



Agenda Report

MEETING DATE: Tuesday, July 12, 2022

TO: City Council

FROM: PUBLIC WORKS & UTILITIES DIRECTOR DI RENZO
BEAU KAYSER, WATER DIVISION MANAGER
JACKIE McCLOUD, ENVIRONMENTAL SUSTAINABILITY MANAGER

SUBJECT: ACCEPTANCE OF \$4,850,000 GRANT FOR THE ZONE 2 RESERVOIR
WATER SUPPLY STORAGE PROJECT

STATEMENT OF ISSUES:

The City applied for and was awarded \$4,850,000 in Proposition 1 funds from the Department of Water Resources, Division of Drinking Water, through the Disadvantaged Community Involvement and Urban & Multi-benefit Drought Relief Grant program to offset the cost of the construction of a new reservoir for the City's water system for water supply augmentation.

RECOMMENDED ACTION:

Resolution accepting a \$4,850,000 grant from Proposition 1 Integrated Regional Water Management (IRWM) Disadvantaged Community Involvement Program and Urban & Multi-benefit Drought Relief Grant from the California Department of Water Resources and the Santa Cruz Integrated Regional Management Group; and appropriating funds to the Special Grants Fund (0260).

DISCUSSION:

The Santa Cruz Integrated Regional Water Management (IRWM) program provides a framework for local stakeholders to manage this region's water and water-related resources. The Santa Cruz IRWM Plan was developed in response to California's IRWM planning initiative to promote an informed, locally-driven, and consensus-based approach to water resources management. The Santa Cruz IRWM Plan includes strategies for developing and implementing policies and projects to ensure sustainable water use, reliable water supply, better water quality, improved flood protection and stormwater management, and environmental stewardship. More information is available at www.santacruzirwm.org.

The City is a collaborating member agency in the Santa Cruz Integrated Regional Water Management Group. Through this participation, the City has had opportunities to apply for funding for priority projects located in the City. These opportunities have included the following:

- In 2013, the City was selected to participate in a pilot project to identify methods and strategies to enhance economically disadvantaged community participation in the IRWM planning process.
- In 2018, the City was awarded \$105,000 through the Department of Water Resources Proposition 1 Disadvantaged Community Involvement grant to increase public awareness of practices to improve storm water, water quality and environmental conditions in Struve Slough, one of the six branches of the Watsonville Slough System that runs through our community.
- In 2020, the City was awarded an additional \$35,000 to pilot a disadvantaged community involvement project for water pollution prevention. This grant empowered local neighborhoods to identify pollution in their neighborhood and learn about the City's critical watersheds and impaired water ways.

Proposed Project Scope

The proposed project seeks to increase water supply storage capacity by constructing a new pre-stressed concrete storage tank (Reservoir B).

The existing Zone 2 storage tank (Reservoir A) is more than 35 years old, requires structural repairs, seismic resiliency improvements, and recoating of the exterior and interior surfaces to inhibit corrosion. The proposed new Reservoir B will increase seismic resiliency of the City's water storage and distribution system and provide operational flexibility in Zone 2 with redundant storage capacity. Reservoir B will also allow for needed maintenance and repairs to Reservoir A. This project will improve the City's water supply reliability, increase operational flexibility and resiliency, while reducing vulnerability to supply disruptions.

As part of the City's 2020 Urban Water Management Plan (UWMP), a drought risk assessment was developed to consider the impact of a five-year drought over the next five years (2021–2025). The Water Supply Reliability Analyses' water demand projections show an increase of an average of 14% in the second year of a drought and thereafter decline by year five. The proposed water system improvements will enhance the City's ability to manage the system and reduce vulnerabilities.

STRATEGIC PLAN:

This project is consistent with Strategic Plan Priority:

3 - Infrastructure & Environment

FINANCIAL IMPACT:

The project is funded through the Water Enterprise Utility's Capital Improvement Program for FY 22/23 and FY 23/24 in account 720 913 7855 14829 in the amount of \$5.2 million each of the two years. Given this grant award, the remainder of the project is proposed to be funded through readily available fund balance rather than issue debt as was initially planned. Staff is requesting City Council to accept the grant proceeds and appropriate such funds to the Special Grants Fund (0260) project 14829.

ALTERNATIVE ACTION:

City Council may choose not to accept the grant award, in which case the City would need to finance a portion of the project or look for alternative funding sources.

ATTACHMENTS AND/OR REFERENCES (If any):

1. Santa Cruz Integrated Regional Water Management Group Local Project Sponsor (LPS) agreement
2. Department of Water Resources Grant Amendment 7