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MEMORANDUM 09-117

TO: Walt Wrede, City Manager W. Wrede

FROM: Carey Meyer, Public Works Director CM

DATE: May 6, 2009

RE: **Water/Sewer Economic Stimulus Projects**
Project Status and Request for Direction

The Public Works Department submitted six projects for Clean Water and Drinking Water economic stimulus funding (three under Clean Water and three under Drinking Water). A Clean Water and a Drinking Water project is proceeding (Sweeper Purchase and Midhill PRV Station Stairway) because they could be under contract by June 17, 2009. 100% of the loans for these two projects will be forgiven.

Clean Water Projects	Cost
Sweeper Purchase	$100,000
Sanitary Sewer Rehabilitation	$1,800,000
Sewer Plant Bio-solids Treatment Improvement	$5,245,000

The remaining two Clean Water projects and the two remaining Drinking Water Projects may be eligible for funding (with 90% of the loan forgiven), if they can be under contract by February 17, 2010. The City is eligible to receive up to $2M in Clean Water and $2M in Drinking Water loan forgiveness stimulus funding, but no more than $2.5M in combined Clean/Drinking Water forgiveness loan funding. Additional funding beyond the above forgiveness loan limits would be through a 1.5% Clean Water loan (no forgiveness).

Drinking Water Projects	Cost
Midhill PRV Station Stairs	$190,000
Water Storage /Distribution Improvements	$3,900,000
PRV Station Replacements	$500,000

The City needs a strategy for capturing as much loan forgiveness funding as we can; and minimize the commitment to any non-forgiveness loan funding that we may not be able to afford.

Scenario #1 – Complete All Projects: The City would utilize $2.5M in loan forgiveness funding and enter into non-forgivable loan agreements totaling roughly $9.5M at 1.5% interest, paid over 20 years (annual payments of approx. $550,000 a year).

Scenario #2 – Complete Only Projects That Maximize Use of Forgiveness Loans: The City would complete the $1.8M Sanitary Sewer Rehabilitation (Clean Water) project and the $500,000 PRV Station Replacement (Drinking Water) project; utilizing $2.5M in loan forgiveness funding and entering into non-forgiveness loan agreements totaling roughly $230,000 at 1.5% interest, paid over 20 years (annual payments of approx. $30,000 a year).

Scenario #3 – You Pick: Pick the $3.9M Water Storage/Distribution Improvements and utilize $2.5M in loan forgiveness funding and enter into a non-forgivable loan agreement totaling roughly $2M at 1.5% interest, paid over 20 years (annual payments of approx. $120,000 a year). Pick the $5.3M Sewer Plant Bio-Solids Treatment Improvement project and utilize $2.5M in loan forgiveness funding and enter into a non-forgivable loan agreement totaling roughly $3.6M at 1.5% interest, paid over 20 years (annual payments of approx. $400,000 a year).

	Forgiveness Loan Amount	Non-Forgiveness Loan Amount	Annual Payment
Scenario #1 - Complete All Projects	$2,500,000	$9,500,000	$550,000
Scenario #2 - Maximize Forgiveness Loans	$2,500,000	$230,000	$30,000
Scenario #3 - You Pick (Water Storage)	$2,500,000	$2,000,000	$120,000
You Pick (Sewer Plant Bio-Solids)	$2,500,000	$3,600,000	$400,000

Recommendation: The Council should support moving forward with Scenario #2.

Advantages:

1) This will capture all available water/sewer economic stimulus loan forgiveness funding.
2) This will protect the HAWSP fund from further significant expenditures.
3) Projects focus on fixing existing infrastructure.
4) City staff project management needs are minimized.

Disadvantages:

1) Larger projects not funded, no new water and sewer system infrastructure completed.
2) Sewer treatment plant will continue to violate NPDES discharge permit conditions during wet weather.
3) Water system will not see efficiencies and operational improvements that would result from new tank and water main extensions.