

PALMYRITA PFAS WATER TREATMENT PLANT: FUNDING STRATEGY & DWSRF APPLICATION

Riverside Public Utilities

City Council
December 16, 2025

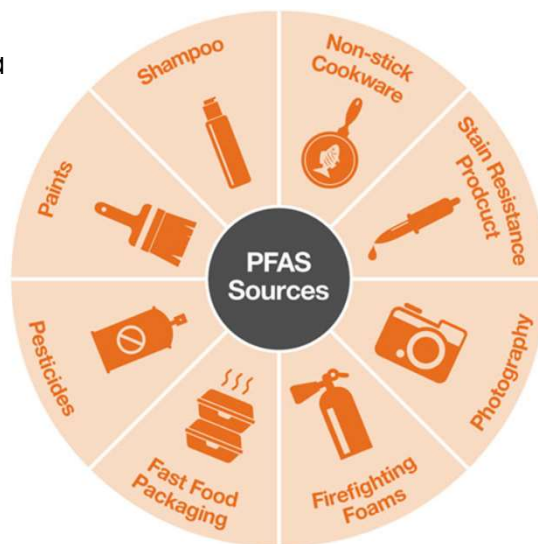
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BACKGROUND

Per- and Polyfluoroalkyl Substances (PFAS) are human-made chemical compounds, a group of more than 12,000 substances of emerging contaminants of concern.

1. Designed to repel oil and water
2. Known as "forever chemicals"
3. Bioaccumulate in living organisms
4. Potential to cause adverse human and ecological health effects



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BACKGROUND

Regulatory limits for PFAS have decreased over the last decade.

Chemical name	CA SWRCB DDW		EPA
	Notification Level	Response Level	Maximum Contaminant Level
Perfluorooctanoic acid (PFOA)	4.0 ng/L	10 ng/L	4 ng/L
Perfluorooctane sulfonic acid (PFOS)	4.0 ng/L	40 ng/L	4 ng/L
Perfluorohexane sulfonic acid (PFHxS)	3.0 ng/L	10 ng/L	-
Perfluorobutane sulfonic acid (PFBS)	500 ng/L	5,000 ng/L	-
Perfluorohexanoic acid (PFHxA)	1,000 ng/L	10,000 ng/L	-

- Over 60% of the City's wells are over the new regulatory limits.
- Additional treatment will be required.
- State Notification and Response Levels were further reduced on October 29, 2025, which are reflected in the table above.
- Federal Maximum Contaminant Level compliance is required by 2031.



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BACKGROUND

PFAS Water Treatment Plant

- 60% design of the first PFAS treatment plant received
- Ion exchange technology
- Treatment of the effluent of the existing Palmyrita GAC treatment Plant, and four additional wells.
- Project estimate increase to \$43.7M
- Construction to start in 2026.



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ESTIMATED COSTS

1. Compliance with the Federal PFAS MCLs is estimated to cost:

Treatment Plant	Year in Service	Original Capital Cost Estimates	Updated Capital Cost Estimates	O&M/Personnel Costs *
Plant #1	FY 2028/29	\$27,000,000	\$43,670,451	\$4,431,000
Plant #2	FY 2029/30	\$15,000,000	\$15,000,000	\$2,727,000
Plant #3	FY 2030/31	\$55,200,000	\$55,200,000	\$11,914,000
Total		\$97,200,000	\$113,870,451	\$19,072,000

*- Cost in FY 2030/31 when all 3 plants are online.



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DWSRF & EC FUNDING OPPORTUNITIES

1. California's Drinking Water State Revolving Fund (DWSRF)
 - a. Created under Safe Drinking Water Act
 - b. Managed by the State Water Resources Control Board
 - c. Administers the Drinking Water State Revolving Fund (DWSRF) Loan and Emerging Contaminants (EC) Grant/Principal Forgiveness
2. DWSRF Loan
 - a. Financing infrastructure projects to mitigate drinking water risks and support human right to water
 - b. Up to \$50M per project, \$100M per utility
 - c. Interest rate set at 50% of California's average general obligation bond rate
 - i. 1.90% for calendar year 2025
3. EC Grant or Forgivable Loan
 - a. Funded by the Federal Infrastructure Investment and Jobs Act
 - b. Projects focused on PFAS testing, treatment, and cleanup
 - c. Up to 50% of project costs and up to \$25M per utility
4. Single application for both loan and grant/principal forgiveness



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PFAS SETTLEMENT PROCEEDS

1. RPU's low water rates are a result of the City's success in mitigating higher treatment costs by successfully holding polluters responsible for groundwater contamination. Over the last 30 years, this effort has provided funding for five of the six water treatment plants to reduce contamination.
2. Currently, RPU expects to receive \$39.6M in PFAS settlement proceeds manufacturers of PFAS over the next 8 years. A small portion of the settlement is pending final Court approval and may be adjusted when finalized.
3. Established a Water Treatment Designated Reserve for settlement proceeds to fund water treatment operating and capital costs.

Fiscal Year	Estimated Settlement Proceeds
FY 2025/26	\$23,325,332
FY 2026/27	\$8,127,588
FY 2027/28	\$2,760,321
FY 2028/29	\$1,521,195
FY 2029/30	\$1,034,412
FY 2030/31	\$1,034,412
FY 2031/32	\$912,717
FY 2032/33	\$851,869
Total	\$39,567,846



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FUNDING SOURCES

1. Palmyrita RFAS Water Treatment Plant estimated costs and funding sources:

Plant #1 - Palmyrita PFAS Water Treatment Plant	Design	Construction & Construction Management	Total
Estimated Costs	\$ 1,670,451	\$42,000,000	\$43,670,451
Estimated Funding Sources			
EPA Grant	\$959,752		\$959,752
Settlement Proceeds (Including Matching)	\$710,699		\$710,699
EC Grant/Principal Forgiveness		\$21,000,000	\$21,000,000
Settlement Proceeds or DWSRF Loan		\$21,000,000	\$21,000,000
Total Estimated Funding Sources	\$1,670,451	\$42,000,000	\$43,670,451



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FUNDING CONSIDERATION

1. Submit DWSRF Loan and EC Grant application
2. Accept EC Grant if awarded
3. Return to Board and City Council with further analysis of DWSRF Loan prior to acceptance
4. Consider combining grants, settlement proceeds, and loan to begin funding PFAS Water Treatment Plants to keep rate impacts as low as possible
5. Uphold the commitment to the highest quality water service at the lowest possible rates to benefit the community



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ADDITIONAL ANALYSIS

Prior to acceptance of DWSRF Loan, additional analysis and due diligence is necessary

1. Eligibility and Timing
2. Environmental and Regulatory Compliance
3. Financial Analysis
4. Legal and Contractual Review
5. Internal Coordination
6. Peer Analysis



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RECOMMENDATIONS

That the City Council:

1. Authorize application to the State Water Resources Control Board for Drinking Water State Revolving Fund Loan and Emerging Contaminants Grant or Principal Forgiveness Program funding for the Riverside Public Utilities Department's Palmyrita PFAS Water Treatment Plant Project;
2. Approve the resolution authorizing City Manager, or designee, to file a financial assistance application for the Financial Agreement with the State Water Resources Control Board for the construction of the Riverside Public Utilities Department's Palmyrita PFAS Water Treatment Plant Project;



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RECOMMENDATIONS

3. Approve the resolution authorizing the advance of funds for construction of the Riverside Public Utilities Department's Palmyrita PFAS Water Treatment Plant Project subject to later reimbursement of City expenditures by the State Water Resources Control Board;
4. Authorize the City to receive fifty percent of the Riverside Public Utilities Department's Palmyrita PFAS Water Treatment Plant project costs up to \$25 million from the Emerging Contaminants Grant or Principal Forgiveness Program for the Riverside Public Utilities Department's Palmyrita PFAS Water Treatment Plant upon the grant and/or principal forgiveness award;



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RECOMMENDATIONS

5. With five affirmative votes, authorize the Chief Financial Officer, or his designee, to record an increase in estimated revenues and a corresponding supplemental appropriation in the amount of the actual Emerging Contaminant Grant or Principal Forgiveness Program award in the Water Fund Federal Grants revenue and DWSRF Emerging Contaminant Grant - Palmyrita PFAS Construction Project expenditure accounts;



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RECOMMENDATIONS

6. Authorize the City Manager, or designee, to sign all necessary documents for the application to the loan and grant and/or principal forgiveness funding program including application materials, contracts, extensions, and other necessary documents related to the application of the loan and application and acceptance of the grant and/or principal forgiveness funding, including making minor and non-substantive changes, corrections, and amendments, as needed; and
7. Recommend staff return to the Board of Public Utilities to provide an update on the State Water Resources Control Board for Drinking Water State Revolving Fund Loan application and application and acceptance of the Emerging Contaminants Grant and/or Principal Forgiveness Program funding.



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