

## City of Bethel Action Memorandum

Action memorandum No.	18-52		
Date action introduced:	July 10, 2018	Introduced by:	Peter Williams, City Manager
Date action taken:	July 10, 2018	<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Denied
Confirmed by:	KM		

**Action Title:** Direct City Administration to prepare and submit an application to the USDA-RD to pursue \$13,461,920 in grant/loan funding for the construction of Alternative 3: Single Phase Piped Water and Sewer for the Avenues Neighborhood, plus six water trucks, as defined in the Preliminary Engineering Report (June 2018).

**Attachment(s):** (1) Avenues Neighborhood Water and Sewer Improvements—Preliminary Engineering Report (June 2018), (2) AM 18-10: Direct Administration to prepare and submit a grant/loan application with USDA-RD to obtain approximately \$5,753,098 in funding to pay for 8 new water trucks, 7 new sewer trucks, and construction of a new water and sewer pipe project between 6<sup>th</sup> and 7<sup>th</sup> Avenues, (3) Map of the Avenues Neighborhood project area.

Department/Individual:	Initials:	Remarks:
Administration / Peter Williams		Approved
Public Works / Bill Arnold		
Finance /		
Amount of fiscal impact:	Account information:	
	No fiscal impact at this time.	
	Requires funding in FY 2018 Budget.	
\$7,404,056 principal \$5,674,504 interest over 40 years	Requires funding in FY 2019 Budget.  TBD	

### Summary Statement

#### Background

Bethel City Council approved Action Memorandum #18-10 on February 13, 2018 that authorized City Administration to pursue USDA-RD grant/loan funding in the amount of \$5,733,098 to fund the purchase of 15 new water and sewer vehicles and fund a small piped water and sewer project in the Avenues. City Administration, with Council approval, has since reallocated current USDA-RD grant/loan funding to purchase 5 new sewer trucks, which currently satisfies the City's revised need for sewer trucks.

#### The Avenues Neighborhood

The City is in possession of the Preliminary Engineering Report (PER) for the Avenues Neighborhood Water and Sewer Improvements (June 2018). This document and its accompanying Environmental Assessment are both required for USDA-RD grant/loan funding. The PER recommends the City pursue Alternative 3: Single Phase Piped Water and Sewer for the Avenues Neighborhood and purchase six water trucks to meet the City's revised water truck need. The construction project would bring above-ground piped water and sewer lines to 118 current residential properties and 22 additional properties, once vacant lots are built-out. The USDA-RD will determine the exact grant-loan percentage after it reviews the City's financial

statements and formal application. The maximum grant percentage the City may receive is 45% because there are no health or safety issues associated with this project. The loan term must be 40 years because there is grant money involved, but the City may refinance or pay it off early without penalty. The City could refinance using the Municipal Loan Program, which typically offers a rate 1-2% lower than the USDA-RD rate. The USDA-RD estimated the City's annual loan payment based on two grant/loan percentage scenarios:

<b>Project Cost: \$13,461,920</b>		
<b>Loan Term: 40 Years</b>		
<b>Grant %</b>	<b>Loan %</b>	<b>Annual Loan Payment</b>
45% (\$6,057,864)	55% (\$7,404,056)	\$326,964
40% (\$5,384,768)	60% (\$8,077,152)	\$356,688

The preliminary engineering report describes the provision of water and sewer pipes to the Avenues Neighborhood in phases under Alternative 2. The phases are in build-out order with each one representing a smaller piece of Alternative 3, the complete water and sewer pipe installation. USDA-RD prefers to fund the Alternative with the lowest life cycle cost, which is Alternative 3, but USDA-RD will consider a request by the City to fund Phase 1, with strong justification. The cost of Phase 1 includes the purchase of two water trucks, so the capital cost plus six trucks for this phase is the capital cost plus four additional trucks.

<b>Alternative 2</b>	<b>Parcels Connected</b>	<b>Capital Cost</b>	<b>Capital Cost + 6 trucks</b>
Phase 1	38	\$5,150,000	\$6,133,332
Phase 2	34	\$3,020,000	\$4,495,000
Phase 3	46	\$4,590,000	\$6,065,000

USDA-RD will require the City to budget the following each year for the life of the loan:

1. Debt Service Reserve – Equal to one annual loan payment (e.g., \$326,964) – This amount will be put into the budget each year, but not expended.
2. Short-Lived Asset Reserves – These amounts are cumulative from year to year and may be expended for the purchase of any short-lived assets on the lists, as needed. Funding for some of the short-lived asset items on these lists are already contained in the City Budget. The City is considering ways to move these asset reserve items into appropriate water and sewer enterprise funds to facilitate spending from them.
  - a. Water Short-Lived Assets = \$372,407
  - b. Sewer Short-Lived Assets = \$410,360

Upon approval of this AM by Bethel City Council, City Administration will publish the Notice of an Environmental Assessment in the local newspaper for two weeks and insert the notice into utility bills of applicable stakeholders in and around the project area. The City will also publish a Notice of Intent to File USDA-RD Application in the local newspaper for two weeks and insert the notice into utility bills of applicable stakeholders in and around the project area.