



## REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
[www. CityofSacramento.org](http://www.CityofSacramento.org)

Staff  
August 6, 2009

Honorable Mayor and  
Members of the City Council

**Title:** Authorization to Negotiate and Execute a Funding Agreement under the Safe Drinking Water State Revolving Fund and American Recovery and Reinvestment Act of 2009 for the Water Meter Retrofit Project (Z14010000 - Phases 1 through 9), in the amount of \$20 million

**Location/Council District:** Council Districts 1, 2, 4, 5, 6, 7, and 8

**Recommendation:** Adopt a Resolution: 1) authorizing the City Manager to negotiate and execute a Loan/Grant Funding Agreement for the Water Meter Retrofit Project Phases 1 through 9 under the California Safe Drinking Water State Revolving Fund and the American Recovery and Reinvestment Act of 2009, in the amount of \$20 million; 2) appointing the City Manager and authorized designees as the City's agents with authority to execute certifications and reports required for such funding, approve claims for reimbursement, execute budget and expenditure summaries, sign contractor's release forms, and sign certificates of project completion; 3) dedicating water user rate revenues in the Water Enterprise Fund as the source of revenue to repay the loan portion of the Funding Agreement (\$10 million); and 4) authorizing the Finance Director to amend the Water Fund operating budget and Water Meter Retrofit Project Budget (Z14010000) to reflect the Loan/Grant Funding revenue and expenditure authority related to this agreement.

**Contact:** David L. Brent, Engineering Manager, 808-1420; Rick Matsuo, Supervising Engineer, 808-1728

**Presenters:** Dave Brent/Rick Matsuo

**Department:** Utilities

**Division:** Engineering Services

**Organization No:** 14001311

## Description/Analysis

**Issue:** On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) became federal law. Within California, the ARRA will provide approximately \$160 million to the Safe Drinking Water State Revolving Fund (SDWSRF) for infrastructure development for California's drinking water systems.

From February 1 to 27, 2009, the California Department of Public Health (CDPH) held an open pre-application period for the ARRA funding. Over 2,200 pre-applications were received, with the funds requested exceeding \$6.8 billion. CDPH prioritized projects in accordance with existing SDWSRF procedures, based on health risk, median household income, population, and water system type. From the prioritized list of projects, CDPH identified the projects that were the most ready to proceed to assure compliance with ARRA requirements and to create jobs immediately. CDPH has finalized their fundable project list including the highest ranking projects. Among the 73 projects selected, the Water Meter Retrofit Project made the fundable projects list with ARRA funding of \$20 million (\$10 million grant and \$10 million loan).

The Water Meter Retrofit Project proposed for SDWSRF/ARRA funding consists of up to nine phases for the installation of new water meters and transmitters on up to approximately 13,000 existing residential and commercial water services. The project will assist in complying with the requirements of Assembly Bill 2572, which requires the City to install water meters on all existing water service connections within the City of Sacramento.

This report requests authorization to negotiate and execute a Loan/Grant Funding Agreement for SDWSRF and ARRA funding with the CDPH for the Water Meter Retrofit Project.

**Policy Considerations:** This report's recommendation is consistent with the City's Strategic Plan Goals of improving and expanding public safety and achieving sustainability and livability.

### **Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The Department of Development Services, Environmental Planning Services Division, reviewed the proposed project and determined that it is categorically exempt from CEQA (the California Environmental Quality Act) under Class 1, Section number 15301 (b) and (c) and Class 3, Section number 15303(d) of the CEQA Guidelines. Projects exempt under Class 1, Section number 15301(b) and (c) consist of minor alteration or repair of existing utility facilities and sidewalks. Projects exempt under Class 3, Section number 15303(d) consist of installation and location of new, small utility facilities. Notices of exemption were filed on June 10, 2009 and June 29, 2009, following the

City Council's May 26, 2009 approval proceeding with the Project by filing the application for ARRA funding, and the Council's June 23, 2009 approval of the Project plans and specifications.

**Sustainability Considerations:** The project is consistent with the Sustainability Master Plan goals to help improve water conservation awareness, as the installation of water meters will allow the City to provide a monthly statement of water usage to the customers, and metered billing will improve water conservation. The Meter Retrofit furthers the City's progress in implementing the Water Forum Agreement and the California Urban Water Conservation Council Best Management Practices (BMPs 1, 4, and 7).

**Other:** Not Applicable

**Commission/Committee Action:** None

**Rationale for Recommendation:** This will allow the Department of Utilities to apply for stimulus funding under the ARRA for the Water Meter Retrofit Project, to install water meters in the areas shown on Attachments 1-10. The actual number of meter retrofits funded will depend on the bids received for each Project phase.

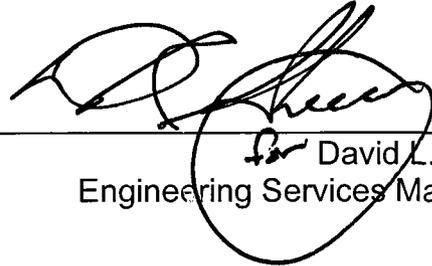
Accelerating the water meter retrofit program through this grant/loan funding opportunity will allow the City to take advantage of improved water conservation that typically occurs with consumption based meter billing.

**Financial Considerations:** The ARRA funding will provide funds for the Water Meter Retrofit Project (Z14010000) in the amount of \$20 million, of which \$10 million would be State Revolving Fund loan and \$10 million will be provided as additional subsidization in the form of principal forgiveness (the grant portion). Water user rate revenues in the Water Enterprise Fund will be dedicated as the funding source for the debt service, with a 20 year repayment period at a 2.5017 percent interest rate, and such revenues also will be used for any non-grant/loan covered expenses that will be included as part of the project above and beyond the \$20 million.

The Water Fund operating budget and Water Meter Retrofit Project Budget (Z14010000) will be amended to reflect the Loan/Grant Funding revenue and expenditure authority related to this agreement.

**DBE/MBE/WBE and Emerging Small Business Development (ESBD):** MBE/WBE and ESBD considerations do not pertain to this funding agreement. Contracts for which funding is accepted will require compliance with DBE/MBE/WBE requirements that apply pursuant to the SDWSRF and ARRA funding requirements. Under the City Code, these DBE/MBE/WBE requirements will apply in lieu of the City's ESBD provisions.

Respectfully Submitted by:



David L. Brent  
Engineering Services Manager

Approved by:



Marty Hanneman  
ACM/Director of Utilities

Recommendation Approved:

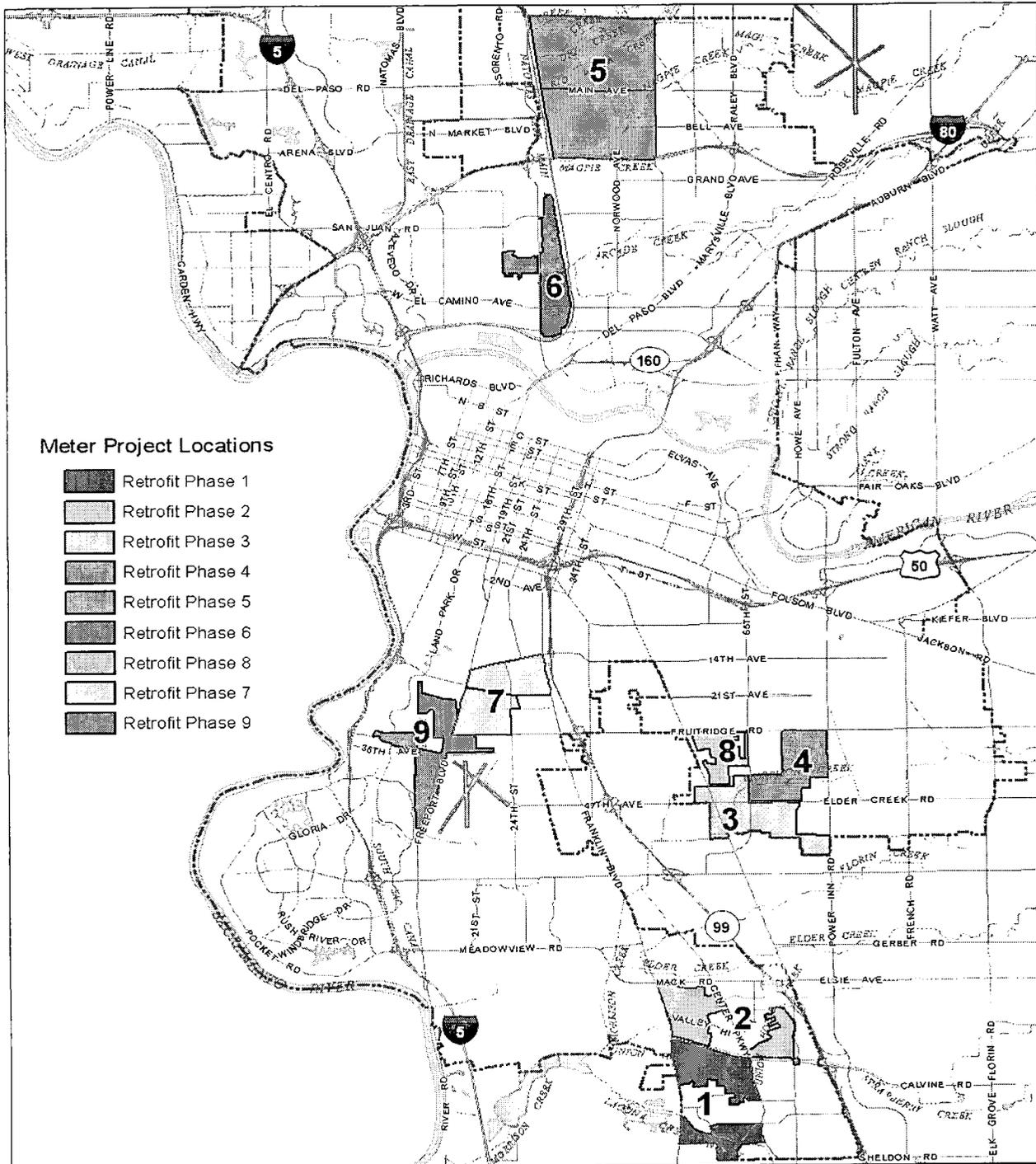


Ray Kerridge  
City Manager

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Attachment 1



Meter Project Locations

- Retrofit Phase 1
- Retrofit Phase 2
- Retrofit Phase 3
- Retrofit Phase 4
- Retrofit Phase 5
- Retrofit Phase 6
- Retrofit Phase 8
- Retrofit Phase 7
- Retrofit Phase 9



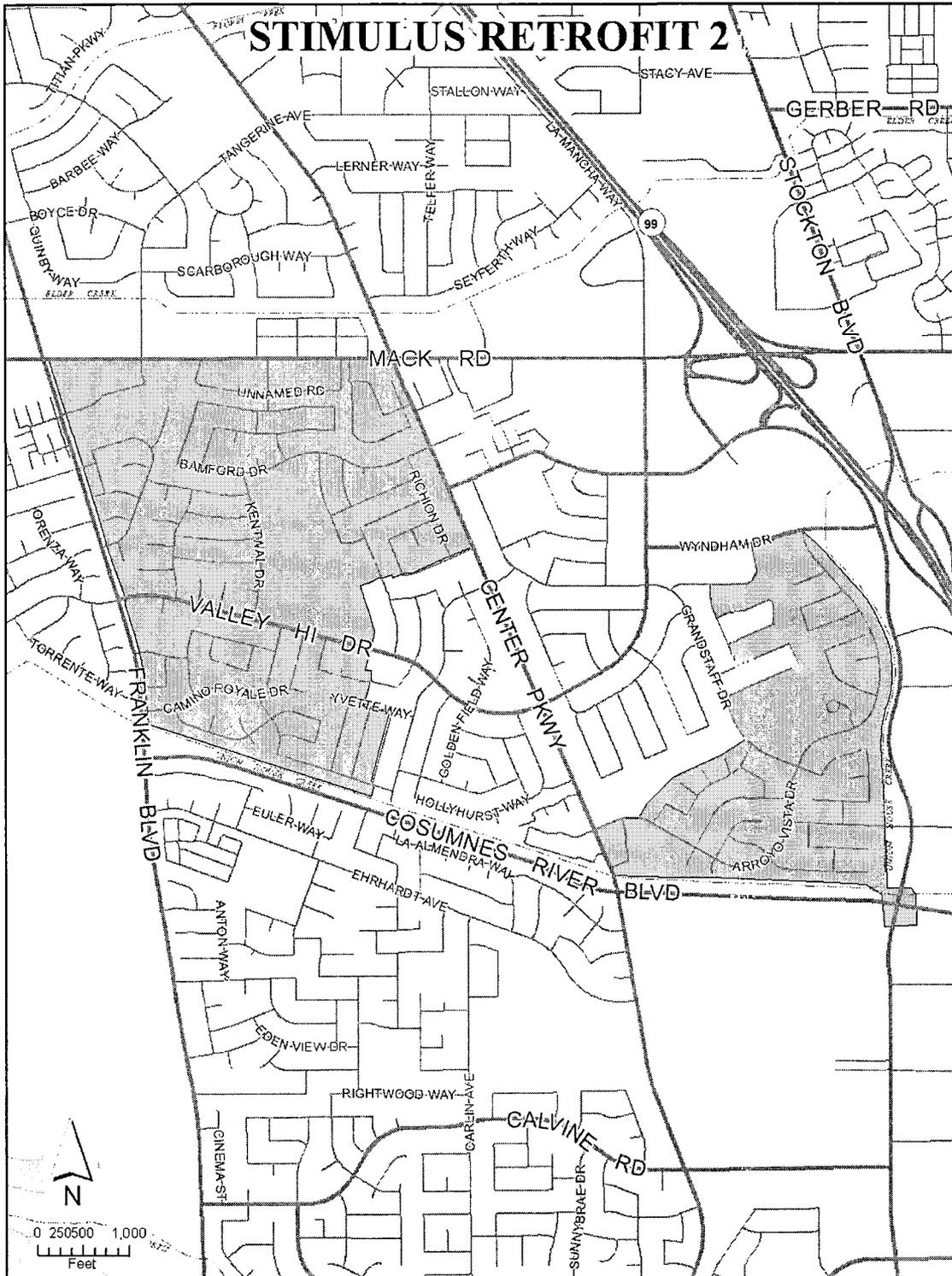
CITY OF RAINIER  
DEPARTMENT  
OF UTILITIES



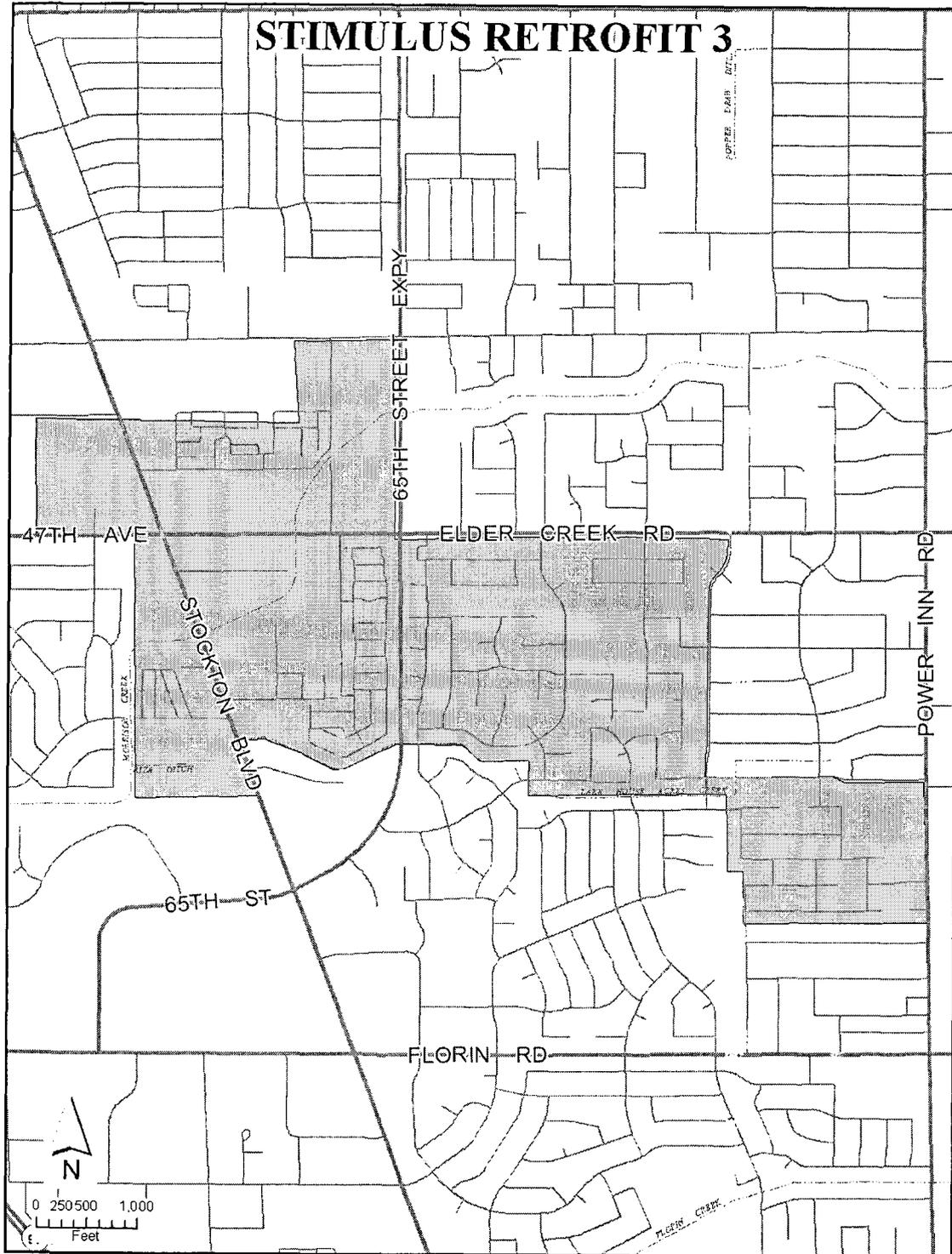
Attachment 2

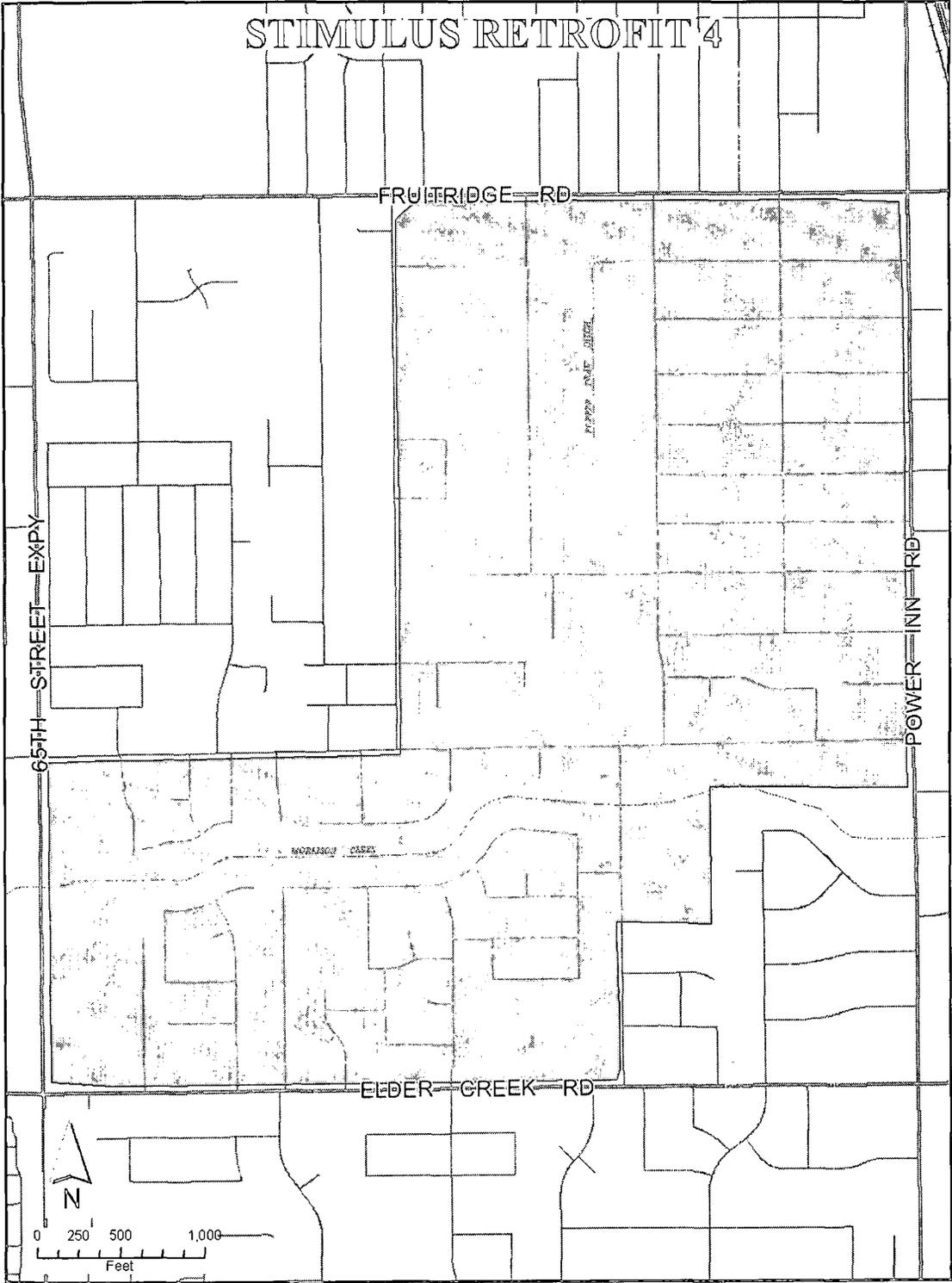


Attachment 3

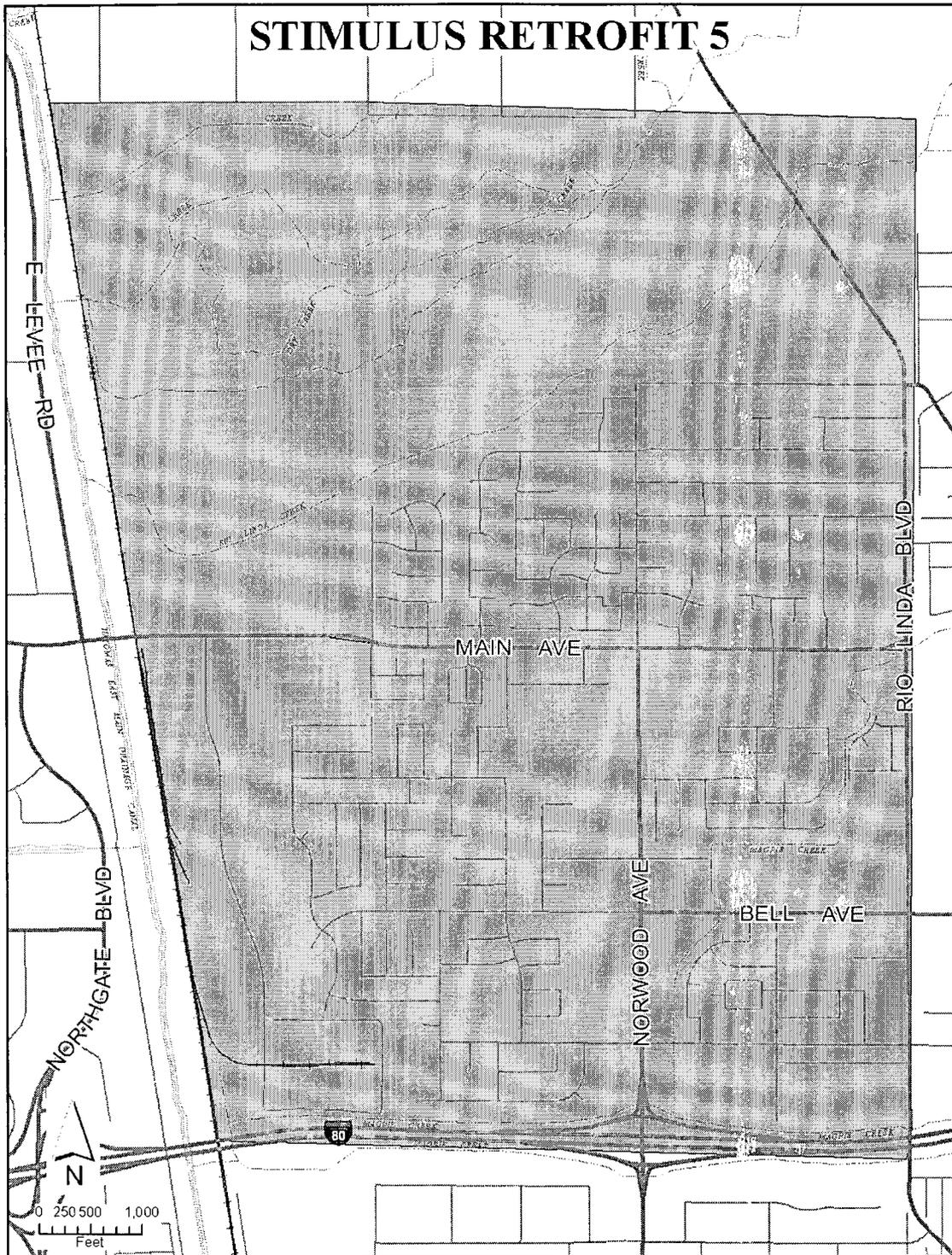


Attachment 4

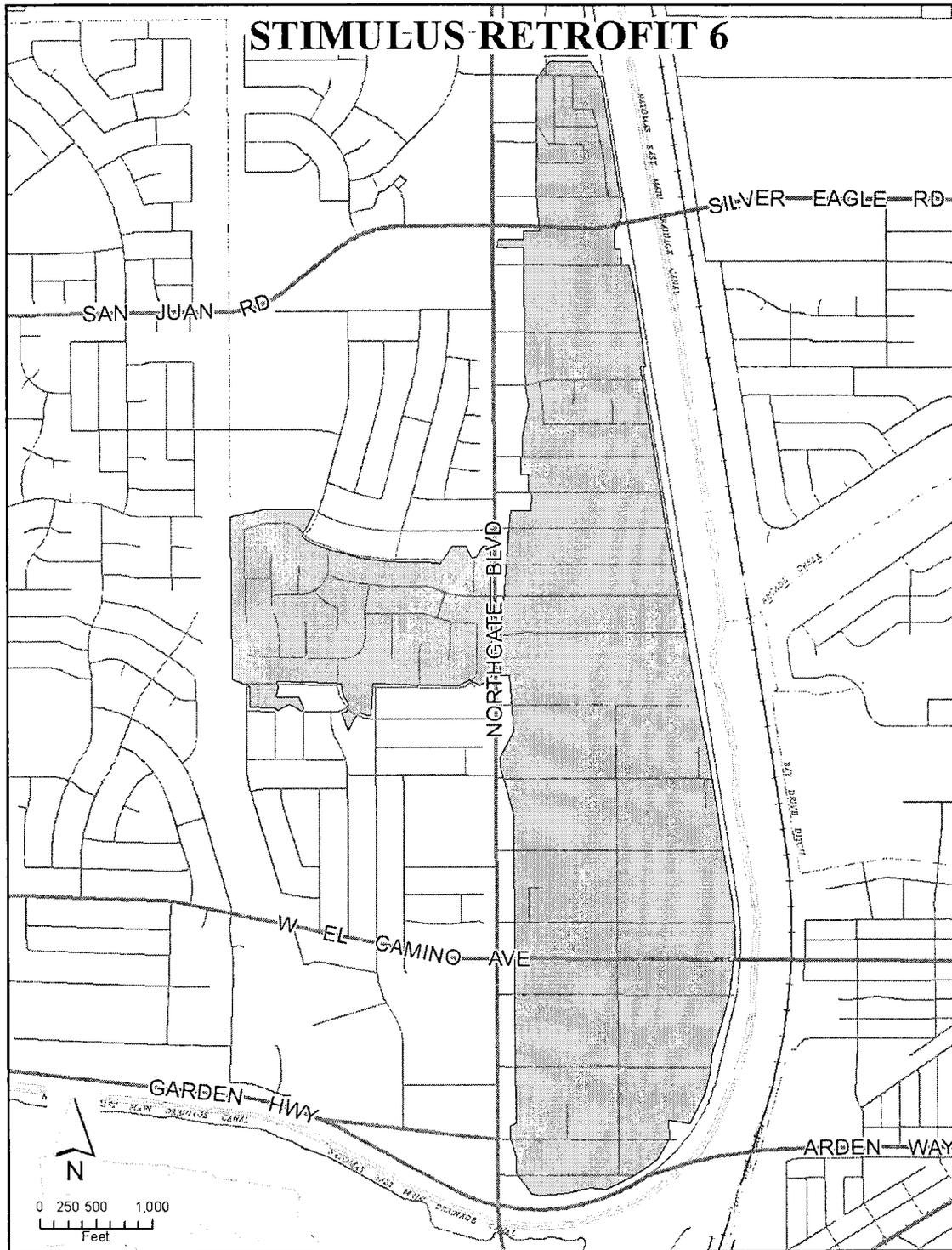




Attachment 6

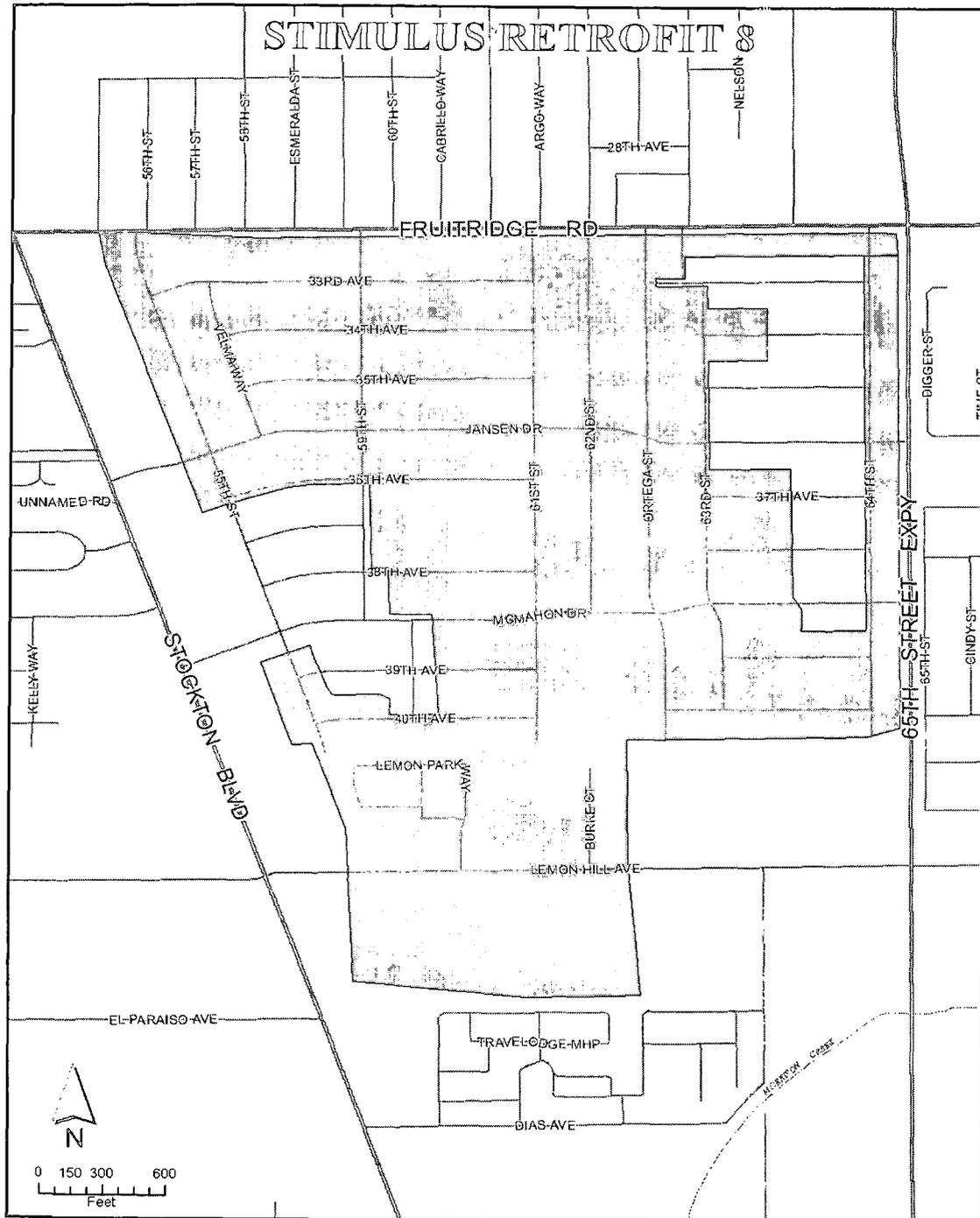


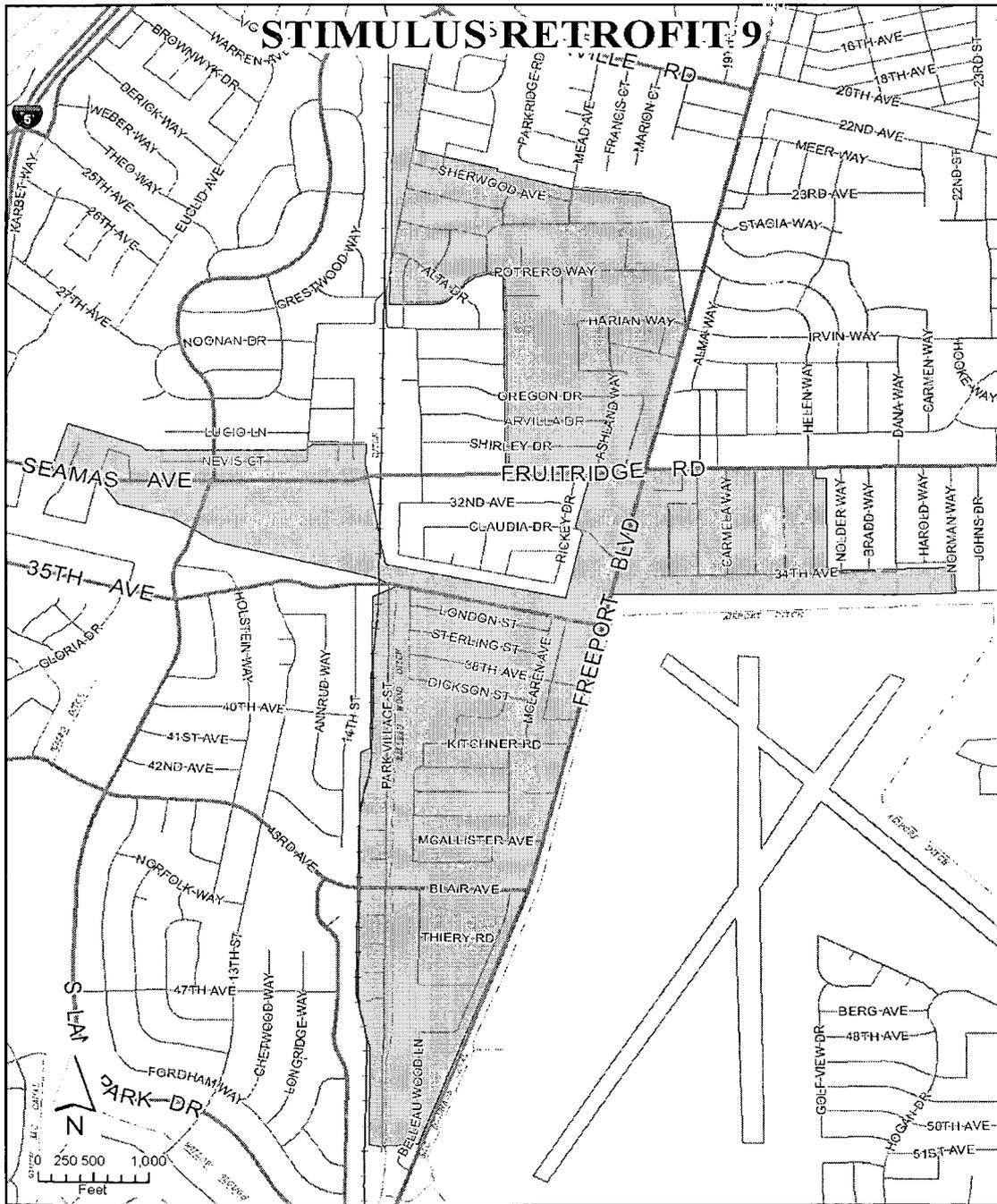
Attachment 7



Attachment 8







**Attachment 11****Background**

The American Recovery and Reinvestment Act of 2009 (ARRA) was enacted on February 17, 2009. Within California, the ARRA will provide approximately \$160 million to the Safe Drinking Water State Revolving Fund (SDWSRF) for infrastructure development for California's drinking water systems. The SDWSRF Program is administered through the California Department of Public Health (CDPH).

From February 1 to 27, 2009, the CDPH held an open pre-application period for the ARRA funding. Over 2,200 pre-applications were received, including five projects submitted by Utilities, with the funds requested exceeding \$6.8 billion. CDPH prioritized projects in accordance with existing SDWSRF procedures, based on health risk, median household income, population, and water system type. From the prioritized list of projects, CDPH identified the projects that were the most ready to proceed to assure compliance with ARRA requirements and to create jobs immediately.

In late May 2009, CDPH finalized and approved their fundable project list including the highest ranking projects. Among the five projects submitted by Utilities, the Water Meter Retrofit Project made CDPH's approved fundable projects list with proposed ARRA funding of \$20 million (\$10 million grant and \$10 million loan).

The Water Meter Retrofit Project proposed for SDWSRF/ARRA funding consists of up to nine phases for the installation of new water meters and transmitters on up to approximately 13,000 existing residential and commercial water services. This project will help the City comply with the requirement of Assembly Bill 2572, which requires the City to install water meters on all existing water service connections within the City of Sacramento. This law set a deadline of 100% metering of all residential and commercial accounts by 2025.

On May 26, 2009, the City Council authorized the City Manager to apply to the State of California Department of Public Health for ARRA funding for the Water Meter Retrofit Project. As part of the application process, the City Council approved the project's plans and specifications on June 23, 2009, further confirming the City's approval of and intention to proceed with the project.

In July 2009, City staff submitted an application to the California Department of Public Health for ARRA loan/grant funding for the Water Meter Retrofit Project. This consists of \$10 million in grant (in the form of principal forgiveness), and \$10 million in loan payable over 20 years at a 2.5017% interest rate.

This report requests authorization to negotiate and execute a Funding Agreement from the CDPH for the Water Meter Retrofit Project Phases 1 through 9.

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**RESOLUTION AUTHORIZING EXECUTION OF LOAN FUNDING AGREEMENT FOR WATER METER RETROFIT PROJECT PHASES 1 THROUGH 9 UNDER THE CALIFORNIA SAFE DRINKING WATER STATE REVOLVING FUND AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009; AUTHORIZING EXECUTION OF CERTIFICATIONS AND REPORTS REQUIRED FOR SUCH FUNDING; AUTHORIZING APPROVAL OF CLAIMS FOR REIMBURSEMENT; AUTHORIZING EXECUTION OF BUDGET AND EXPENDITURE SUMMARY; AUTHORIZING EXECUTION OF CONTRACTOR'S RELEASE FORM; AUTHORIZING EXECUTION OF CERTIFICATION OF PROJECT COMPLETION; DEDICATING REVENUES FROM THE WATER ENTERPRISE FUND AS THE SOURCE OF REVENUE TO REPAY THE LOAN; AND AUTHORIZING THE FINANCE DIRECTOR TO AMEND THE WATER FUND OPERATING BUDGET AND WATER METER RETROFIT PROJECT BUDGET (Z14010000) TO REFLECT THE LOAN/GRANT FUNDING REVENUE AND EXPENDITURE AUTHORITY RELATED TO THIS AGREEMENT.**

**(State Project Number: 3410020-004, Category: H)**

**BACKGROUND**

- A. The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law by President Obama on February 17, 2009. Within California, the ARRA will provide funding to the Safe Drinking Water State Revolving Fund (SDWSRF) administered by the California Department of Public Health (CDPH), for infrastructure development for California's drinking water systems.
- B. On May 26, 2009, the City Council authorized the City Manager to apply for ARRA funding for the City's Water Meter Retrofit Project, through the SDWSRF program administered by CDPH.
- C. On June 23, 2009, the City Council approved the project plans and specifications as part of the SDWSRF funding application process. Approval of the plans and specifications is necessary to proceed with the funding application process.
- D. On May 26, 2009, the City of Sacramento made application to the California Department of Public Health for funding under the SDWSRF and ARRA for the City's Water Meter Retrofit Project (Z1401000).

- E. It is anticipated that the Funding Agreement (hereafter the "Funding Agreement") under the SDWSRF and ARRA will provide for a loan in the amount of \$20,000,000, of which \$10,000,000 will be provided as additional subsidization in the form of principal forgiveness, and \$10,000,000 shall be repaid to the California Department of Public Health over a 20 year repayment period at a 2.5017 percent interest rate.
- F. Prior to the California Department of Public Health's issuance of the Funding Agreement, the Sacramento City Council is required to pass a Resolution designating a dedicated source of revenue to repay the non-subsidized principle amount of said 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 SDWSRF and ARRA, designating a person to approve claims for reimbursement, designating a person (a registered engineer) to sign the Budget and Expenditure Summary, designating a person (a registered engineer) to sign the Certification of Project Completion, and designating a person to sign the Contractor's Release Form.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Manager is hereby authorized to sign the SDWSRF and ARRA Funding Agreement and any amendments thereto.
- Section 2. The City Manager or Director of Utilities is hereby authorized to sign all certifications and reports required of funding recipients under the SDWSRF and/or the ARRA.
- Section 3. The City Manager or Director of Utilities is hereby authorized to approve Claims for Reimbursement of project costs submitted pursuant to the terms of the Funding Agreement.
- Section 4. The Director of Utilities is hereby authorized to execute the Budget and Expenditure Summary(ies) for the project.
- Section 5. The Director of Utilities is hereby authorized to sign the Contractor's Release Form(s) to be provided pursuant to requirements of the Funding Agreement.
- Section 6. The Director of Utilities is hereby authorized to certify that the project and/or any project phase is complete and ready for final inspection.
- Section 7. Water user rate revenues of the City's Water Enterprise Fund are hereby designated as the dedicated source of revenue to repay any non-subsidized

loan principle amount of the SDWSRF loan. This dedication shall remain in full force and effect until the loan is fully discharged, unless modification or change of such dedication is approved in writing by the California Department of Public Health. If for any reason, the dedicated source of revenues proves insufficient to satisfy the debt obligation of the loan, sufficient funds shall be raised in the Water Enterprise Fund through increased rates, user charges or assessments for water service, subject to the requirements of any applicable constitutional or statutory provisions, to meet the loan obligation and to operate and maintain the project.

Section 8. The project infrastructure investment to be funded by the SDWSRF ARRA funding is an appropriate use of taxpayer dollars.

Section 9. The Finance Director is authorized to amend the Water Fund operating budget and Water Meter Retrofit Project Budget (Z14010000) to reflect the Loan/Grant Funding revenue and expenditure authority related to this agreement.