State Propositions 84 and 1E. Funding may also be available from federal government programs, the SFPUC’s Water System Improvement Program and the Santa Clara Valley Water District. However, there will be intense competition for these funds. Therefore, the primary objective of the Recycled Water Facility Plan is to further develop the project plan so that it is ready to implement and, thus, the project will be well-positioned to receive any available outside funding.
Scope of Services Description
The scope of work to be performed under the contract is to prepare a Recycled Water Facility Plan that meets all the requirements of the SWRCB. This project generally consists of analyses of all of the essential components of a potential expanded recycled water system to serve additional users in the City of Palo Alto. The tasks include:

1. Site Investigation – Conduct thorough site investigations as the basis to develop recycled water project alternatives and accurate cost estimates for the project. This investigation will include meetings with major potential users to confirm requirements.
2. Analysis of Project Alternatives and Recommended Facilities Planning Project – Develop and evaluate recycled water distribution system alternatives to serve the service areas identified in Task 1, develop a “project plan” and complete preliminary design for the recommended facilities.
3. Preparation of Financial & Revenue Plan – prepare a construction financing and revenue plan for the facilities recommended under Task 2, develop a pricing policy, and identify all potential outside funding sources for design and construction.
4. Environmental Documentation – Prepare the environmental review for the recommended facilities so that the City can move forward with the design and construction of the facilities.
5. Public Outreach – Prepare fact sheets, outreach materials, etc. to assist the City with public outreach; develop and conduct stakeholder and public meetings and workshops on the recycled water program.
7. Development of User Agreements – Assist in the development of elements that will become part of a user contract. The City will prepare the user agreement.
8. Project Management – Ensure coordination and communication between the consultant team and the City for the duration of the project, provide quality control on the study deliverables, and assure timely coordination with the SWRCB.

The project is scheduled for completion by the end of FY 07-08.

Summary of Solicitation Process
A Request for Proposals (RFP) was issued on December 21, 2006 with proposals due February 6, 2007. The table below summarizes the solicitation process.
### Proposal Description/Number

<table>
<thead>
<tr>
<th>Proposal Description/Number</th>
<th>Recycled Water Facility Plan and Preparation of Environmental Documents/RFP Number 120333 for Professional Services</th>
</tr>
</thead>
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<tr>
<th>Proposed Length of Project</th>
<th>36 months</th>
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<tbody>
<tr>
<td>Number of Proposals Mailed</td>
<td>17 (RFP also posted on the web)</td>
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<tr>
<td>Total Days to Respond to Proposal</td>
<td>48</td>
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<tr>
<td>Pre-proposal Meeting Date</td>
<td>None</td>
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<tr>
<td>Number of Proposals Received:</td>
<td>3</td>
</tr>
<tr>
<td>Company Name Location Selected for oral interview?</td>
<td>1. Carollo Engineers Walnut Creek, CA Yes</td>
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<tr>
<td>2. RMC Water and Environment San Jose, CA Yes</td>
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<tr>
<td>3. RBF Consulting Walnut Creek, CA Yes</td>
<td></td>
</tr>
<tr>
<td>Range of Proposal Amounts Submitted</td>
<td>$197,000 to $343,000</td>
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An evaluation committee consisting of staff from the RWQCP and Utilities reviewed the proposals. Three firms were invited to participate in oral interviews on February 28 and March 1, 2007. The committee carefully reviewed each firm’s qualifications and submittal in response to the criteria identified in the RFP:

1. Specialized experience in the type of work;
2. Past performance and record of the firm and the proposed project team on similar projects;
3. Familiarity with issues associated with the project;
4. Qualifications of the project manager, lead engineer, and team;
5. Ability to organize and present material;
6. Good understanding of the objectives as evidenced by the completeness and clarity of the proposal and the inclusion of specifics and details that are essential for proposal evaluation;
7. Ability to work with the public, city officials, and agencies; and
8. Familiarity with the guidelines and requirements of the State Water Resources Control Board and other funding requirements.

RMC Water & Environment, Inc. was selected because the firm displayed the best understanding of the project’s objectives. In addition, RMC Water & Environment, Inc. has experience in similar projects, is familiar with the City’s project, has exceptional team qualifications, and has had success with securing grant funds for other client’s similar projects.

### RESOURCE IMPACT

Prior to receiving the proposals in response to the RFP, staff anticipated that the cost to complete the requested scope of work would be $150,000. A total of $165,000, which includes $15,000 for possible additional tasks, is budgeted. However, all three of the consultants that responded to the RFP advised that completing the scope of work would cost more than staff anticipated.

Staff’s decision to include preparation of environmental document in the scope of work was the main reason for the cost rising above the anticipated cost for completion of a facilities plan. However, this is the appropriate time to prepare the environmental documents for the project and having them complete will make the project more competitive when seeking grants for
construction of the project. The cost to complete the scope of work is estimated at $242,700. Staff recommends a total of $250,000 be allocated to this project, providing an additional $29,300 to cover contract contingencies and staff time related to managing the contract and coordinating grant applications. The planning grant commitment from the State Water Resources Control Board is for half of the cost of the project up to a maximum of $75,000. Therefore, the cost to the city for the project is $175,000.

- There is $165,000 currently budgeted for this project in the (O&M) budget for FY 06-07.
- A Budget Amendment Ordinance (BAO) is required in the amount of $250,000 to create a recycled water CIP (WS-07001). To fund the project, $85,000 will be transferred from the Water Rate Stabilization Reserve and $165,000 will come from the O&M budget.
- The FY 07-08 budget contains the expected revenue from the SWRCB of $75,000.
- No impact to the General Fund.

**POLICY IMPLICATIONS**
Continuing the exploration of expanding the use of recycled water in Palo Alto is consistent with Council policy. The Council has supported this goal by its approval of the Water Integrated Resources Plan (WIRP) Guidelines in December 2003 [CMR:547:03], specifically, WIRP Guideline #3: Actively participate in development of cost-effective regional recycled water plans.

Council’s Sustainability Policy supports the development of recycled water, specifically in the Policy’s statement to “reduce resource use and pollution in a cost-effective manner while striving to protect and enhance the quality of the air, water, land, and other natural resources.”

The City’s Comprehensive Plan contains Natural Environment Goal N-4: Water resources that are prudently managed to sustain plant and animal life, support urban activities and protect public health and safety. Specifically, Program N-26 addresses the use of recycled water: Implement incentives for the use of drought-tolerant landscaping and recycled water for landscape irrigation.

**ENVIRONMENTAL REVIEW**
This project is exempt from the California Environmental Quality Act. Environmental review will be conducted in connection with the facility plan.

**NEXT STEPS**
After the facility plan and environmental documents are complete, staff will develop a recommendation on whether to proceed towards construction of the required facilities. The recommendation will then go to the Council for action.

**ATTACHMENTS**
A: BAO
B: Contract No. 7120333 – Agreement Between the City of Palo Alto and RMC Water & Environment, Inc. for Professional Services
PREPARED BY:  

JANE RATCHYE  
Senior Resource Planner

DEPARTMENT APPROVAL:  

VALERIE O. FONG  
Director of Utilities

CITY MANAGER APPROVAL:  

FRANK BENEST  
City Manager