



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Michael Glaze, General Manager
Matt Colwell, Water Division Manager
Steve Wong, Finance Division Manager

DATE: February 3, 2010

RE: Supplemental Appropriation Request – MRTP Expansion Project
February 5, 2010 Board of Directors Meeting

The 2010 budget includes a capital outlay of \$300,000 for rehabilitation of Miners Ranch Treatment Plant's Filter #3 underdrain system. In addition to engineering for the rehab project, together with the labor expense of Agency personnel removing the filter's media and existing and damaged underdrain system and installing the new system and media, that \$300,000 also includes the purchase of a new underdrain system for Filter #3.

At its meeting on December 22, 2009, the Board approved the consulting services agreement with CDM, Inc., for the design of the MRTP Filter No. 3 underdrain system emergency rehabilitation project. Subsequently, CDM went to work to prepare the plans and specifications for the project, resulting in the decision to acquire the necessary new Phoenix underdrain infrastructure (integrated stainless steel laterals and air manifolds) from AWI. Additionally, the design for Filter #3's underdrain would be incorporated into the future treatment-plant expansion project such that the remaining three existing filters would be retrofitted with the same type of underdrain system, as would the proposed two new filter galleries.

AWI's initial proposal was to provide the underdrain system and necessary post-installation testing for Filter #3 at a price of \$211/ft.² (all filter's have a floor surface area of 420 ft.²). They also offered the option for SFWPA to purchase the hardware necessary for six filters (four existing and two future) at a discounted price of \$151/ft.². After several days of negotiations, Matt Colwell was able to secure a price of \$145/ft.², subject to the Agency purchasing all six underdrain systems at this time.

At the original price (\$211/ft.²), the cost for the Filter #3 underdrain system would have been \$88,725. At \$145/ft.² the cost drops to \$60,900 – a savings of \$27,825. Unfortunately, the only way to achieve this savings is to purchase all six underdrain systems at a total cost of \$365,835. Nevertheless, we think this is a prudent expenditure of System Capacity Fund reserves. Not only will the savings be realized for this immediate project, but an additional savings of \$10,500 will be realized from the negotiated price reduction

for the remaining five filter underdrain systems. Currently, LAIF's annualized yield on Agency investments is 0.6% (as of 12/31/09). The treatment plant expansion will most likely commence within two years, but even if the remaining five systems are not needed for another four years, the lost interest on the additional outlay (assuming an economy that continues to be stagnant) would be under \$7,000. The net savings, therefore, for purchasing all six underdrain systems at this time is at least \$31,000.

This savings estimate is predicated on the assumption that AWI's initial price of \$151/ft.² would remain constant for the two to four years that will elapse before the expansion project commences. However, we know that AWI's price for this product has risen 8% over the past year. If that trend were to continue for the next four years, the Agency's savings would actually be over \$150,000.

Additionally, by having all six systems on site, once the Filter #3 project is finished, the other three existing filter underdrains can be replaced over a two-year period by Agency personnel so that they are already retrofitted and functional prior to commencement of the MRTP Expansion Project.

To achieve this savings, the 2010 budget needs to be amended by the following action:

"I move approval of Supplemental Appropriation 2010-1, MRTP Expansion, Filters, in the amount of \$200,000."

SOUTH FEATHER WATER AND POWER AGENCY
REQUEST FOR SUPPLEMENTAL APPROPRIATION 2010-1
2010 ANNUAL BUDGET

TITLE: MRTP Expansion, Filters

GENERAL LEDGER ACCOUNT: 01-00-11167-2, WT-Treatment Plant

PROJECT MANAGEMENT ACCOUNT: 2010-105

AMOUNT, ANNUAL RECURRING: \$ -0-

AMOUNT, INITIAL CAPITAL OUTLAY: \$ 200,000

FUNDING SOURCE: Fund 12, MRTP System Capacity Fund

DESCRIPTION AND JUSTIFICATION:

Appropriate adequate funds to acquire 6 AWI Phoenix stainless steel underdrain systems, used in the upgrade of the four existing filters, including filter #3, and in the construction of two new filters which will be required in the MRTP Expansion.

Following approval of this Supplemental Appropriation, the December 31, 2010 balance in Fund 12, MRTP System Capacity Fund, is estimated to be \$368,577.

ACTION REQUESTED:

Approve Supplemental Appropriation 2010-1, MRTP Expansion, Filters, in the amount of \$200,000.