



# Santa Clara Valley Water District

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**File No.:** 18-0264

**Agenda Date:** 5/22/2018

**Item No.:** 5.2.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Budget Adjustment for South County Recycled Water Pipeline, Project No. 91094010 (Gilroy) (District 1).

### **RECOMMENDATION:**

Approve a Budget Adjustment in the amount of \$2,974,749 from South County Recycled Water Pipeline - Short Term 2 Project (Project No. 91094010, Authorized Project Reserves) to South County Recycled Water Pipeline - Short Term 2 Project (Project No. 91094010).

### **SUMMARY:**

On September 18, 2017, the Santa Clara Valley Water District (District) and City of Gilroy (City) executed Agreements 1 and 2, in the combined amount of \$2,974,749 for the installation of approximately 8,250 linear feet of recycled water pipeline. Details of Agreement 1 and 2 are as follows:

1. Agreement A4107S - Hecker Pass Development Project (Phases 3 and 4): District cost, in the amount up to \$1,493,489.36, to upsize the proposed pipeline inside diameter from 12-inches to 24-inches. Project includes the installation of 4,520 linear feet of recycled water pipeline.
2. Agreement A4108S - Glen Loma Ranch Development Project (Home Ranch and Wild Chestnut Neighborhoods): District cost, in the amount up to \$1,481,259.46, to upsize the proposed pipeline inside diameter from 16-inches to 30-inches, and additional lengths of 24-inch and 30-inch inside diameter pipelines. Project includes the installation of 4,000 linear feet of recycled water pipeline.

On January 14, 2014, the Board authorized a \$3 million budget adjustment (Project No. 91094010) and authorization to the Chief Executive Officer (CEO) to negotiate and execute an agreement to pay the City for amounts to be reimbursed to a developer (KB Homes) for the design and construction of a recycled water pipeline extension as part of the development, consistent with alignments in the South County Recycled Water Master Plan (Master Plan). KB Homes withdrew from the negotiations with the City and an agreement was never executed.

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On September 23, 2014, the Board authorized an additional budget adjustment and the CEO to negotiate and execute subsequent agreements between the District and City, for amounts to be reimbursed to the developers for the design and construction of recycled water pipeline activities, consistent with alignments in the Master Plan, within the Hecker Pass Development (Phases 1 and 2) and Glen Loma Ranch Development (Phase 1A).

Staff is requesting this budget adjustment in fiscal year 2018, to utilize the \$3 million budget remaining in the Project Reserves for Project No. 91094010, previously earmarked to reimburse the City for recycled water pipeline work performed by a developer (KB Homes), to fund subsequent recycled water pipeline work performed by developer(s) within the Hecker Pass and Glen Loma Ranch Developments as referenced in agreements A4107S and A4108S.

As outlined in the referenced agreements, the arrangement is for the City to reimburse the developer, and for the District to reimburse the City for the completed installation of upsized recycled water pipelines. The District will own and operate the recycled water pipelines upon completion and acceptance of work.

#### **FINANCIAL IMPACT:**

Funding for this work was previously authorized by the Board and subsequently moved to project reserves. In order to pay for the work associated with Agreements 1 and 2, staff recommends approval of the budget adjustment reallocating \$2,974,749 from project reserves to current year budget.

The expenditure associated with Agreement 1 is \$1,493,489.36. This includes eligible costs of \$1,298,686.40 plus a contingency of \$194,802.96 (15 percent). The expenditure associated with Agreement 2 is \$1,481,259.46. This includes eligible costs of \$1,288,051.70 plus a contingency of \$193,207.76 (15 percent).

These projects would be funded 100 percent by South County Zone W-5. Cost recovery would be accomplished through annual capital cost recovery payments over a 30-year time frame beginning when the project is completed. This approach is consistent with the District's practice for capital projects that benefit South County.

#### **CEQA:**

The proposed activities for the Hecker Pass Development and Glen Loma Ranch Development projects, were analyzed at a programmatic level as part of the 2011 Program Environmental Impact Report prepared by the District for the 2004 South County Recycled Water Program Master Plan. In addition, an Environmental Impact Report entitled the Hecker Pass Specific Plan/South Valley Community Church, dated May 24, 2014, was prepared for the City to evaluate the potential impacts of the construction of the homes on the environment. District staff has evaluated these two documents and concluded the proposed project activities have been adequately evaluated and no new mitigation measures are required; therefore, no subsequent environmental document is necessary.

**ATTACHMENTS:**

Attachment 1: Agreement A4107S

Attachment 2: Agreement A4108S

**UNCLASSIFIED MANAGER:**

Garth Hall, 408-630-2750