EXHIBIT 10 – CONNECTION FEE REPORT

See attached.

DRAFT

Mid-Western Placer Regional Sewer Project
Connection Fee Report

Purpose of this Report

Connection fees are one time charges used to fund capital improvements necessary for the expansion of a utility system. Connection fees should be proportionate and reasonably related to the capital facility demands of new development. This report will provide estimates of the connection fee required to fund future capacity demands at the Mid-Western Placer Sewer Project ("MWPRSP") for the future users of both the City of Lincoln and Placer County SMD 1. ***However, this report does NOT meet the requirements of Government Code Section 66000 et. seq. and does NOT provide the direct nexus as required in the Government Code.***

Before connection fees can be imposed several assumptions identified in this report will need to be verified and justified and a direct nexus between the fees, the capacity to be funded and the new development to be served from the improvements must be demonstrated, as described below. This report can be utilized to estimate the regional connection fee that will be required in order for the MWPRSP to serve new development.

Connection Fee Methodology

Any one of several legitimate methods may be used to calculate connection fees. The choice of a particular method depends primarily on the service characteristics and planning requirements for the facility type being addressed.

Basically, the process of calculating connection fees involves two steps: (1) determining the cost of development-related capital improvements, and (2) allocating those costs equitably to various types of development. However, the calculation of capacity fees can become complicated due to the many variables involved in defining the relationship between development and the needs for facilities.

There are three basic methods used to calculate the components of a connection fee. The methodologies are used to determine the best measure of demand created by new development for each component of the connection fees. The methodologies can be classified as looking at the past, present, and future capacities of infrastructure.

1) In instances where infrastructure has been built in advance of new development and there is excess capacity available to be utilized by new development, the **buy-in methodology** is utilized. Under this methodology, new development repays the community for previous capacity investments via the connection fee.

2) The **incremental expansion methodology** is used when a community plans to provide new development the same level-of-service that is currently being provided to existing development in increments. Generally, utility infrastructure does not lend itself to this methodology given its nature of having to be in place prior to new development and capacity being constructed in large segments.

3) The **plan-based methodology** utilizes an agency's capital improvement plan and related master plans to determine new development's share of planned projects. Projects that do not add capacity, such as routine maintenance or replacement of existing facilities, are not included in the fees. Projects that add capacity are

further evaluated as to the percentage of the project attributable to existing development versus new development. Only the portion of planned projects attributable to new development is included in the connection fees.

Based on the available data, two of the three methodologies described above are used in this connection fee analysis. The cost excess capacity at the current Lincoln Wastewater Treatment and Recycling Facility ("WWTRF") will be allocated based on the buy-in methodology and the facility expansion projects utilize the plan-based methodology.

Current WWTRF Capacity Utilization

At the time Placer County SMD 1 users join the WWTRF in FY 2015-16, it is estimated that the City of Lincoln will utilize 2.8 million gallons per day ("mgd") of plant capacity and Placer County SMD 1 will utilize 1.7 mgd of plant capacity, with approximately 1.4 mgd of remaining available plant capacity. Of this 1.4 mgd of remaining available capacity, approximately 0.762 mgd is reserved for various development projects, as provided by the City of Lincoln and shown in ***Appendix A***. Therefore, only 0.638 mgd of un-reserved, available capacity exists at the WWTRF.

The Construction, Operations and Joint Exercise of Powers Agreement ("COJA") between the City of Lincoln and Placer County defines an EDU to "equal the quantity and quality of wastewater generated by an average single family dwelling, and which is determined based on 215 gallons per day per EDU and biological oxygen demand of 0.50 lb per day per EDU." Thus, the un-reserved, available capacity at the WWTRF will accommodate approximately 2,967 EDUs. Additional capacity will need to be constructed to serve new development in excess of 2,967 EDUs.

Cost of Capacity at the Existing WWTRF

Based on the construction cost information provided by Stantec, and provided in ***Appendix B***, the total cost to construct the 4.2 mgd existing WWTRF was approximately $80.4 million. Of the 4.2 mgd of capacity originally constructed, approximately 0.638 mgd remains available and un-reserved. Therefore, approximately 15.19% of the capacity is available, as shown in ***Table 1***. Applying the buy-in methodology would mean that the remaining available and un-reserved capacity would be allocated a proportional share of the project costs. Furthermore, since the proportional cost of the project has been unfunded since the treatment plant completion, carrying costs should be applied to the portion of the costs attributable to the available and unreserved capacity. The actual City of Lincoln's carrying costs are unknown at this time, therefore, a 20% estimate has been applied in this analysis. As shown in ***Table 1***, the total cost of the available un-reserved capacity at the existing WWTRF is $14,651,324.

TABLE 1

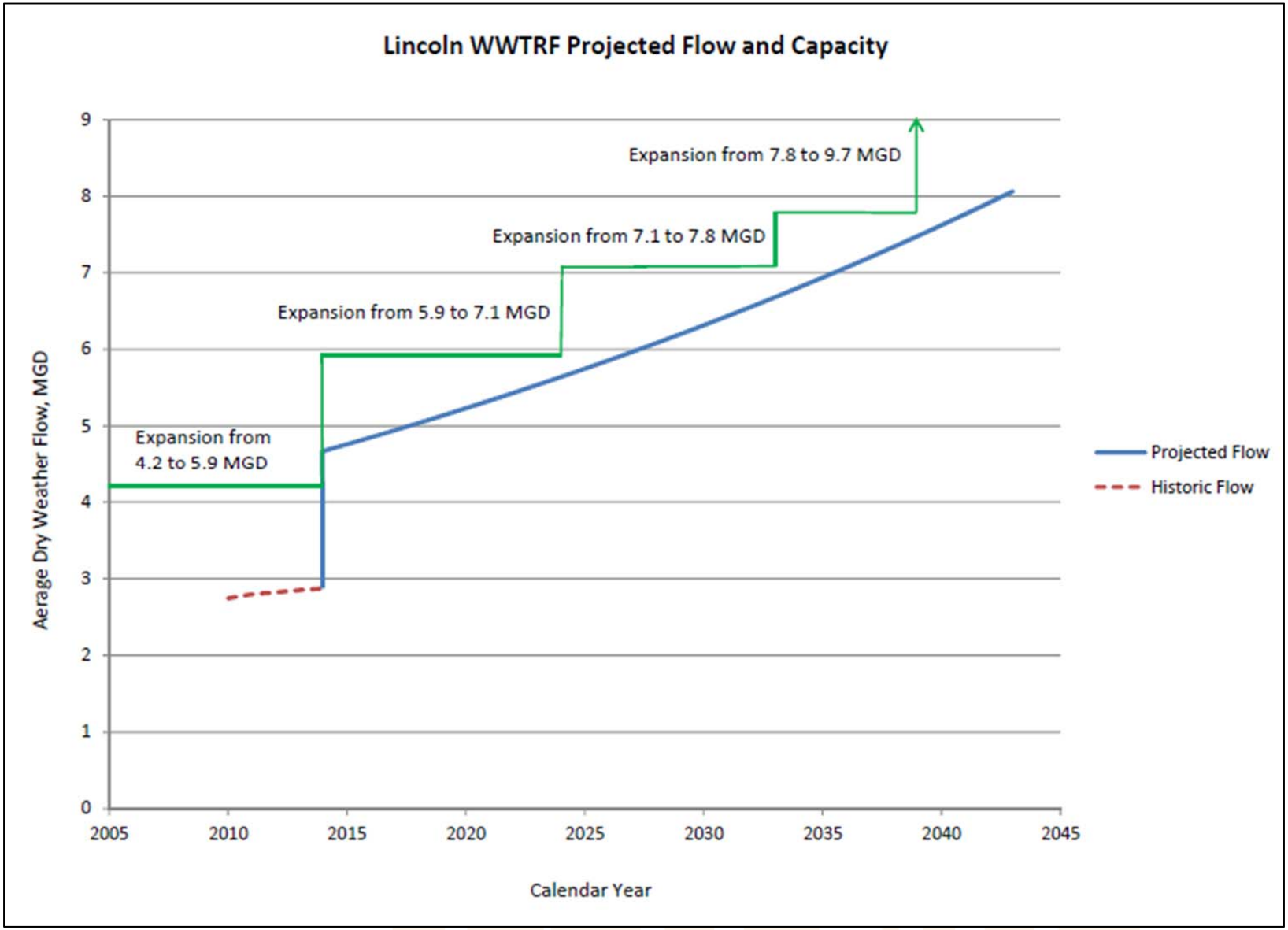
Buy-In to Existing WWTRF	
Capacity of Existing WWTRF (in mgd)	4.2
Capacity Utilized by Current City of Lincoln Users (in mgd)	2.8
Capacity Reserved by City of Lincoln Development Projects (in mgd)	0.762
Remaining Capacity at Existing WWTP	0.638
Remaining Capacity as a Percentage of Total WWTP Capacity	15.19%
Cost of Original WWTRF Capacity	$80,375,600
Portion of WWTP Cost Attributable to Available Capacity	$12,209,436
Carrying Cost of Available Capacity	$2,441,887
Total Cost of Available, Un-Reserved WWTRF Capacity	**$14,651,324**

Anticipated WWTRF Plant Expansions

Based on a plant expansion timeline provided by Stantec, and shown in ***Figure 1***, below, three plant expansions will need to occur in order to accommodate new development over the next 30 years and serve approximately 8.1 mgd of overall average dry weather flow.

In order to meet the anticipated expansion timeline, Stantec developed a list of $50 million of expansion project needs, expressed in 2013 dollars, and described in ***Figure 2***.

FIGURE 1



Source: Stantec, July 24, 2013.

FIGURE 2

WWTRF Component	2042 Design Flow	Current Capacity	Expansion Equipment	Anticipated ADWF and Expansion Year	7.1 MGD Expansion Cost in 2013 $$	7.8 MGD Expansion Cost in 2013 $$	9.7 MGD Expansion Cost in 2013 $$
Influent Pump Station	37.75	34.8	Replace two existing 100 HP pumps with larger pumps	7.43 MGD- 2038		200,000	
Headworks Flowmeter	37.75	32.5	Replace Parshall Flume with 48" Flume	6.94 MGD - 2035	50,000		
Headworks Screens	37.75	45.5	none	-			
Oxidation Ditches w/ Anoxic Basins	26.32	17	2 ditches	5.9 MGD - 2027 7.8 MGD - 2041	5,500,000		5,500,000
Clarifiers	26.32	17	2 clarifiers	5.9 MGD - 2027 7.8 MGD - 2041	2,500,000		2,500,000
RAS Pumps	-	-	Add RAS pump to RAS PS#2 Build RAS PS #3	5.9 MGD - 2027 7.8 MGD - 2041	50,000		550,000
Scum Pumps	-	-	Build New Scum PS	7.8 MGD - 2041			100,000
WAS Metering Station	-	-	Build New WAS Station	7.8 MGD - 2042			50,000
Maturation PS	37.75	33	Add new 50 HP pump	6.6 MGD - 2032	90,000		*
Filter PS	15.23	12.4	Add new 50 HP pump	6.2 MGD - 2029	80,000		*
Filters	15.23	13.8	Add one filter cell and new flock basin	5.9 MGD - 2027	1,000,000		*
Effluent PS	23.23	20.4	Add new 60 HP pump	7.12 MGD - 2036		160,000	*
Solids Handling			Add solids handling tank; Add centrifuge into existing building	5.9 MGD - 2027	1,500,000		
Maturation Pond			Expand Mat Pond or add Ozone	5.9 MGD - 2027	5,000,000		*
Tertiary Storage	252 MG	190 MD	Build new 62 MG TSB	7.1 MGD - 2036		4,000,000	*
Subtotal Project Costs					$ 15,770,000	$ 4,360,000	$ 8,700,000
Electrical and Control	20%				$ 3,154,000	$ 872,000	$ 1,740,000
Engineering	25%				$ 4,731,000	$ 1,308,000	$ 2,610,000
Contingency	15%				$ 3,548,250	$ 981,000	$ 1,957,500
Project Cost in 2013 $$					**$ 27,300,000**	**$ 7,600,000**	**$ 15,100,000**

30-YEAR ADWF **8.1 MGD**

Expansion from 5.9 to 7.1 MGD: Influent Flow Meter, 1 ditch w/anoxic basins, 1 clarifier, RAS pump at existing RAS PS #2, 50 HP pump at Maturation PS, 50 HP pump at Filter Feed PS, 1 filter cell with new floc basin, 1 Solids Tank, 1 Centrifuge in existing building , Chem feed system, expand Mat Pond or add new ozone system.

Expansion from 7.1 to 7.8 MGD: Influent PS wet well w/ 1 100 HP pump, 60 HP pump at Effluent PS, 62 MG Tertiary Storage

Expansion from 7.8 to 9.7 MGD: 1 ditch w/anoxic basin, 1 clarifier, new RAS PS (2 pumps), new WAS Station, new Scum PS.
* Additional facilities will be needed to handle 9.7 MGD; adequate capacity availble for 30-year projected ADWF of 8.1 MGD

Calculating the WWTRF Connection Fee

Cost of New WWTRF Capacity Per EDU

As previously described, future EDUs will be responsible for funding the un-reserved, available capacity in the existing treatment plant, plus the cost of constructing new capacity, considering the estimated capacity that will be needed over the next 30 years. As shown in ***Table 2***, there is a total of 2.838 mgd of future capacity planned to be available to new development over the next 30 years. Such capacity will be available either through space at the existing treatment plant or from future plant expansions. All future EDUs will share in the cost of such capacity.

As further depicted in ***Table 2***, the 2.838 mgd of future capacity will accommodate approximately 13,200 EDUs. Future EDUs of both the City of Lincoln and Placer County SMD 1 will be responsible for $14.7 million of costs attributable to the un-reserved, available capacity at the existing treatment plant plus $50 million of plant expansion costs, resulting in a capacity cost of $4,898 per EDU.

TABLE 2

Regional Sewer Treatment Connection Fee Per EDU	
Un-Reserved, Unused Existing WWTRF Capacity (in mgd)	0.638
New EDUs to be Served Through Available Existing Capacity	2,967
Cost of Available Capacity at Existing WWTRF	$14,651,324
Capacity to be Constructed Over Next 30 Years (in mgd)	2.2
New EDUs to be Served Through Future Capacity to be Constructed	10,233
Estimated Construction Cost of Future Capacity	$50,000,000
Total Unused and Future Capacity (in mgd)	2.838
Total New EDUs to be Served	13,200
Cost of Available Capacity at Existing WWTRF per EDU	$1,110
Cost of Future Capacity per EDU	$3,788
Total New Capacity Cost Per EDU	$4,898

Anticipated WWTRF Cash Flow

Each new EDU should be charged a connection fee based on the new capacity cost per EDU. But, this cost will fund WWTRF expansion costs in the aggregate. The project costs and available revenues must also be evaluated on a cash flow basis to determine whether such projects can be cash funded, or whether a financing may be needed due to the anticipated timing of when revenues will be received.

In order to develop a complete cash flow, projections of the rate of growth of new development are needed. However, this information has not been provided at this time. Therefore, this analysis assumes that the 13,200 of new EDUs that will be accommodated through the future WWTRF capacity will be built out evenly over the next 30 years.

Project expenditures are expected to occur based on the plant expansion timeline provided by Stantec, shown previously in ***Figure 1*** of this report. With the assumed cash flow resulting from the estimated development build out and resulting receipt of connection fees combined with the anticipated project expenditure schedule, ongoing connection fee revenues will not be sufficient to fund WWTRF expansion needs, as shown in ***Chart 1***. Therefore, financings will be needed to bridge the timing of connection fee revenues.

Based on the estimated cash flow, approximately $9.5 million of project costs will need to be financed in order to meet the anticipated WWTRF expansion timeline. ***Chart 2*** shows the positive cash flow with $9.5 million of financings applied.

CHART 1

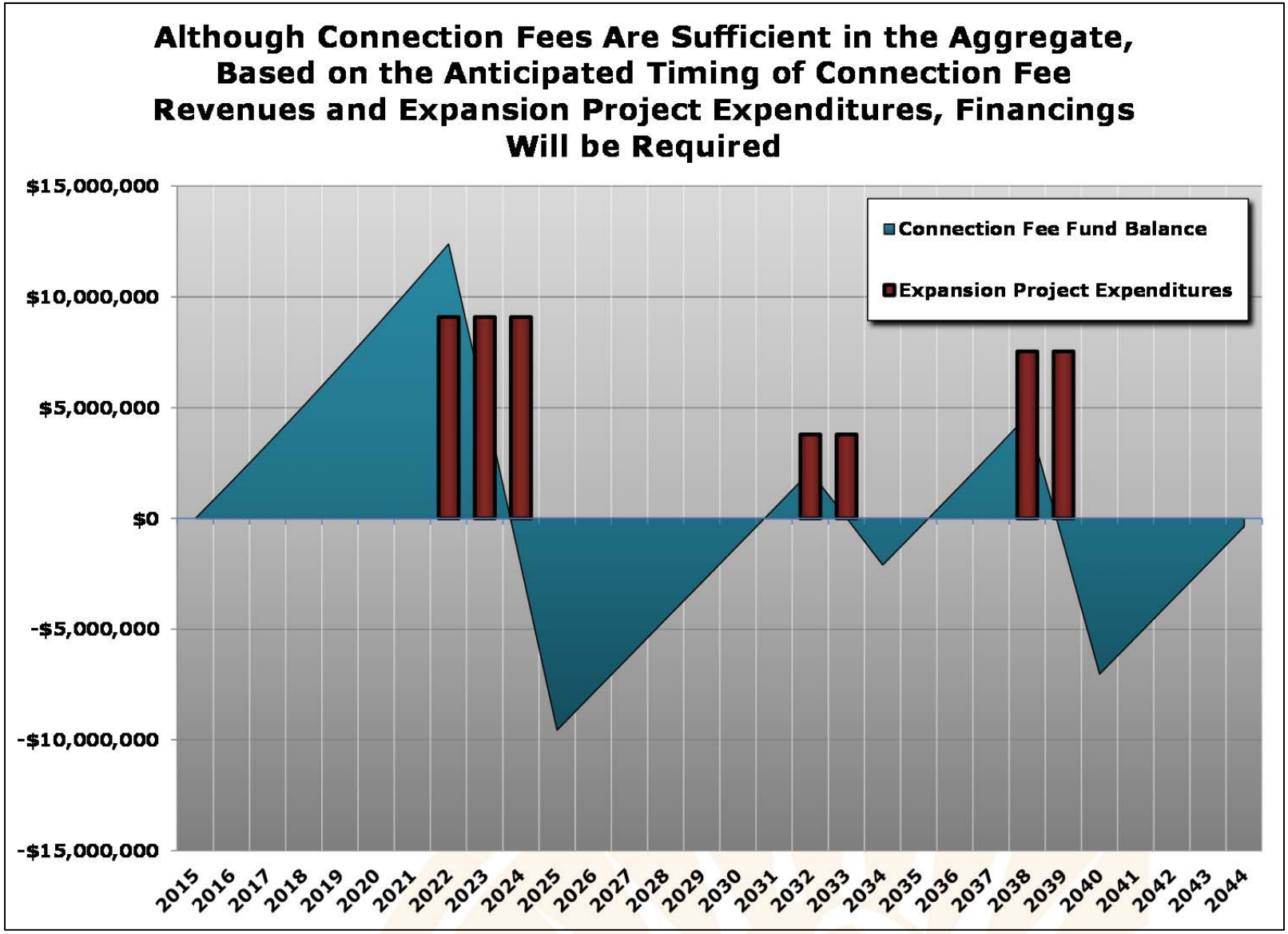
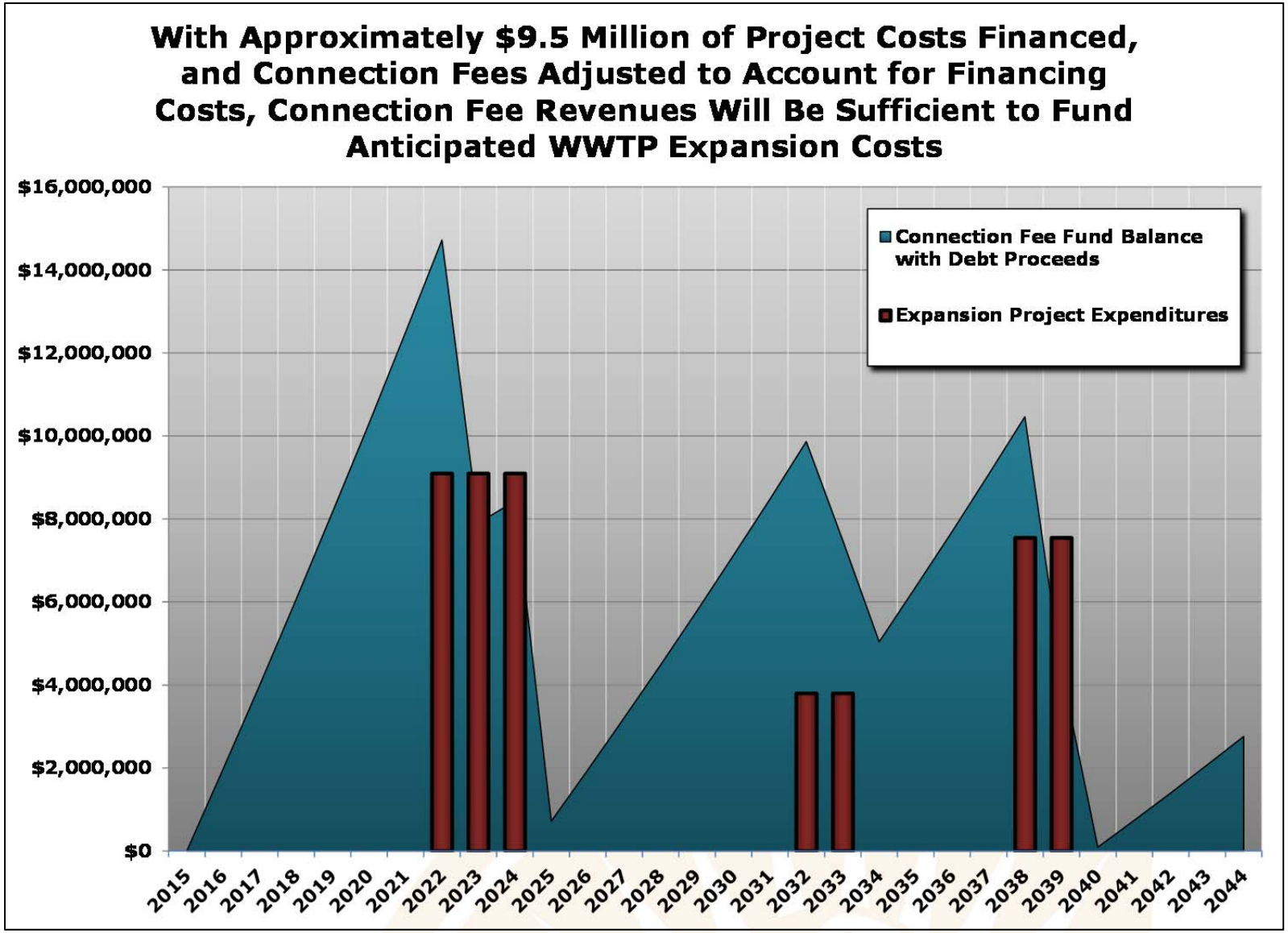

Although Connection Fees Are Sufficient in the Aggregate, Based on the Anticipated Timing of Connection Fee Revenues and Expansion Project Expenditures, Financings Will be Required
$15,000,000
$10,000,000
$5,000,000
$0
-$5,000,000
-$10,000,000
-$15,000,000
Connection Fee Fund Balance
Expansion Project Expenditures
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
2041
2042
2043
2044

CHART 2


With Approximately $9.5 Million of Project Costs Financed, and Connection Fees Adjusted to Account for Financing Costs, Connection Fee Revenues Will Be Sufficient to Fund Anticipated WWTP Expansion Costs
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
Connection Fee Fund Balance with Debt Proceeds
Expansion Project Expenditures
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
2041
2042
2043
2044

These financings will add approximately $9.4 million in interest and financing costs to the overall funding needs. This equates to approximately $713 per EDU, as shown in ***Table 3***. Adding the financing costs to the per unit capacity cost results in a Regional Sewer Treatment Connection Fee of $5,611 per EDU.

TABLE 3

Regional Sewer Treatment Connection Fee Per EDU	
Un-Reserved, Unused Existing WWTRF Capacity (in mgd)	0.638
New EDUs to be Served Through Available Existing Capacity	2,967
Cost of Available Capacity at Existing WWTRF	$14,651,324
Capacity to be Constructed Over Next 30 Years (in mgd)	2.2
New EDUs to be Served Through Future Capacity to be Constructed	10,233
Estimated Construction Cost of Future Capacity	$50,000,000
Total Unused and Future Capacity (in mgd)	2.838
Total New EDUs to be Served	13,200
Cost of Available Capacity at Existing WWTRF per EDU	$1,110
Cost of Future Capacity per EDU	$3,788
Total New Capacity Cost Per EDU	$4,898
Additional Debt Service Costs	$9,414,616
Debt Service Cost Per New EDU	$713
Regional Sewer Treatment Connection Fee Per EDU	**$5,611**

Regional Pipeline and SMD 1 Pump Station Expansion Costs and Connection Fee Per EDU

As previously estimated by City of Lincoln staff, two capital projects will be needed related to the regional pipeline and SMD 1 pump station in order to accommodate future growth, as shown in ***Table 4***. These projects are estimated to cost approximately $2.26 million, expressed in 2013 dollars. These projects are attributable to future SMD 1 users, not future City of Lincoln users. It is anticipated that these projects will accommodate up to 4.2 mgd, equating to 2.5 mgd of unused capacity, also shown in ***Table 4***.

TABLE 4

Regional Pipeline and SMD 1 Pump Station Projects		
Project	**Anticipated Timeframe for Project Completion**	**Estimated Cost (in 2013 $)**
Additional Storage	at 11 mgd wwf	$1,830,000
New Pump	at 12 mgd wwf	$427,000
Total		**$2,257,000**
Capacity Created Through Projects (in mgd)		4.2
Existing Capacity (in mgd)		1.7
Capacity to Accommodate Future Development (in mgd)		**2.5**
EDUs Served by Future Capacity		11,628
Regional Sewer Conveyance Connection Fee Per EDU		**$194**

The future capacity costs can be allocated per EDU to be served from the future capacity, which would result in a Regional Sewer Conveyance Connection Fee of $194 per EDU for future SMD 1 users.

Inflation Adjustment

All capital costs are expressed in 2013 dollars. The actual connection fee should be adjusted to reflect construction cost inflation. At the time a formal connection fee study is completed, an index should be established for annual increases in the connection fee to ensure that revenues keep pace with increasing construction costs.

Information Needed to Validate Assumptions and Complete a Legally Defensible Connection Fee Study

In 1987, the California Legislature adopted Assembly Bill 1600, codified as Government Code Sections 66000-66025 (the "Mitigation Fee Act"), which established a uniform process for formulating, adopting, imposing, collecting, accounting for, and protesting impact fees, including connection fees. In order to impose an impact fee, a local agency must go

through a process to establish a reasonable relationship between a development project and the public improvement for which the development fee is charged.

A study meeting the requirements of the Mitigation Fee Act would need to make the following findings:

1) Identify the purpose of the fee.

2) Identify how the fee is to be used. If the use is for financing public facilities, the facilities shall be identified.

3) Determine how a reasonable relationship exists between the fee's use and the type of development project on which the fee is imposed.

4) Determine how a reasonable relationship exists between the need for the public facility and the type of development project on which the fee is imposed.

5) Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

If a development impact fee does not relate to the impact created by development or exceeds the reasonable cost of providing the public service, then the fee may be declared a special tax and must then be subject to a two-thirds voter approval.

The information provided in this report is based on several assumptions and additional information and data support is needed in order to verify the assumptions and complete a valid and legally defensible connection fee study, properly demonstrating all nexus requirements. The partners will need to undertake such a study before imposing connection fees on future users. Any additional information provided will likely change the connection fee that can be justified.

Information that should be obtained and evaluated as part of a connection fee study dictated by the Mitigation Fee Act includes:

- An evaluation of the City of Lincoln's connection fee for un-reserved and available capacity of the existing treatment plant to ensure that costs are not double counted.

- A projection of new development and customer demand based on each agency's current General Plan and known specific development projects.
    - Such a projection should include the estimated timing of build out.

- Identification of additional future capital projects or plant upgrades that may have a component attributable to new development.

- Estimated construction project expenditure schedule.

- Determination of capital project contingencies that should be added to the capital costs identified.

- Development of a long-range financing plan that considers project cash flow, timing of anticipated revenues, and financing risks to determine the appropriate amount to be financed and resulting impact on the connection fees.

- Analysis of pre-paid capacity and other liabilities as it relates to the connection fees attributable to the reserved capacity at the existing WWTRF.

APPENDIX A

CITY OF LINCOLN

WWTRF - SUMMARY OF RESERVED CAPACITY

	WWTRF Reserved Capacity					
Developments	Stage I	Stage II	Total	EDU's	Connected	Balance
Del Webb - Lincoln Hills	1.129	0.167	1.296	5,143	(5,016)	127
PHI - Twelve Bridges	0.671	0.633	1.304	5,175	(2,382)	2,793
SunCal - Lincoln Crossing	0.413		0.413	1,639	(1,639)	(0)
CA Sun Holdings - Sterling Pointe	0.096		0.096	381	(276)	105
City of Lincoln	0.991		0.991	3,933	(3,933)	(0)
TOTALS	3.300	0.800	4.100	16,270	(13,246)	3,024

equals 0.762 mgd

Source: City of Lincoln, September 4, 2013.

APPENDIX B

Stantec Consulting Services Inc.

PROJECT: CITY OF LINCOLN WWTRF
JOB NUMBER: 184030298
TITLE: ORIGINAL PROJECT CONSTRUCTION COST SUMMARY
DESCRIPTION: ACTUAL CONSTRUCTION COST BREAKDOWN

DATE: JUNE 2013
BY: SLB

ITEM	DESCRIPTION	LINCOLN WWTRF EARTHWORK CONSTRUCTION COSTS (2002) ENRCCI = 6532	LINCOLN WWTRF MAIN PROJECT CONSTRUCTION COSTS (2004) ENRCCI = 7109	LINCOLN WWTRF OUTFALL (2004) ENRCCI = 7109	LINCOLN WWTRF SEWER INTERCEPTOR PROJECT (2004) ENRCCI = 7109	LINCOLN WWTRF RECLAMATION PS, PIPELINE AND OFF-SITE IRRIGATION (2006) ENRCCI = 7700	TOTAL CONSTRUCTION COSTS
1	Mobilization, Bonds & Insurance	$140,193	$3,238,528	$141,785	$552,786	$108,018	$4,181,310
2	General Sitework	$1,222,036	$2,351,156	$0	$0	$0	$3,573,192
3	2W Air Gap System	$0	$84,000	$0	$0	$0	$84,000
4	Influent Junction Structure	$0	$317,991	$0	$0	$0	$317,991
5	Influent Pump Station & Headworks	$0	$2,343,118	$0	$0	$0	$2,343,118
6	OD Splitter Box & Flume	$0	$273,198	$0	$0	$0	$273,198
7	Headworks Biofilter	$0	$71,121	$0	$0	$0	$71,121
8	Oxidation Ditches & Anoxic Basins	$0	$8,990,583	$0	$0	$0	$8,990,583
9	Clarifier Splitter Box	$0	$70,000	$0	$0	$0	$70,000
10	Secondary Clarifiers	$0	$2,571,129	$0	$0	$0	$2,571,129
11	Secondary Scum Pump Station	$0	$40,000	$0	$0	$0	$40,000
12	S.C. Dewatering Pump Station	$0	$58,310	$0	$0	$0	$58,310
13	RAS Pump Station	$0	$500,000	$0	$0	$0	$500,000
14	WAS Metering Station	$0	$30,000	$0	$0	$0	$30,000
15	Maturation Pond & Filter Feed PS	$0	$1,058,436	$0	$0	$0	$1,058,436
16	Dissolved Air Flotation Units	$0	$924,000	$0	$0	$0	$924,000
17	DAF Splitter Box	$0	$96,630	$0	$0	$0	$96,630
18	DAF Float Pump Station	$0	$41,058	$0	$0	$0	$41,058
19	DAF Recir. Pump Station	$0	$92,215	$0	$0	$0	$92,215
20	Tertiary Filters & Flocculation Basins	$0	$2,339,869	$0	$0	$0	$2,339,869
21	Plant Water Pump Station	$0	$715,356	$0	$0	$0	$715,356
22	UV Disinfection Facility	$0	$2,586,341	$0	$0	$0	$2,586,341
23	Reaeration Basins	$0	$617,000	$0	$0	$0	$617,000
24	Effluent Pump Station	$0	$730,192	$0	$0	$0	$730,192
25	Chemical Storage Facility	$0	$700,000	$0	$0	$0	$700,000
26	Chemical Building	$0	$508,815	$0	$0	$0	$508,815
27	Plant Drain Pump Station	$0	$124,000	$0	$0	$0	$124,000
28	Hydrated Lime Feed System	$0	$161,978	$0	$0	$0	$161,978
29	Yard Piping & Structures	$0	$6,421,465	$0	$0	$0	$6,421,465
30	MCC 200 Electrical Building	$0	$351,907	$0	$0	$0	$351,907
31	Standby Generator	$0	$919,310	$0	$0	$0	$919,310
32	Motor Control Centers & PLCs	$0	$1,229,850	$0	$0	$0	$1,229,850
33	Lighting, Conduits & Wiring	$0	$970,773	$0	$0	$0	$970,773
34	Instruments (Flow Meters, Etc.)	$0	$2,215,662	$0	$0	$0	$2,215,662
35	Site Electrical (Ductbanks, Etc.)	$0	$3,897,813	$0	$0	$0	$3,897,813
36	Electrical and Monitoring Buildings	$0	$468,210	$0	$0	$0	$468,210
37	Solids Holding Tank	$0	$857,542	$0	$0	$0	$857,542
38	Solids Feed Pump Station	$0	$475,110	$0	$0	$0	$475,110
39	Solids Dewatering Building	$0	$3,920,650	$0	$0	$0	$3,920,650
40	Lab & Administration Building	$0	$1,397,116	$0	$0	$0	$1,397,116
41	Shop & Maintenance Building	$0	$334,769	$0	$0	$0	$334,769
42	Emergency Storage Basin	$512,945	$306,533	$0	$0	$0	$819,478
43	Maturation Ponds	$2,126,944	$205,034	$0	$0	$0	$2,331,978
44	Tertiary Storage Basins	$216,153	$216,000	$0	$0	$0	$432,153
45	Irrigation Fields	$1,372,867	$365,000	$0	$0	$0	$1,737,867
46	Stormwater Piping & Detention Basin	$0	$242,327	$0	$0	$0	$242,327
47	Outfall and Effluent Pipeline	$0	$0	$2,835,703	$0	$0	$2,835,703
48	Reclamation Booster PS & Pipeline	$0	$0	$0	$0	$2,160,356	$2,160,356
49	Off-Site Disposal Fields	$0	$0	$0	$0	$1,500,000	$1,500,000
50	Influent Sewer (Bickford to WWTRF)	$0	$0	$0	$11,055,719	$0	$11,055,719
	TOTAL CONSTRUCTION COSTS	**$5,591,138**	**$56,430,095**	**$2,977,488**	**$11,608,505**	**$3,768,374**	**$80,375,600**

Notes:
1. ENRCCI used is the midyear 20 Cities ENRCCI .