

Mayor and Council Communication

DATE: 06/16/20

M&C FILE NUMBER: M&C 20-0414

LOG NAME: 60VCDBM325P2CO1-MCKEEUC

SUBJECT

Authorize the Execution of Change Order No. 1 in the Amount of \$135,060.00 and the Addition of 45 Calendar Days to a Contract with McKee Utility Contractors, Inc. for the Village Creek Drainage Basin Main 325 Parallel Relief Sewer, Part 2 Project, for a Revised Contract Cost of \$13,323,507.00, Adopt Resolution Expressing Official Intent to Reimburse Expenditures with Proceeds of Future Debt and Adopt Appropriation Ordinance (COUNCIL DISTRICTS 6 and 8)

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of Change Order No. 1 in the amount of \$135,060.00 and the addition of 45 additional calendar days to City Secretary Contract No. 52970 with McKee Utility Contractors, Inc. for the Village Creek Drainage Basin Main 325 Parallel Relief Sewer, Part 2 project for a revised contract cost of \$13,323,507.00;
2. Adopt the attached Resolution Expressing Official Intent to Reimburse Expenditures with proceeds of Future Debt for the Village Creek Drainage Basin Main 325 Parallel Relief Sewer, Part 2 project; and
3. Adopt the attached appropriation ordinance increasing appropriations in the Water and Sewer Bond 2020A Fund in the amount of \$135,060.00, from available funds, to fund the Village Creek Drainage Basin Main 325 Parallel Relief Sewer, Part 2 project (City Project No. C01333).

DISCUSSION:

On September 24, 2019, Mayor and Council (M&C 19-0204) authorized a contract with McKee Utility Contractors, Inc., in the amount of \$13,188,447.00 (City Secretary Contract No. 52970) for the Village Creek Drainage Basin Main 325 Parallel Relief Sewer, Part 2 project.

Change Order No. 1 will provide for the installation of a segment of the project sewer main under a gas well and pad site by boring instead of open-cut in order to avoid disrupting truck traffic flow into the facility.

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This project is included in a pending revenue bond issue for the Water & Sewer Fund. The Water and Sewer System has a Council-authorized system to allow it to initiate capital projects that will ultimately be bond funded, using available cash within the Water and Sewer portfolio and the City's portfolio, along with the authority under the Callable Commercial Paper Program (CP) to provide interim financing for this project until the 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. Debt must be issued within approximately three years of an expense being incurred in order to provide reimbursement. If that does not occur, costs are no longer be reimbursable by issuing tax-exempt debt, and the funding source must be made whole through budgetary methods. Adoption of a reimbursement resolution does not obligate the City to sell bonds but preserves the ability to reimburse the City from tax-exempt bond proceeds. In this case, because the bonds that will provide the ultimate funding have already been authorized and sold (with a total interest cost (TIC) of 1.89%) but the closing has not yet occurred, what had been the Water & Sewer Commercial Paper Fund (56017) has already been renamed to reflect the bond sale.

Funding for the Village Creek Drainage Basin Main 325 Parallel Relief Sewer, Part 2 project is as depicted in the table below:

Fund	Existing Appropriations	Additional Appropriations	Project Total*
Water & Sewer Bond 2017A - Fund 56011	\$2,275,012.00	\$0.00	\$2,275,012.00

W&S Capital Project 2018 - Fund 56014	\$1,431,441.00	\$0.00	\$1,431,441.00
Clean Water SRF Fund 59602	\$60,835.00	\$0.00	\$60,835.00
Sewer Capital Legacy - Fund 59607	\$197,500.00	\$0.00	\$197,500.00
Water & Sewer Commercial Paper Fund 56017	\$14,314,152.00	\$135,060.00	\$14,449,212.00
Project Total	\$18,278,940.00	\$135,060.00	\$18,414,000.00

*Numbers rounded for presentation purposes.

M/WBE OFFICE: A Waiver of the goal for MBE/SBE subcontracting requirements was requested by the Department and approved by the OBD, in accordance with the MWBE or BDE Ordinance, because the purchase of goods or services is from sources where subcontracting or supplier opportunities are negligible.

The project is located in COUNCIL DISTRICTS 6 and 8.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the Water and Sewer Bond 2020A Fund for the Village Creek Drainage Basin Main 325 Parallel Relief Sewer, Part 2 to fund this change order. Prior to any expenditure being incurred, the Water Department has the responsibility to validate the availability of funds.

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