

WESTERN WAKE PARTNERS

Report to the Policy Advisory Committee (PAC11-09)

Date: March 2, 2011
To: Policy Advisory Committee
From: Leila Goodwin, P.E. – Town of Cary, Water Resources Manager
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Subject: Western Wake Regional Wastewater Facilities Budget Update and Proposed FY12 Operating Budget

Background

Section 3.3 of the "*Design, Construction, Ownership, Management and Operation Agreement*" dated August 22, 2005 ("Implementation Agreement"), specifies that:

"The Lead Agency shall prepare the Annual Budget for each Fiscal Year and as expeditiously as possible shall provide each of the Project Partners with the Annual Budget. The Lead Agency shall endeavor to prepare and provide to each Project Partner by each March 15 a preliminary Annual Budget for the ensuing Fiscal Year. To the extent possible, the Lead Agency shall prepare the Annual Budget so that it will be possible to determine from such budget the Current Expenses for the Wastewater Management Facilities that will be allocable to each Project Partner during the Fiscal Year."

Discussion

The Project Partners entered into two agreements specifying tasks to be undertaken by the Lead Agency, how costs for those tasks will be allocated, and anticipated budgets:

- 1) *The Interlocal Agreement for Regional Wastewater Management Facilities Land Acquisition and Preliminary Work*, as amended ("Preliminary Work Agreement"), addressed purchase of land for the Water Reclamation Facility (WRF) and pump stations; permitting; and organizational, institutional and financial development. For budget discussion purposes, land costs will be included in facility design and construction costs.
- 2) *The Agreement For Design, Construction, Ownership, Management And Operation Of Western Wake Regional Wastewater Management Facilities*, as amended (Implementation Agreement), addressed design and construction of the facilities, and defined Fixed Current Expenses, which includes project management expenses before facility startup.

Report PAC07-10 dated February 15, 2007 presented several potential cost allocations for implementation of the Apex/Site 14 Water and Sewer Extension Policy.

Milestones

Report PAC10-03, presented March 30, 2010 (revised April 7, 2010) presented cost shares, updated costs, and potential cash flow for each partner. Since that time, there have been many significant milestones in the project:

- The Environmental Impact Statement and 404 stream/wetlands permit were issued by the US Army Corps of Engineers in July 2010
- The 401 Certificate was issued by NCDENR in July 2010
- The 401 Certificate was contested by the New Hill Community Association (NCHA) September 9, 2010
- The Town of Holly Springs withdrew from the partnership on September 23, 2010
- The NPDES permit was issued by NCDENR in January 2011
- The contested case for the 401 Certificate was dropped and a settlement reached with the NHCA in January 2011.
- The Chatham County Commission approved acquisition of easements and land for the Effluent Pipeline in February 2011.

Budget Impacts

Designs are still being finalized and the impacts of several of the above milestones have not yet been resolved. Therefore, the Town of Cary is not recommending changes to any of our budgets for the multiple Western Wake Regional Wastewater Management capital projects in FY12. The Town recommends that the Partners continue to us previously projected FY11 and FY12 budgets; many expenses we projected for FY11 will now occur in FY12. Table 1 below is modeled from Table 6 in PAC10-03, and, along with an anticipated additional \$2 to 3 million in FY11 costs, results in expected cumulative expenditures through FY11 of about \$59 million. This does not differ considerably from the FY11 projections since expenses have largely been shifted by several months into FY12.

We do expect some cost increases, primarily due to a) more stringent wastewater treatment requirements in the NDPEs permit than were planned and b) increased land and easement acquisition costs.

Comments on several components of the work are below.

Preliminary Work

The Preliminary Work included two items: permitting; and organizational, institutional and financial development. Table 2 shows a summary of the updated preliminary work budget. A portion of the permitting cost has been reimbursed from a State Revolving Fund (SRF) loan, for which repayment has already begun. The permitting costs under this agreement will conclude by the end of FY11 or early FY12. Costs for permitting work related to each specific component of the facilities are included in the individual capital project budgets.

We anticipate that some of the unspent funds budgeted for the organizational, institutional and financial development will be needed to finalize the service agreements between the Lead Agency and each partner; therefore, the budget for that item remains unchanged.

Land Acquisition

There are still some activities ongoing related to finalizing land acquisition and titling for the WRF site and the Beaver Creek Pump Station site. Some increases in budgeted land acquisition costs are anticipated.

Design and Construction

Costs presented last year for FY11 were based on approximately 90 percent design levels for the facilities. Designs costs have not been updated since then; therefore, there has been no change in the total budgeted amounts. We expect to go out to bid for the first construction contract (Liquid Treatment Train of the WRF) within FY11 and to complete designs for other facilities. The costs will be updated over the next 6-9 months

and provided to the Technical Advisory Committee. These updated costs will also include recent and proposed settlement agreement expenses.

Project Management

As has been discussed previously, there are operating expenses before startup of the facilities which are being billed to the Project Partners by the Lead Agency as Fixed Current Expenses. Membership in the Middle Cape Fear River Basin Association is included in Project Management. Some minor consultant support for the Technical Advisory Committee, the Policy Advisory Committee, public outreach (web site hosting and maintenance) and Lead Agency project management is also included. Some staff hiring is anticipated in FY12 and is budgeted here, although this will be broken out into a new line item when it occurs.

Requested Action: The Technical Advisory Committee requests that the Policy Advisory Committee accept the proposed FY12 Operating Budget.

Table 1
Proposed FY11 Operating Budget

	Total Cost	PAC10-03 Estimated Spent Thru Remainder of FY10	Actual Spent Thru 2/28/11	PAC10-03 Approved FY11 Operating Budget	Proposed FY12 Operating Budget
Permitting	\$6,083,050	\$5,490,094	\$5,427,971	\$592,956	\$131,016
Organizational, Institutional, Financial	\$600,000	\$67,320	\$67,320	\$100,000	\$50,000
West Cary PS Phase 0	\$5,618,000	\$5,618,000	\$5,618,000	\$0	\$0
West Cary PS	\$11,125,111	\$231,173	\$221,251	\$47,991	\$19,667
West Cary Force Main	\$9,943,176	\$454,365	\$415,300	\$459,641	\$414,929
West Reedy Branch Gravity Sewer	\$12,304,175	\$515,826	\$489,601	\$284,451	\$278,988
Beaver Creek Gravity Sewer	\$2,065,000	\$38,786	\$93,303	\$101,613	\$13,871
Beaver Creek Trunk Sewer and Tunnel	\$4,800,000	\$13,025	\$0	\$67,075	\$100,600
Beaver Creek PS	\$19,966,850	\$914,145	\$943,965	\$104,830	\$268,353
Beaver Creek Force Main	\$27,491,987	\$660,704	\$590,361	\$645,916	\$647,437
Western Wake WRF	\$160,568,000	\$12,544,762	\$13,138,582	\$23,826,329	\$22,469,934
Effluent Pump Station	\$11,837,560	\$1,761,979	\$1,737,870	\$151,069	\$144,629
Effluent Pipeline and Outfall	\$42,273,860	\$827,911	\$799,344	\$1,117,364	\$1,254,852
Holly Springs Effluent Line on WRF Site	\$935,300	\$39,689	\$38,524	\$6,886	\$0
SCADA	\$1,100,000	\$325,497	\$438,049	\$122,290	\$79,434
Value Engineering	\$292,000	\$281,000	\$270,000	\$11,000	\$0
Apex/Site 14 Water / Sewer Extension Policy	\$3,226,600	\$13,530	\$11,250	\$290,590	\$231,122
<i>SUBTOTAL</i>	<i>\$320,230,669</i>	<i>\$29,797,807</i>	<i>\$30,300,692</i>	<i>\$27,930,000</i>	<i>\$26,104,831</i>
Operating Budget					
Project Management	NA	\$463,735	\$496,574.87	\$190,000	\$328,425
TOTAL	\$320,230,669	\$30,261,542	\$30,797,266	\$28,120,000	\$26,433,256