

COUNCIL ACTION FORM

SUBJECT: PUBLIC HEARING ON PROPOSAL TO ENTER INTO WATER REVENUE LOAN AND DISBURSEMENT AGREEMENT TO BORROW MONEY THEREUNDER IN A PRINCIPAL AMOUNT NOT TO EXCEED \$3,500,000

BACKGROUND:

During the design of the new water treatment plant, City staff made a commitment to demolish the old treatment facility as soon as practical to prevent it from becoming an abandoned eyesore for the neighborhood. The new water treatment plant started operation in Fall 2017, and it is time to demolish the old water treatment plant.

This project will demolish the filter building, chemical feed building, external treatment basins, administrative offices, and $\frac{3}{4}$ million-gallon ground reservoir. Improvements to the site distribution and raw water piping will be included in this project as well. The high service pump station, two million-gallon storage reservoir, and five million-gallon storage reservoir will remain. The City's Capital Improvements Plan includes \$2,663,476 for this demolition project.

A State Revolving Fund (SRF) Drinking Water Loan in the amount of \$3,500,000 has been identified as the funding source for the demolition of the old water plant. Repayment of the loan will be from water utility revenues. The not-to-exceed amount for the public hearing has been established at an amount to cover possible cost increases; the City will only borrow the amount needed to fund the project. A public hearing is required to proceed with the SRF loan.

ALTERNATIVES:

1. Adopt a resolution to take additional action for the authorization of a loan and disbursement agreement and the issuance of Not to Exceed \$3,500,000 Water Revenue Bonds (SRF loan).
2. Do not authorize proceeding with loan and disbursement agreement.

CITY MANAGER'S RECOMMENDED ACTION:

Authorizing the loan and disbursement agreement will allow the City to access State Revolving Funds as a way to finance the demolition of the old water plant facilities. This is the most cost-effective approach to completing this demolition work. The principle and interest payments related to this loan have been accounted for in the Water rate design. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1 as described above.