
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: January 9, 2004
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 November 4, 2003, the City Council adopted a bond parameters resolution to issue bonds for sewer and stormwater improvements as follows: (1) \$23 million for upgrades of the water 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 approximately \$33.5 million including issuance costs and bond insurance. The bonds will be sold on the morning of January 13, 2004. That day the City Treasurer will provide the Council with a handout giving the actual amount of the bonds and interest rates. The Administration asks that the Council adopt a resolution authorizing the issuance and confirming the sale of the bonds. Based on Council adoption of the parameters resolution, the Department of Public Utilities has accepted the bid and awarded the construction contract for the sewer reclamation plant enhancements.

RECOMMENDED MOTION:

The Council previously adopted a resolution authorizing the issuance of the bonds. The additional proposed resolution finalizes the terms and conditions of the issuance and authorizes the execution of documents required in connection with the bonds.

["I move that the Council"] **Adopt the resolution authorizing the issuance and confirming the sale of the bonds; authorizing the execution and delivery of a master trust indenture and a first supplemental trust indenture to secure the bonds; authorizing a purchase contract with Lehman Brothers Inc. and JP Morgan Securities, Inc.; and authorizing the taking of all other actions necessary.**

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

The adopted budget includes bonding for upgrades of the water reclamation plant, bonding for a new storm drainage line on 900 South between 600 East and the Jordan River and along 500 East Street from 900 South to 1300 South, and bonding for dredging and cleanup of the Northwest Oil Drain canal. The Water Fund will not receive any of the bond proceeds.

Water reclamation plant – The fiscal year 2004 budget includes issuing 23 million in bonds to upgrade the existing water reclamation plant. The budget also included the use of accumulated reserves to partially fund the upgrades. The upgrades will enhance the ability of the plant to handle additional loading, which has 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 upgrades will not increase the volume capacity of the plant according to the Department. In December 2003, the Council increased the budget for the project by \$3.4 million.

900 South storm drain – The fiscal year 2004 budget included an additional storm drain project located on 900 South Street from about 600 East to the Jordan River and along 500 East Street from 900 South to 1300 South. The budget incorporated bonding of \$8 million to help finance the 900 South storm drain line. 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 storm line installation is the first part of a major street reconstruction similar to the South Temple Street project. 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. Because the installation of the storm drain is in conjunction with a major reconstruction of the 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.

North-west oil drain canal – 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 discussed with cost possibilities exceeding \$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
