SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-B**

FROM: Steve Mack, General Manager

Meeting Date: December 5, 2013

Subject: DISCUSSION/ACTION RE REVIEW OF 2014 - 2019 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDED ACTION: Receive a report on the 2014-2019 Capital Improvement Program (CIP).

FISCAL IMPACT: none

DISCUSSION:

The District has an aggressive CIP with a priority aim of reducing system water losses. The CIP has had substantial assistance from the Redevelopment program but that is no longer available to assist with future projects, so we will need to use reserves, funds developed through water rate revenues or find other funding assistance sources. We have had a substantial number of projects every year since 2008.

Last year we had a lot of activity related to the CIP – we investigated USDA funding rejecting it after careful consideration, and we revised the program so that the Hidden Valley Road and Guernewood Lane projects were moved up to 2014 and the Old Monte Rio Road project was moved back to 2015. We refinanced the USDA general obligation bonds so that more funding will be available for future CIP projects.

Staff recommends continuing with the CIP approved in January 2013 (see Table 1) which will deplete District reserves as shown in Table 2.

Reviewing the approved CIP, the 2014 CIP is near completion and the 2015 CIP is in design with award of contract expected in June 2014. In looking at the rest of the approved CIP, staff have no reasons to change the recommendations at this time. The total estimated cost of the 5 years of projects is approximately $4.4 million. The total wish list of projects is approximately $7.2 million, a gap of almost $2.8 million. As shown in Table 2, which is the multi-year projection of available funding for capital projects, the District nears the Policy Reserve levels (line 39) in the 4th year of this program (FY 2017) but recovers by skipping a year. The planning document also has no CIP in FY 2021. At the end of the planning period, funds are available for additional capital programs. The CIP will be continually monitored, of course, and if more funding is available in the future the completion schedule can be accelerated.

Of note is the possible re-emergence of the Du Brava Hotel as a potential development within the District. District financial planning has assumed that the Du

Brava Hotel will require the Upper Summit tank and that the hotel will assist the District in paying for this improvement (50%?). It may be that this project is on track for construction in FY 2017, in which case the tank project could be combined with the Park Avenue and Cherry Street improvements. The Upper Summit Tank project needs to be re-examined to see if the best location for the added storage is at the upper Summit site – it may be that the lower Summit tank site would be a better location – lower pumping costs for the same supply to the lower elevations.

Table 1. Sweetwater Springs Water District Proposed 2014-2019 CIP Projects by Year;

Year	Projects	Estimated Cost	Cost per service	Comments
2014				
	Hidden Valley Rd (GV) – Replace 3,900 lf of existing main and appurtenances on Hidden Valley Rd, 67 services.	$656,000	$9,791	Needed for flows, fire protection, customer water quality, leaks; need to figure out project
	Guernewood Lane (GV) - – Replace 1,800 lf of existing main and appurtenances and abandon 200 lf of redundant 4 – inch main along Hwy 116, 20 services.	$318,000	$15,900	Has been pushed down from past priority lists; needed.
	2014 Total	$974,000		
2015				
	Old Monte Rio Road (GV) – Replace 5,800 lf of existing main and appurtenances commencing at the Handy Andy Booster and proceeding westerly, 50 services.	$936,000	$18,720	Needed for flows, fire protection, customer water quality, leaks
	2015 Total	$936,000		
2016				
	Canyon 1 (Rio Nido) Replace approximately 3,900 ft of existing mainline and 75 services along Canyon 1 Rd., Memory Ln., Memory Park Rd.	$890,000	$13,284	needed project; moved this up.
	2016 Total	$890,000		
2017				
	Park Ave. (GV) replace approximately 2900 lf of main line on Park Ave. and McLane, 37 services. Loop two deadend lines.	$688,000	$18,595	pushed down, but needed
	Cherry St. (GV) replace approximately 440 lf of main line, 13 services.	$126,000	$9,692	do with Park Ave.
	2017 Total	$814,000		
2018	**No Capital Project**			
2019				
	Wright Drive main pressure zone. – (GV) Replace approximately 1,120 ft of existing mainline and 18 associated services along Wright Dr. and Wright Ln.	$275,000	$15,278	
	Woodland Drive – mainline replacement. (GV) Replace approximately 1,900 ft of existing mainline and 27 associated services along Woodland Dr in the main pressure zone.	$400,000	$14,815	

	Monte Rio Treatment Plant Green Sand Filter Replacement	$130,000	NA	Investigation/analysis needed on replacing this
	5th Year (2019?) Total	$805,000		
	Priority List (5 Years) Total	**$4,419,000**		
	Other Projects			
	Schoeneman pressure zone- main line replacement. (GV) Replace approximately 3,000 ft of existing mainline and 47 associated services along Highland Way, Sunset Ave, Woodland Dr, Laurel Way and Morningside Drive. (requires completion of Schoeneman Tank)	$744,300	$15,836	
	Highway 116 (MR) Replace approximately 850 ft of main line.	$280,000		Do with Main Street
	Main St (MR) Replace approximately 800 ft of mainline along Main St.	$180,000		
	Upper Summit Tank - Construct a storage tank with a nominal capacity of approximately 120,000 gallons at the District–owned site on McLane Avenue. Project to include relocation/ construction of the existing hydro-pneumatic pump station.	$490,000		Do we wait on development for these tanks? Does new development contribute?
	Natoma Tank – Replace the existing 10,000 gallon storage tank with a 30,000 storage tank. 2005 cost estimate	$190,000		
	Schoeneman Tank– Replace the existing 10,000 gallon tank with a 30,000 gallon storage tank. 2005 cost estimate	$127,000		
	Wright Drive upper pressure zone. – (GV) Replace approximately 3,280 ft of existing mainline and 47 associated services along Wright Dr, Glenda Dr, Natoma Dr. (requires completion of Natoma Tank)	$800,000	$17,021	
	Other Projects Total	$2,811,300		
	Total Projects Amount	**$7,230,300**		

	Table 2. OPERATING AND CAPITAL BUDGET SUMMARY - 3% Increase, Approved CIP, 20 yr refi, no pay off of remaining bonds						Water Rate, CDRC Increase =		3%	Sales Flat					
						FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
1	**REVENUE**														
2		**OPERATING REVENUE**													
3			**Water Bill Revenue**												
4				**Capital Debt Reduction Charge**		238,000	245,140	252,494	260,069	267,871	275,907	284,184	292,710	301,491	234,300
5				**Total Water Sales**		1,930,203	1,988,109	2,047,752	2,109,185	2,172,460	2,237,634	2,304,763	2,373,906	2,445,123	2,518,477
6		**Total OPERATING REVENUE**				**2,168,203**	**2,233,249**	**2,300,247**	**2,369,254**	**2,440,332**	**2,513,542**	**2,588,948**	**2,666,616**	**2,746,615**	**2,752,777**
7		**Total NON-OPERATING REVENUE**				**106,274**	**108,810**	**109,628**	**110,454**	**111,289**	**112,132**	**112,983**	**113,843**	**114,711**	**115,589**
8	**Total Income**					2,274,477	2,342,059	2,409,875	2,479,708	2,551,621	2,625,673	2,701,931	2,780,459	2,861,326	2,868,366
9	**EXPENSES**														
10		**OPERATING EXPENSES**													
11			**SALARY & BENEFITS**			**1,095,000**	**1,082,877**	**1,092,558**	**1,116,915**	**1,201,095**	**1,228,279**	**1,256,231**	**1,284,992**	**1,314,573**	**1,345,016**
12			**SERVICES & SUPPLIES**		**increase =**	1%									
13			**SERVICES & SUPPLIES**			**524,670**	**529,571**	**534,520**	**539,520**	**544,569**	**550,533**	**556,571**	**562,682**	**568,868**	**575,129**
14		**TOTAL OPERATING EXPENSES**				1,619,670	1,612,448	1,627,079	1,656,434	1,745,664	1,778,813	1,812,802	1,847,674	1,883,441	1,920,145
15	OPERATING SURPLUS/DEFICIT					**$654,807**	**$729,611**	**$782,796**	**$823,274**	**$805,957**	**$846,861**	**$889,129**	**$932,785**	**$977,886**	**$948,221**
16		**FIXED ASSET EXPENDITURES**				**20,000**	**5,000**	**26,000**	**5,000**	**26,000**	**5,000**	**26,000**	**5,000**	**26,000**	**5,000**
17		**TRANSFERS TO OTHER FUNDS**													
18			**Tfers to CIRF for CDR Revenue**			238,000	245,140	252,494	260,069	267,871	275,907	284,184	292,710	301,491	234,300
19			**Tfers to CIRF**			360,000	440,000	470,000	520,000	480,000	530,000	550,000	600,000	620,000	680,000
20		**Total TRANSFERS TO OTHER FUNDS**				638,000	725,140	762,494	820,069	787,871	845,907	874,184	932,710	961,491	954,300
21	SURPLUS/DEFICIT					**-3,193**	**-529**	**-5,698**	**-1,795**	**-7,914**	**-4,047**	**-11,056**	**-4,925**	**-9,606**	**-11,079**
22	**Capital Budget**														
23	**REVENUE/SOURCES OF FUNDS**														
24		**Net Operating Revenues****				356,807	439,471	464,302	518,205	472,086	525,953	538,944	595,075	610,394	668,921
25		**Assessments**				777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000
26		**Capital Debt Reduction Charge*****				238,000	245,140	252,494	260,069	267,871	275,907	284,184	292,710	301,491	234,300
27		**Capital Interest**				25,000	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
28		**CDC Grants**				914,250									
29		**Transfers From CIRF/Reserves**				220,000	610,000	560,000	450,000	410,000		320,000	450,000		260,000
30	TOTAL REVENUE					2,531,057	2,101,611	2,063,796	2,015,274	1,936,957	1,588,861	1,930,129	2,124,785	1,698,886	1,950,221
31	**EXPENSES**														
32		**Total Debt Payments**				**1,086,633**	**1,061,314**	**1,046,314**	**1,046,314**	**1,046,314**	**1,046,314**	**1,046,314**	**1,046,314**	**1,025,314**	**876,314**
33						CIP 2013	CIP 2014	CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020	CIP 2021	CIP 2022
34		**Annual CIP**				**1,623,898**	**974,000**	**936,000**	**890,000**	**814,000**		**805,000**	**1,000,000**		**1,000,000**
35		**In-House Construction Projects**				27,541	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
36	TOTAL EXPENSES					2,738,072	2,075,314	2,022,314	1,976,314	1,900,314	1,086,314	1,891,314	2,086,314	1,065,314	1,916,314
37	SURPLUS/DEFICIT					**-207,015**	**26,297**	**41,482**	**38,960**	**36,643**	**502,547**	**38,815**	**38,471**	**633,572**	**33,907**
38	**FUND AND LOAN BALANCES (EOY)**														
39		**Ending Funds ab District Policy**				**2,354,329**	**1,770,626**	**1,252,108**	**841,068**	**467,711**	**970,257**	**689,072**	**277,543**	**911,115**	**685,021**
40	**NET CAPITAL FUNDING******					**310,174**	**430,297**	**457,482**	**518,960**	**480,643**	**542,547**	**563,815**	**628,471**	**673,572**	**813,907**

*** Starting values based on projected FY13 EOY**

**** =Transfer to CIRF plus net operating surplus**

***** =Transfers from CDRC**

****** =Net Operating Revenues + Assessments + CDRC + Capital Interest - Total Debt Payments**