



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Art Vela, Public Works Director

MEETING DATE: February 27, 2024

SUBJECT: Consideration of Resolution 2024-40, Authorizing the Submittal of a Grant Application Under the Bureau of Reclamation WaterSMART: Title XVI WIIN Act Water Reclamation and Reuse Program for Fiscal Year 2023 and for Fiscal Year 2024 for up to 25% of the Total Project Costs, Up To \$30 Million, for the Wastewater Treatment Plant and Recycled Water Upgrades and Authorizing the City Manager to Executed Related Grant Agreement to Receive Funding

RECOMMENDATION:

Adopt Resolution 2024-40.

BACKGROUND:

The City of Banning Wastewater Treatment Plant (WWTP), also known as the Water Reclamation Facility, provides for the collection, treatment, and disposal of municipal sewage. The City has recognized that the WWTP is in need of capacity and treatment improvements in order to keep up with the City's growth as well as to produce recycled water supply to bolster its water supply portfolio and to meet impending wastewater effluent discharge quality permit requirements.

On December 13, 2022, the Utility Authority approved Resolution 2022-14UA, "Awarding a Professional Services Agreement to N2W Engineering to Provide Owner Advisor Services and Preliminary Engineering for the Wastewater Treatment Plant Improvement Project in a "Not-to-Exceed" amount of \$1,576,430. Resolution 2022-14UA, attached hereto, provides additional background on the City's goal for improving the WWTP.

In anticipation of the WWTP Improvement Project, amongst other reasons (i.e. increasing operating costs, capital improvements, debt service obligations and reserve balances), the City Council approved Ordinance 1587, adopting new water and wastewater rate schedules, which would increase rates for a five-year period (FY 2022/2023 to FY 2026/2027).

2023 Title XVI Funding Opportunity

In September 2023, the Bureau of Reclamation (BOR) issued a new Notice of Funding Opportunity (NOFO) for grants under the WaterSMART: Title XVI WIIN Act Water Reclamation and Reuse Program for fiscal years 2023 and 2024 ("Title XVI Program"). Through the Title XVI Program, BOR provides financial and technical assistance to local water agencies for the planning, design, and construction of water reclamation and reuse projects.

The Title XVI Program provides up to a maximum of 25% of the total cost of planning, design, and/or

construction, up to a maximum of \$30 million per project. To be eligible for funding under this NOFO, the project must have a completed Title XVI feasibility study submitted to BOR for review by November 7, 2023, for applications submitted under the first submittal period and by August 30, 2024, for applications submitted under the second submittal period. Completed feasibility studies must be found by BOR to meet all of the requirements of WTR 11-01 by February 7, 2024, for applications submitted under the first submittal period and by November 29, 2024, for applications submitted under the second submittal period.

A Feasibility Study was prepared by N2W Engineering, reviewed by staff and submitted prior to the November 7, 2023 deadline. On February 13, 2024, the City received notification that BOR approved the Feasibility Study on January 31, 2024.

City staff and N2W Engineering finalized a Title XVI grant application for the FY 2023 funding allocation and submitted the grant application prior to the deadline. The Title XVI Program allows applicants to apply for both fiscal year allocations even if an applicant receives funding in FY 2023. Awards for both fiscal years cannot collectively exceed the allowable funding (i.e. 25% or \$30 Million).

JUSTIFICATION:

As part of the grant funding process, BOR requires that a resolution be adopted by the applicant's governing body. The resolution must designate an authorized representative to submit the application for grant funding and to enter into an agreement to receive funding.

FISCAL IMPACT:

The approved Feasibility Study identifies a total project cost of \$93,487,328 which was developed as a high level and conservative estimate for purposes of the Title XVI Program grant application. N2W Engineering has progressed in preliminary engineering efforts and research on construction costs and has prepared refined cost estimates indicating projected costs of \$76,383,509. If the City is awarded Title XVI Program funding, it would receive up to \$19,095,877.

Additional funding sources identified to fund the WWTP Improvement Project include:

- Fund 661 - Water Improvement Fund (Approx. Fund Balance = \$3,488,000)
- Fund 680 - Wastewater Operation Fund (Approx. Fund Balance = \$4,200,000)
- Fund 681 - Wastewater Improvement Fund (Approx. Fund Balance = \$10,834,000)
- Fund 682 – Tertiary Fund (Approx. Fund Balance = \$7,883,000)

The approved rate schedules included in Ordinance 1587 anticipated debt financing to cover the costs of the WWTP Improvement project. Debt financing options include the issuance of bonds and/or loans from the Clean Water State Revolving Fund (CWSRF) or the Water Infrastructure Finance and Innovation Act (WIFIA).

ALTERNATIVES:

Do not adopt Resolution 2024-40, which would make the City ineligible to receive Title XVI Program funding.

ATTACHMENTS:

1. [Resolution 2024-40, WaterSMART Grant Application.docx](#)
2. [SR Resolution 2022-14 UA, Award Owner Advisor WWTP.pdf](#)
3. [Banning WaterSMART Application Feasibility Study Not Included.pdf](#)
4. [City of Banning Feasibility Study_Revised and Approved.pdf](#)
5. [Attach X BOR Letter and Approval Memo Feas Study 1.pdf](#)
6. [Updated Cost Estimate and Site Plan 1.pdf](#)