

# Attachment 1

## MEMORANDUM

Date: June 16, 2017  
To: Board of Directors  
From: Darlene J. Thiel, General Manager  
Subject: Water Treatment Plant Expansion Project Cost Over-run and Reimbursement Analysis

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### RECOMMENDED ACTION

No action.

### BACKGROUND

The Financing and Services Agreement (FSA), dated May 27, 2014, between the District and Rancho North entities provides that any cost over-run above and beyond the initial Water Treatment Plant #1 Expansion Project (the Project) estimated cost of \$12.3 million is to be paid by the District with 50% of the cost over-run to be reimbursed from the Rancho North entities (Owners) share of reimbursement due from any non-participating landowner (section 1.3 E of the FSA).

The non-participating landowners have a separate Financing and Services Agreement (670 FSA), dated March 28, 2014, that requires Reimbursing Landowners to pay to the District their proportionate share of the Project costs prior to recordation of final subdivision map for the Reimbursing Landowner's property (section 1.3 (L) of the 670 FSA). This reimbursement is subject to an ENR escalation per the 670 FSA.

Refer to the attached sheet for a summary of the analysis described below:

The total project cost for 4.0 mgd of treated water capacity came in at \$13,244, 310. Of that amount, \$12,312,344 was funded by the District's share of \$4,358,000, the R & B Letters of Credit (R&B LOC) share of \$4,136,099, and the CFD 2014-1 share of \$3,818,245; resulting in a Project over-run of \$931,966. Of that amount, the District commissioned work of \$229,232 that was strictly related to existing plant and customer needs and therefore not chargeable to the CFD 2014-1 or R&B LOC. The FSA also agreed to cap the amount of District labor, Administration, and legal fees related to the Project at \$50,000 for the Rancho North Owners, which resulted in a District only cost of \$68,008, which is the amount above \$50,000, for these charges. After these adjustments are made to the Project over-run, the amount that is subject to cost sharing is \$634,726. Rancho North's share is 50% of that amount or \$317,363.

The attached sheet also provides an example of how the reimbursement and cost sharing would be applied to a Reimbursing Landowner, The Residences, upon final subdivision recordation.

6/16/2017

**WTP #1 UPGRADE AND EXPANSION COST OVER-RUN ANALYSIS**

Total Project Cost		<u>CSD Funded</u>	<u>R&amp;B LOC Funded</u>	<u>CFD 2014-1 Funded</u>
\$ 13,244,310.00	\$	5,289,966.00	\$ 4,136,099.00	\$ 3,818,245.00
		<u>\$ (4,358,000.00)</u>	<u>\$ (4,136,099.00)</u>	<u>\$ (3,818,245.00)</u>
Project Overrun	\$	931,966.00	\$ -	\$ -
CSD Only Work	\$	(229,232.00)		
CSD Labor/Admin/Legal (over \$50k cap)	\$	(68,008.00)		
Overrun Cost Share		<u>\$ 634,726.00</u>		
50% Overrun Reimb	\$	(317,363.00)		

1/2 of overrun, \$317,363, to be collected from Rancho North's share of water capacity charges to be paid by developments that did not participate in the WTP #1 expansion project

- '\* Residences - East
- Residences - West
- Apartment Site
- Misc undeveloped areas

Reimbursement Rate per Gallon = \$13,244,310 / 4,000,000 = \$3.31

**AS AN EXMPLE ONLY (actual numbers will vary):**

Peak gpd estimated at 750 gpd x 2.2 = 1,666 gpd  
 Residences is 198 lots x .95 EDU x 1,666 gpd = 313,000 gpd

For Example:

	Estimated Peak Gallons/day	Reimbursement Rate	Amount Reimbursed
Residence East & West	313,000	\$ 3.31	\$ 1,036,030.00
CSD Share (50% of \$1,036,030)			\$ 518,015.00
Rancho North Share			\$ 518,015.00
due CSD for cost overrun			\$ (317,363.00)
Reimbursement due Rancho North			<u>\$ 200,652.00</u>

CSD retains \$317,363 of Rancho North share for reimbursement of 50% of the WTP#1 Project cost overrun