



Legislation Details (With Text)

File #: ID#15-077 **Version:** 1 **Name:**

Type: Action Item **Status:** Passed

File created: 1/21/2015 **In control:** City Council

On agenda: 2/5/2015 **Final action:** 2/5/2015

Title: Actions pertaining to the Tertiary Treatment Facility and associated solar energy facility clean water State Revolving Fund construction financing (Council District 3)

1. ***RESOLUTION - Adopt a revised resolution to pledge revenues and funds to satisfy repayment obligations for the financing agreement
2. Approve agreement with California State Water Resources Control Board for the construction financing in the amount not to exceed \$49,043,336
3. ***RESOLUTION - 37th amendment to the Annual Appropriation Resolution (AAR) No. 2014-95 appropriating \$10,384,000 in the sewer enterprise State Revolving Loan Fund for the tertiary treatment (TTF) and associated Solar Facility (SEF) at the Regional Wastewater Reclamation Facility (RWRF) (Requires 5 affirmative votes)

Sponsors: Department of Public Utilities

Indexes:

Code sections:

Attachments: 1. Resolution to Pledge Revenues and Funds.pdf, 2. Installment Sale Agreement (POTW).pdf, 3. 15 37th Tertiary Trmt Solar SAM.pdf

Date	Ver.	Action By	Action	Result
2/5/2015	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

February 5, 2015

FROM: THOMAS C. ESQUEDA, Director
Department of Public Utilities

THROUGH: STEPHEN A. HOGG, Assistant Director
Department of Public Utilities - Wastewater Management Division

BY: KEVIN L. NORGAARD, PE, Supervising Professional Engineer
Department of Public Utilities - Wastewater Management Division

SUBJECT

Actions pertaining to the Tertiary Treatment Facility and associated solar energy facility clean water State Revolving Fund construction financing (Council District 3)

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RECOMMENDATIONS

Staff recommends that the City Council adopt the revised resolution with the changes required by the State and approve the financing agreement with the state while appropriating \$10,384,000 for the construction of the TTF and SEF.

EXECUTIVE SUMMARY

The Department of Public Utilities (DPU) Wastewater Management Division is seeking the adoption of three items. The purpose of the first action item is to make minor revisions to the previously adopted "Resolution to Pledge Revenues and Funds" to comply with state requirements. The second action is the approval to enter into an agreement to accept a low interest rate loan for the financing of the TTF and SEF currently under construction at the City's RWRF. The last action is to approve an amendment to the annual appropriation resolution which will appropriate the funding necessary in the State Revolving Loan Fund 40527 being used to finance the construction of the TTF and SEF.

BACKGROUND

On August 29, 2013 the City Council authorized the submission of an application for Clean Water State Revolving funds for the financing of the construction of the TTF and SEF. One of the actions associated with the authorization to submit the application was the approval of a resolution which pledged revenues and funds to satisfy the repayment. Upon review by the state attorney the state has requested changes be made to that repayment resolution. The City Attorney's office has reviewed the changes and approved as to form.

On June 26, 2014 a construction contract was awarded to W.M. Lyles Company of Fresno, California for the construction of the TTF. Purchase orders were issued for construction, special inspection and construction management. The construction notice-to-proceed was issued and construction began on December 15, 2014. On January 15, 2015 DPU Wastewater received approval of the Clean Water SRF. In order to account for the money a separate fund is being used. The project was originally funded in fund 40501 split over last fiscal year and this fiscal year for a total of \$49,000,000. The appropriation allows for moving the purchase orders issued last year in fund 40501 to be moved into the new fund. The new fund, 40527, will ensure the State required reporting and accounting are acceptable to the Clean Water SRF managers.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378 the approval of these items do not qualify as a "project" as defined by CEQA.

LOCAL PREFERENCE

Local preference was not implemented because the resolutions and the financing contract do not include a competitive bid. The actual construction on the TTF is being done by W.M. Lyles which is a

local company.

FISCAL IMPACT

There will be no impact on the General Fund or other City funds. This project is located in Council District 3. The Clean Water SRF loan will be repaid from pledged Sewer Enterprise revenues. Once all the loan proceeds are drawn down, the annual debt payment will not exceed \$2,112,741.89 per year for thirty years.

This loan provides a means to reallocate funds to other projects included in the current rate model. The net effect of this loan on the Sewer rate plan will be to reduce future bonding requirements. The loan will eliminate the need to issue bonds in the near future for \$49 million. By utilizing this SRF loan versus a bond interest rate of 5.25% the realized savings in the 30 year loan will be \$45 million.

Attachments:

- Resolution to Pledge Revenues and Funds
- Installment Sale Agreement Publicly Owned Treatment Works (POTW) Construction Financing
- Annual Appropriations Resolution