



Legislation Details (With Text)

File #: ID#15-120 **Version:** 1 **Name:**

Type: Action Item **Status:** Passed

File created: 2/5/2015 **In control:** City Council

On agenda: 3/5/2015 **Final action:** 3/5/2015

Title: Actions pertaining to submittal of Applications for Safe Drinking Water State Revolving Fund Low-Interest Loans (Citywide)

1. RESOLUTION - Authorizing submittal of applications to the State Water Resources Control Board for State Revolving Fund Low-Interest Loans for funding related to:
 - a. Construction of Regional Water Transmission Pipelines throughout the City of Fresno in the amount of \$63,100,000
 - b. Construction of the Friant Kern Pipeline that will supply surface water to the City of Fresno's Northeast Surface Water Treatment Facility in the amount of \$26,520,000
 - c. Construction of the Kings River Pipeline that will supply surface water to the City of Fresno's Southeast Surface Water Treatment Facility in the amount of \$75,165,000
2. Authorize the Director of Public Utilities, or his designee, to execute all application documents on behalf of the City of Fresno

Sponsors: Department of Public Utilities

Indexes:

Code sections:

Attachments: 1. Reso-Safe Drinking Water.pdf

Date	Ver.	Action By	Action	Result
3/5/2015	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

March 6, 2015

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

THROUGH: MICHAEL CARBAJAL, Division Manager
Department of Public Utilities - Water Division

BY: GLENN A. KNAPP, PE, Professional Engineer
Department of Public Utilities - Water Division

SUBJECT

Actions pertaining to submittal of Applications for Safe Drinking Water State Revolving Fund Low-Interest Loans (Citywide)

1. RESOLUTION - Authorizing submittal of applications to the State Water Resources Control

Board for State Revolving Fund Low-Interest Loans for funding related to:

- a. Construction of Regional Water Transmission Pipelines throughout the City of Fresno in the amount of \$63,100,000
 - b. Construction of the Friant Kern Pipeline that will supply surface water to the City of Fresno's Northeast Surface Water Treatment Facility in the amount of \$26,520,000
 - c. Construction of the Kings River Pipeline that will supply surface water to the City of Fresno's Southeast Surface Water Treatment Facility in the amount of \$75,165,000
2. Authorize the Director of Public Utilities, or his designee, to execute all application documents on behalf of the City of Fresno

RECOMMENDATIONS

Staff recommends that City Council adopt a resolution authorizing submittal of applications to the State Water Resources Control Board ("SWRCB") for State Revolving Fund ("SRF") Low-Interest Loan funding as related to construction of Regional Water Transmission Mains ("RTM's"), the Friant-Kern Pipeline ("FKP") that will provide water to the City's Northeast Surface Water Treatment Facility ("NESWTF") and the Kings River Pipeline ("KRP") that will provide water to the City's Southeast Surface Water Treatment Facility ("SESWTF").

EXECUTIVE SUMMARY

In accordance with recent policy changes by the SWRCB, the City's Department of Public Utilities/Water Division requests Council to authorize submittal of three funding applications for construction of water transmission pipelines to move water throughout the City, and two other pipelines dedicated in providing surface water to the City's NESWTF and its proposed SESWTF.

These pipelines are essential in meeting the City's long-term water resource management goals and through SRF funding, will provide a monetary avenue for significant rate-payer savings. SRF interest rates are normally 50% of the State's average interest rate paid on general obligation bonds and typically vary between 0 and 2.3%. The benefits through submission of these funding applications include significant long-term savings for City rate payers with additional benefits related to the system reliability and reduction of water quality health and safety risks.

BACKGROUND

The Federal Safe Drinking Water Act ("SDWA") Amendments of 1996 authorized the creation of a drinking water state revolving fund program. The Safe Drinking Water State Revolving Fund ("SDWSRF") program provides financial assistance in the form of federal capitalization grants to states that in turn provide low interest loans and other assistance to a public water system. Program goals include both federal and state legislative intent to provide funding for the construction of technically sound drinking water infrastructure projects which encourage energy efficiency and water conservation measures. In May 2013, pre-applications for the Fall State Fiscal Year 2013-2014 SDWSRF funding cycle became available.

On January 1, 2015, SRF policy changes by the SWRCB were implemented and now provide for potential funding of additional water infrastructure projects which include water transmission and supply pipelines. Additional changes in annual application processes include opportunities to submit water infrastructure construction funding applications on an ongoing (rolling) basis throughout the

year.

Due to the aforementioned policy changes, submittal of construction funding applications at this time for the RTM's, and the FKP and KRP pipelines will provide the best opportunity in placing these projects on the SWRCB's Project Priority List ("PPL") for consideration of funding.

The estimated total construction amount for all three projects is \$164,785,000. Compared to an average standard bond interest rate of 5.5%, a typical SRF interest rate of 2.25% (1/2 the bond rate) would result in a rate payer savings of approximately \$110,068,872 over 30 years.

In addition to the above rate payer savings, if the SWRCB determines that the City maintains Disadvantaged Community status, the City may also qualify for a zero percent (0%) interest rate. New SRF policies associated with 0% financing may require a "match" funding component by the City which would be established by the SWRCB and is estimated to vary between 13% to 21% of project construction costs.

The Application Resolution for these projects has been approved as to form by the City Attorney's Office. Adoption of this Resolution authorizing the Water Division to submit funding applications, and identifying the individual authorized to execute agreements is necessary to proceed.

ENVIRONMENTAL FINDINGS

Authorization to submit an application for a SRF loan is not a "project" for the purposes of California Environmental Quality Act ("CEQA"), as it is a funding mechanism or other government fiscal activity, and does not involve commitment to any specific project which may result in a potentially significant physical impact on the environment as contemplated by CEQA Guidelines Section 15378(b).

LOCAL PREFERENCE

The local preference was not implemented because this is not a competitive bid award.

FISCAL IMPACT

There is no impact to the General Fund. The debt service costs for the construction of the SESWTF and all of these projects have been anticipated and will be included in the water rate model used to create the five-year utility rate plan that will be presented to the City Council on February 26, 2015. All future fiscal year budgets will be developed and proposed to ensure that adequate debt coverage ratios and reserve funds are maintained for all existing and additional debt that is incurred. SRF interest rates are typically at or near 2% with an assumed loan term of 20 years. This would result in considerable savings in debt costs compared to bond financing which is currently estimated at 5% to 6% over 30 years. Total project funding may be realized over multiple annual funding cycles with initial funding anticipated to be at or near \$50,000,000.

Attachment: Resolution for Submission of SRF Funding Applications for Water Transmission and Supply Pipelines