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## AGENDA MEMO

Needs Legal Review: Yes  
Council Meeting Date: May 5, 2020 (Bingen City Council and May 6, 2020 (White Salmon City Council)  
Agenda Item: City of Bingen Wastewater Treatment Plant and Main Line (Depot Street) Improvements Project  
Presented By: Jan Brending, Clerk Treasurer

### **Action Required**

Consensus of both city councils to move forward with the proposed funding scenario and finalization of a draft interlocal agreement.

### **Motion**

None at this time.

### **Explanation and Background of Issue**

The City of Bingen and the City of White Salmon undertook developing a Joint Wastewater System Plan several years ago. The plan included proposed improvements to the wastewater treatment plant to extend its life for the next 20 years and improvements to what is called the Depot Street Sewer Line which carries the majority of White Salmon's wastewater to the treatment plant. The funding for this project came from the City of Bingen and City of White Salmon basing the split on the ERU (equivalent residential unit) splits at that time which was approximately 75% White Salmon and 25% Bingen.

The City of Bingen hired Gray & Osborne to design and engineer both projects in 2017 and also applied for state funding in 2017. Discussions between both cities on how to fund the project began taking place in 2017 with a verbal agreement that the projects would be funded based on the same ERU split that was used in funding the Wastewater System Plan. Unfortunately, due to several staffing changes, the interlocal agreement necessary to define the funding and split had not been developed until now. The City of Bingen issued a bid for the project and is close to awarding the project to the low bidder and signing a loan contract from both design and construction funding. The two cities need to sign an interlocal agreement agreeing to the costs of the project and how the project will be funded.

### **Background**

The two cities have a current interlocal agreement that was developed when the wastewater treatment plant was improved in 1995/1996. The agreement is really a "project based" agreement and does not have much relevance today, however it is used as a basis for how the two cities operate related to the wastewater system. In addition, the two cities sign an ERU agreement that identifies how much dollars per ERU is provided for the operations and maintenance of the treatment plant. These funds come from both cities, respectively, wastewater (sewer) funds. Each city also maintains a Treatment Plant Capital Expansion Fund (Bingen Fund 428 and White Salmon Fund 417) as required by the "project based" interlocal agreement. These funds come from a portion of the wastewater connection fee charged for new connections and any capacity charges for industrial users such as Underwood Fruit or Everybody's Brewing (not yet charged). In addition, Bingen maintains a Treatment Plant Improvement Fund (Fund 425) where the funds come from the Treatment Plant Operations and Maintenance Fund (Fund 405) that is jointly funded by Bingen and White Salmon. This fund is primarily used for emergencies and some lower cost capital improvements that are budgeted by the City of Bingen related to exclusively the treatment plant.

The two cities have historically shared in funding improvements to the treatment plant and any main line improvements (main lines that primarily carry White Salmon wastewater) by using the historical ERU split (see attached table). When the 1995/1996 improvements were made to the Treatment Plant a Public Works Trust Fund Loan was obtained by Bingen for which White Salmon was responsible for 75%. When the Maple Street Sewer Line was replaced, the city's used the current ERU split at that time of 75%/25%. It should be noted that for a number of years the ERU split continued at 75%/25%. Over the last few years this ERU split has changed and has incrementally increased for White Salmon and decreased for Bingen which can be associated with residential growth and some commercial growth (restaurants) in White Salmon.

**Project Costs and Proposed Funding**

Below is a simple table of the project costs and proposed funding.

	Schedule A Plant Improve.	Schedule B Depot Street	Schedule A Plant Additive	Schedule B Manholes Additive	Total
Design Eng.	152,892.96	53,280.88	11,582.80	13,899.36	231,656.00
Construction Eng	180,180.00	62,790.00	13,650.00	16,380.00	273,000.00
Construction	1,734,835.00	592,851.75	120,400.00	164,217.00	2,612,303.75
Contingency	46,741.75	14,642.59	6,020.00	8,210.85	75,615.19
<b>TOTAL COSTS</b>	<b>\$2,114,649.71</b>	<b>\$723,565.22</b>	<b>\$151,652.80</b>	<b>\$202,707.21</b>	<b>\$3,192,574.94</b>
SRF Pre-Con Loan	112,200.00	39,100.00	8,500.00	10,200.00	170,000.00
SRF Constr. Loan	1,882,980.00	656,190.00	142,650.00	171,180.00	2,853,000.00
<b>TOTAL LOANS</b>	<b>\$1,995,180.00</b>	<b>\$695,290.00</b>	<b>\$151,150.00</b>	<b>\$181,380.00</b>	<b>\$3,023,000.00</b>
<b>Funding Shortage</b>	<b>\$119,469.71</b>	<b>\$28,275.22</b>	<b>\$502.80</b>	<b>\$21,327.21</b>	<b>169,574.94</b>
<b>White Salmon 79%</b>	<b>94,381.07</b>	<b>22,337.42</b>	<b>397.21</b>	<b>0.00</b>	<b>117,115.70</b>
<b>Bingen 21%</b>	<b>25,088.64</b>	<b>5,937.80</b>	<b>105.59</b>	<b>21,327.21</b>	<b>52,459.24</b>

The terms for the SRF pre-construction loan of \$170,000 is are a forgivable loan amount of \$85,000 and 1.5% interest for 20 years for the remaining \$85,000. Bingen would be responsible for 21% of the principal and interest payments with White Salmon responsible for 79%.

The terms for the SRF construction loan of \$3,023,000 is 2% interest for 20 years. Bingen would be responsible for 21% of the principal and interest payments with White Salmon responsible for 79%. It should be noted that the original construction loan amount was \$2,603,000 but the City of Bingen is eligible to add an additional \$250,000 to that amount. The table above includes the additional \$250,000.

Staff proposes that both cities authorize, via an interlocal agreement, that the funding shortage come from the respective Treatment Plant Capital Expansion Funds (Bingen Fund 428 and White Salmon Fund 417). There are currently enough funds in each respective city's fund to cover this expenditure. In addition, the two cities may want to consider paying off the \$85,000 remaining pre-construction loan out of these same funds. Language in the interlocal agreement should be included that allows the two cities to pursue this option upon approval by the two city councils (without having to amend the interlocal agreement).

**Staff Recommendation**

Staff recommends tentative approval of the funding scenario based on an interlocal agreement being approved at the respective following city council meetings, May 15 and 16. Jan Brending will be present at the Bingen City Council meeting to present this information and answer questions. An initial draft interlocal agreement will be provided to both city's council members prior to their meetings.