

# Memorandum

**To:** Board of Directors  
**From:** Justin M. Hopkins, General Manager  
Juan M. Vega, Assistant General Manager  
Priya Ram, Director of Finance and Administration  
Darrel Evensen, District Engineer  
**Date:** September 17, 2024  
**Re:** WIFIA and SRF Funding Application – Consideration of Projects To Be Included

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## Background

On August 12, 2020, the Stockton East Water District (SEWD/District) approved Incidental Take Permit (ITP) 23264, which allows for the District's continued operation of the Calaveras River and binds the District to implementing the Calaveras River Habitat Conservation Plan (HCP). The flagship project within the HCP is the Bellota Weir Modifications Project (Project) to provide more reliable water supply infrastructure, improve conditions for upstream migration of adult salmon and steelhead, reduce juvenile fish entrainment at the existing Bellota intake, and reduce juvenile fish movement down the Old Calaveras River Channel. Project design was completed in January 2023 and permits are anticipated by April 2025. Per Section 7.2 of the HCP, "The proposed improvement identified for the Bellota Diversion Facility (CH2M Hill 2005; SEWD 2009) is targeted to be completed within the first five years but will be implemented no later than the first ten years of issuance of the ITP." The current estimated price tag of the project is \$83,013,500 as can be seen in **Table 2**.

District staff has investigated different funding options, including grants, community project funding, pay-as-you-go options, bonds, and loans. The most feasible option for the District is The California State Water Resources Control Board (SWRCB) Drinking Water State Revolving Fund (SRF) loan and a U.S. Environmental Protection Agency (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan. Assured Project funding will allow the District continued operation of the Calaveras River under the protections of the ITP.

On October 31, 2023, the District's Board of Directors (Board) approved a Professional Services Agreement (PSA) with HDR, Inc. for \$106,253 plus 10% contingency. Per the Scope, HDR is to assist with the loan application process for both SRF and WIFIA loan programs. SRF is a State program and WIFIA is a federal program. More information on these programs is included in the Summary section of this Memorandum.

On November 14, 2023, the Board also approved PSAs with GEI Consultants, Inc. (GEI) and Stantec, Inc. (Stantec) for development of a Water Supply Master Plan and a Water Treatment Plant Master Plan respectively. Each master plan scope includes exploration of modernization options as well as development of a Capital Improvement Plan (CIP) with a horizon of 20 years for the District's water supply and treatment plant facilities. Although the master plans to-date are still progressing to completion, the consultants have provided some initial ideas and input regarding project priorities that will ultimately be included in the final CIP list.

**Summary**

District Staff has been working with HDR to complete the SRF and WIFIA funding applications. After careful consideration of potential costs stemming from the CIP process, Staff saw an opportunity to secure funding, at below market interest rates, for priority projects while leveraging the services already being provided by HDR.

On August 26, 2024, the Municipal Operations Committee (Committee) was presented with potential additions to the WIFIA and SRF Applications. For reference, **Table 1** is a summary of both programs:

Financing Source (website)	Financing Details (size, terms, etc.)	Interest rate/Fees:
<b>Clean Water State Revolving Fund (CWSRF)</b> <a href="https://www.epa.gov/cwsrf">https://www.epa.gov/cwsrf</a>	<p><b>*Loan Size:</b> Project requirements determined by individual states (\$20M Maximum in California)</p> <p><b>*Loan Term (length):</b> up to 30 years or the useful life of the project</p> <p><b>*Grants:</b> States may use up to 30% of their CWSRF funding to provide grants (in the form of principal forgiveness, negative interest rate loans, or grants)</p>	<p>*Vary by loan and state. California is currently 2.10%</p>
<b>U.S. EPA Water Infrastructure Finance and Innovation Act (WIFIA) Program</b> <a href="https://www.epa.gov/wifia">https://www.epa.gov/wifia</a>	<p><b>*Loan Size:</b> Min. project size \$20 M for large communities and \$5 M for small communities (population of 25,000 or less)</p> <p><b>*Loan Term (length):</b> Maximum 35 years</p> <p><b>*Other:</b> WIFIA can fund ≤49% of eligible project costs. Total federal assistance is ≤80% of a project’s eligible costs</p>	<p>*Application fee (\$25k-\$100k) and a credit processing fee (\$50k-\$150k) apply</p> <p>*Interest rate pegged to U.S. Treasury securities (currently 4.13% on 30-year maturity)</p>

**Table1. Summary of SRF and WIFIA Loan Programs**

Several options were presented to the Committee to add to the WIFIA and SRF applications. The options are detailed in **Table 2**. After some discussion the Committee agreed to direct staff to present to the full Board the option to include sections “A” and “B” in **Table 2** which comprises the full cost of the Bellota Weir Modification Project and the priority projects identified within preliminary work by Stantec on the Water Treatment Plant Master Plan. The Bellota Pipeline Replacement or Section “C” was omitted from the Committee’s recommendation.

	NAME OF PROJECT	FUNDING	PROJECT COST	M&I COST	AG COST
<b>A</b>	Fund 89 - Bellota Weir Project Fund				
	1 Bellota Weir Modifications Project	97% M&I, 3% AG	\$ 83,013,500	\$ 80,523,095	\$ 2,490,405
<b>B</b>	Fund 94 - Treatment Plant Fund				
	Sedimentation Basins 1 & 2 Replacements with				
	2 Plate Settlers	M&I 100%	\$ 8,000,000	\$ 8,000,000	\$ -
	Four New Filters, Replace Filter Components, Add				
	3 Blower Building	M&I 100%	\$ 20,525,000	\$ 20,525,000	\$ -
	4 LLPS Standby Generator	M&I 100%	\$ 1,840,000	\$ 1,840,000	\$ -
	LLPS Medium Voltage Distribution Upgrade -				
	5 Transformers, MCC, Swithgear	M&I 100%	\$ 3,125,000	\$ 3,125,000	\$ -
	6 Solids Handling - Concrete Dewatering Lagoons	M&I 100%	\$ 11,000,000	\$ 11,000,000	\$ -
	Fund 71 - Water Supply Fund				
	7 Peters Pipeline Rehab	M&I 95% AG 5%	\$ 16,050,000	\$ 15,247,500	\$ 802,500
	8 Mormon Slough Railroad Bridge and Siphons	M&I 95% AG 5%	\$ 3,362,000	\$ 3,193,900	\$ 168,100
	Section B Totals		\$ 63,902,000	\$ 62,931,400	\$ 970,600
<b>C</b>	Fund 71 - Water Supply Fund				
	9 Bellota Pipeline Replacement	M&I 100%	\$ 72,000,000	\$ 72,000,000	\$ -
	<b>Totals</b>				
	A Only		\$ 83,013,500	\$ 80,523,095	\$ 2,490,405
	Combination A+B		\$ 146,915,500	\$ 143,454,495	\$ 3,461,005
	Combination A+C		\$ 155,013,500	\$ 152,523,095	\$ 2,490,405
	All Items		\$ 218,915,500	\$ 215,454,495	\$ 3,461,005
	<b>Per Year Debt Payment (30 Years @ 4.13%)</b>			<b>M&amp;I</b>	<b>AG</b>
	A Only		\$ 4,830,792	4,685,868	\$ 144,924
	Combination A+B		\$ 8,549,429	8,348,023	\$ 201,406
	Combination A+C		\$ 9,020,675	8,875,751	\$ 144,924
	All Items		\$ 12,739,313	12,537,907	\$ 201,406

**Table 2. Projects Considered for WIFIA and SRF Applications and Funding**

### **Financial Impact**

**Table 2** presents illustrative scenarios of the debt service impact based on full funding based on debt secured for 30 years at an interest rate of 4.13% (the current WIFIA rate). Given the potential complexity of funding, the scenarios are purely speculative and do not consider the over \$12 million in grants received for the Bellota Weir Modification project, reserves held for that project which are more than \$9 million, any future grants that could be secured, and potential funding of some of the projects through cheaper SRF funding.

Each individual project will still be brought before the board for authorization to proceed before commencing. This effort simply secures the funding to be available for project use. Given the effort and cost associated with each application, including the projects now will save money in the long run.

### **Recommendation**

Per Committee direction staff respectfully recommends the Board authorize the General Manager to add the projects within Section “A” and “B” of **Table 2** to the WIFIA and SRF applications currently being finalized by staff and HDR.

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# RBM Handout: 09/17/24

Weekly Water Report	As of: September 10, 2024	As of: September 17, 2024	
<b>New Hogan (NHG) TOC</b>	<b>317,100</b>	<b>317,100</b>	<b>AF</b>
Storage:	190,100	187,438*	AF
Net Storage Change:	-2,522	-2,662	AF
Inflow:	23	-1*	CFS
Release:	190	171*	CFS
<b>New Melones (NML) Allocation</b>	<b>75,000</b>	<b>75,000</b>	<b>AF</b>
Storage:	1,849,234	1,837,644*	AF
Net Storage change:	-13,115	-11,590	AF
Inflow:	445	440*	CFS
Release:	1,550	1,018**	CFS
<b>Source: CDEC Daily Reports</b>			

<b>Goodwin Diversion (GDW)</b>			
Inflow (Tulloch Dam):	1,723	1,285	CFS
Release to Stanislaus River (S-98):	253	254	CFS
Release to OID (JT Main):	695	706	CFS
Release to SSJID (SO Main):	301	346	CFS
Release to SEWD & CSJWCD:	<u>216</u>	<u>185</u>	CFS
Total Release	1,465	1,491	CFS
<b>Source: Tri-Dam Operations Daily Report</b>			
<b>Farmington Dam (FRM)</b>			
Diverted to SEWD:	95	105	CFS
Diverted to CSJWCD:	130	105	CFS

<b>Surface Water Used</b>			
Irrigators on New Hogan:	17	10	
Irrigators on New Melones:	5	6	
Out-Of-District Irrigators:	1	0	
DJWWTP Production:	46	46	MGD
North Stockton:	8	10	MGD
South Stockton:	11	6	MGD
Cal Water:	25	26	MGD
City of Stockton DWSP Production:	22	15	MGD

<b>District Ground Water Extraction</b>			
74-01	0	0	GPM
74-02	0	0	GPM
North	0	0	GPM
South	1,625	0	GPM
Extraction Well # 1	<u>2,850</u>	<u>0</u>	GPM
Total Well Water Extraction	4,475	0	GPM
Total Ground Water Production	6	0	MGD

**Note: \*\*The data reported here is available as of 09/15/24**

**\*The data reported here is available as of 09/16/24**

**All other flow data reported here is preliminary, as of 9:00 a.m. on 09/17/24**