



To: The Hinesburg Selectboard
Cc: Rocky Martin, Director, Buildings and Facilities
Erik Bailey, Water/Wastewater Superintendent
From: Trevor M. Lashua, Town Administrator
Date: September 2, 2015
Re: New wells and treatment project – update on budget, schedule

This memo covers two components: the project schedule and the project budget.

Schedule

The project schedule has been altered, due to delays in State permitting and the need for Act 250 review and approval.

The project team has worked to meet each of the permitting benchmarks set by the State since the spring only to see those benchmarks moved or amended on multiple occasions. An earlier indication from district staff that Act 250 review would likely not be required has been reversed. Officials with the State's Department of Environmental Conservation asked that the Act 250 component be revisited. Options were vetted that attempted to facilitate project movement now (i.e. enabling the construction bids to commence as hoped) while navigating the Act 250 review process concurrently. Those options were ultimately shelved in favor of focusing on final acquisition of all necessary State and Act 250 permits to eliminate the potential for continued schedule delays.

The Town will miss the bidding window for this fall and the project schedule will be amended to have the project out to bid in winter 2016 (February). A possible benefit is that the Town's project will go out to bid during a more traditional construction cycle and avoids the potential for costly winter conditions costs (such as heating). This revised schedule places project completion in August or September 2016, though it is possible the wells could be on-line and supplying water prior to that.

Budget

A second challenge was presented in recent days while preparing the bid package. Project costs, per a recent estimate, increased to \$1.86 million (an increase of \$360,000, or nearly 25%). Some of this is due to changes in the project scope, such as the size of the building and the equipment within.

What the current estimate allows the Town to achieve is a building sized for future needs (equipment, staffing, and storage), better HVAC systems (which help elongate equipment life), efficient pumps for the chemical feed that require less maintenance, wiring for future emergency power supply needs, fire safety systems, and the extension of a water line along Shelburne Falls Road to connect those residents and maximize the wells' yield.

Staff promptly set to work with the consulting engineers to identify "value engineering" options to bring the project cost closer to the original budget. All totaled, the value engineering actions

identified (see attached breakdown for more detail) lower the estimated project cost to \$1.545 million (+\$45,000, or 3%, from the original estimate).

There are at least two items in the value engineering options list that should remain in the project's current scope. The first is the 4" water service extension to the residences along Shelburne Falls Road. Connecting these households enables the Town to achieve the permitted yield (260 gallons per minute). The work can be done for less than the \$70,000 estimate utilizing local resources, with actual costs projected closer to the \$35,000 to \$40,000 range. The other item is the proposed elimination of the automatic transfer switch and 300 amp circuit breaker (for a future generator). The \$6,500 is a small investment to make for greater power protection in the future.

Adding those two components back in at the costs above brings the estimate to roughly \$1.59 million.

The proposed reduction in building length eliminates 22' of storage, office, and program space, and forces those functions to either be eliminated or significantly shrunken. A revised project budget of \$1.65 million combined with the elongated timeline provides an opportunity to add some of that space and functionality back now, when the construction costs for this facility should be most favorable. This is the current preferred or recommended option.

Voters authorized the Town to borrow no more than \$1.5 million for the project, the number upon which the estimated ratepayer impacts were built. Since then, the Town has also received more than \$400,000 in settlement funds from its participation in a class-action lawsuit related to the MTBE contamination in the existing wells. An additional \$200,000 to 250,000 in water capital reserves, attained during a previous round of water project borrowing from the State, can further be used.

Another source of "revenue," especially when considering that the first payment on the money borrowed through the State's drinking water revolving loan fund isn't due for two more years, is the water allocation fee that is being discussed and is likely to be instituted at some point.

The sections on funding highlight that the full \$1.86 million project could be funded in a way that does not alter the impact on current ratepayers as projected during the 2014 discussions prior to the bond vote itself, and in fact could still be less than projected if those prior reserves are used in some capacity.