

STAFF REPORT

DATE: November 18, 2014

TO: City Council

FROM: Herbert Niederberger, General Manager - Utilities, Development and Operations
Diane Phillips, Project Manager

SUBJECT: City Local Water Improvement Projects Related to the Davis Woodland Water Supply Project: State Revolving Fund Resolutions

Recommendation

Adopt the following Resolutions:

- a) Resolution pledging revenues and funds received from the City's Water Revenue Enterprise Fund and for payment of any and all Clean Water State Revolving Fund financing assistance for capital improvement projects related Surface Water Supply Project.
- b) Resolution of Intention to seek reimbursement of capital expenditures incurred prior to and after execution of the Clean Water State Revolving Fund financing assistance agreement for capital improvement projects related to the Surface Water Supply Project , in compliance with U.S. Treasury Regulation Section 1.150-2 and Clean Water state Revolving Fund program requirements.
- c) Resolution Authorizing the City Manager to Pursue and Execute Clean Water Act State Revolving Fund Agreements between the City of Davis and the State Water Resources Control Board.

Fiscal Impact

These City water improvement projects that are proposed to be financed by a local facilities SRF loan have been anticipated and are part of the City's Capital Improvement Plan and are necessary for the City to receive and utilize treated water from the Davis Woodland Water Supply Project. Securing a low interest State Revolving Fund loan for projects will substantially decrease loan costs. The loan is at the principal amount of \$35.5 million for a 30 year term. The current interest rate is 1.7%; the rate may change prior to the execution of the loan but is not anticipated to vary significantly. SRF loan interest rates have ranged from approximately 1.7 % to 2.1% over the last two years.

Council Goals

This action will support Council Goals of: maintaining and improving infrastructure; sustaining existing infrastructure; and implementing the Davis Woodland Water Supply Project to improve the City's drinking water quality and WWTP effluent to meet discharge requirements.

Background and Analysis

On April 15, 2014 the City Council Authorized the application for Clean Water State Revolving Fund financial assistance for the City of Davis capital improvement projects related to the Surface Water Supply Project up to \$35.5 million. At that time, the City did not approve the resolution pledging the net revenue of the water fund and the resolution for reimbursement of certain costs incurred prior to the execution of the SRF loan.

Before the Funds can be made available the City must execute a resolution pledging revenues and also execute a resolution of seeking reimbursement of capital expenditures. In addition, because the original authorization for the loan was capped at \$35 million and since staff believe that the Loan will need to be increased by \$500,000 to \$35.5 million to account for new federal purchasing requirements, a new loan authorization resolution is also attached for Council action.

The State makes Clean Water Act funds available through the SRF low-interest loan program to provide public agencies with cost-effective financing of water and wastewater related infrastructure improvements.

The low interest SRF loans are the lowest financing means available to the City to fund these priority utility infrastructure improvements while keeping utility rates as low as possible. If the City obtains SRF funding, interest only payments would be due until after construction is completed and payments occur over a 30 year period from revenues derived from the City's water revenue enterprise fund.

As an example, if the interest rate is 1.7%, then the yearly payment for the loan is estimated to be \$1.5 million for 30 years.

The projects included in this capital program were identified in the 2011 Water Optimization Study and then refined in the 2013 update which included reducing surface water from 18 mgd to 12 mgd. The Council approved a mitigated negative declaration (MND) for this project on April 15, 2014. The City is currently reviewing the MND for changes to the pipeline alignment that have been suggested based on the refinement of the engineering for this project. It is anticipated that the amended CEQA document, most likely an addendum to the adopted CEQA MND will be presented to Council in December 2015.

The projects include:

1. Treated Surface Water Pipelines which are needed to mix and distribute the surface water throughout the city providing consistent water quality to customers.
 - a. Estimated cost: \$22,600,000
2. Park Irrigation Well Conversion and Upgrades which will use existing lower quality wells for landscape irrigation, removing these demands from the high quality potable water system and utilize existing infrastructure.
 - a. Estimated cost: \$1,900,000

3. Well 34 was drilled as part of a previous project but has never been equipped for operation in the water system. With the introduction of surface water and the associated water quality improvements, only the deep wells will be used for groundwater extraction. Therefore, deep Well 34 will now be needed as part of the groundwater supply for the City.
 - a. Estimated cost:\$2,200,000
4. Automatic Metering Infrastructure which will automate the water meters to provide real-time water use information to the customers, and enhance the City's ability to identify water leaks and other abnormally high usage.
 - a. Estimated cost: \$7,000,000
5. In order to provide a reliable water supply to the City, backup power for the groundwater wells is needed. The City's current backup power generators are sized to supply the lower power intermediate wells and are not large enough to power the deep well facilities. A new generator is needed for one additional deep well to provide water system reliability.
 - a. Estimated cost:\$400,000
6. The groundwater wells in the City currently meet water quality requirements, but new regulations, such as the CrVI requirement are promulgated on an ongoing basis. This project provides treatment for one groundwater well should it be needed in the near future.
 - a. Estimated cost: \$1,400,000

Attachments:

1. April 15, 2014 Staff Report
2. Pledge Resolution
3. Reimbursement Resolution
4. Authorization Resolution

STAFF REPORT

DATE: April 15, 2014

TO: City Council

FROM: Diane Phillips, Project Manager
Dianna Jensen, Principal Civil Engineer

SUBJECT: State Revolving Fund Resolution Authorizing Financial Assistance Application

Recommendation

Adopt the attached Resolution authorizing the City Manager, or his/her authorized designee, to apply for Clean Water State Revolving Fund financial assistance for City of Davis utility capital improvement projects, up to a maximum of \$35 million.

Fiscal Impact

These projects have been anticipated and are part of the City's Capital Improvement Plan and are necessary for the City to utilize treated water from the Davis Woodland Water Supply Project. Securing a low interest State Revolving Fund loan for projects will substantially decrease loan costs. Loan repayment costs have been factored into the water rates previously adopted by Council.

Council Goals

This action will support Council Goals of: maintaining and improving infrastructure; sustaining existing infrastructure; and implementing the Davis Woodland Water Supply Project to improve the City's drinking water quality and WWTP effluent to meet discharge requirements.

Background and Analysis

The State makes Clean Water Act funds available through the SRF low-interest loan program to provide public agencies with cost-effective financing of water and wastewater related infrastructure improvements.

The low interest SRF loans are the lowest financing means available to the City to fund these priority utility infrastructure improvements while keeping utility rates as low as possible. Staff is proposing to submit SRF loan applications for up to \$35 million during 2014 in which SRF rates are likely to range from 1.9% to 2.1%. If the City obtains SRF funding, repayment would begin one year after construction is completed and occur over a 30 year period from revenues derived from the City's water revenue enterprise fund.

The projects included in this capital program were identified in the 2011 Water Optimization Study and then refined in the 2013 update which included reducing surface water from 18 mgd to 12 mgd. The CEQA process for these projects has been completed and will be submitted to City Council for acceptance.

The projects include:

1. Treated Surface Water Pipelines which are needed to mix and distribute the surface water throughout the city providing consistent water quality to customers.
 - a. Estimated cost: \$18,942,238.
2. Park Irrigation Well Conversion and Upgrades which will use existing lower quality wells for landscape irrigation, removing these demands from the high quality potable water system and utilize existing infrastructure.
 - a. Estimated cost: \$1,922,520.
3. Improvements to Existing Wellheads needed to treat the water for naturally occurring manganese, and potentially for hexavalent chromium 6 or other constituents to meet current and future water quality requirements for the City's wells.
 - a. Estimated cost: 6,991,333.
4. Automatic Metering Infrastructure which will automate the water meters to provide real-time water use information to the customers, and enhance the City's ability to identify water leaks and other abnormally high usage.
 - a. Estimated cost: \$7,143,909.

Attachments:

1. Resolution
2. Project Cost Table
3. Project Map

RESOLUTION NO. 14-XXX, SERIES 2014

**RESOLUTION AUTHORIZING THE CITY MANAGER TO PURSUE AND EXECUTE
CLEAN WATER ACT STATE REVOLVING FUND AGREEMENTS BETWEEN THE
CITY OF DAVIS (CITY) AND STATE WATER RESOURCES CONTROL BOARD
(SWRCB)**

WHEREAS, the Environmental Protection Agency provides states such as California with Clean Water Act State Revolving Funds (SRF) to finance eligible utility and resource capital projects through the State Water Resources Control Board (SWRCB); and

WHEREAS, the City has \$35 million in utility capital projects that are eligible for SRF Financing; and

WHEREAS, securing SRF financing for City projects with low interest financing and favorable repayment terms is a cost-effective approach for financing the City's eligible utility capital improvement projects; and

WHEREAS, the City must authorize the pursuit of SRF low interest financing for eligible projects.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Davis, that the City Manager or his/her designee is hereby authorized and directed to sign and file, for and on behalf of the City, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board for the planning, design and construction of Local Facility Water Quality Improvement Projects related to the Davis Woodland Water Supply Project including:

- a. Treated Surface Water Pipelines
- b. Park Irrigation Wells
- c. Improvements to Existing Wells
- d. Automatic Meter Reading

BE IT FURTHER RESOLVED that the City Manager or his/her designee is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto; and

BE IT FURTHER RESOLVED that the City Manager or his/her designee, is designated to represent the City in carrying out the City's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the City and compliance with applicable state and federal laws.

PASSED AND ADOPTED by the City Council for the City of Davis this 15th day of April, 2014, by the following votes:

AYES:

NOES:

Joseph F. Krovoza
Mayor

ATTEST:

Zoe S. Mirabile, CMC
City Clerk

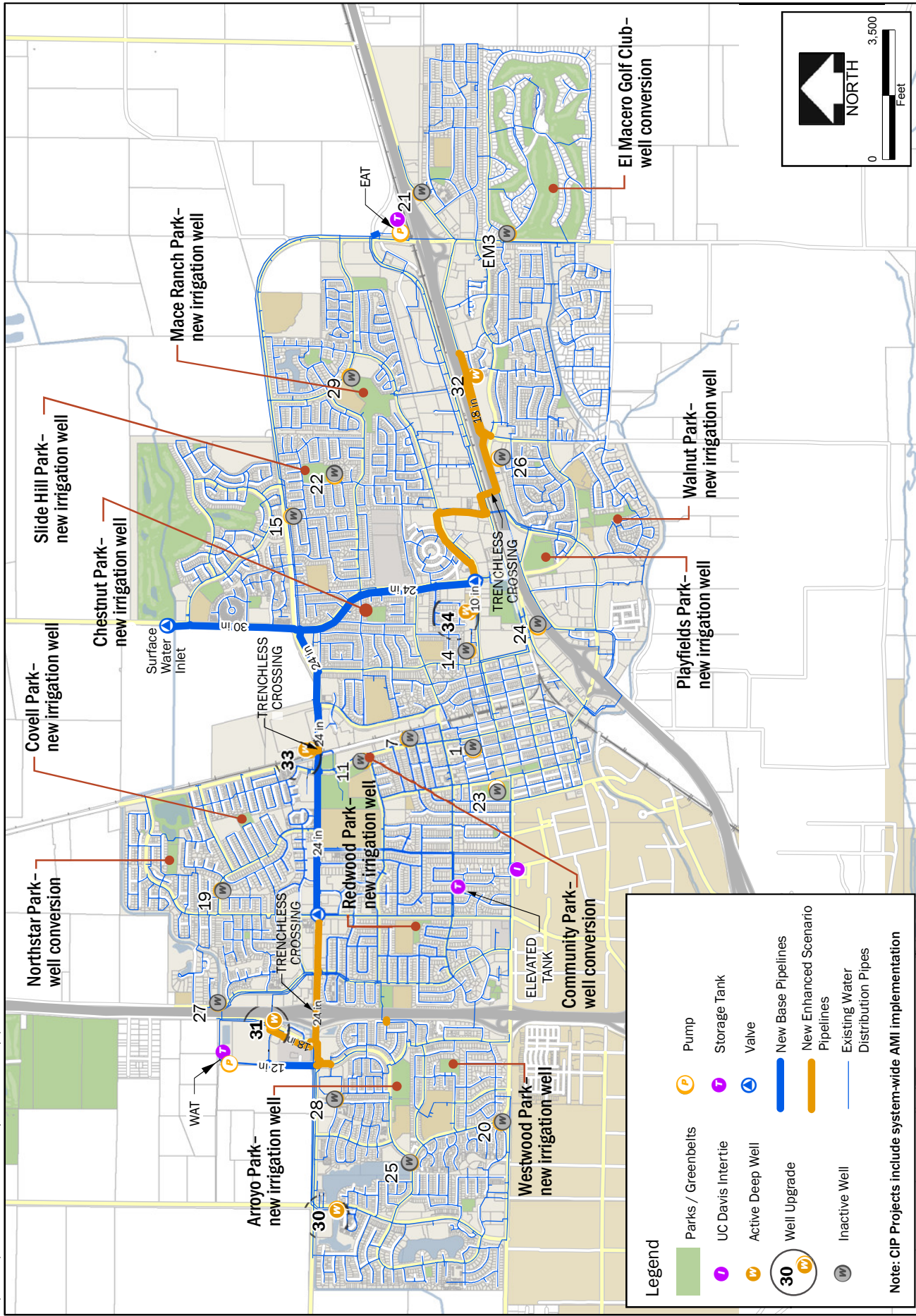
Project Cost Supporting Data Table

Cost Classification	SW Transmission System	East Area Tank Main Upsize	Water Quality Improvements	Park Irrigation Wells	Wellhead Treatment Wells	Standby Power Generator (1) (Well)	Well 34 (Corp Yard)	Automatic Meter Reading	Local Facilities Total*
Cost Classification									
Facilities Planning	\$ 979,959	\$ 21,778	\$ 47,574	\$ 142,409	\$ 325,926	\$ 28,988	\$ 162,963	\$ 555,556	\$ 2,285,151
Facilities Design	\$ 1,119,953	\$ 17,422	\$ 38,059	\$ 113,927	\$ 260,741	\$ 23,190	\$ 130,370	\$ 444,444	\$ 2,148,107
Construction Management	\$ 1,679,929	\$ 26,133	\$ 57,089	\$ 170,891	\$ 391,111	\$ 34,785	\$ 195,556	\$ 666,667	\$ 3,222,160
Construction	\$ 11,199,526	\$ 174,222	\$ 380,592	\$ 1,139,271	\$ 2,607,408	\$ 231,901	\$ 1,303,704	\$ 4,444,444	\$ 21,481,068
Value Engineering	\$ 139,994	\$ 2,178	\$ 4,757	\$ 14,241	\$ 32,593	\$ 2,899	\$ 16,296	\$ 55,556	\$ 288,513
Administration	\$ 559,976	\$ 8,711	\$ 19,030	\$ 56,964	\$ 130,370	\$ 11,595	\$ 65,185	\$ 222,222	\$ 1,074,053
Facilities Construction Subtotal	\$ 15,679,336	\$ 250,444	\$ 547,101	\$ 1,637,702	\$ 3,748,148	\$ 333,358	\$ 1,874,074	\$ 6,388,889	\$ 30,459,053
Cost Summary									
Facilities Construction Subtotal	\$ 15,679,336	\$ 250,444	\$ 547,101	\$ 1,637,702	\$ 3,748,148	\$ 333,358	\$ 1,874,074	\$ 6,388,889	\$ 30,459,053
Contingency	\$ 1,903,919	\$ 43,556	\$ 95,148	\$ 284,818	\$ 651,852	\$ 57,975	\$ 325,926	\$ 755,020	\$ 4,118,214
Pre-Purchase Material/Equipment Costs									\$ -
Land and Right-Of-Way	\$ 419,982		\$ 2,751						\$ 422,733
Other costs									\$ -
Total	\$ 18,003,238	\$ 294,000	\$ 645,000	\$ 1,922,520	\$ 4,400,000	\$ 391,333	\$ 2,200,000	\$ 7,143,909	\$ 35,000,000

Total Requested Funds
\$ 35,000,000

Projected Cost by Quarter

FY2013-2014	\$450,081	\$7,350							\$457,431
Q1									\$0
Q2	\$135,024	\$2,205							\$137,229
Q3	\$315,057	\$5,145							\$320,202
Q4	\$2,700,486	\$44,100	\$387,000	\$230,702	\$440,000	\$391,333	\$2,200,000	\$214,317	\$6,607,938
FY2014-2015	\$405,073	\$6,615	\$38,700	\$23,070	\$44,000	\$39,133	\$220,000	\$76,591	
Q1	\$202,536	\$3,308	\$96,750	\$57,676	\$110,000	\$97,833	\$550,000	\$1,118,103	
Q2	\$202,536	\$3,308	\$96,750	\$57,676	\$110,000	\$97,833	\$550,000	\$1,118,103	
Q3	\$1,890,340	\$30,870	\$154,800	\$92,281	\$176,000	\$156,533	\$880,000	\$3,380,824	
Q4	\$13,052,347	\$213,150	\$258,000	\$615,206	\$1,760,000			\$5,143,614	\$21,042,318
FY2015-2016	\$1,957,852	\$31,973	\$25,800	\$61,521	\$528,000			\$2,605,145	
Q1	\$3,263,087	\$53,288	\$64,500	\$153,802	\$528,000			\$4,062,676	
Q2	\$4,046,228	\$66,077	\$64,500	\$153,802	\$352,000			\$4,682,606	
Q3	\$3,785,181	\$61,814	\$103,200	\$246,083	\$352,000			\$4,548,277	
Q4	\$1,800,324	\$29,400		\$1,076,611	\$440,000			\$1,785,977	\$5,132,312
FY2016-2017	\$1,080,194	\$17,640		\$107,661	\$44,000			\$1,249,495	
Q1	\$720,130			\$289,153	\$110,000			\$1,111,042	
Q2				\$289,153	\$110,000			\$379,153	
Q3				\$430,644	\$176,000			\$606,644	
Q4				\$1,760,000				\$1,760,000	
FY2017-2018					\$528,000			\$528,000	
Q1					\$528,000			\$528,000	
Q2					\$352,000			\$352,000	
Q3					\$352,000			\$352,000	
Q4					\$352,000			\$352,000	
TOTAL	\$18,003,238	\$294,000	\$645,000	\$1,922,520	\$4,400,000	\$391,333	\$2,200,000	\$7,143,909	\$35,000,000



Note: CIP Projects include system-wide AMI implementation

Water Quality Improvement Projects

CIP Projects

Figure
1

PROJECT	145102	SITE
	DATE	
DATE	01/15/14	TITLE



RESOLUTION NO. 14-XXX, SERIES 2014

**A RESOLUTION OF THE CITY OF DAVIS PLEDGING
WATER UTILITY NET REVENUES AND THE WATER
UTILITY ENTERPRISE FUND) FOR STATE REVOLVING
FUND REPAYMENT (LOCAL WATER FACILITIES)**

WHEREAS, the City of Davis (the “City”) desires to finance the costs of planning, design and constructing improvements related to the City of Davis Local Facility Water Quality Improvement Projects Related to the Davis Woodland Water Supply Project (the “Project”) with funding provided by the State of California, acting by and through the State Water Resources Control Board (“State Water Board”),

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DAVIS AS FOLLOWS:

Section 1: The City of Davis hereby dedicates and pledges net revenues from its water utility enterprise fund and the water utility enterprise fund to payment of any and all Clean Water State Revolving Fund financing for the Project, subject to existing liens and as further set forth in the Financing Agreement. The City commits to collecting such revenues and maintaining such fund throughout the term of this financing and until the City has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Board. So long as the financing agreement(s) are outstanding, the City’s pledge hereunder shall constitute a lien in favor of the State Water Board on the foregoing fund and net revenues without any further action necessary. So long as the financing agreement(s) are outstanding, the City commits to maintaining the fund and revenues at levels sufficient to meet its obligations under the financing agreement(s).

PASSED AND ADOPTED by the City Council of the City of Davis this 18th day of November, 2014 by the following vote:

AYES:

NOES:

ABSENT:

Daniel M. Wolk
Mayor

ATTEST:

Zoe S. Mirabile, CMC
City Clerk

RESOLUTION NO. 14-XXX, SERIES 2014

**RESOLUTION DECLARING INTENTION TO SEEK REIMBURSEMENT OF
PROJECT EXPENDITURES FOR THE CITY OF DAVIS LOCAL FACILITY
WATER QUALITY IMPROVEMENT PROJECTS RELATED TO THE
DAVIS WOODLAND WATER SUPPLY PROJECT FROM CLEAN WATER
ACT STATE REVOLVING FUNDS PER FINANCING AGREEMENT
BETWEEN THE CITY OF DAVIS (CITY) AND STATE WATER RESOURCES
CONTROL BOARD (SWRCB)**

WHEREAS, the City desires to finance the costs of planning, design and construction improvements relating to the City of Davis Local Facility Water Quality Improvement Projects Related to the Davis Woodland Water Supply Project (the "Project"); and

WHEREAS, the City intends to finance the planning, design and construction improvements of the Project with moneys ("Project Funds") provided by the State of California through the Clean Water Act State Revolving Fund program, acting by and through the SWRCB; and

WHEREAS, the SWRCB may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"); and

WHEREAS, prior to either the issuance of the Obligations or the approval by the SWRCB of the Project Funds the City desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the City; and

WHEREAS, the City has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the City for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DAVIS AS FOLLOWS:

Section 1: The City hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the SWRCB of the Project Funds.

Section 2: The reasonably expected maximum principal amount of the Project Funds is \$35.5 million.

Section 3: This Resolution is being adopted no later than 60 days after the date on which the City will expend moneys for the portion of the Project costs to be reimbursed with Project Funds.

Section 4: Each City expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

Section 5: The City, to the best of its knowledge, is not aware of the previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

Section 6: This Resolution is adopted as official intent of the City in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

Section 7: All recitals in this Resolution are true and correct and the City so finds, determines, and represents.

PASSED AND ADOPTED by the City Council of the City of Davis this 18th day of November 2014 by the following vote:

AYES:

NOES:

ABSENT:

Daniel M. Wolk
Mayor

ATTEST:

Zoe S. Mirabile, CMC
City Clerk

RESOLUTION NO. 14-XXX, SERIES 2014
RESOLUTION AUTHORIZING THE CITY MANAGER TO
PURSUE AND EXECUTE CLEAN WATER ACT STATE REVOLVING FUND
AGREEMENTS BETWEEN THE CITY OF DAVIS (CITY) AND THE
STATE WATER RESOURCES CONTROL BOARD (SWRCB)

WHEREAS, the City desires to finance the costs of planning, design and construction improvements relating to the City of Davis Local Facility Water Quality Improvement Projects Related to the Davis Woodland Water Supply Project (the "Project"); and

WHEREAS, the City has \$53.5 million in local facility water utility projects related to the Project that are eligible for SRF Financing; and

WHEREAS, securing SRF financing for these City water improvement projects with low interest financing and favorable repayment terms is a cost-effective approach for financing these eligible water utility capital projects;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DAVIS AS FOLLOWS:

Section 1: The City Manager or his designee is hereby authorized and directed to sign and file, for and on behalf of the City, a financial assistance application for the financing agreement from the State Water Resources Control Board for the planning, design, and construction of the City of Davis Local Facility Water Quality Improvement Projects Related to the Davis Woodland Water Supply Project (the "Project").

Section 2: The City Manager or his designee is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

Section 3: The City Manager or his designee is designated to represent the City in carrying out the City's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the Entity and compliance with applicable state and federal laws.

PASSED AND ADOPTED by the City Council of the City of Davis this 18th day of November 2014, by the following vote:

AYES:

NOES:

ABSENT:

Daniel M. Wolk
Mayor

ATTEST:

Zoe S. Mirabile, CMC
City Clerk