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City of San José transportation and environment committee meeting.
>> Councilmember Liccardo: Transportation and environment committee. Madam clerk, would you please call the roll. [Roll call]
>> Councilmember Liccardo: Thank you. So at this time, we look at the work plan. Jim Helmer, thank you for joining us. At this time, there's one item recommended for deferral that's climate action plan. Is that all?
>> Jim Helmer: Yes.
>> Councilmember Liccardo: So we can entertain a motion now.
>> Moved.
>> Councilmember Herrera: Second.
>> Councilmember Liccardo: Any -- all in favor? [ayes]
>> Councilmember Liccardo: Nobody opposed. Let's move on to the consent calendar. That's the report on ski legislative items. I see Betsy in the audience. Are there any questions on consent?
>> Councilmember Herrera: Move approval.
>> Second.
>> Councilmember Liccardo: Any questions Judy on consent?
>> Councilmember Chirco: No.
>> Councilmember Liccardo: All in favor, opposed, that passes unanimously, thanks for joining us Betsy. Moving on to reports to committee. The connection fee study for recycled water, wastewater treatment, sanitary sewer and storm drainage. Welcome.
>> Jim Helmer: Thank you.
>> Good afternoon, committee I'm Tim Borden, deputy director of Public Works. With me today is Rob Grantham with Financial Consulting Solutions Group and John Stufflebean from environmental services. We want to talk about an effort we have underway today called -- it's our connection fee study for storm drainage, sanitary sewer and sewage treatment plant connection fees. This is reality our first step in the process. Our consultant FCS for some time now really going through the policy objectives of the study, doing extensive amount of benchmarking with 17 other jurisdictions and agencies, doing some technical analysis, and then doing documentation, correspondence and presentations. But really, the next critical path is the outreach. We haven't started that yet. Obviously with this economy, it's going to be a very timely subject, I guess, or maybe an untimely subject to talk with our development customers. Really, as we go through the short presentation, really, what we want everyone to understand is, there are, although it is raising fees in a very tough time, it's fees that will provide capacity to allow development to move forward, when development is starting to move forward. Which is -- which is critical, and we have already heard from the industry, especially like in North San José where capacity is becoming a question. Providing that capacity ahead of time and equitable is very key. I want to talk just a minute about what a connection fee is, where there's two different types of fees for these different utilities. There is a connection fee, which we're talking about today, which is for new users of the system. They come in, and they pay for their pro rata share of the capacity for those systems. And then there's the sewer service and use fees. The use fees that we pay typically on our property taxes that go for the operations and maintenance of the system. Those are significantly larger as they're spread amongst the whole city and it is for the operation of these utilities. For the storm system, the sanitary sewer system and ultimately to the treatment plant. The, again, these are one-time fees. But they are designed to recover the cost of the system, and the capacity that's required to serve all those increased demands from the new development. It is a condition of them connecting to the utility service and it is subject to California Government Code 66013 which is the mitigation fee act which says that in order to impose fees like this we need to identify the purpose of the fee, the use for what the fee will be put to, determine how there's a reasonable relationship between the fees used and the type of development project on which it's imposed and determine how there's a reasonable relationship between the need for the public facility and the type of development project that the fee is imposed on. We'll start with storm drainage. Existing fees, the current fees were established in 1969. They were last updated in 1980. We are really dealing with a fee that was established and not updated for almost 30 years now. As you all know, the complexity, the regulations of storm water have magnified several-fold just in the last several years, not to mention 30 years. So being able to stay ahead of development, provide capacity in the system, allow our developers to meet these regulatory mandates is key for this fee, to stay in pace with what's needed to derive that. Again, I mentioned the survey work, the benchmarking, and out of 17 cities we were number 16 on that list as far as the cost of this fee. Sanitary sewer system, this again also adopted in 1969. This one

was last updated in 1990. And if you -- some jurisdictions in the survey of the 17 cities, combine this with their sewage treatment plant system. So if you look apples and apples, compare them together, put our sanitary system fee and our sewage treatment fee together, ours is the lowest of the 17. I mention where we're at with the surveys and the benchmarking. I think it's important. I think where we start with this work is determine what is needed to provide the capacity for the system, but definitely as we start through the outreach making sure we're still competitive in our systems and that these fees are not any higher than any of our neighbors, is going to be a critical part of that effort, as well. With the treatment plant, the key here, for, you know, beside providing adequate capacity, is that our current fee does not incorporate recycled water into that fee, which for our system is a critical part of how the treatment plant operates, stays within the flow cap, so that it's not -- some jurisdictions actually tie this to the potable water fee. But for us, this was not as driven by providing water. But actually taking away wastewater from the plant. Going back, just a couple years, to 2007, as many of you know, we did prepare for this committee the deferred maintenance and infrastructure backlog report. There was also a study session on that. That came up with what the deferred maintenance on a one-time basis and an ongoing basis are relative to our current funding ability. So for sanitary sewer system, we have a one-time need of $229 million. That incorporates a lot of different things. Not all of them are covered by this fee but we have a fairly solid handle on the master planning needs. So this number is not far off on what it would take to build out the general plan at this point. Storm sewer there, we have a $3 million one-time need, but we really don't know what the ongoing need is because the lack of a master plan. And really, through this, that's probably one of the first capital needs in order to really have a solid fee and to really get our fee to an appropriate level, first we need to determine what the need is. With the water pollution control plant, the deferred maintenance and infrastructure report identified $34 million, in one-time unfunded need, and an annual ongoing need of $2 million. Like I said, the next step, this is really our first time we've come forward with this report, what our goals here are. But the next step is the outreach which we will be starting next month Going to our development planning, our development rounds table. Our Public Works development industry meeting and then incorporating a lot of that feedback that we get over the next two to three months, going back, establishing methodologies that establish any of that and coming back to council in December of this year. So with that, I'll wrap it up. We do have, again, John Stufflebean from environmental services, other are environmental services staff and Public Works staff that should be able to answer any questions that you have.
>> Councilmember Liccardo: Thanks, Tim. Any questions? Judy?
>> Councilmember Chirco: I think it was a couple of years ago, there was some adjustments for some fees. And I can't remember which one it was. You can refresh my memory?
>> There was some adjustments for the storm and sanitary sewer service and use fees, which again gets paid on our property attachments for the operation and maintenance of the system.
>> Councilmember Chirco: Because when you say they were last updated 1980, or 1990.
>> That is purely the connection fees. So that is for developers coming in and paying for their pro rata share. Rather than all property owners in San José paying the operation and maintenance fee on our own taxes.
>> Councilmember Chirco: I remember the outcry, I didn't think it was huge but it was still significant, we had a lot of public speakers. You look at the last time these fees were increased, you know the kind of increase that realistically should happen. Why don't we build into, at the very least, a cost of living increase, so it just reduces when you have to look at our capitol program and what kind ever investment we're going to realistically have to pass on to our community, I just think it's terrible when we look at something that's 30 years old, and it hasn't been touched!
>> Thank you. We appreciate that and we couldn't agree more. What we did to our underground utility fee, where we went through a couple of very large increases just sporadically, and instead we've adjusted our ordinance so that we apply an index to it. So there aren't these dramatic increases, so that developers don't need to change their budgets, basically for their projects.
>> Councilmember Chirco: I just remember how much fun it was, and that we get to look forwards to it again is overwhelming! So that's something I would like to see incorporated. Thank you.
>> Thank you .
>> Councilmember Campos: I think that the Vice Mayor brought some good points. So as we go through this, how will you be assessing these fees and how will they affect? Because it's going to include all residents, is that correct?
>> No, this would only be for new development.

>> Councilmember Campos: Okay, so how would we assess that?
>> Usually this is paid with a building permit so anyone comes in for an addition to their existing business or for a new residential subdivision, each lot would pay one of these fees. At the building permit stage. And it is again, there is -- either they have capacity and they're paying to basically buy into the system, you know, what other people have provide for capacity, or they are buying into new capacity, to serve their development.
>> Councilmember Campos: Thank you for clarifying that.
>> But it is paid with the building permit .
>> Councilmember Campos: Thank you for clarifying that.
>> Councilmember Herrera: Thank you for your report. The Vice Mayor brought up, if we can bring in a baseline increase, long term we know what the maintenance is going to be if we have some expectation of that . I think you mentioned these new fees would potentially pay for this infrastructure backlog. Did I misunderstand or how?
>> There is a start --
>> Councilmember Herrera: Is it close no what you're saying ?
>> It is a start. I don't know if it would be able to pay for the numbers that you're looking at there. But on all the systems we'll have master plans. We currently do have a master plan for the sanitary sewer system and for the treatment plant. And so we know kind of the denominator of what needs to be spread amongst all new development. So -- so yes, this would pay for a lot of that deferred maintenance, maybe not all of it.
>> Councilmember Herrera: What percentage are we thinking would it pay for and are you saying on these other master plans there is a funding pathway that we're looking at to eventually be able to complete this backlog?
>> What this will allow us, when I say the denominator, what we're doing is we know the master plan we have the general idea of our lifetime needs but that's the lifetime of the master plan. The needs, the unfunded needs won't be brought down immediately but as the need occurs over the entirety of the master plan.
>> John Stufflebean: We have identified a billion dollars of needs. most of that will be covered in other fees mainly the sewage use fees an the master plans will include a financial plan for how we pay for the improvement and how much of the improvements we need will depends on which -- there is different alternatives we will be bringing fort, some of which will cost more than others. Our proposal will -- part of it will be the connection because there will be other factors to this.
>> Councilmember Herrera: So I guess I'm still wanting a percentage. I don't know if I'm comparing apples and oranges. But in terms of this new fee proposal what would you apply it against and what percentage would it take care of? I mean 10%, you know --
>> If I can today I'm not sure I can give you a percentage. But if I can just to talk a little bit about the methodology. As we look at our capital needs list, we have replacement costs and we have expansion costs. For example, we've made significant investments in the central part of the city in terms of sanitary sewer. To build additional capacity for that new growth coming on board. What we're doing is, we're asking new development to -- our existing customers have borne that cost and we're asking our new customers to pay, reimburse our customer for upsizing. As we have future cost, we're, staying with sanitary sewer example for a second, as we're replacing that pipeline, we may be upsizing that pipeline, if replacement portion would be borne by existing users, they've used up that asset and replacing it but that incremental cost to upsize the pipe would be borne by the future customers. So again just to parrot what Tim had noted it's an equity issue, say it's 200 million, say what portion should be born by existing users as we upsize .
>> Councilmember Herrera: I'm sorry to keep asking this question. What portion of that represents new extension service?
>> That's all new.
>> Councilmember Herrera: That is all new?
>> That is all new, that's correct. What Rob's getting at is, there's that that's factored into these new connection fees but there's also paying for some of the existing system.
>> Councilmember Herrera: Okay, all right, thank you.
>> Councilmember Liccardo: Thanks. Tim, as we look at the numbers on the infrastructure backlog list is that pretty much give us a ceiling of what prop 218 would allow us to charge?

>> These fees aren't governed by prop 218. The developer fees are governed by the government code provisions for developer fees. So I think that what the -- so you have two things going on. You have prop 218 kinds of limiting you, if you will, on what you can charge existing customers to funds those infrastructure needs. And you have the government code limiting what you can charge new developers, or governing what you can charge new developers to fund those infrastructure needs. And it -- if I'm -- the infrastructure backlog consists of needing to rehabilitate and of needing to expand, I think if I'm correct what you're saying.
>> Yes.
>> Councilmember Liccardo: And the nexus is what brings us to the new development is that right?
>> It's not exactly with nexus to new development. Because you can charge them for buying into the existing system, based on the cost that's invested in the existing system. So that's part of the calculation. But you can -- but if you are trying to charge them for the upsizing, or the expansion, then it is a relationship of that to their development, yes.
>> Councilmember Liccardo: Okay.
>> John Stufflebean: And additional note on the treatment planned, the reason we're having to put a billion dollars into the treatment plant is not because it needs to be expanded, it needs to be he renovated.
>> When you renovate extra capacity, you can use some of this money on it. And so the plant will be renovating some excess capacity because the plant's rated capacity exceeds current flows.
>> John Stufflebean: Right.
>> Current demands.
>> Councilmember Liccardo: Well, thank you, and I'll join the chorus, in urging us to implement an inflation adjustor. I think that's where we want to go.
>> Councilmember Herrera: Motion to accept.
>> Second.
>> Councilmember Liccardo: All in favor, that's where we want to go. Next ordinance on indoor use of recycled water.
>> John Stufflebean: John Stufflebean, environmental services. I'll introduce this item. As we expand the recycled water system win of the things we see is the need for buildings to -- for properties not only to use recycled water outdoors but also for buildings to use recycled water indoors and that is more problematic because buildings need to be dual-plumbed. It's much less expensive to be doing it after the building is built or major renovation takes place. what we're allowing is that to start happening we already have it in place for outdoor, this would put it in place for indoor. And I will let Mansour Nasser and Eric Rosenbloom give the brief presentation on the summary of our proposals.
>> Councilmember Liccardo: Save one for yourself.
>> Thank you, John, councilmembers. As John explained, we have had for a number of years regulations in the City of San José requiring the construction of recycled water facilities, that is, facilities that are appropriate for use of recycled water with respect to outdoor irrigation. And this would, with your concurrence, allow the City Attorney to draft an ordinance that would now bring indoor use under the same umbrella. Briefly, recycled water for flushing toilets and urinals. And a growing part of our sector also use for equipment washing and manufacturing. And we have examples, of course, here in this building, for the use of recycled water, flush toilets and a number of facilities, cooling towers. The largest user of recycled water in our system right now is Metcalf energy center which uses recycled water for cooling. And on the hottest days that use can approach 2 million gallons a day. It's a lot of water.
>> John Stufflebean: The entire use is --
>> Between 15 and 20 but a significant fraction. Car washing is a usage that's become very common up in the North Bay. We have a number of facilities here in San José that we think will be prime candidates for that. Why require it? Strict speaking because would be the reasons, really. Recycled water for indoor use currently is about a third of the total recycled water use. And that fraction could increase. Two other reasons. Win is that when we built the system we recognize that there were certain obstacles to indoor use for existing facilities. Mainly they had to be retrofit. You had to recycle them so recycled water was separate from fresh water. Take cooling towers for example. The operation manager had to do some things differently. There either had to be some adjustment in the amount of chemicals used for the cooling water control, or in sometimes there would be a higher cycle concentration. Basically, there were changes to the operation, they were an order of magnitude more complex than simply hooking the irrigation up to recycled water and watering the grass, recycled water instead of drinking water. In some cases, grass

grew better with recycled water they found out with Guadalupe park and gardens. some of you will recall in the earlier parts of the program, was to hook up as many customers as was possible . Who that meant was we left an opportunities to go back to those customers and connect the industrial customers that can use recycled water for indoor purposes. That does not by and large however include the indoor use of toilet flushing because the intricacy of the indoor pipelines is such that it is rarely just for a couple of hundred gallons of reuse. if you were to take a building that's designed not to use recycled water, in other words, all the water facilities indoors used drinking water, then there's not the level of care of separating appliance that may go to a toilet or urinal or drinking fountain, they are all on the same system and there are check valves to keep the system intact. If you want to use recycled water what you have to do is have a separate pipeline going into the building 92 serves the nondrinking uses. That could add 5 to 15% to the total plumbing cost. I think you've received a letter from berg and berg. I've had some discussions with one of the members of that firm who's responsible for development and managing contracts. And they did some rough calculations with one of their plumbing contractors and calm up with numbers that weren't too dissimilar. I think they said it was 3% of the building cost of the smaller buildings that they used as an example, 50,000 square foot building. That was the letter from Myron Crawford. So question was, with respect to how much will the dual plumbing save, how much water will it save? It really depends. The smaller buildings that will be covered under the proposed ordinance, outside of the major foot print of the recycled water service area, and I'll get to that in a moment, could be as much as a thousand gallons a day if there are 500 people in a given buildings. There was some research done by the urban water conservation service that indicated there were more than a million gallons of drinking water used per day to flush office building toilets per day an obscure number but the order of magnitude if we can catch it early. the approach we're suggesting is very similar to what we're doing for outdoor use. In those rules that are currently in effect, any facility that is greater of a quarter of an acre of irrigation has to be plumbed for recycled water. the Planning director can exempt them from that use. if the facility is within a half a mile from the existing pipeline or planned construction, or if it's larger than 50,000 square feet anywhere within the San José service area, then it has to prepare for the recycled water. And when the recycled water is available for the facility it needs to connect to it. Now there is a question under what circumstances it might be appropriate for the city to require a developer to connect, to invest in the connection to that system. And that is an issue that will be addressed when the fees that you've just heard about are going to be brought back to you for consideration. That would be part of that discussion. And then, again, the final parallel to the outdoor use is with respect to indoor use, any facility for example that is so remote from being included in recycled water at any point in the near future, the planning director would have the ability to exempt those facilities from this development . It is a little hard to see from this there is a shaded material, and then there's, these represents the appliance that have been offered funding under the stimulus funding package. We take those as sort of a fait accompli and we look within a half a mile and we say any buildings that would be proposed for construction within that service area would be built with recycled water -- built such that recycled water could be used indoors. You see also on that map that there are a lot of colored lines that go outside of that shaded area. Those areas are the appliance that have been proposed for consideration because of development in the area, because there are some key users who could be picked up in the future, we don't have funding. We haven't included that within the service -- the recycled water services area. But it gives you an idea of why we think it's important not to simply carte blanche, exempt the other reason for the inclusion of the larger buildings is that a cluster of larger buildings could be an attraction for further key target of development of the recycled water exemptions. If we didn't want to pick those up it wouldn't make sense to go back and retrofit. just to give idea of what other communities are doing, in Palo Alto, they have a similar system. They have a recycled area, if a building is larger than 10,000 square compete, they need to plumb those buildings for indoor use of recycled water, and anywhere within the city of Palo Alto, if it's larger than 100,000 square feet, they have to use dual plumbing anticipation of recycled water. I guess two observations will be appropriate: Palo Alto is a much smaller city than San José, and they have less infrastructure inside the ground. 100,000 square feet might be the right size for them. We think 50,000 square feet is the right size here. similarly, in San Francisco, they required indoor plumbing to be installed, suitable for recycled water use, for buildings that are larger than 40,000 square feet inside the recycled water service area. As I mentioned earlier, the responsibility for extending or paying for extensions of the recycled water line is an issue that will be brought up again when we discuss the fees. One last comment about this. We think that this proposed ordinance would be consistent with owners you've already considered, requiring LEED silver certification for buildings larger than 25,000

square feet. Furthermore important and good changes from the standpoint of recycled water sales in the LEED process, the LEED program, revalue the use of recycled water and other techniques for reducing drinking water use such that you could now get up to 11 points out of 50 points required for LEED certification just by having a building that's plumbed and uses innovative techniques for recycled water indoors. As far as how we've gotten to this point, we've had meetings with members of the development community. I should say Mr. Crawford was not in that group and we look forward to having discussions with him and others. We've met with leaders from BOMA, builders round table, developers round table the next step would be to ask the City Attorney to draft this process, to identify any impacts from the ordinance and how they might be mitigated or addressed. And again in concert with the ordinance to propose develop fees. And these places they've asked them to prepare for recycled water use, in places where the system could be reached to that completes our presentation and I'd be happy to answer any questions.
>> John Stufflebean: I guess I would add, in terms of LEED, the new system is regional, you get more points for dry part of the country. we max out because this is the dry part of the country. I was shocked, when we went to the LEED analysis for City Hall, what would it have taken? Under the old system you get almost no points for recycled water. It was developed back East. Now we have a new system, it really does benefit new buildings to get recycled water .
>> Councilmember Liccardo: Thanks john. Any questions?
>> Councilmember Herrera: Thank you for report. I'm just looking at the letter that we all received I guess from Myron Crawford and C, 1, under the general objection, the concern that required buildings to be dual-plumbed, without the insurance that it will be serviced by recycled water, you can address that?
>> This is a difficult issue, number one, we can extend service within that half-mile limit and everybody else is exempt. The risk there is you have a considerable A development that occurs even in clusters, where nobody builds, where the building recycle water can be hooked up and it's rarely cost effective to come back and connect the plumbing afterwards. So you end up with a real lost opportunity. Clearly, there is the potential for a facility to be built at such a distance from the recycled water system, that they would be required to put in the dual plumbing and that, down the road, there would not be an extension of the system and ten years from now they'd still have their dual plumbing served with drinking water into both halves it. We think that that -- the risk of that can be minimized by, again, giving the authority to the planning director to exempt those facilities if it really does look unlikely onor in another case where that's a stand-alone facility and there have not been a number of applications for development in the area. One of the things we'd like to be able to ensure that if the Planning director sees a number of new development reconstruction or remodeling of buildings in a particular area that may be remote from the recycled water line, might be two miles away, but there is a number of these buildings that are being proposed for either remodeling or new construction, the director would have the discretion of saying no, you all need to do this, and that's a real attractor now for us to try to route a line to meet them within a shorter period of time. Whereas, if we don't have this provision we would lose that opportunity.
>> Councilmember Herrera: I guess I'm just concerned about the chicken and the egg thing, it's a considerable investment for these businesses to do that. And in this economy, I mean, everyone's looking at how to -- looking at return on investment and we always should be look at that, anyway. On the other hand, I think it's laudable that we're trying to extend recycled water applications indoors. Not only because it's a good thing for our environment, because we are faced with increasing water shortages, and in the future we're going to have to be looking at very carefully how we use all sources. So I think there's a balance here and I think some of the questions the business community is asking is you know I think we need to answer those as we move forward with trying to progress our green goals.
>> Well, one last point. I talked with Mr. Crawford for the better part of an hour and a half on this issue a couple of times. And one of the things that he was concerned about was the amount of water. And I can say that a 50,000 square foot building, the indoor toilet use is not a tremendous amount of water. By the same token, between the cooling tower if they use evaporative cooling, plus flushing it could be 2,000, 3,000 gallons a day. By the same token if you get ten of those together you get into considerable amount of water. It is the cumulative effect we're trying to handle and the planning director's answer would be kind of handy. .
>> Councilmember Herrera: I understand we have the planning director's discretion but would I like to see these types of compensations are really considered . The other question I had is, I sat in a meeting discussing recycled water with the Water District. There is a whole other plan. I don't remember the detail on this, but can you comment? Because I'm concerned about the future of the purple pipes, how that's

going to be extended, there is a lot of community that wants to be attached to the purple pipes, a whole slice of the community that is interested . Can you make a statement about the future, how we're going to extend purple pipes in general, the Water District's plan? I don't mean to go off on a whole different subject area but the purple pine question, there's a whole different discussion about it.
>> John Stufflebean: Sure, we are working with the Water District on the other alternatives which might include directly taking recycled water, and injecting it into the aquifer, using it for stream flow augmentation. This is something they have implemented in Orange County in a big way, that they're taking their wastewater, treating it to one more level, and then injecting it into their groundwater and it becomes their drink water. This has been work a year and a half very successfully. Does that negate the need for the expansion of the pump pipes? And we don't think so. The district staff we've met with them every week for almost a year now and they agree with us, that those two are both -- we need both of them. And just to kinds ever a couple of quick points about why that is. If you're using purple pipe water to irrigate some grass, that what you're using is 100% recycled water on that grass. If you're using water that's from the drinking water system that has, say, 5% recycled water in it you're still using 95% of that water on the lawn is virgin water, only 5% is recycled. You're getting a much better use of recycled water. The second issue is the cost. That since we have the purple pipe infrastructure in place, the cost of adding additional users fairly near to the existing system is much less than the cost of the other approach, because the other approach requires additional treatment. So that -- when you do grounds water injection you have to treat it to the next level which is costly. So now, to the extent that we can add new users close to the purple pipes, it's more cost-effective. If you start getting a long ways away and you have to build purple pipes, the cost goes over. But those close to the purple pipes, the cost to add them is less than not . Do you want to add anything else?
>> In addition to the cost of the treatment, there is the carbon footprint to go through reverse osmosis. near the existing infrastructure, it makes sense to use it .
>> Councilmember Herrera: It sounds like both solutions are going to go forward. What's the anticipated growth of the purple pipes over the next five, ten years, how we going to fund that? And just to be clear again, back on this proposed ordinance, so we're really looking at just the customers that are very close to the existing purple pipes, we're not envisioning purple pipes all throughout San José being extended out for the near term, and capture those customers nearby and then large buildings, could they be farther away?
>> John Stufflebean: Again, if there's a cluster that's fairly far away, and has a lot of use for recycled water, we'd consider getting purple pipe to them. In amounts, general numbers, we're currently using 10 million gallons of recycled water, as Eric says, more in the summer less in the winter. Our intention is in the next few years to double that, we'll go from 10 to 20 in the purple pipe system. Beyond that we're looking at more than 20 for potentially grounds water recharge. With 40, half of that being the groundwater recharge system. Again, there's a lot to be done before the community and everybody is ready for that but that would be kinds of the plan. And in terms of how this system gets expanded we built most of the existing system using sewer funds because it was a -- as Eric mentioned, the system that's in place now was built mostly to avoid discharge into the bay. We were trying divert water from the bay. Well, we've done that, we've finished that, we're well underneath the cap for how much we can discharge to the bay. So any future system for the purple pipe system has to be funded other ways. We have developer pays is the general principle and there are many developers out there who are saying who are coming to us saying they want the recycled water, they're willing to pay for the expansion of the system to them, if they're reasonably close and they do that because it's cheaper. The recycled water is cheaper and they see it as a more stable supply. If the drought comes, there is more of a chance that they'll be able to get the recycled water than virgin potable water. Then beyond that we're looking of course at other sores of money, whether grants, loan funds, as Eric mentioned we have stimulus money that's going to give us a big boost to the system, we're working with other parties that maybe interested in expanding the system for us, the private water systems in town, there are others that will help us expand the system, probably not much of it, we can't use the sewer fees to go much further but there are others who could help us. We have generally a plan for how to expand it which has to be flexible because depending on where new development happens, news users that could potentially use recycled water.
>> Councilmember Liccardo: Judy.
>> Councilmember Chirco: You know, sitting ton general plan task force, the update and the anticipated growth one question is, I know we have excess capacity now. What is the expected life of that that capacity, based on reasonable expectations of growth in residential as well as jobs growth?

>> John Stufflebean: Our master plan, we estimate we have on the order of 15 years let left before we have to do any kinds of expansion to the plant and the reason for that was the plant was built back when the canneries were still in operation. So the plant was designed to handle these very high organic capacity. in the treatment plant, there are some places we have to do minor expansions. But the plant is in good shape for capacity for at least 15 years. Then what was the second part of your question?
>> Councilmember Chirco: Well, it's just looking at there are astronomical numbers, I know Sam is co-chair of the committee, that they're bringing to the committee, you know, as for where do we put the residences, where do we put the jobs? And then we talked about the sewer funds that had been used to build the existing purple pipe. At what point do we -- it just does not seem logical at some point where we could look at those funds for maybe possible expansion based on the projected growth we're being told to expect in the next 20 years.
>> John Stufflebean: If indeed the cap stays in place and growth starts to add up to where we're approaching the cap of the 120 million gallons of discharge into the bay, we think that's fairly unlikely. Right now the cap is 120 million gallons a day and we're currently receiving 100 million gallons a day and recycle but we're only discharging 90, 100 million gallons a day. It will be a while before we get to that point and increasing the uses recycled water. We think it's fairly unlikely that that's going to be a driver that's going to enable us to use sewer funds again for the use of the recycled water system .
>> Councilmember Chirco: I think it is so expediting that there are so many more points given for the uses recycling, I just think it speaks to something which I think San José has been fairly good at, is anticipating future needs. And beginning to be if light house type project. And I know I heard ten years ago water was going to be, you know, the next critical element, and how we use it and the energy used to treat and transport water. It's water but also energy. I think it's a real positive move to see how many LEED points will be given for using recycled water. Thank you for your report.
>> Councilmember Chirco if I could just say, it's really been gratifying to us. We had customers where we suggested they use recycled water. And complained that they got as many points for recycled water as having put a bicycle rack in front. We appreciate that .
>> Councilmember Liccardo: You're not knock bicycle racks, are you? LEED credit for recycled water expansion . I had a question how we seem to have sort of a two pronged approach, one prong addresses buildings that are in certain proximity to the purple pipe and others, large buildings. We would have considerable expense in actually linking the purple pipe and I wondered if you would consider having sort of a fee in lieu program, if the expenses are so high, what we do is take the money from them and expend the system where we think it should be expended. Has that been considered?
>> Oh, absolutely, along about with the fees and charges that are considered we'd like to propose a system whereby basically everybody puts in a little bit, recognizing the value of a new development, recognizing the value of extending the recycled water system and helps fund that. The facilities that choose to contribute directly to extending the pipeline to their sites, either through requirements or voluntarily, we expect would have that investment credited against those fees, actually would encourage it. So you could either put it in for the general kitty if you will or if you really want to use recycled water itself you could have that same benefit apply towards bringing the water to your own facility. So that's exactly our thinking on that.
>> Councilmember Liccardo: I know this maybe much more controversial but you could then stretch that a bit and say if all businesses and residents benefit by the fact that people are using recycled water even if they themselves aren't using it certainly reduces the per unit cost for fresh water. Isn't it possible that we would all be included in the district that would be responsible for paying some kind of fee? I see Molly ready to jump up.
>> Well, it's one of the things that we've been look at, one of the elements of the fee study that you just heard about was to have the recycled water system valued in setting the sewer fee. Because the sewer fees are citywide. But in San José, the water system is divided up between three different water retailers. So that's kinds of one of the things that we're looking at in terms of how to structure a developer fee that takes into account that the city isn't the water retailer for most of the city. We only retail for about --
>> John Stufflebean: 12%.
>> -- 12%, yeah. So I did want to clarify that the recommendation is to our office, to draft an ordinance, I think, because the ordinance hasn't been drafted. It needs to go through CEQA review and then it would come back to council, as Eric indicated in 2010. So it's not approval of an ordinance at this point.

>> Councilmember Liccardo: Right, okay. And then finally just to take up a point I think Eric was alluding to, my understanding is there are benefits in the untreated recycled, or at least the less treated recycled water even before you get to the point where you're ready to recharge groundwater. I was told out in Guadalupe Park that the excess nitrates, actually help plants grow. Is that something we're seeing everywhere or just --
>> Generally speaking the additional nutrients, it does serve much of a further job of treating it actually removes some of the nitrogen means if you add it as water you don't have to adds it as fertilizerrer.
>> Councilmember Liccardo: Okay, there's a good sales pitch. At this point we can have public comment on this. You have two minutes. Good afternoon. If you could state your name as you approach the microphone.
>> My name is Richard Calhoun. I'm here individually. I'm bringing up formaldehyde in private homes. The FEMA trailers have found that formaldehyde in public exposure is a Public Health issue. Homes in San José are very evaluated. They're in the 50 to 60 --
>> Councilmember Liccardo: I'm sorry to cut you off. Public comment you're certainly free to speak at the end.
>> I'm sorry.
>> Councilmember Liccardo: Apologies. Rural report on renewable energy.
>> John Stufflebean: Yes, it's all about water and energy and so this is the other part, the energy part and I guess I have to say waste too, since we do waste. What we're starting to implement today, and our proposal that was accepted I think was to on a monthly basis just kind of give this committee an update on what's happening on the energy front for the city. Because there's so much happening on both renewable energy and energy efficiency, rather than try agendize all the different things each month we thought it would be better, plus things change quickly. Between two or three weeks, of when we write the memo and when we get here, things change. We thought monthly, we would give you an update and take feedback from you. I've asked Careyie Romanau, would is diligently work on all these fronts. Carey.
>> Thank you. Community energy efficiency and solar and then grants. So ways to use other people's money to fund more projects. From a city energy efficiency standpoint, little bit broader than the June to August report of the verbal report. In the last two years we've saved 5.4 million kilowatt hours due to our energy efficiency projects which saved the city $1.2 million in energy cost out of our 22 million annual energy electrical bill. Just to put that in perspective that's the equivalent of 400 homes. Electrical usage in 400 homes, $69,000 in our project, that's General Fund savings only. Rebates 40 audits and we have 15 more or the horizon. From a solar, city solar energy summary, we have broken ground today on the CDBG -- CDBG solar installations out at Alviso, and we expect that to be completed in a month, and the balance by year end so we'll have solar in San José city facilities by the end of the year. And we'll also bring you an update on the solar in the next week or two and we're starting to work on solar projects at that time municipal water reservoirs. From a community standpoint we're making some progress. There's been a couple of delays but we have some bridge funding for Silicon Valley energy watch project. That's about a $10 million project funded through PG&E. We're waiting for the CPUC to provide and authorize the '09 to 11 funding. But we're doing energy audits for CDBG program. We provided direct-install services to 27 San José businesses that have saved $41,000 and they've received $32,000 in rebates. And we'll have a schedule coming out pretty soon with the educational programs on the horizon. And you may have also heard the kilowatt monitors that we're renting out at libraries, that's also part of that program. .
>> John Stufflebean: Kill a watt program.
>> There's a pause.
>> John Stufflebean: Kill a watt.
>> Continuing on the solar programs we are again delayed in the California first program which is like the Berkeley first model so homeowners can use their -- can -- their property taxes to install solar. That's a little bit delayed. We expect in the next couple of months to be able to bring that forward. We've been doing community presentations and we've reached out to 300 community residents -- community folks in 10 presentations so we're out and about talking about solar and how it can help homeowners and businesses. On the grants front, grants and funding we are actively pursuing $12 million in energy and solar funding. You've heard about the EECBG application which is 8.8 million in energy funding so we have already submitted that we hope to hear about that relative shortly with the first half of the money being disbursed in September. Energy bonds 1.9 million in that and second phase of DOE solar American city. 1.9 million, we have already commitment to 600,000 in matching funds from the community so we've

been out trying to find ways to spend other people's money and we're tracking some other programs through DOE and state energy programs and you'll hear more about those in our future updates.
>> Councilmember Liccardo: Thanks, Carey. Mary, John or anyone did you want to add anything? Okay, Rose.
>> Councilmember Herrera: Would it be possible to get a summary of those? I know it's a verbal report but --
>> You can provide -- you can provide an informational report any time you want to. The minutes may not be verbatim.
>> Councilmember Herrera: Yeah, if you had just a page, with some number I would appreciate it.
>> I don't really like PowerPoint but would that --
>> Councilmember Herrera: I would like a one-pager with stats you just mentioned.
>> Like a briefing page.
>> Councilmember Liccardo: That would be great.
>> Councilmember Campos: Just one regarding the council districts. You've gone to every district, is that the council district?
>> I don't know if it's that organized.
>> Councilmember Campos: I'd like to understand that because if there are any gaps maybe some of the council office can help by distributing the information to some of our community groups so that would be helpful.
>> Yes, we would love getting more.
>> Councilmember Campos: That would be helpful just to understand where the holes are, where there's gaps and we can help you.
>> It sounded like you have a couple of.
>> Councilmember Chirco: You're talk about Berkeley first, San José first there's a couple of months before you'll have that program ready. Is that where you think you'll be doing more outreach at that time? Because that sounds like a great plan but you don't have it ready yet.
>> Well it's not so much that we don't have it ready. The program isn't ready, and they're doing due diligence on the financing aspects of it so the program is not ready for release.
>> Councilmember Chirco: You've done some outreach, but you're going to be dome some of it, but people can actually sign up for the program?
>> Right, so once council approved and authorizes us to go forward and implement the program then we have very ambitious outreach goals.
>> Councilmember Chirco: Yeah, that sounds like it would be more helpful because to get the information without the program in place would be frustrating to the community.
>> Yes, we want a level set of expectations based on what the program offers, what we are authorized to offer to residents and have all that shored up and go out.
>> Councilmember Chirco: In line of what Councilmember Campos was saying, it would be helpful to let the council offices know when that program is ready so they can assist in connecting to the neighborhood groups. I think there would be a lot of interest in that where you can access that kind of green energy and have a way, a strategy to afford it.
>> Yes, definitely and I know that the neighbors on my block are already curious as to when they can tap into that.
>> Councilmember Chirco: Thank you.
>> Councilmember Liccardo: I want to echo Judy's comments. We love to see that rollout, I know everyone would love to see it rolled out tomorrow. I understand we're one of four or five test cities, we're sort of in the first group, is that right? Who are we waiting for, is it some state bond authority or --
>> Yeah. The California first program is a collaboration between the California state development authority, CSCDA and they've engaged a company called renewable funding to put all of this together. They are the ones doing the due diligence on issues associated with mortgage financing, how that would affect existing mortgage financing and how they do that and some of those legal ramifications. So we're waiting on them to finish up the due diligence plus with the credit issues that have come up within the state, that too has affect their financing. And so they're finalizing that. They're working with the royal bank of Canada but there are still financing issues to make sure that they have enough financing on boards to roll it out completely.
>> Councilmember Liccardo: Great. I understand ABAG is also interested in doing something regionally. Would that help?

>> Certain legislation has to pass, AB 2 spine before ABAG can do that. What's looking a little better than that is, the California state energy commission has proposed their state energy plan for their use of the block grant funds that they are getting and one of the areas that they want to be able to support is this kinds of financing. You know, on-- but they want to focus on energy efficient where California first and ABAG want to imbibe it, energy efficiency and renewables.
>> Councilmember Liccardo: Thank you, if if there are no other questions, we can take comments from the public specifically on the energy update. No questions at this time. We don't need a motion? I don't think so, okay, we should move on to time for public comment, open forum. Richard. I'm sorry to ask you to sit down.
>> I'm here before you Richard Calhoun, I'm here before you individually to talk about formaldehyde in the residential exposures. It is clear there's a problem. There's been no follow-up from my two previous attempts. The FEMA trailers show it's a problem. You have highways out there 25 to 75 in highways very commonly. If you go up to Los Altos, they're up to 100 to 300 parts per billion. Kids get sick at 30 parts per billion. The California office environmental health hazardous assessment, reduced their standards from 25 parts per billion to 9 parts per billion last year. The formaldehyde council and the office of environmental health hazard assessment both claim that the standard conventional houses are typically at 14 parts per billion. There's something wrong if your homes in this city are 25 to 75 and most likely going to 100 to 300, under this new ordinance. And people will get sick, people are sick, I'm aware of family in Cambrian that moved out of their home because of formaldehyde. Someone needs to follow up. What I'm requesting though is you adopt K-8 which is the 24 parts per billion in the green achievable and currently is not being done. Thanks for your time.
>> Councilmember Liccardo: Thank you, Richards, I ask has anyone from the City Manager's office contacted you?
>> Not after the city council meeting.
>> Councilmember Liccardo: Could you provide your contact information to us one more time?
>> Sure, verbally or --
>> Councilmember Liccardo: No. Would anyone else like to speak? With that this meeting is adjourned. Thank you.