

SUBMITTED BY: Luis Pedroza, Deputy City Manager/City Treasurer

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Advanced Infrastructure Development and Improvement

**ORGANIZATIONAL
IMPROVEMENTS:**

SUBJECT: **RESOLUTION NO. 22-1496**, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **AUTHORIZING** the approval of the application for **DESIGN/CONSTRUCTION** of a new groundwater well drinking water state revolving fund loan from the Water Infrastructure Finance Authority of Arizona.

EXECUTIVE SUMMARY:

A new groundwater well is needed in order to keep up with existing and future potable water demands of the city. The city is seeking to retain Stantec engineers to assist in developing a new well site. The City is seeking a WIFA loan to finance this project in the amount not to exceed \$2,100,000.

BACKGROUND:

The City has identified a well site for the construction of a new well #18 to be located on the city owned vacant lot by A Avenue and 25th Street. A new well is needed to meet existing and future potable water demands. Our well infrastructure is comprised of 6 active wells, of which 2 wells produce about 75% of total city's water. The other 3 wells are aged and not producing as much as they used to and 1 of our wells is currently out of production due to contaminants found and is not yet cleared to be placed back into production.

We are currently in process to reactivate Well #14 and get it back into production. That well was taken offline about 11 years ago due to arsenic level traces exceeding newly established ADEQ thresholds. The City is now pursuing arsenic treatment facilities for this well and rehabilitating it to place it back to production. This well's production along with a new well #18 would increase water supply for the city and relieve pressure from wells 16 and 17 that are producing the majority of the City's supply.

Financing for the construction of this well is needed in the approximate amount of \$2,100,000. The utilization of financing through the Water Infrastructure Finance Authority (WIFA) offers favorable terms in the form of lower than market interest rates and sometimes up to 50% forgivable principal. An asset with an approximate useful life of 15-20 years is recommended to be financed for the life of the asset and for intergenerational payback occurs, meaning those utilizing the asset at that point in time are paying for it in the form of annual debt service. The engineer's estimate for a new well is about \$1.7 million, however with Davis Bacon requirements and construction costs on the rise, staff recommends authorizing debt up to \$2.1 million. Any unutilized amounts will be returned to WIFA and only the amount borrowed will be paid back. There is also opportunity to add other associated water equipment to this loan if there is extra capacity, taking advantage of the forgivable principal.

At this point, the City is seeking authorization from the Mayor and Council to submit a finance application to WIFA for this project. This is required in order for their process to move forward and qualify the city and approve or deny the loan. It is unknown how much forgivable principal we would qualify for, but we have been successful in the past with other WIFA loans. The last WIFA loan provided us a 50% or \$750,000 forgivable principal amount.

DISCUSSION:

Staff recommends the Council to provide debt authorization of a WIFA loan for the construction of a new well and other associated water equipment for an amount not to exceed \$2,100,000. This project will provide potable water production for the entire City of Douglas water system.

FISCAL IMPACT:

None at this point, only seeking authorization to submit a finance application

Fiscal Year: 2021/2022

Amount Requested:

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 22-1496.”