



DATE: February 17, 2026
TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Informational Report: Water Resource Recovery Facility (WRRF) Improvements Phase II Project Update

RECOMMENDATION

That the City Council reviews this informational Water Resource Recovery Facility (WRRF) Improvements Phase II Project Update.

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 up to 49% (~\$244 million) of project costs from United States Environmental Protection Agency (USEPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan and \$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 and sewer fund reserves. Since April 2025, WIFIA loan signoff has been on hold by the EPA. Staff recently applied for SRF funding in December 2025. This report is to provide a status update as to overall project progress and status on the funding options.

ECONOMIC AND FISCAL IMPACT

There is no General Fund or Measure C impact related to this report or project. This project will not use any General Fund or Measure C 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 for WRRF New Administration Building & Lab Project No. 07786 and \$434,965,000 for WRRF Phase II Improvement Project No. 07760 within the Sewer Improvement Fund (Fund 612.)

Staff engaged Brown and Caldwell (BC) and the City’s financial advisor, NHA Advisors, to strategize and discuss funding options as summarized in Table 1 below.

Table 1 - Financing Options			
Options		Amount	Status
Federal	USEPA WIFIA loan	Up to \$244 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 submitted December 2025
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%)	On Hand
Others	Grant	TBD	Researching, none identified/fit thus far

BACKGROUND

The 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.

The City of Hayward’s Department of Public Works & Utilities is pursuing a major capital improvement project to improve the WRRF, formerly known as the Water Pollution Control Facility, (WRRF Phase II Improvement Project, the “Project”) in order 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.

City staff have worked with BC and 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. On December 2, 2025⁵, City Council authorized the City Manager to apply for the SWRCB SRF Loan for \$50 million. Subsequently, City submitted the SWRCB SRF application on December 30, 2025.

DISCUSSION

Status of Project

The design of the project is complete and all currently regulatory approvals have been secured. The CEQA Initial Study/Mitigated Negative Declaration was completed in 2024, and the City recently received an Authority to Construct ATC permit from the Bay Area Air Quality Management District. Staff have also worked to prepurchase long-lead equipment, which includes 2 medium voltage transformers and 2 medium voltage switches. This pre-purchased equipment arrived onsite in December of 2025 and January of 2026, and is ready to be transferred to the construction contractor.

Status of WIFIA Loan

Since the delay of WIFIA in April 2025, staff have continuously monitored the status of loan execution and engaged with the USEPA and City's federal lobbyist, including the transmittal of two letters to the USEPA:

- May 2025 – requested assistance from the EPA Administrator to facilitate the execution of City's WIFIA loan; and
- September 2025 – supplemental informational letter providing additional information regarding Project's alignment with presidential priorities.

¹ [May 15, 2024 Council Budget & Finance Committee \(https://hayward.legistar.com\)](https://hayward.legistar.com)

² [April 16, 2024 City Council \(https://hayward.legistar.com\)](https://hayward.legistar.com)

³ [February 25, 2025 City Council \(https://hayward.legistar.com\)](https://hayward.legistar.com)

⁴ [April 1, 2025 City Council \(https://hayward.legistar.com\)](https://hayward.legistar.com)

⁵ [December 2, 2025 City Council \(https://hayward.legistar.com\)](https://hayward.legistar.com)

In addition to City's effort, other bodies and entities have also pursued other actions, including:

- October 2025 – a support letter for WIFIA continuity and criticality, jointly submitted by Water Environmental Federation, Association of Metropolitan Water Agencies, American Water Works Association, National Association of Clean Water Agencies and WaterReuse Association; and
- December 2025 – a letter requested the USEPA to process WIFIA loan application more efficiently, jointly submitted by a group of six U.S. Senators representing several states where their constituents are also experiencing delay in WIFIA loan execution.

Staff originally targeted the end of January 2026 for completion of bid package for the Phase 2 Project and construction to start in Spring 2026. However, given that WIFIA provides 49% of the project funding, the bid package is currently on hold until City receives confirmation of WIFIA execution. As part of the WIFIA agreement, the City expects to receive a waiver for the federal Build America, Buy America (BABA) requirements. The costs of implementing the BABA requirements are currently unknown and are expected to be significant.

Status of SRF Loan

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. Benefits of the SRF program include:

- 1) Loan interest rate set at $\frac{1}{2}$ 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.

The City submitted the SWRCB SRF application in December 2025 and anticipates the funding decision by May 2026. If the Project is on the SRF's funding eligible list, additional environmental mitigations may need to be incorporated. This process should be complete by November 2026, with an anticipated SRF funding agreement being finalized by December 2026. Compared to other financing options at current interest rates, the low interest rates used by the SRF program would cumulatively save the City approximately \$38M in total cash outflows over the course of the loan, with a net present value savings of approximately \$30 million. The savings would only be attained, however, if the WIFIA agreement is executed and the State recognizes the cognizant authority with WIFIA regarding the BABA waiver. Without an executed WIFIA agreement, SRF funding would trigger the BABA requirement, the cost of which would likely exceed \$30 million.

Given the benefits of approximately \$30 million in net present value savings from SRF funding, staff recommends waiting until May 2026 to determine if the project is on the SRF funding eligible list prior to bidding. However, staff estimates an approximately \$900k

construction cost escalation per month as the City delays the call for bid. Given the significant savings from the SRF loan, staff have determined it is worthwhile to wait approximately six additional months to incorporate any additional environmental mitigations in the event the project is placed on the SRF eligible funding list. The bidding timeline under different WIFIA and SRF funding scenarios is summarized in Table 2 below:

Table 2 – Funding Scenarios & Respective Bidding Timeline		
If WIFIA Executes	If Project is on SRF funding eligible list	If Project is not on SRF funding eligible list
Prior to May 2026	Issue bid in November	Issue bid as soon as possible
Between June to November 2026	Issue bid in November	Issue bid as soon as possible
After November 2026	BABA requirement is triggered and would result in significant increase of project cost; staff to revisit funding strategy and propose other funding sources; Bidding timeline TBD	Staff to revisit funding strategy and propose other funding sources; Bidding timeline TBD

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

The WRRF Improvement - Phase II Project is intended to help maintain and improve the biology and health of the Bay which is vital for the region and the State. The Phase II Project will position the City to meet the nutrient limits as specified in the Water Board’s 3rd Watershed Permit that requires plants to reduce nitrogen loading to the Bay by the year 2034. This project is a direct result of the Water Board’s 3rd Watershed Permit.

The effects and risks of rising sea water levels will be reviewed and incorporated into the design of the new facilities and some retrofitted facilities where appropriate.

The Administration Building was reviewed by the City’s Building Division for conformance with State and local requirements related to sustainability (i.e., California Building Code, California Energy Code, etc.) which requires a minimum level of energy efficiency, resource conservation, material recycling, etc. In addition, the building was designed and in the process of construction to meet the City required Leadership in Energy and Environmental Design (LEED) standards for a Silver Certification.

PUBLIC CONTACT

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

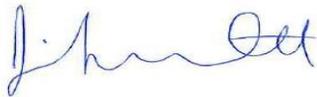
NEXT STEPS

Staff will continue to provide reports on the status of the WRRF Phase II Improvements Project as appropriate.

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Approved by:



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