15. A RESOLUTION AUTHORIZING A LOAN.

STAFF REPORT

QUESTIONS FROM COUNCIL ON STAFF REPORT

READING OF RESOLUTION NO. R-79-11

A RESOLUTION AUTHORIZING THE EXECUTION OF A WASHINGTON STATE WATER POLLUTION CONTROL REVOLVING LOAN AGREEMENT NO. L1200011 FOR A $12.5 MILLION DOLLAR CONSTRUCTION LOAN FOR THE WASTE WATER TREATMENT PLANT SECONDARY PROCESS IMPROVEMENTS PROJECT.

DISCUSSION

ACTION TAKEN

NOTES:

REQUEST FOR COUNCIL ACTION

For Meeting of: 12/06/11

ACTION REQUESTED:

Authorize the execution of a Department of Ecology State Revolving Fund (SRF) construction loan agreement (No. L1200011) for the Waste Water Treatment Plant Secondary Improvements project.

BACKGROUND:

A major project in our capital improvement plan (CIP) for the wastewater treatment plant is the construction of secondary process improvements including new aeration basins to double the current capacity, improvements to the existing aeration basins, mechanical equipment upgrades to the secondary clarifiers, and improvements to the return activated sludge distribution system. The Council held a public meeting on this project at its September 20, 2011, regular meeting to fulfill one of the environmental requirements of the loan. This project is a critical upgrade that will significantly improve the capacity of the plant as well as the overall performance of the plant and its ability to maintain compliance with its discharge permit. The cost estimate for these improvements, including consultant engineering and city staff time, is approximately $12,754,685. The Ecology loan agreement is for $12,500,000. The loan has a 2.6% interest rate over a period of 20 years. Funding for this project will be from the Capital Projects budget of the Utility Fund and has been anticipated and included in the current rate schedule.

RECOMMENDATION:

Adopt the attached resolution authorizing the execution of a Department of Ecology SRF construction loan agreement (No. L1200011) for the Waste Water Treatment Plant Secondary Improvements project.

FISCAL IMPACT:

$12,500,000.00

403.3334.594.35.62.00

BARS Code Number

SUBMITTED BY:

Name Kevin Gardes
Title Deputy Public Works Director
Dept. Public Works

ATTACHMENTS FOR COUNCIL REVIEW/ACTION:

1. Resolution No. R-79-11

REVIEWED BY:

	Initial	Date
Department Head	MW	11/29/11
City Supervisor		12-2-11
City Attorney (As to Form)		12-2-2011

S.R. #099

RESOLUTION NO. R-79 -11

A RESOLUTION AUTHORIZING THE EXECUTION OF A WASHINGTON STATE WATER POLLUTION CONTROL REVOLVING LOAN AGREEMENT NO. L1200011 FOR A $12.5 MILLION DOLLAR CONSTRUCTION LOAN FOR THE WASTE WATER TREATMENT PLANT SECONDARY PROCESS IMPROVEMENTS PROJECT.

WHEREAS, the Department of Ecology, a Washington State Agency, has established a State Revolving Fund (SRF) for providing financial assistance for the construction of water pollution control facilities; and,

WHEREAS, the city of Pullman desires to participate in a loan from said SRF; and,

WHEREAS, the City Council for the city of Pullman has before it an Agreement entitled Loan Agreement which is attached hereto and marked as Exhibit "A"; and,

WHEREAS, this Council believes it to be in the best interests of the city of Pullman to authorize the execution of said Agreement; now, therefore,

IT IS HEREBY RESOLVED that the Mayor and the finance director be and they are hereby authorized and directed to execute the Agreement attached hereto and marked as Exhibit "A" and to deliver an executed original thereof to the state of Washington.

IT IS FURTHER RESOLVED that the Public Works Director is hereby authorized and directed to execute requests for reimbursement associated with the Agreement.

IT IS FURTHER RESOLVED that the Mayor and finance director are each hereby authorized and directed to take such further action as may be appropriate in order to effect the purpose of this Resolution and the Agreement authorized thereby.

ADOPTED by the City Council of the city of Pullman at a regular meeting held on the _____ day of _____, 2011.

DATED this _____ day of _____, 2011.

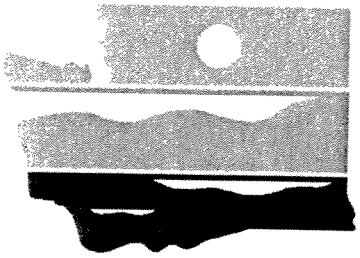
_____
Mayor Glenn A. Johnson

ATTEST:

_____
Finance Director
William F. Mulholland

Approved as to Form:

_____
City Attorney Laura D. McAloon



DEPARTMENT OF
ECOLOGY
State of Washington

WASHINGTON STATE WATER POLLUTION CONTROL REVOLVING FUND
LOAN AGREEMENT
BETWEEN
THE STATE OF WASHINGTON DEPARTMENT OF ECOLOGY
AND
THE CITY OF PULLMAN

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WASHINGTON STATE WATER POLLUTION CONTROL REVOLVING FUND
LOAN AGREEMENT
BETWEEN
THE STATE OF WASHINGTON DEPARTMENT OF ECOLOGY
AND
THE CITY OF PULLMAN
FOR
THE SECONDARY PROCESS IMPROVEMENTS PROJECT

THIS is a binding loan [LOAN] agreement entered into by and between the state of Washington Department of Ecology [DEPARTMENT] and City of Pullman [RECIPIENT]. The purpose of this LOAN agreement is to provide funds to the RECIPIENT to carry out the activities for the project [PROJECT] described in this LOAN agreement.

This LOAN agreement consists of 11 pages and 8 attachments.

Capitalized terms used, but not otherwise defined, in this LOAN agreement are defined in ATTACHMENT 5.

PART I. GENERAL INFORMATION

PROJECT Title:	**The Secondary Process Improvements Project**
PROJECT Period:	Effective Date: **July 1, 2011** Completion Date: **March 31, 2015**
LOAN Number(s):	**L1200011**
Standard Interest LOAN Amount:	**$12,500,000**
Interest Rate:	**2.6 Percent**
LOAN Term:	**20 Years**
State Fiscal Year:	**FY2012**

RECIPIENT Information

RECIPIENT Name:	**City of Pullman**
Mailing Address:	**325 S.E. Paradise Street** **Pullman, WA 99163**
FEDERAL TAXPAYER ID NUMBER:	**91-6001269**
Data Universal Numbering System (DUNS) Number:	**097252167**

PROJECT Contact:
Mailing Address:

Glenn A. Johnson
325 S.E. Paradise Street
Pullman, WA 99163

Email Address:
Phone Number:
Fax Number:

glenn.johnson@pullman-wa.gov
(509) 338-3316
(509) 334-2751

PROJECT Manager:
Mailing Address:

Kevin Gardes
325 S.E. Paradise Street
Pullman, WA 99163

Email Address:
Phone Number:
Fax Number:

kevin.gardes@pullman-wa.gov
(509) 338-3217
(509) 338-3282

DEPARTMENT Project Contact Information

PROJECT Manager:
Email Address:
Phone Number:
Fax Number:
Address

Richard Koch
richard.koch@ecy.wa.gov
(509) 329-3519
(509) 329-3170

Address

☐ **Northwest** WA State Department of Ecology Northwest Regional Office 3190 160th Ave SE Bellevue, WA 98008-5452 Fax (425) 649-7098	☐ **Central** WA State Department of Ecology Central Regional Office 15 West Yakima Ave, Suite 200 Yakima, WA 98902-3452 Fax (509) 575-2809
☐ **Southwest** WA State Department of Ecology Southwest Regional Office P.O. Box 47775 Olympia, WA 98504-7775 Fax (360) 407-6305	☒ **Eastern** WA State Department of Ecology Eastern Regional Office N. 4601 Monroe Spokane, WA 99205-1295 Fax (509) 329-3570
☐ **Bellingham** WA State Department of Ecology Bellingham Field Office 1440 10th Street, Suite 102 Bellingham, WA 98225 Fax (360) 715-5225	

Financial Manager:	**Tammie McClure**
Email Address:	**tammie.mcclure@ecy.wa.gov**
Phone Number:	**(360) 407-6410**
Fax Number:	**(360) 407-7151**
Address	**WA State Department of Ecology** **Water Quality Program, FMS** **P.O. Box 47600** **Olympia, WA 98504-7600**
SRF Reporting Coordinator	**Brian Brada**
Email Address	**brian.brada@ecy.wa.gov**

Funding Source(s) for This LOAN agreement:

This LOAN agreement may be funded in part or in full with federal funds (Catalog of Federal Domestic Assistance Number 66.458) passed through to the RECIPEINT by the DEPARTMENT. As a "sub-recipient" of federal funds, OMB Circular A-133 contains certain requirements which may apply. Specifically, if the RECIPIENT or sub-recipient has expended a cumulative total (direct or pass through) of $500,000 or more in federal awards in a fiscal year, an audit may be required in accordance with OMB Circular A-133. If federal funds have been used to reimburse eligible costs incurred for this PROJECT as part of this LOAN agreement, the DEPARTMENT's fiscal office will provide notification in January of each year that identifies the amount of federal funds that have been expended.

(Federal funding for this AGREEMENT is provided for from Capitalization Grants and state match for Clean Water State Revolving Funds; Environmental Protection Agency, Office of Water)

Specific Funding Catagories:

Loan for Green Project Reserves ☐ Yes ☒ No

Green Infrastructure Amount:	$
Water Efficiency Amount:	$
Energy Efficiency Amount:	$
Innovative Amount:	$
TOTAL Amount:	$

Forgivable Principal Subsidy for Green Project Reserves ☐ Yes ☒ No

Green Infrastructure Amount:	$
Water Efficiency Amount:	$
Energy Efficiency Amount:	$
Innovative Amount:	$
TOTAL Amount:	$

Loan ☒ Yes ☐ No

Amount: $12,500,000

Forgivable Principal Subsidy ☐ Yes ☒ No

Amount: $

State Centennial Loan Funds: ☐ Yes ☒ No $

GENERAL LOAN INFORMATION:

Increased Oversight: ☒ Yes ☐ No

Useful life of the PROJECT: 20 Years

PROJECT TYPE: *Check all that apply*

Facilities Project: ☒ Yes ☐ No Stormwater Project: ☐ Yes ☒ No

Green Project Reserves: ☐ Yes ☒ No Activities Project: ☐ Yes ☒ No

LOAN SECURITY: *Check all that apply*

Does this LOAN agreement and the LOAN to be made constitute Revenue Secured Lien Obligation of the RECIPIENT: ☒ Yes ☐ No

Does this LOAN agreement and the LOAN to be made constitute a general obligation debt of the RECIPIENT or the state of Washington: ☐ Yes ☒ No

Does this LOAN agreement and the LOAN to be made constitute a valid general obligation of the RECIPIENT payable from special assessments: ☐ Yes ☒ No

Is this LOAN secured with dedicated revenue through a Tribal Governmental Enterprise:
☐ Yes ☒ No

IMPORTANT DATES:

Estimated Project Start Date: July 1, 2011

Initiation of Operation (IO): ☒ Yes ☐ No IO Date: September 30, 2014

Project Completion Date: March 31, 2015

Prior Authorization: ☒ Yes ☐ No If yes, Effective Date: July 1, 2011

Interim Refinance: ☐ Yes ☒ No If yes, Effective Date:

Post Project Assessment Date (see Part IV and ATTACHMENT 4):

LOAN agreement Effective Date:

The effective date of this LOAN agreement is the date this LOAN agreement is signed by the DEPARTMENT's Water Quality Program Manager. Any work performed prior to the effective date of

this LOAN agreement, without written Prior Authorization or Interim Refinance approval from the DEPARTMENT, will be at the sole expense and risk of the RECIPIENT.

PART II. PROJECT SUMMARY

This PROJECT includes upgrades to the RECIPIENT's Wastewater Treatment Plant's Secondary Process System. It will consist of a new anoxic cell for de-nitrification, upgrades to the existing aeration basins for nitrification, construction of a new mixed liquor splitter box, and optional clarifier and RAS upgrades for energy efficiency and better solids management. This PROJECT will double the plant's aeration basin capacity and help to protect the Palouse River South Fork water quality.

By 2001, summer average flows or waterloads at times exceeded 85 percent of design capacity. The treatment plant has also had NPDES permit violations. This PROJECT will directly address these problems as well as comprise the first step in improving the facility to achieve compliance with a Dissolved Oxygen (DO) Total Maximum Daily Load (TMDL) still in development.

PART III. PROJECT BUDGET

Elements (Objects & Tasks)	Total PROJECT Cost	Total Eligible PROJECT Cost	LOAN AMOUNT
1. Project Administration/Management/	$80,000	$80,000	$0
2. Construction Management	$929,117	$929,117	$612,091
3. Construction	$11,887,909	$11,887,909	$11,887,909
Total	$12,897,026	$12,897,026	*$12,500,000

*The DEPARTMENT'S Fiscal Office will track to the total eligible LOAN amount. However, the RECIPIENT cannot deviate among elements without DEPARTMENT approval.

Other Funding Sources: ☒ Yes (if Yes, list sources and amounts) ☐ No

Local Funds
City of Pullman $397,026

PART IV. GOALS, OUTCOMES, AND POST PROJECT ASSESSMENT

(see Important Dates in Part I and Post Project Assessment in Attachment 4)

A. Financial Assistance Water Quality Project Goals: One or more of the selected following goals apply to this project:

☐ Severe Public Health Hazard or Public Health Emergency eliminated.

☒ Designated beneficial uses will be restored or protected, 303(d)-Listed water bodies restored to water quality standards, and healthy waters prevented from being degraded.

☒ Regulatory compliance with a consent decree, compliance orders, TMDL or waste load allocation achieved.

B. Water Quality Project Outcomes: The following are quantitative results anticipated from the project.

1. Reduction of toal nitrogen (TN) to between 10 mg/L and 15 mg/L, approximately a 60 percent to 70 percent reduction.

C. Does this PROJECT address a TMDL: ☐ Yes ☒ No

D. Environmental Mitigation: ☐ Yes ☒ No If Yes, list the environmental mitigation measures:

PART V. SCOPE OF WORK

Task 1 - Project Administration/Management/Construction Inspection

A. The RECIPIENT will administer the PROJECT. Responsibilities will include, but not be limited to: maintenance of PROJECT records; submittal of payment vouchers, fiscal forms, progress reports, and the final report; compliance with applicable procurement, contracting, and interlocal agreement requirements; attainment of all required permits, licenses, easements, or property rights necessary for the PROJECT; and submittal of required performance items.

B. The RECIPIENT will manage the PROJECT. Efforts will include: conducting, coordinating, and scheduling PROJECT activities and assuring quality control. Every effort will be made to maintain effective communication with the RECIPIENT's designees; the DEPARTMENT; all affected local, state, or federal jurisdictions; and any interested individuals or groups. The RECIPIENT will carry out this PROJECT in accordance with any completion dates outlined in this LOAN agreement.

Required Performance:

1. Effective administration and management of this PROJECT.
2. Timely submittal of all required performance items, progress reports, financial vouchers and the final PROJECT report.

Task 2 - Construction Inspection/Material Testing & Special Inspection

A. The RECIPIENT will provide a resident construction inspector for the duration of the PROJECT. Responsibilities will include: preparation of daily report/diary; coordination and logging of special inspection and material testing activities; observe materials and workmanship; verify compliance with contract documents; maintenance of a photographic log of the progress of construction; and maintain a filing system at the PROJECT site of pertinent materials. The site files will include: daily reports/diary, shop drawings, approved submittals, field measurements of underground utilities, meeting minutes, etc.

Required Performance:

1. Ensure daily on site inspection and oversight.
2. Ensure a high level of construction quality.

Task 3 – Construction Management/Bidding

A. The RECIPIENT will ensure a competitive bid process. Responsibilities include: the proper preparation of the final bid documents; advertisement for bid; answering bidder questions; and issuing necessary addenda. The RECIPIENT will accept bids at the opening and will ensure the bids are properly evaluated. Based on this evaluation, the RECIPIENT will award the contract to the lowest responsible, responsive bidder.

B. The RECIPIENT will ensure adequate construction management. Responsibilities include: construction schedule and contract time monitoring and reporting; pay estimate preparation and approval; change order negotiation, review, and approval; contract compliance monitoring for Equal Employment Opportunity (EEO), Disadvantaged Business Enterprise (DBE), Certified Payroll, and other reporting requirements; preparation of partial pay estimates, substantial completion, punch list, and physical completion.

C. The RECIPIENT will ensure the completion of contract closeout documentation. Responsibilities include: preparation and review of final contract reports; completion of Record Drawings (as-built); retainage release; and the completion of the final PROJECT report for LOAN agreement closeout.

Required Performance:

1. Ensure a competitive bid process.
2. Ensure a timely construction completion.
3. Ensure compliance with state and federal contract requirements.
4. Ensure that construction is consistent with the approved Plans and Specifications.
5. Ensure successful closeout of the construction contract and funding agreements.

Task 4 - Construction

A. The RECIPIENT will ensure the successful construction of this PROJECT. Responsibilities include: constructing the new aeration basins, mixed liquor splitter box, effluent splitter box, and two blowers; modification of the existing aeration basins, existing return activated sludge pumping system, and existing secondary clarifiers in conformance with contract documents and within the contract time provided; the completion of work in a safe manor, complying with state and federal safety, and environmental protective regulations; meeting all EEO, DBE, and Davis Bacon requirements; receiving and maintaining all required warrantees and guarantees for the equipment and work.

Required Performance:

1. Ensure the construction of facilities that conform with the contract documents.
2. Ensure the completion of work within the allowed contract time.
3. Ensure compliance with all state and federal requirements.

PART V(a). SPECIAL TERMS AND CONDITIONS

A. The RECIPIENT is required to procure a third party analysis of potential energy and water

efficiency measures for incorporation into the design of any wastewater facilities. The analysis will identify potential efficiency measures, provide cost estimates, and evaluate their cost effectiveness. The RECIPIENT agrees to provide the DEPARTMENT a copy of the analysis prior to the completion date of this LOAN agreement.

B. The RECIPIENT agrees to submit a letter update to its 2009 rate study within three months of signing this LOAN agreement. Specifically, the update will reflect the DEPARTMENT's funding offer and loan terms, replacing the assumption of a Public Works Trust Fund loan for $9,000,000 at 1 percent interest rate for a term of 20 years, as discussed in Section 3.2.6 – "Debt Service Payment" located on page 3-5 of the 2009 rate study.

PART VI. LOAN INTEREST RATE AND TERMS

Source and Availability; LOAN Amounts; LOAN Terms

This LOAN agreement will remain in effect until the date of final repayment of the LOAN, unless terminated earlier according to the provisions herein.

Subject to all of the terms, provisions, and conditions of this LOAN agreement, and subject to the availability of funds, the DEPARTMENT will loan to the RECIPIENT the sum of Twelve Million Five Hundred Thousand dollars ($12,500,000).

When the PROJECT Completion Date has occurred, the DEPARTMENT and the RECIPIENT will execute an amendment to this LOAN agreement which details the final LOAN amount (Final LOAN Amount), and the DEPARTMENT will prepare a final LOAN repayment schedule, in the form of ATTACHMENT 8. The Final LOAN Amount will be the combined total of actual disbursements made on the LOAN and all accrued interest to the computation date.

The Estimated LOAN amount and the Final LOAN amount (in either case, as applicable, a "LOAN Amount") will bear interest at the rate of 2.6 percent per annum, calculated on the basis of a 365 day year. Interest on the Estimated LOAN Amount will accrue from and be compounded monthly based on the date that each payment is mailed to the RECIPIENT. The Final LOAN Amount will be repaid in equal installments semiannually over a term of 20 years, as provided in ATTACHMENT 8.

PART VII. ALL AGREEMENTS CONTAINED HEREIN

The RECIPIENT will ensure this PROJECT is completed according to the details of this LOAN agreement. The RECIPIENT may elect to use its own forces or it may contract for professional services necessary to perform and complete project-related work, if approved by the DEPARTMENT.

Webpage addresses may be provided throughout this LOAN agreement for your convenience, however, if any of these addresses do not work, it is the responsibility of the RECIPIENT to contact the DEPARTMENT for the updated webpage address or the necessary information.

The following contain the entire understanding between the parties, and there are no other understandings or representations other than as set forth, or incorporated by reference, herein:

- This LOAN agreement

- ATTACHMENT 1: Opinion of RECIPIENT's Legal Counsel
- ATTACHMENT 2: Authorizing Ordinance or Resolution
- ATTACHMENT 3: Preaward Compliance Review Report for All Applicants Requesting Federal Assistance
- ATTACHMENT 4: General Project Management Requirements
- ATTACHMENT 5: Agreement Definitions
- ATTACHMENT 6: LOAN General Terms and Conditions (Pertaining to Grant and Loan Agreements) of the Department of Ecology
- ATTACHMENT 7: The Federal Funding Accountability and Transparency Act (FFATA) & The Clean Water State Revolving Fund Initial Data Reporting Sheet
- ATTACHMENT 8: Estimated LOAN Repayment Schedule
- The effective edition, at the signing of this LOAN agreement, of the DEPARTMENT's "*Administrative Requirements for Ecology Grants and Loans*"
- The associated funding guidelines that correspond to the Fiscal Year in which the project is funded
- The applicable statutes and regulations
- As a subrecipient of federal funds (Catalogue of Federal Domestic Assistance Number 66.458) , the RECIPIENT must comply with the following federal regulations:
  OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
  OMB Circular A-133, Compliance Supplement
  OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments
  OMB Circular A-102, Uniform Administrative Requirements

No changes, additions, or deletions to this LOAN agreement will be authorized without a formal written amendment, EXCEPT that in response to a request from the RECIPIENT, the DEPARTMENT may redistribute the loan budget. The DEPARTMENT or the RECIPIENT may change their respective staff contacts without the concurrence of either party.

By signing this LOAN agreement, the RECIPIENT acknowledges that opportunity to thoroughly review the terms of this LOAN agreement, the attachments, all incorporated or referenced documents, as well as all applicable statutes, rules, or guidelines mentioned in this LOAN agreement was given.

IN WITNESS WHEREOF, the DEPARTMENT and the RECIPIENT have signed this LOAN agreement as of the dates set forth below, to be effective as provided above.

STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

KELLY SUSEWIND, P.E., P.G. DATE
WATER QUALITY PROGRAM MANAGER

CITY OF PULLMAN

GLENN A. JOHNSON DATE
MAYOR

APPROVED AS TO FORM ONLY
ASSISTANT ATTORNEY GENERAL
(October 29, 2009)

ATTACHMENT 1: OPINION OF RECIPIENT'S LEGAL COUNSEL

I am an attorney at law admitted to practice in the state of Washington and the duly appointed attorney of City of Pullman [the RECIPIENT], and I have examined any and all documents and records pertinent to the LOAN agreement.

Based on the foregoing, it is my opinion that:

A. The RECIPIENT is a duly organized and legally existing municipal corporation or political subdivision under the laws of the state of Washington or a federally recognized Indian tribe;

B. The RECIPIENT has the power and authority to execute and deliver and to perform its obligations under the LOAN agreement;

C. The LOAN agreement has been duly authorized and executed by RECIPIENT's authorized representatives and, to my best knowledge and after reasonable investigation, all other necessary actions have been taken to make the LOAN agreement valid, binding, and enforceable against the RECIPIENT in accordance with its terms, except as such enforcement is affected by bankruptcy, insolvency, moratorium, or other laws affecting creditors' rights and principles of equity if equitable remedies are sought;

D. To my best knowledge and after reasonable investigation, the LOAN agreement does not violate any other agreement, statute, court order, or law to which the RECIPIENT is a party or by which it or its properties are bound;

E. There is currently no litigation seeking to enjoin the commencement or completion of the PROJECT or to enjoin the RECIPIENT from entering into the LOAN agreement or from accepting or repaying the LOAN. The RECIPIENT is not a party to litigation which will materially affect its ability to repay such LOAN on the terms contained in the LOAN agreement; and

F. The LOAN agreement constitutes a valid obligation of the RECIPIENT payable from the Net Revenues of the Utility.

Capitalized terms used herein will have the meanings ascribed thereto in the LOAN agreement between the RECIPIENT and the DEPARTMENT.

_____

RECIPIENT's Legal Counsel Date

ATTACHMENT 2: AUTHORIZING ORDINANCE OR RESOLUTION