

SEWER AUTHORITY MID-COASTSIDE
Staff Report

Subject / Title

Receive Report and Possibly Take Action on Recycled Water Draft Delegation Agreement.

Staff Recommendation:

Receive Report and Possibly Take Action on Recycled Water Draft Delegation Agreement.

Fiscal Impact:

None.

Discussion/Report:

At the last SAM Board Meeting, SAM staff was directed to meet with the General Manager of the Coasts County Water District (CCWD) and discuss proposed SAM's draft delegation agreement. On May 5, SAM Manager and Tanya Yurovsky of SRT Consultants met with David Dickson, the CCWD General Manager. We discussed the origin of the draft agreement, the reasons for it, the benefits to the community and to CCWD of it, and may other aspects of the draft agreement. We asked that CCWD review the agreement with an open mind and get back to us with suggestions, comments, or improvements to the draft. Specifically, the following community and public benefits of the delegation agreement approval by CCWD were discussed at the meeting:

1. The proposed delegation agreement will greatly contribute to accelerating Phase 1 of the Recycled Water Project, potentially bringing the project so widely supported by voters and business community on the coast into operation much earlier than previously anticipated.
2. As applications for significant federal funding for this project were submitted by SAM, in the spirit of public-private partnership, it is extremely important that this project move forward at a fast pace to comply with the commitments and receive the funding.

The CCWD Board was briefed on this draft agreement at their meeting of May 12. At that meeting, the CCWD Board directed their manager to draft a letter from the Board president to SAM. That letter was to have the following elements in it:

1. Reiterated CCWD's commitment to recycled water through cooperation with SAM
2. Acknowledge receipt of the draft delegation agreement, and state that, based on CCWD August 2008 policy, does not want to delegate its statutory authority.
3. CCWD applies to SAM pursuant to Water Code Section 13580(a) for recycled water supply

4. Request
 - a. A meeting with SAM to discuss the terms and conditions, including compensation, provide CCWD with a supply of RW and
 - b. To start discussing an agreement for CCWD to divert some part of SAM's secondary effluent that is now discharged to the ocean, to put that effluent to beneficial use.
5. Request copies of all documents between SAM and Kenmark/Ocean Colony Partners

As of this writing, that letter has not yet been received. When it is, it will be provided to the SAM Board and General Counsel.

Attached is a detailed update on the Recycled Water Project from SRT Consultants. Tanya Yurovsky of SRT will be available at the meeting to review this update and answer questions that the Board may have.

The Board may wish to direct staff concerning next steps in the project.

Memorandum

DATE: May 21, 2009

TO: John F. Foley III, Manager, Sewer Authority Mid-Coastside

FROM: Tanya Yurovsky, P.E., SRT Consultants

SUBJECT: **Recycled Water Project Status**

Background

The Sewer Authority Mid-Coastside (SAM) Board of Directors at its meeting on April 27, 2009, approved the Recycled Water Project (RW Project) budget and directed staff to initiate the necessary steps to complete the RW Project conceptual engineering in the most expeditious fashion possible.

This memorandum provides a progress report of the work completed and the planned near-term activities, and seeks to receive input from the SAM Board.

Discussion

Staff initiated several project elements and continued efforts in obtaining Federal, State, and other grant funding for the RW Project. One major funding opportunity that SAM participated in together with the Ocean Colony Partners (OCP), the owner of the Ocean Colony Golf Courses, was completing a funding application to the Bay Area Business Council for funding the entire long-range RW project. This funding mechanism emphasizes public/private partnerships, regional approaches, and encourages long-term investments in the local economy to stimulate long-term growth, job retention and creation, and other public benefits. The list of projects recommended for funding will be published by the Bay Area Business Council on June 1, 2009.

.Recycled Water Funding Status

The RW Project appears to fit the Bay Area Council funding guidelines very well as it plans to construct a recycled water facility at the existing regional wastewater treatment plant owned and operated by SAM and a recycled water delivery system to replace the use of potable water for irrigation purposes, reduce draw on local aquifers, reduce the Mid-Coast Region's (Region) dependency on imported water, reduce wastewater discharges into the Monterey Bay National Marine Sanctuary and the Gulf of Farallones, contribute to restoration of federally listed species habitat in the Region, and improve the socioeconomic viability of the Region. SAM is interested in both maintaining its position in environmental stewardship in the Midcoast Region by utilizing its wastewater effluent, a valuable water resource, for the benefit of the Region and to effectively protect the environment and overall socioeconomics of the Region. SAM has partnered with other Midcoast agencies, State, Federal, and other regional agencies to balance the beneficial uses of the available water resources in the Pilarcitos Creek watershed by finding solutions that satisfy environmental, agricultural, public health, and economic

interests. This partnership is outlined in the Pilarcitos Creek Integrated Regional Water Management Plan adopted by all participants and stakeholders.

.Recycled Water Project Benefits

This Project will potentially greatly contribute to the improvement of the Bay Area's and the Region water supply reliability and security by:

1. Significantly reducing the Mid-Coastside Region's dependency on imported water currently coming from the Hetch Hetchy watershed at great cost and power expenditures and risks to the system's security;
2. Reducing draw on local groundwater aquifers and improving sustainability and reliability of local supplies;
3. Reducing draw on local creeks and contributing to watershed restoration efforts (e.g., Pilarcitos watershed, lake and creek);
4. Utilizing wastewater effluent, a valuable water resource, for the benefit of the Mid-Coast Region and reducing discharges into the coastal areas designated as Areas of Special Biologic Significance (ASBS) in the California Ocean Plan;
5. Reducing usage of Hetch Hetchy water supplied by the San Francisco Public Utilities Commission (SFPUC) may contribute to a reduced draw on Tuolumne River;
6. Reduction in imported Hetch Hetchy water utilization will contribute to reduction in pumping and greenhouse gases emissions.

Due to a long-standing partnership with other agencies, governmental entities, and wide public support for the project, SAM reported that it anticipated no barriers to the project's implementation. The City of Half Moon Bay voters have overwhelmingly approved a measure in support of the recycled water development in the Region. Many local, state, and federal resource agencies have expressed their support for the Recycled Water Project. The first phase of the project appears to be exempt under the California Environmental Quality Act and National Environmental Policy Act due to its utilization of existing infrastructure for the initial phase of the Recycled Water Project. The business community is also supportive of the project as it ensures the Region's economic viability and competitiveness and employment stability and creation of additional jobs in the Region.

Development of recycled water on the Mid-Coastside is vital to the Region due to its dependency on water supply to support its socioeconomic viability. Many of the Region's businesses employing the majority of low to medium-income workers depend on reliable and cost-effective water supply for their operations, e.g., agriculture, commercial and public recreation facilities are the largest employers in the Region. The economic vitality, sustainable job creation, and long-term competitiveness of these employers are vital to the Region's and the Bay Area workforce and depend on drought-proof water supply that this project will secure for the Region. Recently, one of the largest floriculture operations, Nurserymen's Exchange, closed one of its locations due to high cost and low reliability of its water supply. If another large employer, for instance, Ocean Colony Partners (OCP), would lose its water supply or the costs of water triple as projected by the San Francisco Public Utilities Commission (SFPUC) who supplies 80 percent of the Coastside County Water District's (CCWD) water, it will

threaten the company's economic viability and hundreds of low to moderate income local jobs will be lost. This project will serve to protect those jobs.

The regional Recycled Water Project will greatly contribute to the economic stability of the region due to the increased assurance of sustainable water supply for businesses and residents. Currently, several largest business enterprises in the region depend almost entirely on imported water for their business needs. These are the businesses known for employing the largest number of local residents. These businesses also provide the largest source of tax revenue in the Region. This tax revenue will be further enhanced by revenue increases due for other local businesses that serve visitors to the region's parks and beaches (over 150,000 persons annually), and provide goods and services to local businesses and residents. The RW Project will also enhance environmental sustainability in the Bay Area and beyond by significantly reducing the Mid-Coastside Region's reliance on imported water, reducing draw on local groundwater aquifers and improving sustainability and reliability of local supplies; utilizing wastewater effluent, a valuable water resource, and reducing discharges into the Pacific Ocean coastal areas thus contributing to restoration of coastal areas and beaches; and contribute to a reduction in pumping and greenhouse gas emissions.

Development of recycled water in the Mid-Coastside Region is vital to its residents due to the region's dependency on water supply to support its socioeconomic viability. Many of the Region's businesses employing the majority of extremely-low to low to medium-income local residents in agricultural and recreational facilities, will benefit by securing jobs for the disadvantaged sector of population. Many of the workers reside in low-income residential trailer home parks in the area. These communities will benefit by assuring the residents' employment security and associated socioeconomic viability.

The RW Project ensures increased reliability for CCWD and diversifies the water supply portfolio.

.Recycled Water Project Status

Staff has continued discussions with CCWD staff regarding their respective and possible joint efforts and coordination on the RW Project activities. In particular, staff met with David Dickson, the CCWD General Manager, to discuss the proposed draft Delegation Agreement and solicit comments. The discussion at the meeting resulted in the following conclusions:

1. CCWD is interested in cooperative efforts to bring recycled water to the Mid-Coastside Region.
2. The delegation agreement appears premature and unnecessary to CCWD at this time.
3. CCWD and SAM staff concur that the work currently being performed and planned for the RW project includes the necessary steps and are interested in a continuous dialogue.

.State Grant Funding Status

The State Water Board has informed staff that the targeted Grant Agreement for the Facilities Planning Study/Conceptual Engineering date is June 15, 2009. An approval

letter from the State Water Board was received by SAM. The grant is for \$75,000 and will cover 50 percent of the conceptual engineering effort. SAM will be making a presentation to the State Water Board staff mid-point through the course of the effort and would be able to invoice the State to receive 50 percent of the funding with the remaining 50 percent following completion of the work.

.Coordination with OCP

Staff continued coordination with the OCP staff who reported working on collecting the data and preparing a package of information to contribute to the RW project efforts. OCP has appointed a project manager, Mike Williams to lead the RW Project for OCP.

.Next Steps

The next steps planned for the RW Project include the following:

- Planning and coordination efforts for the tertiary treatment pilot testing of SAM's effluent, should the Board concur that this step is necessary and approve the pilot study. OCP is very interested in having tertiary treated recycled water tested on their site this summer.
- State Grant Funding Agreement will be presented to the Board for review and approval.
- Data collection and information gathering efforts will continue
- Next progress report to the board at the June 28, 2009 Board meeting