

Council approves interfund loan to finance Pebble Beach project

June 20, 2020



Funding to allow the Crescent City's Pebble Beach Stabilization project to move forward was approved Monday by the city council.

A December 2016 storm damaged the Pebble Beach bank. It was subsequently declared a federal disaster, qualifying the city to receive funds for repairs through Federal Highways Administration, California Office of Emergency Services and the Del Norte Local Transportation Commission.

The council initially approved \$458,000 to fund the first phase of preliminary engineering, which includes environmental review, project design, permitting and plans, specifications and construction estimate. The city has not received any funds yet for the second phase of construction.

However, the bid from COWI North America Inc., came in at \$1.1 million.

The council authorized staff at its June 1 meeting to make an interfund loan from the water fund of \$651,738 to make up the shortfall for project funding.

City Manager Eric Wier explained the loan breaks down to a 20-year repayment, with interest only payments the first three years, then equal payments the next 17 years. It features no prepayment penalty and an interest amount at the most recent quarterly LAIF (Local Agency Investment Fund) rate of 2.03 percent.

He told the council that staff plans to use the Advanced Construction process to facilitate the loan.

“If the city spends more than what is currently allocated, as Congress puts in more funding to the project — if they put in more funding for the project — the city would then be reimbursed for that advanced construction,” Wier said. “But that can take some time.”

He said there are two scenarios with the loan.

Scenario one Congress reimburses the city. The general fund would take the immediate liability and would incur any annual interest payments over the years until Congress reimbursed that money. That equates to about \$13,000 annual interest starting out, Wier said.

Scenario two is if reimbursement is not completed by Congress. General fund would take on full liability of \$651,000 plus the interest, Wier added.

He added that one of the stipulations for being able to borrow from the water fund is its ability to fund needed capital improvements to the water system despite the loan.

“Would making this loan with the repayment schedule of 20 years, would that inhibit any of those types of opportunities?” Wier proposed. “The answer was no to that.”

Crescent City Mayor Blake Inscore also ensured the public watching the meeting online via Zoom that the water fund will be made whole regardless of what happens.

“The fact of the matter is, we’re entering a loan agreement with ourselves, the water enterprise fund will be paid back 100 percent with interest,” Inscore said. “Yes, there is a risk that we will not receive the money back from Congress, but the water fund is not at risk of not being made whole.”

Public Works Director Jon Olson said the longest Caltrans has seen Congress take to reimburse agencies through the Advanced Construction process is 10 months.

“We are in unusual times and they’re not sure what the appetite will be or what’s going to happen,” he added.

Olson expects the preliminary engineering phase of the project to be completed in February 2022. He said a drill rig is expected to come into the area in the next few weeks to conduct geotechnical studies while a drone was recently used to conduct the LIDAR survey of the area.

