

# Heber Public Utility District

## REPORT TO BOARD OF DIRECTORS

**MEETING DATE:** November 7, 2016

**FROM:** Laura Fischer, General Manager

**SUBJECT:** Approve Change Order Number 6 in the amount not to exceed \$260,000.00 for necessary changes to the Water Treatment Plant Improvement Project, and Authorize the Expenditure of Water Funds Should the State Revolving Fund Loan Increase Not Be Approved.

**ISSUE:**

Shall the Board of Directors approve change order number 6 in the amount not to exceed \$260,000 for the necessary changes to the water treatment plant improvement project, and authorize the expenditure of water fund should the increase in the SRF loan not be approved?

**GENERAL MANAGER'S RECOMMENDATION:**

It is recommended that the Board of Directors approve the repairs to the floor of the 1.7 MGD Water Storage Tank in the amount not to exceed \$260,000, and to authorize the expenditure of water fund as may be needed should the additional State Revolving Fund loan amount not be approved.

**FISCAL IMPACT:**

This change order in the amount of \$260,000 will exceed the existing contingency balance for this project.

Total Project Contingency Funds =	\$384,735.00
HPUD Approved Change Orders 1, 2 & 4 =	\$165,578.35
HPUD Approved #5 (Pending 11/7/16) =	\$ 8,854.98
<b>Balance of Project Contingency Fund =</b>	<b>\$210,301.67</b>

Change Order #6 in the amount of \$260,000 will exceed the contingency fund balance by -\$49,698.33.

Additional Change Order **Not in Project Funding** was approved for the logo on the tank in an amount not to exceed \$14,000.00. This was authorized for expenditure from the water fund balance.

**Water Fund Balance**

The HPUD adopted a Reserve Policy and I have presented the water fund reserves for your consideration. As you can see there is a balance of \$923,582 in the Water Fund as of July 1, 2016. The Funds that can be reprogrammed to cover the cost of this unexpected change order are: Capacity Fees \$41,280, Capital Reserve for Future Projects \$88,000 and the remaining \$130,720 from Unrestricted Reserves.

<b>Reserve Funds Established via Resolution Number 2016-08</b>	
<b>PROJECTED UNASSIGNED CASH RESERVES BROUGHT FORWARD AS OF JUNE 30, 2016</b>	<b>Water 923,582</b>
<b>Non-Spendable Fund Balance</b>	
<b>Committed Fund Balance</b>	
Capacity Fees	<b>41,280</b>
Capital Reserve Funds (Future Projects)	<b>88,000</b>
<b>Restricted Fund Balance</b>	
Debt Service Reserve Funds - USDA	<b>62,432</b>
SWRCBA Water Loan - 1/10 of Annual Pymt (\$15K)	<b>150,000</b>
SWRCBA Capital Replacement Reserve Funds (Short Lived Assets)	<b>166,204</b>
<b>Assigned or Designated Fund Balance</b>	
Operating and Maintenance Reserve Funds (90 days Operating and Maintenance Costs)	<b>268,151</b>
<b>Unrestricted Reserves</b>	<b>147,515</b>
<b>TOTAL RESERVES FOR FY 2016-17</b>	<b>923,582</b>

Should the State Revolving Fund not approved an additional loan amount, the HPUD water fund would have to fund the amount over the currently approved project contingency fund. With the approval of Change Order #5 and #6 the State Revolving Fund Contingency Fund line item will be over extended \$49,698.33. There will be more change orders, but at this time we do not know the amount.

#### **DISCUSSION:**

The need to repair the 1.7 MGD tank floor is definite. The tank cannot be used in its current condition. The tank has an asset value of over \$1.5M, but without the floor the asset has zero value. The repairs to the tank floor represent a repair of 17% of the total asset value.

Without the 1.7MGD storage our water treatment plant would not be rated at the full 4MGD and we would have less daily capacity for our customers. Additionally not repairing the tank during the current construction timeline will delay the implementation of the TTHM stripping equipment as we would not have valid storage retention data.

In an earlier action, the Board will consider whether to petition the State Revolving Fund for additional loan amount to fully fund this change order. That approval, if approved by the Board, will take approximately three weeks. If approved, the District will have an amended Finance Agreement with the State Revolving Fund that increases the contingency fund by a minimum of \$260,000.

If the Board approves this Change Order #6, the contractor will begin work to repair the tank floor. The repairs are expected to take a minimum of 6-8 weeks and should be completed within the approved timeline of the project.

**CONCLUSION:**

Approval of this change order and authorization of expenditures in an amount not to exceed \$260,000 from the water fund reserve fund is a fiscally responsible and prudent action. It is staff's recommendation to approve change order #6 and authorize the expenditure of an amount not to exceed \$260,000 from the water fund reserves should the SRF loan increase not be approved.

**ALTERNATIVE:**

1. Do not authorize Change Order Number 6, and direct staff to find alternate water storage solution.
2. Approve Change Order Number 6, but do not authorize the expenditure of water reserve funds. This action would require the HPUD to authorize funding from an alternative source as the contingency fund for this project will be exceeded.
3. Provide alternative direction to staff regarding the change orders requested.

Respectfully Submitted,

Laura Fischer, General Manager