



Department: Utilities
Cost Center: 6104
For Agenda of: 4/2/2024
Placement: Consent
Estimated Time: N/A

FROM: Aaron Floyd, Utilities Director
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SUBJECT: AUTHORIZE FUNDING FOR EMERGENCY MAINTENANCE AT THE WATER RESOURCE RECOVERY FACILITY (WRRF)

RECOMMENDATION

1. Approve a budget transfer of \$1,498,364 from the Sewer Fund Undesignated Capital Completed Projects Fund (602.9501.71501) to the WRRF Major Maintenance (2000607-10); and
2. Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, authorizing use of Sewer Fund Undesignated Capital to Support WRRF Emergency Maintenance."

POLICY CONTEXT

The purchases related to WRRF Emergency Maintenance fall under [Municipal Code 3.2.060](#) B and F, which state that purchasing and bid procedures are not required when:

(B) the lack of such equipment, supplies, or services would seriously threaten the functioning of city government, the preservation of property, or the health and safety of any person; and

(F) necessary for the preservation or protection of public peace, health, safety, or welfare of persons or property.

Sewer Fund completed project accounts are funds that have been approved by Council to be spent on Capital projects but are not designated to a specific project. This balance increases when Sewer Funded projects are completed under budget. The policies related to managing completed projects were approved by Council via [Resolution 8324](#) and are contained in Section 565 of the Financial Management Manual.

DISCUSSION

Background

Staff are requesting additional budget due to two emergency maintenance projects related to the Water Resource Recovery Facility (WRRF).

The first issue was encountered during the demolition of a legacy wastewater treatment system at the WRRF. The construction team encountered residual mercury historically used in the wastewater facility to create a sealed bearing component of the treatment system. Staff worked closely with the construction team and regulators to safely remediate the site and properly dispose of the hazardous materials. The fiscal impact of this work is \$581,364, which is not covered by the WRRF upgrade budget.

The second issue stemmed from construction sequencing constraints that resulted in the accumulation of solids beyond the WRRFs processing capacities. This also resulted in additional odor generation which negatively impacted the community, and complicated the underlying treatment processes required for regulatory compliance and protection of the San Luis Obispo Creek. As of June of 2023, the plant has achieved compliance with new discharge requirements to the San Luis Obispo Creek but has struggled to balance water quality with the management of solids that are responsible for odor generation. The upgraded solids treatment systems, which are necessary for full plant compliance and are currently under construction, are not anticipated to be completed until spring 2024.

Staff utilized temporary operational measures to reduce odor and stabilize impacts on discharge compliance. These solutions include portable dewatering skids, portable oxygen delivery systems, chemical deodorants, and contracted storage and hauling services to assist with removing an abundance of septic solids from the WRRF. These systems will be utilized until permanent infrastructure related to solids handling is completed in the spring of 2024. The fiscal impact of temporary operations around solids processing and odor mitigation is \$917,000, which is not covered by the WRRF upgrade construction budget.

On January 23, 2024, Council received a presentation by staff providing an update on odor mitigation efforts that were implemented to correct operational complications and as a result of feedback from the public.

The itemized costs of these emergency maintenance activities are in the table below.

Emergency Activity	Amount
Solids Processing	\$ 917,000
Supplementary Biosolids Processing	\$ 908,129
Environmental Testing	\$ 8,871
Hazardous Material Handling	\$ 581,364
Mercury Remediation	\$ 426,305
Taxes for HAZMAT Disposal	\$ 155,059
Total	\$ 1,498,364

Previous Council or Advisory Body Action

On February 6, 2024, Council received the [2023-24 Midyear Budget Review](#), whereby staff forecasted the need for additional funding for emergency projects at the Water Resource Recovery Facility. In the midyear report, staff indicated that additional budget would likely need to be appropriated as part of the 2024-25 Budget Supplement. Due to the timing and magnitude of expenses, staff are requesting these additional funds sooner than anticipated, which will allow payment for services already rendered.

Public Engagement

Utilities staff delivered a presentation to the City Council on January 23, 2024, which covered odor mitigation efforts that were implemented to correct operational challenges.

CONCURRENCE

The Finance Department concurs with the recommendations in this report.

ENVIRONMENTAL REVIEW

A Final Environmental Impact Report (Final EIR) for the Water Resource Recovery Facility Project (State Clearinghouse # 2015101044) was considered and certified by the City Council on August 16, 2016. The Final EIR evaluated and addressed the potential for the project to create a hazard involving the release of hazardous materials into the environment during construction (Impact HAZ-2). This impact is identified as potentially significant unless mitigated by measures HAZ-1(a) Hazardous Materials Management and Spill Control Plan. As the hazardous materials were managed and remediated consistent with the project's hazardous materials management and spill control plans and existing regulations to the satisfaction of regulatory agencies, including the County of San Luis Obispo and the State Department of Toxic Substances Control (DTSC), the actions associated with the funding request for hazardous materials handling are consistent with the certified Final EIR. Furthermore, the actions required to remediate the hazardous materials discovery were necessary to prevent and mitigate risk to public health, safety, and welfare and constituted an emergency project, which is exempt from the requirements of CEQA (CEQA Guidelines Section 15269(c)).

The existing facility continues to operate during construction of the upgrade project and is subject to Regional Water Quality Control Board and San Luis Obispo Air Pollution Control District permits. It was necessary for staff to implement an emergency project consisting of the temporary modification of existing operational processes related to solids management at the WRRF to achieve compliance with these permits and prevent a risk to public health, safety, and welfare that could have potentially occurred as a result of pollutant discharges into San Luis Obispo Creek. In addition, while WRRF operations have historically resulted in occasional nuisance odors, and the facility upgrades include improved odor management, the temporary modification of processes in response to the emergency are also intended to minimize the potential for odors in the short-term. This emergency project was required to prevent and mitigate risk to public health, safety, and welfare, and is exempt from the requirements of CEQA (CEQA Guidelines Section 15269(c)).

FISCAL IMPACT

Budgeted: No
 Funding Identified: Yes

Budget Year: 2023-24

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
Completed Projects (602.9501.71501)	\$1,906,695	\$1,498,364	\$408,331	\$0
WRRF Major Maintenance (2000607)	\$58,617	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Staff recommends moving \$1,498,364 from the Sewer Fund’s Undesignated Capital (Completed Projects) to the WRRF Emergency Maintenance project (2000607-10). This action is recommended as emergency expenses related to hazardous materials remediation and solids processing are not eligible expenses for reimbursement under the WRRF upgrade funding sources.

The Sewer Fund’s Undesignated Capital (Completed Projects) have been approved by Council to be spent on Capital projects but are not designated to a specific project. This balance increases when Sewer Funded projects are completed under budget. The Sewer Fund’s Undesignated Capital (Completed Projects) balance is sufficient to cover these expenses because staff were able to complete the Calle Joaquin Lift Station project \$1,800,000 under budget. The surplus lift station project contingency funds are available due to management and budget control relating to several high-risk project elements such as boring under Highway 101 and work in the San Luis Obispo Creek.

The following Fiscal Impacts to both accounts are as follows:

Completed Projects (602.9501.71501)	
a) Beginning Balance	\$1,906,695
b) Fiscal Impact	(\$1,498,364)
Total Projected Available	\$408,331

WRRF Major Equipment Maintenance (2000607)	
a) Beginning Balance	\$58,617
b) Fiscal Impact	\$1,498,364
Total Projected Available	\$1,5556,981

ALTERNATIVES

1. ***Deny the use of Undesignated Capital (Completed Projects).*** Staff does not recommend this option because critical services related to emergency maintenance have been delivered and require payment.
2. ***Instruct staff to use budget from other programs or budgets.*** Staff does not recommend this option because it would result in underfunding other critical services.

ATTACHMENTS

- A - Draft Resolution approving funding to support Water Resource Recovery Facility Emergency Maintenance