



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: December 11, 2018

DATE: November 9, 2018

TO: Board of County Commissioners

FROM: Dwayne Smith, P.E., Division Director, Engineering and Capital Projects
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THROUGH: Dave Solaro, Arch., P.E., Assistant County Manager

SUBJECT: Recommendation to direct staff to submit an application for a \$50-million loan from the State of Nevada Clean Water State Revolving Fund (SRF) loan program on behalf of the Washoe County Utility for construction of the South Truckee Meadows Water Reclamation Facility 2020 Expansion Phase I Project, Huffaker Hills Reservoir Lining Improvements Project, and the Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project; and if approved, designate the County Manager as Washoe County's representative to sign all related SRF loan documents. (All Commission Districts.)

SUMMARY

In response to the Board of County Commissioners (Board) FY16 Strategic Goal #3, "Enhancing Community Safety through Investing in Critical Infrastructure for Current and Future Needs", engineering staff initiated the South Truckee Meadows Water Reclamation Facility (STMWRF) Facility Plan Update (Update) anticipating new growth in the South Truckee Meadows service area. The Update was completed in January 2016 and identifies treatment and conveyance capacity improvements required for new growth. The Update also identifies a need to improve certain elements associated with effluent management including additional storage capabilities as well as developing new uses for treated effluent for the benefit of both current and future customers. In addition, a Facility Plan was developed in conjunction with a developer agreement to expand the sanitary sewer collection system.

To address the needs of the sewer utility the following projects have been developed:

- South Truckee Meadows Water Reclamation Facility 2020 Expansion Phase I Project
- Huffaker Hills Reservoir Lining Improvements Project
- Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project

These three projects have a combined estimated cost of \$64 million.

AGENDA ITEM # _____

With direction and authorization from the Board, staff will submit a State Revolving Fund (SRF) loan application to the State of Nevada Clean Water Program no later than the week of December 16, 2018, to supplement cash on hand to fund the three projects. The SRF loan application would be for a total of \$50 million with bonds being issued in two separate installments.

Washoe County Strategic Objective supported by this item: Stewardship of our community.

PREVIOUS ACTION

On October 23, 2018, the Board accepted a grant for the Water Research Foundation's Subscriber Priority Program for work related to the OneWater Nevada advanced reclaimed water feasibility study to explore the benefits of Class A+ reclaimed water regulations and opportunities for enhanced reclaimed water use.

On August 28, 2018, the Board approved an agreement with Carollo Engineers for the design and bidding services for the Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project.

On February 13, 2018, the Board adopted a resolution to make \$25,000 annual financial commitments to support the mission and objectives of the Nevada Water Innovation Institute.

On November 28, 2017, the Board approved an agreement between Washoe County and the Board of Regents, Nevada System of Higher Education, on behalf of the University of Nevada, Reno to provide technical and economic analysis supporting a regional reclaimed water [A+ water] feasibility study.

On June 13, 2017, the Board approved an agreement with Carollo Engineers, Inc. to provide facility planning and engineering design services for sanitary sewer interceptors within the South Truckee Meadows Water Reclamation Facility service territory.

On January 26, 2016, The Board approved a sanitary sewer infrastructure dedication agreement with St. James's Village and World Properties obligating the developers to build and dedicate certain sanitary sewer conveyance facilities to Washoe County and anticipates the construction of Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project in the STMWRF service area.

On March 10, 2015, the Board approved an agreement with Carollo Engineers, Inc. to provide planning and engineering services for the South Truckee Meadows Water Reclamation Facility 2015 Facility Plan Update Project.

BACKGROUND

The STMWRF is currently a 4.1 million gallon per day (MGD) permitted wastewater treatment facility owned by Washoe County and located in the South Truckee Meadows area in Reno, Nevada. It provides wastewater treatment and reclaimed water for both Washoe County and City of Reno developments.

In fiscal year 2016, the Board identified several strategic goals that continued to focus on our community's needs. Strategic Goal #3, "Enhancing Community Safety through Investing in Critical Infrastructure for Current and Future Needs", identified the need to enhance our community by looking to the future infrastructure requirements of new development. In support of this goal, engineering staff initiated the STMWRF Facility Plan Update anticipating new growth in the South Truckee Meadows service area. The Update was completed in January 2016 and identified treatment capacity improvements required for new growth and a need to improve effluent storage capabilities to manage the requirements of both current and future customers as follows:

STMWRF 2020 Expansion Phase I Project

As required by the Nevada Division of Environmental Protection Division, once sanitary sewer flows reach 85% of the permitted capacity, the Utility is obligated to provide a plan that includes recommendations that allow the Utility to stay within conformance with the issued permit. This project expands sewage treatment capacity at the STMWRF to meet this requirement and to accommodate future growth. This is Phase 1 of two potential phases. Phase 2 is currently being studied for feasibility and would begin once current testing and planning programs that focus on Category A+ reclaimed water strategies have been completed. Phase 2 will not be included in this SRF loan application.

Huffaker Hills Reservoir Lining Improvements Project

Washoe County's Huffaker Hills Reservoir serves as a storage reservoir for treated effluent produced during the non-irrigation season at the STMWRF, which serves the South Truckee Meadows. This project increases operational flexibility and effluent management by increasing the height of the reservoir liner.

Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project

A Facility Plan was also developed in conjunction with a developer agreement to expand the sanitary sewer collection system as follows: The Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project connects developer built and dedicated sanitary sewer conveyance infrastructure to existing sewer interceptors located in the South Truckee Meadows. It includes a new lift station to replace an existing obsolete lift station and adds a force main and gravity sewer main.

These three projects have an estimated total project cost of \$64 million.

While evaluating funding mechanisms for the above-mentioned projects, staff initiated discussions with SRF loan program representatives and was advised that project costs are eligible for funding through the SRF loan program.

With direction and authorization from the Board, staff will submit a \$50 million SRF loan application to the State of Nevada no later than the week of December 16, 2018, to partially fund the above-mentioned projects. Cash on hand would fund costs in excess of funding provided through the SRF program.

FISCAL IMPACT

The Clean Water SRF provides below market-rate loans for wastewater infrastructure construction to publicly-owned and privately-owned systems in Nevada. The loan application from Washoe County Utilities Fund (566) would request \$50 million to

finance approximately 78 percent of the estimated total cost of \$64 million to complete the projects shown in the table below.

Project	SRF	Washoe County	Total Estimated Cost
STMWRF 2020 Expansion Project	\$ 38,580,000	\$ 10,960,000	\$ 49,540,000
Huffaker Hills Reservoir Lining Improvements Project	5,080,000	1,320,000	6,400,000
Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project	6,340,000	1,635,000	7,975,000
Total	\$ 50,000,000	\$ 13,915,000	\$ 63,915,000
% of Total	78%	22%	100%

The loan would likely be in the form of three separate bonds which would be sold to the State Treasurer at below market-rate. The first bond is anticipated to be issued for an amount between \$18 - \$22 million in late spring or early summer of 2019. The second bond would be issued as needed in an anticipated amount of \$13 - \$17 million. The third bond is expected to be issued sometime in fiscal year 2022 for approximately \$15 million. Requested payback periods for all bonds would be 30 years and would be general obligation (limited tax) sewer bonds secured primarily by pledged revenues from the Utilities Fund.

Using current 30-year SRF interest rates, total annual debt service payments for the three bonds would be approximately \$2.5 million; however, this figure could be higher if interest rates rise prior to bond issuance.

The capital projects benefit current and future sewer utility customers. As a result, cash-funded project costs and debt service payments would be paid by cash accumulated from both sewer operating charges and sewer connection fees. As of October 31, 2018, the Utilities Fund had \$44 million in its sewer operating cash fund (5150-12) and \$35 million in its South Truckee Meadows connection fee cash fund (5158-12). These cash reserves combined with future cash anticipated from sewer operating charges and connection fees should provide sufficient resources to accommodate the loan's debt service and to cash finance project costs in excess of SRF program funding.

Sewer operating charges and sewer connection fees in the approximate amounts of \$10 million and \$54 million, respectively, would be needed to fund the three projects either by cash on hand or by way of debt financing. Since a large portion of total project costs will require funding by connection fees, it will be necessary to keep sufficient cash reserves on hand to accommodate connection-fee-related debt service payments during downturns in the economy.

The Utilities Fund's FY19-FY23 capital improvements program anticipates total project funding needs of approximately \$179 million which will almost certainly require additional debt financing in the future at likely higher interest rates. As such, debt financing a sizable portion of these three projects in the near future is advisable not only to ensure sufficient cash reserves are on hand in case of an economic downturn, but also to lock in lower interest rates.

The application included with this staff report is essentially complete; however, it may need minor edits before submission. In addition, final terms of the loan will need to be solidified with the State before seeking Board approval to adopt a bond ordinance and to execute the SRF loan contract.

RECOMMENDATION

It is recommended the Board of County Commissioners direct staff to submit an application for a \$50-million loan from the State of Nevada Clean Water State Revolving Fund (SRF) loan program on behalf of the Washoe County Utility for construction of the South Truckee Meadows Water Reclamation Facility 2020 Expansion Phase I Project, Huffaker Hills Reservoir Lining Improvements Project, and the Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project; and if approved, designate the County Manager as Washoe County's representative to sign all related SRF loan documents.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be: "Move to direct staff to submit an application for a \$50-million loan from the State of Nevada Clean Water State Revolving Fund (SRF) loan program on behalf of the Washoe County Utility for construction of the South Truckee Meadows Water Reclamation Facility 2020 Expansion Phase I Project, Huffaker Hills Reservoir Lining Improvements Project, and the Pleasant Valley Reach 3 Sanitary Sewer Interceptor Project; and if approved, designate the County Manager as Washoe County's representative to sign all related SRF loan documents."