
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: October 31, 2003
SUBJECT: **Resolution Authorizing the Issuance of Bonds for Sewer and Stormwater Capital Improvement Projects**
AFFECTED COUNCIL DISTRICTS: Citywide
STAFF REPORT BY: Gary Mumford
ADMINISTRATIVE DEPT. AND CONTACT PERSON: Public Utilities
Leroy Hooton

On October 23, 2003, the City Council received a briefing regarding a proposal to issue bonds for sewer and stormwater improvements as follows: (1) \$23 million for upgrades of the sewer reclamation plant, (2) \$2 million for the City's share to dredge and cleanup the Northwest Drainage Canal, and (3) \$8 million for a major storm drain along 900 South Street between 600 East and the Jordan River and along 500 East Street from 900 South to 1300 South.

The total amount of the bonds is not expected to exceed \$33.5 million including issuance costs and bond insurance. There is a possibility that establishing a \$2.5 million reserve fund may be more cost effective than obtaining bond insurance. The proposed resolution specifies a maximum of \$38 million to provide for various issuance possibilities that may arise between now and when the bonds are sold. However, the proceeds for the actual projects will be \$33 million. If the Council adopts this resolution indicating its intent to issue bonds, the Council will consider a second resolution in December to confirm the sale.

At the briefing, representatives from the Department of Public Utilities explained that the cost of the sewer reclamation plan upgrade will exceed the budget by \$3.4 million because of changes during the design process and expansion of the scope of the project. This project is necessary to handle the increased loading or strength of the sewage. The upgrades will not increase the volume capacity of the plant. Department representatives also explained that construction of the proposed 12 foot by 5 foot box drain along 900 South will result in a disruption to traffic and businesses along 900 South Street. The Department of Public Services is taking the lead on coordinating the project with business owners. Two-way traffic and access to businesses will be maintained.

If the City Council adopts the bond resolution, the Department of Public Utilities will assume the following:

- The Council is willing to allow the Department of Public Utilities to accept a construction bid in November and enter into a contract for the sewer reclamation plant upgrade. (The bid acceptance period expires in November.)
- The Council is willing to approve a future budget amendment for the \$3.4 million of design changes and scope expansion for the sewer reclamation plant upgrade.

RECOMMENDED MOTION:

Following the briefing, Council Members decided to forward the resolution to a formal Council Meeting for consideration. Council Members may wish to consider the following motion.

["I move that the Council"] **Adopt the resolution authorizing the issuance and sale of up to \$38,000,000 aggregate principal amount of water and sewer revenue bonds; fixing certain maximum terms for the Bonds; and providing for related matters.**

The following information was provided previously.
It is provided again for your reference.

The Department of Public Utilities is requesting that the City Council adopt a bond parameters resolution authorizing the issuance of bonds for capital projects of the Sewer Fund and Stormwater Fund. The adopted budget includes bonding for upgrades of the sewer reclamation plant, bonding for a new storm drainage line on 900 South between 600 East and the Jordan River, and bonding for dredging and cleanup of the Northwest Oil Drain canal. The Water Fund will not receive any of the bond proceeds.

The fiscal year 2004 budget includes issuing \$23 million in bonds to upgrade the existing wastewater treatment plant. The budget also included the use of accumulated reserves to partially fund the upgrades. According to the Department, the upgrades are needed to enhance the ability of the plant to handle additional loading, which have increased over the past several years. Bids have been received for the sewer plant upgrade project with the low bid coming in \$3.4 million over the original budget. The increase was due to changes during the design process and expansion of the scope of the project.

The fiscal year 2004 budget included an additional storm drain project located on 900 South Street from about 600 East to the Jordan River. The budget incorporated bonding of \$8 million to help finance the 900 South storm drain line. The storm line installation is the first part of a major street reconstruction similar to the South Temple Street project. This could have a major impact to businesses along 900 South Street. The proposed additional storm drain will take overflow off of the 1300 South storm drain, which during the 1983 flood exceeded its capacity and flooded some surrounding areas. The proposed additional storm drain will also relieve other storm drains that flow through the downtown area.

The annual budget also includes \$2 million in bonding to dredge and remove material in a City-owned canal, which is used for stormwater drainage and for effluent from the sewer treatment plant. In the past certain contaminate from refineries may have made their way into the canal. At one time as part of Salt Lake County's flood control responsibilities, the County was able to poison weeds in the canal and dredged sediment but had to stop due to environmental issues. Several years ago, cleanup estimates were sometimes discussed that exceeded \$50 million. In 2001, the City was successful in convincing partners to jointly fund a study to determine options for mitigating possible contaminated sediment within the

canal. Cleanup is now estimated to be about \$5 million with costs shared by Salt Lake City, Salt Lake County, BP Products North America Inc. (formerly Amoco Oil Company) and Chevron U.S.A. Inc. Salt Lake City's share will be approximately \$2 million. Bids for cleanup of the first segment have been received. Dredging the canal will also increase its capacity and reduce or eliminate flooding of nearby farmland.

cc: Rocky Fluhart, Leroy Hooton, Jeff Niermeyer, Jim Lewis, Dan Mulé, DJ Baxter
