



To: Town Council

Fr: Paul Bockelman, Town Manager
Guilford Mooring, Superintendent of Public Works
Sean Mangano, Director of Finance

Dt: February 3, 2023

Re: Centennial Water Treatment Plant

Recommendation

Rescind the previous borrowing authorization in the amount of \$18,000,000 and authorize a new borrowing authorization in the amount of \$21,500,000 to cover the total costs of upgrading the Centennial Water Treatment Facility.

Background

Bids from three of the four approved General Contractors for the Centennial Water Treatment Facility Upgrade project were opened January 26th, 2023. The bids are:

R.H. White Construction Co, Inc.	\$ 18,870,000
Waterline Industries Corp.	\$ 20,677,677
Daniel O’Connell’s Sons, Inc.	\$ 20,749,000
Methuen Construction Co. Inc.	No Bid

The lowest construction bid is \$4,706,000 above the last project construction estimate. Our consultant has talked to several of the material suppliers and found that several items in the project have had significant price increases due to inflation and supply issues. The actual filter units have doubled in cost and account for most of the increase. A further analysis of what could be cut from the project to reduce cost and then rebid did not yield a sufficient savings from the current low bid.

The Town has a State Revolving Fund (SRF) loan for the project. This loan allows the Town to obtain a loan at the rate of 1.5% and to receive 19.8% in loan forgiveness. In our discussion with the SRF program they understand and are willing to add the cost increases into the current loan approval provided the Town provides an increased appropriation. The loan interest rate will stay the same at 1.5% and the loan forgiveness will be applied to the higher amount. The loan forgiveness could be as high as \$4,000,000, but the final loan amount is contingent on the final project cost. It is expected that there will be savings found during the project and the 5% contingency will not be needed.

Below is the current project budget:

Construction (actual Bid)	\$ 18,876,000
Contingency (SRF required 5%)	\$ 943,800
Utility Allowance (fixed amount)	\$ 110,000
Subtotal Construction	\$ 19,929,800
Engineering – Construction Admin	\$ 753,000
Eng –Resident Project Rep	\$ 462,000
Eng – Design Amendment #1	\$ 200,000
Subtotal Engineering	\$ 1,415,000
Total Project	\$ 21,344,800

Attached you will find the financial orders for this request as well as an analysis of the fiscal impact on the enterprise funds and ratepayers.

Future Considerations:

This project was the second recommendation from the Tata and Howard “Alternate Water Supply Study Report” prepared in January of 2017. This study evaluated existing and future system demands, existing water supply sources, and alternatives for additional supply for the water system. The Report’s primary recommendation was to maximize the Town’s existing approved water sources. This project was identified as a valid project to maximize existing sources, allowing the continued use and availability of 1.5 million gallons of water a day under the current source approval from the Department of Environmental Protection (DEP) for this facility.

Not increasing the appropriation to \$21,500,000 and ending this project will mean losing the DEP source approval and would add an additional cost if the Town were to reactivate the source in the future. At present the source approval process would add about \$2,000,000 and 12 to 18 months to the upgrade project.

OTHER FINANCIAL ORDERS

RESCIND BORROWINGS AUTHORIZED BUT UNISSUED ORDER FY23-13C

An Order Rescinding Authorized but Unissued Bonds (*majority vote*)

To rescind available excess and/or unnecessary borrowing authority of the Water Enterprise Fund;

BE IT ORDERED by the Town Council of the Town of Amherst that:

The authorized but unissued borrowing in the amount \$18,000,000, originally approved by vote taken under Council Order 22-09A, Centennial Water Treatment Facility replacement, be rescinded.

I hereby certify that at a regular meeting of the Town Council for which a quorum was present, the above Order was adopted by a vote of ____ for, ____ against and ____ present on _____, 2023.

Athena O’Keeffe, Town Council Clerk

J. Lynn Griesemer, Council President

PART C – CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS:

APPROPRIATION AND BORROWING AUTHORIZATION ORDER FY23-09A

**An Order Approving and Authorizing Borrowing to Fund Capital Projects – Bond Authorization
(2/3 vote required)**

BE IT ORDERED by the Town Council of the Town of Amherst that:

The Town appropriates \$21,500,000 to pay costs of replacing the Centennial Water Treatment Plant, and for the payment of all other costs incidental and related thereto (the “Project”), and to meet this appropriation, the Treasurer, with the approval of the Town Manager, is authorized to borrow said amount, under and pursuant to G.L. c. 44, §7 or 8, or pursuant to any other enabling authority, and to issue bonds or notes of the Town therefor.

And , that the Town Manager, Treasurer and any other appropriate officer of the Town are authorized to execute and deliver (i) any financing agreement with the Massachusetts Clean Water Trust (the “Trust”) that may be required in order to obtain funding for the Project through the Drinking Water State Revolving Fund (DWSRF) program as authorized by G.L.c. 29C, and (ii) any project regulatory agreement with the Massachusetts Department of Environmental Protection that may be required in order to obtain funding for the Project through the Trust, and, further, to accept any grants, gifts or donations to offset costs of this .

I hereby certify that at a regular meeting of the Town Council for which a quorum was present, the above Order was adopted by a vote of ____ for, ____ against and ____ present on _____, 2023.

Athena O’Keeffe, Town Council Clerk

J. Lynn Griesemer, Council

Estimated Impact of Centennial Cost Increase 2.2.23						
Water Fund	Budget FY23	Projected FY24	Projected FY25	Projected FY26	Projected FY27	Projected FY28
Operating Expenses	\$ 3,441,252	\$ 3,606,754	\$ 3,732,990	\$ 3,863,645	\$ 3,998,873	\$ 4,138,833
Indirect Costs	\$ 540,248	\$ 556,455	\$ 573,149	\$ 590,344	\$ 608,054	\$ 626,296
Current Debt	\$ 537,250	\$ 702,630	\$ 798,500	\$ 1,282,845	\$ 1,259,845	\$ 1,246,595
Proposed Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital	\$ 560,000	\$ 255,000	\$ 365,000	\$ 355,000	\$ 365,000	\$ 355,000
Less Offsets	\$ (210,000)	\$ (210,000)	\$ (210,000)	\$ (210,000)	\$ (210,000)	\$ (210,000)
User Charge Revenue Needed	\$ 4,868,750	\$ 4,910,839	\$ 5,259,639	\$ 5,881,834	\$ 6,021,772	\$ 6,156,724
Projected Consumption (100/CuFt)	1,025,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Estimated Rate (Per 100/CuFt)	\$ 4.75	\$ 4.91	\$ 5.26	\$ 5.88	\$ 6.02	\$ 6.16
Percentage Change		3.4%	7.1%	11.8%	2.4%	2.2%
Est. Cost Increase				\$ 60,000	\$ 60,000	\$ 60,000
User Charge Revenue Needed	\$ 4,868,750	\$ 4,910,839	\$ 5,259,639	\$ 5,941,834	\$ 6,081,772	\$ 6,216,724
Projected Consumption (100/CuFt)	1,025,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Estimated Rate (Per 100/CuFt)	\$ 4.75	\$ 4.91	\$ 5.26	\$ 5.94	\$ 6.08	\$ 6.22
Percentage Change		3.4%	7.1%	13.0%	2.4%	2.2%