

# **GOLDEN CITY PROPOSED WATER SYSTEM IMPROVEMENTS PROJECT**

## **WHAT ARE THE COMPONENTS OF THE PROPOSED PROJECT?**

- Installation of 40,000 feet of new water line, mainly 6-inch in size.
- Lines will replace all of the older, non-PVC pipe of 4-inch size and smaller.
- Lines will replace about 60% of the existing water system.
- Lines will include fire hydrants, valves, and service lines as needed.
- All new water meters for the system.
- Cleaning, painting, fencing and maintenance on the Water Tower at Well #3.
- An altitude control valve on the Water Tower at the old Well #1.
- A mobile standby electrical generator (can be used on water & sewer systems).

## **WHY IS THE CITY PROPOSING THIS PROJECT AND WHAT WILL BE THE RESULTING BENEFITS?**

- Most of the water lines being replaced are nearing 90 years of age.
- Current water losses on the system are in excess of 20% and are causing higher costs for electricity for pumping and chlorine for water treatment.
- Maintenance and repair costs for the older lines will continue to rise if they are not replaced.
- About 80% of the fire hydrants on the existing system will not operate, and many areas of the city currently have no fire flow protection.
- Lack of valves on the system result in large areas of water outages being required during repairs to water lines.
- Installation of the new lines will result in increased and more stable system pressures.
- Installation of the new lines with more loops will improve water quality.
- Installation of the new lines will provide virtually all users with a recognized level of fire flow protection.
- Installation of the control valve on the Water Tower at the old Well #1 will increase the amount of available storage.
- Installation of the new lines should reduce operating and maintenance costs and delay the need for future rate increase from these costs.
- The mobile standby electrical generator can be used as backup power at either system well during times of power outages and can also be used, if necessary, at lift stations on the sewer system.
- New water meters will result in more accurate and equitable measurement of water use.

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### WHAT IS THE ESTIMATED COST OF THE PROPOSED PROJECT AND HOW WILL IT BE PAID FOR?

- The total estimated cost of the project is approximately \$4,000,000. This is a fully funded estimate and includes costs of construction, engineering, administration and an allowance for contingencies.
- The financing for the project will be from the Missouri Department of Natural Resources Drinking Water State Revolving Fund (MO-DNR DWSRF).
- Long term financing will include a low interest 30-year DWSRF loan. DWSRF offers interest rates at about 30% of commercial lenders, and the rate is currently estimated to be in the range of 1.5%.
- DWSRF loans can be prepaid without penalty at any time.
- By State of Missouri law, cities incurring long term debt must secure this debt by the issuance of bonds that require city voter approval. The bond election is scheduled for April 4, 2023.
- The bonds will be "Revenue" bonds and will be secured by revenues from the water system. There will be no increase in City taxes or sewer rates.
- The City will initially apply to DWSRF for funding in the complete estimated cost of the project, and thus the amount of the bonds will be the same at \$4,000,000.
- However, MO-DNR has indicated that there will be funds available in the State budget to allow for eligible projects to receive "loan forgiveness" for a portion of the total project cost.
- Current estimates are that the project should receive 50% of the total project cost, or \$2,000,000 in loan forgiveness. If additional State funds should become available there is the possibility that this amount could be increased.
- The amount of loan forgiveness is like a grant that does not have to be paid back.
- The amount of the required loan is determined by the total cost of the project less the amount of loan forgiveness.
- Should the amount of loan forgiveness be reduced the City has the option to either reduce the scope of the project or cancel the project altogether.
- Loan payments will be funded by an increase in water rates, which may be stair stepped during development with the full increase to be in place by the end of construction.
- Based on an assumed \$2,000,000 loan, the rate increase per user is estimated to be in the range of \$22 per month.
- The project will be competitively bid by qualified contractors and will be awarded to the bidder with the lowest responsive bid.
- Construction of the project should take about one year. Once awarded, contract prices are set and are not subject to changes from inflationary pressures.