

**To: Board of Directors**  
**From: Rick L. Callender, CEO**

## Weeks of March 22 – April 4, 2024

### Board Executive Limitation Policy EL-7:

*The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall 1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.*

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1	Palo Alto Purified Water Project Wind Down Activities

### 1. Palo Alto Purified Water Project Wind Down Activities

For the past five years Valley Water and the cities of Palo Alto and Mountain View have successfully collaborated on the expansion of potable reuse in Santa Clara County, starting with the execution of the 2019 Agreement. Valley Water and the City of Palo Alto drafted terms for an Operations and Maintenance Agreement, as well the terms for lease agreements of a site for the source water pump station at the Palo Alto Regional Water Quality Control Plant and the former Los Altos Treatment Plant site to place a new purification facility, as well as terms for needed easements to connect the pipelines.

Due to affordability issues related to Capital Improvement Program (CIP) cost increases and declining wastewater flows, Valley Water's Board decided on February 27, 2024, to move the Palo Alto Purified Water Project to the unfunded list. The efforts with our city partners as well as regulatory agencies will be helpful as Valley Water moves forward with a Direct Potable Reuse (DPR) project with the Cities of San Jose and Santa Clara.

Valley Water is conducting wind down activities as follows:

- Valley Water met with the shortlisted Public-Private Partnership (P3) teams to notify them of the Board's decision and will cancel the procurement.
- Put all agreement development on hold as a future project in Palo Alto may be a very different project, possibly DPR. The 2019 agreement allows Palo Alto's treated wastewater to also be used at other Valley Water facilities that may be constructed. Obligations under the 2019 agreement include paying for the wastewater option until 2032 and payments to support construction of Palo Alto's salt removal facility, which will enhance the non-potable supply, will continue.
- Valley Water has informed regulators, partner agencies, including cities along the pipeline route of the Board's decision and updated the project website and other outreach materials.
- Amend existing consultant agreements to focus resources and expedite the San Jose Purified Water Project.
- Archive all project information.

The Recycled Water Committee was provided an opportunity to provide feedback at their March 27, 2024 meeting as well as additional details that can be found in the Committee agenda memo. The Committee agreed with these wind down activities and noted the importance of maintaining good relationships with our partners and supporting their efforts on non-potable recycled water expansion.

For further information, please contact Kirsten Struve at (408) 630-3138.

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