



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

August 15, 2023

{{section.number}}h

### **APPROPRIATE \$12,363,196 FROM THE CDA LOAN FUND (160) AND \$3,000,000 FROM THE WASTEWATER UTILITY FUND (510) FOR THE CONSTRUCTION OF THE PARKER PUMP STATION REPLACEMENT PROJECT**

#### **RECOMMENDATION:**

Appropriate \$12,363,196 from the CDA Loan Fund (160) and \$3,000,000 from the Wastewater Utility Fund (510) for the construction of the Parker Pump Station Replacement project.

#### **BACKGROUND:**

The Parker Pump Station Replacement project includes the construction of a new sanitary sewer and storm drain pump station at 800 Coronado Avenue (adjacent to the current pump station located at the intersection of Eighth Street and Coronado Avenue) with an above-ground control building. The existing pump station will be demolished to accommodate an emergency backup generator for the new pump station as well as a small, passive green space.

A construction contract was awarded on August 16, 2022, along with several other consultant contracts for various aspects of construction support services. A Limited Notice to Proceed was subsequently issued to allow the contractor to begin working on long lead submittals and material procurement prior to the start of onsite work. A groundbreaking ceremony was held on January 6, 2023. Construction has now progressed and the large excavation is nearly completed. Construction of the new storm drain wet well is set to begin with the largest underground vault structure in the project. When construction contracts were originally awarded the overall project budget was estimated to total \$26,842,249; however, funding for the project was not fully appropriated. Funds must be formally appropriated by the City Council to be spent.

#### **ANALYSIS:**

The estimated total project construction budget at the time of award was \$26,842,249 which included a prior appropriation of \$11,479,053. This left a balance of \$15,363,196 that was committed but not officially appropriated. Detailed below is a break out of the construction budget:

<b>Construction Budget</b>	
Construction Contract	22,364,200
Construction Management Contract	1,423,772
Construction Support Contract	592,569
Geotechnical and Special Inspections Contract	118,188
Groundwater Monitoring and Reporting	107,520
Project Contingency (~10% of Construction Contract)	2,236,000
<b>Total Construction Budget</b>	<b>26,842,249</b>
Prior Appropriation:	(11,479,053)
<b>Amount Requiring Appropriation</b>	<b>15,363,196</b>

Between costs incurred thus far on the project and a projected drawdown schedule provided by the contractor, it is anticipated that project costs, including construction costs, construction support, geotechnical and inspection services, and groundwater monitoring and reporting services, will exceed the appropriated project funds in September 2023. It is therefore recommended that the remaining balance of the project budget be appropriated to the project per the Fiscal Impact section below.

**FISCAL IMPACT:**

On August 16, 2022, the City Council approved the commitment of the remaining project budget balance of \$15,363,196 from the CDA Loan Fund (160) and directed staff to review potential funding sources and return a recommendation for future appropriation. Committing the fund acted as an earmark for the project's contract balance but as the funds were not appropriated, they are ineligible for expenditure until formal appropriation occurs.

The CDA Loan Fund (160) estimated fund balance of \$9,693,851 on June 30, 2023, excluded this committed balance of \$15,363,196.

Staff reviewed potential funding sources and recommend the following appropriations:

- CDA Loan Fund (160): This fund was established from the City's share of the proceeds from the 2018 Tax Allocation Refunding Bond ("TARB"). The fund was to be used to supplant other funds which would have otherwise been used as the funding source to pay for certain capital projects. In addition, the proceeds must be spent before the extinguishment of the TARB, which currently projects to be in 2027. The Parker Pump Station Replacement project is one of the eligible capital projects for the use of this fund. As such, staff request \$12,363,196 be appropriated from the previously committed balance of \$15,363,196, and the remaining \$3,000,000 be uncommitted and added back to the fund balance. With the restoration of \$3,000,000, the CDA Loan Fund balance is estimated at \$12,693,851.
- Wastewater Utility Fund (510): This fund is in the process of a rate-study update, conducted by a third-party consultant. Wastewater Utility Fund (510)'s estimated fund balance is \$12,846,724 as of June 30, 2023. Staff requests \$3,000,000 be appropriated for the Parker Pump Station Replacement project.
- EPA Grant: The Parker Pump Station Replacement project was named one of the EPA's FY 2023 Community Grant recipients for \$3,000,000. Staff is in the process of working with the regional EPA offices to prepare a grant package, and the timeline of the grant receipt is not known at this time. When the grant is eventually received, staff recommend reimbursing the \$3,000,000 of the project's budget appropriated from the Wastewater Utility Fund (510). This will enhance the fund's ability to repay the prior \$14.3 million of interfund loans (\$4.3 million in FY22 and \$9.0 million in FY23) transferred from the Major Facilities Replacement Fund (436) for the Parker Pump Station project.
- Major Facilities Replacement Fund (436): As stated above, \$4.3 million and \$9.0 million were transferred as interfund loans in FY22 and FY23, respectively, for the Parker Pump Station Replacement project. As a result, the Major Facilities Replacement Fund (436) fund balance has decreased to \$10,902,148 as of June 30, 2023. To ensure sufficient fund balance remains to meet the fund's objective, no additional transfer or appropriation is being recommended.
- Other sources: External financing (i.e. loan, bond issuance) is not recommended at this time considering the current state of the interest rate environment and as more appropriate internal funding sources exist with available funding.

**ALTERNATIVE:**

The City Council may elect to reject or amend the funding source and/or amounts of the requested appropriation.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT:**

The Parker Pump Station Replacement project was found categorically exempt per California Environmental Quality Act (CEQA). The proposed appropriation of funds before the City Council is not a project as defined by CEQA.

**PUBLIC NOTICE:**

No notice required.

**ATTACHMENTS:**

None.

Submitted By: Public Services and Engineering Department / Katie Odiorne