

Mayor and Council Communication

DATE: 09/22/20

M&C FILE NUMBER: M&C 20-0709

LOG NAME: 60EMER53549&55419FUNDING

SUBJECT

(CD 5) Authorize the Amount of \$1,160,000.00 for Increased Project Costs for the Emergency Sewer Work and Engineering Design for Sanitary Sewer Mains M-191 and M-182 Crossing Underneath East Loop 820, Adopt Resolution Expressing Official Intent to Reimburse Expenditures with Proceeds of Future Debt, and Adopt Appropriation Ordinance

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached Resolution expressing official intent to reimburse expenditures with proceeds from future debt for the Sanitary Sewer mains M-191 and M-182 crossing underneath East Loop 820 emergency repair; and
2. Adopt the attached Appropriation Ordinance adjusting appropriations in the Water and Sewer Commercial Paper Fund by increasing appropriations in the amount of \$1,160,000.00 for the Sanitary Sewer Mains M-191 and M-182 Crossing Underneath East Loop 820 Emergency Repair project (City Project No. 102947) and decreasing appropriations in the Unspecified project (City Project No. UNSPEC) by the same amount.

DISCUSSION:

Funding is necessary for the following emergency sewer work and engineering design that was conducted for the Sanitary Mains M-191 and M-181 crossing underneath East Loop 820 project.

On January 16, 2020, Water Field Operations responded to two sanitary sewer overflows (SSOs) on M-191 which (along with M-181) cross underneath East Loop 820 near Richardson Street. Follow up investigation revealed that both mains are severely deteriorated, which has significantly reduced capacity and hence the overflow.

To immediately address the situation, Circle C Construction was engaged to work on repairing the mains (City Secretary Contract No. 55419: \$880,000.00) and Kimley-Horn and Associates, Inc. was engaged to provide the necessary design (City Secretary Contract No 53549: \$120,000.00). City crews installed bypass pumping to temporarily resolve the SSO, which remains ongoing.

The initial design provided for boring and installing new lines under East Loop 820 within existing public right-of-way and/or easements. However, due to an unexpected conflict, easements must be obtained to cross two properties. Easement acquisition has taken longer than anticipated but should be resolved soon with construction to commence shortly thereafter. Additional design and construction efforts beyond the original scope are necessary to install the new sewer main under the freeway. See the attached supplemental memorandum dated September 8, 2020.

A change order and an amendment will be processed to the existing contracts with Circle C Construction and Kimley-Horn and Associates respectively and actual costs will be reconciled at the end of the project.

This project is anticipated to be included in a future revenue bond issue for the Water & Sewer Fund. Available cash within the Water and Sewer portfolio and the City's portfolio along with the appropriation authority authorized under the Callable Commercial Paper Program (CP) will be used to provide interim financing for this project until debt is issued. To the extent resources other than the Water and Sewer portfolio are used to provide interim financing, the Water & Sewer Fund will be charged interest that is equivalent to the overall rate of return being earned by the City portfolio (currently approximately 2.3 percent annually). Should the City's portfolio not support the liquidity needed to provide an interim short-term financing source, another funding source will be required, which could mean issuance of securities under the CP Program or earlier issuance of Water and Sewer revenue bonds than is currently planned. Once debt associated with this project is sold, bond proceeds will be used to reimburse the Water and Sewer portfolio and the City's portfolio in accordance with the attached reimbursement resolution.

The City Council approved the Water Department's Fiscal Year 2020-2024 Five-Year Capital Improvement Plan on September 17, 2019. This City Council approved plan includes this specific project, with funding identified through the CP program to be reimbursed with future revenue bonds. In accordance with the provisions of the Financial Management Policy Statements, staff anticipates presenting revenue-supported debt issuances to the City Council for consideration within the next three years. This debt must be issued within approximately three years to provide reimbursement for these expenses. If that does not occur, the costs will no longer be reimbursable by issuing tax-exempt debt and the funding source will have to be made whole through other budgetary methods. Adoption of this resolution does not obligate the City to sell bonds, but preserves the ability to reimburse the City from tax-exempt bond proceeds.

This action will have no effect on the Water Department's operating budget when complete.

The project is located in COUNCIL DISTRICT 5.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the W&S Commercial Paper Fund for the SS M-191/181 Emergency Repair project. Prior to any expenditure being incurred, the Water Department has the responsibility to validate the availability of funds.

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