

COUNCIL COMMUNICATION

AGENDA HEADING:

Approving Resolution to Move Forward with the Water Treatment Expansion Project and Finalizing Project Financing

SUBMITTED BY:

Rita Conner, City Administrator

SYNOPSIS:

Council, staff and consultants from Veensta & Kimm Engineering and Northland Securities have been working diligently in 2020 to study the current and future water system needs of the City, incorporating both current citizen and business needs for water service and fire protection, and also accounting for the growing population of the City.

The current water treatment facility was constructed with a 20-year timeframe in mind, based on the City's population in 2000 and the City's projected future growth. The water treatment plant is now between 17-18 years old. Based on population increases over that time, new developments opening up additional lots, the current plant exceeding Iowa Department of Natural Resources (IDNR) rated capacities over the last two years, and peak day plant capacity usage this summer prompting a water conservation order, an expansion of current facilities is essential for the City.

At the September 22 Council meeting, Council will review an updated graph of the City's water treatment plant pumpage to the system between 2018-2020, and an updated version of the Debt Book showing the City's current debt schedule.

Additional information is below.

FISCAL IMPACT: YES

AMOUNT: Current cost estimate for the project is \$8,140,000. This amount is an estimate based on research, analysis, and evaluation to date. Design of the actual project will provide a final cost estimate before bids are let for the project in Spring 2021.

FUNDING SOURCE: Reviewed sources are a Water Revenue Bond with debt service from water rates and potential connection fee districts, Tax Increment Financing (TIF) dollars that can demonstrate growth contribution, the State Revolving Loan Fund (SRF) administered by the Iowa Department of Natural Resources(application submitted)

ADDITIONAL INFORMATION

- On May 8, City staff, Veenstra & Kimm, Inc. and Northland Securities provided information on planned capital projects for debt issuance, including proposed improvements for the water treatment system expansion. On May 12, Council had a worksession to review the results of the Veenstra & Kimm, Inc. water study and discuss. At the July 14 meeting, Council was provided additional information that would allow the schedule for the design, financing, and construction of the project to be accelerated.

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This was due to the City's water system production reaching capacity in early July and a water conservation order being approved by Council to get production and usage numbers stabilized. Financing scenarios were also introduced for the proposed project.

- Following the July 14 meeting, staff continued work with Northland Securities and Veenstra and Kimm, Inc., including discussion of additional population projection scenarios based on the City's historic growth pattern. The population projection item and mapping were also discussed at the August 18 Council Worksession on the Comprehensive Plan. On August 25, staff, V & K and Northland took Council questions on the ability to delay the project, check any additional financing sources, future land uses, storage, and density. Following the meeting additional Council questions were provided to staff via email.
- At the September 8 Council worksession, staff, V & K and Northland Securities presented responses to Council questions including combining the 2013 Comprehensive Plan Land Use Map with updated utility information and a proposed long range growth boundary, updated water utility cash flows and operational costs, potential project cost inflation if the project were delayed, further clarification on storage, past and current communications with Des Moines Water Works, City of Ames, Xenia Rural Water and Iowa Rural Utility Association on possible emergency service connections and regional collaboration for water service. The presentations augmented prior presentations by revisiting information on water revenues and rates.

CITY ADMINISTRATOR RECOMMENDATION: Approval

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Staff and consultants move forward with next steps, including:
 - Project design
 - Preparation for the proposed debt issuance or the State Revolving Loan Fund
 - Updates to Council
 - Future Council review of financing documents and project design plans.
 - Bid letting for the project and final financing steps
 - Construction of project beginning 2021

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