City Council

Agenda Item

Subject:	Discussion on funding the Wastewater Treatment Facility (WWTF) and Wastewater Collection System Improvements, Project No. 2317.
Meeting:	City Council - Aug 21 2023
From:	Amanda Mack, City Manager

BACKGROUND INFORMATION:

Discussion on the status of the WWTF and Collection System Improvements Project, and considering applying for an additional SRF loan due to the increase in estimated costs to complete the improvements.

After initial estimates from our consultant, HDR, at the time of the ARPA grant funding applications in '21/'22, the City received grants and loans in the amount provided in original estimates, approx $35.7M in total funding.

Since then, design and estimating has progressed with HDR, City staff, and our CMAR, Rice Lake. Wastewater equipment has incurred similar price escalations as most construction trades, some industry pricing doubling what was originally estimated by HDR. The original construction estimate was around $29M. Those increased costs have now created the necessity to add an additional $25M to the project budget in order to complete all improvements. This can be accomplished through an additional SRF loan and rate adjustment to account for that funding.

Watertown wastewater rates are still currently among the lowest in the region. Preliminary rate modeling indicates that Watertown remains among the lower third in the region even after accounting for additional proposed SRF funding. This projection does not take into account the likely rate increases from around the region for similar ARPA project budget overruns, which lowers our rate in comparison all the more.

FINANCIAL IMPACT:

The funding for this project has been budgeted in the CIP Wastewater Treatment Facility fund account 604-43256-43987 in the amount of $36,000,000.00. The City has been awarded $35.7M in current funding. $15,894,200 in grants ($3.7M in ARPA, additional $3.7 matching ARPA, and $8.5M additional grants), and $19,819,800 in SRF loans at 2.125% for 30 years.

City consultants and staff are recommending pursuing additional $25M in SRF funding in order to most efficiently complete all necessary treatment facility and ancillary collection system improvements. Delaying the improvements in-lieu of pursing necessary funding will simply postpone the inevitable

required improvements to a later date and at a higher cost and less efficient approach to their design and construction.

SUGGESTED MOTION:
N/A- Discussion only

STAFF REFERENCE(S):
Craig Mitchell, Heath VonEye, Justin Petersen, Marci Lewno
