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Title: Actions pertaining to the Northeast Surface Water Treatment Facility Six-Million Gallon Finished Water Reservoir Project: (Council District 6)

1. Adopt the Supplemental Mitigated Negative Declaration dated April 2017 (Environmental Assessment No. E201710000114, State Clearinghouse No. 2017041061), and Addendum No. 1 to Mitigated Negative Declaration dated July 2017 (Environmental Assessment No. E201710000187, State Clearinghouse No. 2017041061).
2. ***RESOLUTION - Authorizing the Director of Public Utilities (Director) or designee to sign financing agreement, amendments, and certifications for funding under the Drinking Water State Revolving Fund (DWSRF); authorizing the Director or designee to approve claims for reimbursement; authorizing the Director or designee to execute budget and expenditure summary; authorizing the Director or designee to sign the final release form; and, authorizing the Director or designee to sign the certification of project completion; and pledging and dedicating net water revenues to payment of DWSRF financing. (Subject to Mayor's Veto)
3. ***RESOLUTION - To pledge revenues and fund(s) to satisfy repayment obligations for financial assistance agreement with the California State Water Resources Control Board (SWRCB) for a Six-Million Gallon Finished Water Reservoir Project at the City of Fresno's Northeast Surface Water Treatment Facility (NESWTF). (Subject to Mayor's Veto)
4. ***RESOLUTION - 10th amendment to the Annual Appropriation Resolution (AAR) No. 2017-165 to appropriate \$2,500,000 in additional funding for the construction of the Six-Million Gallon Finished Water Reservoir Project at the City of Fresno's NESWTF. (Requires 5 affirmative votes.) (Subject to Mayor's Veto)
5. Authorize the Director of Public Utilities, or designee, to sign all documents on behalf of the City.

Sponsors: Department of Public Utilities

Indexes:

Code sections:

Attachments: 1. Supplemental Mitigated Negative Declaration, 2. Amendment No. 1 to the Supplemental Mitigated Negative Declaration, 3. Reimbursement Resolution.pdf, 4. Pledge Revenue Resolution.pdf, 5. 10th Amendment to the Annual Appropriation Resolution, 6. State Water Resources Control Board Financing Evaluation Letter.pdf

Date	Ver.	Action By	Action	Result
8/3/2017	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

August 3, 2017

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

THROUGH: MICHAEL CARBAJAL, Planning Manager
Department of Public Utilities - Utilities Planning & Engineering

BY: DEJAN PAVIC, Professional Engineer
Department of Public Utilities - Utilities Planning & Engineering

SUBJECT

Actions pertaining to the Northeast Surface Water Treatment Facility Six-Million Gallon Finished Water Reservoir Project: (Council District 6)

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5. Authorize the Director of Public Utilities, or designee, to sign all documents on behalf of the City.

RECOMMENDATIONS

Staff recommends that City Council adopt the findings of the attached Supplemental Mitigated Negative Declaration (SMND) and Addendum No. 1 to the SMND, adopt the DWSRF funding Reimbursement Resolution and Pledge Revenue Resolution noted above, for the City of Fresno's NESWTF Six-Million Gallon Finished Water Reservoir Project, and authorize the Director of Public Utilities, or designee, to sign all documents on behalf of the City.

EXECUTIVE SUMMARY

Affirmative action by City Council according to staff recommendations will enable the work for this essential project to move forward on a schedule that will meet operational needs while providing significant rate-payer savings through a State Revolving Fund (SRF) low interest loan. Such action will provide on-site and system operational flexibilities to address current and future water demand and water quality issues. Such action will also enable completion of the required SRF loan documents and establishment of the loan funding eligibility date will enable issuance of the

construction Notice to Proceed (NTP) after the contract is awarded by the Council.

BACKGROUND

The City's NESWTF can produce up to 30-million gallons of potable drinking water per day (30MGD). During periods of high demand, the current 1.5-million gallon (1.5MG) finished water reservoir restricts operational flexibilities related to maintaining adequate storage to meet fire flow requirements, emergent or unanticipated shutdowns, operator timelines for addressing and remediation of any undesirable water quality changes, and potential future site expansion to its ultimate build-out capacity of 60MGD.

The first steps in removing these restrictions included preparation of a project SMND to address the potential environmental effects of the proposed tank location as shown on the 30% bid documents. Addendum No. 1 to the SMND was necessary to address alternative on-site tank locations outside the originally assessed area. These documents were prepared in accordance with the California Environmental Quality Act (CEQA), California Public Resources Code Section 21000 et seq., the California CEQA guidelines (California Code of Regulations, Title 14, Section 15000 et seq.); and the rules, regulations, and procedures for implementing CEQA as adopted by the City of Fresno.

The Federal Safe Drinking Water Act Amendments of 1996 authorized the creation of a drinking water state revolving fund program. On January 1, 2015, fund policy changes by SWRCB were implemented and now provide for funding of additional water infrastructure projects, which include water storage tanks and transmission/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.

The estimated total amount for completion of this project is \$14,000,000. Compared to an average standard bond interest rate of 5.5%, a typical SRF interest rate of 1.7% would result in a rate payer savings of approximately \$12,000,000 over a 30-year term. On July 18, 2017, SWRCB issued a financing evaluation letter, outlining the DWSRF conditions for the Project.

The Reimbursement Resolution and the Pledge Revenue Resolution for this project have been approved as to form by the City Attorney's Office. Council adoption of these Resolutions will enable SWRCB to proceed in issuance of an executed funding agreement. A future contract award for the Project will be funded through acceptance and execution of a SWRCB SRF low-interest loan. The construction NTP shall not be issued until an eligibility date has been established by SWRCB after the contract is awarded by the Council.

ENVIRONMENTAL FINDINGS

The City of Fresno Metropolitan Water Resources Management Plan Update (Metro Plan Update) EIR (SCH No. 2013091021) was prepared and adopted by the Council on June 12, 2014. The Metro Plan Update EIR is a project level EIR pursuant to CEQA Guidelines §15168 and is tiered from the MEIR (SCH NO. 2012111015). An analysis was performed pursuant to CEQA Guidelines §15162 to determine whether subsequent environmental review was required for the Project and a supplemental environmental assessment Initial Study/SMND (SCH No. 2017041061) and subsequent SMND Addendum No. 1 was prepared for the Project.

It has been determined that all applicable mitigation measures of MEIR and Metro Plan Update have

been applied to the Project, together with project specific mitigation measures necessary to assure that the Project will not cause significant adverse cumulative impacts, growth inducing impacts and irreversible significant effects beyond those identified, as provided by CEQA Section 15178(a). In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), staff has determined that no substantial changes have occurred with respect to the circumstances under which the MEIR and Metro Plan Update were certified, and that no new information, which was not known and could not have been known, has become available. Therefore, it has been determined based upon the evidence in the record that the Project will not have a significant impact on the environment and that the filing of the SMND and SMND Addendum No. 1 is appropriate in accordance with the provisions of CEQA Section 21157.5(a)(2) and CEQA Guidelines Section 15178 (b)(1) and (2).

Based upon the attached environmental assessment and the list of identified mitigation measures, staff has determined that there is no evidence in the record that the Project may have a significant effect on the environment and has prepared an SMND and SMND Addendum No. 1 for this Project. This process included the distribution of requests for comment from other responsible or affected agencies and interested organizations. The State Clearinghouse submitted the SMND and SMND Addendum No. 1 to selected State agencies for review, and no comments or appeals specifically related to the SMND were received by the comment period closing date of May 20, 2017, and no comments or appeals specifically related to the SMND Addendum No. 1 were received by the comment period closing date of July 22, 2017.

Based upon these findings, it has been determined that no further environmental documentation is required for this project.

LOCAL PREFERENCE

Local preference was not considered because the requested action does not pertain to a bid or an award of a contract.

FISCAL IMPACT

There is no impact to the General Fund. A future award of a Design-Build construction contract will be funded by a DWSRF low-interest loan through the SWRCB as part of the construction of the Six-Million Gallon Finished Water Reservoir Project at the City's NESWTF. Appropriations are included in Water Division's FY2018 Capital Improvement Program adopted budget. An amendment to the AAR is required to appropriate additional funding for this Project based on the most recent project construction cost projections.

Attachments:

Supplemental Mitigated Negative Declaration
Amendment No. 1 to the Supplemental Mitigated Negative Declaration
Reimbursement Resolution
Pledge Revenue Resolution
10th Amendment to the Annual Appropriation Resolution
State Water Resources Control Board Financing Evaluation Letter