



TO: Mayor and City Council
FROM: William A. Gaines, Director of Utilities/CEO
COPY: T. C. Broadnax, City Manager and City Clerk
SUBJECT: Resolution – Approve acceptance of a Drinking Water State Revolving Fund Loan (2014 Cycle) for the Green River Filtration Facility – June 23, 2015
DATE: May 29, 2015

SUMMARY:

Tacoma Water is requesting City Council approval to accept a 2014 Cycle Drinking Water State Revolving Fund (DWSRF) Loan for the Green River Filtration Facility project in the amount of \$12,120,000.

STRATEGIC POLICY PRIORITY:

The Green River Filtration Facility project is necessary to comply with Cryptosporidium treatment requirements of the federal Long Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR). By accepting additional low interest loan funds for the Green River Filtration Facility project, Tacoma Water will be able to minimize the rate impacts for our customers and ratepayers.

- Strengthen and support a safe city with healthy residents.
- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

On May 25, 2010 the City Council passed Ordinance 27887 approving the Public Utility Board's selection of filtration treatment for the Green River supply. The Green River Filtration Facility recently reached substantial completion with final completion anticipated by the end of 2015.

The State Department of Health has a low interest loan program through the Drinking Water State Revolving Fund for qualifying public water system projects, administered by the Washington Public Works Board. For the 2014 cycle, Tacoma Water has been selected for a construction loan in the amount of \$12,120,000. The interest rate is 1.5 percent, the term is 20 years, and there is a one percent loan fee. The loan fee accounts for \$120,000 of the total \$12,120,000 for which approval is sought.

The Green River Filtration Facility project has been funded from a variety of sources including bond funds, low interest loans, and contributions from project partners Covington Water District, City of Kent, and Lakehaven Utility District. Including this agreement, Tacoma Water has been awarded \$67M in low interest loans for this project. The Public Utility Board is scheduled to consider acceptance of this loan agreement at the June 10, 2015 meeting.

ISSUE:

Although sufficient funding is secured for completion of the Green River Filtration Facility, additional low interest loans will allow Tacoma Water to reduce repayment costs for our customers and ratepayers, as well as allow previous bond funds to be used for other projects.

ALTERNATIVES:

Failure to approve acceptance of this loan agreement will result in Tacoma Water using bond funds for completion of the Green River Filtration Facility project. This will result in increased repayment costs to



the customers and ratepayers of Tacoma Water. The estimated increase in repayment costs from not approving loan acceptance would be \$2.9M over the 20 year term of the loan.

RECOMMENDATION:

Tacoma Water recommends the City Council approve acceptance of this low interest loan agreement for the Green River Filtration Facility project.



FISCAL IMPACT:

Acceptance of this loan represents an offsetting Expenditure and Revenue.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Tacoma Water – 4600	581100	6611000	12,120,000
TOTAL			12,120,000

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Tacoma Water – 4600	581100	See Notes	12,120,000
TOTAL			12,120,000

Notes: New account to be set up by fund accountant

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: In the current biennial budget (2015-16), this loan will provide funding for the Green River Filtration Facility, and repayment of the loan is anticipated to begin on October 1, 2015 with the first annual loan payment. The annual loan payments in 2015 and 2016 will be approximately \$706,000 respectively, for a total biennial expenditure of approximately \$1,412,000.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

N/A