

SULTAN CITY COUNCIL
BUDGET RETREAT AGENDA

DATE: June 23, 2007

SUBJECT: Status Report
Wastewater Treatment Plant Upgrade Funding

CONTACT PERSON: Public Works Director Dunn

PROJECT STATUS:

The City of Sultan is working on significant upgrades to the Wastewater Treatment Facility to accommodate the substantial population growth that is anticipated in the next 20 years. At the May 24, 2007 Council Meeting the Membrane Bio Reactor equipment supplier was selected with staff directed to enter into discussions with Enviroquip Company to execute a contract for the procurement.

Brown and Caldwell Consulting is working with the City on the procurement process and in the design of the Wastewater Treatment Plant Upgrades. Design of the upgrade is at approximately 35%.

PROJECT FUNDING:

The City is working to develop a financially sound funding strategy for upgrading the WWTP. The Sewer Rate Study being provided by FCS, Financial Solutions Group, will be completed in 2007. Financing alternatives are:

Alternative 1: General Facilities Charges: This is a cost recovery mechanism that imposes an up-front charge as a condition of service. The General Facilities Charge (GFC) is imposed on new development based on capacity required. Capital cost and capacity of the system define the basis of the GFC. In this strategy, project funding remains the city's responsibility, with GFC's as a potential related source of revenue.

Alternative 2: Developer Reimbursement Contracts (Latecomers Agreements):
Latecomer agreements, authorized under chapter 35.91 RCW, allow construction of utility system improvements by a private landowner(s), with reimbursement by other private landowners who may later connect to the city's system and benefit from those improvements. The Developer first enters into a recovery contract with the city, then constructs the improvements in accordance with the city's master utility plants and in conformance with city construction standards.

Alternative 3: Contractual Development Commitment: Establishes an agreement between the City and the developer to acquire or pay for future capacity according to a specified schedule, typically through pre-purchase of GFC's with installment payments.

Important factors the City should consider include determining an acceptable level of financial risk, addressing the importance of access to public funding resources, and ensuring the desired option meets all legal requirements.

The City will be meeting with the development community to discuss these and other funding options as the year continues.

Appropriations Funds: The City continues to work with MWW Group to lobby the State or Washington for five million dollars of appropriation funds to help with the cost of construction of the 2009 Wastewater Treatment Plant using MBR Technology.

Current Projected Funding Years:

\$1,000,000 in 2007 is a Public Works Trust Fund Loan

\$1,000,000 in 2008 will be an other Public Works Trust Fund Loan

\$10,000,000 in 2009 would be a combination of Public Works Trust Fund and Bonds

Future Funding:

- Continue to seek \$5,000,000 State Appropriations through MWW Group services.
- The City missed the 2007 deadline with Public Works Trust Fund and will be submitting an application in 2008 for \$10,000,000 construction loan.
- Developer Contributions to repay loans and bonds.