



AGENDA REPORT
SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: March 6, 2012

Agenda Item 66
Approvals: [Signature]
City Manager [Signature]
Dept. Head [Signature]
Attorney _____
Finance _____

Department: Public Works / Engineering Division
Prepared By: David Rebensdorf, Assistant City Engineer

Subject: *SUPPLEMENTAL APPROPRIATION FOR ADDITIONAL COSTS FOR THE SOUTH ORANGE COASTAL OCEAN DESALINATION, PROJECT NO. 38401.*

Summary: The City is participating in a pilot project to evaluate the feasibility of developing an ocean water desalination plant in Dana Point. Currently, there are five agencies participating in the project. They include: City of Laguna Beach, City of San Clemente, City of San Juan Capistrano, Moulton Niguel Water District and South Coast Water District. The project may supply up to 15 million gallons per day of potable water to reduce South Orange County's dependence on imported water from Metropolitan Water District (MWD). Presently, the City obtains approximately 85% of its water from MWD, although the City's reliance on imported water will be lowered by 8% upon completion of the Recycled Water System Expansion.

During the past several years, a slant well was constructed by the Municipal Water District of Orange County (MWDOC) at Doheny Beach and the project was permitted for the installation of a pump and pilot plant. Over the past 18 months, the pilot plant has been operated to test for corrosion, filter analysis, microbial testing and post treatment requirements. The pilot plant testing portions of this project, known as Phase III, will be completed in the spring of 2012. Following its completion, reports will be prepared to summarize pilot testing results, analysis of the project effects on the San Juan Basin, financial feasibility and water supply reliability. Once the analyses are complete, a decision point on whether the project will proceed on to the next phase is planned for 2013.

At the February 22, 2012 South Orange Coastal Ocean Desalination Participants Meeting, a budget of \$23,000 per agency was proposed to complete the efforts described above. To date the City has budgeted \$685,000 from the Water Acreage Fee Fund for this project. While the budget amount is proposed at \$23,000 per agency, staff recommends a budget of \$30,000 to provide a contingency and to flexibility in case one of the participants decides to drop out of the project.

Recommended Action: STAFF RECOMMENDS THAT the City Council Approve a Supplemental Appropriation of \$30,000 from the Water Acreage Reserve Fund to Account No. 052-467-43890-38401.

Fiscal Impact: Yes. This supplemental appropriation from the Water Acreage Reserve in the amount of \$30,000 will lower the projected FY 2012 ending fund balance from approximately \$663,279 to \$633,279.

Attachments: February 22, 2012 SOCOD Participants Meeting Agenda Item No. 3 Adoption of CHOICE Budget Activity for 2012-13.

Notification: None.

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3. Adoption of CHOICE Budget Activity for SOCOD for 2012-13

Report:
Committee Questions
Public Comments
Committee Decision

Recommended Action: It is recommended that the Participants concur with adoption of the CHOICE Budget for 2012-13 in the amount of \$263,000 with an individual Participant deposit level of \$23,000.

The activities that need to be funded under the CHOICE portion of MWDOC's budget for the SOCOD Project beginning July 1, 2012 include the following:

- Staff time towards completion of Phase 3 work through the fall and into the spring of 2013. This will include management of production of reports to RECLAMATION, DWR and EPA in satisfaction of the grants received (the consultant work for these efforts is already included under Phase 3).
- Staffing completion of the groundwater modeling and negotiations with the San Juan Basin Authority regarding project operations, mitigation and other activities related to their Groundwater Management Plan (consultant time is covered under Phase 3).
- Staffing the Participants meetings.
- Staffing meetings with the Technical Staff from each agency (TAC) to complete the development of the cost estimate, assumptions, economic model, cost of MET water, energy costs, etc. This work would also include a discussion and characterization of the reliability benefits and the value provided to the Participants from the project.
- Staffing meetings with the Technical Staff from each agency (TAC) to outline the next steps and costs of the next steps as we focus the group toward a GO/NOGO Decision, including whether or not to go after a future application for a RECLAMATION Feasibility Study.
- Staff and consultants for participation in the Regulatory Process for brine disposal (Ocean Plan Amendment)
- Monitoring of other regulatory and legislative initiatives
- Continue support of CALDESAL
- Monitoring of clean up work by the Chevron and Arco stations
- Keeping the Pilot Plant sited at Doheny State Beach for purposes of visibility, tours and in case subsequent work needs to be conducted at that location. There will be some level of electrical costs to keep the site active along with other miscellaneous costs.
- Fulfill public interest requests in the status of the project and keep the website posted. Coast Keepers have recently toured the project and would like to request the site use for watershed and science education purposes.
- Use of federal advocates for continuing to look for funding towards the project for planning, design and construction
- Addition of a small contingency amount for unanticipated issues.

The estimated costs for 2012-13 are summarized below:

Proposed Budget 2012-13 South Orange Coastal Ocean Desal Project	
Item Description	Estimated Costs
1. MWDOC Staff + Overhead Costs	\$137k
2. State Parks Lease (assumed costs for leaving the Pilot Plant in place without operating)	\$24k
3. Electrical Costs	\$5k
4. Regulatory Coordination (w/o dispersion modeling)	\$30k
5. Federal Advocacy – (looking for permitting, design & construction funds)	\$42k
6. CAL Desal Membership	\$5k
Subtotal	\$243k
Contingency	\$20k
Total Budget	\$263k
Less Carryover from Phase 3	-(\$150k)
NET Budget	\$113k
	(\$23k per agency)
* Additional activities could be undertaken if grant funding without a match requirement can be secured	

Based on the most recent financial summary through November 29, 2011, plus accommodations for other expenditures, staff has estimated about \$220,000 of potential carryover from Phase 3 exist. We will assume that \$150,000 can be carried over from Phase 3 to fund activities in 2012-13. The net result is that each agency would have to contribute \$23,000 to fund these activities. A small contingency fee of \$20,000 has been included for unforeseen needs. If this is not included, the contribution per agency would drop to \$19,000 per agency.

Discussion

The proposed budget level should be viewed as a minimal budget for the upcoming year and does not provide for much new activity – essentially it means we will “wrap up” what we have underway and bring it to the Participants for a decision. The budget also results in a high level of reliance on MWDOC staff to get things done for the decision point in the spring of 2013 for a GO/NOGO Decision.

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