Memorandum

TO: **Mayor & Council**

FROM: **Camas Engineering Staff**

DATE: **4/1/2015**

SUBJECT: **WS-709C WATER TREATMENT FACILITY (Slow Sand Filter) Bid Opening - Project Update and Budget Summary**

Introduction

In 2011 Camas applied for, and was awarded, a Drinking Water State Revolving Fund (SRF) Loan (#DM12-9352-089) in the amount of $7,920,792.00 at an interest rate of 1% for 24 years, by the Washington State Department of Health (DOH) – Office of Drinking Water. This Loan was intended to fund all of the components that make up the so-called 544' ZONE WATER SYSTEM IMPROVEMENTS. The overall project scope and loan amount were developed with assistance from CH2M-Hill. To date, Camas has constructed about 18,000 lineal feet (L.F.) of new water transmission main, and has completed design of the new Slow Sand Filter, which will be the heart of the new surface water delivery system. The Slow Sand Filter project was bid on February 19, 2015 and has not been awarded to date.

Completed Work - Project and Budget Summary

	Expense	**SRF Loan**
DOH – SRF Loan Proceeds		$ 7,920,792
1% Loan Fee	$ 79,208	
WS-709D Transmission Main Construction	$ 2,464,584	
WS-709D Testing – Carlson Testing, Inc.	$ 8,687	
CH2M-Hill Design Contract	$ 747,911	
Property Acquisition from Longview Timber	$ 35,000	
Clark County Permits	$ 50,000	
Sub-Total	$ 3,385,390	
Remaining Loan Proceeds		$ 4,535,402

Remaining Work – Projects and Budget Summary

WS-709C Slow Sand Filter Bid	$ 5,766,979
S&B Instrumentation Bid	$ 189,130
CH2M-Hill Construction Management Proposal	$ 294,000
WS-709C Materials and Special Inspections – (est.)	$ 40,000
Satellite Wells Acquisition	$ 50,000
Septic Tank and Dry Well	$ 30,000
Contingency (Sub-Total = $6,370,109) @ 12.5% =	$ 795,000
Sub-Total	$ 7,165,109

CPU Energy Incentive Rebate (est.)	$ 250,000
Current Funding Deficit -	($ 2,629,707)

Other Considerations

The total length of 12" Transmission Main for the surface water system is about 33,000 L.F. To date, approximately 18,000 L.F. has been replaced. About half of the remaining 15,000 feet is in very poor condition and should be replaced immediately. The remaining section, between the Chlorine Station and the Jones/Boulder Intertie is in good condition, and will last another 10 to 20 years.

Also, the existing 8" Boulder Intake pipeline is under-sized for the total Boulder Water Right. Installation of a parallel 8" pipe to serve Boulder should be installed with the current project in order to optimize use of the existing water right. The cost of the 7,500 L.F. of 12", and 7,300 L.F. of parallel 8" pipelines are listed below.

Consistent and reliable flow of water to the filters will help us maximize the use of our surface water, which will help us realize the greatest benefit of using this surface water source. When a leak occurs the entire surface water system is shut down until repairs are made. It's estimated that Camas will save up to $250,000 annually in pumping costs by optimizing our use of surface water. Additionally, several of our larger commercial customers have indicated a strong preference for our surface water because of its very low amount of dissolved minerals. The *Net Present Value Considerations* memorandum prepared by CH2MHill indicates that the slow sand filter option for water treatment remains the best alternative if the City wishes to continue to use the surface water rights.

Cost of Additional Water Transmission Main (Includes 7,500 L.F. of 12" Pipe, Engineering, C.M., Permitting, Easements, and contingencies – Estimated by CH2M-Hill)	$ 1,600,000
Cost of Parallel Boulder Pipeline (Includes 7,300 of 8" Pipe, Engineering, C.M., Permitting, Easements, and contingencies – Estimated by CH2M-Hill)	$ 1,100,000
Total Funding Deficit	($ 5.3 million)

POSSIBLE FUNDING STRATEGIES

Staff contacted and spoke with Clark Halversen at DOH regarding the overall project goals and budget shortfall. Clark and his staff expressed very strong support for our project, and noted that the goal of consolidating several small private utilities within the Camas Utility were significant benefits to the Department of Health. Clark recommended that Camas apply for additional SRF funding in the fall of 2015. The project would score very high in "READINESS TO PROCEED" and "CONSOLIDATION", and would easily be eligible for Loan Forgiveness at 50%.

Additional DW-SRF Grant (w/50% Forgiven)	**$ 5.0 to 6.0 million**

RATE IMPACTS – Summary

FCS Group was consulted regarding possible impacts to our current rate structure. Several Scenarios were evaluated. With a conservative growth assumption within the system, staff finds the most likely scenario for funding all of the remaining work would have the following impact on rates and system reinvestment:

With a new $6.0 million SRF Loan, with $3.0 million forgiven principal and a 1.0% interest rate for a 20-year term, rates could remain at the currently adopted annual growth rate through 2018; system reinvestment would need to go down from $625,000 to $800,000 per year to $450,000 to $600,000 per year. However, the growth is trending higher than the model assumptions, and there will likely be a higher end-of-rate study fund balance in 2018 than originally anticipated.