



# City of Biggs

Agenda Item for the  
Next regular City Council Meeting  
April 14, 2015 at 6:30pm

**To: Honorable Mayor  
And Members of the City Council**

**Date: April 6, 2015**

**From: Brian Martin, PE – City Engineer**

**Subject: Consideration of SRF Funding for WWTP Phase 2 Land Acquisition**

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## **Background**

The SRF has recently made land acquisition for wastewater projects and eligible and fundable item. Until the SRF revised their funding policy for land acquisition, the City was working with the USDA to obtain a loan/grant to fund the acquisition of the land for the proposed wastewater treatment plant disposal area. The attached memorandum from Bennett Engineering Services to the City Administrator provides a comparison of funding between the SRF and the USDA.

After reviewing the above mentioned memorandum and discussing this item at the last Public Works Committee Meeting it is staff's opinion that it would be in the City's interest to switch to the SRF funding for the acquisition of land for the Phase 2 WWTP project. The move would save the City \$8938 to \$23,698 annually and \$ 710,928 to \$786,398 in total financing costs depending which loan period is chosen.

## **Recommendation**

Staff recommends that the City Council direct staff to switch from USDA funding to SRF funding for the Phase 2 WWTP land acquisition costs.

# MEMORANDUM

**TO:** Mark Sorensen, City Administrator

**FROM:** Stacey Bennett

**DATE:** April 6, 2015

**SUBJECT:** SRF vs USDA Funding Option

**PROJECT:** City of Biggs – WWTP Phase 2



## Background:

The purpose of this memo is to discuss the options for funding through the California State Revolving Fund (SRF). In previous discussions, we were pursuing a “Recycled Water” loan from SRF because of reduced interest rate availability. We have since been informed that we are not eligible for that funding.

SRF has recently made land acquisition available as part of their loan. This discussion is a summary of our understanding of obtaining SRF funds for the land acquisition portion of the project.

BEN|EN has been moving forward in an effort to finalize two loans for the WWTP Upgrades Phase 2 project. The progress has been with the understanding that the City of Biggs would solidify a loan from the SRF under their Wastewater loan program for the treatment plant upgrades and a USDA loan for the land purchase. The SRF loan program currently includes a 20 and a 30 year loan, an interest rate of 1.5% (down from the 2.1% for Phase 1), and a principle forgiveness of 50%. The USDA loan includes a 30 year loan, an interest rate of 3.25%, and a grant portion of between 35% and 45%. The land acquisition cost is estimated to be \$1,790,000 (includes legal and closing costs).

Below is a cost comparison for the different loan options now that SRF has made land acquisition available as part of their loan.

	USDA	USDA	SRF	SRF	<i>Delta</i>	<i>Delta</i>	
					<i>USDA 35% loan forgiveness vs SRF (20 yr)</i>	<i>USDA 35% loan forgiveness vs SRF (30 yr)</i>	
Starting Loan Principle	\$1,790,000	\$1,790,000	\$1,790,000	\$1,790,000			
Interest Rate	3.25%	3.25%	1.50%	1.50%			
Term of Loan (years)	30	30	20	30			
Principle Forgiveness Factor	0.35	0.45	0.5	0.5			

Financed Loan Principle	1,163,500	984,500	895,000	895,000			
1st Year Monthly Debt Service	5,064	4,285	4,319	3,089	745	1,975	<i>SRF lower monthly debt service cost in the first year.</i>
First 12 months of debt service	60,764	51,415	51,825	37,066	8,938	23,698	<i>SRF lower debt service cost in the first year.</i>
Total Debt Service Through 10th Year	607,635	514,153	518,254	370,659	89,381	236,976	<i>SRF lower debt service cost in the first 10 years</i>
Total Debt Service Through 20th Year	1,215,270	1,028,305	1,036,508	741,318	178,763	473,952	<i>SRF Lower total debt service cost in the first 20 years</i>
Total Debt Service Through 30th Year	1,822,905	1,542,458	1,036,508	1,111,977	786,398	710,928	<i>SRF lower total debt service cost in the first 30 years</i>

## **Assumptions:**

- 1) USDA has consistently talked about a 30 year loan term.
- 2) USDA would only verbally estimate that Biggs would qualify for a 3.25% interest rate.
- 3) USDA would only verbally estimate that Biggs would qualify for a principle forgiveness of somewhere between 30% and 45%.
- 4) Land acquisition cost of \$1,490,000 plus \$300,000 in legal and closing costs for a total land acquisition cost of \$1.79 million.
- 5) Assumes that principle forgiveness occurs on the day that the project is complete, and before any interest accruals.
- 6) Assumes that interest begins accruing on the project completion date. Whereas in reality USDA is likely to begin accruing interest sooner - on the day that the land is purchased.

## **Other things to consider:**

- BEN|EN and PMC have been working with US Fish and Wildlife to complete the environmental requirements. USDA has been the lead agency. If we switch from USDA as a lead agency so SRF as the lead agency, there may be complications or delays involved.
- BEN|EN has already spent a significant amount of time pursuing the USDA loan.
- Good to have only the one loan rather than two separate loans and processes.

## **Recommendations:**

Based on the cost savings illustrated in the above table, we believe that the City will be best served by converting the land acquisition portion into the SRF loan/grant that we are currently pursuing for the Phase 2 project.