



**November 27, 2017**

**To:** Members of the Board of Directors

**From:** Darrell Johnson, Chief Executive Officer

**Subject:** Amendment to Reimbursement Agreement for Relocation of West Orange County Water Board Water Line for the Interstate 405 Improvement Project

### **Overview**

On June 12, 2017, the Orange County Transportation Authority Board of Directors authorized the Chief Executive Officer to negotiate and execute Reimbursement Agreement No. UK151087 with 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. An amendment is required to increase the amount of the reimbursement agreement due to a higher than anticipated bid amount for the work to be performed.

### **Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Reimbursement Agreement No. UK151087 with the West Orange County Water Board, to increase the loan amount by \$1.3 million from \$4.7 million, to a total loan amount not to exceed \$6 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 which is in conflict with the Project and requires relocation. 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. 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.

On June 12, 2017, the OCTA Board of Directors (Board) approved a reimbursement agreement for up to \$4.7 million to the WOCWB for the relocation of the 33-inch pipeline, pursuant to Streets and Highways Code (SHC) Section 706, which allows for a loan if a utility suffers from a hardship due to a required relocation for a highway project. The \$4.7 million loan amount was based on a cost estimate provided by WOCWB staff. On October 18, 2017, OCTA executed a reimbursement agreement that was approved by the WOCWB Board of Directors. This loan is consistent with Caltrans policies which OCTA is required to follow pursuant to OCTA's cooperative agreement with Caltrans. The loan agreement utilizes an interest rate which is equal to the State of California Surplus Money Investment Fund with a not-to-exceed ten-year repayment structure.

### ***Discussion***

The loan by OCTA allowed WOCWB to timely release for bid the relocation of approximately 2,400 feet of its 33-inch pipeline where it traverses the I-405 immediately to the south of Westminster Boulevard.

On October 31, 2017, WOCWB received six bids from contractors interested in relocating this facility. The apparent low bid of \$5,129,705 for this work was higher than the cost estimate assumed in the amount previously approved by the Board. In consideration of the bid and necessary services to relocate this facility, a total loan amount not to exceed \$6 million is necessary in order for WOCWB to award the contract to the low bidder. WOCWB was requested to consider financing the additional increase of \$1.3 million from the bid; however, OCTA was notified that additional funds are not available within the

WOCWB fiscal year budget. On November 6, 2017, OCTA was provided a written request to increase the loan to a total amount not to exceed \$6 million to account for the increased cost (Attachment A).

If this reimbursement agreement increase is approved by the Board, WOCWB would be able to finance the award of the pipeline relocation, and OCTA would avoid possible construction delays to the Project. It would also allow WOCWB to award the contract within the required 90 days from bid opening as specified in the bid documents.

Staff recommends entering into this reimbursement agreement amendment, in an amount up to \$1.3 million, for a total agreement value not to exceed \$6 million, in accordance with SHC Section 706. Funds advanced under the reimbursement agreement and amendment shall be exclusively used by WOCWB for the relocation work. This loan amount is based on a bid proposal and necessary services to implement this relocation. WOCWB represents that it has the present and future ability to repay all 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 this utility relocation and is expected to initiate procurement of necessary materials upon this \$1.3 million amendment and award of the utility relocation contract.

### ***Summary***

Staff requests Board of Directors' authorization for the Chief Executive Officer, pursuant to SHC Section 706, to negotiate and execute Amendment No. 1 to Reimbursement Agreement No. UK151087 with 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. An amendment is required to increase the amount of the reimbursement agreement due to a higher than anticipated bid amount for the work to be performed.

***Attachment***

- 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 November 6, 2017

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