Olivehurst Public Utility District

Agenda Item Staff Report

Meeting Date: October 28, 2026

Item description/summary:

South County Project agreements with Wheatland. The Board is asked to approve five related agreements between the Olivehurst Public Utility District (the "District" or "OPUD") and the City of Wheatland (the "City" or "Wheatland"), together with Resolution No. 2469. The District's purpose and intent in entering into each agreement is to carry out the commitments set forth in the OPUD–Wheatland Term Sheet (Memorandum of Understanding) dated September 3, 2026 (the "Term Sheet"), and to perform the District's obligations in connection with the Regional Wastewater Transmission and Treatment Facilities Project (the "Project") funded by State Water Resources Control Board ("State Water Board") Clean Water Construction Grant Agreement No. D2505004 (the "Grant Agreement"). This overview is intended to memorialize that intent. Across all five agreements, the District's consistent intent is that (i) the wastewater treatment plant reliability and redundancy improvements (Contract 3) be Fully Funded before the District accepts City wastewater flows; (ii) no existing District ratepayer bear the cost of any improvement, overrun, or shortfall necessitated by acceptance of City flows; and (iii) the District's wastewater treatment facility capacity fees be deposited exclusively into, and reserved within, the District's WWTP Capital Connection Fee Fund, consistent with the Term Sheet and Government Code Section 66013.

Three of the five agreements, the Capacity Purchase Agreement, the Treatment and Operations Agreement, and the Pass-Through Agreement (together, the "Operative Agreements"), are "flow-down" agreements that satisfy conditions of the Grant Agreement and will be transmitted to the State Water Board. The remaining two, the Funding and Bridge Loan Agreement and the Contract 4 Funding and Financing Agreement, are agreements between the District and the City that are not conditions of, and will not be transmitted to, the State Water Board.

1. **Capacity Purchase Agreement.** The Capacity Purchase Agreement defines the obligations of the District and the City for the City's purchase and reservation of wastewater treatment capacity in the District's Wastewater Treatment Facility. It secures capacity for the City's existing users (1,739 EDUs) and a limited increment of future growth (up to 300 additional homes); any larger future expansion of the Facility is reserved to a separate project and a separate written agreement between the parties. Consistent with the Term Sheet, the District is obligated to accept City flows only after Contract 3 is Fully Funded, and the City is obligated to pay the full capacity fee at the District's rate in effect at the time of final payment (currently estimated at $8,635 per EDU, for a total of approximately $15,016,265 (1,739 EDUs at $8,635 per EDU), with no additional capacity granted beyond the City's existing users and 300 homes until the full capacity fee is remitted. Capacity fees are deposited exclusively into the District's WWTP Capital Connection Fee Fund. The Capacity Purchase Agreement is one of the three flow-down agreements required by the Grant Agreement (Technical Special Condition 5) and will be transmitted to the State Water Board.

2. **Treatment and Operations Agreement.** The Treatment and Operations Agreement defines the obligations of the District and the City for the operation, maintenance, and cost-sharing of the District-owned Wastewater Treatment Facility and the shared conveyance system (collectively, the "System"). The District owns, operates, and maintains the System; the City owns and operates its local collection and conveyance facilities and the transmission pipeline up to the Point of Delivery. Operations, maintenance, and capital costs are allocated equitably between the parties in proportion to each party's wastewater flow and loading and, under the companion Capacity Purchase Agreement, purchased capacity. Consistent with the Term Sheet, the term is 40 years commencing on commissioning of the new wastewater conveyance system (expected in 2029), to match the USDA loan and related agreements. Like the Capacity Purchase Agreement, the Treatment and Operations

Agreement is a flow-down agreement required by the Grant Agreement (Technical Special Condition 5) and will be transmitted to the State Water Board.

3. **Pass-Through Agreement.** The Pass-Through Agreement (the Phase 1B Completion and Operations and Maintenance Pass-Through Agreement) is the instrument by which the terms of the $75,000,000 State Water Board grant flow down to the District. The District is not a party to the Grant Agreement; the grant is disbursed to and controlled by the City as grant Recipient. To satisfy Exhibit D.1, Technical Special Condition 4 of the Grant Agreement, the Pass-Through Agreement obligates the District to complete its Phase 1B improvements within the District System (Pump Station No. 2 and the upsized downstream conveyance piping) by the Completion of Construction Date (December 1, 2030) and to operate and maintain those Project components through the useful life of the Project, and it establishes how grant reimbursement for the District's Phase 1B work flows from the State to the City and, in turn, to the District. The State Water Board is a third-party beneficiary of this Agreement. This is the third flow-down agreement (Technical Special Condition 4) transmitted to the State Water Board.

4. **Funding and Bridge Loan Agreement.** The Funding and Bridge Loan Agreement defines the obligations of the District and the City relating to a bridge loan from the District to the City, if needed, to fund the City's proportional share (presently estimated at approximately 76%) of the regional conveyance facilities (Contracts 1 and 2) pending the City's receipt of its United States Department of Agriculture ("USDA") loan. The Bridge Loan is a timing mechanism, drawn only after existing City funds are exhausted and the USDA loan has not yet been received, and repaid upon the City's receipt of USDA or County loan proceeds. In no event may the Bridge Loan be funded from, or pledge, the District's WWTP capacity fees, connection fees, or WWTP Capital Connection Fee Fund, and no existing District ratepayer funds may be used without the District Board's express written consent. This Agreement is between the District and the City and is not transmitted to the State Water Board.

5. **Contract 4 Funding and Financing Agreement.** The fifth agreement is the Funding and Financing Agreement relating to the funding of the wastewater treatment plant reliability and redundancy improvements (Contract 3), referred to as the "Contract 4" agreement. It consolidates in a single standalone instrument all of the District's and the City's commitments, contributions, and funding arrangements relating to Contract 3 (wastewater treatment plant reliability and redundancy) that were removed from the three Operative Agreements so that those agreements could focus exclusively on the grant-funded Contracts 1 and 2 for State review. Consistent with the Term Sheet, it reflects that Contract 3 (estimated at approximately $25.9 million) must be Fully Funded before the District accepts City flows, dedicates the City's capacity-fee and supplemental contributions to Contract 3, and confirms that no existing District ratepayer bears financial responsibility for Contract 3. This Agreement is expressly not a flow-down agreement; it is not required to be, and will not be, transmitted to the State Water Board, which is not a party to or third-party beneficiary of it, and it controls over the Operative Agreements as to Contract 3.

Additionally, the Board is asked to adopt Resolution No. 2469, which sets out the District's financing commitments for the Project and will be submitted to the State Water Board together with a parallel resolution adopted by the City of Wheatland.

Fiscal Analysis:

As noted in each agreement.

Employee Feedback

None

Sample Motion:

Move to approve all five agreements noted above as to form with minor changes agreed upon by OPUD staff and OPUD legal counsel to approve OPUD resolution 2469.

Prepared by:

John Tillotson, P.E., General Manager

RESOLUTION NO. 2469

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE OLIVEHURST PUBLIC UTILITY DISTRICT AUTHORIZING EXECUTION OF THE SOUTH COUNTY INFRASTRUCTURE PROJECT AGREEMENTS WITH THE CITY OF WHEATLAND AND THE COMMITMENT AND EXPENDITURE OF DISTRICT CASH RESERVES TO THE PROJECT

WHEREAS, the Olivehurst Public Utility District (the "District") proposes to implement the South County Infrastructure Project (the "Project"), which connects the City of Wheatland (the "City") for conveyance of its wastewater to the District's Wastewater Treatment Plant (the "WWTP") for regional treatment; and

WHEREAS, the District and the City have entered into the OPUD–Wheatland Term Sheet dated September 3, 2026 (the "Term Sheet"), which sets forth the controlling terms that the Project agreements implement, and the District's intent in adopting this Resolution is to carry out those commitments; and

WHEREAS, the District is authorized to enter into five agreements with the City to implement the Project: the Capacity Purchase Agreement, the Treatment and Operations Agreement, and the Phase 1B Completion and Operations and Maintenance Pass-Through Agreement (together, the "Operative Agreements"), and the Funding and Bridge Loan Agreement and the Contract 4 Funding and Financing Agreement; and

WHEREAS, the City of Wheatland is the recipient of Clean Water Construction Grant Agreement No. D2505004 from the California State Water Resources Control Board (the "State Water Board"), providing $75,000,000 in grant funding for the Project, and the District is not a party to that Grant Agreement; rather, the District enters into the Operative Agreements, which flow down the Grant Agreement's requirements and will be transmitted to the State Water Board, while the grant funds are disbursed to and controlled by the City; and

WHEREAS, the District intends to execute loan agreements with the County of Yuba and other entities, as necessary, to complete the funding for the Project; and

WHEREAS, no existing District ratepayer shall bear financial responsibility for any improvement, cost overrun, contingency, or funding shortfall necessitated by the acceptance of City wastewater flows, and the District's wastewater treatment facility capacity fees shall be deposited into, and reserved within, the District's WWTP Capital Connection Fee Fund, and shall not be pledged, assigned, or applied to repay any loan, consistent with the Term Sheet and Government Code section 66013; and

WHEREAS, the District's obligation to accept City wastewater flows is conditioned upon the wastewater treatment plant reliability and redundancy improvements (Contract 3)

being Fully Funded, as provided in the Term Sheet and the Contract 4 Funding and Financing Agreement; and

WHEREAS, the District has sufficient cash reserves to invest in the Project; and

WHEREAS, the City of Wheatland has adopted a parallel resolution, and this Resolution and its exhibits will be submitted to the State Water Board together with the City's resolution.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF OLIVEHURST PUBLIC UTILITY DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

1. That the District can demonstrate in its approved budget documents and audited financial statements that the District has reserve funds available in the amount of $16,300,000 for investment in the Project and is prepared to allocate such funds to the Project in this fiscal year and future fiscal years, subject to the Funding and Bridge Loan Agreement between the District and the City. See Exhibit A. No such reserves, and no District ratepayer funds, shall be committed to the City's proportional share of the Project except as, and to the extent, expressly authorized by this Board.

2. That the Board finds that the Project is fully funded through multiple funding sources secured by both the City and the District as shown in Exhibit B, it being understood that, consistent with the Term Sheet, Contract 3 must be Fully Funded before the District accepts City wastewater flows.

3. That the General Manager and the Board President, or their designee, are each hereby authorized and directed to execute, on behalf of the District, the five Project agreements with the City of Wheatland: the Capacity Purchase Agreement, the Treatment and Operations Agreement, the Pass-Through Agreement, the Funding and Bridge Loan Agreement, and the Contract 4 Funding and Financing Agreement, in substantially the forms presented, together with any amendments thereto, subject to approval as to form by District legal counsel.

4. That the Board confirms the District's rate covenant and authorizes the District to fix, prescribe, and collect rates, fees, and charges for the District System sufficient to meet the District's obligations under the Operative Agreements and the Grant Agreement, to the extent permitted by law and subject to Article XIII D of the California Constitution (Proposition 218).

5. That the General Manager, or designee, is hereby authorized and directed to submit any required documents, invoices, and reports, and to take such further actions as are necessary to carry out the Project and the Grant Agreement's flow-down requirements.

6. That the General Manager, or designee, does hereby consent to the use of e-signatures.

PASSED AND ADOPTED by the Board of Directors of Olivehurst Public Utility District, this 28th day of October 2026, by the following vote:
SO ORDERED.

OLIVEHURST PUBLIC UTILITY DISTRICT

_____
President, Board of Directors

ATTEST:

_____
District Clerk and Ex-Officio Secretary

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

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Deirdre Joan Cox, Legal Counsel

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I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly adopted and passed by the Board of Directors of the Olivehurst Public Utility District, Yuba County, California, at a meeting thereof held on the 28th day of October 2026, by the following vote:

AYES, AND IN FAVOR THEREOF:

NOES:

ABSTAIN:

ABSENT:

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District Clerk and ex-officio Secretary