



MEMORANDUM

TO: SLDMWA Finance and Administration Committee/Board of Directors, Alternates

FROM: Frances Mizuno, Assistant Executive Director

DATE: June 3, 2019

RE: Authorization to Submit Letter of Interest for Water Infrastructure and Innovation Act Program (WIFIA) Funding

BACKGROUND

The Water Authority is currently implementing the Jones Pumping Plant Unit Rewind Project. The Project consists of rewinding the six synchronous motors, including the replacement of the stator core and windings and reinsulating the rotor field poles at a total estimated cost of \$34.7 Million with completion over next 46 months (approximately 9 months per unit). The first unit (Unit 6) was completed in 2018 with combined funding from the Bureau of Reclamation (Reclamation) and the Water Authority. The Water Authority entered into a Repayment Contract with Reclamation for up to \$5M for construction cost with all Water Authority labor funded through the FY19 O&M Budget. The second unit (Unit 2) with an estimated construction cost of \$5.2M is budgeted in the FY20 O&M Budget and is scheduled for completion in June 2020. The additional four units remain to be funded.

Staff is seeking funding for the 4 remaining units. Funding options include: (1) one or more repayment contracts with Reclamation, (2) issuance of revenue bonds, (3) WIFIA Credit Assistance, and (4) self-funding through future O&M budgets.

The WIFIA Program is intended to accelerate investment in the nation's water and wastewater infrastructure by providing long-term, low-cost, supplemental credit assistance under customized terms and creditworthy water and wastewater projects of national and regional significance. The Unit Rewind Project likely qualifies for such credit assistance. In April, the U.S. Environmental Protection Agency published a notice of funding availability for applications for credit assistance under the WIFIA Program. The notice indicates that EPA is seeking letters of interest from prospective borrowers between April 5 and July 5, 2019.¹ EPA will then evaluate and select proposed projects described in the letters of interest, and notify prospective

¹ Available at <https://www.federalregister.gov/documents/2019/04/05/2019-06731/notice-of-funding-availability-nofa-for-applications-for-credit-assistance-under-the-water>.

borrowers whether their project proposals are selected for continuation in the process to submit a final application. Final applications are then due within 365 days of the invitation to apply.

ISSUE FOR DECISION

Whether to recommend to the Board of Directors authorization for the Executive Director to submit a letter of interest for WIFIA funding to fund the Jones Pumping Plant Unit Rewind Project.

RECOMMENDATION

We recommend the Finance and Administration Committee recommend to the Board authorization for the Executive Director to submit a letter of interest for WIFIA funding to fund the Jones Pumping Plant Unit Rewind Project.

ANALYSIS

The WIFIA Program has opened their 2019 round of funding. Priority projects for 2019 are projects that are evaluated based on readiness to proceed toward development and the extent to which the project will address needs for repair, rehabilitation or replacement of aging infrastructure and conveyance systems, amongst other criteria. The minimum project size is \$20M with the amount of WIFIA funding not to exceed 49% of reasonably anticipated eligible project costs. The WIFIA program lends at a low, fixed interest rate equal to the Treasury rate averaging 3 percent. Repayment terms are flexible with up to 35 years with deferral of repayment for up to 5 years after substantial completion. The Water Authority's letter of interest would be due July 5, 2019.

Based on review of the criteria for WIFIA funding, the Unit Rewind Project fits all the criteria for funding. The terms for this funding appear to provide the lowest cost financing option outside of self-funding in the O&M Budget.

BUDGET IMPLICATIONS

The O&M budget is utilized to retain consultants, Fieldman, Rolapp and Associates to provide financial assistance and Stantec to prepare the letter of interest package. Both consultants have previous experience with WIFIA letter of interest and application submittal process.