



# CITY OF HAYWARD

Hayward City Hall  
777 B Street  
Hayward, CA 94541  
www.Hayward-CA.gov

## Cover Memo

---

**File #:** CONS 15-251, **Version:** 1

---

**DATE:** October 13, 2015

**TO:** Mayor and City Council

**FROM:** Director of Utilities & Environmental Services

### **SUBJECT**

Recycled Water Project: Adoption of Reimbursement Resolution and Pledged Revenues and Funds Resolution for the State Revolving Fund Loan Application

### **RECOMMENDATION**

That the City Council adopts the attached resolutions (Attachments I and II) required by the State Water Resources Control Board (SWRCB) for the Recycled Water Project State Revolving Fund (SRF) loan application.

### **SUMMARY**

On May 19, 2015, the City Council adopted Resolution 15-072, authorizing the City Manager to sign and file an SRF Loan application for an amount not to exceed \$12 million for the design and construction of the Recycled Water Project. Since that time, staff has submitted three parts of the application that include General Information, Technical, and Environmental packages. Staff is currently in the process completing the fourth and final application package - the Financial Security Package. In order to complete this package, SFR regulations require that the City adopts two Resolutions - the Reimbursement Resolution and the Pledged Revenues and Funds Resolution.

### **BACKGROUND**

The City prepared a Recycled Water Feasibility Study in 2007 that provided a conceptual overview of the potential for delivering highly treated wastewater for irrigation and other industrial uses. Based on the results of the Feasibility Study, a Recycled Water Facility Plan (Plan), partially funded by a grant from the SWRCB, was completed in 2009 and updated in September 2013.

The Plan identifies potential users for recycled water within the City, presents a conceptual treatment and distribution system, and estimates project costs based on an assessment of prevailing conditions. The original Plan envisioned the City receiving excess recycled water from the Russell City Energy Center (RCEC), operated by Calpine, which receives secondary treated wastewater from the City and utilizes its own facilities to treat the wastewater to tertiary level in its cooling process. Staff continues to have discussions with Calpine representatives to this end; however, a final determination in this regard is yet

to be made. For the purposes of the SRF loan application, it is assumed that recycled water will be provided by the RCEC.

The project currently consists of installing a new recycled water distribution facility located at the City's Water Pollution Control Facility (WPCF), with capacity to deliver an estimated 290 acre-feet per year of recycled water (equivalent to nearly ninety-four million gallons per year, or 260,000 gallons per day) to twenty-four customers within the City. The project would include approximately 1.5 miles of new eight-inch diameter distribution lines to the north and south of the WPCF, rehabilitation and connection to an existing and abandoned Shell Oil Pipeline, and over three miles of lateral pipelines with connections to customers. Upon completion, recycled water would be delivered to approximately twenty-four customers primarily for irrigation, with some industrial uses in cooling towers and boilers. The City is pursuing a long-stalled agreement with Shell Oil to acquire an existing abandoned eight-inch diameter pipeline that could form the backbone of the distribution system.

The City completed an environmental assessment for the project in October 2014 and adopted an Initial Study/Mitigated Negative Declaration on December 16, 2014, in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). Staff is now planning to prepare a request for proposals for the design of the RWF and distribution system.

## **DISCUSSION**

In March 2014, the SWRCB announced new low-interest financing terms for water recycling projects to help California produce an additional 150,000 acre-feet of recycled water annually, one of several actions Governor Brown called for in the Drought State of Emergency declaration. The SWRCB's Division of Financial Assistance is offering \$800 million in loans at one percent interest, which is less than half the current interest rate of traditional SRF financing, for water recycling projects that can be completed within three years of the Governor's January 17, 2014 drought declaration. Applications for funding must be submitted by December 2, 2015.

Subsequently, the City Council adopted Resolution 14-167 on October 14, 2014, which was superseded by Resolution 15-072 on May 19, 2015, authorizing the City Manager to sign and file an application for up to \$12 million in SRF loan funds for the project. The authorization to file an application was the first procedural step in beginning the technical, environmental review and financial processes with the SWRCB. To date, staff has submitted three packages of the application including General Information, Environmental and Technical packages, and is in the process of completing the fourth and final package - the Financial Security package. In order to complete the Financial Security Package, the State regulations require adoption of the Reimbursement Resolution (Attachment I) and the Pledged Revenues and Funds Resolution, the templates for both of which were provided by the SWRCB.

## **ECONOMIC IMPACT**

The Project would provide recycled water for irrigation and cooling purposes to approximately 24 customers that includes 22 commercial customers near the WPCF, the Hayward Executive Airport and the City Fire Training Center. This service will reduce those customers' potable water use and can provide cost savings to the businesses that would receive recycled water. Staff will evaluate the cost of treating

and delivering recycled water and recommend a rate structure that would provide an incentive for eligible customers to use recycled water while allowing the City to recoup the capital and operations and maintenance costs of the recycled water facility. At this time, it is unknown if those rates would cover the entire costs of the project. The benefit this project will provide to non-eligible customers is that with the availability of recycled water delivery, and the subsequent reduction in potable water use, there would be increased water supply for all customers. Given the current drought conditions, this factor could be significant in allowing for greater flexibility in the City's water supply.

## **FISCAL IMPACT**

A Capital Improvement Project, titled "Recycled Water Treatment and Distribution Facility," is included in the current Capital Improvement Program's Sewer Improvement Fund. The project budget is \$12 million, with an anticipated \$11,594,760 SRF loan proposed to finance the entire project. The City also intends to pursue federal funding from the US Bureau of Reclamation under Title XVI, as well as other grant opportunities for the final design and construction of the facility. If grant money becomes available from other sources thus providing more funding flexibility to move forward with the project, the amount of SRF loan required will be reduced.

This project will not utilize any General Fund monies and the debt service incurred will be obligated to the Wastewater Enterprise Fund.

## **NEXT STEPS**

Following City Council's adoption of the two resolutions, staff will proceed with completing the final part of the SRF loan application process, which includes submittal of a completed Financial Security Package.

In addition, the City is required to submit recycled water user assurances to document the commitment of users to participate in the project. Users' assurances could be in the form of an adopted mandatory use ordinance or letters of intent to execute a user contract. The City's Technical Application will be deemed incomplete without the documentation of users' assurance. Staff has prepared a Draft Ordinance establishing a Recycled Water Master Plan and Implementing Procedures to satisfy this requirement of the Technical Application. The Draft Ordinance will soon be distributed for review by the City Attorney and the SWRCB. Upon completion of review, it will be scheduled for the City Council's review and adoption.

Staff will also proceed to prepare a request for proposals for design of the recycled water facility and distribution system.

*Prepared by:* Suzan England, Senior Utilities Engineer

*Recommended by:* Alex Ameri, Director of Utilities & Environmental Services

Approved by:



Fran David, City Manager

**Attachments:**

Attachment I  
Attachment II

Reimbursement Resolution  
Pledged Revenues and Funds Resolution