



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 Director
MEETING DATE: December 16, 2015
SUBJECT: Resolution for the Pledged Revenues and Funds for the
Repayment of the Local Water Project
CEQA: Does not constitute a "Project" under California Environmental
Quality Act (CEQA) Guidelines Section 15378

RECOMMENDATION

Approve a resolution 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 of a recycled water project, known as the City of Pacific Grove Local Water Project (LWP 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 was reviewed and accepted by the SWRCB and was 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 address written comments received throughout the public review period, presents 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 were both 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.

At the SWRCB's November 17, 2015 meeting, the City was approved to receive the SRF loan and construction grant. The City is now in the process of finalizing the financial package for the loan and the grant. Upon review by the State's Water Recycling Funding Program staff, it has been determined that the Pledged Revenues and Fund Resolution need additional language to finalize the financial package.

In general, the resolution:

- ❖ Dedicates a pledged revenue stream for payment of a State Revolving Fund loan for the Project.
- ❖ Commits the City to collecting revenues and maintaining funds throughout the term of financing to satisfy repayment obligation.

The previous resolution, which was approved by City Council at the January 2, 2015 meeting, stated:

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.

The new language in the updated resolution, being required by the General Counsel of the water board, reads as follows:

1. The City Council hereby dedicates and pledges ***the net revenues of the sewer enterprise fund and the sewer enterprise 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.

This has always been the intent of the City but the language needed to be clarified at the State Level to secure the loan and grant. This language is clearly stated in the resolution in the second NOW, THEREFORE, as it reads: ***The City Council commits to collecting such revenues and maintaining such funds throughout the terms of such financing.....***

This language has been approved by the State's Legal team and will move the process of securing the Loan and Construction Grant forward. By approving the resolution there will be no change to the funding source or the how the City will repay the loan, it just adds that the net revenues of the Sewer Enterprise Fund and the Sewer Enterprise Fund will be pledged for repayment.

OPTIONS

1. Do nothing: By not approving the additional language in the resolution requested by the State of California Water Recycling Funding Program legal team, the SRF loan funding and construction grant will not be issued to the City and the Local Water Project may not be able to commence design and construction.
2. Provide alternative direction to staff.

FISCAL IMPACT

There is no fiscal impact associated with the adoption of the resolution. By adopting the resolution, the City will be able to complete the Financial Security Package necessary to finalize the SWRCB financial package for a low-interest loan and grant funds to design and build the Local Water Project.

ATTACHMENTS

1. Revised Authorizing Resolution

RESPECTFULLY SUBMITTED:



Daniel Gho
Public Works Director

REVIEWED BY:



Thomas Frutchey
City Manager

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 Financing that would support the planning, design, and construction of the Local Water Project; and

WHEREAS, the City of Pacific Grove is applying for financing that 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 *net revenues of the sewer enterprise fund and the sewer enterprise 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 16th, day of December, 2015, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

BILL KAMPE, Mayor

ATTEST:

SANDRA KANDELL, City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney