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Title: ***RESOLUTION - To revise Reimbursement Resolution No. 2014-205 to increase Clean Water State Revolving Fund Low Interest Loan funding for the City of Fresno's Recycled Water Distribution System, Southwest Quadrant to \$70,600,000 (Citywide) (Subject to Mayor's veto)

Sponsors: Department of Public Utilities

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Attachments: 1. 2018-05-24 Attachment 1 - RWDS Revised Reimbursement Resolution.pdf

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8/16/2018	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

August 16, 2018

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SUBJECT

***RESOLUTION - To revise Reimbursement Resolution No. 2014-205 to increase Clean Water State Revolving Fund Low Interest Loan funding for the City of Fresno's Recycled Water Distribution System, Southwest Quadrant to \$70,600,000 (Citywide) (Subject to Mayor's veto)

RECOMMENDATIONS

Staff recommends that City Council:

1. Approve a revised Reimbursement Resolution to increase Clean Water State Revolving Fund Low Interest Loan funding to \$70,600,000 for construction of the Recycled Water Distribution System, Southwest Quadrant.
2. Authorize the Director of Public Utilities, or designee, to sign the Amendment on behalf of the

City of Fresno.

EXECUTIVE SUMMARY

On December 11, 2014, City Council adopted a Reimbursement Resolution to enable the City of Fresno to obtain State Revolving Fund (SRF) Low-Interest Loan funding for the Recycled Water Distribution System (RWDS), Southwest Quadrant projects. The originally projected design cost did not consider the splitting of work into separate construction contracts to facilitate greater local contractor participation, re-alignment of pipeline to accommodate more recycled water users and reduce construction risk, and greater than anticipated costs for environmental document preparation. In addition, the original projected construction values did not include certain construction elements necessary to standardize the construction of raw water, drinking water, and recycled water large diameter transmission pipelines, including installation of specialized corrosion control systems and trench backfill materials. These design and construction cost increases combined with other economic influences have resulted in higher than anticipated bids for construction packages and have accordingly increased the construction cost estimates for packages yet to be advertised. An increase to the SRF loan authorization from \$52,475,049 to \$70,600,000 is necessary to fully finance the construction of all RWDS, Southwest Quadrant segments.

BACKGROUND

In 2009, the State of California adopted a recycled water policy establishing a mandate to increase the use of recycled water in California by 200,000 acre-feet per year by 2020 and an additional 300,000 acre-feet per year by 2030. The Recycled Water Master Plan prepared by the Department of Public Utilities identifies opportunities to assist with compliance of this law by reducing groundwater pumping and replacing groundwater with recycled water for non-potable purposes (i.e. outdoor irrigation, dust control, fountains, etc.). On April 11, 2013, the Council adopted the Recycled Water Master Plan and associated environmental documents.

The RWDS, Southwest Quadrant, consists of approximately 18 miles of recycled water distribution main, ranging in size from 8-inches to 54-inches in diameter. When completed, the RWDS, Southwest Quadrant, will connect the Tertiary Treatment plant located at Jensen Avenue and Cornelia Avenue to Roeding Park and the Downtown area (ending at Diamond Street and Divisadero Street). This system will ultimately serve several cemeteries, City parks (including Roeding Park), water recharge basins, schools, industrial uses, urban and agriculture users.

To date, one pipeline segment of the RWDS is complete, three pipeline segments are currently in construction, and the final pipeline segment along with the Southwest recycled water booster pump station are currently in the design stage.

On December 11, 2014, City Council adopted Pledge Revenue Funds and Reimbursement Resolution as required by the State Water Resources Control Board (Board) to complete applications for SRF Low-Interest Loan funding for the City's RWDS, Southwest Quadrant projects. This action authorized the Wastewater Management Division to obtain up to a total of \$52,475,049 in SRF financing for the projects at a 1% interest rate. The loan covers the design, construction, and construction management for the buildout of the RWDS, Southwest Quadrant projects.

Current cost projections estimate the final design and construction costs to complete the RWDS, Southwest Quadrant, will exceed \$52,475,049. The originally projected design cost did not consider

splitting of work into separate construction contracts to facilitate greater local contractor participation, re-alignment of pipeline to accommodate more recycled water users and reduce construction risk, and greater than anticipated costs for environmental document preparation. In addition, the original projected construction values did not include certain construction elements necessary to standardize the construction of raw water, drinking water, and recycled water large diameter transmission pipelines, including installation of specialized corrosion control systems and trench backfill materials.. These design and construction cost increases combined with other economic influences have resulted in higher than anticipated bids for construction packages SW1A, SW1B, SW1C & SW1C2, and have accordingly increased our construction cost estimates for packages yet to be advertised. An increase to the SRF loan authorization from \$52,475,049 to \$70,600,000 is necessary to fully finance the construction of all RWDS, Southwest Quadrant, segments based upon current cost projections. Council approval of the revised Resolution Reimbursement for the RWDS project will increase available SRF loan authorization by \$18,124,951 to fully finance the construction of all Recycled Water projects in the Southwest Quadrant of Fresno.

This revised Reimbursement Resolution has been approved as to form by the City Attorney's Office.

ENVIRONMENTAL FINDINGS

Adoption of funding Resolution for a SRF loan is not a "project" for the purposes of California Environmental Quality Act (CEQA), as it is a funding mechanism or other government fiscal activity, and does not involve commitment to any specific project which may result in a potentially significant physical impact on the environment as contemplated by CEQA Guidelines Section 15378(b).

LOCAL PREFERENCE

Local preference was not implemented because this item is not a competitive bid.

FISCAL IMPACT

Adoption of the RWDS, Southwest Quadrant, Reimbursement Resolution will not impact the General Fund. The debt service payments for construction of the projects will be funded by the Sewer Enterprise Fund revenue. Future fiscal year budgets will be developed to ensure that loan payments, required debt coverage ratios, and reserve funds are maintained.

Attachment: RWDS Revised Reimbursement Resolution