

Memorandum



Date: February 15, 2011

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Supplement to Agenda Item 8R1A: Contract Award Recommendation for the Construction of the South Miami Heights Water Treatment Plant

Supplement to
Agenda Item No. 8(R)1a

Construction of the new South Miami Heights Water Treatment Plant – which is part of the County's plan to meet goals laid out in the 20-Year Water Use Permit (WUP) with the South Florida Water Management District (District) is scheduled to be funded by a combination of existing Water Construction Bonds and future Water and Sewer Department (WASD) revenue bonds.

Every year, as part of the budget process, the administration recommends retail and wholesale water rates. One component of the recommended rate is WASD's current and future debt-service obligations. As we have repeatedly explained to the Board of County Commissioners, capital projects associated with the WUP, regulatory mandates, and other costs associated with replacing, repairing and upgrading our existing and aging infrastructure, will require significant rate increases.

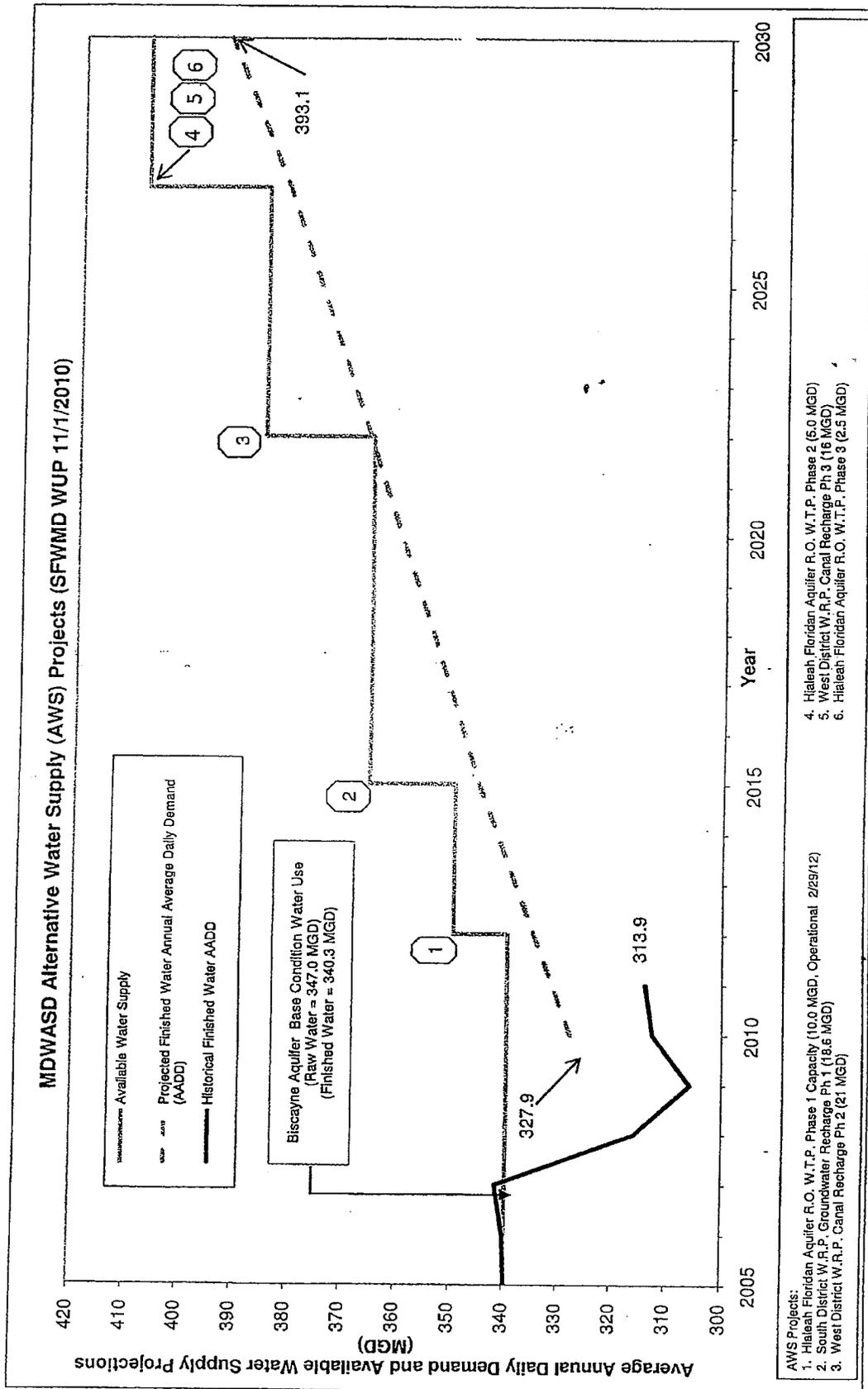
When the Board approved the WUP, we projected rates would reach \$81.89 by FY 2010-11. In reality, sound management and efficient operations have allowed us to keep rates less than half that figure. While we certainly intend to continue implementing industry best practices to keep rates low and continue negotiations with regulatory agencies to scale back projects, it is important to once again point out that WASD's capital investments will require sufficient revenues to support future debt-service payments.

In December 2009, WASD sent to the District an application for a modified WUP which was approved on November 1, 2010. The modified WUP is based on a revised forecast in the demand for water due to updated population projections and adjustments for capital consumption data, rainfall, and water restrictions. WASD's water supply capital plan was also revised to reflect the decrease in the demand for water supply needs, the decrease in demand can be seen in the attached "Step Chart".

Modifications to the County's 20-Year WUP approved by the District are as follows:

- Cancellation of the Floridan Aquifer Blending Project due to water quality issues.
- Defer the project completion deadline of the South District Water Reclamation Plant Project by 1 year due to reduced water demands.
- Defer the project completion deadlines of Phase 2 and Phase 3 for the West District Reclamation Plant Projects by 1 year.
- Defer the construction of the reuse projects for the Central District and North District Water Reclamation Plant Projects to the compliance dates in the Ocean Outfall Legislation by 2025.
- Defer the Notice to Proceed for Phase 1 and the project completion date of the Hialeah Reverse Osmosis Plant Project by 1 year.
- Defer Phase 2 and Phase 3 of the Hialeah Reverse Osmosis Plant Projects to 2027.

for Assistant County Manager



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