

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Resolution No. 358 and Authorization to make a Formal Application to the Washington State Public Works Board for the Surface Water Utility Pipe Repair and Replacement Program Capital Improvement Project
DEPARTMENT:	Public Works
PRESENTED BY:	Mark Relph, Public Works Director Dan Repp, Utility and Operations Manager Brian Landau, Surface Water and Environmental Services Manager
ACTION:	<input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

The purpose of this agenda item is to request Council's approval authorizing the City Manager to submit a loan application to the Washington State Public Works Board (PWB) in the amount of \$5,296,380. The PWB loan will be used to fund the Surface Water Utility's pipe repair and replacement (R&R) program identified in the approved 2014-2019 Capital Improvement Plan (CIP). The total R&R program budget through 2019 is \$5,296,380. The Council can provide authorization to the City Manager to make a formal loan application to the PWB by motion.

In order to apply for a loan to the PWB however, the Board also requires City Council approval of a resolution that states that the Council agrees to maintain adequate revenue streams sufficient to provide funds to pay all system operating expenses and debt repayments during the term of a loan. This provides the PWB some assurance that they will be repaid for any funds loaned to the Surface Water Utility for the R&R program. Resolution No. 358, which is attached to this staff report as Attachment A, serves this function.

The loan application and accompanying resolution are due to the PWB by May 15, 2014. Submitting the loan application does not commit the City to accepting PWB funding. Accepting a PWB loan will require a separate action by the City Council.

As previously discussed with Council in the fall of 2013, the R&R program will be addressing high priority problem pipelines identified during the Boeing, Storm, McAleer, and Lyons Creek Basin planning efforts. The basin plans for Boeing and Storm Creek basins are complete and the capital project design effort has started. The McAleer and Lyons Creek basin plans will be finished by the end of 2014 with capital project design to begin after basin plan approval.

ALTERNATIVES ANALYZED:

The approved 2014-2019 Surface Water CIP R&R program shows that the program is funded using debt financing; specifically bond sale proceeds. However, the PWB loan is an alternative form of debt financing to a typical bond sale. The PWB loan is an attractive option because it has an excellent interest rate and typically has less restrictive spending schedules than bond sale proceeds. The following compares the bond sale and PWB loan interest rates.

- Bond sale expected interest rate: 3.00 – 3.50%
- PWB construction loan interest rate: 2.55%

FINANCIAL IMPACT:

There is no financial impact of this request. This action authorizes the City Manager to submit an application for a PWB loan and adopts a resolution that provides the Council's commitment to maintain adequate revenue streams necessary to repay any PWB loan debt incurred. This action does not commit the City to any financial obligation. Accepting a PWB loan and executing an agreement between the City and the PWB will require a separate Council action.

RECOMMENDATION

Staff recommends that Council adopt Resolution No. 358 and move to authorize the City Manager to make a formal application to the Washington State Public Works Board for potential funding assistance for the Surface Water Utility stormwater pipe replacement program.

ATTACHMENTS:

Attachment A: Proposed Resolution No. 358

Approved By: City Manager **DT** City Attorney **IS**

RESOLUTION NO. 358

A RESOLUTION OF THE CITY COUNCIL, CITY OF SHORELINE, WASHINGTON RELATED TO PUBLIC WORKS BOARD 2016 CONSTRUCTION LOAN FUNDING REQUIREMENTS

WHEREAS, the City of Shoreline operates under the Growth Management Act (GMA), 36.70A RCW, and is presently in conformance with the GMA; and

WHEREAS, the Washington State Public Works Board has funds available as part of its 2016 Construction Loan Program; and

WHEREAS, the Public Works Board's program provides for low-interest loans to finance the repair, replacement, and construction of infrastructure for domestic water, sanitary sewer, storm sewer, solid waste, and road and bridge projects; and

WHEREAS, the City has various projects within the Capital Facilities Plan that are eligible for the Public Works Board's 2016 Construct Loan Program; and

WHEREAS, to receive loan funds the City must acknowledge that rates, or other revenue streams, may need to be increased in order to meet debt service payments should a City project be recommended for funding; now therefore

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON AS FOLLOWS:

That the City Council agrees to maintain adequate revenue streams sufficient to provide funds to pay all Shoreline Surface Water Utility operating expenses and debt repayments during the term of a loan as part of the Washington State Public Works Board's 2016 Construction Loan Program.

ADOPTED BY THE CITY COUNCIL ON MAY 5, 2014.

Shari Winsted, Mayor

ATTEST:

Jessica Simulcik Smith
City Clerk