



File #: 18-1094, Version: 1

REPORT TO COUNCIL

SUBJECT

Adopt Three Resolutions Enabling the City of Sunnyvale to Submit an Application to the State of California for up to \$50 million in Clean Water State Revolving Funds to Fund the City of Sunnyvale Administration and Laboratory Building Project

BACKGROUND

The City has embarked on the most significant single public works program in its history, the rebuild of its aged Water Pollution Control Plant (WPCP), which is responsible for the treatment of sewage from all of Sunnyvale and a small area inside the Cities of Cupertino and San Jose. Named the “Sunnyvale Cleanwater Program” (the Program), current cost estimates for Phases 1-3 are approximately \$500 million over twenty years. The WPCP Master Plan was developed as a long-term guide for replacing facilities at the WPCP. The City adopted the Master Plan on August 23, 2016 (see RTC No. 16-0663).

During Phase 1 of the Program, staff identified that favorable financing was available for the Headworks and Primary Treatment Project through the State of California Clean Water State Revolving Fund (CWSRF). By securing this financing, debt service for the City’s Wastewater Management Fund has been reduced by more than \$20 million, compared to the default assumption of standard utility revenue bond financing.

Now beginning Phase 2 projects, the Program is in preliminary design for the Administration and Laboratory Building, which is a new building that will house administration, outreach storage, operations, and laboratory and compliance inspection functions. This project is also eligible for a CWSRF loan. To apply for this financing, Council must adopt three resolutions, which are further described below.

EXISTING POLICY

Council Fiscal Policy 7.11 Enterprise Fund Policies, 1.1b.1 Capital improvements associated with the existing infrastructure of a utility should be primarily funded from two sources: rate revenue and debt financing.

Council Fiscal Policy 7.11 Enterprise Fund Policies, 1.1b.3 Local, state and federal funding sources, such as grants and contributions, should be pursued for utility -related capital improvement projects consistent with City priorities.

ENVIRONMENTAL REVIEW

In accordance with the California Environmental Quality Act (CEQA), the Program Environmental Impact Report (PEIR) for the Sunnyvale Water Pollution Control Plant Master Plan was prepared and

adopted by Council on August 23, 2016. The City is preparing a CEQA Addendum to the PEIR for the Administration and Laboratory Building that addresses changes to the project that resulted from validation after completion of the Master Plan. The addendum will be circulated for public comment in accordance with the requirements of the SRF "CEQA-Plus" environmental review process, and will be presented to the City Council for adoption when this item returns for approval of the loan documents related to the SRF loan. The present action is necessary to ensure that funding will be available for the Project when it is approved, but does not constitute final approval of the Administration and Laboratory Building Project.

DISCUSSION

The State Division of Financial Assistance administers the implementation of the State Water Resources Control Board's (State Water Board) financial assistance programs, which include loan and grant funding for construction of municipal sewage and water recycling facilities. The CWSRF Program provides low-interest loans (approximately 2%) for a term of 30 years for water quality improvement projects. In 2016, the City applied for and received a CWSRF loan for the Program's first phase, the Headworks and Primary Treatment Project. Additional projects in the Sunnyvale Cleanwater Program are eligible for planning/design and construction CWSRF funding.

The City is currently preparing to submit a detailed Financial Application Package for the Administration and Laboratory Building. If selected, the CWSRF loan could finance permitting, design, and construction for Project 833240-SCWP Administration and Lab Building, as well as some soft costs budgeted under Projects 833110-SCWP Oversight, 831470-SCWP Construction Management, and 830240-SCWP Program Management. The total eligible cost is estimated to be approximately \$49 million. For application purposes, staff is proposing to apply for a maximum of \$50 million to ensure that all eligible costs are fully covered.

As part of the application package, the City must submit three resolutions adopted by the City Council. They are the Reimbursement Resolution, the Authorizing Resolution, and the Pledged Revenues and Funds Resolution.

Reimbursement Resolution

This resolution allows for the City to request reimbursement for funds advanced for the project prior to the issuance of the revolving fund loan. This allows the project to move forward without delay, while still receiving the benefits of the low interest financing.

Authorizing Resolution

To submit the various packages of the application and complete the administrative process of obtaining funds, the City Council must authorize a designee to act on its behalf. This resolution delegates that authority to the City Manager or his designee.

Pledged Revenues and Fund Resolution

This resolution identifies the funding source that will be pledged to pay the ongoing obligations established through a financing agreement with the State. In this case, the funding source is revenues from the Wastewater Management Fund as defined in the resolution.

It is also important to note that the City issued bonds for improvements to the wastewater system in 2010, which were subsequently refunded in 2017. As part of that issuance, future state loans were contemplated and can be issued on parity (meaning the new debt will not be senior to the old) with the City's 2017 Wastewater Revenue Refunding Bonds.

FISCAL IMPACT

There is no fiscal impact from adopting these resolutions. It is anticipated that even in the current favorable rate environment, the very low rates obtained through CWSRF has the potential to save the City's rate payers up to 13 million dollars over the life of the loan when compared to a traditional public market financing. Taking this approach is the lowest cost option for financing this project. Additionally, as the Program has become more tightly defined through the validation process, the projected cost has been adjusted upwards. Use of this cheaper financing alternative will help to mitigate the impact on rate payers.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Adopt Three Resolutions Enabling the City of Sunnyvale to Submit an Application to the State of California for up to \$50 million in Clean Water State Revolving Funds to Fund the Administration and Laboratory Building Project

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Reviewed by: Chip Taylor, Director, Public Works

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Reimbursement Resolution
2. Authorizing Resolution
3. Pledged Revenues Resolution