



**AGENDA
BILL
Item 7.E**

**Public Works Board Loan
Agreement Supporting the
Division 7 Reservoir
Replacement Project**

DATE SUBMITTED:	January 2, 2024	MEETING DATE:	January 10, 2024
TO: BOARD OF COMMISSIONERS	FROM: Justin Clary, General Manager		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. Loan Agreement No. PC24-96103-041 with the Washington State Public Works Board		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input checked="" type="checkbox"/>	INFORMATIONAL/ OTHER <input type="checkbox"/>

BACKGROUND / EXPLANATION OF IMPACT

A structural analysis of the Lake Whatcom Water and Sewer District Division 7 Water Reservoir found significant deficiencies in its ability to meet existing earthquake code requirements (BHC report, December 2016). The 2017 Water System Plan also analyzed the capacity of the Division 7 reservoir and found it to be significantly oversized. Technical memoranda prepared by Wilson Engineering LLC (dated February 8, 2018 and December 28, 2020) provided alternatives analyses that investigated several options associated with future use of the reservoir or replacement. The recommended alternative replaces the existing welded steel 1-million gallon Division 7 reservoir with two smaller concrete 237,900 gallon reservoirs.

In 2018, the District submitted a FEMA Hazard Mitigation Grant application to replace the Division 7 Reservoir with two new reservoirs constructed to meet seismic standards, and to implement ShakeAlert (earthquake early warning system) on the new reservoirs. The grant application was developed in conjunction with Washington State Emergency Management Division (WA-EMD) of the Washington State Military Department and the Federal Emergency Management Agency (FEMA) as a hazard mitigation project. The cost sharing is as follows: FEMA 75%, WA-EMD 12.5%, and District 12.5%.

Though the grant application was submitted in 2018, the project did not proceed for a few years due to varying circumstances (e.g., grant administrator staffing issues, the COVID-19 pandemic). As a result, the project did not start in earnest until 2021, which culminated in the Board approving a grant agreement for the first phase of work during its February 2, 2022 meeting (the project was split into two phases: Phase 1 – Design and Permitting; and Phase 2 – Construction). At the time of approval of Phase 1, the

total project cost was estimated at \$2,281,000 (FEMA at \$1,710,750, WA-EMD at \$285,125, and the District at \$285,125).

As design and permitting progressed, and recognizing significant escalations in the construction industry, the cost estimate for the entire project was updated in October 2022 at \$2,950,000 (\$669,000 beyond the FEMA-approved grant agreement). Due to the significant increase, the District requested additional funding from FEMA. The District was recently notified by WA-EMD staff that there are no additional federal funds that may be allocated toward the project, and that if the District wished to proceed, it would have to finance the estimated additional \$669,000 (in addition to the District’s grant commitment of \$285,125). Since that notice, the District been notified of receipt of a \$220,000 federal earmark through Congressman Larsen’s Office (however, no formal agreement has been executed to-date), and the District was recently awarded an \$800,000 low interest construction loan through the Washington State Public Works Board (1.72% interest rate over a 20-year payment period).

	Design	Construction	Total
Estimated Cost	\$ 355,699.70	\$ 2,702,000.00	\$ 3,047,904.00
Funding			
FEMA	\$ 337,465.50	\$ 1,373,293.50	\$ 1,710,759.00
WA-EMD	\$ 56,244.25	\$ 228,880.75	\$ 285,125.00
LWWSD Funds	\$ 56,244.25	\$ 228,880.75	\$ 285,125.00
Federal Earmark	\$ -	\$ 220,000.00	\$ 220,000.00
PWB Loan	\$ -	\$ 800,000.00	\$ 800,000.00
Balance	\$ 94,254.30	\$ 149,055.00	\$ 243,309.30

As the table above demonstrates, receipt of the PWB loan will fully fund the project, even if the federal earmark is not ultimately received.

FISCAL IMPACT

No fiscal impact is anticipated; Amendment No. 1 to the 2023-24 Budget approved by the Board during its regularly scheduled meeting held on October 11, 2023 included the \$800,000 PWB loan to the District’s Water Utility System Reinvestment Plan.

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

Infrastructure Strategy and Performance
Community Sustainability

RECOMMENDED BOARD ACTION

Staff recommends that the Board authorize the General Manager to execute the loan agreement with the Public Works Board.

PROPOSED MOTION

Recommended motion is:

“I move to authorize the general manager to execute Loan Agreement No. PC24-96103-041 with the Washington State Public Works Board to enable receipt of \$800,000 for construction of the Division 7 Reservoir Replacement Project as presented.”