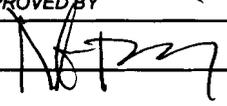


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| AGENDA ITEM NO. |
| COUNCIL MEETING |
| APPROVED BY |
| DEPARTMENT DIRECTOR  |
| CITY MANAGER |

March 20, 2007

FROM: RENE A. RAMIREZ, Director 
Public Utilities Department

BY: GARTH GADDY, Interim Manager 
Department of Public Utilities - Water Division

SUBJECT: ADOPT RESOLUTION AND APPROVE NOTICE OF EXEMPTION AUTHORIZING APPLICATION TO THE CALIFORNIA DEPARTMENT OF HEALTH SERVICES FOR PROPOSITION 50 GRANT FUNDS FOR A MEMBRANE BIOFILM REACTOR DEMONSTRATION PROJECT THROUGH THE WATER SECURITY, CLEAN DRINKING WATER, COASTAL AND BEACH PROTECTION ACT OF 2002 AT CITY OF FRESNO WELL SITE 180-2 AND AUTHORIZE THE DIRECTOR OF PUBLIC UTILITIES OR HIS DESIGNEE TO EXECUTE ALL NECESSARY DOCUMENTS

KEY RESULT AREA

Public Safety

RECOMMENDATIONS

Staff recommends that the City Council:

1. Adopt Resolution authorizing application for Proposition 50, Chapter 6b (Demonstration Project) grant funding.
2. Approve Notice of Exemption for Proposition 50 Membrane Biofilm Reactor Demonstration Project at City of Fresno Well Site 180-2, pursuant to CCR Title 14, Chapter 3, Article 19, Categorical Exemption, CEQA Guideline Section 15306 (Class 6 – Information Collection).
3. Authorize the Director of Public Utilities or his designee to execute all necessary documents on behalf of the City of Fresno.

EXECUTIVE SUMMARY

The City of Fresno, Water Division has submitted a Pre-Application to the California Department of Health Services (CDHS) as an expression of interest in available Proposition 50 grant funds. Grant funding would be used for evaluation of an alternative groundwater treatment method using a demonstration Membrane Biofilm Reactor (MBfR) Unit to reduce and/or eliminate Nitrate (NO3) and Diromochoropropane (DBCP) contamination from groundwater pumped for potable use. A proposed grant amount of \$706,558 will furnish necessary funding for the project, information for comparative analysis with other treatment methods, project up-grade feasibility, and enable continued progress in providing customers a safe and reliable water source.

REPORT TO THE CITY COUNCIL

Adopt Resolution and Approve NOE for CDHS-Proposition 50 Grant Funding

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KEY OBJECTIVE BALANCE

Affirmative Council action on this matter optimizes the three key objectives of customer satisfaction, employee satisfaction, and financial management. Customer satisfaction is achieved by evaluating potential alternative treatment capabilities in providing safe and reliable water services to a growing customer base. Employee satisfaction is derived from the fact that the professional and technical staff who took part in the preparation of the grant application has done so in a thorough and professional manner, thereby enhancing the sense of accomplishment by securing grant funding. Prudent financial management is exemplified in procurement of grant funding, allowing re-directed utilization of existing revenues in minimizing cost impacts on other essential projects.

BACKGROUND

On November 5, 2002, California voters passed Proposition 50, "The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002". Proposition 50 (Prop 50) is a \$3.44 billion general obligation bond to fund a variety of water projects including competitive grants for water management and water quality improvement projects. The CDHS has been delegated the responsibility for the administration of the competitive grant program within the State.

The Prop 50 package MBfR demonstration project unit is to be installed, operated and monitored at Well Site 180-2 located at 2547 South Minnewawa Avenue by, and in cooperation with, Applied Process Technology, Incorporated (APT). Site selection was based on, 1) historical water quality testing of groundwaters impacted by elevated levels of Nitrate (NO₃) and Diromochopropane (DBCP), and 2) the potential for result comparison with other existing treatment methods.

The project will utilize a slip-stream of groundwater pumped from the well and piped to the MBfR unit. Varied flow rates (10 to 25 gallons per minute) and unit operational conditions will test system performance with respect to contaminant removal and operating and maintenance requirements. In addition, MBfR unit efficiencies and operational parameters will provide a comparative analysis with existing granulated activated charcoal (GAC) site treatment. In addition to contaminant removal performance, the MBfR system will be evaluated with respect to potable water production and compliance with associated regulatory requirements. Finally, cost data will be collected to facilitate economic analyses for a full-scale system.

The MBfR system has been successfully demonstrated in the laboratory and has conducted effective small pilot scale studies at the La Puente Valley County Water District and City of Modesto. The successful demonstration of the MBfR process will facilitate CDHS conditional acceptance of the technology and a necessary milestone for implementation of MBfR technology as a viable alternative treatment method for the reduction/removal of groundwater contaminants on a commercial level.

The information provided in the submitted Pre-Application has been deemed eligible by CDHS for grant funding. It is now necessary to seek Council approval for executing full Application requirements related to this grant. The City Attorney's Office has reviewed and approved as to form the required Resolution for authorizing Application for Prop 50 funding for this project.

REPORT TO THE CITY COUNCIL

Adopt Resolution and Approve NOE for CDHS-Proposition 50 Grant Funding

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As part of Application requirements, a California Environmental Quality Assurance Environmental Information Form (CEQA - EIF's) was completed. The project was found to be categorically exempt pursuant to CEQA Guideline Section 15306 (Class 6) for Information Collection in accordance with Title 14, Chapter 3, Article 19, Categorical Exemption, CEQA Guideline Section 15306 (Class 6 – Information Collection), by the CDHS Environmental Review Unit (ERU). Council approval of the Notice of Exemption for this project will satisfy CEQA requirements for funding under this Application.

FISCAL IMPACT

Grant. No additional funding will be required.

Attachment(s):

- Resolution
- Notice of Exemption

RESOLUTION NO.: _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA,
AUTHORIZING AN APPLICATION TO THE CALIFORNIA DEPARTMENT OF
HEALTH SERVICES FOR PROPOSITION 50 GRANT FUNDS FOR A MEMBRANE
BIOFILM REACTOR DEMONSTRATION PROJECT THROUGH THE WATER
SECURITY, CLEAN DRINKING WATER, COASTAL AND BEACH PROTECTION ACT
OF 2002 AT CITY OF FRESNO WELL SITE 180-2.

WHEREAS, on November 5, 2002, California voters passed Proposition 50, "The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002" (Cal. Water Code 79500 et seq.), a \$3.44 billion general obligation bond to fund a variety of water projects including competitive grants for water management and water quality improvement projects; and

WHEREAS, the California Department of Health Services has been delegated the responsibility for the administration of the competitive grant program within the State, setting up necessary guidelines for water systems under the grant program; and

WHEREAS, the City of Fresno Department of Public Utilities owns and operates the municipal water system and has submitted a Pre-Application to the California Department of Health Services as an expression of interest in available grant funds for a groundwater treatment project using a demonstration Membrane Biofilm Reactor (MBfR) Unit to reduce and/or eliminate sources of potential Nitrate (NO₃) and Diromochoropropane (DBCP) contamination; and

WHEREAS, the California Department of Health Services has invited the City of Fresno to submit an Application to fund said project; and

WHEREAS, the City of Fresno Department of Public Utilities is desirous of submitting an Application to fund said project; and

WHEREAS, the California Department of Health Services requires the governing body of the applicant submit a resolution authorizing the submittal of the Application to the State; and

WHEREAS, the California Department of Health Services requires that the governing body of the applicant submit a resolution designating an authorized representative or his designee to execute the Application to the State.

NOW, THEREFORE, BE IT RESOLVED BY THE Council of the City of Fresno as follows:

1. The Council of the City of Fresno, California, authorizes the submittal of an Application to the California Department of Health Services for Proposition 50 grant funds in the amount of \$706,558 for the MBfR project provided that, (i) the City of Fresno shall not be bound under the Application, nor shall City of Fresno accept or be deemed to have accepted the grant referenced in the Application, absent City Council approval of terms and conditions that are consistent with the Program requirements and all Constitutional and local law requirements, which terms and conditions shall be contained in written contract prior to approval as to form by the Office of the City Attorney, (ii) the Application does not and shall not be deemed to constitute a certification or opinion by the Office of City Attorney as to any matter embraced therein.
2. The City of Fresno Public Utilities Director and designee(s) thereof and each of them are authorized and empowered to execute the Application in the name of the City of Fresno.

3. The Office of City Attorney is authorized to execute any and all program related certifications, assurances and opinions necessary in for the Application.

4. Nothing in this resolution binds or obligates the City's general fund, taxing authority, or borrowing power.

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CLERK'S CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, REBECCA E. KLISCH, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the _____ day of _____, 2007.

AYES:

NOES:

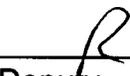
ABSENT:

ASBTAIN:

REBECCA E. KLISCH
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY:  _____
Deputy

NOTICE OF EXEMPTION

DATE RECEIVED FOR

FILING:

TO: _____ Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, California 95814

FROM: CITY OF FRESNO
Water Division
1910 E. University Avenue
Fresno, California 93703-2988

X County Clerk
County of Fresno
2221 Kern Street
Fresno, California 93721

Subject: Filing of Notice of Exemption in compliance with Section 21152 of the Public Resources Code.
CCR, Title 14, Chapter 3, Article 19, Categorical Exemption, Class 6, Section 15306.

Project Title

City of Fresno, Well 180-2 Nitrate/Diromochoropropane (DBCP) Membrane Biofilm Reactor Demonstration Project.
(California Department of Health Services; Proposition 50, Application for grant funding).

Lead Agency

Area Code/Telephone/Extension

City of Fresno

Contact Person
Mr. Glenn A. Knapp, 559 – 621-5321

Project Location (include County)

The project site is at City of Fresno, Well Site No. 180-2 located at 2547 S. Minnewawa Avenue, Fresno, 93725. T14S:R21E, Fresno County, California.

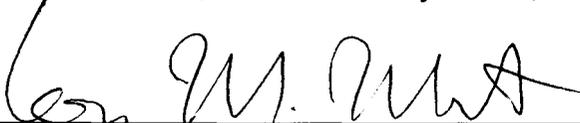
Project Description:

The project will involve delivery, setup, operation and monitoring of a temporary package treatment unit at the existing enclosed well site location noted above. This demonstration project is designed to divert a small (≤ 25 gallons per minute) slip-stream of pumped groundwater from the discharge pipe of the existing site well for data collection and comparative analysis with other site treatment methods (i.e. granulated activated charcoal – GAC) in mitigating groundwaters contaminated by nitrates (NO3) and DBCP. Results will be based on an operational timeline of 28 consecutive weeks. Project intent is the potential applicability as an effective and efficient alternative treatment method.

This is to advise that the City of Fresno, the Lead Agency, on _____, 2007, has determined to carry out the above-described project and has made the following determinations regarding the above-described project:

1. The project ([] will [X] will not) have a significant effect on the environment.
2. [] An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
[] A Mitigated Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
[X] The project is Categorical Exempt pursuant to the provisions of CEQA.
3. Mitigation measures ([] were [X] were not) made a condition of the approval of the project.
4. A statement of Overriding Considerations ([] was [X] was not) adopted for this project.
5. Findings ([] were [X] were not) made pursuant to the provisions of CEQA.

This is to certify that the above-described Exemption Finding and record of project approval is available to the general public at the City of Fresno, Water Division, 1910 E. University Avenue, Fresno, California 93703.



3/6/07

Lon Martin
Assistant Director of Public Utilities

Date