

**TO: City Council**  
**FROM: Dick McKinley, Public Works Director**  
**SUBJECT: Tertiary Treatment / Recycled Water Facilities**  
**DATE: October 20, 2015**

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**NEED:** For City Council to consider resolutions needed to apply for a low interest loan and grant for Tertiary Treatment Facilities.

**FACTS:**

1. The State's Clean Water Revolving Fund (SRF) loan program is established to provide low interest financing for projects that clean water and expand water recycling in California.
2. SRF has been offering 1% loans with a 30 year payback period to incentivize water recycling projects.
3. SRF recently announced it will also be offering Proposition 1 grants for recycled water projects for up to 35% of total project cost, to local agencies that apply for low-interest financing.
4. Competition for such grants is based on readiness to proceed with construction.
5. In July 2015, City Council authorized Black & Veatch to complete final design of tertiary treatment facilities at the Paso Robles Wastewater Treatment Plant, to produce high quality recycled water and comply with future river discharge requirements. This project is the first phase of a complete recycled water system. The second phase will be a purple pipe system to distribute the recycled water to east Paso Robles for irrigation and recharge of groundwater.
6. Installation of the Tertiary Treatment Facilities will cost approximately \$17 million (total project cost in 2017 dollars).
7. The September 2015 *Wastewater Rate and Revenue Analysis* by Water Consultancy/HDR found that revenues of the City's Sewer Operations Fund are sufficient to meet projected expenses, including the obligations of an SRF loan for construction of the Tertiary Treatment Facilities.
8. SRF requires an application for low interest financing and Proposition 1 grant to include three resolutions by City Council:
  - o Authorizing Resolution – to authorize an individual (the Public Works Director) to sign the loan application and administer the financing;

- o Reimbursement Resolution – to enable the City to be reimbursed for costs incurred on its recycled water project (e.g., planning and design) prior to execution of a financing agreement; and
- o Pledged Revenues and Fund Resolution – to dedicate and pledge a source of funding (the Sewer Operations Fund) for repayment of the loan.

**ANALYSIS &  
CONCLUSION:**

The Tertiary Treatment Facilities Project could be eligible for a nearly \$6 million Proposition 1 grant. Such a grant would greatly improve the economics of the Recycled Water Project and minimize cost to ratepayers and end users of the recycled water. It would be in the City's interest to adopt the attached resolutions, submit a complete application to SRF as soon as possible, and demonstrate to SRF it is ready to proceed with the Tertiary Treatment Facilities. Even if the City is not awarded a Proposition 1 grant, the resolutions and subsequent application to SRF will position the City to secure a 1% loan.

**POLICY**

**REFERENCE:** Recycled Water Master Plan, Urban Water Management Plan

**FISCAL**

**IMPACT:** Adoption of the attached resolutions and application to SRF would not adversely impact the Sewer Operations Fund. The Tertiary Treatment Facilities Project is a planned capital expenditure. The recently completed *Wastewater Rate and Revenue Analysis* found that the Fund can pay the debt of SRF financing for the project (~\$600,000 per year) without requiring an increase to sewer user rates at this time. A Proposition 1 grant would offset the project cost, thus improve the financial position of the Sewer Operations Fund.

**OPTIONS:**

- a. Adopt the attached resolutions, to 1) authorize the Public Works Director to apply for a low-interest SRF loan and possible Proposition 1 grant for the Tertiary Treatment Facilities Project and administer the financing; and 2) enable the City to be reimbursed by SRF for costs already incurred on the project; and 3) pledge revenues of the Sewer Operations Fund to repayment of the SRF loan.
- b. Amend, modify or reject the above option

**ATTACHMENTS:**

1. Resolution No. 15-AA, Authorization Resolution
2. Resolution No. 15-BB, Reimbursement Resolution
3. Resolution No. 15-CC, Pledged Revenues and Fund Resolution

RESOLUTION NO. 15-AA

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES  
AUTHORIZING THE PUBLIC WORKS DIRECTOR AS SIGNATORY FOR STATE REVOLVING  
FUND FINANCING AND TO PERFORM VARIOUS ADMINISTRATIVE FUNCTIONS  
REGARDING FINANCING FOR THE PASO ROBLES RECYCLED WATER PROJECT

WHEREAS, the City of El Paso de Robles intends to construct, operate, and maintain recycled water facilities ("Paso Robles Recycled Water Project"); and

WHEREAS, the State's Revolving Fund (SRF) loan program is established to provide low interest financing for construction of facilities which benefit water quality and expand water recycling in the State of California; and

WHEREAS, the City of El Paso de Robles intends to apply to SRF for low interest financing and possible Proposition 1 grant funds for the Paso Robles Recycled Water Project; and

WHEREAS, the State Water Resources Control Board, which implements the SRF program for the State of California, requires a resolution authorizing an individual(s) to sign the SRF application and financing agreement and perform various administrative functions regarding the SRF financing;

THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles:

Section 1. The Public Works Director or designee is hereby authorized and directed to sign and file, for and on behalf of the City of El Paso de Robles ("Entity"), a Financial Assistance Application for a financing agreement from the State Water Resources Control Board for the planning, design, and construction of the Paso Robles Recycled Water Project.

Section 2. This Authorized Representative, or his/her designee, is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

Section 3. The Authorized Representative, or his/her designee, is designated to represent the Entity in carrying out the Entity's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the Entity and compliance with applicable state and federal laws.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 20th day of October 2015 by the following votes:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Steve Martin, Mayor

CERTIFICATION:

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the City Council of the City of El Paso de Robles held on October 20, 2015:

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Kristy Buxkemper, Deputy City Clerk

RESOLUTION NO. 15-BB

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES  
FOR REIMBURSEMENT OF COSTS FOR THE PASO ROBLES RECYCLED WATER PROJECT  
BY STATE REVOLVING FUND LOAN PROGRAM

WHEREAS, the City of El Paso de Robles (the "Agency") desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water and wastewater system, including certain treatment facilities, pipelines and other infrastructure (the "Project"); and

WHEREAS, the Agency intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (State Water Board); and

WHEREAS, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the Agency desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the Agency; and

WHEREAS, the Agency has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the Agency for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, THE AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. The Agency hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

SECTION 2. The reasonably expected maximum principal amount of the Project Funds is \$17,230,000.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the Agency will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

SECTION 4. Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

SECTION 5. To the best of our knowledge, this Agency is not aware of the previous adoption of official intents by the Agency that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 6. This resolution is adopted as official intent of the Agency in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

SECTION 7. All the recitals in this Resolution are true and correct and this Agency so finds, determines and represents.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 20th day of October 2015 by the following votes:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Steve Martin, Mayor

CERTIFICATION:

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Kristy Buxkemper, Deputy City Clerk

RESOLUTION NO. 15-CC

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES  
PLEDGING REVENUES AND FUNDS FOR REPAYMENT OF FINANCING  
FOR THE PASO ROBLES RECYCLED WATER PROJECT

WHEREAS, the City of El Paso de Robles intends to construct, operate, and maintain recycled water facilities ("Paso Robles Recycled Water Project"); and

WHEREAS, the State's Revolving Fund (SRF) loan program is established to provide low interest financing for construction of facilities which benefit water quality and expand water recycling in California; and

WHEREAS, the City of El Paso de Robles intends to apply to SRF for low interest financing and possible Proposition 1 grant funds for the Paso Robles Recycled Water Project; and

WHEREAS, Federal law requires applicants to establish a dedicated source of revenues for repayment of SRF financing; and

WHEREAS, the September 2015 *Wastewater Rate and Revenue Analysis* by Water Consultancy/HDR found that revenues of the City's Sewer Operations Fund are sufficient to meet projected revenue requirements, including the obligations of an SRF loan for construction of Tertiary Treatment Facilities, the first phase of the Paso Robles Recycled Water Project.

THEREFORE, BE IT RESOLVED by the City Council of the City of Paso Robles:

Section 1. The City of El Paso de Robles ("Entity") hereby dedicates and pledges the City of El Paso de Robles Sewer Operations Fund and Net Revenues thereof to payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for the Paso Robles Recycled Water Project (SRF Project No. 8114-110).

Section 2. The Entity commits to collecting such revenues and maintaining such fund(s) throughout the term of such financing and until the Entity has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Resources Control Board. So long as the financing agreement(s) are outstanding, the Entity's pledge hereunder shall constitute a lien in favor of the State Water Resources Control Board on the foregoing fund(s) and revenue(s) without any further action necessary. So long as the financing agreement(s) are outstanding, the Entity commits to maintaining the fund(s) and revenue(s) at levels sufficient to meet its obligations under the financing agreement(s).

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 20th day of October 2015 by the following votes:

AYES:

NOES:

ABSTAIN:

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