TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PUBLIC WORKS

DATE: FEBRUARY 11, 2008

SUBJECT: ADOPTION OF A RESOLUTION ESTABLISHING ONE OR MORE DEDICATED SOURCES OF REVENUE FOR REPAYMENT OF A LOAN PURSUANT TO THE FEDERAL CLEAN WATER ACT AMENDMENT AND ADOPTION OF A RESOLUTION FOR ADMINISTERING A WASTEWATER CAPITAL RESERVE FUND IN ACCORDANCE WITH THE STATE WATER RESOURCES CONTROL BOARD’S REQUIREMENTS FOR THE STATE REVOLVING FUND LOAN PROGRAM FOR THE CONSTRUCTION OF THE ULTRA-VIOLET DISINFECTION FACILITY AT THE PALO ALTO REGIONAL WATER QUALITY CONTROL PLANT

RECOMMENDATIONS

Staff recommends that Council:

1. Adopt a resolution (Attachment A) establishing one or more dedicated sources of revenue for the repayment of the State Revolving Fund (SRF) loan from the State Water Resources Control Board (SWRCB) for the construction of the ultra violet (UV) disinfection facility at the Palo Alto Regional Water Quality Control Plant (RWQCP); and

2. Adopt a resolution (Attachment B) administering a wastewater capital reserve fund in accordance with the SWRCB requirements of the SRF program.

BACKGROUND

On August 6, 2007, Council adopted Resolution 8742 authorizing the City Manager to file an application for a SRF loan for the UV disinfection facility project, CMR:322:07 (Attachment C). Subsequently, staff submitted the application, which initiated the SRF loan process.

DISCUSSION

The next step in the loan process is the submittal of the attached resolutions, Attachments A and B. These resolutions are required by the SWRCB for a low-interest SRF loan. Submittal of these resolutions does not complete the loan process. There are several remaining steps in the loan process and Council will be making decisions on the remaining steps before the SRF loan can be secured. In the future steps of the loan process, Council will make final decisions on the following:

- Decision on specific project funding strategy;
- Decision on the project and the bids; and
- Decision on the specific amount from each funding source.

The SWRCB will not execute any loan contract until the above steps are completed, and until Council awards and executes a construction contract with a contractor for the project. Staff is working with the RWQCP partners on the details of the funding strategy and agreements for the loan repayment. Staff plans to obtain a preliminary loan commitment from the SWRCB prior to solicitation for bids. Submittal of the resolutions is required in order to obtain a preliminary commitment. Staff will return to Council with the detailed funding strategy and the partners’ agreement on loan repayment prior to the bid opening date.

**PROJECT SCHEDULE**

Preliminary loan commitment from SWRCB May 2008  
Bid issuance July 2008  
Bid opening September 2008  
Firm loan commitment from SWRCB October 2008  
Council decision on project November 2008  
Complete SRF contract with SWRCB if project is awarded December 2008 – April 2009  

**RESOURCE IMPACT**

Funds for the project have been appropriated in the Wastewater Treatment Enterprise fund. It is expected that grants and the SRF loan will fund the estimated total project cost of $21.3 million.

**POLICY IMPLICATIONS**

Recommendations of this staff report are consistent with City Council’s Sustainability Policy by reducing toxins discharge and greenhouse gas emissions.

**ENVIRONMENTAL REVIEW**

Adoption of the resolutions does not constitute a project under the California Environmental Quality Act.

**ATTACHMENTS**

Attachment A: Resolution  
Attachment B: Resolution  
Attachment C CMR:322:07

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