

**DRAFT**

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Authorizing an  
Installment Sale Agreement with the California State Water Resources Control  
Board in Connection with the Financing of an Advanced Water Purification  
System (AWPS) Project at the Regional Water Quality Control Plant,  
Establishing One or More Pledged Sources of Revenue for Repayment of  
Funding, and Taking Certain Other Actions Relating Thereto

**R E C I T A L S**

A. The City of Palo Alto (the “City”) wishes to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water and wastewater system, including certain treatment facilities, pipelines and other infrastructure at the Regional Water Quality Control Plant (the “Project”).

B. The City intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys (“Project Funds”) provided by the State of California, acting by and through the State Water Resources Control Board (the “State Water Board”).

C. The City previously adopted Resolution No. 9630 authorizing an application for financial assistance to the State Water Board and Resolution No. 9868 as amended by Resolution No. XXXX declaring its intention to use a portion of the Project Funds to reimburse certain capital expenditures made prior to the receipt of Project Funds from available moneys of the City in connection with the Project.

D. The City and the State Water Board now desire to approve a Construction Installment Sale Agreement (the “2024 Installment Sale Agreement”), for the purpose of providing the terms relating to the distribution and repayment by the City of the Project Funds and relating to the City’s payment of certain installment payments.

E. Section 603(d)(1)(C) of the Federal Clean Water Act Amendments require each financing recipient to establish one or more pledged sources of revenue for Clean Water State Revolving Fund (CWSRF) financial assistance.

F. Under the 2024 Installment Sale Agreement, the installment payments payable by the City will be secured by a pledge of and payable from Net Revenues (as defined in the 2024 Installment Sale Agreement) of the City’s Wastewater Treatment enterprise and Wastewater Collection enterprise, on a parity basis with the City’s obligation to pay installment payments under five outstanding agreements with the State Water Board:

i. an Installment Sale Agreement No. D2101050 (the “2022 Agreement”), by and

between the City and the State Water Board, executed by the City on April 29, 2022 and the State Water Board on May 9, 2022, along with an amendment of the 2022 Agreement executed by the City on August 16, 2024 and the State Water Board on August 26, 2024;

- ii. an Installment Sale Agreement No. SWRCB0000000000D2001009 (the “2021 Agreement”), by and between the City and the State Water Board, executed by the City on June 2, 2021 and the State Water Board on July 12, 2021, along with amendments of the 2021 Agreement executed on November 8, 2022 and June 10, 2024 ;
- iii. an Installment Sale Agreement No. D16-01034, dated as of March 20, 2017 (the “2017 Agreement”), by and between the City and the State Water Board, along with an amendment of the 2017 Agreement executed by the City on September 7, 2017 and the State Water Board on September 13, 2017;
- iv. a Project Finance Agreement No. 09-814-550, by and between the City and the State Water Board (the “2009 Agreement”), along with an amendment of the 2009 Agreement executed by the City on April 17, 2017 and the State Water Board on June 12, 2017; and
- v. a Project Finance Agreement No. 07-814,550-0, between the City and the State Water Board (the “2007 Agreement”), along with an amendment of the 2007 Agreement executed by the City on April 17, 2017 and the State Water Board on June 12, 2017.

NOW, THEREFORE, the Council of the City of Palo Alto hereby RESOLVES as follows:

SECTION 1. Each of the above recitals is true and correct and is adopted by the Council of the City of Palo Alto.

SECTION 2. The City approves the Project Funds in an amount not to exceed \$67 million at an interest rate of 1.7% .

SECTION 3. The 2024 Installment Sale Agreement, a copy of which is attached as Exhibit A, is hereby approved in substantially the form thereof with such changes as may be approved by the City Manager, the Director of Public Works or any designee of the City Manager or the Director of Public Works (each an “Authorized Officer”). Execution by an Authorized Officer of the 2024 Installment Sale Agreement shall constitute conclusive evidence of such Authorized Officer’s approval of all such changes. Each of the Authorized Officers is hereby authorized, together or alone, to execute and deliver the 2024 Installment Sale Agreement. The City Clerk is hereby authorized to attest to the Authorized Officer's signature.

SECTION 4. The covenants set forth in the 2024 Installment Sale Agreement to be executed in accordance with Section 3 above are hereby approved, shall be deemed to be covenants of the legislative body of the City, and shall be complied with by the City and its officers.

SECTION 5. The City hereby pledges Net Revenues (as defined in the 2024 Installment Sale Agreement) of its Wastewater Treatment enterprise and Wastewater Collection enterprise fund to the payment of amounts owed under the 2024 Installment Sale Agreement on a parity basis with the City's obligation to pay installment payments under five outstanding agreements with the State Water Board as set forth in Recital F above. The pledged source of revenue shall remain in effect until such financing is fully discharged unless modification or change of such dedication is approved in writing by the State Water Board.

SECTION 6. Each Authorized Officer and the other officers and staff of the City responsible for the fiscal affairs of the City are hereby authorized and directed to take any actions and execute and deliver any and all documents and certificates as are necessary to accomplish and to consummate the transactions contemplated by the 2024 Installment Sale Agreement.

SECTION 7. On September 21, 2015, the City approved an Environmental Impact Report pursuant to the provision of the California Environmental Quality Act (CEQA) and on September 29, 2015 filed a notice of determination that construction of the AWPS will not have a significant effect on the environment.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

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City Clerk

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Mayor

APPROVED AS TO FORM:

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Assistant City Attorney

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City Manager

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Director of Public Works

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Director of Administrative Services