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Title: ***RESOLUTION - To revise Pledge Revenue Resolution to increase Safe Drinking Water State Revolving Fund Low Interest Loan funding for the City of Fresno's Regional Transmission Main Project to \$75,900,000 (Citywide)
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12/8/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

December 8, 2016

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Department of Public Utilities

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SUBJECT

***RESOLUTION - To revise Pledge Revenue Resolution to increase Safe Drinking Water State Revolving Fund Low Interest Loan funding for the City of Fresno's Regional Transmission Main Project to \$75,900,000 (Citywide)

RECOMMENDATIONS

Staff recommends that City Council:

1. Approve a revised Pledge Revenue Resolution to increase Safe Drinking Water State Revolving Fund Low Interest Loan funding to \$75,900,000 for construction of regional water transmission mains throughout the City of Fresno.

2. Authorize the Director of Public Utilities, or designee, to sign the Resolution on behalf of the City of Fresno.

EXECUTIVE SUMMARY

On July 30th, 2015, City Council adopted Pledge Revenue Funds and Reimbursement Resolutions to enable the City of Fresno to obtain State Revolving Fund (SRF) Low-Interest Loan funding for the Friant-Kern Canal Pipeline (Friant-Kern), Kings River Pipeline (Kings), and Regional Transmission Mains (RTMs) projects. Favorable bids were received for the Friant-Kern and Kings pipelines allowing SRF loans to be reduced below the Council authorization for those projects. Recent bids received for RTMs segments A1 and A2 were higher than anticipated resulting in the need to increase the SRF loan authorization from \$63,100,000 to \$75,900,000 to fully finance the construction of all RTMs segments. Council approval of the revised Pledge Revenue Resolution for the RTMs project will reallocate \$12,800,000 of available SRF financing capacity to the RTMs project. Reallocation of available SRF loan funds will fully finance construction of all major Recharge Fresno projects within the total overall loan funding approved by Council as part of the adopted \$429 million utility rate plan.

BACKGROUND

On February 26th, 2015, the City Council adopted a five-year water utility rate plan to finance the construction of a five-year water capital plan totaling approximately \$429 million. On July 30th, 2015, City Council adopted Pledge Revenue Funds and Reimbursement Resolutions as required by the State Water Resources Control Board (Board) to complete applications for SRF Low-Interest Loan funding for the City's Friant-Kern, Kings, and RTMs projects. This action authorized the Water Division to obtain up to a total of \$164,785,000 in SRF funding for the three projects of which, \$63,100,000 was specifically designated for the RTMs project. Collectively, these three projects along with the Southeast Surface Water Treatment Facility (Facility) comprise the major Recharge Fresno projects within the Water Division's water capital plan.

Subsequent to Council's adoption of the water utility rate plan, and Pledge Revenue Funds and Reimbursement Resolutions, the Water Division finalized SRF low-Interest loan construction financing for each major Recharge Fresno project. Favorable bids were received for the Facility in October 2015. The current estimated cost at completion for the Facility project is within the maximum amount of the Council approved SRF loan. Lower than anticipated bids were received for the Friant-Kern and Kings pipelines during November 2015, and March 2016, respectively. Due to the excellent bid pricing for the Friant-Kern and Kings pipelines, the finalized SRF loans amounts are below the Council authorization and the current estimated cost at completion for both projects is below the allocated budget.

The RTMs projects consist of approximately 13 miles of large diameter pipeline constructed primarily in the urban streets through the central portion of the City. To maximize bidding opportunities and participation of local contractors, the RTMs were segmented into four construction packages (A1, A2, B and C). Due to rising steel prices, saturation of the steel pipeline fabrication market, and risk associated with constructing large diameter pipelines in fully urbanized street corridors, higher than anticipated bids were received for RTM segments A1 and A2 during June, 2016 and August, 2016, respectively. RTM segments B and C are scheduled to advertise for bidding during 2017. Due to the higher than anticipated bids received for RTMs segments A1 and A2, the estimated cost at completion for all RTMs segments is \$75,900,000. Based upon the current RTMs estimated cost at completion, the authorized RTMs SRF loan amount of \$63,100,000 will need to be increased by

\$12,800,000 to fully finance the construction of all four RTMs segments.

Utilizing savings generated by the reduced SRF loans for the Friant-Kern and Kings projects, staff has coordinated with the Board to amend and increase the SRF loan for the RTMs. Council approval of the revised Pledge Revenue Resolution for the RTMs project will reallocate \$12,800,000 of available SRF financing capacity to the RTMs Project. Reallocation of available SRF loan funds will fully finance construction of all major Recharge Fresno projects within total overall loan funding approved by Council as part of the adopted \$429 million utility rate plan. No additional funding is being requested with this administrative action. The total rate plan funding allocated to the major Recharge Fresno projects remains the same as shown in the table below.

Original distribution of approved rate plan funding:

Facility:	\$186.4 M	
Raw Water Pipelines:		\$98.4 M
Finished Water Pipelines:	<u>\$55.4 M</u>	
Total:	\$340.2 M	

Revised distribution of approved rate plan funding:

Facility:	\$186.4 M	
Raw Water Pipelines:	\$77.9 M	
Finished Water Pipelines:	<u>\$75.9 M</u>	
Total:	\$340.2 M	

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

ENVIRONMENTAL FINDINGS

Adoption of funding Resolutions 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 revising a resolution.

FISCAL IMPACT

Adoption of the RTMs Pledge Revenue Resolution will not impact the General Fund. The debt service costs for construction of the Facility, Friant-Kern, Kings, and RTMs projects were included water rate model used to create the five-year utility rate plan that was adopted by City Council on February 26, 2015. All future fiscal year budgets will be developed to ensure that loan payments, required debt coverage ratios, and reserve funds are maintained.

Attachment:
RTMs Pledge Revenue Resolution

