



CITY OF SAN MATEO

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Agenda Report

Agenda Number: 17

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TO: City Council
FROM: Alex Khojikian, City Manager
PREPARED BY: Public Works Department
MEETING DATE: October 21, 2024

SUBJECT:
Payment of Capital Costs of Clean Water Program Projects – Interim Agreement

RECOMMENDATION:

Adopt a Resolution to approve an Interim Agreement with the Crystal Springs County Sanitation District and the County of San Mateo for the Payment of Capital Costs of Clean Water Program Projects that establishes 30-year amortized payment schedules for the District and County in the amount of \$206,568.49 and \$17,591.53 per quarter, respectively and authorize the City Manager to execute the Interim Agreement in substantially the form presented and amend the payment schedule, as specified.

BACKGROUND:

The Town of Hillsborough (Town), Crystal Springs County Sanitation District (District), and the County of San Mateo (County) discharge sanitary sewage flow into the City's sewer system. A sanitary sewage agreement exists between the parties to define the relationship, rights, and responsibilities of the parties for the discharge, pumping, transmission, and treatment of sewage contributed to the system. The most recent agreement is known as the "1989 Agreement," and has been amended three times.

In March 2009, the San Francisco Bay Regional Water Quality Control Board issued Cease and Desist Order R2-2009-0020 (CDO) to the Town, City, and District (managed by the County) mandating actions to eliminate wet weather sanitary sewer overflows (SSOs) and unauthorized discharges of untreated or partially treated wastewater into the San Francisco Bay. The CDO also required the City to conduct an evaluation of options to increase capacity at the City's Wastewater Treatment Plant (WWTP) to reduce and eventually eliminate a practice known as "blending."

To address the CDO requirements, the City established the Clean Water Program (CWP) in 2014, a comprehensive \$1 billion plan that includes a series of capital projects to upgrade and increase the wet weather capacity of the WWTP and collection system to eliminate SSOs and meet current and future National Pollutant Discharge Elimination System (NPDES) permit requirements. The CWP is progressing well and approximately 94 percent of the funding has been encumbered. Construction on the collection system and WWTP projects are underway and compliance with the CDO is anticipated to occur in 2026.

While the CWP has been underway for several years, negotiations on a fourth amendment to the 1989 Agreement for the allocation and payments by the Town, District, and County for costs incurred by the City for the design and construction of certain CWP projects stalled and bifurcated in 2022, resulting in the City and Town executing an Interim Agreement to address the capital costs to be paid for by the Town, excluding the District and County.

Because the District and County acknowledged their responsibilities to pay for their share of the capital costs of the CWP, the proposed Interim Agreement for Payment of Capital Costs of Clean Water Program Projects between the City, County,

and District will allow for amortized payments toward such capital costs.

Staff continues to discuss with the Town, District, and County a fourth amendment to the 1989 Agreement to update terms related to the capital improvement costs for projects after the completion of the Clean Water Program and methods for calculating operational cost shares.

BUDGET IMPACT:

The percentage shares of the costs were developed using maximum allowable flows into the City's sewer collection system and WWTP and CWP project costs. The agreed percentage share and estimated contributions are as follows:

Clean Water Program Projects Section	District / County Percentage Shares
WWTP Projects	5.2 percent / 0.4 percent
Dale Avenue Pump Station Projects	5.6 percent / 0.4 percent
Underground Flow Equalization System Project	5.6 percent / 0.4 percent
Program Management Office	3.9 percent / 0.3 percent

The District and County have already paid portions of their CWP capital costs and upon execution of the agreement have agreed to pay quarterly payments over a 30-year schedule at 1.91 percent interest; these amounts are shown below:

Description	District	County
Total Capital Cost Share	\$32,527,428	\$2,466,401
Capital Costs Paid to Date	\$13,691,878.51	\$862,351.35
Quarterly Payment Amounts	\$206,568.49	\$17,591.53

Revisions to the total contribution will also be made once the capital costs are finalized at the close out of the CWP. Under the terms of the Agreement, and as indicated in the recommendation, the City Manager would be authorized to amend the payment schedule when there is a change in the District's or County's share of costs.

ENVIRONMENTAL DETERMINATION:

The City prepared a Final Programmatic Environmental Impact Report (PEIR) in accordance with the California Environmental Quality Act (CEQA) (SCH No. 2015032006) for the Clean Water Program. The PEIR was certified by Council on June 6, 2016. In accordance with CEQA, the Final PEIR serves as the primary environmental compliance document for implementation of the CWP. The City prepared Addenda to the Final PEIR that was approved on July 16, 2018 (Addendum 1) and April 15, 2019 (Addendum 2). This work is within the scope of the project evaluated in the PEIR and Addenda.

In accordance with CEQA Guidelines section 15080 through 15093, the City prepared an Environmental Impact Report (EIR) for the Underground Flow Equalization Project (SCH No. 2018092013) and on October 21, 2019, Council certified the Final EIR and adopted the requisite findings, statement of overriding considerations, and mitigation monitoring and reporting program.

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 - Proposed Resolution

Att 2 - Interim Agreement

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