Wright-Pierce

MEMORANDUM

TO: Jeff Kobrock

DATE: September 15, 2005

FROM: Vic Krea

PROJECT No.: 7035N

SUBJECT: Combined Service Center Evaluation

Wright-Pierce was retained by the City of Gardiner and the Gardiner Water District to provide an independent analysis of the estimated capital costs and annual cost savings associated with the development of a combined service center housing the Water District and the City's Public Works and Wastewater Departments. The evaluation consisted of reviewing the previously established capital expenditures and annual cost savings that would be achieved by combining the respective administrative tasks and functions, and working with the Joint Management Team to re-assess and supplement these estimates as needed in order to complete the financial evaluation of the combined service center concept. The information below is intended to briefly describe the five spreadsheets that comprise the present evaluation of the Combined Service Center concept. The spreadsheets are as follows:

1. The Calculation of Estimated Payback Period with Tax Revenue Included shows the calculation of the payback period at 4.5% interest, which is approximately the Maine Bond Bank interest rate, assuming that real estate and personal property taxes are generated at the former Water District and Public Works locations.. This sheet also shows the present worths of the annual savings in 5-year increments, as well as the net present worths for the same period. The last two lines on this spreadsheet shows how much additional annual savings, or reduction in capital expense, would be necessary to result in a 5-year payback.

2. The Calculation of Estimated Payback Period without Tax Revenue is similar to the above calculations, but assumes that no real estate or personal property tax revenue is generated at the former Water District and Public Works locations.

3. The Combined Service Center Evaluation itemizes the capital expenses and the annual cost savings. A simple payback calculation (i.e. no interest) is also shown at the bottom of the spreadsheet, along with a note showing estimated deferred costs that would be avoided with the combined service center. Note that only Scenario I (WWTP) was carried through in this analysis, as Scenarios II and III (both PW) were deemed not viable.

4. The Co-Location Scenario I with Tax Revenue Included distributes the cost information in 3 above among the three entities, and calculates a simple payback period for each, as well as for the total costs. Real estate and personal property taxes are included in the annual savings.

5. The Co-Location Scenario I without Tax Revenue Included is the same as 4 above without the real estate and personal property taxes.