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MEMORANDUM VIA ELECTRONIC MAIL

TO: Ms. Dawn Collins, Town Administrator
Town of Palmer Lake

FROM: Mr. Mark A. Morton, P.E.
Ms. Dannah M. Koeniger, P.E.
GMS, Inc., Consulting Engineers

RE: Town of Palmer Lake
Water System Improvements Project
Funding Assistance and Project Work

DATE: April 24, 2023

FUNDING ASSISTANCE SUMMARY

American Rescue Plan Act

Funding to date, GMS, Inc., assisted the Town in applying for the El Paso County American Rescue Plan Act (ARPA) funds in April of 2022 for this water project. The Town was not awarded these funds from the County. Although unsuccessful in obtaining the County's ARPA funding, the Town received its own allocation of ARPA funds of approximately \$752,000. These funds are to be used for COVID related expenditures; loss of tax revenue due to COVID; and water, wastewater, or broadband projects.

State Revolving Fund

The best loan funding source is through the State Revolving Fund (SRF). The SRF is also facilitating the Bipartisan Infrastructure Law (BIL) funding. Since the publishing of the Preliminary Engineering Report (PER), the criteria for receiving the BIL money were developed. The BIL funds provide 50% principal forgiveness for eligible projects and for communities that meet the criteria. In order to be eligible for these funds, the community must either be a disadvantaged community or must meet three (3) of the ten (10) criteria. The criteria and the Town's eligibility is provided on the following page. In a review completed by GMS, the Town only scored two (2) points which were removing lead and the ratio of the median water rate to the median household income. Therefore, the Town is not eligible for BIL funding. The SRF would still fund this project with a loan, but there are no grants available. The current interest rate for the SRF program is 3.00% for a 20-year loan and 3.25% for a 30-year loan.

Energy/Mineral Impact Assistance Fund (EIAF)

GMS spoke with the Department of Local Affairs (DOLA) regional manager, Todd Leopold, regarding the Town's Water System PER and the recommended improvements. Todd was favorable for the Town to submit an Energy/Mineral Impact Assistance Fund (EIAF) grant

application for the project due to the need for the Town to have redundant water supply. Currently the maximum grant is \$1,000,000. In order to apply for this grant, the Town must have initiated the SRF process with the Project Needs Assessment (PNA) submitted by the time of application.

If the Town decides to pursue the EIAF grant, it is critical that the SRF process is initiated as soon as possible as the grant and loan funding process takes time to complete.

Qualification Criteria	2022 Benchmark/ Palmer Lake	Points	Palmer Lake Points
The prospective borrower's project removes lead or emerging contaminants to reduce drinking water health risks	Yes/No	1	1
Percentage of population within a community that identifies as minority is equal to or greater than two-thirds of communities in the state	25%/ 18.64%	1	0
Percentage of population within a community living under 200% of poverty level that is equal to or greater than two-thirds of communities in the state	35%/ 10.49% below 150% of poverty level	1	0
Percentage of population within a community that are housing burdened is equal to or greater than two-thirds of communities in the state	30%/ 15.82%	1	0
Rates compared to Median Household Income exceed the ratio of estimated annual median rates to state Median Household Income	1.39% (combined water and sewer) 0.81% (water) 1.32% 0.58 (sewer) N/A	1	1
Community Median Household Income is less than the State Median Household Income (1 point)	State MHI: \$75,231/ \$92,333	1	0
Community Median Household Income that exceeds 125% of the State Median Household Income will lose one point (-1 point)	125% of State MHI: \$94,039	-1	
Population loss or growth is slower than the state's over 5 years	1%/ 3.95%	1	0
Total possible score of 1 point: County-level job loss over 10-years (0.5 point). Counties with a ≥ 24-month average unemployment rate that exceeds the state's plus 1% (0.5 point).	Job Loss: 0%/ +63,482 jobs 24-month average unemployment +1%: 7.1%/ 4.79%	1	0
Combined percent of population living under 200% of poverty level (200%) + percent of population over 65 years is greater than or equal to two-thirds of communities in the state.	50%/ 24.03%	1	0
		Total Score	2

PROJECT SCOPE OF WORK

The Town of Palmer Lake's water system is in need of improvements to address several areas identified in the Water System Improvements PER. The PER outlined three separate priorities of work based on the urgency of those work items. Recommendations for work in the report included only the Priority One and Priority Two work items.

Priority One work items are highly recommended for immediate action due to their critical nature, and include the following major scope items:

1. A new Arapahoe Aquifer well is a critical system reliability need.
 - a. The Town currently does not have sufficient redundancy for well supply.
 - b. Should existing Well A-2 be out of service, the Town would not be able to produce the current maximum day demand.
2. The Groundwater Water Treatment Plant (GW-WTP) improvement is a critical treatment capacity need.
 - a. Radium levels in the source wells dictate the necessity of the improvements.
 - b. Once radium levels exceed the maximum contaminant level of 5 pCi/L, CDPHE requires the GW-WTP become a compliance facility treating radium with a redundant filter train.
 - c. Radium levels in the recently drilled Well D-2R were found to be 3.9 pCi/L.
 - d. The Denver and Arapahoe Aquifers have historically shown rising levels of radium, with anticipation of the radium levels of the Town's wells exceeding a 5 pCi/L in the future.
3. The replacement of distribution system piping is a critical public health need.
 - a. Segments of lead jointed pipes still exist within the distribution system.
 - b. Replacement of the lead jointed pipe mitigates the health risks associated with lead materials.
 - c. Replacement of other known problematic pipe segments mitigates the health risks associated with pipe leaks and failures.

The Priority Two work items are recommended to improve water quality and the quality of service in the distribution system. The recommended work includes three separate pipeline segments, the pros and cons of which are as follows:

1. Benefits
 - a. Improve circulation and water quality within the distribution system.
 - b. Improve reliability of service throughout the distribution system.

- c. Provide alternate means of water delivery to customers in the event of a pipeline failure.
- d. Improve reliability of the system's fire suppression capabilities.
- e. Decrease flushing requirements for eliminating stagnant water from the ends of the distribution system.
- f. Conserve operator time, costs and wasted water by reducing flushing activities.
- g. Potential for future cost reimbursement from future customers benefiting from the work.

2. Disadvantages

- a. Additional costs for the pipeline work added to the total project cost.
- b. Upfront project costs must be borne by the Town, even though future reimbursement is possible.

In order to move forward with the Water System Improvements Project, the Board must select a scope of work and authorize the project's execution.

Should the Board desire to pursue the Priority One and Priority Two work in a single project, we suggest a motion be made to "...authorize GMS, Inc. to pursue funding assistance through the EIAF grant and SRF loan, and undertake design work for a Water System Improvements Project to include the scope of work defined by Priority One and Priority Two in the Preliminary Engineering Report."

Should the Board desire to pursue the Priority One work only for the project, we suggest a motion be made to "...authorize GMS, Inc. to pursue funding assistance through the EIAF grant and SRF loan, and undertake design work for a Water System Improvements Project to include the scope of work defined by Priority One in the Preliminary Engineering Report."