

## **SUBJECT**

### **BOARD RESOLUTION NO. 25-297**

Granting an additional \$12 million of budgetary authorization for the construction of the McCarron's Treatment Plant Improvements Project.

## **STRATEGIC PLAN GOALS:** Financial Stability and Quality Water

See attached summary.

## **RECOMMENDATION**

Approval

# Budget Amendment - McCarron’s Treatment Plant Improvements Project

## Purpose of Resolution

This resolution will grant an additional \$12 million of budgetary authorization for the construction of the McCarron’s Treatment Plant Improvements Project. This budget authority is necessary to contract for the final portion of the project and to issue debt for the planned 2025 and 2026 financings. In the 2025 Budget Letter, SPRWS staff shared a projected total project cost of \$252.5 million for the McCarron’s WTP project. This projected cost remains an accurate projection for total project expenses.

## Future Steps

Following this budget amendment, SPRWS will be able to:

1. Contract for the final work package. This contract should be ready for Board consideration at the March 2025 BWC Meeting.
2. Issue debt in 2025 and 2026 as planned and authorized in RES 25-73 (expected around June 2025)

## Total Available Funds vs. Expected Budget

A summary of the budgeted funds for this project is provided in the table below.

Design Phase				
Year	Project Phase	Budgeted Funds for WTP	Running Total (for Phase)	Reference Docs
Jan. 2020	Design	\$ 10,000,000.00	\$ 10,000,000.00	Budget
Aug. 2020	Design	\$ 10,000,000.00	\$ 20,000,000.00	City Council Res. PH 20-170
Dec. 2022	Design	\$ (4,600,000.00)	\$ 15,400,000.00	BWC RES 22-1888
<b>Design Phase Total</b>			<b>\$ 15,400,000.00</b>	
Construction Phase				
Year	Project Phase	Budgeted Funds for WTP	Running Total (for Phase)	Reference Docs
Jan. 2021	Construction	\$ 51,000,000.00	\$ 51,000,000.00	Original Budget for project from 2021
Jan. 2022		\$ 116,000,000.00	\$ 167,000,000.00	Added via 2022 budget
May. 2022		\$ 58,000,000.00	\$ 225,000,000.00	Board RES 22-732. Added \$58M to the previously budgeted funds.
Dec. 2022		\$ 4,600,000.00	\$ 229,600,000.00	Board Res. 20-1888 - Transferred \$4.6M from design phase to construction phase
Jan. 2025		\$ 12,000,000.00	\$ 241,600,000.00	Added via 2025 Budget
<b>Construction Phase Total</b>			<b>\$ 241,600,000.00</b>	
<b>Overall Total Budgeted Funds</b>				<b>\$ 257,000,000.00</b>

As shown in the table above, this amendment would make a total of \$257 million available for the plant project, eclipsing the total projected project cost of \$252.5 million. Overshooting the projected total project cost number by \$4.5 million minimizes the likelihood that any additional administrative resolutions

would be needed in the unlikely event that the project eclipses the \$252.5 million projected total. As always, contracts for work and debt issuance plans will require Board approval in the future.

**Impact on Customer Rates**

Planned debt service schedules are modeled in Waterworth to ensure that projected revenues cover projected expenses. The debt issuance/debt service schedule in Waterworth is accurate, therefore all rates impact discussions and decisions made to date remain valid and require no alteration. **In short, this budget amendment will have no impact on customer rates since the rate-setting process already appropriately considered these funds.**

**Impact on Other Projects**

Capital and O&M project plans have been made based upon the accurate Waterworth model described above. **Consequently, no adjustments to other projects are needed to facilitate this budget amendment** since project plans have always been based upon accurate information.

**Overview of Budget Changes**

The budget amendment will result in an increase in the spending and financing budget for 2025.

- \$ 198,697,999 2025 Initial Adopted Budget\*
- \$ 12,000,000 2025 Budget Amendment No.1 Water Treatment Plant
- \$ 210,697,999 2025 Amended Budget\*

\*Note: These are budget values for the full utility’s 2025 budget. They are not numbers specific to the McCarron’s Plant Project.

The 2025 Budget accounting codes to be revised are shown below.

<b>BUDGET AMENDMENT #1</b>				
<b>WATER UTILITY FUND</b>				
<b>CHANGES TO 2025 ADOPTED BUDGET</b>				
<b>Financing</b>				
Accounting Unit/Account	2025 Adopted Budget	Proposed Change	Revised Budget	Comments*
69082958	\$0	\$12,000,000	\$12,000,000	NOTES PROCEEDS
<b>Total Financing</b>	<b>\$0</b>	<b>\$12,000,000</b>	<b>\$12,000,000</b>	
<b>Spending</b>				
Accounting Unit/Account	2025 Adopted Budget	Proposed Change	Revised Budget	Comments*
69082958-76805	\$0	\$12,000,000	\$12,000,000	WTP CAPITAL SPENDING- CONSTRUCTION PROJECT C822104600
<b>Total Spending</b>	<b>\$0</b>	<b>\$12,000,000</b>	<b>\$12,000,000</b>	
*AU=Accounting Units				