

**COUNCIL ACTION FORM**

**SUBJECT: STATE REVOLVING FUND PLANNING AND DESIGN LOAN FOR  
SANITARY SEWER REHABILITATION PROGRAM**

**BACKGROUND:**

The ability of the sanitary sewer system to convey wastewater well into the future is dependent on the removal of the current large amount of infiltration and inflow ("I & I," or I/I) in the system that occurs during rain events. In order to minimize the need for costly expansions to the City's Water Pollution Control (WPC) facility, as well as to convey flows from new development as the City grows, the City must work to reduce the overall I/I in the system.

This evaluation is a comprehensive and systematic program for identifying the defects that could contribute I/I across the entire, City-wide sanitary sewer system. It also involves prioritizing those defects and estimating rehabilitation costs so that repairs can be made as part of the Capital Improvements Plan. The Sanitary Sewer System Evaluation (SSSE) program generally consists of the following tasks: data collection, flow monitoring, sewer televising, smoke testing, manhole inspection, siphon inspection, and system modeling. Not only does the SSSE identify sources of I/I, it also identifies areas of aging infrastructure in need of repair to prevent unexpected failures and emergency repairs, as well as potential capacity issues that may develop over time.

With over 90 percent of the data collection phase being complete, it is evident that there are over \$25 million worth of immediate structural improvements needed to the sanitary sewer system. Future CIP projects for the sanitary sewer system will be based on the results of this evaluation. Work will include rehabilitation, such as the lining of existing mains or spray lining of existing structures, as well as complete removal and replacement of structures and sanitary sewer mains. These projects are shown in our CIP beginning in 2013/14. Funding will come from the State Revolving Fund (SRF) in the amount of \$3,270,000 for each year.

To begin this first year's work, an SRF Planning and Design Loan in the amount of \$375,000 will be utilized to hire a consultant to help determine the best action plan for implementation of system repairs, as well as for design services for the first year of the project.

Based on the SRF funding source identified in the CIP, staff applied for and received approval for a Planning and Design (P&D) loan in an amount not to exceed \$375,000. The P&D loan program is administered by the Iowa Finance Authority, and provides a no interest, no fees loan for up to three years. P&D loans can later be rolled into a larger SRF construction loan or be repaid when another form of permanent financing is in place.

Ultimately, it is the intent of staff to apply for a construction loan through the SRF and to roll the P&D loan into the construction loan. After this project action plan and the initial design are complete, the public hearing will be held and an application for the construction loan will be approved. Repayment of the construction SRF loan will be from revenues generated in the Sanitary Sewer Fund.

The planning and design loan amount requested will provide funding for the **estimated** expenses listed below:

Administrative & Legal Expenses	\$ 25,000
Engineering Planning & Design	<u>\$350,000</u>
	\$375,000

The City's P&D loan project was placed on the Iowa DNR's SRF Intended Use Plan on September 17, 2013, a step that was needed prior to entering into the P&D loan agreement. The next step is for the City Council to hold a public hearing prior to taking action to incur the debt. Staff is recommending that Council establish March 25, 2014, as the date of the public hearing. Immediately following the hearing, the City Council will be asked to enter into the P&D loan agreement.

#### **ALTERNATIVES:**

1. Establish March 25, 2014, as the date to hold a public hearing and take action to enter into a P&D loan agreement with the Iowa Finance Authority in an amount not to exceed \$375,000 for the purpose of planning and designing the Sanitary Sewer Rehabilitation Program.
2. Direct staff to seek alternative financing options for the planning and design expenses.

#### **MANAGER'S RECOMMENDED ACTION:**

Entering into the SRF P&D agreement is necessary to provide immediate financing for the planning and design related to implementing repairs identified by the sanitary sewer system evaluation. Moving forward utilizing a SRF P&D loan is the most economical way to finance this project for our utility customers. Upon execution of the agreement, the next step will be to issue a Request for Proposals. It generally takes about two months to receive and evaluate proposals.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby establishing March 25, 2014, as the date to hold a public hearing and take action to enter into a P&D loan agreement with the Iowa Finance Authority in an amount not to exceed \$375,000, for the purpose of planning and design for the Sanitary Sewer Rehabilitation Program.