



MEMORANDUM

To: Mayor and City Council Members

From: Greg Meszaros, Director, Austin Water Utility

Date: June 15, 2009

Subject: Federal Stimulus Funding and the Texas Water Development Board

On the June 18, 2009, City Council agenda, there are two items related to Federal Stimulus Funding as part of the American Recovery and Reinvestment Act of 2009 (ARRA). Item #2 requests authorization to apply for funding and negotiate and execute any necessary agreement with the Texas Water Development Board (TWDB), the clearinghouse and authorizing agency for any such water and wastewater funding earmarked for the State of Texas. Item #8 requests authorization to negotiate and execute an amendment to the Water and Wastewater System Facility Engineering Rotation List in order to expedite project design to meet the deadlines establish as part of the funding process.

Background

Austin Water Utility has been positioning itself to receive Federal Stimulus funding for construction of both drinking water (potable water) and clean water (wastewater and reuse water) projects before the American Recovery and Reinvestment Act of 2009 (ARRA) was officially signed into law on February 17, 2009. Under the approved ARRA, a specified amount of funding was set aside by the US Environmental Protection Agency to be used for water and wastewater projects. The process to obtain ARRA funding for the drinking and clean water projects has been a fluid process and up until recently was not well defined. We have had to adapt and respond to very tight deadlines to not miss out on the opportunities to qualify for this funding.

Projects

During the April 30, 2009, Federal Stimulus Update briefing to Council, staff provided a list of 38 clean water and drinking water projects that were submitted to the Texas Water Development Board to potentially be funded with Federal Stimulus Dollars. Over the past several months, TWDB established criteria to rank the submitted projects and to determine how funding will be awarded to the applicants. A draft project priority list of all state-wide projects requesting funding was released by TWDB on May 14, 2009. Based largely on their "green" components, several of the AWU projects are ranked high on the list for potential funding. The top three City of Austin ranked projects are: Hornsby Bend Biosolids Plant Upgrades, Walnut Creek Wastewater Treatment Plant Upgrades, and the rehabilitation of the ABIA Transmission Main.

The ARRA requires that not less than 20% of the funds shall be for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. Of the 84 state-wide projects that were submitted to the TWDB with "green" components, AWU's Hornsby Bend Biosolids Plant Upgrades project was ranked number 1.

The proposed projects, totaling approximately \$32 million, at the Hornsby Bend Biosolids Plant will consist of plant wide improvements that will involve substantial implementation of green infrastructure. The proposed project includes improvements to the onsite composting operations by expanding existing composting pads, which will double the composting operations at the plant. The project will also allow the plant to capture the methane gas produced on site to generate energy that can be reused at the plant and also sold to Austin Energy as a renewable energy source. Additional plant improvements, including machinery and HVAC upgrades, will allow the plant to operate more efficiently, reducing AWU's green house gas emissions.

Funding


Although the funded projects list has not yet been finalized by TWDB, AWU is confident we will receive some amount of funding based on the number 1 ranking of the Hornsby Bend project. Given City Council's forthcoming summer recess, and the tight deadlines of the TWDB, AWU is at this time requesting authorization to apply for funding not to exceed \$53,700,000, the maximum amount that can be awarded by TWDB to any one entity.

AWU intends to access the financial assistance in the form of no interest loans for its projects up to a maximum amount not to exceed \$53,700,000, which are included in the Utility's 5-year Capital Improvement Program. Although not a grant, a zero interest loan will allow AWU to realize significant savings over the life of the thirty year loan. It is anticipated that over the life of a 30-year, zero interest loan for \$32 million for the Hornsby Bend project, AWU will save over \$22 million in financing costs, or a little over \$730,000 per year.

Timeline

Once TWDB has approved the projects for funding, which is anticipated to occur at their June 18, 2009 meeting, the applicant has thirty (30) days in which to apply for and accept the funds. Once the funds are accepted, the construction contracts for the projects must be executed by February 2010. Approving the amendment to the Engineering Rotation list, will allow AWU to accelerate design to ensure we meet the February 2010 deadline.

Please let me know if you have any questions or require additional information.


Greg Meszaros, Director
Austin Water Utility

cc: Marc A. Ott, City Manager
Rudy Garza, Assistant City Manager