



Agenda Item No. _____
File Code No. _____

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

ITEM 6B

AGENDA DATE: June 7, 2016

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Montecito Water District Funding Agreement

RECOMMENDATION: That Council:

- A. Direct staff to execute a Funding Agreement with the Montecito Water District for costs 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. Approve and Authorize the Public Works Director to execute a Professional Services contract with Carollo Engineers, in the amount of \$425,187, for technical support services related to the Water Sales Agreement; and
- C. Approve and Authorize the Public Works Director to approve expenditures of up to \$42,500 for extra services of Carollo Engineers that may result from necessary changes in the scope of work.

DISCUSSION

Background

The Charles E. Meyer Desalination Plant (Desal Plant) was constructed by the City during the last serious drought (1987-1991) as an 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 to use the Desal Plant as an emergency water supply.

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 provided some degree of confirmation 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. The current schedule will have the Desal Plant operational in October 2016, 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. An Ad Hoc Council Committee was appointed and has recommended that this item be brought back to Council for a briefing on the draft terms developed by the City, and the status of negotiations to date. 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 documents that would be necessary to enter into a Water Sales Agreement (WSA).

Below is a brief summary of the major items included in the Agreement:

- Design/Build/Operate Contract Amendment Negotiations And Drafting - Support of 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.
- Additional Hydraulic Modeling - Related to conveyance of water to MWD.
- Conveyance Pipeline – Engineering, permitting, and legal support services related to the conveyance piping required to ensure water delivery to MWD.
 - Preliminary Design and Contract Documents
 - Permitting and Environmental Support
 - California Environmental Quality Act Legal Support
- Legal support for drafting the WSA
- City staff billable costs

The total amount anticipated under this Agreement for preliminary design of the conveyance pipeline and technical and legal services supporting the WSA is \$685,187. Of this amount, it is anticipated that the MWD's portion of these costs would be \$527,897, with the remaining \$157,290 being City costs. This Agreement does not bind the City or MWD to a WSA.

Staff recommends contracting with Carollo Engineers (Carollo) for technical support of the WSA. Carollo is uniquely qualified to support this effort with their background in assisting the City with the reactivation of the Desal Plant and broad understanding of the

City's water distribution system. This work requires a unique understanding of the contracts, design, and planned operation of the Desal Plant. Given the desire to complete negotiations on draft terms by October 2016, staff is recommending the use of Carollo to do the preliminary design for the conveyance pipeline. Their hydraulic modeling experience for desalination and 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 \$467,687, which includes \$42,500 for extra services that may result from necessary changes in the scope of services.

The Agreement was presented and approved by the MWD Board on May X, 2016 and is now ready for Council direction. The Board of Water Commissioners voted X-X in support of the staff recommendation.

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

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office