

AGENDA ITEM NO. 1 F

COUNCIL MEETING 04/24/14

APPROVED BY

DEPARTMENT DIRECTOR

CITY MANAGER

April 24, 2014

**FROM:** STEPHEN A. HOGG, Assistant Director  
Department of Public Utilities – Wastewater Management Division

**BY:** KEVIN L. NORGAARD, PE, Supervising Professional Engineer  
Department of Public Utilities – Wastewater Management Division

**SUBJECT:** Actions pertaining to the Recycled Water Distribution System, Southwest Quadrant Project SW1A State Revolving Fund Loan documents (Council District 3 and portions of Fresno County)

1. Adopt a resolution to authorize the Director of Public Utilities to sign a financing application for a financing agreement with the California State Water Resources Control Board
2. Adopt a resolution to finance the cost of improvements relating to the Recycled Water Distribution System, Southwest Quadrant SW1A project
3. Adopt a resolution to pledge revenues and funds to satisfy repayment obligations for the financing agreement of the Recycled Water Distribution System, Southwest Quadrant Project SW1A

## RECOMMENDATIONS

Staff recommends that City Council:

1. Adopt a resolution authorizing the Director of Public Utilities to sign a financing application for a financing agreement with the California State Water Resources Control Board (CSWRCB).
2. Adopt a resolution to finance the cost of improvements relating to the Recycled Water Distribution System, Southwest Quadrant SW1A project.
3. Adopt a resolution to pledge revenues and funds to satisfy repayment obligations for the financing agreement of the Recycled Water Distribution System, Southwest Quadrant Project SW1A.

## EXECUTIVE SUMMARY

The Department of Public Utilities (DPU) Wastewater Management Division is seeking the adoption of these three resolutions necessary to apply for an extremely low interest State Revolving Fund (SRF) loan, as managed by the CSWRCB, for the financing of the Recycled Water Distribution system,

Southwest Quadrant project SW1A. The amount to be financed is approximately \$11.7 million dollars. Utilizing the SRF loan will allow the Division to postpone any additional issuance of bonds to finance future capital improvement projects for at least five years.

## **BACKGROUND**

In July 2013, the City entered into a consultant services agreement with Blair Church & Flynn Consulting Engineers, for the design of the Recycled Water Distribution System, Southwest Quadrant SW1A, starting at the Fresno/Clovis Regional Wastewater Reclamation Facility. Design documents for the project are nearing completion.

The Recycled Water Distribution System SW1A will consist of 3.2 miles of recycled water distribution main pipe, ranging in size from 52" to 48". This project is the first of five phases which will bring recycled water from the Fresno/Clovis Regional Wastewater Reclamation Facility into the Southwest side of Downtown Fresno. The amount to be financed is approximately \$11.7 million. The Wastewater Management Division staff recommends financing the project with a low interest rate SRF loan from the CSWRCB. The project was originally budgeted in FY2014 to be paid for with Sewer Enterprise Funds. Securing this 30 year loan will enable the Division to perform much needed Capital Improvement Projects as originally scheduled while postponing any additional bond issuance for at least five years. The interest rate for the SRF loan is approximately 0.5-1.0 percent and is much lower than the current traditional bond rates.

The CSWRCB requires the adoption of three resolutions prior to entering into a financing agreement. The first is designating the DPU Director as the authority to apply for the SRF loan. The second is to approve the financing of the project with the CSWRCB. Lastly, the third resolution is to pledge funds to repay the loan.

The funds pledged for the repayment will be from the Sewer Enterprise fund and are intended to be used for funding capital improvement projects or future bond debt service. The annual debt service payment of this SRF loan will be approximately \$117,000 annually for thirty years. The additional debt service will not jeopardize required debt coverage ratios.

The three proposed resolutions have been reviewed and "Approved as to Form" by the City Attorney's Office. Upon approval by the City Council, the resolutions will be executed by the Director of Public Utilities or his designee, who has been delegated this authority by the City Manager.

## **ENVIRONMENTAL FINDINGS**

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 the approval of these resolutions do not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

**REPORT TO THE CITY COUNCIL**

Recycled Water Distribution SW1A SRF Loan Resolutions

April 24, 2014

Page 3

**LOCAL PREFERENCE**

Not applicable due to State and Federal money.

**FISCAL IMPACT**

The actual fiscal impact of adopting these resolutions is zero. However, the projected fiscal impact of the project once the construction contract is awarded is a debt service payment of \$454,000 annually for a period of 30 years. The funds for the repayment will be from the Sewer Enterprise fund and will have no impact on the General Fund. There will be no impact to the General fund because all the debt service payments will be made with Sewer Enterprise fund revenue. This loan will help postpone the need for future rate payer increases. This project is located in Council District 3 and portions of Fresno County.

Attachments:

- Resolution Authorizing Director DPU to Apply for SRF Loan
- Resolution Approving the Financing of the Project
- Resolution Pledging Funds to Repay Loan

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RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA, TO AUTHORIZE THE DIRECTOR OF PUBLIC UTILITIES TO SIGN A FINANCING APPLICATION FOR A FINANCIAL ASSISTANCE AGREEMENT WITH THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD FOR THE RECYCLED WATER DISTRIBUTION SYSTEM, SOUTHWEST QUADRANT, PROJECT SWIA

WHEREAS, the City of Fresno (the "City") desires to finance the cost of constructing certain public facilities and improvements relating to its Recycled Water Distribution System, Southwest Quadrant, Project SWIA, including pipelines and other infrastructure (the "Project"); and

WHEREAS, the City intends to finance the construction of the Project or portions of the Project with moneys ("Project Funds") 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 Council of the City of Fresno as follows:

1. The Director of Public Utilities (the "Authorized Representative") or designee is hereby authorized and directed to sign and file, for and on behalf of the City, a financial assistance application for a financial assistance agreement from the State Water Board for the planning, design, and construction of Recycled Water Distribution System, Southwest Quadrant, Project SWIA.

2. This Authorized Representative, or designee, is designated to provide the assurances, certifications, and commitments required for the financial assistance application.

Date Adopted:

Date Approved:

Effective Date:

City Attorney Approval: BC

Resolution No. \_\_\_\_\_

including executing a financial assistance agreement from the State Water Board and any amendments or changes thereto.

3. The Authorized Representative, or his designee, is designated to represent the City in carrying out the City's responsibilities under the financial assistance agreement, including certifying disbursement requests on behalf of the City and compliance with applicable state and federal laws.

\* \* \* \* \*

STATE OF CALIFORNIA )  
COUNTY OF FRESNO ) ss.  
CITY OF FRESNO )

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the \_\_\_\_\_ day of \_\_\_\_\_, 2014.

AYES :  
NOES :  
ABSENT :  
ABSTAIN :

Mayor Approval: \_\_\_\_\_, 2014  
Mayor Approval/No Return: \_\_\_\_\_, 2014  
Mayor Veto: \_\_\_\_\_, 2014  
Council Override Vote: \_\_\_\_\_, 2014

YVONNE SPENCE, CMC  
City Clerk

BY: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:  
CITY ATTORNEY'S OFFICE

BY: \_\_\_\_\_  
Brandon M. Collet, Deputy Date

BMC:prm [64147pm/reso] 03-11-14

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA, TO FINANCE THE COST OF IMPROVEMENTS RELATING TO WATER AND WASTEWATER SYSTEMS THROUGH THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD FOR THE RECYCLED WATER DISTRIBUTION SYSTEM, SOUTHWEST QUADRANT, PROJECT SW1A

WHEREAS, the City of Fresno (the "City") desires to finance the cost of constructing certain public facilities and improvements relating to its Recycled Water Distribution System, Southwest Quadrant, Project SW1A, including certain treatment facilities, pipelines and other infrastructure (the "Project");

WHEREAS, the City intends to finance the construction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board ("State Water Board");

WHEREAS, the State Water Board 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");

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the City desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from Sewer Enterprise revenues 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.

Date Adopted:  
Date Approved:  
Effective Date:  
City Attorney Approval: BE

Resolution No. \_\_\_\_\_

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Fresno 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 State Water Board of the Project Funds.

SECTION 2. The reasonably expected maximum principal amount of the Project Fund is \$11,700,000.

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. To the best of our knowledge, the City 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 the recitals in this Resolution are true and correct and this City so finds, determines and represents.

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STATE OF CALIFORNIA )  
COUNTY OF FRESNO ) ss.  
CITY OF FRESNO )

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YVONNE SPENCE, CMC  
City Clerk

BY: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:  
CITY ATTORNEY'S OFFICE

BY: \_\_\_\_\_  
Brandon M. Collet, Deputy Date

BMC:prn [64149prn/reso] 04-03-14

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RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA, TO PLEDGE REVENUES AND FUND(S) TO SATISFY REPAYMENT OBLIGATIONS FOR THE FINANCIAL ASSISTANCE AGREEMENT WITH THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD FOR THE RECYCLED WATER DISTRIBUTION SYSTEM, SOUTHWEST QUADRANT, PROJECT SW1A

WHEREAS, the City of Fresno (the "City") desires to finance the cost of constructing certain public facilities and improvements relating to its Recycled Water Distribution System, Southwest Quadrant, Project SW1A, including certain treatment facilities, pipelines and other infrastructure (the "Project");

WHEREAS, the City intends to finance the construction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board ("State Water Board"); and

WHEREAS, the City shall designate and maintain funding sources for its repayment obligation under the financial assistance agreement with the State Water Board.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Fresno as follows:

1. The City hereby dedicates and pledges Sewer Enterprise revenues collected through rate payers to payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for Recycled Water Distribution System, Southwest Quadrant, Project SW1A. The City commits to collecting such revenues and maintaining such fund(s) throughout the term of such 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 financial assistance agreement(s) are outstanding, the City's pledge hereunder shall constitute a

lien in favor of the State Water Board on the foregoing fund(s) and revenue(s) without any further action necessary. So long as the financial assistance agreement(s) are outstanding, the City commits to maintaining the fund(s) and revenue(s) at levels sufficient to meet its obligations under the financial assistance agreement(s).

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STATE OF CALIFORNIA )  
COUNTY OF FRESNO ) ss.  
CITY OF FRESNO )

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Deputy

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CITY ATTORNEY'S OFFICE

BY: \_\_\_\_\_  
Brandon M. Collet, Deputy Date