



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: August 9, 2016

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Montecito Water District Funding Agreement

RECOMMENDATION: That Council:

- A. Authorize the Public Works Director to execute a Funding Agreement with the Montecito Water District for Phase 1 work associated with ongoing development of a Water Sales Agreement in relation to the City's Charles E. Meyer Desalination Plant as a potential regional water supply;
- B. Authorize the City Attorney to negotiate and execute a Professional Services contract in the amount of \$150,000 with Best Best & Krieger, for special legal support in the drafting of the Water Sales Agreement;
- C. Authorize the increase of estimated revenues in the Water Operating Fund by \$193,594, which is the Montecito Water District's portion of the Phase I work of the Funding Agreement;
- D. Approve, and authorize the Public Works Director to execute a Professional Services contract in the amount of \$425,187 with Carollo Engineers, for technical support services related to the Water Sales Agreement;
- E. Authorize the Public Works Director to approve expenditures of up to \$42,518.70 for extra services of Carollo Engineers that may result from necessary changes in the scope of work; and
- F. Authorize the City Attorney to make both minor and technical changes to the Funding Agreement necessary to effectuate the final Agreement with the Montecito Water District.

DISCUSSION

Background

The Charles E. Meyer Desalination Plant (Desal Plant) was constructed by the City during the last serious drought (1987-1991) as a temporary emergency facility to supply water to the City, the Goleta Water District (GWD), and the Montecito Water District (MWD). The Desal Plant was planned and permitted for a maximum capacity of 10,000 acre feet per year (AFY); however, only 7,500 AFY of reverse osmosis filtration capacity was constructed. The Desal Plant operated from March through June 1992, and

delivered approximately 419 acre feet of desalinated water. Abundant rainfall in March 1992 ended the drought, and the Desal Plant was placed into standby mode. At that time, GWD and MWD indicated that they did not wish to continue their participation in the the Desal Plant.

On June 16, 2015, MWD sent a letter to the City requesting to have the Desal Plant operate as a regional water supply. Both the Central Coast Regional Water Quality Control Board and the California Coastal Commission have verbally indicated that, based on the current permits, the Desal Plant could be operated as a regional water supply.

The current drought is tracking to be the worst in recorded history, which has made it necessary for the City to reactivate the Desal Plant. As of July 26, 2016, the current schedule has the Desal Plant operational in late January 2017, at a capacity of 3,125 AFY.

On September 15, 2015, Council directed staff to initiate formal discussions with MWD regarding a potential Water Sales Agreement, involving the Desal Plant as a regional water supply. The parties began negotiations by entering into a Memorandum of Understanding (MOU), which set out the parameters under which the parties agreed to negotiate. The MOU anticipated that negotiations would be concluded by January 1, 2016; however, negotiations are still ongoing.

Discussion

On April 26, 2016, Council received an update on the status of the discussions with MWD. As part of that update, staff noted that the next steps would include a Funding Agreement (Agreement) for costs associated with continued negotiations. The costs include technical and legal support needed to develop information and the necessary documents to enter into a Agreement.

Below is a brief summary of the major items the City believes are necessary to be able to enter into a Agreement:

1. Design/Build/Operate Contract Amendment Negotiations And Drafting - Support in negotiations with IDE America, (under contract with the City to reactivate and operate the Desal Plant) for the additional treatment capacity and the revised parameters for operation.
2. Additional Hydraulic Modeling - Related to conveyance of water to MWD.
3. Conveyance Pipeline – Engineering, permitting, and legal support services related to the conveyance piping required to ensure water delivery to MWD.
 - a. Preliminary Design and Contract Documents
 - b. Permitting and Environmental Support
 - c. California Environmental Quality Act Legal Support
4. Legal support for drafting the Agreement
5. City staff billable costs

At this time, MWD is interested in funding all items except Item 3 above. Excluding Item 3 now will prolong the time needed to complete the Agreement. Initial communications from MWD had conveyed an urgency to reaching an agreement, but recent improvements in acquiring additional supplemental water and sustaining lower demands have provided more time to complete an Agreement. Without the benefit of the information from Item 3, it is our best estimate that design and construction of the conveyance piping, to ensure delivery of water under the Agreement, will take at least 24 months, following execution of an Agreement.

Staff recommends contracting with Carollo Engineers (Carollo) for technical support of the Agreement. Carollo is uniquely qualified to support this effort with their background in assisting the City with the reactivation of the Desal Plant and their broad understanding of the City's water distribution system. Carollo's scope of services include supporting staff with the negotiations to amend the Design, Build, Operate contract with IDE America to accommodate the increased production capacity and operations. In addition, Carollo's scope under Item 3 includes the preliminary design for the conveyance pipeline, assist staff with permitting and environmental compliance for the conveyance pipeline, and contract preparation. As noted, MWD is not prepared to authorize Item 3 at this time; however, staff recommends approval of the full negotiated scope of work. Authorization of this work will be delayed until an agreement to proceed is reached. Carollo's hydraulic modeling experience for desalination and their strong experience in water infrastructure projects make them highly qualified to provide the conveyance pipeline preliminary design. Staff recommends authorizing the Public Works Director to execute a contract with Carollo in the amount of \$467,705.70, which includes \$42,500 for extra services that may result from necessary changes in the scope of services.

Funding

The total amount anticipated to complete the Agreement is \$727,705.70, comprised of the \$150,000 Professional Services contract with Best Best & Krieger, the \$467,705.70 Professional Services contract with Carollo Engineers and \$110,000 of estimated additional costs, including special legal support, and staff engineering and planning costs. Under Phase 1 of this Agreement, the total cost is anticipated to be \$350,884, with MWD's share being \$193,594, and the City's share totaling \$157,290. As noted above, with the understanding that Phase 2 work will be required, staff is recommending the award of the full contract with Carollo at this time.

Staff recommends increasing estimated revenues in the Water Operating Fund by \$193,594 for Montecito Water District's portion of the Phase I work of the Funding Agreement. Sufficient appropriations exist in the Water Operating Fund for the estimated total cost of \$727,705.70 to complete the Agreement.

This Agreement does not bind the City or MWD to an Agreement, and it obligates MWD to provide payment for work completed, whether the Agreement is entered or not. Should Council support the recommendations, the Agreement will need to go back to

the MWD Board for approval prior to execution by the Public Works Director. A copy of the agreement is available for public review in the City Clerk's Office.

PREPARED BY: Joshua N. Haggmark, Water Resources Manager/mh

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office