



# Town of Discovery Bay

"A Community Services District"

## AGENDA REPORT

Meeting Date

July 20, 2016

**Prepared By:** Catherine Kutsuris, Interim General Manager

**Submitted By:** Catherine Kutsuris, Interim General Manager

### Agenda Title

Finance Committee Recommendations regarding the financing of the Effluent Filtration Project, the Water Meter Project and proposed Well 8

### Recommended Action

Accept the report from the Finance Committee that the District should obtain bond financing for the Effluent Filtration project, and should utilize district funds or reserves for the Water Meter Project as well as for proposed Well 8

### Executive Summary

In September of 2015, the District engaged Saul Rosenbaum of Prager & Co., LLC as the District's Financial Advisor to assist the District with the bond funding for the Capital Improvement Projects. The District has three potential projects that could be covered with bond funding. They are:

1. Effluent Filtration project – 7.4 Million
2. Water Meter Project – estimated cost of 3 million
3. Proposed Well 8 – estimated cost of 2.134 million

The Board previously approved a reimbursement resolution for the Filtration project allowing the District to be reimbursed for project expenditures that occur prior to the receipt of bond funds for the project. Given the 14.5M bond issuance in 2012, combined with these significant projects as well as the denitrification project and potential improvements to Plant 1 which are just beyond the rate study planning horizon, the Board wished to take a close look at the proposed debt of the district.

The Board's Finance Committee met on July 7<sup>th</sup> with Saul Rosenbaum along with staff to discuss potential options, and to specifically answer the question as to whether the District should include within the bond financing, projects # 2 and # 3 above.

1. Filtration Project: On June 6, 2014 the Regional Water Quality Control Board (RWQCB) adopted resolution R5-2014-0073 which modified the Town of Discovery Bay National Pollution Discharge Elimination System (NPDES) permit to require filtration be constructed by December 31, 2017. Filtration and UV disinfection facilities have been designed in conformance with the wastewater master plan and the NPDES permit and construction of the facilities is underway. At the completion of the project the Town will produce tertiary treated water for unrestricted reuse in conformance with Title 22.
2. Water Meter Project: The water meter project is a state-mandated program that requires all districts to have water meters installed for residential and commercial properties by December 31, 2024. The Town Board previously determined that this project (approximately 3800 meters) should be implemented in Fiscal Year 2016/17. The proposed water rates support this project and identify metered water rates for all customers beginning July 1, 2017. The project's current estimate is \$3,000,000, reflecting an approximately \$800.00 per unit cost – an amount expected to be charged to the customers receiving the meters. The District staff previously considered a variety of options with respect to repayment including a ten-year repayment program.
3. Proposed Well 8: The District's water engineering firm, Lohdorff and Scalmanini, believes that the addition of a well at the west section of the Town is necessary, and that Well 5A be taken out of service and abandoned once the new well is constructed. The issue of elevated salinity in Well 5A represents several concerns for the District. First, the elevated salt content in the well water has continued to increase over time, and now far exceeds the state secondary maximum contaminant level (MCL) for Ec and TDS.

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Second, an increase of salinity in the water system would manifest in the wastewater collection system, which can exacerbate any permitting issues associated with salinity in the discharge water. Given the trends in the water quality from Well 5A, LSCE recommends that the planning and construction of proposed Well 8 be moved earlier within the Capital Project time horizon.

The Finance Committee held a meeting on July 7<sup>th</sup> to solely consider this topic and to develop a recommendation to the Board. The Finance Committee recommends the following:

1. That the District proceed with bond funding for the 7.4M Effluent Filtration Project with an RFP to be issued in August, 2016
2. That the District utilize existing district reserves and funds for the proposed \$3,000,000 water meter project, the total of which would be repaid by those receiving the meters. Given that the cost of the project would be paid back over a relatively short period of time, the Finance Committee does not believe that including this cost within a bond offering is prudent.

The district may use a combination of the existing 6.5M reserve fund (the water infrastructure reserve portion is expected to be at 1.243M at the end of FY 2016/17), and the capacity fee fund is currently approximately 1.8M. Utilizing these funds will have the effect of a temporary reduction in the District's reserve balance. However, the District's financial advisor believes that there would not be an adverse effect on the district's bond offering given the short term nature of the project and the repayment of the funds.

If the cost per residence is consistent with the expectation of \$790.00 (total of 3M), the Finance Committee suggests that the District should offer the customers two choices:

- A. Pay the total cost at the outset; or
- B. Pay the cost over a 12-month period.

Given that the project cost is an estimate at this time, staff recommends that the Board make a final determination on the payment options to be provided once the actual costs are known. Even if the Board determines that a 24-month period is reasonable and should be provided, the District will see revenue relatively quickly after the expenditures are made. It is expected that all meters will be installed by March of 2017. The staff is currently developing a more detailed project schedule.

3. That the District has sufficient funds to plan and build proposed Well 8 and that the cost does not need to be included within the bond offering. The Finance Committee considered both that the planning and the construction of the well which is expected to be a two-year process. Given the expected schedule and the expected repayment of the meter project, the District would be expending the majority of the project costs during or after the revenues have been received from the meter project.

The Finance Committee also noted that there are two residential home projects that have received the necessary land use entitlements from the County. The Pantages and Newport Point development projects would bring significant capacity connection fees to the District; however, the timing of those projects (and the resulting revenue to the District) is uncertain.

**Fiscal Impact:**

**Amount Requested none**  
**Sufficient Budgeted Funds Available?: N/a**  
**Prog/Fund # 21-1155-15 Category: CIP Wastewater**

**Previous Relevant Board Actions for This Item**

**Attachments:**

**AGENDA ITEM: F-6**