

**DRINKING WATER BOARD  
BOARD PACKET FOR CONSTRUCTION LOAN  
PRESENTED TO THE DRINKING WATER BOARD**

**APPLICANT'S REQUEST**

On February 29, 2013 the Drinking Water Board authorized a loan of \$2,500,000 at 0.0% interest for 30 years to Gunnison City, with \$250,000 in principal forgiveness. The authorized project included a new well, a 500,000 gallon storage tank, two chlorination facilities, 15 miles of new waterline, approximately 98 new fire hydrants, new barrels and check valve setters for approximately 600 existing services, and approximately 690 radio read meters. The main purpose of the project was to address arsenic contamination by blending the water from the new well. In addition, the replacement of aging and undersized infrastructure was included in the project. Total water system improvement costs were estimated to be \$6,550,000 and Gunnison was in the process of requesting \$4,050,000 in funding from USDA Rural Development (RD).

After authorization, test well drilling was completed, and it was discovered that the arsenic concentration in the new well was too high to use the new water source in a blending plan. Gunnison decided to install a water treatment plant for arsenic removal, and increased the requested RD funding to \$6,140,000 to cover the cost of the treatment plant. The plans and specifications for the well were approved by the Division in 2013. Approximately 1 month before plans and specifications for the remainder of the project were submitted to the Division for review, the American Iron and Steel (AIS) provisions were implemented. The AIS requirements were included in the specifications, and bids came in approximately 10% higher than the consulting engineers original non-AIS cost estimate. The engineer has indicated that based on conversations with suppliers and contractors, the 10% overall project cost increase is due primarily to the AIS requirements. With the current bids, the project funding has a 1.5% contingency. Gunnison is requesting the Drinking Water Board increase the project funding by \$646,000 at the previously authorized terms to provide a 9% contingency.

**STAFF COMMENTS:**

Based on the proposed new water bill being greater than 1.75% of MAGI, Gunnison qualifies to be considered for principal forgiveness and reduced interest rate. The table below summarizes the original authorized funding and the proposed new funding. The new analysis includes both the increased debt service on the additional RD funding for the Treatment Plant and the new Drinking Water funding for sufficient contingency.

Description	Repayable Loan Amount	Interest Rate	Term	Principal Forgiveness	Monthly Water Rate	% Local MAGI
Original	\$2.25 M	0.00%	30 yrs	\$250,000	\$62.02	2.14%
New	\$2.831 M	0.00%	30 yrs	\$315,000	\$71.78	2.48%

**FINANCIAL ASSISTANCE COMMITTEE RECOMMENDATION:**

The Drinking Water Board authorize a change in project scope to include an arsenic treatment plant and an increase in funding of \$646,000 at the same terms as previously authorized -resulting in a \$3,146,000 construction loan at 0% interest for 30 years with \$315,000 (10%) in principal forgiveness to Gunnison City. The repayable loan amount would be \$2,831,000. Gunnison must resolve any and all issues on their compliance report.

**PROJECT DESCRIPTION:**

New Well: The applicant has indicated that a new well producing 600 gpm is needed to:

- Replace the flow from Peacock Spring, which is currently used only when absolutely necessary because of high concentration of sulfate.
- Provide sufficient source capacity for the projected 20 year planning period

Storage Tank: The applicant has indicated that a 500,000 gallon water storage reservoir is needed to provide sufficient storage for the projected 20 year planning period. The system has a current storage surplus of 30,000 gallons based on State Rule, but indicates they struggle to maintain reservoir levels during peak summer demand conditions.

Chlorination Facilities: The project includes the construction of new chlorination facilities to provide disinfection and chlorine residual to all of the water in the system.

Distribution System: Water distribution improvements include:

- Approximately 15 miles of new PVC waterline and associated valves to replace existing asbestos cement, lead joint cast iron and solvent welded PVC pipe and bring the system up to current hydraulic regulations
- 98 new fire hydrants to replace about 65 obsolete hydrants that are not compatible with modern firefighting equipment and bring the system up to current fire code spacing requirements.
- Replace approximately 600 existing services with new barrels and dual check valve meter setters and install approximately 690 new radio read meters

Arsenic Treatment Plant: Media filtration to remove arsenic

**COST ESTIMATE:**

	Original	New
Construction:	\$4,883,765	\$7,450,760
Engineering, Environmental and CM:	\$802,000	\$1,131,794
Contingency:	\$733,235	\$777,446
Legal, bonding, Admin, etc:	\$50,000	\$61,000
<b>Total Cost:</b>	<b>\$6,469,000</b>	<b>\$9,421,000</b>

## DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Gunnison City

FUNDING SOURCE: Federal SRF

COUNTY: Sanpete

PROJECT DESCRIPTION: Water Treatment Plan, 600 gpm Well, 500K gallon tank, chlorination, 72K ft waterline, 100 valves, 98 fire hydrants, replace 600 services and install 690 radio read meters

**90 % Loan & 10 % P.F.**

ESTIMATED POPULATION:	3,285	NO. OF CONNECTIONS:	608 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$27.07 *			PROJECT TOTAL:	\$9,421,000
CURRENT % OF AGI:	0.93%	FINANCIAL PTS:	57	LOAN AMOUNT:	\$2,831,000
ESTIMATED MEDIAN AGI:	\$34,764			PRINC. FORGIVENESS:	\$315,000
STATE AGI:	\$37,718			TOTAL REQUEST:	\$3,146,000
SYSTEM % OF STATE AGI:	92%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 4.17%		AFTER REPAYMENT PENALTY & POINTS 0.00%
<b><u>SYSTEM</u></b>				
ASSUMED LENGTH OF DEBT, YRS:	30	30		30
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.17%		0.00%
REQUIRED DEBT SERVICE:	\$94,366.67	\$167,113.02		\$94,366.67
*PARTIAL COVERAGE (15%):	\$0.00	\$25,066.95		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$9,436.67	\$16,711.30		\$9,436.67
<b>ANNUAL NEW DEBT PER CONNECTION:</b>	<b>\$170.73</b>	<b>\$343.57</b>		<b>\$170.73</b>
O & M + FUNDED DEPRECIATION:	\$133,025.00	\$133,025.00		\$133,025.00
OTHER DEBT + COVERAGE:	\$225,376.25	\$225,376.25		\$225,376.25
REPLACEMENT RESERVE ACCOUNT:	\$20,384.63	\$0.00		\$20,384.63
<b>ANNUAL EXPENSES PER CONNECTION:</b>	<b>\$623.00</b>	<b>\$589.48</b>		<b>\$623.00</b>
TOTAL SYSTEM EXPENSES	\$482,589.22	\$567,292.52		\$482,589.22
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<b><u>RESIDENCE</u></b>				
MONTHLY NEEDED WATER BILL:	\$71.78	\$83.39		\$71.78
% OF ADJUSTED GROSS INCOME:	2.48%	2.88%		2.48%

\* Residential Connections

# R309-700-5

Gunnison City  
Sanpete  
May 1, 2014

## TABLE 2 FINANCIAL CONSIDERATIONS

	POINTS	
1. COST EFFECTIVENESS RATIO (SELECT ONE)		
A. Project cost \$0 to \$500 per benefitting connection	16	
B. \$501 to \$1,500	14	
C. \$1,501 to \$2,000	11	
D. \$2,001 to \$3,000	8	
E. \$3,001 to \$5,000	4	
F. \$5,001 to \$10,000	1	
G. Over \$10,000	0	X
	\$15,495	
2. CURRENT LOCAL MEDIAN ADJUSTED GROSS INCOME (AGI) (SELECT ONE)		
A. Less than 70% of State Median AGI	19	
B. 71 to 80% of State Median AGI	16	
C. 81 to 95% of State Median AGI	13	X
D. 96 to 110% of State Median AGI	9	
E. 111 to 130% of State Median AGI	6	
E. 131 to 150% of State Median AGI	3	
F. Greater than 150% of State Median AGI	0	
	92%	
3. PROJECT FUNDING CONTRIBUTED BY APPLICANT (SELECT ONE)		
a. Greater than 25% of project funds	17	
b. 15 to 25% of project funds	14	
c. 10 to 15% of project funds	11	
c. 5 to 10% of project funds	8	
d. 2 to 5% of project funds	4	
e. Less than 2% of project funds	0	X
	1.4%	
4. ABILITY TO REPAY LOAN		
4. WATER BILL (INCLUDING TAXES) AFTER PROJECT IS BUILT RELATIVE TO LOCAL MEDIAN ADJUSTED GROSS INCOME (SELECT ONE)		
a. Greater than 2.50% of local median AGI	16	
b. 2.01 to 2.50% of local median AGI	12	X
c. 1.51 to 2.00% of local median AGI	8	
d. 1.01 to 1.50% of local median AGI	3	
e. 0 to 1.00% of local median AGI	0	
	2.48%	
5. SPECIAL INCENTIVE POINTS Applicant: (Mark all that apply)		
A. has a replacement fund receiving annual deposits of 5% of the system's drinking water budget been established, and has already accumulated a minimum of 10% of said annual DW budget in this reserve fund.	5	X
B. Has a replacement fund equal to at least 15% or 20% of annual DW budget.	5	X
C. Is creating or enhancing a regionalization plan	16	X
D. Has a rate structure encouraging conservation	6	X
<b>TOTAL POINTS FOR FINANCIAL NEED</b>	<b>57</b>	
<b>TOTAL POSSIBLE POINTS FOR FINANCIAL NEED</b>	<b>100</b>	

## Gunnison City

PROPOSED BOND REPAYMENT SCHEDULE

90 % Loan & 10 % P.F.

PRINCIPAL	\$2,831,000.00	ANTICIPATED CLOSING DATE	01-Jun-14
INTEREST	0.00%	P&I PAYMT DUE	01-Jan-15
TERM	30	REVENUE BOND	
NOMIN. PAYMENT	\$94,366.67	PRINC PREPAID:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2015	\$2,831,000.00		\$0.00 *	\$0.00	\$0.00	\$2,831,000.00	0
2016	\$2,831,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,737,000.00	1
2017	\$2,737,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,643,000.00	2
2018	\$2,643,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,549,000.00	3
2019	\$2,549,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,455,000.00	4
2020	\$2,455,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,361,000.00	5
2021	\$2,361,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,267,000.00	6
2022	\$2,267,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,173,000.00	7
2023	\$2,173,000.00		\$94,000.00	\$94,000.00	\$0.00	\$2,079,000.00	8
2024	\$2,079,000.00		\$95,000.00	\$95,000.00	\$0.00	\$1,984,000.00	9
2025	\$1,984,000.00		\$94,000.00	\$94,000.00	\$0.00	\$1,890,000.00	10
2026	\$1,890,000.00		\$95,000.00	\$95,000.00	\$0.00	\$1,795,000.00	11
2027	\$1,795,000.00		\$94,000.00	\$94,000.00	\$0.00	\$1,701,000.00	12
2028	\$1,701,000.00		\$95,000.00	\$95,000.00	\$0.00	\$1,606,000.00	13
2029	\$1,606,000.00		\$94,000.00	\$94,000.00	\$0.00	\$1,512,000.00	14
2030	\$1,512,000.00		\$95,000.00	\$95,000.00	\$0.00	\$1,417,000.00	15
2031	\$1,417,000.00		\$94,000.00	\$94,000.00	\$0.00	\$1,323,000.00	16
2032	\$1,323,000.00		\$95,000.00	\$95,000.00	\$0.00	\$1,228,000.00	17
2033	\$1,228,000.00		\$94,000.00	\$94,000.00	\$0.00	\$1,134,000.00	18
2034	\$1,134,000.00		\$95,000.00	\$95,000.00	\$0.00	\$1,039,000.00	19
2035	\$1,039,000.00		\$94,000.00	\$94,000.00	\$0.00	\$945,000.00	20
2036	\$945,000.00		\$95,000.00	\$95,000.00	\$0.00	\$850,000.00	21
2037	\$850,000.00		\$94,000.00	\$94,000.00	\$0.00	\$756,000.00	22
2038	\$756,000.00		\$95,000.00	\$95,000.00	\$0.00	\$661,000.00	23
2039	\$661,000.00		\$94,000.00	\$94,000.00	\$0.00	\$567,000.00	24
2040	\$567,000.00		\$95,000.00	\$95,000.00	\$0.00	\$472,000.00	25
2041	\$472,000.00		\$94,000.00	\$94,000.00	\$0.00	\$378,000.00	26
2042	\$378,000.00		\$95,000.00	\$95,000.00	\$0.00	\$283,000.00	27
2043	\$283,000.00		\$94,000.00	\$94,000.00	\$0.00	\$189,000.00	28
2044	\$189,000.00		\$95,000.00	\$95,000.00	\$0.00	\$94,000.00	29
2045	\$94,000.00		\$94,000.00	\$94,000.00	\$0.00	\$0.00	30
			\$2,831,000.00	\$2,831,000.00	\$0.00		

\*Interest Only Payment

# Gunnison City

## DWB Loan Terms

Local Share (total):	\$	135,000
Other Agency Funding:	\$	6,140,000
DWB Grant Amount:	\$	315,000
DWB Loan Amount:	\$	2,831,000
DWB Loan Term:		30
DWB Loan Interest:		0.00%
DWB Loan Payment:	\$	94,367

## DW Expenses (Estimated)

Proposed Facility Capital Cost:	\$	9,421,000
Existing Facility O&M Expense:	\$	133,025
Proposed Facility O&M Expense:	\$	133,025
O&M Inflation Factor:		1.0%
Existing Debt Service:	\$	180,301

## DW Revenue Sources (Projected)

Beginning Cash:	\$	-
Existing Customers (ERC):		608
Projected Growth Rate:		1.0%
Impact Fee/Connection Fee:	\$	16,288
Current Monthly User Charge:	\$	21.44
Needed Average Monthly User Charge:	\$	66.14

## DW Revenue Projections

Yr	Growth Rate (%)	Annual Growth (ERC)	Total Users (ERC)	User Charge Revenue	Impact Fee Revenue	Property Tax Revenue	Total Revenue	DWB Loan Repayment	DWB Loan Reserves	Remaining Principal	Principal Payment	Interest Payment	Existing DW Debt Service	O&M Expenses	Total Expenses	Debt Service Ratio
0	1.0%	6	608	156,407	97,728	-	254,135	-	-	2,831,000	-	-	180,301	133,025	313,326	-
1	1.0%	6	614	487,352	97,728	-	585,080	94,000	9,437	2,737,000	94,000	-	180,301	133,025	416,763	1.65
2	1.0%	6	620	492,114	97,728	-	589,842	94,000	9,437	2,643,000	94,000	-	180,301	134,355	418,093	1.66
3	1.0%	6	626	496,876	97,728	-	594,604	94,000	9,437	2,549,000	94,000	-	180,301	135,699	419,436	1.67
4	1.0%	7	633	502,433	114,016	-	616,449	94,000	9,437	2,455,000	94,000	-	180,301	137,056	420,793	1.75
5	1.0%	6	639	507,195	97,728	-	604,923	94,000	9,437	2,361,000	94,000	-	180,301	138,426	422,164	1.70
6	1.0%	6	645	511,957	97,728	-	609,685	94,000	9,437	2,267,000	94,000	-	180,301	139,811	423,548	1.71
7	1.0%	7	652	517,513	114,016	-	631,529	94,000	9,437	2,173,000	94,000	-	180,301	141,209	424,946	1.79
8	1.0%	6	658	522,276	97,728	-	620,004	94,000	9,437	2,079,000	94,000	-	180,301	142,621	426,358	1.74
9	1.0%	7	665	527,832	114,016	-	641,848	95,000	9,437	1,984,000	95,000	-	180,301	144,047	428,785	1.81
10	1.0%	7	672	533,388	114,016	-	647,404	94,000	9,437	1,890,000	94,000	-	180,301	145,487	429,225	1.83
11	1.0%	6	678	538,150	97,728	-	635,878	95,000		1,795,000	95,000	-	180,301	146,942	422,243	1.78
12	1.0%	7	685	543,707	114,016	-	657,723	94,000		1,701,000	94,000	-	180,301	148,412	422,713	1.86
13	1.0%	7	692	549,263	114,016	-	663,279	95,000		1,606,000	95,000	-	180,301	149,896	425,197	1.86
14	1.0%	7	699	554,819	114,016	-	668,835	94,000		1,512,000	94,000	-	180,301	151,395	425,696	1.89
15	1.0%	7	706	560,375	114,016	-	674,391	95,000		1,417,000	95,000	-	180,301	152,909	428,210	1.89
16	1.0%	7	713	565,931	114,016	-	679,947	94,000		1,323,000	94,000	-	180,301	154,438	428,739	1.92
17	1.0%	7	720	571,487	114,016	-	685,503	95,000		1,228,000	95,000	-	180,301	155,982	431,283	1.92
18	1.0%	7	727	577,043	114,016	-	691,059	94,000		1,134,000	94,000	-	180,301	157,542	431,843	1.95
19	1.0%	8	735	583,393	130,304	-	713,697	95,000		1,039,000	95,000	-	180,301	159,118	434,419	2.01
20	1.0%	7	742	588,949	114,016	-	702,965	94,000		945,000	94,000	-	180,301	160,709	435,010	1.98
21	1.0%	7	749	594,505	114,016	-	708,521	95,000		850,000	95,000	-	180,301	162,316	437,617	1.98
22	1.0%	8	757	600,855	130,304	-	731,159	94,000		756,000	94,000	-	180,301	163,939	438,240	2.07
23	1.0%	7	764	606,411	114,016	-	720,427	95,000		661,000	95,000	-	180,301	165,578	440,879	2.02
24	1.0%	8	772	612,761	130,304	-	743,065	94,000		567,000	94,000	-	180,301	167,234	441,535	2.10
25	1.0%	8	780	619,111	130,304	-	749,415	95,000		472,000	95,000	-	180,301	168,906	444,207	2.11
26	1.0%	8	788	625,461	130,304	-	755,765	94,000		378,000	94,000	-	180,301	170,596	444,897	2.13
27	1.0%	7	795	631,017	114,016	-	745,033	95,000		283,000	95,000	-	180,301	172,301	447,602	2.08
28	1.0%	8	803	637,367	130,304	-	767,671	94,000		189,000	94,000	-	180,301	174,024	448,325	2.16
29	1.0%	8	811	643,717	130,304	-	774,021	95,000		94,000	95,000	-	180,301	175,765	451,066	2.17
30	1.0%	8	819	650,067	130,304	-	780,371	94,000		-	94,000	-	180,301	177,522	451,823	2.20
Total Paid in Debt Service =											2,831,000	-				



March 26, 2014

Attn: Drinking Water Board Members  
C/O Nathan Hall, P.E.  
Division of Drinking Water  
PO Box 144830  
Salt Lake City, UT 84114-4830

Re: Gunnison City Culinary Water Improvements Project – 2013

Subject: Updated Scope of Project to Include an Arsenic Treatment Plant

Dear Board Members:

At the rural water conference in 2013, the Board authorized a \$2,500,000 loan to the City of Gunnison for improvements to their water system based on the Gunnison City Culinary Water Master Plan prepared by Sunrise Engineering, Inc. in 2012. As work on the master plan was nearing completion, the Engineer suggested that the City run a full water quality sample analysis on their sources to determine water quality. A full sample had not been run on any of the City's sources since 1991.

The results of the samples showed that the Bartholomew Well, the City's main source of water had an arsenic level of 13.9 ppb, which exceeds the MCL of 10 ppb. Since the City planned to construct a new well as part of the project, it was decided that if the new well arsenic level was well below the MCL the water from the new well and Bartholomew Well could be blended, which would solve the problem. The City proceeded with funding requests based on the plan to blend sources.

At the time the Board authorized Gunnison's loan a test well was being drilled to determine if the water in the aquifer at that location could be used in a blending plan. Although Bartholomew Well arsenic levels have been observed to fluctuate between 13.9 and less than 8 ppb during the past year, to protect the public safety, the highest levels must be used in a blending plan. The test well sample results showed an arsenic level of 7 ppb, and the projected output from a production well at that location is 1,000 gpm. But even at that flow rate, an arsenic level of 7 ppb is not low enough to allow reliable blending of the two sources.

As a result, a treatment feasibility plan was authorized by Drinking Water Staff, a treatment method was selected, and the project design was shifted to include the arsenic treatment system. Revised project estimates, which included the treatment plant, came to \$8,775,000.

During the early summer, DDW notified Gunnison City that they were in violation of Drinking Water Rules, and issued them a Compliance Agreement/Enforcement Order. The CA/EO helped with the Rural Development's funding and they authorized \$6,140,000 to the project at about a 50/50 loan grant split, to go with the Boards \$2,500,000 prior authorization. Gunnison City added the remaining \$135,000 out of their savings to meet the total \$8,775,000.

On behalf of Gunnison City, I thank the Drinking Water Board for its ongoing support of this major project. If anyone on the Board has questions, please feel welcome to call me.

Sincerely,

A handwritten signature in blue ink, appearing to be 'J. Iverson', with a long horizontal line extending to the right.

John Iverson  
Project Manager  
Sunrise Engineering, Inc.

cc: Bruce Blackham, Gunnison City Mayor  
Blake Donaldson, Gunnison City  
Brian Jensen, Gunnison City



May 1, 2014

Michael Grange  
Division of Drinking Water  
PO Box 144830  
Salt Lake City, UT 84114-4830

Re: Gunnison City Culinary Water Improvements Project – 2013

Subject: Request for Increased Funding

Dear Michael:

On behalf of Gunnison City, I am preparing this letter to request an additional \$646,000 in funding from the Drinking Water Board to provide the project with a contingency to 9% of the total project cost. Enclosed with this letter is a summary of funding and expenses for the Gunnison Water Project. I have reviewed the project cost increases shown in the summary along with the additional funding request with the Mayor and City Council members. All of these men and women are in agreement to ask for the additional funding from either RD or DWB. The reason for this request for increased funding is due to the impact of the AIS Buy American requirement, which was made applicable to this project after the project funding was in place and the project design was complete.

Gunnison City was made aware that a new AIS Buy American requirement would be applicable to this project in mid-February, one month before the plans and specifications were submitted to DDW staff and DEQ staff for review and approval. Prior to our notification of the new AIS Buy American requirement, an ongoing, but informal cost analysis, based on recent project bid data and ongoing conversations with various contractors, indicated that the project budget would have a significant contingency of over 10%.

Upon learning of the AIS requirement, I added the requirements to the project contract documents. After contacting potential iron and steel product suppliers, I adjusted my opinion of probable cost for construction to match the maximum amount available in the budget, and I assumed no contingency. After bids were received, my opinion of probable cost was between the third and the fourth bidder out of 10 bids received. A copy of the final bid tabulation has been provided to the DDW staff.

During the bidding process, suppliers indicated that the AIS requirement was going to increase the cost of affected materials by as much as 30% to 100% for individual items. The cost of

Stainless Steel bolts was increased by 500%. The overall effect of the AIS requirement on the Gunnison project appears to be an increase in project construction cost of between 8% and 10% due to materials costs. The impacts of additional administration, monitoring, inspection, and documentation that will be required by the AIS are not known yet, but these impacts will increase the cost of Construction observation and engineering. An 8% to 10% savings would have provided an adequate project contingency.

In anticipation of additional cost the AIS requirement, an initial verbal request for additional funds for the project was made to the State and Local USDA-RD representatives at the RWAU conference in February. RD was asked as they had 50/50 loan/grant ratio in their project funding. The initial verbal response then and several times since was that the additional funding would not be a problem at the same loan/grant ratio.

After the bids were opened and the bid tabulation completed, I prepared the enclosed summary of funding and expenses for the Gunnison Water Project. The summary showed an available project contingency of \$131,446, which is only 1.5% of total project cost. An application was submitted to RD for the additional \$646,000, bringing the contingency up to 9% of total project cost, which is within the recommended range for projects of this type. On April 29<sup>th</sup> RD announced that the National Office would not approve the request for project contingency. Therefore, on behalf of Gunnison City, I am asking DDW if they can provide the additional funds needed to bring the available contingency up to the 9% level requested. This request is for the same loan rate of 0% interest 30 years, with 10% principle forgiveness as in the original approved funding package.

On behalf of Gunnison City, I thank DDW for its ongoing support of this major project. If you have questions, please call me.

Sincerely,



John Iverson  
Project Manager  
Sunrise Engineering, Inc.

cc: Bruce Blackham, Gunnison City Mayor  
Blake Donaldson, Gunnison City  
Brian Jensen, Gunnison City

## GUNNISON PROJECT

Original Engineers Estimate from Master Plan Inc. 15% Contingency: \$ **6,550,000.00**

\*RD PER Engineers Estimate after addition of TP Inc. 12% Contingency: \$ **8,775,000.00**

\*Note this option also included an additional 8,500 feet of 8" pipe requested by DEQ for Conn's. upstream of tank.

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### EXISTING GUNNISON PROJECT FUNDING

	<b>Gunnison City:</b>	\$ <b>135,000.00</b>	
	<b>RD</b>	RD Grant:	\$ 3,044,000.00 49.6%
		RD Loan:	\$ 3,096,000.00 50.4%
		<b>RD Total:</b>	\$ <b>6,140,000.00</b>
	<b>DDW</b>	DDW Grant:	\$ 250,000.00 10.0%
		DDW Loan:	\$ 2,250,000.00 90.0%
		<b>DDW Total:</b>	\$ <b>2,500,000.00</b>
		<b>Grand Total:</b>	\$ <b>8,775,000.00</b>

#### Existing Combined Total Funding

		\$ 3,294,000.00	37.5%
	Grant:		
	Loan:	\$ 5,346,000.00	60.9%
	Gunnison City Savings:	\$ 135,000.00	1.5%
	<b>Grand Total:</b>	\$ <b>8,775,000.00</b>	

### GUNNISON ACTUAL PROJECT COSTS

		\$ 294,168.00	
		Well Construction:	
		BOP Construction:	\$ 6,946,622.00
		<b>Sub-total Construction:</b>	\$ <b>7,240,790.00</b>
Total Not Finalized		Rocky Mtn. Power:	\$ 65,000.00
		Test Well Const. & Tmt. Feasibility:	\$ 67,479.00
		Geotechnical Borings:	\$ 2,491.00
		Total Eng. Des., Const. Obs., Survey, & Other:	\$ 1,131,794.00
Total Not Finalized		Interim Financing Cost:	\$ 75,000.00
Total Not Finalized		Bond Attorneys etc.:	\$ 21,000.00
Total Not Finalized		Property & Easements:	\$ 40,000.00
		<b>Sub-total Engineering &amp; Other Costs:</b>	\$ <b>1,402,764.00</b>
		<b>Grand Total Project Costs:</b>	\$ <b>8,643,554.00</b>

		\$ 131,446.00	
	Available Contingency = Total Funding Line 8 - Total Costs Line 28:		
	Recommended Contingency = 9% of Total Costs:	\$ 777,920.00	
	Requested From DWB for 9% of Total Costs (Rounded Down):	\$ <b>646,000.00</b>	
	Additional DWB Grant:	\$ 64,600.00	10.0%
	Additional DWB Loan 30 Years 0% interest:	\$ 581,400.00	90.0%
	Additional Annual DDW Payment: \$1.10/mo./ERC	\$ 19,380.00	

### REVISED GUNNISON PROJECT FUNDING

		\$ 8,775,000.00	
	Existing Funding:		
	Additional Requested for Contingency:	\$ <b>646,000.00</b>	
	<b>Revised Grand Total Funding:</b>	\$ <b>9,421,000.00</b>	

#### Revised Combined Total Funding

		\$ 3,358,600.00	35.7%
	Grant:		
	Loan:	\$ 5,927,400.00	62.9%
	Gunnison City Savings:	\$ 135,000.00	1.4%
	<b>Grand Total:</b>	\$ <b>9,421,000.00</b>	

**Revised Total Contingency: \$ 777,446.00**

Requested Use of Contingency by Gunnison City

Replace Existing 8" Class 200 Pipeline Bartholomew Well to Treatment Plant 7400': \$ **173,012.00**

Contingency Balance after Well Line Upgrade: \$ **604,434.00**