

# Olivehurst Public Utility District



## Agenda Item Staff Report

Meeting Date: February 18, 2021

### Item description/summary:

**South County Infrastructure Update.** This item has been discussed in numerous Board meetings and committees. We are continuing on the design, CEQA and property entry/acquisition. As discussed in the January Board meeting our design team has provided an amendment #3 to their contract that is mostly associated with Wheatland's portion of the design within OPUD boundaries. The design team has suggested an "incremental approach" to cost sharing with the City of Wheatland to accurately assign all project costs between Wheatland and the District. All parties agree that this appears to be the fairest method. Project costs will include design, CEQA, property entry/acquisition, project management and actual construction costs. For this incremental approach to work and to be accurate it is necessary to complete the cost allocations once construction is complete. The first calculation will be to assign construction costs between the parties, and then apply those cost allocation percentages to the other "soft" costs (to include design, services during construction, property acquisition, CEQA, permitting, and other similar project costs). Here is a proposed approach that might be considered from our design team explaining this approach:

*When the entire project is complete and actual costs for construction are known (as opposed to estimates) we can then allocate construction and all other project costs to each entity by evaluating the construction costs associated with Wheatland and OPUD using an incremental cost analysis for most of the pipelines, and a proportional cost basins for the pumping plants (and some pipelines); other costs to include design, construction support, CEQA, property acquisition, and other "soft" costs would be allocated in proportion to the assigned construction costs. What this would entail is the following:*

- a. *For most sewer pipelines we would assign the initial increment of flow to the OPUD South County flow; this would result in, let's assume, a 12-inch pipeline. We would then calculate the incremental pipe size required to accommodate the Wheatland flow, and assuming that incremental pipe size is an additional 8 inches in diameter, we would then allocate costs based on those incremental diameters (because installed pipeline cost is generally proportional to pipe diameter). For this pipeline example there would be a total diameter is 20 inches, and 12/20 (or 60%) of the design cost would go to OPUD, and the remaining 40% would be assigned to Wheatland.*
- b. *Some sewer pipeline reaches will have dual force mains. Those are required to keep the start-up velocities higher than they would otherwise be with close to zero sewage flows at start-up, and this is particularly important for creek and highway crossings. It is proposed that construction cost allocations in these pipeline reaches would be done on a basis that uses proportional flows from each entity as the basis for allocating costs, since the incremental cost allocation procedure noted in Item a would not be possible in these reaches.*
- c. *For pump stations, the design and construction costs would be allocated proportional to flow as a more reasonable construction cost allocation approach.*
- d. *It is understood that some project costs would be solely allocated to either OPUD or Wheatland at the onset of the cost allocation exercise (examples would be project elements associated with water system deliveries and sewer collection system improvements along Forty Mile Road, both of which would be solely the responsibility of OPUD; additionally, the proposed City of Wheatland sewer force main along Rancho Road would be solely the responsibility of Wheatland—this listing is not*

*comprehensive in nature, but is included in the discussion to illustrate the intent of the proposed cost allocation procedures).*

*This approach will also simplify invoicing, with no new task numbers required for allocating costs between the two entities (which, as noted above is not possible in any event).*

*We believe that an agreement between Wheatland and OPUD that incorporates the approach defined above may be something that the two agencies should consider.*

This approach would require that we execute an agreement with Wheatland that obligates them to pay their allocated costs per the method described above after the completion of construction. Once the agreement is executed, OPUD and Wheatland would then go back to the Yuba Water Agency (YWA) and request the additional amount of funding for Amendment #3 and OPUD would administer that funding with our design team and contract. We presume that the funding for Amendment #3 from YWA would be in the same format as previous funding i.e. half grant and half loan with the obligation to pay the loan portion back ONLY if we receive capacity fees to do so. This would present no further risk to the District. Attached is a memorandum from the Wheatland City Manager outlining the deal points for our agreement and the City's willingness to allocate costs in the manner described above.

**Fiscal Analysis:**

As described above

**Employee Feedback**

None

**Sample Motion:**

Move to direct the General Manager to proceed with requesting the funding through YWA as described above for amendment #3 and to provide a draft agreement between OPUD and Wheatland to the Board for approval.

Prepared by:

John Tillotson, P.E., General Manager



# City of Wheatland

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February 12, 2021

TO: John Tillotson  
FROM: Jim Goodwin  
RE: OPUD Design Contract Amendment #3

We are very encouraged by the collaborative effort between the Wheatland and OPUD regional wastewater infrastructure design teams. As we both know, this project is unusual for several reasons, especially the fact that we are attempting to design infrastructure concurrently with the effort to define working relationships necessary to implement a regional service structure. The strong communication between OPUD and Wheatland staff is helping to keep us aligned as we work through the myriad of details.

Thank you for the opportunity to review the proposed Amendment #3 to your design contract with Jacobs Engineering. Our engineering team has reviewed the amendment as it pertains to Wheatland and believes the work is necessary. We are also in agreement that determination of an appropriate fair share of cost for this design effort is determined best at the completion of the design project when the incremental costs are known.

Wheatland staff agrees that an agreement is necessary between OPUD and Wheatland to memorialize this relationship. Although our full City Council has not reviewed this concept, the City Council's Regional Wastewater Ad-hoc Committee did discuss it and concurs with the approach.

An agreement with Wheatland for reimbursement to OPUD for an appropriate share of the costs associated with Amendment 3 must include the following:

1. An understanding that OPUD, with Wheatland's support, will seek an amendment to its design funding contract with Yuba Water Agency (YWA) to cover the full costs of Amendment #3.

2. Agreement that Wheatland's fair share of cost for the Amendment #3 costs will be determined based on the incremental pipe size required to accommodate the Wheatland flow, proportional cost for the pumping plants, and other costs allocated in proportion to the assigned construction costs.
3. A requirement that Wheatland's City Engineer must review and approve the final calculation of the fair share of costs based on #2 above.
4. Wheatland's commitment to reimburse OPUD for a fair share of costs based on the same grant/loan language included in both OPUD and Wheatland's agreements with YWA for funding of the regional wastewater infrastructure design and environmental review.
5. Clear language in the agreement that the YWA grant option remains in effect for Wheatland, meaning that Wheatland will only reimburse OPUD if we receive fees to do so. Wheatland expects that OPUD's contract with YWA will also include this language regarding Wheatland's share of the Amendment #3 costs so that OPUD is not at risk for Wheatland's fair share of the costs.
6. Should the loan option take effect, the same repayment terms included in the YWA design agreements will apply to Wheatland's repayment to OPUD.
7. It is understood that some project costs would be solely allocated to either OPUD or Wheatland at the onset of the cost allocation exercise (examples would be project elements associated with water system deliveries and sewer collection system improvements along Forty Mile Road, both of which would be solely the responsibility of OPUD; additionally, the proposed City of Wheatland sewer force main along Rancho Road would be solely the responsibility of Wheatland—this listing is not comprehensive in nature, but is included in the discussion to illustrate the intent of the proposed cost allocation procedures).

Final language in the agreement must be approved by our respective legal Counsel. The OPUD Board and Wheatland City Council must approve the agreement before it is effective.

Thanks again for the ongoing collaboration. Together our agencies are building the future of South Yuba County.