

Memo

To: Bill Brandon, City Manager
From: William Larkin IV, Interim Public Works Director
CC: City Council
Date: 5/18/09
Re: Relocation of backyard sewer mains project update.

DESIGN STATUS

Draft preliminary design reports have been submitted to the City by all three consultants. These reports are being reviewed, and final reports will be completed by June 1st and will be presented to the Council at its June study session.

Out of the \$1,180,000 allocated to the project design effort, \$404,000 remains above and beyond the total of the three existing consultant agreements. The consultants have indicated that they will have about \$60,000 remaining from the original agreements at the completion of the preliminary design effort. That leaves a total of \$464,000 remaining to continue with the design process.

The most critical areas of the project are north of Regents Boulevard, and on Alameda Avenue. The consultants have estimated that the cost of completing the design of this work would be \$640,000. It also would be desirable to perform the pipe relining that has been identified as the selected alternative in some areas south of Regents Boulevard. The cost of the final design of this element of the project is estimated to be \$80,000. This results in a total design cost need of \$720,000.

Because “readiness to proceed” with construction is a significant element in any grant or loan process, it would be desirable to have the project design as far along as possible by the time any future grant or loan is applied for. Therefore, it is staff’s recommendation that the consultant agreements be amended to include the final design for the work north of Regents Boulevard and on Alameda Avenue and of the proposed pipe relining work.

PUBLIC WORKS TRUST FUND STATUS

As you are aware, the City originally planned to submit an application for a \$10,000,000 PWTF Construction Loan in May of this year. However, because the State Legislature removed all funding for the PWTF loan programs for the 2009-2010 biennium, the Public Works Board is not accepting any applications this year.

Public Works Board staff have indicated that if it appears the legislature will provide funds for the loan programs in the 2011-2012 biennium, the Board will accept applications in May 2010 with the intent of being able to provide project funding at the beginning of July 2011. This process is in the discussion stage only, nothing definite has been established. If this process is implemented it is the City's intent to submit a Construction Loan application in May 2010.

The legislature did provide funding (in the amount of \$9,531,000) for work in High Density Urban Areas. However, no specific details are available regarding who is eligible and what work is eligible for such funding. Public Works Board staff is working with legislative staff to establish criteria for this program. The application process is expected to occur in July or August of this year. If the sewer replacement project is determined to be eligible for such funding we will submit an application for funding.

Because of the limited funding available in this program, I expect there will be a relatively low maximum amount available for individual projects. Our submittal will be for the most critical sewer replacement work.

PROJECT FINANCING

One problem the elimination of the PWTF loan program for this biennium creates for the City is that the 5-year \$1,000,000 Pre-Construction Loan cannot be rolled over into the proposed 20-year Construction Loan. The sewer rate increases proposed to meet the local match and debt service requirements were based on rolling the 5-year loan into the proposed 20-year loan. Being unable to accomplish that rollover requires a \$6.00 per month rate increase this year to meet the debt service requirements of the 5-year loan, and to complete the design of the project. Another \$4.00 per month rate increase would then be required in mid-2010 if the project is selected by the Public Works Board to receive a PWTF Construction Loan in 2011.

It should be noted that the aforementioned rate increases do not address the other \$3 million in sewer replacement needs within the city that are not related to the backyard sewer replacement project.
