

# Request for City Council Committee Action From the Department of Public Works

**Date:** August 18, 2009

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Referral: Honorable Paul Ostrow, Chair Ways & Means/Budget Committee

Subject: Early Adoption of 2010 Capital Plan and Appropriation Increase for

**Dewatering Plant Improvements (New Filter Presses) Project** 

#### Recommendation:

The Public Works Director recommends the City Council pass the following resolutions to accept federal stimulus funds and arrange financing for the expedited construction of the WTR22 New Filter Presses project:

- Adopt a resolution accepting \$2 million of "principal forgiveness" funds from the American Recovery and Reinvestment Act of 2009 (ARRA) to be used as part of the funding for the WTR22 New Filter Presses project.
- 2. Adopt a resolution approving early adoption and appropriation of the 2010 and 2011 Capital Budget Request for the WTR22 New Filter Presses project by appropriating an expenditure increase of \$23 million in the Water Capital Agency (07400–9010950–801501 Project WTR22) to be financed by a general obligation note issued to the Minnesota Public Facilities Authority (PFA) through the Drinking Water Revolving Fund (DWRF) and a \$2 million ARRA grant as described above.
- 3. Adopt a resolution increasing the revenue budget for the WTR22 project in the Water Capital Agency (07400–9010950–391101 by \$21 million and 07400-9010950-321000 by \$2 million).
- 4. Adopt a resolution requesting the Board of Estimate and Taxation to incur additional general obligation indebtedness of \$21 million related to the Dewatering Plant Improvements (New Filter Presses) project.
- 5. Adopt a resolution pursuant to IRS Treasury Regulations declaring official intent to reimburse expenditures related to the New Filter Presses project by incurring tax exempt debt.

#### **Previous Directives:**

December 12th, 2008: Resolution 2008R-544, Adopting the 2009-2013 Five Year Capital Program, specifically including \$2,000,000 for spending in 2009 on the WTR22 New Filter Presses project.

March 27th, 2009: As part of the Minneapolis Economic Recovery Strategy, City Council authorized development of an engineering services agreement for the design and bidding phases of this project, using the Public Works Consulting Pool for an amount of approximately \$2,000,000.

**Prepared by:** Dale Folen, Senior Professional Engineer 661-4908 Michael Abeln, Director, Capital & Debt Mgmt 673-3496

## Approved by:

Steven A. Kotke, P.E., City Engineer, Director of Public Works

Presenters: Dale Folen, Water Treatment and Distribution Services, or

Shahin Rezania, Director of Water Treatment and Distribution Services

#### **Reviews**

Permanent Review Committee (PRC): Approval NA Date

Approval In-Progress Civil Rights Approval

Policy Review Group (PRG): Approval NA Date \_\_\_\_\_

## **Financial Impact**

Action requires an appropriation increase to the Capital Budget or Operating Budget

Dept Name: Public Works

Fund Name: 7400 Water Enterprise Fund Project Name WTR22 New Filter Presses

Amount: \$23,000,000.00

Action is within the Business Plan

Request provided to the Finance Department

# **Community Impact**

Neighborhood Notification:

City Goals:

Comprehensive Plan:

Zoning Code:

# **Background/Supporting Information**

The existing Dewatering Plant was constructed in 1972 and has been in service for more than 35 years. The current dewatering process includes two gravity thickeners, four centrifuges, and seven treatment residuals settling lagoons. The centrifuges have been rebuilt numerous times and have reached the end of their useful life. The gravity thickeners are currently overloaded under common conditions, based on today's standards.

Studies over the past several years concluded that filter press technology was the best option for replacement of the existing system. The studies considered regulatory requirements, expected performance, and operational efficiency. A primary factor in the recommendation to change to filter presses will be increased capture of solids compared with centrifuges, resulting in significantly reduced discharge of solids being sent to the lagoons and decreased removal and hauling costs. Very recent investigations have found that the existing Softening Plant will operate more effectively with the construction of two new gravity thickeners, and that those thickeners will increase the project costs beyond the previous budget.

The project schedule was accelerated to allow Water Works to pursue American Recovery and Reinvestment Act of 2009 (ARRA) dollars for this project. These funds were to be distributed on a first come first serve basis as projects were "Ready to Proceed." Design Phase began on March 30, 2009, and bids were opened on August 4, 2009.

	2009	2010	2011	Total
Capital Budget Request	\$ 2,000,000	\$ 12,000,000	\$ 4,000,000	\$ 18,000,000
Current Budget	\$ 2,000,000	\$ 19,000,000	\$ 4,000,000	\$ 25,000,000
Appropriation Request	\$23,000,000	\$ 0	\$ 0	\$ 25,000,000

On August 10, 2009, the City was notified by the Minnesota Public Facilities Authority that Minneapolis will receive \$2,000,000 in Principal Forgiveness funds from the ARRA.

The current appropriation request is for an additional \$23,000,000, the first \$2,000,000 was appropriated on January, 2009 as part of the 2009 Original Capital Resolution 2008R-544. Of this amount, \$2,000,000 will be provided by principal forgiveness from the ARRA. The rest of the project will be financed by a DWRF loan (General Obligation Note with a significantly discounted interest rate).

Funding Sources	Amount	
Total Project	\$ 25,000,000	
ARRA Principal Forgiveness Grant	\$ 2,000,000	
General Obligation Note (DWRF Loan)	\$ 23,000,000	