

COUNCIL ACTION FORM

SUBJECT: RESOLUTION APPROVING A STATE REVOLVING FUND LOAN AGREEMENT IN THE AMOUNT OF \$3,500,000 TO BE REPAID WITH WATER UTILITY REVENUE

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 ¾ 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 authorized project funding is as follows.

<u>Fiscal Year</u>	<u>Amount</u>
FY 2018/19 – FY 2020/21 Actual	\$ 141,916
FY 2021/22 CIP Adopted	1,288,560
FY 2022/23 CIP Adopted	1,233,000
<u>Total</u>	<u>\$ 2,663,476</u>

A State Revolving Fund (SRF) Drinking Water Loan in an amount not to exceed \$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 was established to cover any potential cost increases and change orders; the City will only borrow the amount actually needed to fund the project. A public hearing to proceed with the SRF loan was held on June 14, 2022. At the July 12, 2022, meeting, City Council approved the submission of an SRF loan application as shown below. The final action needed by council to proceed is approval of the loan agreement.

<u>Total Project Loan</u>	
Engineering Services (design/bidding/const.)	\$ 277,200
Loan Origination Fees (0.5%)	17,413
Construction	2,398,000
<u>Contingency</u>	<u>807,387</u>
<u>Total Project Cost</u>	<u>\$ 3,500,000</u>

ALTERNATIVES:

1. Adopt a resolution approving a State Revolving Fund Agreement in the amount of \$3,500,000 to be repaid with Water Utility Revenue.
2. Do not approve the loan and disbursement agreement and provide staff additional direction on the financing of the project.

CITY MANAGER'S RECOMMENDED ACTION:

Authorization of the construction loan will allow the City to access State Revolving Funds to finance the demolition of the old water plant facilities. This is the most cost-effective approach to completing this demolition work. The principal and interest payments related to this loan have been accounted for in the Water Fund rate design.

Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1, as described above.