

**COUNCIL ACTION FORM**

**SUBJECT: PUBLIC HEARING ON PROPOSAL TO ENTER INTO A WATER REVENUE LOAN AND DISBURSEMENT AGREEMENT TO BORROW MONEY THEREUNDER IN A PRINCIPAL AMOUNT NOT TO EXCEED \$8,500,000 FOR NEW WATER WELLS**

**BACKGROUND:**

As old wells fail and need to be replaced and as demand for treated water increases, additional water supply wells must be constructed. This project will provide a combination of new and replacement water supply capacity by the addition of three new wells and interconnecting pipeline to the water treatment plant. The project will also include new fiber optic communication conveyed to the water treatment plant for well controls and security measures. The three new wells, to be located north of North River Valley Park, will be connected to the existing standby generator located at the Water Treatment Plant to provide emergency power to the wells. This project was bid previously, but the bids that were received were significantly greater than the Engineer's estimate, predominately related to the electrical work. The project engineer believes now is a better time to bid the project in order to receive more favorable bids.

A Drinking Water State Revolving Fund (DW SRF) Loan in the amount of \$8,500,000 has been identified as the funding source for the construction of these new wells. Repayment of the loan will be from Water utility revenues. The not-to-exceed amount was established to cover potential cost increases and change orders; the City will only borrow the amount actually needed to fund the project. A public hearing is required to proceed with the SRF loan.

**ALTERNATIVES:**

1. Hold the public hearing and adopt a resolution instituting proceeding to take additional action for the authorization of a loan and disbursement agreement and the issuance of Not to Exceed \$8,500,000 Drinking Water State Revolving Fund Loan.
2. Hold the public hearing but **do not** adopt a resolution instituting proceeding to take additional action for the authorization of a loan and disbursement agreement and the issuance of Not to Exceed \$8,500,000 Drinking Water State Revolving Fund Loan.

**MANAGER'S RECOMMENDED ACTION:**

Use of the Drinking Water State Revolving Fund (DW SRF) to finance the construction of a new well field has been identified as the most appropriate financing vehicle for this project. The principal and interest payments related to the loan have been accounted for in the Water Fund rate design. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.