CITY OF PACIFIC GROVE

300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of City Council

FROM: Daniel Gho, Public Works Superintendent, Jim Brezack, Brezack and Associates Planning

MEETING DATE: January 21, 2015

SUBJECT: Financial security resolutions for low-interest loan and grant funds for the Pacific Grovel Local Water Project from the State Water Resources Control Board.

CEQA The Council certified an EIR for this project on Nov. 24, 2014 - SCH Number 2014021058.

RECOMMENDATION

Approve three resolutions necessary to secure low-interest loan financing for the Pacific Grove Local Water Project.

BACKGROUND

The City has made significant progress in the planning, environmental analysis, and engineering for the recycled water project known as the City of Pacific Grove Local Water Project (PGLWP or Project). The Project will replace approximately 125 acre-feet / year (0.25 million gallons per day) of irrigation demands with non-potable supplies for the Municipal Golf Links and the El Carmelo Cemetery. Currently, these demands have been met using potable water from the California American Water Company (Cal-Am).

DISCUSSION

A grant was obtained from the SWRCB for the preparation of a Facilities Plan Report for the Pacific Grove Local Water project. The Facilities Plan Report provided the planning and engineering development of the proposed Project including an analysis of project feasibility. The report has been reviewed and accepted by the SWRCB and will be used as a part of the application for both a low-interest construction loan and a construction grant from the state.

On September 16, 2014, the Draft EIR was completed, filed with the State Clearinghouse and assigned the SCH Number 2014021058. A Notice of Availability of the completed Draft EIR was also placed in the local newspaper. The Draft and Final EIR were prepared by the City pursuant to the SWRCB requirements for CEQA Plus documentation.

The Final EIR addressed written comments received throughout the public review period, presented changes as needed to the Draft EIR, and established the required mitigation measures

and monitoring program to ensure that the potential environmental effects are reduced to a level of insignificance. A Notice of Determination along with a statement of findings was adopted by the City and filed on November 24th with the State and County certifying that the Project will not have a significant effect on the environment.

The Facilities Plan Report and the CEQA Plus documentation are required to receive a low-interest loan from the SRF program for project construction. Typically, SRF loans are made at an interest rate equal to one-half of the rate of bonds sold by the State of California, approximately 2.25%. On March 19, 2014, the SWRCB approved an interest rate of 1% for a maximum of 30-year term for wastewater recycling projects; one of several actions called for by Governor Brown in the Drought State of Emergency. Additionally, the SWRCB may provide a construction grant for up to 25% of the cost of the project.

The three resolutions consist of the following:

I. Authorizing Resolution. Authorizes the City Manager or his designee to:

1. Sign and file on behalf of the City a financial assistance application for the planning, design, and construction of the Project.
2. Provide the assurances required for the financial assistance application, including executing a financial assistance agreement with the State Water Resources Control Board.
3. Carry out the City's responsibilities under the financing agreement, including certifying disbursement requests.

II. Pledged Revenues and Fund Resolution

1. Dedicates a pledged revenue stream (i.e., the water payments from the Golf Links and Cemetery) for repayment of the State Revolving Fund loan for the Project.
2. Commits the City to collecting revenues and maintaining funds throughout the term of financing to satisfy the repayment obligations.

III. Reimbursement Resolution

1. Reimburses City expenditures paid prior to the issuance of the obligations by the State;
1. Determines that the reasonable expected maximum principal amount of the Project funds is $5,311,000.
2. States that the adoption of these resolutions is timely, such that it is occurring no later than 60 days after which the City has expending moneys to be reimbursed.
3. Declares that expenditures to be paid by the loan will be of a type properly chargeable to a capital account under general federal income tax principles.
4. Declares that the City is not aware of any previous adoption of official intents for which tax-exempt obligations have not been issued;
5. Certifies that the City's intention is to comply with Treasury Department and IRS regulations relating to the qualification for reimbursement of Project costs.

FISCAL IMPACT

There is no fiscal impact associated solely with the adoption of these three resolutions. By adopting these resolutions, however, the City will be able to complete the Financial Security

Package necessary for the application to the SWRCB for a low-interest loan and potentially for grant funds to prepare additional studies, completed design engineering, and construction of the proposed Project. Additional work on the project may be further considered in the FY 15/16 budget, pending the decision of City Council to peruse the application for construction funding.

ATTACHMENTS

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

In addition, the Local Water Project - Draft Facility Plan Report 2014 full document is on the City website, at: http://www.cityofpacificgrove.org/index.aspx?page=333

The full Final Environmental Impact Report is on the City website, at: http://www.cityofpacificgrove.org/index.aspx?page=333

RESPECTFULLY SUBMITTED:

Daniel Gho
Public Works Superintendent

REVIEWED BY:

Thomas Frutchey
City Manager

RESOLUTION NO. 15-____

AUTHORIZING THE CITY OF PACIFIC GROVE IN SUPPORT OF A FINANICAL ASSISTANCE APPLICATION FOR A FINANCING AGREEMENT FROM THE STATE WATER RESOURCES CONTROL BOARD FOR THE PLANNING, DESIGN, AND CONSTRUCTION OF THE PACIFIC GROVE LOCAL WATER PROJECT

WHEREAS, the City of Pacific Grove Local Water Project would replace irrigation demands with non-potable supplies would create a new offset of 125 acre feet per year of potable water, for use by California American Water in meeting its obligations to find a replacement to its use of water from the Carmel River; and

WHEREAS, the City of Pacific Grove has already received a Facilities Planning Grant in the amount of $62,500 for the preparation of a Facility Plan Report for the Local Water Project.

WHEREAS, the City of Pacific has completed the Pacific Grove Local Water Project Final Environmental Impact Report.

WHEREAS, the State Water Resources Control Board offers a State Revolving Fund Loan Program would support the construction of the Local Water Project; and

WHEREAS, the loan application requires an official resolution to be adopted by the City Council of the City of Pacific Grove verifying support of the loan.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The City Council verifies that the City of Pacific Grove authorizes the City Manager (the "Authorized Representative") or designee to sign and file for on behalf of the City of Pacific Grove, a financial assistance application from the State Water Resources Control Board for the planning, design, and construction of the Pacific Grove Local Water Project (the "Project");

2. The City Council authorizes the City Manager to provide the assurances certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

3. The City Council authorizes the City Manager to represent the City in carrying out the City's responsibilities under the financing agreement, including certifying disbursement request on behalf of the City and compliance with applicable state and federal laws.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 21st day of January, 2015, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

_____
BILL KAMPE, Mayor

ATTEST:

_____
SANDRA KANDELL, Deputy City Clerk

APPROVED AS TO FORM:

_____
DAVID C. LAREDO, City Attorney

RESOLUTION NO. 15-____

AUTHORIZING THE CITY OF PACIFIC GROVE IN SUPPORT OF PLEDGED REVENUES AND FUNDS FOR REPAYMENT OF FINANCING OF THE PLANNING, DESIGN, AND CONSTRUCTION OF THE PACIFIC GROVE LOCAL WATER PROJECT FROM THE STATE WATER RESOURCES CONTROL BOARD

FINDINGS

WHEREAS, the City of Pacific Grove Local Water Project would replace irrigation demands with non-potable supplies would create a new offset of 125 AFY of potable water, for use by California American Water in meeting its obligations to find a replacement to its use of water from the Carmel River; and

WHEREAS, the City of Pacific Grove has already received a Facilities Planning Grant in the amount of $75,000 for the preparation of a Facility Plan Report for the Local Water Project.

WHEREAS, the City of Pacific Grove has completed the Pacific Grove Local Water Project Final Environmental Impact Report.

WHEREAS, the State Water Resources Control Board offers a State Revolving Fund Loan Program would support the planning, design, and construction of the Local Water Project; and

WHEREAS, the City of Pacific Grove is applying for a State Revolving Fund Loan Program would support the planning, design, and construction of the Local Water Project;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The City Council hereby dedicates and pledges the City of Pacific Grove's Sewer Fund for payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for the Pacific Grove Local Water Project.

2. The City Council commits to collecting such revenues and maintaining such funds throughout the term of such financing and until the City has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Resources Control Board. So long as the financing agreements are outstanding, the City's pledge hereunder shall constitute a lien in favor of the State Water Resources Control Board on the foregoing funds and revenues without any further action necessary. So long as the financing agreements are outstanding, the City commits to maintaining funds and revenues at levels sufficient to meet its obligations under the financing agreements.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 21st, day of January, 2015, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

_____
BILL KAMPE, Mayor

ATTEST:

_____
SANDRA KANDELL, Deputy City Clerk

APPROVED AS TO FORM:

_____
DAVID C. LAREDO, City Attorney

RESOLUTION NO. 15-____

AUTHORIZING THE CITY OF PACIFIC GROVE IN SUPPORT REIMBURSEMENT OF A STATE REVOLVING FUND LOAN FOR THE PACIFIC GROVE LOCAL WATER PROJECT

WHEREAS, the City of Pacific Grove (the "City") desires to finance the cost of constructing and/or reconstructing certain public faculties' and improvements related to treatment facilities, pipelines and other infrastructure of the Pacific Grove Local Water Project (the "Project); and

WHEREAS, the City intends to finance the construction of the Local Water Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board ("State Water Board"); and

WHEREAS, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"); and

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the City desires to incur certain capital expenditures (the "Expenditures") with respect to the Local Water Project from available moneys of the City; and

WHEREAS, the City has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the City of the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The City Council hereby states its intention and reasonable expectation to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

2. The reasonable expected maximum principal amount of the Project Funds is $5,311,000.

3. This resolution is being adopted no later than 60 days after the date on which the City will expend moneys for the portion of the Project costs to be reimbursed with Project Funds.

4. Each City expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

5. To the best of the City Council's knowledge, the City is not aware of the previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligation have not been issued;

6. This resolution is adopted as an official intent of the City in order to comply with Treasury Regulation Section 1.150.-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs;

7. All the recitals in this Resolution are true and correct and the City so finds, determines, and represents.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 21st, day of January, 2015, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

_____
BILL KAMPE, Mayor

ATTEST:

_____
SANDRA KANDELL, Deputy City Clerk

APPROVED AS TO FORM:

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DAVID C. LAREDO, City Attorney