



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Public Works Department, Water Resources Division

**SUBJECT:** Authorize Actions And Adopt A Resolution For Reactivating The Charles E. Meyer Desalination Facility

**RECOMMENDATION:** That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Design-Build-Operate Procurement Method for the Contract to Reactivate and Operate the Charles E. Meyer Desalination Facility;
- B. Authorize staff to prepare and present an Enabling Ordinance to the Ordinance Committee for a Design-Build-Operate contract;
- C. Authorize staff to release a Request for Proposals to prospective contractors to design, build, and operate the Desalination Facility;
- D. Authorize staff to submit a Repair and Maintenance Coastal Development Permit application as needed to reactivate the Desalination Facility; and
- E. Authorize the City Attorney to amend Professional Services Agreement Number 24,835 to increase the not to exceed amount from \$25,000 to \$100,000 for legal support services related to contracting for services to design, build, and operate the Desalination Facility, and other contractual requirements as needed.

**DISCUSSION:**

### **Background**

The City conducted a public process that culminated in the adoption of the current Long Term Water Supply Plan (LTWSP) by Council in 2011. Included in the plan as a recognized drought water supply is the City's Charles Meyer Desalination Facility ("Desal Facility"), which was completed in March 1992, and put into long-term standby mode in 1997. The City is currently experiencing a drought that is drier than the historic drought of record used as the drought planning basis of the LTWSP. The City is preparing to reactivate the Desal Facility, should conditions continue to remain dry, to ensure that the community continues to have sufficient uninterrupted drinking water supplies.

## **Project Status Update**

*Study Phase Report* – On May 6, 2014, Carollo Engineers, Inc. (Carollo), was authorized by City Council to create project documents for reactivating the Desal Facility. Within this scope of work, Carollo is finalizing a Study Phase Report, which includes assessments of the Desal Facility's condition, needed repairs, required equipment replacement and upgrades, and necessary work for complying with the facility's permits. Carollo, assisted by HansonBridgett and the City Attorney's Office, is also drafting contract documents and specifications to solicit proposals from contractors to perform final design, construction, and operation of the Desal Facility.

*Intake Water Quality Monitoring* – As required by the State Water Resources Control Board, a 12-month source-water sampling program near the Desal Facility's intake began in July 2014. The water sampling information will be used to confirm that the proposed Desal Facility will provide sufficient treatment in compliance with all State Drinking Water Regulations.

*Coastal Development Permit* – Technical and environmental studies associated with the City's existing California Coastal Commission (CCC) Coastal Development Permit (CDP) were authorized by City Council on July 29, 2014. A biological assessment of the seafloor surrounding the intake structure and in areas potentially affected by anchoring activities has been performed. The biological assessment characterizes the biota (coverage, type, density, estimated biomass) on the intake structure and surrounding area, the impact of removing the biomass from the structure, and recommendations for minimizing impacts from the needed repairs and maintenance. All recommendations are being incorporated into the project description. As directed by Council, Staff will submit an application for a Repair and Maintenance CDP including an assessment of Coastal Act consistency.

*Funding* – On July 29, 2014, City Council approved a contract with Raftelis, Inc. (Raftelis), to develop water rates to support reactivation and operation of the Desal Facility. Raftelis is currently developing water rates under three different operating scenarios for the Desal Facility. Staff has also submitted a pre-application for a low-interest State Revolving Fund loan. Other debt options, such as certificates of participation and revenue bonds, are also under consideration.

*National Pollution Discharge Elimination System (NPDES) Permit for El Estero and the Desal Facility*. The NPDES permit expires in early 2015 and staff is working on the renewal application to be submitted soon. Additionally, staff is working cooperatively with Regional Water Quality Control Board staff to process an amendment to the NPDES permit to address Water Code Section 13142.5(b) as it relates to the use of best available site, design, technology and mitigation measures.

*Brine Discharge Modeling* – Computer modeling of the El Estero Wastewater Treatment Plant's (El Estero) outfall diffuser system has been completed. The modeling demonstrates that when the Desal Facility produces 3,125 AFY or more, the existing diffuser system provides adequate mixing. When Desal water production is low, operational modifications may be needed to ensure there is adequate mixing in the diffuser system. The modeling results will be submitted to the Regional Water Quality Control Board, along with an application to renew the NPDES permit.

*State Water Board - California Ocean Plan.* Amendments to the California Ocean Plan were released for comments in early July 2014. Staff submitted comments to the State Water Resources Control Board on August 18, 2014. Staff is working cooperatively with the State Water Board staff and Board to confirm the status of Desal Facility as an existing facility under the Amended Ocean Plan.

### **Proposed Work**

The next steps towards reactivating the Desal Facility are to begin the contractor selection effort, continue with the permitting process, and establish a framework for completing the project by fall of 2016, should the current drought persist. At this time, staff is recommending that Council authorize the following:

1. *Adoption of Resolution to Allow Alternate Procurement Method:* Charter Section 519 allows the City Council to authorize alternate procurement methods for Water Department projects such as the design-build-operate (DBO) method. Such exceptions to the more traditional design, bid, build method must be approved by affirmative vote of a majority of the total members of the City Council.

In this case, Council authorization to proceed under a DBO procurement method is warranted for a number of reasons. First, the DBO method is likely to result in significant time savings compared with traditional design, bid, build method. This time savings is critical to the operational needs of this project which requires that the water be available in time to meet the demand. Second, the DBO method is likely to result in significant monetary savings over the traditional design, bid, build method where multiple firms are used to provide different services. Contracting with one entity to perform all of the work provides a "best value" approach to project costs and allows more refined project pricing. Finally, when the same entity is obligated to operate the system it designs and builds, there is a greater level of certainty that the quality of construction and construction methods will be the best available.

Staff is also requesting authority to prepare and present an Enabling Ordinance to the Ordinance Committee for a DBO contract. Staff anticipates it will be ready with a draft ordinance by October 2014. The ordinance will set forth in detail the DBO procurement method including details on the selections process and a suggested not to exceed reimbursement amount to be paid to the 3 or 4 short-listed qualified firms asked to submit proposals.

Staff is also requesting approval to increase the not to exceed amount of Professional Services Agreement No. 24,835 dated June 10, 2014. HansonBridgett LLP is providing critical legal services in the drafting of the Request for Qualifications, Request for Proposals and the contract document for the Design-Built-Operate Contract. This is a highly sophisticated and complex contract that requires extensive legal review and experience. Staff requests authorization to increase the Agreement from \$25,000 to \$100,000 at this time.

The decision to reactivate the Desalination Facility will be made based upon adaptive management of the City's water supplies at the end of March 2015. However, if the current drought conditions persists, the City will need the Desalination Facility to be operational by fall of 2016. The only way to meet this timeline is for Council to authorize the DBO procurement method as allowed by Charter Section 519.

2. *Contractor Selection Process:* Authorize staff to release a Request for Proposals to contractors who have been pre-qualified through a Request for Qualifications process for reactivating and operating the Desalination Facility.
3. *Permitting Process:* Authorize staff to submit a Repair and Maintenance CDP application to the CCC to enable the City to perform repair and maintenance activities on the Desalination Facility's intake structure and weir box on the beach.

**PREPARED BY:** Joshua Haggmark, Acting Water Resources Manager/CT/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office