



FIRST AMENDMENT TO GROUND LEASE AND WELL RELOCATION AGREEMENTS FOR A TOTAL PROJECT COST OF \$5,381,653

Riverside Public Utilities

City Council
October 22, 2019

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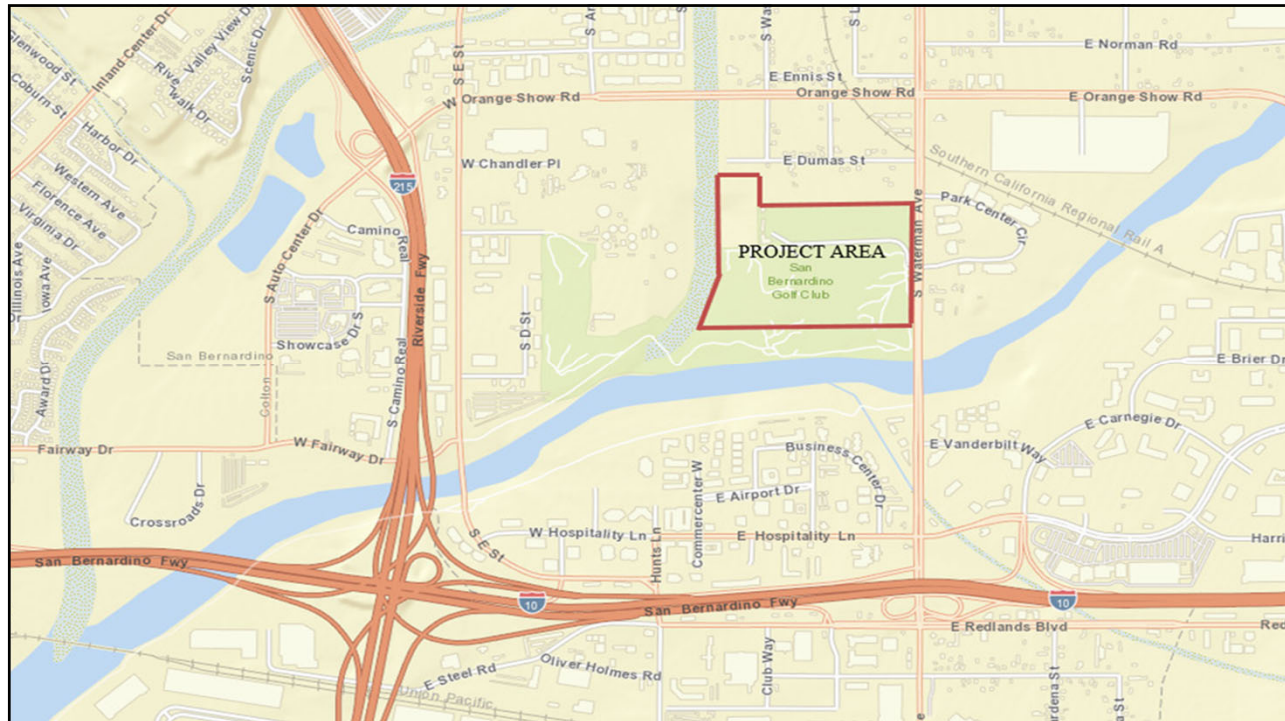
BACKGROUND

1. Ground Lease and Well Relocation Agreements
 - a. Hillwood developers
 - b. 55 years
 - c. Former San Bernardino Golf Course
2. Approved March 7, 2017



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BACKGROUND (con't)

3. Well Relocation Agreement
 - a. Warren 4
 - b. \$4.1 M (includes contingency)
 - c. Rent Credits
 - d. RPU pays directly for Additional Work



DISCUSSION

1. First relocation site unsuitable

1. Hot water
2. Undesirable minerals
3. Infeasible to treat

2. Second relocation successful



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DISCUSSION (con't)

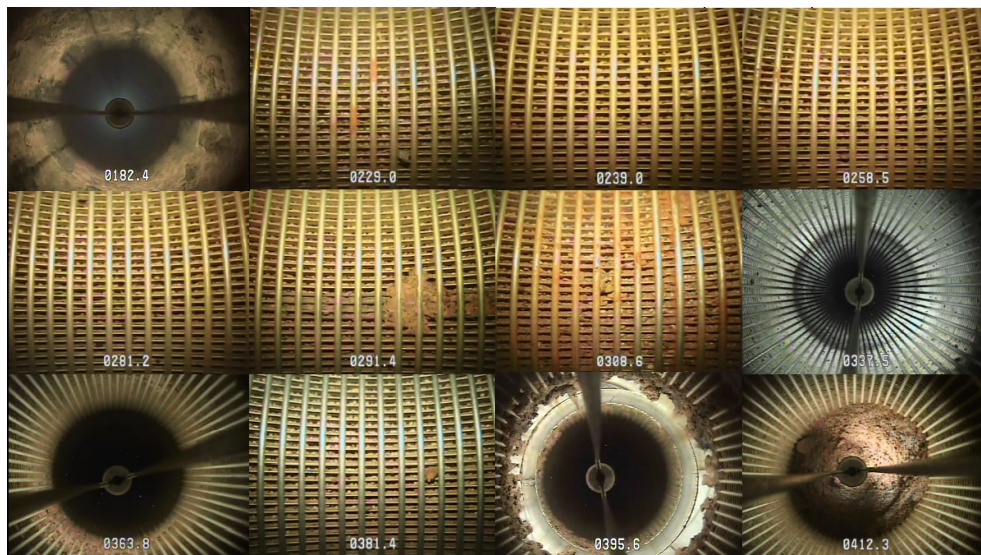
3. Cost increases (\$1.28M)
 - a. Relocation costs (\$0.62M)
 - i. New pilot hole
 - ii. Additional water testing
 - iii. Redesign
 - b. Materials and Design (\$0.49M)
 - i. Inflation
 - ii. Tariffs
 - c. Upgrade (\$0.17M)
 - i. Stainless steel casing and screens



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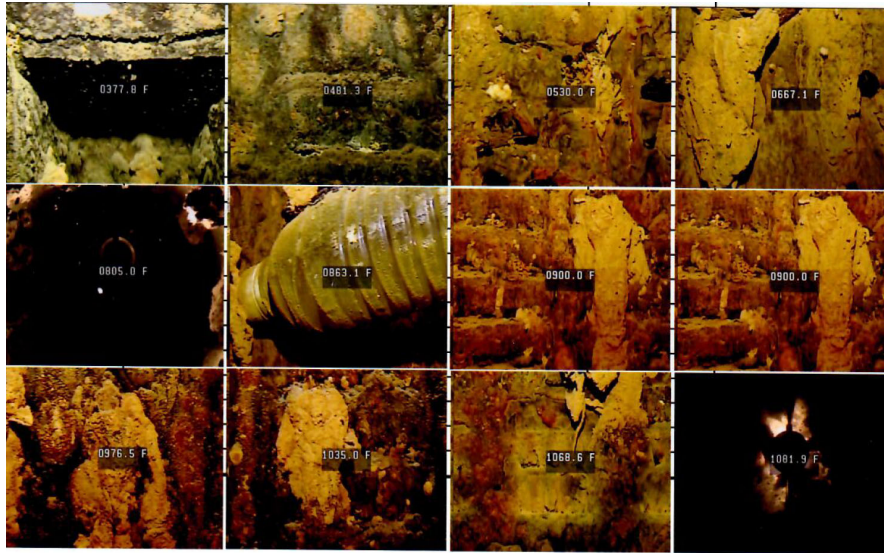
VAN BUREN 2



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SCHEUER 2



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FISCAL IMPACTS

Funding (\$1.28M)

1. \$0.49M – Increased rent credits (for 180 months)
 - a. Materials & Design
 - b. Rent credit from \$28 K to ~\$32k per month
2. \$0.79M – Directly funded by RPU
 - a. Relocation & Upgrade



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RECOMMENDATIONS

That the City Council:

1. Approve the First Amendment to the Ground Lease Agreement with GWS#4 Development, LLC, which redefines property easements and increases to City payments to Lessee as credits to monthly rent totaling \$493,179;
2. Approve the First Amendment to the Well Relocation Agreement with Hillwood Enterprises, L.P. consistent with the redefined property easements in accordance with the amended Ground Lease Agreement; and
3. Approve an increase to Work Order No. 1709464 for additional work to construct Warren 4R potable water well in the amount of \$788,474 for a total project cost of \$5,381,653.



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STEEL AND ALUMINUM TARIFFS

Section 232 Tariffs:

Rate increase on imported raw Steel and Aluminum

Action	Covered Products	Rate Increase	Effective Date
Section 232	Steel and Aluminum	Steel - 25% Aluminum - 10%	March 23rd, 2018 (initial) June 1st, 2018 (extending country exemptions)



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WELL CASING MATERIAL SELECTION

Low Carbon Steel Screen



- 25% efficiency loss every 5 years
- Well cleaning every 5 years improves the well efficiency to 88% of previous value
- Well life expectancy is 25 years
- For new well, specific capacity increased 40%

High Strength Low Alloy Steel Screen



- 25% efficiency loss every 6 years
- Well cleaning every 6 years improves the well efficiency to 90% of previous value
- Well life expectancy is 40 years
- For new well, specific capacity increased 40%

Stainless Steel Screen



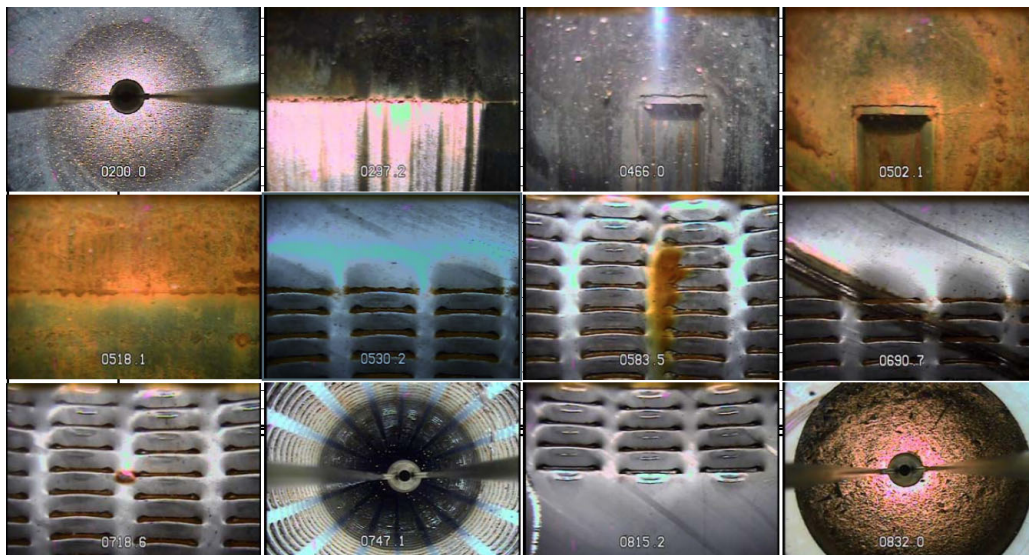
- ✓ 25% efficiency loss every 30 years
- ✓ Well cleaning every 30 years improves the well efficiency to 95% of previous value
- ✓ Well life expectancy is 75 years



Glottfelty, 2012 13

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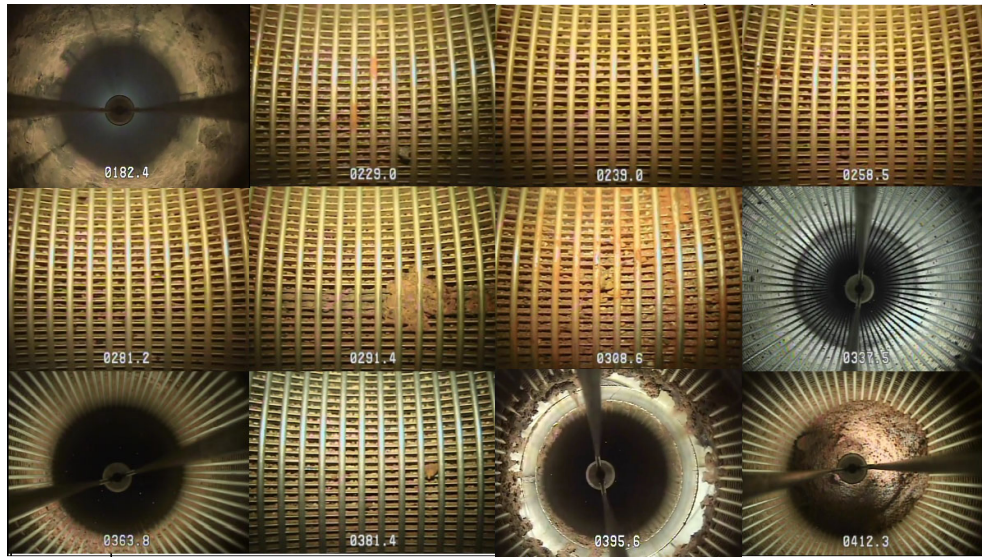
RAUB 4R



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VAN BUREN 2



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SCHEUER 2 (PRE-REHAB)

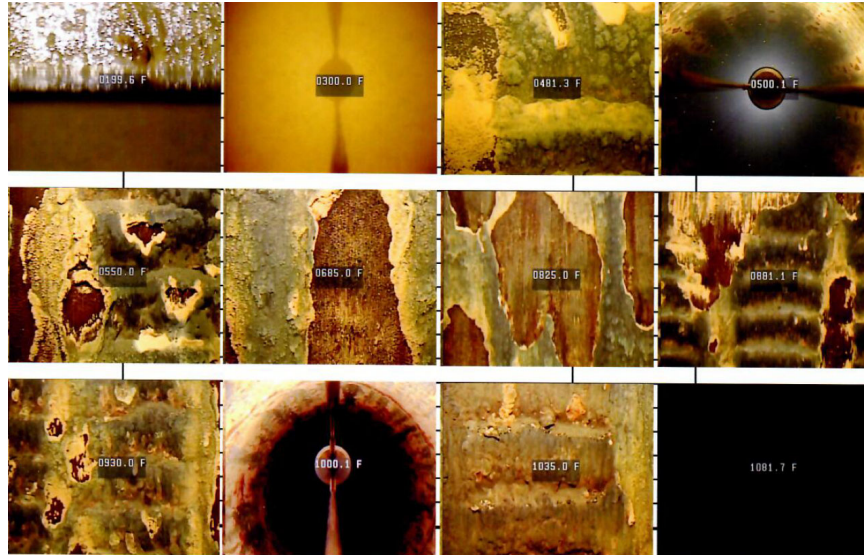


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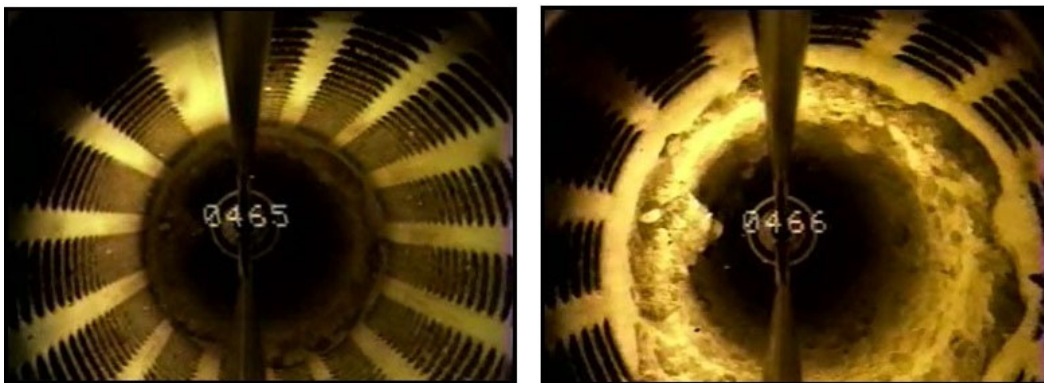
SCHEUER 2 (POST-REHAB)



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WELL CASING MATERIAL SELECTION (CONT.)



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BENEFITS OF STAINLESS STEEL CASING

1. Longevity

Well is projected to have a service life of 75 years

2. Less frequent rehabilitation required

Projected to go 10+ years without requiring rehabilitation

3. Greater resistance to pitting from shock chlorination and high resistance to corrosion

4. Long term cost effectiveness!



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