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Press Release

Modification Approved for Waste Water Treatment Plant \$43.8 Million Loan

Zero Percent Interest Means Big Long-Term Savings

November 21, 2014: On Tuesday, November 18, the State Water Resources Control Board approved a resolution granting relief to sewer ratepayers in the form of a modification that will ultimately save over \$15.4 million on the state revolving fund loan that financed improvements to the waste water treatment plant in 2007.

The cooperative solution granted on Tuesday reduces the interest rate from 2.4% to 0% and allows for a graduated repayment schedule. However, in order to reach sustainability, the City must ask ratepayers for a 5% rate increase each year over the next five years; this amounts to a \$3.61 increase per month the first year, and slightly more for each of the following four years. While this is an increase, it is substantially less than what would have been needed had this solution not been reached.

The State Water Board's action was a major milestone in allowing the City to implement a sustainable financial plan. The City's forward-thinking plan includes provisions for annual operations, maintenance, repair and necessary capital improvements to ensure that our community's Waste Water Treatment Plant will be managed and maintained as efficiently as possible now and in the years to come. In order for this plan to ultimately be successful, the City not only needs to partner with the State Water Board, it also needs to partner with the community.

The \$43.8 million loan was used for numerous upgrades to the plant that were necessary to lift a state-issued cease and desist order; this order was placed because effluent from the plant did not comply with the State's ecological-impact based regulations. The original loan agreement had a term of 20 years with annual interest at 2.4%; the loan was modified in 2010 after the City accepted the US Environmental Protection Agency's offer to extend the term of the loan to 30 years under a program developed to assist small disadvantaged communities.

With only approximately 3,715 user accounts supporting the \$43.8 million loan, and ongoing maintenance and operating expenses, even the amended 30-year agreement did not support a sustainable arrangement. The City was able to make payments in full and on time after the project completion on an annual basis from 2011 to 2013. However, these payments were only able to be paid in full by using reserves set aside for times of

economic downturn. With reserves running out, in November of last year City staff began the process of negotiating a compromise with the State with the goal of reaching a lasting solution.

Due to the fact that the Waste Water Treatment Plan is mechanical in structure, much like an automobile or a lawnmower, it will need ongoing repairs and upgrades to keep it running safely and efficiently. The City is aggressively seeking grants to offset costs to ratepayers. Recent grant awards that directly offset such costs include the Prop 50 improvements totaling \$910,000, the Second Street Sewer Line replacement totaling \$1.2 million, and the future B Street Sewer Line replacement totaling \$1.4 million.

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