TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS
DATE: FEBRUARY 12, 2007

SUBJECT: ADOPTION OF RESOLUTIONS RELATED TO THE APPLICATION FOR A STATE REVOLVING FUND LOAN FROM THE STATE WATER RESOURCES CONTROL BOARD FOR THE CONSTRUCTION OF THE MOUNTAIN VIEW/MOFFETT AREA RECLAIMED WATER PIPELINE PROJECT, CAPITAL IMPROVEMENT PROGRAM PROJECT WQ-04010

RECOMMENDATION
Staff recommends that Council adopt the three attached resolutions (Attachment A) related to the application of a State Revolving Fund (SRF) loan from the State Water Resources Control Board (SWRCB) for the construction of the Mountain View/Moffett Area Reclaimed Water Pipeline project (project).

BACKGROUND
On November 6, 2006, Council adopted Resolution 8661 authorizing the City Manager to file an application for a SRF loan for the project, CMR:404:06 (Attachment B). Mountain View City Council has also adopted a companion resolution to partially fund the project through a SRF loan (Attachment C). Subsequently, staff submitted the application, which initiated the SRF loan process.

DISCUSSION
The first step in the loan process is the submittal of the adopted resolutions in Attachment A to the SWRCB. These resolutions are required by the SWRCB as part of the SRF loan application. If, in the next few months, Council decides to award a construction contract to construct the MV/Moffett Area Reclaimed Water Pipeline Project, and to fund part of the project with the SRF loan from the SWRCB, these adopted resolutions would commit the City to the following:

- Establish an acceptable dedicated source of revenue to repay the SRF loan;
- Provide matching funds equal to 20% of the project costs (known as State Match Fund to be paid by Palo Alto and Mountain View) in order to receive the maximum $19 million SRF loan at zero interest rate necessary to complete the project;
- Authorize payment of an administrative fee of up to 0.575% of project costs (may be waived); and
- Specify the amount of pre-development project costs (such as design fees) that could be reimbursed by the SRF loan.

The adopted resolutions are required by the SWRCB for a zero interest SRF loan. Submittal of these resolutions does not complete the loan process. There are several remaining steps in the loan process and Council will be asked for direction and authority on the remaining steps before the SRF
loan is
secured. Positive decisions on all of the following items, by both Mountain View and Palo Alto Councils in the future steps, will secure the SRF loan and activate the commitments of the adopted resolutions:

- Decision on specific project funding strategy, including each city’s share of cash contribution and loan amount;
- Amendment of the existing agreement between the two cities to include each city’s obligations, repayments of loan, and contribution/maintenance of the capital reserve fund;
- Decision on the project and the bids; and
- Decision on the specific amount from each funding source.

The SWRCB will not execute any loan contract until the above steps are completed, and until Council awards and executes a construction contract with a contractor for the project. Staff is working with Mountain View staff on the details of the funding strategy, revisions to the operations and institutional agreement, and finalizing the re-bid package. Staff plans to obtain a preliminary loan commitment from the SWRCB, and re-bid in February 2007. Submittal of the resolutions is required in order to obtain a preliminary commitment. Staff will return to Council with the detailed funding strategy and an amendment to the existing agreement to include each city’s obligations, and will return to Council with further recommendations prior to the bid opening date.

**PROJECT SCHEDULE**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tr>
<td>Preliminary loan commitment from SWRCB</td>
<td>February 2007</td>
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<tr>
<td>Issue for rebid</td>
<td>February 2007</td>
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<tr>
<td>Council decision on funding strategy and revised agreement</td>
<td>March 2007</td>
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<tr>
<td>Bid opening</td>
<td>March/April 2007</td>
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<tr>
<td>Loan commitment from SWRCB</td>
<td>April 2007</td>
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<tr>
<td>Mountain View Council decision on project</td>
<td>May 2007</td>
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<tr>
<td>Palo Alto Council decision on project</td>
<td>May 2007</td>
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<tr>
<td>SRF contract with SWRCB if project is awarded</td>
<td>May – Aug 2007</td>
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**RESOURCE IMPACT**

The project has been awarded a $4 million grant from the SWRCB. Under the existing agreement between City of Palo Alto and Mountain View, Palo Alto Water Utilities will contribute $1 million, the RWQCP will contribute $3 million, and Mountain View will contribute $8.1 million to the project. The total contributions from the two cities are more than sufficient to cover the 20% matching fund required for the project. Palo Alto and the RWQCP contributions under the existing agreement have been appropriated in the Wastewater Treatment Fund.

**POLICY IMPLICATIONS**

The recommendation of this staff report is consistent with City policies.

**ENVIRONMENTAL REVIEW**

Council adopted a mitigated negative declaration for the project in January 2004.

**ATTACHMENTS**

- Attachment A: Resolutions (3)
- Attachment B: CMR:404:06
Attachment C  City of Mountain View resolution

PREPARED BY:  DAISY STARK
               Senior Engineer, RWQCP

DEPARTMENT HEAD:  GLENN S. ROBERTS
                  Director of Public Works

CITY MANAGER APPROVAL:  EMILY HARRISON
                         Assistant City Manager