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City Council

Approval of Washington State Public Works Loan Agreement in an Amount Not to Exceed \$11,983,650 for Design and Construction of SE Olympia Reservoir

Agenda Date: 5/6/2014
Agenda Item Number: 4.I
File Number: 14-0376

Type: contract **Version:** 1 **Status:** Passed

Title

Approval of Washington State Public Works Loan Agreement in an Amount Not to Exceed \$11,983,650 for Design and Construction of SE Olympia Reservoir

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Move to approve and authorize the City Manager to sign the Washington State Public Works Loan Agreement in an amount not to exceed \$11,983,650 for design and construction of the SE Olympia reservoir.

Report

Issue:

Whether to accept a low-interest Washington Drinking Water State Revolving Fund Loan for construction of the Southeast Olympia reservoir.

[Note: The Public Works Board requests loan signature by May 18, 2014.]

Staff Contact:

Andy Haub, P.E., Water Resources Director, 360.753.8475

Presenter(s):

None - Consent Item

Background and Analysis:

The City has the opportunity to enter into a low-interest loan agreement through the Drinking Water State Revolving Fund Loan Program and the U.S. Environmental Protection Agency for construction of the \$11.9 million Southeast Olympia Water Supply Reservoir (Attachment 1). The new water reservoir will meet requirements of the Washington State Department of Health and our obligations in the City's 2009-2014 Water System Plan. The project and its funding are identified in the City's 2013-

2018 Capital Facilities Plan.

Currently, additional water storage is needed in this area to provide adequate water flow in case of fire emergency and during peak use periods. Chapter 10 of the City's 2009-2014 Water System Plan documents the need for additional fire flow and storage capacity in southeast Olympia. Additionally, the existing Hoffman Road reservoir that serves a portion of southeast Olympia needs maintenance work that will require it being taken temporarily offline. The new reservoir will provide the needed water storage duplication in this portion of the City. In the longer-term, the new reservoir, along with the Hoffman Road reservoir, will meet ongoing water needs in southeast Olympia.

The 5.3 acre site and associated access road/water main easement were purchased by the City in December, 2013. The site is a forested portion of the historically-proposed Trillium development on Morse-Merryman Road east of the City's LBA Park (Attachment 2).

Construction of the reservoir will require an approximately 2,000-foot long access road from Morse-Merryman Road to the site. A water main will be constructed under the road. The 5-acre site will be cleared only as necessary to facilitate construction of the 140-foot tall, 90 -foot wide reservoir. The reservoir will be situated on the site in order to minimize the potential for sun shadows on any future adjacent homes. The access road and reservoir, but not the entire site, will need to be gated and fenced for security.

The proposed schedule for the project includes engineering design work in 2014 and construction in 2015 and 2016.

Neighborhood/Community Interests (if known):

The new reservoir will benefit current and future residents of Southeast Olympia. It will provide adequate fire flow and storage to meet current and future needs.

Over the past several years, the City has received substantial comments regarding the potential Trillium and Bentridge developments. Construction of the reservoir is independent of any plans for the private development.

Some Olympia residents are currently pursuing the adjoining 150-acre area for dedicated public use. Water Resources staff have shared information regarding the reservoir with Save LBA Woods organizers.

Options:

- 1) Move to approve and authorize the City Manager to sign the Washington State Public Works loan agreement in an amount not to exceed \$11,983,650 for design and construction of the SE Olympia reservoir. The Public Works Board requests loan signature by May 18, 2014.
- 2) Do not authorize the loan agreement. Seek alternatives to fund the reservoir construction and/or managing water supply in southeast Olympia.

Financial Impact:

Construction of the new reservoir is costly. The final loan amount will be negotiated at the conclusion of the project, but will not exceed \$11,983,650 (see Attachment 1). The cost of purchasing the 5-acre

site (\$800,000) will be refinanced through the loan.

Financial planning for the City's Drinking Water Utility has anticipated the loan and its repayment. The loan will be repaid over 20 years at an interest rate of 1.50 percent. Annual payments will be roughly \$700,000. Utility rates are expected to increase by approximately 7.5% in order to support the repayment of the loan. Efforts will be made to smooth the financial impact of loan repayment on ratepayers.

Consistent with the loan agreement, the initial loan payment can be deferred until construction completion but no later than 2018.