



DATE: December 2, 2025

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt Resolution Authorizing the City Manager to Apply for a State Water Resources Control Board (SWRCB) State Revolving Fund (SRF) Loan and Approve Reimbursement Resolution in Support of SWRCB SRF Loan Application for the Water Resource Recovery Facility (WRRF) Improvements – Phase II Project

RECOMMENDATION

That City Council adopts (Attachments II and III):

- 1) Resolution Authorizing the City Manager to apply for a State Water Resources Control Board (SWRCB) State Revolving Fund (SRF) Loan for the Water Resource Recovery Facility (WRRF) Improvements – Phase II Project in an amount up to \$50 Million.
- 2) Reimbursement Resolution in Support of SWRCB SRF Loan Application

SUMMARY

The City of Hayward's Department of Public Works & Utilities is pursuing a major capital improvement project to improve the Water Resources Recovery Facility, formerly known as the Water Pollution Control Facility, (WRRF Phase II Improvement Project, the "Project") to meet the nutrient reduction mandate for treated effluent identified in the 3rd Nutrients Watershed Permit adopted by the California Regional Water Quality Control Board in July 2024. The total cost of the project is estimated at \$498 million, including capital costs, contingencies, and financing costs.

As part of the funding strategy, the City intends to finance \$50 million of the project costs through the SWRCB Division of Financial Assistance's SRF loan program (the "SRF Loan"). The remaining cost will be funded by publicly-sold revenue bonds, United States Environmental Protection Agency (USEPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan, and sewer fund reserves. Application for SRF funding must be submitted by December 31, 2025. In order to initiate the loan application process, the City Council must authorize the City Manager to submit an application of the City's behalf. In addition, Staff is currently in the process of completing the Financial Security Package as part of the application. In order to

complete this package, SRF regulations require that the City adopts the Reimbursement Resolution.

ECONOMIC AND FISCAL IMPACT

There is no General Fund impact related to this. This project will not utilize any General Fund monies and the debt service incurred will be obligated to the Wastewater Enterprise Fund.

The FY26 Adopted Capital Improvement Program (CIP) includes \$63,279,000 in WRRF New Administration Building & Lab Project No. 07786 and \$434,965,000 WRRF Phase II Improvement Project No. 07760 within the Sewer Improvement Fund (Fund 612.)

Staff engaged the City's financial advisor, NHA Advisors, to discuss funding options as summarized in Table 1 below.

Table 1 – Potential Financing Options

Options		Amount	Status
Federal	USEPA WIFIA loan	Up to \$260 million (49% of project cost)	Signoff on hold by USEPA since April 2025
State	SWRCB Clean Water State Revolving Fund (CWSRF)	\$50 million (max)	Application in progress
Private	2025 Wastewater Revenue Bond	\$124,885,000	Executed in March 2025
Private	2029 Municipal Bond	TBD	TBD
Cash	Wastewater Enterprise Fund	\$25 million (5%)	N/A
Others	Grant	\$0	Researching, none identified/fit thus far

BACKGROUND

WRRF was originally constructed in 1952 to treat wastewater flows from Hayward residents and businesses prior to discharge into the San Francisco Bay. Over the years, the facility has undergone several major upgrades to meet more stringent discharge requirements, as well as increasing capacity to meet the City's growing population and industries. WRRF treats an average flow of approximately eleven million gallons per day and meets current regulatory requirements for discharge of treated effluent to the deep waters of the San Francisco Bay.

In May 2019, the San Francisco Bay Regional Water Quality Control Board (Water Board) announced upcoming regulatory requirements limiting discharge of nutrients (nitrogen) to the Bay. In June 2020, the City completed a comprehensive Master Plan update, the WPCF Phase II Facilities Plan (Facilities Plan). The Facilities Plan identifies the necessary improvements to upgrade the treatment process and meet the upcoming nutrient reduction requirements.

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City staff have worked with Brown and Caldwell (BC) and with the City's municipal advisor (NHA Advisors) to develop a financing plan (Financing Plan) for the \$498 million Project. The Financing Plan was presented to the Council Budget & Finance Committee at the May 15, 2024¹ meeting. Consistent with the Financing Plan, the City Council authorized the City Manager to apply for the WIFIA Loan in an amount up to \$260 million, on April 16, 2024², and authorized the issuance of the 2025 Wastewater Revenue Bonds in an amount up to \$135 million, approved by Council on February 25, 2025³. The City subsequently sold \$124,885,000 in 2025 Wastewater Revenue Bonds at a true interest cost of 3.96%. These 2025 Bonds are expected to provide approximately 26% of the total funding needed for the Project. On April 1, 2025⁴, City Council authorized the execution and delivery of a WIFIA Loan Agreement with USEPA for \$244,139,000. The City originally anticipated executing its WIFIA loan on April 11, 2025. However, the USEPA notified the City on April 10, 2025, that the loan execution was put on hold by the EPA Administrator and Office of Management and Budget.

DISCUSSION

The SRF program is a USEPA financing program administered in California by the SWRCB and provides low-cost loan for qualified water and wastewater projects. Loans are currently limited to \$50 million for the FY 25-26 funding cycle. Favorable benefits of the SRF program include:

- 1) Loan interest rate set at ½ the State of California 30-year General Obligation Bond rate; and
- 2) SRF loans payback period begins one year after substantial completion; and
- 3) Typically, a 30-year (or useful life of the project whichever is lower) loan term.

In 2024, BC, NHA Advisors and City staff evaluated SRF as a potential funding option and determined that the Phase II project was unlikely to score high enough to be eligible for SRF funding among many other projects on SRF's eligible funding list ahead of the City's project. In addition, the California Water State Water Funding (CWSRF) announced a funding hiatus that will be in effect for several years starting in FY25. For these reasons, the SRF loan was not included as part of the original financing plan. However, in May 2025, CWSRF revised its policy to include "nutrient removal" project as part of the scoring guidelines. Due to the changing scoring guidelines, the WRRF Phase II project will likely score high enough to be

¹ May 15, 2024 Council Budget & Finance Committee (<https://hayward.legistar.com>)

² April 16, 2024 City Council (<https://hayward.legistar.com>)

³ February 25, 2025 City Council (<https://hayward.legistar.com>)

⁴ April 1, 2025 City Council (<https://hayward.legistar.com>)

eligible for SRF funding. Applications for FY25-26 funding cycle must be submitted by December 31, 2025.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Invest in Infrastructure. Specifically, this item relates to the implementation of the following project:

Project N22: Design Water Pollution Control Facility Phase II upgrade

SUSTAINABILITY FEATURES

There are no Sustainability Features directly associated with this item.

PUBLIC CONTACT

The WRRF Phase II Improvements Project includes a web page to be hosted on the City's website which is being periodically updated throughout the multi-year duration of the project.

NEXT STEPS

If Council approves, staff will submit the authorized resolutions to the SWRCB with the SRF application.

Prepared by: Elli Lo, Senior Management Analyst

Recommended by: Alex Ameri, Director of Public Works

Approved by:



Jayanti Addleman, Interim City Manager