



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: July 21, 2009

SUBJECT: Authorize City Manager to Execute Funding Agreement Under the California Safe Drinking Water State Revolving Fund for the American Recovery and Reinvestment Act of 2009 Grant Funding

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 City Manager to execute the funding agreement for the American Recovery and Reinvestment Act Grant funds through the California Safe Drinking Water State Revolving Fund in the amount of \$14.839 million and authorize City staff to execute budget and expenditure summary, sign contractor's release form and sign certificate of project completion for the Meter Implementation Project Phase 2, ARRA Project No. 5710006-003, CIP 09-22.

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 February 1, 2010

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 \$14.839 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 the 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 July 31, 2009. The application can be withdrawn if Council does not approve the grant application and/or the matching funds.

Fiscal Impact

The grant will provide funds in the amount of \$14,839,000 of which \$7,419,500 million would be state loan and \$7,419,500 million will be provided as additional subsidization in form of principle forgiveness. This grant funding will save the City's rate payer \$4.28 every month for a period of 20 years in future expenses which is equivalent to a total cash savings of \$14.4 million during this time period.

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.

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ITEM:

Recommendation for Action

Staff recommends that the City Council adopt Resolution No. ____, authorizing the City Manager to execute funding agreement for the American Recovery and Reinvestment Act Grant funds through the California Safe Drinking Water State Revolving Fund in the amount of \$14.839 million and authorize City staff to execute budget and expenditure summary, sign contractor's release form and sign certificate of project completion for the Meter Implementation Project Phase 2, Project No 5710006-003, CIP 09-22.

Prepared by: Akin Okupe
Senior Civil Engineer

Prepared by: Doug Baxter
Principal Civil Engineer

Reviewed by: Greg Meyer
Director of Public Works

Mark G. Deven
City Manager

Attachment: Resolution

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND AUTHORIZING
CITY MANAGER MARK DEVEN TO SIGN FUNDING A AGREEMENT
AND AMENDMENTS FOR FUNDING UNDER THE CALIFORNIA
SAFE DRINKING WATER STATE REVOLVING FUND AND THE
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 AND ALL
CERTIFICATIONS AND REPORTS REQUIRED FOR SUCH FUNDING; TO
APPROVE CLAIMS FOR REIMBURSEMENT; AND**

**AUTHORIZING SENIOR CIVIL ENGINEER AKIN OKUPE, P.E., TO EXECUTE
THE BUDGET AND EXPENDITURE SUMMARY; TO SIGN THE CONTRACTOR'S
RELEASE FORM AND THE CERTIFICATION OF PROJECT COMPLETION; AND**

**DEDICATING REVENUES FROM WATER ENTERPRISE
FUND AS THE SOURCE OF REVENUE TO REPAY SAID LOAN.**

WHEREAS, on June 16, 2009, the City Of Woodland made application to the California Department of Public Health for funding under the California Safe Drinking Water State Revolving Fund (CSDWSRF) and the federal American Recovery and Reinvestment Act of 2009 (ARRA) for a project commonly known and described as Water Meter Project Phase II (Project); and,

WHEREAS, on June 16, 2009, said the City Council of the City of Woodland adopted a Project budget totaling \$14,839,000; and,

WHEREAS, it is anticipated that the Funding Agreement under the CSDWSRF and the federal ARRA will provide for a loan in the amount of \$14,839,000, of which the State will provide additional subsidization in the form of 50% forgiveness of principal, and 50%, or \$7,419,500, shall be repaid to the California Department of Public Health over a 20 year repayment period at a 2.5017 percent interest rate.

WHEREAS, prior to the California Department of Public Health's issuance of said Funding Agreement, the City Council of the City of Woodland is required to pass a Resolution designating a dedicated source of revenue to repay the non-subsidized principle amount of said loan (if any); authorizing an officer to execute said Funding Agreement and amendments, to execute all certifications and reports required of funding recipients under the CSDWSRF and the federal ARRA; designating a person to approve claims for reimbursement, designating a registered engineer to sign the Budget and Expenditure Summary, and to Certification of Project Completion; and to designate a person to sign the Contractor's Release Form.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED, that City Manager Mark Deven is hereby authorized to sign the CSDWSRF and ARRA Funding Agreement and any amendments thereto; and

BE IT FURTHER RESOLVED AND ORDERED, that City Manager Deven is hereby authorized to sign all certifications and reports required of funding recipients under the CSDWSRF program and/or the federal ARRA; and,

BE IT FURTHER RESOLVED AND ORDERED, that City Manager Deven is hereby authorized to approve Claims for Reimbursement of project costs submitted pursuant to the terms of said funding agreement; and

BE IT FURTHER RESOLVED AND ORDERED, that Senior Civil Engineer Okupe is hereby authorized to execute the Budget and Expenditure Summary for said project; and

BE IT FURTHER RESOLVED AND ORDERED, that Engineer Okupe is hereby authorized to sign the Contractor's Release Form to be provided pursuant to requirements of said funding agreement; and

BE IT FURTHER RESOLVED AND ORDERED, that Engineer Okupe hereby authorized to certify that the project is complete and ready for final inspection; and

BE IT FURTHER RESOLVED AND ORDERED, that the City Council of the City of Woodland hereby designates Water Enterprise Fund revenues as the dedicated source of revenue to repay any non-subsidized loan principle amount of the CSDWSRF loan. This dedication shall remain in full force and effect until said loan is fully discharged, unless modification or change of such dedication is approved in writing by the California Department of Public Health. If for any reason, the dedicated source of revenues proves insufficient to satisfy the debt obligation of said loan, sufficient funds shall be raised through increased water rates, user charges, or assessments or any other legal means available to meet this loan obligation and to operate and maintain the project; and

BE IT FURTHER RESOLVED AND ORDERED, that the project infrastructure investment is an appropriate use of taxpayer dollars.

Passed and adopted by the City Council of the City of Woodland on July 21, 2009, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Marlin H. Davies, Mayor

ATTEST:

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