



May 24, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Relocation of West Orange County Water Board Water Line for the Interstate 405 Improvement Project

Overview

The Orange County Transportation Authority is proposing to enter into a reimbursement loan agreement to advance funds to the West Orange County Water Board for the relocation of its 33-inch pipeline currently located within the Interstate 405 Improvement Project area by permit. The relocation of the 33-inch pipeline will be conducted in accordance with state and federal laws.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Reimbursement Agreement No. UK151087 with the West Orange County Water Board, in an amount not to exceed \$4.7 million, for the relocation of the 33-inch pipeline that must be moved to accommodate the Interstate 405 Improvement Project.

Background

The Orange County Transportation Authority (OCTA), in cooperation with the California Department of Transportation (Caltrans), and the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, is implementing the Interstate 405 (I-405) Improvement Project between State Route 73 (SR-73) and Interstate 605 (I-605) (Project). The Project will add one general purpose lane from Euclid Street to I-605, consistent with Measure M2 Project K, and will add an additional lane in each direction that would combine with the existing high-occupancy vehicle lane to provide dual express lanes in each direction of I-405 from SR-73 to I-605.

The West Orange County Water Board (WOCWB) is a joint powers authority (JPA). City members of the JPA are the cities of Garden Grove, Huntington Beach, Seal Beach, and Westminster, each with representatives on the WOCWB Board of Directors. The purpose of the JPA, which is a public

entity separate from the member cities, is to own and operate waterlines and other facilities for distributing water to the member agencies. The WOCWB owns and operates a 33-inch pipeline which provides treated potable water to portions of the member cities. The segment of existing pipeline to be relocated runs parallel to Westminster Boulevard where it crosses I-405 from east of Willow Lane to Springdale Street.

On December 5, 2016, staff provided the OCTA Board of Directors (Board) an overview of liability for the cost of relocation of the 33-inch pipeline and noted that WOCWB may request a loan pursuant to Streets and Highways Code (SHC) Section 706.

Discussion

The Project will require the WOCWB to relocate approximately 2,400 feet of its 33-inch pipeline where it traverses the I-405 immediately to the south of Westminster Boulevard. An investigation into what rights were acquired by WOCWB when placing this pipeline facility resulted in a finding that if the I-405 freeway was ever widened, 100 percent of the resulting relocation costs of the pipeline would be borne by WOCWB. A utility agreement between OCTA and WOCWB will be executed, agreeing that WOCWB will pay the costs of this estimated \$4.7 million relocation. The relocation of the pipeline work will be performed by a contractor competitively bid by the WOCWB.

The WOCWB budget for fiscal year 2016-17 is \$293,000 for all agency facilities, and the annual budget has historically been about \$225,000. In addition, the WOCWB reserves are currently just under \$400,000. Financing an estimated and unanticipated \$4.7 million expense within two years would require a significant increase in capital expenditure for WOCWB. The amount of funds required to relocate the pipeline and the timeframe needed for the relocation to occur represents a hardship to the WOCWB. Therefore, the WOCWB requests OCTA approve a loan in order for the WOCWB to be able to finance the timely relocation of the pipeline (Attachment A). Pursuant to SHC Section 706, OCTA can agree to loan funds for a period not to exceed ten years from the date of deposit of funds into a WOCWB account for the relocation work (Attachment B). In accordance with the Caltrans utility relocation guidance for advancing cost of relocation to owner, the interest rate for the loan would be charged to WOCWB at the rate of earnings equal to the State of California Surplus Money Investment Fund and shall be accrued daily based on this rate (Attachment C). A loan repayment plan would be developed which includes standard payments to establish a not-to-exceed ten-year repayment structure.

If this reimbursement agreement is approved by the OCTA Board, WOCWB would be able to finance the pipeline relocation over a more reasonable timeframe and avoid possible construction delays for OCTA's design-build team.

Staff recommends entering into this reimbursement agreement, in an amount not to exceed \$4.7 million, in accordance with SHC Section 706. Funds advanced under the reimbursement agreement shall be exclusively used by WOCWB for the relocation work. This amount is based on a cost estimate set forth in a utility agreement. A reconciliation of the actual bid price shall be performed upon receipt of bids by WOCWB for the relocation and shall provide the basis for the actual loan amount. WOCWB represents that it has the present and future ability to repay the funds advanced under the terms and conditions set forth in the reimbursement agreement and that it will take any and all actions required, including, if necessary and lawful, raising rates, fees, or charges to those served by WOCWB and/or raising contributions from its member agencies to pay off the loan in a timely manner. The member cities of WOCWB are not co-signers on the loan.

The WOCWB has been diligently working with OCTA staff in the development of Reimbursement Agreement No. UK151087, which is expected to be signed by the WOCWB following approval of a loan by the OCTA Board. The construction plans for the pipeline relocation project are expected to be completed and issued for competitive bid in the third quarter of 2017.

Summary

Staff requests the OCTA Board to authorize the Chief Executive Officer, pursuant to SHC Section 706, to negotiate and execute Reimbursement Agreement No. UK151087 with the WOCWB, in an amount not to exceed \$4.7 million, for the relocation of the WOCWB 33-inch pipeline that is in conflict with the Project.

Attachments

- A. Letter from Brian A. Ragland, P.E., General Manager, West Orange County Water Board, to Joe Gallardo, Real Property Manager, Orange County Transportation Authority, Dated March 28, 2017
- B. Streets and Highways Code Section 706
- C. California Department of Transportation Right of Way Manual, 13.01.02.09, Advancing Cost of Relocation to Owner

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