



## Legislation Details (With Text)

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**Title:** Actions pertaining to the Northeast Surface Water Treatment Facility 4.5-million gallon finished water reservoir project: (Council District 6)

1. \*\*\*RESOLUTION - Pledging and dedicating gross water revenues for repayment of a \$14,000,000 Safe Drinking Water State Revolving Fund Low Interest Loan for construction of a 4.5-million gallon finished water reservoir at the City of Fresno's Northeast Surface Water Treatment Facility (Subject to Mayor's veto)
2. Authorize the Director of Public Utilities, or designee, to execute all documents on behalf of the City of Fresno

**Sponsors:** Department of Public Utilities

**Indexes:**

**Code sections:**

**Attachments:** 1. 2019-03-07 Attachment 1 - Revised and Amended Pledge Revenue Resolution.pdf

Date	Ver.	Action By	Action	Result
3/7/2019	1	City Council	adopted	Pass

## REPORT TO THE CITY COUNCIL

**March 7, 2019**

**FROM:** MICHAEL CARBAJAL, Director  
Department of Public Utilities

**THROUGH:** DEJAN PAVIC, Supervising Professional Engineer  
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## SUBJECT

Actions pertaining to the Northeast Surface Water Treatment Facility 4.5-million gallon finished water reservoir project: (Council District 6)

1. \*\*\*RESOLUTION - Pledging and dedicating gross water revenues for repayment of a \$14,000,000 Safe Drinking Water State Revolving Fund Low Interest Loan for construction of a 4.5-million gallon finished water reservoir at the City of Fresno's Northeast Surface Water Treatment Facility (Subject to Mayor's veto)
2. Authorize the Director of Public Utilities, or designee, to execute all documents on behalf of the City of Fresno

## RECOMMENDATIONS

Staff Recommends that City Council adopt a Revised and Amended Pledge Revenue Resolution pledging and dedicating gross water revenues for repayment of a \$14,000,000 Safe Drinking Water State Revolving Fund Low Interest Loan for construction of a 4.5-million gallon finished water reservoir at the City of Fresno's Northeast Surface Water Treatment Facility (NESWTF), and authorize the Director of Public Utilities, or designee, to execute all documents on behalf of the City of Fresno (City).

## EXECUTIVE SUMMARY

The long-term over-pumping of our groundwater aquifer and effects of recent multi-year drought conditions warrant continued and aggressive action in meeting the City's goals for restoration of aquifer groundwater levels, and achievement of a balanced water resource portfolio by 2025. Council adoption of this Revised and Amended Pledge Revenue Resolution is necessary to satisfy the requirements for execution of the funding agreement and provide a viable and effective low cost avenue to initialize construction of a 4.5-million gallon finished water reservoir (Project) at the City's NESWTF. The City's NESWTF can produce up to 30-million gallons of potable drinking water per day. During periods of high demand, the current 1.5-million gallon 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 60-million gallons of potable drinking water per day.

## BACKGROUND

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 the State Water Resources Control Board (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 basis throughout the year.

Near the completion of the funding application process for this Project, the SWRCB basis for loan repayment revenue streams were changed from "net revenues" to "gross revenues" as the vehicle to meet loan debt service requirements. This new SWRCB policy necessitates positive City Council action for adoption of the Revised and Amended Pledge Revenue Resolution for final execution of loan documents.

The estimated total construction loan amount for completion of this Project is \$14,000,000. Compared to an average standard bond interest rate of 5.5%, a typical State Revolving Fund interest rate of 1.67% for this Project would result in a rate payer savings of approximately \$11,000,000 over a 30-year term.

The Revised and Amended Pledge Revenue Resolution for this Project has been approved as to form by the City Attorney's Office. City Council approval and adoption of this Resolution will enable the SWRCB to proceed in issuance of an executed funding agreement.

On March 22, 2018, City Council rejected all Design-Build project proposals. Subsequently, staff has developed a Request for Qualifications (RFQs) to contractors for construction through a standard design-bid-build format. RFQ submittals were received on February 26, 2019 and are being reviewed by staff.

## **ENVIRONMENTAL FINDINGS**

Adoption of funding resolutions 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). On August 3, 2017, the City Council adopted the Supplemental Mitigated 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) for the Project, and those CEQA documents are not affected by the adoption of this Revised and Amended Pledge Revenue Resolution.

## **LOCAL PREFERENCE**

Local Preference was not implemented because this action does not include a bid or an award of a City construction contract.

## **FISCAL IMPACT**

There is no impact to the General Fund. The Project is located in Council District 6. There is sufficient fiscal capacity remaining in the five-year utility rate plan that was approved by City Council on February 26, 2015, to pay for the debt service costs for this Project. 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.

Attachment: Revised and Amended Pledge Revenue Resolution