SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: January 6, 2014

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

RECOMMENDED ACTION: Receive additional information on the review of the District's Capital Improvement Program (CIP) and provide direction to staff.

FISCAL IMPACT: none

DISCUSSION:

At the December 2014 meeting staff presented information on review of the District's CIP with some recommendations on updating the CIP. The Board requested information on how staff prioritizes projects (among other requests for additional information).

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.

The 2014-2019 CIP is a continuation of the District practice of looking forward with the capital projects needed to improve the District infrastructure. Three years of the approved CIP are either done or in progress. In the past year we have completed the 2014 CIP, the 2015 CIP is underway and the 2016 CIP is in design with award of contract expected in May or June 2015. It's time extend out the view of future projects.

Table 2 is a redrafting of the approved CIP with the deletion of 2014 and 2015 and the extension out to 2022. This draff CIP includes the improvements of the distribution lines and construction of enlarged tanks for the Schoeneman pressure zone/Schoeneman Tank and Wright Drive upper pressure zone/Natoma Tank in FY 2020 and 2021, respectively. The list of projects has an Old River Road project added - it is cast iron similar to what was on Mill Street and is subject to continual leakage and a possible catastrophic failure as happened on Mill Street.

One consideration is the potential windfall to undeveloped property in the Schoeneman and upper Wright Drive pressure zones. The improvement listed in the draft CIP will allow these parcels to be developed. Perhaps some fee should/could be developed to spread more of the cost of these projects to the undeveloped parcels. These projects had been on hold waiting for development to help pay for them.

Still unknown is the likelihood of progress or 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 the relatively near future, in which case the tank project could be combined with the Park Avenue and Cherry Street improvements in FY 2017. 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 3 shows the financial model analysis of this draft CIP. It includes 3% increases in every year until FY 2018 after which 3% increases alternate years, and the windfall of no USDA bond payment this fiscal year and reduced USDA payments in the future. The analysis shows that we need to skip FY 19 to avoid going into policy reserves, and again in FY 22. The model assumes the Capital Debt Reduction Charge is reduced when the state loans are paid off in 2022 - it may make sense to revise our rates such that we are not raising one component but reducing another in the same time frame.

Table 1. Sweetwater Springs Water District Approved 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		Completed cost was $1,056,658
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		Contract cost plus CM is $1,122,197
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. Sweetwater Springs Water District Draft 2016-2023 CIP Projects by Year

Year	Projects	Estimated Cost	Cost per service	Comments
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				
	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
	2018 Total	**$805,000**		
2019	**No Capital Project**			
2020				
	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	
	Schoeneman Tank– Replace the existing 10,000 gallon tank with a 30,000 gallon storage tank. 2005 cost estimate	$127,000		
	2020 Total	**$871,300**		
2021				
	Wright Drive upper pressure zone. – (GV) Replace approximately 3,280 ft of existing	$800,000	$17,021	

	mainline and 47 associated services along Wright Dr, Glenda Dr, Natoma Dr. (requires completion of Natoma Tank)			
	Natoma Tank – Replace the existing 10,000 gallon storage tank with a 30,000 storage tank. 2005 cost estimate	$190,000		
	2021 Total	**$990,000**		
2022	**No Capital Project**			
2023				
	Replace approximately 3,500 ft of existing main and 70 services on Old River Rd at Morningside east to the eastern section of Foothill Drive. Include Orchard Rd and Foothill Drive and River Rd on river side of the road.	**$1,000,000**		Very rough estimate of cost
	Priority List (5 Years) Total	**$5,370,300**		
	Other Projects			
	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?
	Other Projects Total	$950,000		
	Total Projects Amount	**$6,320,300**		

Table 3. OPERATING AND CAPITAL BUDGET SUMMARY - 3% Increase Alt, Revised Draft CIP

Water Rate, CDRC Increase = 3%

Sales Flat

		FY14 Actual	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
1	**REVENUE**										
2	**OPERATING REVENUE**										
3	**Water Bill Revenue**										
4	**Capital Debt Reduction Charge**	246,360	253,751	261,363	269,204	269,204	277,280	285,599	285,599	234,300	234,300
5	**Total Water Sales**	1,976,645	2,035,944	2,097,023	2,159,933	2,159,933	2,224,731	2,224,731	2,291,473	2,291,473	2,360,218
6	**Total OPERATING REVENUE**	**2,223,005**	**2,289,695**	**2,358,386**	**2,429,138**	**2,429,138**	**2,502,012**	**2,510,330**	**2,577,072**	**2,525,773**	**2,594,518**
7	**Total NON-OPERATING REVENUE**	**107,485**	**105,954**	**106,865**	**107,785**	**108,715**	**109,653**	**110,601**	**111,559**	**112,526**	**113,503**
8	**Total Income**	2,330,490	2,395,649	2,465,251	2,536,923	2,537,852	2,611,665	2,620,931	2,688,631	2,638,299	2,708,020
9	**EXPENSES**										
10	**OPERATING EXPENSES**										
11	**SALARY & BENEFITS**	**1,078,736**	**1,028,100**	**1,051,922**	**1,076,366**	**1,160,671**	**1,188,012**	**1,216,158**	**1,245,152**	**1,275,017**	**1,305,789**
12	**SERVICES & SUPPLIES increase =**	1%									
13	**SERVICES & SUPPLIES**	**478,770**	**483,244**	**517,762**	**522,325**	**496,935**	**532,375**	**507,882**	**543,456**	**519,098**	**554,809**
14	**TOTAL OPERATING EXPENSES**	1,557,506	1,511,344	1,569,684	1,598,692	1,657,605	1,720,387	1,724,040	1,788,607	1,794,114	1,860,598
15	OPERATING SURPLUS/DEFICIT	**$772,984**	**$884,305**	**$895,567**	**$938,231**	**$880,247**	**$891,278**	**$896,892**	**$900,024**	**$844,185**	**$847,423**
16	**FIXED ASSET EXPENDITURES**	**16,747**	**52,000**	**72,000**	**72,000**	**20,000**	**72,000**	**20,000**	**20,000**	**72,000**	**20,000**
17	**TRANSFERS TO OTHER FUNDS**										
18	**Tfers to CIRF for CDR Revenue**	246,360	253,751	261,363	269,204	269,204	277,280	285,599	285,599	234,300	234,300
19	**Tfers to CIRF**	460,000	410,000	380,000	410,000	460,000	420,000	530,000	540,000	550,000	610,000
20	**Total TRANSFERS TO OTHER FUNDS**	746,360	703,751	681,363	719,204	769,204	737,280	855,599	865,599	824,300	884,300
21	SURPLUS/DEFICIT	**9,877**	**128,555**	**142,204**	**147,027**	**91,043**	**81,997**	**21,293**	**14,425**	**-52,115**	**-56,877**
22	**Capital Budget**										
23	**REVENUE/SOURCES OF FUNDS**										
24	**Net Operating Revenues****	469,877	538,555	522,204	557,027	551,043	501,997	551,293	554,425	497,885	553,123
25	**Assessments**	756,608	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000
26	**Capital Debt Reduction Charge*****	246,360	253,751	261,363	269,204	269,204	277,280	285,599	285,599	234,300	234,300
27	**Capital Interest**	16,287	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
29	**Transfers From CIRF/Reserves**	650,000	610,000	710,000	520,000	380,000	410,000	380,000	370,000		180,000
30	TOTAL REVENUE	2,139,132	2,209,305	2,280,567	2,133,231	1,987,247	1,976,278	2,003,892	1,997,024	1,519,185	1,754,423
31	**EXPENSES**										
32	**Total Debt Payments**	**1,059,252**	**970,822**	**1,035,106**	**1,035,106**	**1,035,106**	**1,035,106**	**1,035,106**	**1,035,106**	**865,106**	**865,106**
33			CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020	CIP 2021	CIP 2022	CIP 2023
34	**Annual CIP**	**1,056,658**	**1,122,197**	**1,068,000**	**976,800**	**1,046,500**		**1,045,200**	**1,188,000**		**1,000,000**
35	**In-House Construction Projects**	18,328	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
36	TOTAL EXPENSES	2,134,238	2,133,019	2,143,106	2,051,906	2,121,606	1,075,106	2,120,306	2,263,106	905,106	1,905,106
37	SURPLUS/DEFICIT	**4,894**	**76,286**	**137,461**	**81,325**	**-134,359**	**901,172**	**-116,414**	**-266,082**	**614,079**	**-150,683**
38	**FUND AND LOAN BALANCES (EOY)**										
39	**Ending Funds ab District Policy**	**2,507,800**	**1,974,086**	**1,401,548**	**962,873**	**448,514**	**939,685**	**443,271**	**(192,812)**	**421,267**	**90,584**
40	**NET CAPITAL FUNDING******	**429,880**	**628,483**	**535,461**	**578,125**	**572,141**	**531,172**	**588,786**	**591,918**	**654,079**	**709,317**

*** 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**