



AGENDA NO: 7.g

MEETING DATE: March 12, 2024

Staff Report

TO: Honorable Mayor and City Council Members **DATE:** March 12, 2024

FROM: Gregory Kwolek, Public Works Director
Damaris Hanson, Utilities Division Manager
Dan Heimel, Confluence Engineering Solutions

SUBJECT: California State Water Resources Control Board Division of Financial Assistance Minimum Recycled Water Implementation Requirements Letter

RECOMMENDED ACTION

Receive and file the following letter from the California State Water Resources Control Board (SWRCB) Division of Financial Assistance (DFA) Letter regarding the minimum recycled water implementation requirements necessary to satisfy the requirements of the City's Clean Water State Revolving Fund (SRF) Loan Agreement.

FISCAL IMPACT

Funding for the implementation of the recycled water project is included in the Water Reclamation Facility (WRF) Program Recycled Water Project budget of \$9,424,174. Currently, the City anticipates funding these costs through a mixture of funding sources, including the WRF Program Water Infrastructure Finance and Innovation Act (WIFIA) loan, SRF loan, Integrated Regional Water Management (IRWM) grant, and Title XVI grant. However, as stated in the DFA Letter, failure of the City to comply with the terms of the SRF Agreement may be construed as a material breach of the agreement and result in the City needing to immediately reimburse the SWRCB all SRF grant and loan funding (~\$66.6 under current agreement or ~\$87.7M with execution of SRF Amendment).

BACKGROUND

On November 14th, 2023, the City held a Joint City Council and Public Works Advisory Board (PWAB) Meeting to consider phase 1 implementation strategy recommendations and approval of consultant contract amendments to support the implementation of the recycled water component of the Water Reclamation Facility (WRF) Program. At that meeting, the City Council directed staff to move forward with the recommended initial phase of the Recycled Water Program and initiate environmental, permitting and design activities necessary for program implementation. Included in the motion for approval was an amendment to allow these activities to move forward after the WRF Subcommittee approved a letter prepared by staff to the lending agencies requesting written clarification of the minimum recycled water implementation requirements. In subsequent meetings with the WRF Subcommittee, it was determined that only a letter to the SWRCB DFA was needed as the SRF Loan Agreement was understood to have the most stringent recycled water implementation requirements.

Included as Attachment 1 and Attachment 2 to this staff report are the letter from the City to the DFA requesting confirmation of the minimum implementation requirements to comply with the SRF Loan Agreement terms and conditions and the DFA Response Letter. The requirements

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City Manager: YK City Attorney:

listed in the DFA Response Letter are consistent with the direction that DFA Staff conveyed to the City during staff level meetings prior to the November 14th, 2023, Joint City Council/PWAB Meeting and include the requirement for the City to construct indirect potable reuse facilities and a recycled water project capable of delivering 412.5 Acre-Feet per Year (AFY) within 5 years of completion of construction to comply with the terms of the SRF Loan Agreement.

NEXT STEPS

With the delivery of the minimum recycled water implementation requirements letter and the confirmation response letter from DFA, City staff is proceeding with the actions outlined in the November 14th, 2023, Joint City Council/PWAB Meeting, which includes initiation of the following activities:

- Archaeological and biological surveys for the recycled water pipeline alignment alternatives and potential injection well locations.
- Environmental review services to complete the necessary California Environmental Quality Act (CEQA) activities to support the implementation of the recycled water program.
- Hydrogeologic support services to support the permitting and implementation of the initial phase of the recycled water program.
- Development and release of Requests for Proposals (RFP) for Engineering and Hydrogeological design and construction support services for the recycled water pipelines and injection wells.

ATTACHMENT(S)

1. November 27th, 2023 City Letter Requesting Confirmation of Minimum Recycled Water Implementation Requirements for SRF Loan Agreement
2. February 26th, 2024 SWRCB DFA Letter Confirming Minimum Recycled Water Implementation Requirements for SRF Loan Agreement