

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Matthew Fertal
Dept.: City Manager
Subject: FUNDING ARRANGEMENTS BETWEEN THE CITY OF GARDEN GROVE AND GARDEN GROVE SANITARY DISTRICT FOR PAYMENT OF SR-22 IMPROVEMENTS

From: Keith G. Jones
Dept.: City Manager
Date: October 14, 2008

OBJECTIVE

To request City Council and Garden Grove Sanitary District Board approval of funding arrangements between the City of Garden Grove and Garden Grove Sanitary District for payment of SR-22 improvements.

BACKGROUND

In August 2004, the City and Orange County Transportation Authority (OCTA) executed a Cooperative Agreement, which called for OCTA to complete specified street, intersection and bridge improvements on behalf of the City in conjunction with construction of the SR-22 freeway project. The terms of this agreement required the City to pay OCTA \$5.4 million dollars for the work performed (\$4 million in Measure M funds, and \$1.4 million in federal grant funds) by June 30, 2007. It was important that the City contract for this work in conjunction with the freeway construction in order to take advantage of significant cost efficiencies. Constructing the improvements at a later date could have increased the costs very significantly.

To date, the City has paid \$3.86 million to OCTA for the improvements. A remaining balance of \$1.54 million is owed to OCTA for the SR-22 improvements made on the City's behalf, which may be paid with Measure M funds. The outstanding balance is due to fiscal constraints with regard to the City's Measure M funding. A maximum number of transportation improvement projects were undertaken and/or expanded so that the projects could occur in concurrence with the SR-22 freeway construction. This action enabled the City to take advantage of construction cost efficiencies but also resulted in higher than anticipated Measure M funding obligations. To date, OCTA has not charged interest to the City on the remaining balance.

DISCUSSION

It is in the City's best interest to pay the remaining balance in a timely manner. This will strengthen the City's relationship with OCTA and improve opportunities for future transportation funding. Annually, the City is eligible to receive about \$1.9 million in Measure M turnback transportation funding plus \$2.5 million in competitive funding through OCTA. As OCTA has broad decision-making authority regarding how this funding is allocated, the quality of the relationship between the City and OCTA is fundamentally important.

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To expedite payment of the balance, staff proposes arrangement of a loan between the Garden Grove Sanitary District and the City. Specifically, the GGSD would loan the City \$1.54 million and the City would pay back the loan with future Measure M funds, in three equal installments, over three years, at an interest rate reset annually on June 30th to match the City's investment portfolio yield. GGSD would make the loan from funding set aside for sewer projects that are anticipated, but not yet ready for construction. The loan will not impact construction of any planned sewer projects.

FISCAL IMPACT

The City will benefit financially from the proposed funding arrangement through interest savings. Funds loaned by the GGSD will be repaid with Measure M funds over three years. If the City were to enter into a new agreement with OCTA for payment of the remaining balance, interest at a market rate would likely be charged beginning from June 30, 2007. This would add approximately one and one half years to the loan term and would result in significant additional interest costs. There is no fiscal impact on the GGSD.

COMMUNITY VISION IMPLEMENTATION

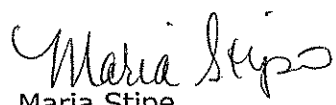
The proposed funding arrangements support the City's Community Vision goals of identifying solutions to address the City's long-term infrastructure needs and maintaining and improving the transportation system to ensure the safe efficient flow of traffic. By reducing payment expenses, more funding will be available for infrastructure and transportation system improvements.


RECOMMENDATION

It is recommended that the City Council and Garden Grove Sanitary District Board:

- Authorize a loan by the Garden Grove Sanitary District to the City in the amount of \$1.54 million to be repaid with Measure M funds, in three equal installments, over three years, with interest at a rate equal to the City's investment portfolio yield.
- Authorize the City Manager and Garden Grove Sanitary District General Manager or his designee to implement the loan arrangement and execute any documents necessary to effectuate the loan.


KEITH G. JONES
Public Works Director

By: 
Maria Stipe
Assistant to the City Manager

Recommended for Approval

Matthew Fertal
City Manager