



● **Board of Directors**
Engineering and Operations Committee

5/13/2014 Board Meeting

7-3

Subject

Adopt resolutions supporting Metropolitan's application for low-interest financing and acceptance of low-interest financing from the Safe Drinking Water State Revolving Fund; and authorize agreement with TSG Enterprises, Inc. to administer a funding agreement compliance program

Executive Summary

Metropolitan has been invited by the California Department of Public Health (CDPH) to apply for low-interest financing from the Safe Drinking Water State Revolving Fund (SRF) for a project at the Henry J. Mills Water Treatment Plant, and to accept SRF low-interest financing for a project at the F. E. Weymouth Water Treatment Plant. This action authorizes the General Manager to apply for and accept the SRF funding on Metropolitan's behalf.

Details

The SRF, which was created under the 1996 Amendments to the Safe Drinking Water Act, has been authorized to provide long-term financing for qualifying projects at an annual interest rate of 2.085 percent. This rate is approximately 92 basis points less than Metropolitan's currently available, equivalent long-term borrowing rate of 3.00 percent. The SRF will fund up to \$20 million for any single project, with a limit of \$30 million per utility for multiple projects. However, the funding limitations do not apply during June, which is the month preceding the federal deadline for obligation of funds to applicants from a federal funding application. In addition, an applicant may be awarded a loan up to the full project cost, subject to the availability of funds and the applicant's ability to repay the loan.

Application for SRF Financing

Staff intends to apply for approximately \$3 million from the SRF to finance bromate control improvements at the Mills plant which will enhance compliance with the U. S. Environmental Protection Agency's Disinfectants/Disinfection By-Products (D/DBP) Rule. Bromate can be formed as a DBP when waters containing bromide, such as Metropolitan's State Water Project supplies, undergo ozonation. In February 2013, Metropolitan's Board authorized final design of enhanced bromate control improvements at the Mills plant. These improvements include modification of the existing aqueous ammonia tank farm and ammonia injection system at the plant's inlet. In addition, two new chlorine gas lines and diaphragm valves will be added, the chlorine ejectors will be modified, and the chlorine diffuser at the plant's inlet will be relocated. The work will also include modifications to the plant's control system, instrumentation, chemical trenches, and chemical leak detection systems. Final design is presently approximately 30 percent complete.

This action adopts a resolution authorizing the General Manager to apply for SRF financing for the Mills enhanced bromate control project. The loan application must be accompanied by a resolution ([Attachment 1](#)) authorizing Metropolitan's designated representative to apply for the financing.

Acceptance of SRF Financing

In 2013, staff submitted a complete application to the CDPH for low-interest financing of a project at the Weymouth plant. The application was subsequently approved by the state.

Staff applied for approximately \$11 million from the SRF to finance improvements at the Weymouth plant which will enhance compliance with the D/DBP Rule following completion of the Weymouth ozonation facilities. These improvements will include: (1) a new aqueous ammonia tank farm and upgrades to the chlorine system to enhance bromate control using chloramines introduced upstream of the ozone contactors; and (2) a new sodium hypochlorite facility to chlorinate filter backwash water to control filter biomass build-up and to prevent excessive pressure drop through the filters. Award of a construction contract is planned for early 2015.

Staff requests authorization to accept the low-interest loan. A resolution by Metropolitan's Board is required by the CDPH in order to formalize Metropolitan's acceptance of the SRF funding for the Weymouth plant project. Adoption of the resolution (**Attachment 2**) is required in order to execute the SRF loan funding agreement.

This action delegates authority to the General Manager to execute the SRF loan agreement with CDPH. Once executed, staff will submit claims to CDPH for disbursement of loan amounts for eligible costs. Repayment of the principal loan amount and interest will occur over a 20-year period. Before any final commitment of resources is made via execution of an SRF contract or otherwise, Metropolitan will complete any required analysis pursuant to the California Environmental Quality Act.

Agreement for Funding Agreement Compliance Program — TSG Enterprises, Inc. (No Funds Required)

Metropolitan's acceptance of the SRF loans will require implementation of a funding agreement compliance program. These programs are intended to monitor compliance with the agreement on SRF-financed projects, including the construction contractors' compliance with labor laws. By statute, an approved compliance program is required on projects that receive funds through Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006). Because the CDPH's matching funds for the SRF will come from Proposition 84, Metropolitan must implement a compliance program for SRF-financed projects until the Proposition 84 funds are exhausted.

Metropolitan's compliance program was previously developed, administered, and staffed by TSG Enterprises, Inc. for Metropolitan's Proposition 50 grant-funded projects. TSG Enterprises, Inc. recently monitored certified payrolls to insure prevailing wage compliance for the Proposition 50 grant-funded Weymouth Power System Upgrades project, which contained over \$25 million of construction. Staff recommends that TSG Enterprises, Inc. provide continuing compliance program services to Metropolitan for SRF-financed projects which require use of this program. TSG Enterprises, Inc. (dba The Solis Group) was selected through a competitive process via Request for Qualifications No. 902. TSG Enterprises, Inc. is a registered Small Business Enterprise (SBE) firm, and thus achieves 100 percent SBE participation.

This action authorizes a professional services agreement with TSG Enterprises, Inc., in an amount not to exceed \$150,000, to perform funding agreement compliance monitoring for SRF-financed projects. No funds are required at this time for the services included under this agreement. Funds for compliance program administration are planned to be appropriated in the future when the construction contracts for the two projects are awarded by Metropolitan's Board.

Policy

Source Water Quality Protection adopted on February 10, 1998

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Before any final commitment of resources is made via execution of an SRF contract or otherwise, Metropolitan will complete any required analysis pursuant to CEQA.

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the action is not subject to CEQA, and

- a. Adopt a Board resolution authorizing the General Manager to apply for Safe Drinking Water State Revolving Fund low-interest financing for enhanced bromate control at the Mills plant;
- b. Adopt a Board resolution authorizing a funding agreement with the California Department of Public Health for Safe Drinking Water State Revolving Fund low-interest financing for enhanced bromate control and filter biomass control at the Weymouth plant; and
- c. Authorize agreement with TSG Enterprises, Inc. in an amount not to exceed \$150,000 to administer a funding agreement compliance program.

Fiscal Impact: Up to \$1.5 million of potential long-term savings

Business Analysis: Based on the 2.085 percent interest rate of the State Revolving Fund loan versus Metropolitan's currently available, equivalent long-term rate of 3.00 percent, the total savings are estimated to be approximately \$1.5 million over the 20-year repayment period of the anticipated loans.

Option #2

Do not apply for and do not accept Safe Drinking Water State Revolving Fund financing for the two projects.

Fiscal Impact: None

Business Analysis: Metropolitan would forgo an opportunity to receive low-interest financing.

Staff Recommendation

Option #1



Gordon Johnson
Manager/Chief Engineer
Engineering Services

4/21/2014
Date



Jeffrey Lightinger
General Manager

4/29/2014
Date

Attachment 1 – Resolution Supporting Safe Drinking Water State Revolving Fund Application

Attachment 2 – Resolution Supporting Safe Drinking Water State Revolving Fund Acceptance

Ref# es12629424

Resolution Supporting Safe Drinking Water State Revolving Fund Application

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUTHORIZING SUBMITTAL OF APPLICATION FOR STATE REVOLVING FUND FUNDING
FROM THE CALIFORNIA DEPARTMENT OF PUBLIC HEALTH
FOR THE
MILLS ENHANCED BROMATE CONTROL PROJECT

WHEREAS, The Metropolitan Water District of Southern California has the authority to construct, operate, and maintain drinking water treatment facilities and distribute water supplies to its member agencies; and

WHEREAS, The Metropolitan Water District of Southern California desires to enhance the provision and protection of the drinking water supplied to the consumers of its 26 member agencies;

THEREFORE BE IT RESOLVED by The Metropolitan Water District of Southern California, pursuant and subject to all of the terms and provisions of the Safe Drinking Water State Revolving Fund (“SRF”) program, that application be made to the State of California Department of Public Health for SRF funding for the Henry J. Mills Water Treatment Plant enhanced bromate control project; and

BE IT FURTHER RESOLVED that the General Manager of The Metropolitan Water District of Southern California 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.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of the resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held May 13, 2014.

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California

Resolution Supporting Safe Drinking Water State Revolving Fund Acceptance

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUTHORIZING EXECUTION OF STATE REVOLVING FUND AGREEMENT AND
PLEDGING FUNDS FOR REPAYMENT FOR THE
WEYMOUTH ENHANCED BROMATE CONTROL / FILTER BIOMASS CONTROL PROJECT

WHEREAS, on August 20, 2013, the Board of Directors of The Metropolitan Water District of Southern California authorized the General Manager to submit an application for a low-interest loan from the State of California under the California Safe Drinking Water State Revolving Fund to finance the F. E. Weymouth Water Treatment Plant enhanced bromate control / filter biomass control project (the "Project"); and

WHEREAS, the General Manager subsequently made application to the California Department of Public Health for funding under the California Safe Drinking Water State Revolving Fund for the Project; and

WHEREAS, on April 8, 2014, The Metropolitan Water District of Southern California Board of Directors adopted the Project's budget totaling more than \$11 million; and

WHEREAS, it is anticipated that the funding agreement under the California Safe Drinking Water State Revolving Fund will provide for a loan in the amount of \$11 million for the Project, and \$11 million shall be repaid to the California Department of Public Health over a 20-year repayment period at a 2.085 percent interest rate (the "Funding Agreement"); and

WHEREAS, the remaining project costs are to be funded through proceeds from revenue bonds and/or replacement and refurbishment funds; and

WHEREAS, prior to the California Department of Public Health's issuance of the Funding Agreement, The Metropolitan Water District of Southern California Board of Directors is required to pass a resolution authorizing a dedicated source of revenue to repay the loan, authorizing an officer to execute the Funding Agreement and amendments, authorizing an officer to execute all certifications and reports required of funding recipients under the California Safe Drinking Water State Revolving Fund, designating a person to approve claims for disbursement, designating a person (registered engineer) to sign the Budget and Expenditure Summaries, designating a person to sign the Contractors' Release Form, and designating a person (registered engineer) to sign the Certification of Project Completion.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED, that the General Manager is hereby authorized to sign the Safe Drinking Water State Revolving Fund program Funding Agreement and any amendments thereto; and

BE IT FURTHER RESOLVED AND ORDERED, that the Chief Engineer, as designated by the General Manager, is hereby authorized to sign all certifications and reports required of funding recipients under the Safe Drinking Water State Revolving Fund program; and

BE IT FURTHER RESOLVED AND ORDERED, that the Chief Engineer is hereby authorized to approve Claims for Reimbursement of project costs pursuant to the terms of the Funding Agreement; and

BE IT FURTHER RESOLVED AND ORDERED, that the Chief Engineer is hereby authorized to execute the Budget and Expenditure Summaries for the Project; and

BE IT FURTHER RESOLVED AND ORDERED, that the Chief Engineer is hereby authorized to execute the Contractors' Release Form to be provided pursuant to the terms of the Funding Agreement; and

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

BE IT FURTHER RESOLVED AND ORDERED, that The Metropolitan Water District of Southern California hereby designates revenues received by Metropolitan from charges for the sale or availability of water after payment of operation and maintenance expenditures and after payment of debt service on all outstanding water revenue bonds and parity obligations as the dedicated source of revenue to repay the Safe Drinking Water State Revolving Fund loan and pledges this same source of collateral for the Safe Drinking Water State Revolving Fund loan. This dedication and pledge shall remain in full force and effect until such loan is fully discharged, unless modification or change of such dedication and pledge is approved in writing by the California Department of Public Health. If for any reason the source of revenues proves insufficient to satisfy the debt service of the Safe Drinking Water State Revolving Fund loan, sufficient funds shall be raised through increased water rates, user charges, or assessments or any other legal means available to meet the loan obligation and to operate and maintain the Project.

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

Passed and adopted at a regular meeting of the Board of Directors of The Metropolitan Water District of Southern California on Tuesday, May 13, 2014, by the following vote:

AYES:	Directors	
NOES:	Directors	
EXCUSED:	Directors	
		Chair

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California