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Title: ***RESOLUTION - 42nd Amendment to the Annual Appropriation Resolution (AAR) No. 2015-104 to appropriate \$103,900 for preliminary costs related to the Orange Center School and Daleville water line connection projects (Council Districts 3 and 5) (Requires 5 affirmative votes)
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REPORT TO THE CITY COUNCIL

May 19, 2016

FROM: THOMAS C. ESQUEDA, Director
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SUBJECT

***RESOLUTION - 42nd Amendment to the Annual Appropriation Resolution (AAR) No. 2015-104 to appropriate \$103,900 for preliminary costs related to the Orange Center School and Daleville water line connection projects (Council Districts 3 and 5) (Requires 5 affirmative votes)

RECOMMENDATION

Staff recommends that City Council approve the 42nd Amendment to the AAR No. 2015-104.

EXECUTIVE SUMMARY

During FY 2016, the City has been awarded the following funding opportunities to provide a source of

safe and reliable drinking water for two disadvantaged areas by connecting them to the City water system:

1. On March 3, 2016, the State Water Resources Control Board (SWRCB), under its Safe Drinking Water State Revolving Fund (SDWSRF) awarded a zero percent (0%) interest loan of \$2,932,600 with principal repayment to be waived for the Orange Center School District (OCSD) Consolidation Incentive Pipeline Project.
2. On August 13, 2015, the City was approved for a United States Department of Agriculture (USDA) Grant of \$500,000 for the Daleville Community and South Cherry Avenue areas.

No costs will be borne by the City's water utility rate payers to fund the extension of the City's public water system to serve these areas.

The establishment of separate funds will properly account for the revenue and expenditures related to these projects.

BACKGROUND

The City has received funding for the following projects during FY 2016:

Orange Center School District Connection Project

The OCSD is a K-6 school and has operated its own water system since the early 1950's. The school is located at 3530 South Cherry Avenue (within the City's sphere of influence), and is currently unable to provide potable water for approximately 410 students and staff. The school is classified as a severely disadvantaged community and has experienced water system contamination issues (lead and total coliform) over the last six years from their on-site water well which has exceeded its useful service life in providing potable drinking water. School students and staff are currently provided bottled water through a separate emergency SWRCB Bottled Water Program.

To address this issue, the City on behalf of the school district, submitted funding applications that would result in the abandonment of the OCSD's existing water well currently used for potable use, construction of a water utility service pipeline for consolidation with the City's water system, and resolution of onsite water contamination issues.

Ultimately, the SWRCB agreed to fund this project through their SDWSRF-Consolidation Incentive (CI) funding program because it met the requirements to physically consolidate a disadvantaged public water system with a serious health concern. On March 3, 2016, the agreement was finalized which awarded a zero percent (0%) interest loan of \$2,932,600 with principal repayment to be waived.

The award of the construction contract is now anticipated to be requested before the end of FY 2016. Additional appropriations will be requested at that time.

Daleville Community Connection Project

The Daleville Community is located at the northeast corner of East Central Avenue and South Cherry Avenue. The community takes its name from the county road that serves the community - East Daleville Avenue. The Daleville Community covers an area of approximately twenty (20) acres, and consists of forty-two (42) parcels. The Daleville Community is currently located outside of the City's

municipal corporate limits, but within the City's sphere of influence. At this time the community has documented and confirmed dry well conditions and groundwater contamination conditions.

By working with Self-Help Enterprises, residents of the Daleville Community, the USDA, the SWRCB, and LAFCo, a grant of \$500,000 from the USDA was obtained on August 13, 2015, to connect the properties in this area to the City's public water supply system.

The funding provided for the Orange Center School project will allow the City to construct a waterline loop that will extend south along South Cherry Avenue to East Central Avenue, then east along East Central Avenue to South East Avenue, then north along South East Avenue to North Avenue. The construction of this waterline loop will provide an opportunity for the Daleville Community to connect to the City's public water supply system at the intersection of East Daleville Avenue and South Cherry Avenue. The infrastructure costs to connect the Daleville Community to the City's public water supply will include approximately 1,800 linear feet of water main (8-inch in diameter) on East Daleville Avenue, service connections from the 8-inch main to the property line of each parcel, a water meter at the property line of each parcel, a connection from the water meter to the home on each parcel, and the destruction of dry and contaminated wells that currently serve the parcels once the parcels are connected to the City's public water supply system.

The award of the construction contract is included in the FY 2017 Request Budget.

Project Expenditures

While efforts were under way to acquire low interest loan or grant funding for both of these projects, preliminary costs have been incurred that are temporarily being covered in the Water Enterprise Fund. To properly account for these costs, it is requested that separate funds be created for each project and appropriations established to cover costs during FY 2016. The year-to-date costs will be transferred by journal entry to the new funds.

ENVIRONMENTAL FINDINGS

Adoption of this amendment to the AAR Amendment is not a "project" within the meaning of Public Resources Code Section 21803 (CEQA Guidelines § 15378) because the organizational and administrative activities as identified in the action will not result in direct or indirect physical changes in the environment.

LOCAL PREFERENCE

Not implemented because this item does not include a construction or services contract.

FISCAL IMPACT

There is no impact to the General Fund or other City debt service obligations, including the Water Enterprise Fund for either project. No costs will be borne by the City's water utility rate payers. The SRF loan through the SWRCB for the OCSD will provide funding at zero percent (0%) interest with principal forgiveness because the school district is a severely disadvantaged community. The USDA grant for the Daleville connection project will also not require any repayment. The adoption of the attached AAR amendment resolution will create separate funds to account for these revenues and expenditures in FY 2016.

Attachment:

42nd Amendment to the Annual Appropriation Resolution No. 2015-104