



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: OCTOBER 4, 2016
FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL

SUBJECT: AUTHORIZATION FOR APPLICATION TO THE STATE WATER RESOURCES CONTROL BOARD FOR THE WATER RECYCLING FUNDING PROGRAM FOR REDUCED RATE LOAN FINANCING OR GRANT FINANCING IN THE AMOUNT OF \$21,315,000 FOR THE JACKSON STREET RECYCLED WATER PIPELINE PROJECT PHASES I AND II – AND ADOPTION OF AUTHORIZING RESOLUTION, REIMBURSEMENT RESOLUTION, AND PLEDGED REVENUE AND FUND(S) RESOLUTION

ISSUES:

Adopt resolutions authorizing the City Manager, or his designee, to submit an application to the State Water Resources Control Board Water Recycling Funding Program, a reimbursement resolution for financing the costs of constructing the Project through a loan, and a pledged revenue and fund(s) resolution for repayment of any financing costs for constructing the Jackson Street Recycled Water Pipeline Project Phases I and II.

RECOMMENDATIONS:

That the City Council:

1. Adopt an Authorizing Resolution for the City Manager, or his designee, to sign and submit the Clean Water State Revolving Fund application for financial assistance (either a grant or a loan) for the Jackson Street Recycled Water Pipeline Project (Project), Phase I and II;
2. Adopt a reimbursement resolution for financing the costs of constructing the Project through such loan; and
3. Adopt a pledged revenue and fund(s) resolution for repayment of any financing costs for constructing the Project.

BOARD RECOMMENDATIONS:

On September 12, 2016, the Riverside Public Utilities Board with seven of eight members present, unanimously approved to forward the recommendation to the City Council to Adopt an Authorizing Resolution for the City Manager, or his designee, to sign and submit the Clean Water State Revolving Fund application for financial assistance (either a grant or a loan) for the Jackson

Street Recycled Water Pipeline Project (Project), Phase I and II; Adopt a reimbursement resolution for financing the costs of constructing the Project through such loan; and adopt a pledged revenue and fund(s) resolution for repayment of any financing costs for constructing the Project.

BACKGROUND:

On January 22, 2016, the Board of Public Utilities (Board) approved the capital expenditure of \$500,000 for the upfront costs of design and utility potholing for the Jackson Street Recycled Water Pipeline Project (Project), Phase I and II. To date, Riverside Public Utilities (RPU) staff has completed the design and potholing for the Phase I project.

In May 2016, RPU partnered with Western Municipal Water District (WMWD) to utilize their consultant for assistance to identify potential funding opportunities and submitting an application to the State Water Resources Control Board (SWRCB). The SWRCB has a Water Recycling Funding Program (WRFP), which provides financial assistance, both grant and loan opportunities, for the planning, design and construction of recycled water infrastructure projects. Grant assistance through the WRFP is highly competitive and funds are limited. Reduced rate loan financing would be available at a rate of 1.9%, which would provide a more favorable interest rate than traditional bond financing. The program is currently accepting applications on an ongoing basis.

The WRFP loan opportunities provide for a low interest rate on the borrowed funds, 1.9% for a 30-year term. Staff has evaluated and analyzed the effects of taking on this additional debt. RPU will continue to meet debt service coverage ratios. If approved by Board and City Council, the loan would replace an equal amount of future bond financing as projected in RPU's financial plan, for a much lower interest rate. In addition, the SWRCB loan would require minimal, if any, transaction fees. A restricted reserve fund would be required in the amount of one year's debt service for the full term of the agreement which is estimated to be \$740,000 initially for Phase I and subsequently increase by \$610,000 for Phase II for a total estimated reserve of \$1,350,000.

Utility 2.0 initiatives include continuing efforts to efforts to expand the existing recycled water system. The construction of the Project will offset landscape irrigation with potable water and expand the existing recycled water system, which is part of the new water supply projects identified in Utility 2.0, RPU is proposing to construct the Jackson Street Recycled Water Pipeline Project, Phases I and II (Recycled Water Project) to offset landscape irrigation with potable water.

All upfront costs spent to date for the planning and design for the Project qualify for the WRFP funding. The maximum request \$21,315,000 to cover the estimates for both Phases I and II of the Project for the planning, design, construction, administration costs, contingencies and customer conversions to recycled water.

The application process is composed of four major components:

1. General
Applicant and project specific information, including project type, assistance requested, project information, project schedules, and capital costs and funding summary.
2. Environmental
Information on the California Environmental Quality Act (CEQA) status, CEQA document,

and a general evaluation of potential impacts. This Project is exempt from CEQA; and on January 22, 2016 the Board approved the CEQA exemption.

3. Technical

Information on water rights, water conservation and Urban Water Management compliance, and additional program-related information. In 2008, the SWRCB approved the Wastewater Change Petition, which provides the water rights for this project.

4. Financial Security

Information on water billing information and project cost details. Attachments that accompany the package include audited financial statements, tax questionnaire, reimbursement resolution, authorizing resolution, rate adoption resolution, pledged revenues and fund(s) resolution, and existing related debt statement.

An adopted Reimbursement Resolution is required component of the Clean Water State Revolving Fund application. The attached resolution meets the necessary components including designation of the Authorized Representative(s) for the project, who will have the authority to sign and submit the Clean Water State Revolving Fund application materials, certify compliance with applicable state and federal laws, execute the financial assistance agreement and amendments, and certify disbursement requests. Federal law requires applicants to establish a dedicated source of revenue for repayment. The Pledged Revenues and Fund(s) Resolution will identify the pledge revenue(s) and fund(s).

FISCAL IMPACT:

There is no fiscal impact associated with the recommendation of this report at this time. Upon award of grant funding or authorization for low interest loan financing, staff will return to Board and Council for approval.

If grants and/or loan are not awarded, RPU will continue with construction of Phase I and funds will come out of the CIP budget as currently planned. Authorization for Phase I of the Jackson Street Recycled Water Pipeline will be brought before the Board for approval at the time of construction bid award. Phase II of the Jackson Street Recycled Water Pipeline and Arlington Avenue Recycled Water Pipeline Projects are currently not funded in the 5-year CIP; thus, funding details will be brought before the Board for approval at the time of construction bid award, and may also include any additional grant funding that RPU is able to secure as part of this WRFP.

Prepared by: Girish Balachandran, Utilities General Manager
Certified as to
availability of funds: Scott Miller, PhD, Chief Financial Officer/City Treasurer
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Reimbursement Resolution
2. Authorizing Resolution
3. Pledged Revenues and Fund Resolution
4. Draft Board of Public Utilities Meeting Minutes – September 12, 2016