

# City of Wimberley

## Wastewater Project Cost and Funding Summary

### July 31, 2019

#### Summary

The purpose of this report is to outline:

- The project cost and funding sources that were approved by the TWDB at its March 28, 2019 meeting. The detail supporting the amounts are set forth in the TWDB staff recommendation dated March 20, 2019 and in TWDB Schedule 1201 that was submitted in the City’s Engineering Feasibility Report dated December 3, 2018. These amounts form the benchmark from which the City needs to monitor the new spending plan.
- Updated estimated cost estimates since Schedule 1201 was prepared, including updated funding sources. This report also assesses the amount excess TWDB loan funds above expected cost and the beneficial use of such funds by the City.
- Summarizes certain funds expended or to be expended by the City from its operating reserves which under the new approved TWDB plan can be reimbursed from TWDB loan funds, again benefiting the City.
- Concludes the importance of scrutinizing, updating, and monitoring the amounts given their importance to the City’s finances and in preparing the 2020 budget.

#### Project Plan Approved by the TWDB

At its March 28, 2019 meeting the TWDB approved the revised Project plan. The following summarizes the TWDB staff recommendation regarding costs and funding sources, which includes the initial planning and design costs, as well as the construction phase:

<u>Project Costs</u>	<u>Original</u>	<u>Approved</u>
Total Project Cost before Contingency	\$7,955,891	\$6,092,437
Contingency	<u>815,694</u>	<u>136,013</u>
<b>Total Project Cost including Contingency</b>	<b><u>\$8,771,585</u></b>	<b><u>\$6,228,450</u></b>
<u>Funding Sources</u>		
TWDB Loan – Planning and Design	\$650,000	\$650,000
TWDB Loan - Construction	<u>5,498,005</u>	<u>5,255,000</u>
TWDB Loan Total	6,148,005	5,905,000
Grants	2,000,000	0
City Funds	<u>623,580</u>	<u>323,450</u>
<b>Total Funding</b>	<b><u>\$8,771,585</u></b>	<b><u>\$6,228,450</u></b>

The detail supporting these amounts with regard to spending line items can be found in the Engineering Feasibility Report (EFR) Amendment No. 2 dated December 3, 2018 which was provided by the City to the TWDB. See TWDB Schedule 1201 attached with these details. The only difference between the detail schedule and the above amounts are that the TWDB added the final \$200,000 payment to Black Castle to terminate the plant contract.

#### Updated Cost Estimates, Funding Sources and Excess Funds

Also attached is a schedule that shows an update to estimated costs since the above amounts were prepared in the EFR. Such schedule compares the approved TWDB plan to the updated estimates. One important cost item that needs to be refined is the connection cost to the Aqua system. The approved TWDB plan includes a capacity buy-in of \$300,000. It

appears that this fee will no longer be required, but there will likely be capital costs the City will bear to make the connection at the agreed to location. For purposes of this updated cost estimate, it is assumed that this connection cost will remain at \$300,000. In summary, it shows the following changes to project costs, which is a net reduction in project cost of \$199,450 from the TWDB approved plan:

**Updated Cost Estimate**

Total TWDB Approved Project Cost before Contingency	\$6,092,437
Creek Boring Incremental Cost for Encased Pipe (Based on Capital Excavation estimate)	127,000
Reimbursement from EDA for Plant Contract	(177,548)
Bond Reserves No Longer Required	(237,902)
Plant Site Remediation	40,000
Refund Bond Financing Costs – Including Professional Services	33,500
Other	<u>15,500</u>
Updated Estimate of Project Cost before Contingency	<u>\$5,892,987</u>

The following shows the updated funding sources. It should be noted here that the \$300,000 of capacity buy-in cost in the approved TWDB plan was assumed to be paid from loan funds. However, the following assumes that additional assumed capital costs of \$300,000 to connect to Aqua would be paid by the City, although that determination will need to be made, which may be dependent on which entity performs such construction.

**Updated Funding Sources**

TWDB Loans	\$5,358,085
City Funds	<u>534,902</u>
Updated Estimate of Project Cost before Contingency	<u>\$5,892,987</u>

With regard to the loan and project costs, the following shows that eligible TWDB loan spending is expected to be less than the available loan by \$546,915:

**Excess Loan Funds**

Total TWDB Loans Available	\$5,905,000
Less Costs to be Paid with TWDB Loan Funds	<u>(5,358,085)</u>
Excess Loan Funds Over Cost	<u>\$546,915</u>

The City will benefit with these excess funds. First they are available for contingent spending if needed. However, they can also be utilized for other qualifying projects, or the City can set aside such amounts for future principal and interest payments on the loan. Thus, the Wasterwater/General Funds will benefit by these excess amounts.

**Additional Costs to be Paid with Loan Funds and be Returned to City Operating Reserves**

In addition to the above excess loan funds being available, the City will also benefit due to the return of funds that can be paid with loan funds that were previously paid or designated to be paid from the City’s operating reserves under the original plan. The TWDB approved plan includes the following cost items that were previously excluded from being paid with loan funds that total \$432,422:

**Reimbursement from Loan Proceeds to Operating Funds**

Project Management	\$175,000
Project Engineering	77,575
Construction Interest (two years)	<u>170,847</u>
Total	<u>\$423,422</u>

Most of the above expenses have already been paid from City Wastewater/General operating reserves. Thus, the City should be able to recoup a significant amount, as well as reduce future operating reserve spending for these items. These items need to be re-evaluated and the positive effects on the 2020 City Budget determined.

## **Conclusion**

Due to the significant impact on the City's finances and upcoming budget, these updated Project Cost estimates need to be closely scrutinized, updated and monitored.