

DEPARTMENT OF PUBLIC WORKS

BUREAU OF SANITATION
BOARD REPORT NO. 1
SEPTEMBER 15, 2020

CD: 6

ADOPTED BY THE BOARD
PUBLIC WORKS OF THE CITY
of Los Angeles California
AND REFERRED TO THE CITY COUNCIL
SEP 15 2020

AND REFERRED TO THE MAYOR


Executive Officer
Board of Public Works

AUTHORITY TO ACCEPT, NEGOTIATE, AND EXECUTE A FINANCING AGREEMENT FOR CONTRACT FUNDING FROM THE U.S. ENVIRONMENTAL PROTECTION AGENCY'S WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA) PROGRAM FOR THE DONALD C. TILLMAN WATER RECLAMATION PLANT ADVANCED WATER PURIFICATION FACILITY PROJECT

RECOMMENDATION

Approve and forward this report, with its transmittals, to the City Council and Mayor with the recommendation that the City Council, subject to concurrence of the Mayor, authorize the Director and General Manager of LA Sanitation and Environment (LASAN), or designee, to accept, negotiate, execute, and submit all documents, including, but not limited to, applications, agreements, and amendments, subject to the approval of the City Attorney as to form, which may be necessary to secure a financing agreement for the Donald C. Tillman Water Reclamation Plant (DCTWRP) Advanced Water Purification Facility (AWPF) Project from U.S. Environmental Protection Agency's (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) Program.

TRANSMITTALS

1. Letter from the EPA's WIFIA Program inviting LASAN to apply for funding.
2. EPA's WIFIA Program application requirements.

DISCUSSION**Background**

As part of the Mayor's Executive Directive #5 (Emergency Drought Response) goals to increase local water supplies and reduce the purchase of imported potable water, as well as the Green New Deal commitment to recycle 100% of all wastewater for beneficial reuse by 2035, LASAN is developing an AWPF at the DCTWRP to recycle wastewater that can be used to recharge aquifers within the San Fernando Basin for subsequent recovery via production wells operated by the Los Angeles Department of Water and Power.

The DCTWRP-AWPF Project (Project) consists of three interrelated components as listed below:

- AWPF Treatment Train - The first phase of this component will produce approximately 15.5 Million Gallons per Day (MGD) of purified water. With future expansion this component may produce up to 31.3 MGD (35,000 Acre-Feet Per Year) of purified water.

Page 2

- Maintenance Facility - This component is to construct a larger maintenance facility that can support the growth of the DCTWRP's processes and systems due to the Project.
- Primary Equalization Tanks - This component is to construct one (1) equalization tank that has approximately 6.75 Million Gallons of influent storage capacity to allow the AWPF to operate at a constant flow.

The Water Infrastructure Finance and Innovation Act of 2014 established the WIFIA Program, a federal credit program administered by the EPA, for eligible water and wastewater infrastructure projects. WIFIA can fund up to a maximum of 49% of eligible project costs with a 35 year maximum final maturity date from substantial completion of the project. The interest rate will be equal or greater to the US Treasury rate of a similar maturity, which usually ranges from 3.14% - 3.9%. LASAN is applying for a WIFIA financing agreement of 49% of the total Project costs plus application fees and capitalization costs in the amount of \$190 million. The total loan amount may increase up to an additional 25% depending on the availability of federal funding and changes to the Project cost.

It is estimated that the WIFIA loan will provide approximately \$44 million present value savings to the City compared to selling bonds. The project will be front funded by the Sewer Construction and Maintenance Fund.

Additional funding in the amount of 20% of Project costs is being sought from the State Water Resources Control Board's Clean Water State Revolving Fund.

PROGRAM REVIEW COMMITTEE (PRC) APPROVAL

PRC approved a construction budget of \$451,000,000 for the DCT Advanced Water Purification Facility on March 13, 2013, approved a construction budget of \$28,000,000 for the DCT Maintenance Facilities Expansion on October 14, 2016, and approved a construction budget of \$43,840,000 for the DCTWRP AWPF Primary Equalization Basin on November 14, 2018. Since the PRC approval dates, the cost of each project component has been updated to reflect technological, scope, and schedule changes. The current estimated total cost is \$386,703,000.

STATUS OF FINANCING

There is no impact to the General Fund. If awarded, proceeds from the WIFIA loan will be deposited into a not-yet-established fund within the Sewer Construction and Maintenance Fund with Department 50 Revenue Source Code 560200 (Debt Proceeds - Long Term, General).

BUREAU OF SANITATION
BOARD REPORT NO. 1
SEPTEMBER 15, 2020

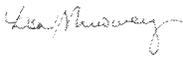
Page 3

Respectfully Submitted:



ENRIQUE C. ZALDIVAR, P.E.
Director and General Manager
Bureau of Sanitation

REVIEWED AND APPROVED BY:



Digitally signed by Lisa B. Mowery
DN: cn=Lisa B. Mowery, email=lisa.mowery@lacity.org,
c=US
Date: 2020.09.01 12:50:49 -0700'

LISA B. MOWERY, P.E., Chief Financial Officer
Bureau of Sanitation
Date: 9/1/20

Prepared by:
Rowena Lau, Centralized Grants Unit
(213) 485-2427
Ryan Thiha, DCTWRP
(323) 342-6229