



CITY OF SAN MATEO

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Agenda Report

Agenda Number: 5

Section Name: {{section.name}}

Account Number: 72-4674

File ID: {{item.tracking_number}}

TO: City Council

FROM: Drew Corbett, City Manager

PREPARED BY: Public Works Department

MEETING DATE: June 20, 2022

SUBJECT:

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

RECOMMENDATION:

Adopt a Resolution to approve an Interim Agreement with the Town of Hillsborough for the Payment of Capital Costs of Clean Water Program Projects including an initial payment to the City in the amount of \$2,415,000; a payment schedule for Hillsborough in the amount of \$2,402,979 per year; and authorize the City Manager to execute the Interim Agreement 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 10-year 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 NPDES permit requirements. The CWP is now in its eighth year and over 80% of the funding has been encumbered. Construction on the largest collection system and WWTP projects is underway and compliance with the CDO is planned for 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 have stalled. The City, County, and District continue to discuss terms unrelated to the Town, which need to be resolved in order to finalize the fourth amendment. Because the Town acknowledges its responsibility to pay for its share of the capital costs of the CWP, the Interim Agreement for Payment of Capital Costs of Clean Water Program Projects between the Town of Hillsborough and the City will allow for the payments toward such capital costs until the fourth amendment between all the agencies is finalized.

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:

CWP Projects	Town
WWTP Projects	7.6%
Dale Avenue Pump Station Projects	8.2%
Underground Flow Equalization System Project	8.2%
Program Management Office	5.7%
Total Contribution	\$47,557,941

The Town has paid \$947,249 toward their capital cost share of the CWP. Upon approval of this agreement, they have agreed to pay \$2,415,000 in addition to their required annual payment of \$2,402,979. However, the annual debt service will be revised once the final interest rate is determined based on the City's financing terms. 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 interest rates or if the Town prepays its share of costs.

While the CWP improvements are designed to convey the design storm to eliminate SSOs, the Town is currently in the process of implementing inflow and infiltration improvement projects and does not believe that the peak capacity provided by the CWP will be required. An alternative allocation of costs will therefore apply if, within five years of the effective date of the Interim Agreement, the Town's flows fall below a certain set threshold. It is anticipated that the alternative allocation will be provided to the District as well. If the Town and District contribute less than the set flow thresholds, the total contribution for the CWP costs will be reduced to \$32,527,428.

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

STAFF CONTACT

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