

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016/17	Business Unit 7760	Department General Services	Priority No.
Budget Request Name 7760-001-BCP-BR-2016-GB		Program 6325-Real Estate Services Division	Subprogram 6325010-Asset Management Branch

Budget Request Description

Mercury Cleaners Site Remediation

Budget Request Summary

The Department of General Services, Asset Management Branch requests one-time General Fund authority of \$2.14 million in 2016-17 to continue the remediation efforts of the former Mercury Cleaners site, a state-owned property located at 1419 16th Street, Sacramento.

There will be a request for General Fund expenditure authority in 2017-18 for continued testing, cleanup, and monitoring activities, and continuing requests each year thereafter for a period of up to twenty years to fund the required ongoing site remediation and monitoring work.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <i>[Signature]</i>	Date 12/31/15	Reviewed By <i>[Signature]</i>	Date 12/31/15
Department Director <i>[Signature]</i>	Date 12/31/15	Agency Secretary <i>[Signature]</i>	Date 1-4-16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 1/2/16
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BCP Fiscal Detail Sheet

BCP Title: Mercury Cleaners Site Remediation

DP Name: 7760-001-BCP-DP-2016-GB

Budget Request Summary

	CY	BY	FY16 BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
5301 - General Expense	0	67	0	0	0	0
5340 - Consulting and Professional Services - External	0	1,870	0	0	0	0
5340 - Consulting and Professional Services - Interdepartmental	0	200	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$2,137	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$2,137	\$0	\$0	\$0	\$0
Fund Summary						
Fund Source - State Operations						
0001 - General Fund	0	2,137	0	0	0	0
Total State Operations Expenditures	\$0	\$2,137	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$2,137	\$0	\$0	\$0	\$0
Program Summary						
Program Funding						
6326010 - Asset Management Branch	0	2,137	0	0	0	0
Total All Programs	\$0	\$2,137	\$0	\$0	\$0	\$0

A. Budget Request Summary

The Department of General Services (DGS) Asset Management Branch requests one-time General Fund authority of \$2.14 million in 2016-17 for continued testing, cleanup, and monitoring activities related to the former Mercury Cleaners site, a state-owned property located at 1419 16th Street, Sacramento. The continued testing, cleanup, and monitoring is necessitated by the detection of contaminant dry cleaning solvents in soil, soil vapor, groundwater, and indoor air samples caused by historical discharge of hazardous wastes and products associated with the dry cleaning business that operated on the site from approximately 1947 to 2014.

Pursuant to work plans approved by the Central Valley Regional Water Quality Control Board (RWQCB), additional testing, sampling, and remediation work was completed in 2014-15 and will continue through 2015-16. Funding is required in 2016-17 to continue testing, cleanup, and monitoring activities as directed by the RWQCB. This will include activities to (a) confer with the RWQCB; (b) conduct supplemental indoor air quality studies; (c) conduct investigation and treatment of the groundwater as requested by the RWQCB; (d) conduct onsite and offsite studies and monitoring near the Mercury Cleaners property as requested by the RWQCB; and (e) continue soil vapor extraction testing and treatment to remediate hazardous materials related to the Mercury Cleaners site.

In California, property owners are responsible for environmental contamination. No insurance policies have been identified to cover all or part of the remediation costs. DGS receives no revenue from the operation of the site, and has no other revenue source outside of its rate structure to fund the remediation.

B. Background/History

The State of California owns the real property site known as Mercury Cleaners at 1419 16th Street, Sacramento. DGS acts as the state's real estate manager for the site. The site has been owned by the state since 1967, and has been used by commercial dry cleaning businesses since approximately 1947. From 1942 to 1950, an auto repair shop occupied a portion of the site.

The Capitol Area Development Authority (CADA), a statutorily-created joint powers authority between the State of California and the City of Sacramento had been responsible for property management at the site from 1978 until November 2015 and subleased the buildings to two commercial tenants; the ground floor areas were leased for use as a commercial dry cleaning business, known as Mercury Cleaners, and the 2nd floor of the main building was leased to a professional office tenant. The buildings were demolished in January 2015 as part of the remediation of the site.

A Phase I environmental site assessment study was commissioned by CADA to study the site, which resulted in a follow-up Limited Phase II environmental site assessment. Various contaminants, including dry cleaning solvents, were found in soil, soil vapor, and groundwater which resulted in various follow-up and periodic testing to monitor the results.

In July 2013, DGS submitted a "Request for Agency Oversight of a Brownfield Site" application, and in August 2013 the RWQCB was designated as the lead regulatory oversight agency related to the cleanup of contamination at the site. Since that time, DGS has worked under direction of the RWQCB in outlining the state's future course of action for investigation, cleanup, and monitoring activities at the site.

Studies and tests conducted to date indicate high concentrations of dry cleaning solvents in the soil and groundwater. The RWQCB as the lead agency for the investigation and remediation is approving and directing ongoing testing which will result in a plan for implementation of remediation.

DGS is undertaking the cleanup in a "voluntary" compliance mode, which includes implementation of a proactive remediation project plan. Regardless of the availability of funds, if the state does not meet the expectations of the RWQCB as it relates to abatement of the condition of the site, the state could be

found in violation of the Porter-Cologne Water Quality Control Act and multiple Water Code provisions resulting in citations and fines.

The RWQCB could put the cleanup into an "enforcement mode", whereby:

- The state could be held civilly liable, where liability could include fees up to \$15,000 per day for each day the violation occurs.
- The RWQCB could undertake the cleanup itself and bill the cost back to the state for reimbursement.

Without remediation of the site, there is a potential ongoing health risk exposure to occupants of surrounding residential housing sites, commercial businesses, and an adjacent child daycare facility.

DGS submitted its first work plan on December 6, 2013, which was subsequently approved by the RWQCB.

In January and February 2014 DGS' initial site investigation work for the Mercury Cleaners building site was completed and a Data Gap Completion Report was submitted in May 2014, which included findings, conclusions, and recommendations for interior mitigation measures, interim remediation, and various additional site investigation and studies. The results of the report indicated a significant level of contamination in the Mercury Cleaners building site and confirms that releases of both tetrachlorethene or perchloroethene (PCE) and petroleum hydrocarbon based solvents (such as Stoddard Solvent) coincide with the locations of historic dry cleaning activities within the site building, thus strongly suggesting that the impacts to soil, soil vapor, groundwater, and indoor air quality at the Mercury Cleaners site are predominately the result of onsite releases. The primary human health risk driver at the site is the presence of chlorinated solvents, which readily volatilize and migrate into enclosed spaces.

The May 2014 report also indicated that the size of the commingled PCE/Stoddard solvent plume appears to have expanded compared to data collected earlier, likely the result of water/waste water discharge during ongoing use of the floor drains and water/waste conveyance improvements. The commingled plume does extend offsite, and additional studies were recommended to determine the extent of impacts to offsite areas.

Although PCE has reportedly not been in substantial use at the site since approximately 2005, remnant PCE concentrations are still detectable in the waste water storage and conveyance system, and in the former underground storage tank area located onsite. (The underground storage tanks were removed from the site in January 2015.)

PCE and naphthalene (related to Stoddard Solvent) are contaminants of concern related to onsite releases, and the 2014 levels of these contaminants in indoor air samples at the site are elevated. Measured contaminant concentrations were documented to be above screening criteria (environmental screening levels) for an exposure at a commercial site by a factor of 4 to 10 for PCE and by a factor of 2 to 10 for naphthalene. Without additional mitigation or remediation, risks posed to human health will continue.

The RWQCB provided a concurrence letter to DGS on July 11, 2014, for the May 2014 report recommendations for proposed continuing investigation and remedial activities at the site and surrounding areas.

DGS submitted a Remedial Investigation Work Plan for the Mercury Cleaners site to the RWQCB on December 12, 2014, outlining further proposed investigation and testing regarding the extent of soil and groundwater pollution and to collect data to evaluate remedial options for the site source area pollution.

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On January 27, 2015 the RWQCB provided a letter generally concurring with the scope of work and schedule in the Remedial Investigation Work Plan, with additional recommendations for DGS to conduct expanded testing on the Mercury Cleaners and adjacent Terraces properties, to evaluate the effectiveness of soil vapor extraction as one of the cleanup methods.

DGS is proactively involved with RWQCB to conduct extensive tests and planning in order to begin remediation in 2015-16. Funding will be required for 2016-17 and future years for continued testing, cleanup, and monitoring activities as directed by the RWQCB.

DGS received \$3.7 million one-time General Fund authority in 2014-15 and \$9.3 million one-time General Fund authority in 2015-16 for remediation of the Mercury Cleaners building site, including site investigation and assessment work. This site is one of the more toxic sites in the state, per the RWQCB. The estimated future remediation costs are unknown at this time. It is not yet known if more demolition and hazardous materials abatement of structures off site will need to occur, or if relocation of neighboring tenants will need to occur. There are continued investigations for presence of dry cleaning solvents beyond the boundaries of the site, and ongoing studies related to offsite neighboring parcels.

C. State Level Considerations

The state is the owner of the former Mercury Cleaners site located at 1419 16th Street, Sacramento, which is in need of remediation. In California, property owners are responsible for environmental contamination. Should the state not abate the condition of the site, it could be in violation of the Porter-Cologne Water Quality Control Act and multiple Water Code provisions resulting in citations and fines of up to \$15,000 for each day the property is in violation.

The Porter-Cologne Water Quality Control Act (Water Code, section 13000 et seq.) is the basis for the RWQCB request of site investigation and remediation design of the former Mercury Cleaners site. Specifically, initial limited studies showed presence of unauthorized hazardous waste discharged into the groundwater where the RWQCB considers this activity a violation that threatens the condition of waters of the State (Water Code section 13304). California Water Code section 13305 allows the RWQCB enforcement capabilities to address violations, or threatened violations of waste discharge prohibitions. Any entity that violates a prohibition shall be civilly liable, where liability could include up to \$15,000 for each day the violation occurs (Water Code section 13350).

D. Justification

DGS' Asset Management Branch requests one-time General Fund authority of \$2.14 million in 2016-17 to continue the remediation efforts of the former Mercury Cleaners site, a state-owned property located at 1419 16th Street, Sacramento.

DGS requests General Fund authority for this effort because the department receives no revenue from the operation of the site and has no other revenue source outside of its rate structure to fund the remediation.

In California, property owners are responsible for environmental contamination. The State of California owns the real property at 1419 16th Street. CADA, leases the land at no cost under a long term ground lease with the State of California dating from September 29, 1978. CADA subleased the former structures at 1419 16th Street to two commercial subtenants, who vacated the property in late 2014. The buildings were subsequently abated and demolished in January 2015. Because the structures no longer exist, DGS is now in the process of terminating the master lease agreement with CADA for this property.

The master lease agreement stipulates that monies received by CADA from the subleases shall be used solely for the operation, maintenance, repair and alteration of the leased premises (and incidental related expenses). This approach has allowed CADA to maintain and rehabilitate properties consistent with the objectives of the Capital Area Plan. CADA has stated that they have no other funding sources to cover this site's remediation costs.

DGS has consulted with the RWQCB regarding availability of alternative funding sources and they have no funding sources available. The Department of Toxic Substances Control has no fund sources available for this site. Grants used to be available but they typically go to small entities and small parties who do not have any funding sources.

Immediate remediation of this site is necessary to comply with RWQCB directives, to mitigate significant financial liability to the state and to address the potential human health risks associated with the site. Without remediation of the site, there is a potential health risk exposure to occupants of surrounding residential housing sites and commercial businesses, as well as an adjacent child daycare facility. Additionally, the state could be found to be in violation of the Porter-Cologne Water Quality Control Act and multiple Water Code provisions resulting in citations and fines of up to \$15,000 for each day the property is in violation (equates to \$5.5 million per year). Results of investigations conducted to date indicate a significant level of contamination at the Mercury Cleaners site and extending offsite.

DGS is submitting work plans and receiving RWQCB approvals and guidance for continued investigation and assessment of remedial options for the site source area pollution. Additional testing, sampling, and remediation design work was completed with the \$3.7 million General Fund authority that DGS received in 2014-15 as shown on Attachment A. Remediation efforts will continue through 2015-16 pursuant to the direction from the RWQCB.

Funding is required for 2016-17 to continue testing, cleanup, and monitoring activities as directed by the RWQCB.

The following table provides the best cost estimates for site remediation activities in 2016-17.

Regulatory Agency Oversight Fees (RWQCB)	\$60,000
DGS – Environmental Project Manager Fees	\$200,000
Contractor Consultation with Regulatory Agency	\$75,000
Supplemental Air Quality Studies, Onsite and Offsite studies, testing and remediation, Groundwater Sampling, Monitoring, and Reporting, Treatment	\$1,735,000
Distributed Admin	\$67,000
TOTAL	\$2,137,000

There will be a request for General Fund expenditure authority in 2017-18 for continued remediation and continuing requests each year thereafter for a period of up to twenty years to fund the required ongoing site remediation and monitoring work.

E. Outcomes and Accountability

The RWQCB has expressed concern about the test results at nearby sensitive neighboring parcels. The site investigations conducted to date identified significant levels of contamination at the former Mercury Cleaners site and adjacent properties. Under the direction of the RWQCB, to address the human health risks and potential financial liabilities associated with the site, DGS will proceed with the continued investigation and remediation of the former Mercury Cleaners site and surrounding properties as they relate to the site contamination.

F. Analysis of All Feasible Alternatives

Alternative 1 – Approve this request for \$2.14 million in one-time General Fund expenditure authority in 2016-17 to fund monitoring and remediation of the former Mercury Cleaners site and surrounding area.

PROS:

DGS will be able to begin implementation of a work plan and avoid non-compliance fees of the Porter-Cologne Water Quality Control Act, as well as address the potential human health risks to surrounding residential housing sites and commercial businesses, and an adjacent child daycare facility.

CONS:

This alternative will temporarily increase the state's General Fund expenditure authority.

Alternative 2 – Deny the General Fund augmentation and request the RWQCB delay the commencement of cleanup of the site.

PROS:

This alternative will not increase the state's General Fund expenditure authority.

CONS:

The state could be found to be in violation of the Porter-Cologne Water Quality Control Act and multiple Water Code provisions resulting in citations and fines for non-compliance.

There are potential human health risks to surrounding residential housing sites and commercial businesses, as well as an adjacent child daycare facility.

G. Implementation Plan

DGS' initial site investigations and assessments indicate a significant level of contamination at the former Mercury Cleaners site. DGS will continue with investigation and remediation related to the former Mercury Cleaners site, and additional site investigation and assessment work due to the potential human health risks associated with the former Mercury Cleaners site and surrounding areas. Monitoring and remediation of the former Mercury Cleaners site, and additional site investigation and assessment work are required in 2016-17 to further this effort.

H. Supplemental Information

None.

I. Recommendation

Approve Alternative 1: Approve this request for \$2.14 million in one-time General Fund expenditure authority in 2016-17 to fund continued site investigation, monitoring, and remediation of the contamination related to the Mercury Cleaners site including surrounding area.

There will be a request for General Fund expenditure authority in 2017-18 for continued remediation, and continuing requests each year thereafter for a period of up to twenty years to fund the required ongoing site remediation and monitoring work.