



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean

**SUBJECT:** SEE BELOW

**DATE:** 11-22-10

Approved

Date

12/1/10

**SUBJECT: REVIEW OF THE MILPITAS GUIDING PRINCIPLES FOR SAN JOSE/SANTA CLARA WATER POLLUTION CONTROL PLANT MASTER PLAN RECONSTRUCTION AND LAND USE ALTERNATIVES**

## RECOMMENDATION

Direct staff to consider the Milpitas Guiding Principles for San Jose/Santa Clara Water Pollution Control Plant Master Plan Reconstruction and Land Use Alternatives (Milpitas Guiding Principles), along with other tributary agency, stakeholder and public input, in the final development of the Preferred Alternative for the Plant Master Plan currently scheduled to be presented to Council in April 2011, and to present the Milpitas Guiding Principles, along with other tributary agency and partner input into the Land Use Alternatives Public Input Summary that will be presented to Council along with the recommended Preferred Alternative for the Plant Master Plan.

## OUTCOME

The recommended action will allow Council to consider the Milpitas Guiding Principles at the same time that it considers other tributary agency, stakeholder and public input into the Land Use Alternatives Public Input Summary.

## BACKGROUND

On November 20, 2007, the Council awarded an agreement to Carollo Engineers to develop a Master Plan for the San Jose/Santa Clara Water Pollution Control Plant (Plant) for the next 30 years. The Plant Master Plan will address both the technical wastewater operations of the Plant and the land uses of the 2,600 acres of Plant lands. Development of the Plan has included a major outreach component to identify and incorporate the community and stakeholder comments.

The triple-bottom line of sustainability and maintaining safe, compliant, and reliable wastewater treatment will form the foundation of the Plan. The development of the technical and land use

alternatives has been based on the concept that the benefits to the local economy, the local and global environment, and the community through social equity all can be achieved through an integrated approach to the Plant and its land.

The Plant Master Plan process began with development of goals that were approved by the Plant Master Plan Steering Committee consisting of tributary agency representatives who meet consistently throughout the planning process. These goals were then presented to the Treatment Plant Advisory Committee (TPAC) and Council in March 2009. Work on the Plant Master Plan is now nearing completion, with the current schedule calling for Council selection of a Preferred Alternative for CEQA analysis in April 2011. The City of Milpitas requested consideration of the Milpitas Guiding Principles at the October 20, 2010 Rules Committee meeting. The Rules Committee agendaized the Milpitas Guiding Principles for review at the December 14, 2010 Council Meeting and requested a staff analysis.

## **ANALYSIS**

The Plant is owned by the Cities of San Jose and Santa Clara and serves the tributary agencies of Milpitas, Cupertino Sanitary District, West Valley Sanitation District, County Sanitation Districts 2-3, and Burbank Sanitary District. The Plant Master Plan process has actively involved staff from the City of Santa Clara as co-owner, and the tributary agencies including the City of Milpitas. City of Milpitas staff were involved in the Plant Master Plan process in the following ways:

- Staff from the all tributary agencies, including City of Milpitas was invited to and attended brainstorming, technical and land use workshops that occurred during the development of the technical and land use alternatives.
- City staff met separately with City of Milpitas Planning, Economic Development, and Public Works staff to discuss their concerns and ideas for land uses on the Plant lands, since they are the Plant's immediate neighbor. A separate meeting with Public Works and outreach staff of Milpitas was held to obtain input into the preferred outreach vehicles for Milpitas early in the project.
- Staff presented a report on the progress of the Plant Master Plan to the Milpitas City Council in March 2009.
- Santa Clara and tributary agency staff are part of monthly Steering Committee meetings, discussing technical and land use aspects of the project and are also members of the Public Outreach Working Group, coordinating outreach and seeking input from residents in the tributary area.
- Tributary agency parks staff (including Milpitas) attended a special meeting on potential parks development.

In terms of input from the Milpitas community, the Community Advisory Group includes representatives from all areas that discharge to the Plant, including two Milpitas representatives,

and two at-large representatives from Milpitas. The first of the five public workshops in May 2010 was held in Milpitas.

The Plant Master Plan Goals developed by the Plant Master Plan Steering Committee and presented to the Treatment Plant Advisory Committee and Council are:

- Operational: Result in a reliable, flexible Plant that can respond to changing conditions.
- Economical: Maximize economic benefits for customers through cost-effective options.
- Environmental: Improve habitat and minimize impacts to the local and global environment.
- Social: Maximize community benefits through improved aesthetics and recreational uses.

The Milpitas Guiding Principles, with some exceptions, are consistent with the goals of the Plant Master Plan. Following is the staff analysis of the Milpitas Guiding Principles:

*Milpitas Principle 1: Decisions regarding Plant improvements, land use, environmental requirements, economic opportunities, and new Plant business opportunities shall always be based upon the premise that wastewater treatment is the primary business of the Plant and all other activities are secondary.*

This principle is already part of the planning process through the Plant Master Plan operational goal.

*Milpitas Principle 2: Decisions regarding Plant improvements, land use, environmental requirements, economic opportunities, and new Plant business opportunities shall always be based upon the philosophy of serving and benefiting the sewer customers throughout the Plant tributary area.*

This principle is already part of the planning process through the Plant Master Plan economical goal. Three draft objectives developed for the economical goal and discussed with the Steering Committee further include the premise behind this principle:

- Maximize alternative energy use
- Increase area-wide economic benefits
- Increase economic benefits to the Plant and tributary agencies

*Milpitas Principle 3: Upon completion of the Plant Master Plan, new agreements with the Plant tributary agencies will be needed to track the new realities and revenue centers conceived by the Plant Master Plan, including financing and financial benefits to the tributary agencies.*

This is not a guiding principle for the development of the Master Plan, but instead relates to implementation of some aspects of the Master Plan. The current tributary agreements are valid until 2031 and allocate revenues from the Plant lands according to the agencies' participation in

the cost of the land. All tributary partners and Santa Clara have been involved in technical and land use recommendations related to the Plant Master Plan throughout the process and have expressed an interest in renegotiating the agreements sooner than 2031.

*Milpitas Principle 4: The outdated infrastructure and open air drying systems for the biosolids are public nuisances inappropriate to an urban area. These outdated systems should be replaced or retrofitted to incorporate the most currently available technologies, to significantly reduce or eliminate environmental impacts such as odor, visual, and energy consumption within the first phases of the Master Plan.*

The draft recommended alternative for the Master Plan calls for significant change to the current biosolids processing facilities, which will be complete in the next 15 years. The draft technical alternative replaces the current solar drying operations with a state-of-the-art biosolids handling, treatment, and disposition facility that will provide for additional opportunities for biosolids reuse. This includes a smaller footprint with covered operations that will reduce odors, and minimize impacts to neighbors. However, this conversion will be more costly than the current operation. For this reason, the draft recommended alternative for the Master Plan proposes that the first phases (5-years) of the improvements to the biosolids facilities include optimizing the existing digesters, and piloting to find the best performing and most cost-effective methods for the biosolids operation within a reasonable timeframe by 2025. Before the Preferred Alternative is finalized, acceleration of this schedule will continue to be evaluated from both technical and cost perspectives.

The 30-year project costs for all biosolids improvements as currently proposed in the draft recommended alternative are estimated at \$530 million of which \$250 million will be expended by 2025 for transferring from the current lagoon drying bed operation. Staff is also analyzing whether this schedule could be compressed by four years. To change the biosolids processing significantly sooner would require contract dewatering (for a 12 year period) until the permanent facilities are constructed. This would increase the annual operating costs by approximately \$15 million per year, which is an increase of 20 percent over the current annual operating costs of the entire Plant.

New odor control improvements to the liquids treatment processes are being incorporated into scheduled rehabilitation and replacement projects. The planning-level construction costs for improved odor control to the liquids treatment processes is approximately \$90 million, and is projected to be accomplished in stages through the year 2022.

*Milpitas Principle 5: The Financial Plan for the Plant Master Plan should include the following:*

*a. Revenue from economic land uses should be reinvested into fulfilling and expediting the goal of the Master Plan and minimizing/eliminating debt financing for Plant improvements*

*b. Ongoing revenues from energy production should be used to help offset ongoing maintenance and operations costs, thereby reducing rate increases to all tributary agencies.*

With respect to (a) above, the revenue sharing formula of the current agreements allows the councils and boards of the various agencies to decide how their share of any revenues from the Plant lands are used.

With respect to (b), revenue actually received from energy production would be treated similarly to revenue from other sources under the current agreements. To the extent that energy production is dedicated to Plant uses, it may offset ongoing maintenance and operating costs, thereby reducing the operating budget that all agencies share. The impact of increased use of Plant generated power may not significantly reduce rate increases needed, depending on the agency; but it may have positive environmental benefits.

*Milpitas Principle 6: Economic land uses should be clustered along the north side of Hwy 237 to maximize revenue for the Plant.*

The draft recommended Land Use Alternative has been developed with ongoing expert and community input and will only be finalized for Council consideration after receiving additional input. While economic land uses benefit from visibility along the highway, it is premature for Council to actually select the Preferred Alternative at this point. The draft recommended Land Use Alternative does include significant economic development on the north side of Highway 237 and all three preliminary alternatives included economic development along the Highway 237 corridor.

*Milpitas Principle 7: Social land uses should be clustered along the western side of Coyote Creek to improve performance of the bufferlands and to maximize environmental and recreational benefits.*

The draft recommended Land Use Alternative has been developed with ongoing expert and community input and will only be finalized for Council consideration after receiving additional input. It would be premature for Council to actually select the Preferred Alternative at this point, without receiving greater community and stakeholder input. All three preliminary alternatives already include some environmental and social uses along the Coyote Creek riparian corridor.

*Milpitas Principle 8: Secondary access from the northeast of the project area should not be precluded.*

The draft recommended Land Use Alternative has been developed with ongoing expert and community input and will only be finalized for Council consideration after receiving additional input. Secondary access from the northeast may be beneficial and may be part of the final recommended Preferred Land Use Alternative after additional coordination with the City of Milpitas and other community and stakeholder input.

*Milpitas Principle 9: City of San Jose social policies including, but not limited to, public art, should not be incorporated into the costs of the Master Plan improvements shared by the Tributary Agencies.*

The “costs” for the Master Plan improvement are very preliminary estimates at this time. Many of the costs will not be incurred for years to come. With respect to whether public art should be included in capital budgets for Plant projects, the City’s Public Art Ordinance (San Jose Municipal Code Chapter 22.04) was adopted by the City Council on August 19, 2008, after TPAC recommended approval of the ordinance on August 14, 2008. The ordinance does exclude certain capital costs from the requirement that 1% of the budget be set aside for public art, including non construction related costs such as studies, reports, leases and easements, costs of environmental review and capital projects that are designated as “maintenance” in the capital budget and “retrofits.” The ordinance also allows public art money to be spent in public places owned or leased by agencies other than San Jose. Under the adopted ordinance some, but not all Master Plan project construction costs will be subject to the 1% requirement. Also, it is anticipated that some Master Plan project construction costs may not be funded with ratepayer or tributary agency revenue. However, since the Plant has become a destination with thousands of residents touring, some public art will be important in helping to communicate the important function the Plant performs.

Staff will continue to work with Plant partners in the development of the final technical and land use alternatives. The principles presented by Milpitas are largely included in the Plant Master Plan goals and objectives.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Public outreach has been a critical element of the Plant Master Plan process.

HONORABLE MAYOR AND CITY COUNCIL

11-22-10

**Subject: Milpitas Guiding Principles**

Page 7

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the Office of Cultural Affairs/Office of Economic Development. The Plant's Treatment Plant Advisory Committee heard this item on December 9, 2010.

### **EVALUATION AND FOLLOW-UP**

The Plant Master Plan has and will continue to provide quarterly verbal updates to the Treatment Plant Advisory Committee and Transportation and Environment Committee until the Plant Master Plan is completed and approved by the San Jose and Santa Clara Councils.

### **FISCAL/POLICY ALIGNMENT**

This Council item is consistent with Council approved Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."

### **CEQA**

Not a Project, File No. PP10-069 (a) Staff Reports.

/s/

JOHN STUFFLEBEAN

Director, Environmental Services

For questions please contact Bhavani Yerrapotu, Division Manager, Environmental Services at (408) 945-5321.