

ATTACHMENT 4
BUDGET NARRATIVE

The Ortega Reservoir ("Project") construction cost estimate of \$43,625,000 was developed as a part of the Preliminary Design Report (PDR), prepared by URS, by Santa Margarita Water District ("SMWD") staff, and confirmed by the U.S. Army Corps of Engineers. This estimate applies to budget categories (d), (e) and (i), as well as engineering permits (within budget category (c)) and construction administration (within budget category (g)).

Budget Categories

(a) Direct Project Administration Costs

The direct administration cost is based on SMWD's experience in implementing capital projects. The project manager expects to spend on average of 4 hours per month at \$150 per hour on the project over 36 months until close out of the project and final reports are complete. SMWD clerical and finance staff will average 10 hours per month at \$51 per hour to prepare support documents, invoicing and payment processing. The County of Orange will provide grant contract administration on behalf of SMWD, expending 100 hours over the life of the project at \$100 per hour.

(b) Land Purchase/Easement

Rancho Mission Viejo will transfer right-of-way as needed for the Project, in an estimated amount of \$6,070,000. An additional \$50,000 in support costs will be needed.

(c) Planning/Design/Engineering/Environmental Documentation

Engineering permits are estimated to be equal to 15% of budget categories (d) and (e). In addition, this budget category includes approximately \$100,000 in conceptual design costs to be covered by a U.S. Army Corps of Engineers grant for the San Juan Creek Study under the Water Resources Development Act.

(d) Construction/Implementation

The base unit construction costs were developed using real cost information from similar construction projects. The current projected construction cost of the Project is \$24,750,000, which includes \$750,000 in construction support costs.

(e) Environmental Compliance/Mitigation/Enhancement

The budget includes only site specific environmental compliance related to the water quality issues of the Reservoir in the amount of \$250,000.

(g) Construction Administration

Construction administration, including contract services for geotechnical and materials testing, is estimated to be 15% of budget categories (d) and (e). This amount includes administration and inspection by SMWD staff, which is estimated at 1% of the total amount requested for Proposition 1E funding.

(h) Other: No other costs are included.

(i) Construction/Implementation Contingency

The contingency factor is based on 20% of the Construction/Implementation budget. SMWD typically includes a 20% contingency in projects of this magnitude and duration.