



REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: June 16, 2009

SUBJECT: Authorization to Pursue American Recovery and Reinvestment Act (ARRA) Grant Funds through the California Safe Drinking Water State Revolving Fund

Report in brief

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law by President Obama on February 17, 2009. Among its provisions, ARRA provides approximately \$160 million to the Safe Drinking Water State Revolving Fund (SDWSRF) for infrastructure development for California's drinking water systems.

Staff recommends that the City Council adopt Resolution No. ____ authorizing the submittal of an application for American Recovery and Reinvestment Act Grant funds through the California Safe Drinking Water State Revolving Fund for the Meter Implementation Project Phase 2, Project No 09-22 in the amount of \$14 million and authorize the City Manager to execute all necessary forms on behalf of the City of Woodland.

Background

The American Recovery and Reinvestment Act of 2009 was signed into law by President Obama on February 17, 2009. Among its provisions, ARRA provides approximately \$160 million to the Safe Drinking Water State Revolving Fund (SDWSRF) for infrastructure development of California's drinking water systems. From February 1 to 27th, 2009, the California Department of Public Health (CDPH) held an open pre-application period for the ARRA funding. Over 2,200 pre-applications were received, with the funds requested exceeding \$6.8 billion.

CDPH prioritized projects in accordance with existing SDWSRF procedures, based on the health risk to be addressed by the project, median household income, population, and water system type. From the prioritized list of projects, CDPH identified the projects that were most ready to proceed to assure compliance with ARRA requirements. Based on dates identified in the pre-applications for completed plans and specifications, as well as environmental documentation, CDPH determined those projects that could be under construction by the end of August 2009.

Because the funds requested far exceed the funds available, the selection of projects is highly competitive and CDPH has established the following criteria for all invited applicants:

- Applicants must submit completed plans and specifications within 7 calendar days of receipt of funding invitation from CDPH
- Applicant must submit completed CEQA environmental documentation within 7 calendar days of receipt of funding invitation from CDPH
- Applicants must submit complete application within 60 calendar days of receipt of funding invitation from CDPH
- Project must start construction within 60 days of executed funding agreement
- All projects must start construction by 2/1/10

Discussion

The City has applied for this grant towards the implementation of the Meter Project Phase 2. This is aimed at complying with the requirement of Assembly Bill 2572. AB 2572 requires the City to install water meters on all municipal and industrial water service connections that are located in its service area by January 1, 2025. Water connections that are already metered and those connected after 1991 are to be billed volumetrically by January 1, 2010. All other customers are to be billed on a consumptive basis by January 1, 2025. Moreover, the bill also authorizes urban water suppliers to recover the cost of providing services related to the purchase, installation, and operation of a water meter from rates, fees, or charges.

At the direction of the Council, City staff has divided the City-wide metering project into two phases: as indicated below:

- Phase 1: This phase consists of houses that are already metered, houses built after January 1st 1992, all commercial accounts, and all City owned facilities. The tasks in this part of the project include the inspection of all existing commercial and residential water meters. It also includes the installation of automatic meter reading system devices that will be able to collect meter usage data City-wide. In addition, transmitters will be placed on all of the existing meters. The transmitters will collect data from the meters and transfer them to the communication network which will then supply that information to the billing system in Finance.
- Phase 2: This phase includes the installation and calibration of new meters as well as transmitters on all other properties in the City not included in Phase 1 above. This grant application is for the entire phase. A total of approximately 10,000 meters and transmitters are expected to be installed in this phase of the project. This will require a City's cost participation of approximately \$0.5 million due to non grant-covered expenses.

Phase 2 portion of this project was formally scheduled to be implemented in 2016, however if the grant application in the amount of \$14 million is approved by CDPH, Phase 2 will be completed by 2011, five years ahead of schedule and fourteen years ahead of the state mandated deadline of 2025.

The early completion time frame will allow the City to take advantage of improved water conservation that occurs with consumption based meter billing. This is important since this would likely result in 15% reduction in water demand flow rates and reduce our Capital Improvement Plan for drilling replacement water wells. In addition, early completion of meter installation will reduce the dual-rate problems that come from some properties being charged by water volume (metered) and some being on flat rates. By the end of the project all water customers will participate in a single rate structure. Water usage and costs will then be standardized throughout the City.

Applicants are expected to submit the required resolution adopted by their governing entity by June 21, 2009. The application can be withdrawn if Council does not approve the grant application and/or the matching funds.

Fiscal Impact

If the City Council adopts the proposed resolution and all other grant application conditions are met which lead to the award of the \$14 million, the City will receive \$7 million as a straight forward grant and \$7 million as a 20 year loan at 2.5% interest. The infusion of the \$14 million will cover over 70% of the total \$19.7 million included for Meter Implementation within the 10-year CIP. These funds would have an extremely favorable impact on cash flow within the Water Enterprise Fund, even with the relatively minor financing costs associated with the \$7 million loan at 2.5% interest. In addition, the grant will also provide staff with the ability to bid the Phase 2 Meter Implementation in the present favorable construction environment which could reduce the project costs.

All of these factors could have a favorable impact on future water rates. However, staff would need more time to analyze this issue before providing a definitive statement regarding rates to the City Council.

Public Contact

An issue of the “Woodland Water News” prepared by the Utilities Engineering Branch that is distributed to City water customers in their utility bills bimonthly and the posting of the City Council Agenda has been a source of public communication.

Alternative Courses of Action

1. Adopt Resolution No. ____ authorizing the submittal of an application for American Recovery and Reinvestment Act Grant funds through the California Safe Drinking Water State Revolving Fund for the Meter Implementation Project Phase 2, Project No 08-08 in the amount of \$14 million and authorize the City Manager to execute all necessary forms on behalf of the City of Woodland.
2. Cease further consideration of providing the grant application as described herein.

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ITEM:

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

Prepared by: Doug Baxter
Principal Civil Engineer

Reviewed by: Greg Meyer
Director of Public Works

Mark G. Deven
City Manager

Attachment: Resolution

CITY OF WOODLAND

RESOLUTION _____

WHEREAS, the City of Woodland has the authority to construct, operate, and maintain the City's water system; and

WHEREAS, the City of Woodland desires to enhance the provision and protection of the drinking water supplied to the consumers of the City's water system

THEREFORE, BE IT RESOLVED by the City Council of the City of Woodland that, pursuant and subject to all of the terms and provisions of the American Recovery and Reinvestment Act (ARRA) and amendments thereto, application be made to the State of California Department of Public Health for funding; and

BE IT FURTHER RESOLVED that the City Manager of said City of Woodland is hereby authorized and directed to cause the necessary data to be prepared and application to be signed and filed with the State of California Department of Public Health.

Passed and adopted at a regular meeting of the City Council of the City of Woodland in regard to the City's water system on the _____ day of _____, 2009, by the following vote:

Ayes:

Noes:

Abstain:

Absent:

By: _____
Mark G. Deven, City Manager
City of Woodland

ATTEST:

Susan L. Vannucci, Director of
Administrative Services/City Clerk
City of Woodland