




**AGENDA  
BILL  
Item 6.C**

**Division 22-1 Reservoir  
Replacement Project  
Public Works Board  
Application Authorization**

DATE SUBMITTED:	July 1, 2025	MEETING DATE:	July 9, 2025
TO: BOARD OF COMMISSIONERS	FROM: Greg Nicoll, District Engineer		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. none		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input checked="" type="checkbox"/>	INFORMATIONAL /OTHER <input type="checkbox"/>

**BACKGROUND / EXPLANATION OF IMPACT**

The District provides potable water to its South Shore water system, which includes the Sudden Valley and Geneva communities, wholly by water treated at its Sudden Valley Water Treatment Plant (SVWTP). Treated water is conveyed from the SVWTP to the Division 7, Division 22-1 and Division 22-2 reservoirs and is distributed to the rest of the South Shore system from these reservoirs. As a result, the operability and integrity of these reservoirs is critical to the operation of the South Shore system.

The Division 22-2 reservoir was designed and constructed (2018) to withstand a major seismic event and is currently in very good condition. In 2016, prior to construction of the Division 22-2 reservoir, BHC Consultants performed a seismic vulnerability assessment of the District's steel reservoirs, which identified structural deficiencies associated with the Division 22-1 reservoir.

The Division 22-1 reservoir, a 514,000-gallon welded steel reservoir, was originally constructed in 1971 and has not been renovated or recoated since its original construction. In addition to the seismic deficiencies identified by the 2016 seismic vulnerability assessment, a coating assessment completed in 2022 by Evergreen Coating Engineers determined that the coating system has failed and significant corrosion of the structure has compromised the structural integrity of the roof of the reservoir.

Due to the seismic and structural deficiencies, earlier this year the District was awarded a FEMA Hazard Mitigation Grant to fund replacement of the reservoir with a new reservoir meeting seismic design standards. However, the District grant match is \$358,750, which was not accounted for in the 2025-26 budget because the grant was awarded after the budget had been approved. The impacts of this project to the District's finances were discussed with the Board of Commissioners during its regularly scheduled meeting held on June 11, 2025. During the meeting the Board

directed staff to pursue external funding sources for the District grant match portion of the project. One viable external funding source is a low-interest loan through Public Works Assistance Account (administered by the State [Public Works Board](#)); although this source would not be a grant, it would allow the District to finance the project costs over a 20-year period at a low interest rate (2.12%).

The Public Works Board officially opened the FY2026 loan cycle during its meeting held on May 9, with applications due on August 8. There is approximately \$100 million available during this loan cycle. The PWB intends to award funds during its October 3 meeting. A requirement of application is that the applicant's governing body formally authorize submittal of a loan application.

#### **FISCAL IMPACT**

Receipt of PWAA loan would create a debt service obligation for the amount the loan, which would be amortized over a 20-year loan repayment period.

#### **APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)**

Financial Viability

Infrastructure Strategy and Performance

Enterprise Resiliency

#### **RECOMMENDED BOARD ACTION**

Staff recommends that the Board authorize development and submittal of a construction loan application to the Public Works Board for the Division 22-1 Reservoir Replacement Project.

#### **PROPOSED MOTION**

A recommended motion is:

“I move to authorize staff to develop and submit an application to the Washington State Public Works Board for a loan to finance the unfunded portion of the construction of the Division 22-1 Reservoir Replacement Project.”