



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: November 24, 2021

Approved

Date

12/03/21

SUBJECT: UPDATE ON SANTA CLARA VALLEY WATER DISTRICT'S EFFORT TO DEVELOP A PURIFIED WATER PROJECT IN SANTA CLARA COUNTY

RECOMMENDATION

Accept the report regarding negotiation status for Santa Clara Valley Water District's Purified Water Project in Santa Clara County.

OUTCOME

Accepting this staff report on Valley Water staff's recommendation to focus their resources on finalizing agreements with the City of Palo Alto, while continuing discussions with the Cities of San José and Santa Clara for a potential future purified project after the Palo Alto project.

BACKGROUND

In December 2019, Santa Clara Valley Water District (Valley Water) and the cities of Palo Alto and Mountain View entered into an agreement that would provide Valley Water the right to reserve wastewater effluent in exchange for compensation to exercise the option, \$16 million funding to build a local water treatment plant or other water projects, and \$1 million per year compensation for the wastewater effluent upon exercise of the option for treatment at either a local or regional water treatment plant. Valley Water agreed that it would be responsible for all cost associated with building and operating a regional facility including reverse osmosis.

Pursuant to Council direction on April 12, 2021 (link below), staff negotiations proceeded on the following items:

<https://sanjose.legistar.com/LegislationDetail.aspx?ID=4894316&GUID=92FF13FE-BDA9-4989-AC50-2911BAE86260&Options=&Search=>

- Establish a Master Agreement with Valley Water to fund all costs incurred by the City to support negotiations;

- Coordinate with Valley Water to negotiate and enter into a three-party agreement with a consultant to facilitate negotiation meetings between the City and Valley Water for six months;
- Negotiate with Valley Water an agreement to fund the reservation of wastewater effluent for potential water reuse projects with terms and conditions substantially similar to the Partnership Agreement to Advance Resilient Water Reuse Programs in Santa Clara County between Valley Water and the cities of Palo Alto and Mountain View dated December 10, 2019;
- Following the reservation of wastewater effluent, engage Valley Water to negotiate an amended or new Ground Lease and Property Use Agreement for the existing Advanced Water Treatment Facility, concurrently with an amended or new Recycled Water Facilities and Programs Integration Agreement; and
- Direct the administration to continue negotiating the expanded use of recycled water with Valley Water to increase a local, drought-resilient water supply and reduce reliance on imported water.

On September 1, 2021, Council directed the City Manager to prioritize the pursuit of expanded recycled water use with Valley Water to increase local, drought-resilient supply and reduce reliance on imported water.

ANALYSIS

Valley Water and the City of San José established a negotiation team comprised of the following staff:

City of San José

- Lee Wilcox, Assistant City Manager
- Nanci Klein, Director of Economic Development and Cultural Affairs
- Kerrie Romanow, Director of Environmental Services
- Amit Mutsuddy, Deputy Director Wastewater Operations
- Jeff Provenzano, Deputy Director Water Resources

Valley Water

- Melanie Richardson, Assistant Chief Executive Officer
- Aaron Baker, Chief Operating Officer of Water Utility
- Kirsten Struve, Assistant Officer of Water Supply
- Katrina Holden, Administrative Assistant

Through collaborative efforts, the negotiation team procured the services of a facilitator, and began negotiations to meet future water needs by developing and expanding programs and partnerships for water reuse, including both recycled water and potable reuse. During the facilitator-lead process, staff from both the City and Valley Water presented interests and discussed opportunities to enhance collaboration and key partnerships.

These discussions have been productive; however, additional time is required for needed agreements. Based on Valley Water's Board direction to implement the Purified Project rapidly, Valley Water staff has recommended focusing their resources on finalizing agreements with the City of Palo Alto in order to proceed with releasing a Request for Proposals (RFP), while continuing discussions with the Cities of San José and Santa Clara for a potential future purified project after the Palo Alto project. City Staff has agreed to this approach.

CONCLUSION

Staff recognize that mutual opportunities still exist to expanded use of recycled water, in collaboration with Valley Water. To increase a local, drought-resilient water supply and reduce reliance on imported water, staff will continue to negotiate the expanded use of recycled water.

EVALUATION AND FOLLOW-UP

No further follow up is anticipated at this time.

CLIMATE SMART SAN JOSE

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the December 14, 2021 City Council.

COORDINATION

This update has been coordinated with the City Attorney's Office, the City Manager's Budget Office, the City of Santa Clara, and the Santa Clara Valley Water District.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

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CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/
KERRIE ROMANOW
Director, Environmental Services

For questions, please contact Jeff Provenzano, Deputy Director, at (408) 277-3671.