

**AGENDA ITEM:** \_\_\_\_\_

**DATE:** 5/5/2014

**CITY OF CASA GRANDE  
REQUEST FOR COUNCIL ACTION**

<b>Date Submitted:</b> 4/30/2014	<b>Date Requested:</b> 5/5/2014
<b>Type of Action Requested</b>	<b>Subject</b>
<input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Formal Action/Motion <input type="checkbox"/> Public Hearing <input type="checkbox"/> Other	Ordinance authorizing the City Manager to sign a Sewer Main Line Extension Agreement with AZ Sourcing to construct a main sewer line east of I-10

**RECOMMENDATION:**

It is recommended that Mayor and Council approve an Ordinance authorizing the City Manager to sign a Sewer Line Extension agreement between the City of Casa Grande and AZ Sourcing, which sets forth a proposal to extend the main sewer line to serve the AZ Sourcing property east of I-10 and provide excess capacity for future development in the area east of I-10.

**DISCUSSION:**

Staff has been in discussions regarding sewer service and capacity with representatives of AZ Sourcing, who is developing a 585 acre parcel of land east of I-10, including but not limited to the proposed Phoenix Mart project. During those discussions, the parties have agreed that a 21” sewer line will be needed to serve the development (including Phoenix Mart). City staff has been discussing the possibility of upsizing this 21” line in order to provide sufficient capacities to meet the anticipated development “synergies” that may transpire as a result of the AZ Sourcing development and future growth to the east side of Interstate 10. The final recommended size of the “upsized” sewer line will be determined as the engineering and pre-construction services commence, data is gathered, routes determined and cost estimates established.

A preliminary review of the potential routing options to serve the AZ Sourcing project demonstrated that there are two (2) primary options to provide service to the property. The first would be a route that runs parallel to Florence Blvd. The second would be a route that is extended east from the existing sewer infrastructure on Kortsen Road.

Under the terms of the proposed agreement, AZ Sourcing will be responsible for procuring and paying for the professional engineering and design services. The city’s technical staff has assisted in developing the scope of services to be achieved through the agreement and will continue to work closely with AZ Sourcing on the design parameters. The costs of the design and engineering may be eligible for reimbursement through the CFD for the project, subject to compliance with all terms applicable to reimbursement for public infrastructure outlined in Title 34 of the Arizona Revised Statutes.

Once designed and engineered, the City would be responsible for the construction of the upsized sewer line, including the costs of pre-construction services, installation and construction of the sewer main, environmental assessments, rights-of-way approvals and permits, and any property acquisition from parties other than AZ Sourcing. Due to the dynamics of the project, the city will likely use the Construction Manager at Risk (CMAR) procurement methodology to hire a contractor to provide pre-construction and construction services. The final construction contract and costs attendant thereto would come before Council in a separate action later this year.

**FISCAL IMPACT:**

Staff has estimated the total budget cost of the project to be \$10 million. This estimate has been established through technical analysis and a somewhat conservative application of construction costs. There are certain components that can't be quantified, however, until the design and engineering commence and a contractor is hired to develop a guaranteed maximum price (GMP) as a component of the pre-construction services agreement. We have attempted to provide some estimates for all elements and will be requesting budget authority in the upcoming fiscal year.

The project will be financed through three (3) components: 1) Contributions from developers. In this case, the extension agreement between the city and AZ Sourcing outlines a payment structure for the 21" line that includes a total payment from AZ Sourcing of \$4.8 million. This amount is payable over 3 payments of \$1.6 million each, with the first payment being due upon signing the CMAR contract and the remaining payments due upon hitting certain triggers (the balance of \$3.2 million is required to be secured per the agreement); 2) Sewer Collection Development Impact Fees, which have been specifically allocated to the construction of a sewer main to the east side of the city; 3) Construction Sales tax specifically allocated to infrastructure projects. All three financing sources are outside of the sewer operations fund. The financing plan was established using sources outside of the sewer operations fund, meaning the financing plan is being established in an effort not have an impact on sewer rates for the capital construction of the line.

Reviewed by  
Finance Director:     *Doug Sandstrom*    

Reviewed by  
City Attorney:     *Brett Wallace*    

**ALTERNATIVES:**

1. Deny request.

Prepared by:  
  
    *Larry Rains*      
Deputy City Manager

Recommended by:  
  
    *Larry Rains*      
Deputy City Manager

Approved by:  
  
    *Jim Thompson*      
City Manager