

City Fuel Infrastructure Funding Options

Issue

This document outlines options and provides a recommendation for funding fueling system infrastructure replacements and expansions.

Based on results from a recently completed Citywide project ranking process, the City of Portland has identified a need to replace aging fueling system infrastructure at five locations across the city. The total cost of these replacements is estimated at \$9.7 million (low confidence). Additionally, the Bureau of Emergency Management has identified a need to increase emergency preparedness by developing fueling sites on the west side of the Willamette, and east of Highway 205. These projects are estimated at \$3.9 million (low confidence). Including funds already contributed in the FY 2014-15 Adopted Budget, the estimated total cost to replace and enhance the City's fueling system infrastructure is \$12.4 million (low confidence).

Project Description	Estimated Project Budget
Replace Five Existing Fuel Stations	\$9.7 million
Sears Fueling Station & Site Improvements	\$3.1 million
Additional Fuel Site in East Portland	\$800,000
Resources Currently Dedicated	(\$1.2 million)
Total Remaining Project Costs	\$12.4 million

The FY 2014-15 Fall BMP included requests for one-time General Fund resources to support most of these items. Based on the importance and urgency of these projects, the City Budget Office has provided the following list of funding options for Council consideration.

Options

- Cash Finance Projects:** Use one-time General Fund discretionary resources as they become available. Under this option, the Office of Management & Finance (OMF) would submit a prioritized project list to Council during the supplemental and annual budget processes. As General Fund resources became available stations could be replaced. Separate requests for new fuel stations would be competing for the same resources available to replace the current assets.
- Increase Interagency Charges:** Each project could be funded via interagency charges on a per station basis where the cost of each fuel station would be allocated out to bureaus through the CityFleet interagency model. This option would spread the costs to all fuel users as a fixed amount based upon bureau consumption. Additional General Fund could be allocated to bureaus to cover the increased costs or the bureaus could absorb the costs within existing resources. The potential downside to this approach is that bureaus would experience a significant increase in interagency charges.

3. **Debt Finance:** The third option is to debt finance the \$12.6 million (including approximately \$200,000 in internal bond issuance costs) needed to complete all of the projects, including both the new installations and replacements. Given the project cost estimates, the life of the assets, and the identified repayment resources, debt financing is a viable option for funding these projects. Using current project cost estimates, a 20-year repayment schedule, and preliminary interest rates, the annual payment is estimated at \$1,098,886. Of this amount, \$519,157 is attributable to the General Fund and the remaining \$579,729 would be apportioned to other City funds. Customer bureaus would pay a fixed amount based on gallons of fuel consumed. The table below provides a draft allocation based upon the current project estimates and average fuel consumption by bureau:

Annual Debt Service Allocation by Fund & Bureau based on FY 2013-14 fuel gallons issued from City tanks.		
General Fund	PBEM	\$ 685
	Fire	\$ 4,403
	Gov. Relations	\$ 59
	Mayor	\$ 104
	ONI	\$ 52
	Parks	\$ 116,157
	Police	\$ 397,697
Non-General Fund	PBOT	\$ 349,400
	BDS	\$ 12,036
	Parks- Const.	\$ 86
	BES	\$ 45,295
	Hydro	\$ 186
	Water	\$ 152,760
	Facilities	\$ 3,325
	Fleet	\$ 9,329
	P&D	\$ 3,198
	BTS	\$ 4,114
	Total Payment	\$ 1,098,886

General Fund Portion	\$ 519,157
Non-General Fund Bureaus	\$ 579,729

Recommendation:

The City Budget Office recommends the debt financing solution outlined in option #3. Specifically, Council should consider the use of debt financing to fund both the replacements and the newly requested stations and allocate out the costs using the CityFleet interagency model in the FY 2015-16 budget process. Council should also consider increasing General Fund bureau current appropriation level targets to cover the increased costs related to the debt service.