SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: June 7, 2012

Subject: EVALUATION OF THE 2014-2018 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDED ACTION: Receive a report on the evaluation of the 2014-2018 Capital Improvement Program (CIP) and direct staff to reorder the CIP to better reflect funds available to the District.

FISCAL IMPACT: none

DISCUSSION:

Capital improvements are an important element of the District's work effort. The District has an aging, inadequate infrastructure, an unacceptable amount of unaccounted for water and District staff spend too much time reacting to leaks in the distribution system. A Capital Improvement Program (CIP) identifies the projects needed to upgrade a utility's infrastructure and includes a process of reviewing District capital project needs. In January 2011 the Board approved the 2012-2018 CIP (Table 1) which reflected the District's capital project needs and expected available funding. The 2012-2018 CIP was a wish list for which funding was heavily dependent on assistance from the Sonoma County Redevelopment Agency (RDA) and the Russian River Redevelopment Oversight Committee (RRROC). Shortly after approval of this CIP, the RDA was abolished by the State Legislature and the District made a request for funding of the 2012 and 2013 CIP projects to the RRROC and RDA, which was approved. This past winter the dissolution of Redevelopment was confirmed and the likelihood of new RDA funding or anything similar to it seems very slim.

Because of this change in the availability of outside funding assistance, the District must re-examine its CIP to make it more realistic to the funds available for capital programs. With Board approval and direction, our intention with this report is to present a reordering of possible capital projects to fit into the funds available, invite Board comments on this reordering, and have additional staff discussions on these projects for further refinement of the projects, if necessary. At the July 2012 meeting the refined list will be presented to the Board for its approval.

Looking at Table 1, the first two years of the CIP is done or is soon to be under construction. The 2014 CIP design will start next fall and is an

expensive project estimated to cost approximately $1.5 million. In looking at the rest of the currently approved CIP, staff considered current District infrastructure needs, the recent leak and repair history and flow needs. Revising the priority of needed capital projects included the following:

- $1million seems to still be a good expenditure target – it achieves some economy of scale in project mobilization for contractors. We don't want to be much below that amount. Table 3 shows that reserves stay above District Policy levels if we keep the annual CIP amount at around $1million and skip years in the outer years. We have approximately $5million in funds for the planning period of FY14 through FY21.
- For this revision we are looking at five years of CIP projects - $1million in projects for 5 years.
- We have more projects than 5 years at $1million per year; lower priority projects will be put into an "Other" category.
- The current 2014 CIP should be split into two years; we are trying to be closer to the $1 million in projects per year objective.
- The Rio Nido project stays up on the priority list while Park Avenue and Cherry Street are moved down. The Rio Nido project area has been a source of leaks recently and it's not going to get better without this project or something similar.
- The tank projects – Upper Summit Tank, Natoma Tank, and Schoeneman Tank – stay down on the priority list and have no year assigned. These are important projects that could be included in the CIP, but their construction should be tied to and funding supported by possible development projects. These projects are more important for future development projects than to existing needs. If cost sharing arrangements can be developed, these projects can move up in the priority. The remaining projects in the Other Projects category are tied to the completion of these tanks.
- We are adding a new capital project, replacement of the green sand filter at the Monte Rio Treatment Plant. This filter system was rehabilitated approximately 2 years ago and at the time we were told it would need rebuilding or replacement in about 8 years. We would like to replace it with a system similar to what is used at the Highland Treatment facility.

Table 2 shows the results of the reordering of the projects. The total estimated cost of the 5 years of projects is approximately $4.4million. The total wish list of projects is approximately $7.3million, a gap of almost $3million. As shown in Table 4, which is the multi-year projection of available funding for capital projects, the District goes below Policy Reserve levels in the 4th year of this program but recovers by skipping a year. At the end of the planning period, funds are available for additional capital

programs. This CIP will be continually monitored, of course, and if more funding is available in the future the completion schedule can be accelerated.

One measure of an adequate CIP is that one percent of the distribution system length is replaced on an annual average. A recent calculation of District water distribution lines showed that the District has a total of 64.3 miles of pipe (or approximately 337,400 feet). One percent of that is 3,374 feet – that's one measure of the adequacy of our CIP. Our recent construction has well exceeded that amount, but the District's infrastructure is well below average condition and a catchup program has been needed. The revised CIP distribution footage replacement amount stays above the one percent target for the first four years, but falls short after that. Again, this program and the District's available funding will be continually monitored and can be revised as we develop more information and experience.

The ad hoc Budget Committee met on May 24 to discuss the evaluation progress. They were generally in accord with the proposed revisions. The Committee did request that the cost per service be added to Table 2 which has been done. The cost per service is a reflection of the residence variance of the proposed projects – the range is between $18,720 and $9,692.

Please review the information in this report. Staff will be available for comments and questions of all aspects of the evaluation of the CIP. Staff plan to come the July meeting with a resolution for approval of a revised CIP which will be called the FY 2014-2019 CIP.

Table 1. Sweetwater Springs Water District Proposed 2012-2018 CIP Projects by Year		
Year	Projects	Estimated Cost
2012		
	Western, Eastern and Northern Avenues and Orchard Lane (GV) - Replace 3,100 lf of existing main and appurtenances.	$684,000
	Foothill Drive (MR) – Install 1,000 lf of new 8 – inch main and appurtenances from B Street northwesterly to end of existing 8 – inch main and make connection to other side of Foothill where section of road is closed to through traffic.	$671,000
	2012 Total	**$1,355,000**
2013		
	Starrett Hill Road (MR) Replace approximately 1760 ft of main line, 22 services.	$380,000
	Lovers Lane (GV) Replace approximately 1440 ft of main line, 24 services.	$300,000
	Middle Terrace (MR) Replace approximately 1,375 ft of main line, 17 services.	$290,000
	Canyon Seven Rd (GV) – Eliminate dead end mains and create loops by installing 1,950 lf of new main and appurtenances in Canyon Seven Rd between Sequoia Rd and Paradise Ln.	$329,000
	2013 Total	**$1,299,000**
2014		
	Hidden Valley Rd (GV) – Replace 3,900 lf of existing main and appurtenances on Hidden Valley Rd.	$656,000
	Old Monte Rio Road (GV) – Replace 5,800 lf of existing main and appurtenances commencing at the Handy Andy Booster and proceeding westerly.	$936,000
	2014 Total	**$1,592,000**
2015		
	Park Ave. (GV) replace approximately 2900 lf of main line on Park Ave. and McLane Ave., 37 services. Loop two deadend lines.	$688,000
	Cherry St. (GV) replace approximately 440 lf of main line, 13 services.	$126,000
	Guernewood Lane (GV) - – Replace 1,800 lf of existing main and appurtenances and abandon 200 lf of redundant 4 – inch main along Hwy 116.	$318,000
	2015 Total	**$1,132,000**
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
	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
	2016 Total	**$1,165,000**
2017		

	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.	$744,300
	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. (requires completion of Schoeneman Tank)	$400,000
	2017 Total	**$1,144,300**
2018		
	Highway 116 (MR) Replace approximately 850 ft of main line.	$280,000
	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
	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
	2018 Total	**$1,267,000**
	Total 2012-2018 CIP	**$8,954,300**
	Other Possible Future Projects through FY2020	Approximate Cost
	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
	Total Approximate Cost of Future, Unapproved Projects	**$800,000**

Table 2. Sweetwater Springs Water District Proposed 2014-2019 CIP Projects by Year; Revised Order

Year	Projects	Estimated Cost	Cost per service	Comments
2014				
	Old Monte Rio Road (GV) – Replace 5,800 lf of existing main and appurtenances commencing at the Handy Andy Booster and proceeding westerly.	$936,000	$18,720	Needed for flows, fire protection, customer water quality, leaks
	2014 Total	$936,000		
2015				
	Hidden Valley Rd (GV) – Replace 3,900 lf of existing main and appurtenances on Hidden Valley Rd.	$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.	$318,000	$15,900	Has been pushed down from past priority lists; needed.
	2015 Total	$974,000		
3rd Year				
	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; moving this up.
	3rd Year (2016?) Total	$890,000		
4th Year				
	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.
	4rd (2017?) Year Total	$814,000		
5th Year				
	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	$400,000	$14,815	

	services along Woodland Dr in the main pressure zone.			
	Monte Rio Treatment Plant Green Sand Filter Replacement	$130,000	NA	Insvestigation/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 3. OPERATING AND CAPITAL BUDGET PLANNING SUMMARY

Water Rate Increase = 3% Starting in FY12; Sales reduce 4%/year

1.5% 2.2% Effective Rate Increases, CIP Revised

		11-12 (FY12) Rev BUDGET	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
1	**REVENUE**										
	4031.1. · Capital Debt Reduction	235,000	235,000	293,750	367,188	404,300	404,300	404,300	404,300	404,300	404,300
	4031.1. · Water Sales	1,770,000	1,796,550	1,823,498	1,850,851	1,891,569	1,933,184	1,975,714	2,019,180	2,063,602	2,109,001
2	Total OPERATING REVENUE	2,005,000	2,031,550	2,117,248	2,218,038	2,295,869	2,337,484	2,380,014	2,423,480	2,467,902	2,513,301
3	Total NON-OPERATING REVENUE	137,700	126,010	126,828	127,654	128,489	129,332	130,183	131,043	131,911	132,789
4	**Total Income**	2,142,700	2,157,560	2,244,076	2,345,693	2,424,358	2,466,816	2,510,197	2,554,523	2,599,813	2,646,089
5	**EXPENSES**										
6	OPERATING EXPENSES										
7	Total Salary	835,323	847,296	861,475	877,720	894,530	911,680	929,170	947,010	965,210	983,770
8	Total Benefits	280,200	294,957	303,911	313,574	323,642	334,131	345,059	356,446	368,314	380,685
9	Total SALARY & BENEFITS	1,115,523	1,142,253	1,165,386	1,191,294	1,218,172	1,245,811	1,274,229	1,303,456	1,333,524	1,364,455
10	SERVICES & SUPPLIES increase =	1%	Except for Rent								
11	Total SERVICES & SUPPLIES	509,390	514,140	518,937	523,783	528,676	534,479	540,353	546,299	552,317	558,410
12	Total OPERATING EXPENSES	1,624,913	1,656,393	1,684,323	1,715,077	1,746,849	1,780,290	1,814,582	1,849,755	1,885,841	1,922,865
13	*OPERATING SURPLUS/DEFICIT*	$517,787	$501,167	$559,753	$630,616	$677,510	$686,526	$695,616	$704,768	$713,972	$723,224
14	Total FIXED ASSET EXPENDITURES	15,000	5,000	26,000	5,000	26,000	5,000	26,000	5,000	26,000	5,000
15	TRANSFERS TO OTHER FUNDS										
16	8620.7 · Tfers to CIRF for CDR Reven	235,000	235,000	293,750	367,188	404,300	404,300	404,300	404,300	404,300	404,300
17	8620.3 · Tfers to CIRF	220,000	220,000	200,000	210,000	200,000	230,000	220,000	250,000	240,000	270,000
18	Total TRANSFERS TO OTHER FUNDS	495,000	495,000	533,750	617,188	644,300	674,300	664,300	694,300	684,300	714,300
19	*SURPLUS/DEFICIT*	7,787	1,167	3	8,429	7,210	7,226	5,316	5,468	3,672	3,924
20	**Capital Budget**										
21	**REVENUE/SOURCES OF FUNDS**										
22	Net Operating Revenues*	227,787	221,167	200,003	218,429	207,210	237,226	225,316	255,468	243,672	273,924
23	Total Assessments	777,000	777,001	777,002	777,003	777,004	777,005	777,006	777,007	777,008	777,009
24	Capital Debt Reduction Charge**	235,000	235,000	293,750	367,188	404,300	404,300	404,300	404,300	404,300	404,300
25	Capital Interest	25,000	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
26	CDC Grants	751,100	974,250								
27	Transfers From CIRF/Reserves	500,000	200,000	860,000	780,000	750,000	-	730,000		720,000	
28	*TOTAL REVENUE*	2,515,887	2,437,418	2,140,755	2,152,619	2,148,514	1,428,531	2,146,622	1,446,775	2,154,980	1,465,233
29	**EXPENSES**										
31	Total Debt Payments	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,067,760
32											
33		CIP 2012	CIP 2013	CIP 2014	CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020	CIP 2021
34	Annual CIP	1,355,000	1,299,000	1,000,000	1,000,000	1,000,000		1,000,000	-	1,000,000	-
35	In-House Construction Projects	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
36	*TOTAL EXPENSES*	2,486,314	2,430,314	2,131,314	2,131,314	2,131,314	1,131,314	2,131,314	1,131,314	2,131,314	1,107,760
37	*SURPLUS/DEFICIT*	29,573	7,104	9,441	21,305	17,200	297,217	15,308	315,461	23,666	357,473
38											
39	FUND AND LOAN BALANCES (EOY)										
42	Ending Funds ab District Policy	3,022,842	2,829,946	1,979,387	1,220,692	487,891	785,108	70,416	385,877	(310,458)	47,015

* =Transfer to CIRF plus net operating surplus

** =Transfers to CDRC

Table 4. OPERATING AND CAPITAL BUDGET PLANNING SUMMARY Revised Water Rate Increase = 3% Starting in FY12; Sales reduce 4%/year

1.5% 2.2% Effective Rate Increases, CIP Revised

		11-12 (FY12) Rev BUDGET	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
1	**REVENUE**										
	4031.1. · Capital Debt Reduction	235,000	235,000	293,750	367,188	404,300	404,300	404,300	404,300	404,300	404,300
	4031.1. · Water Sales	1,770,000	1,796,550	1,823,498	1,850,851	1,891,569	1,933,184	1,975,714	2,019,180	2,063,602	2,109,001
2	Total OPERATING REVENUE	2,005,000	2,031,550	2,117,248	2,218,038	2,295,869	2,337,484	2,380,014	2,423,480	2,467,902	2,513,301
3	Total NON-OPERATING REVENUE	137,700	126,010	126,828	127,654	128,489	129,332	130,183	131,043	131,911	132,789
4	**Total Income**	2,142,700	2,157,560	2,244,076	2,345,693	2,424,358	2,466,816	2,510,197	2,554,523	2,599,813	2,646,089
5	**EXPENSES**										
6	OPERATING EXPENSES										
7	Total Salary	835,323	847,296	861,475	877,720	894,530	911,680	929,170	947,010	965,210	983,770
8	Total Benefits	280,200	294,957	303,911	313,574	323,642	334,131	345,059	356,446	368,314	380,685
9	Total SALARY & BENEFITS	1,115,523	1,142,253	1,165,386	1,191,294	1,218,172	1,245,811	1,274,229	1,303,456	1,333,524	1,364,455
10	SERVICES & SUPPLIES increase =	1%	Except for Rent								
11	Total SERVICES & SUPPLIES	509,390	514,140	518,937	523,783	528,676	534,479	540,353	546,299	552,317	558,410
12	Total OPERATING EXPENSES	1,624,913	1,656,393	1,684,323	1,715,077	1,746,849	1,780,290	1,814,582	1,849,755	1,885,841	1,922,865
13	*OPERATING SURPLUS/DEFICIT*	$517,787	$501,167	$559,753	$630,616	$677,510	$686,526	$695,616	$704,768	$713,972	$723,224
14	Total FIXED ASSET EXPENDITURES	15,000	5,000	26,000	5,000	26,000	5,000	26,000	5,000	26,000	5,000
15	TRANSFERS TO OTHER FUNDS										
16	8620.7 · Tfers to CIRF for CDR Reven	235,000	235,000	293,750	367,188	404,300	404,300	404,300	404,300	404,300	404,300
17	8620.3 · Tfers to CIRF	220,000	220,000	200,000	210,000	200,000	230,000	220,000	250,000	240,000	270,000
18	Total TRANSFERS TO OTHER FUNDS	495,000	495,000	533,750	617,188	644,300	674,300	664,300	694,300	684,300	714,300
19	*SURPLUS/DEFICIT*	7,787	1,167	3	8,429	7,210	7,226	5,316	5,468	3,672	3,924
20	**Capital Budget**										
21	**REVENUE/SOURCES OF FUNDS**										
22	Net Operating Revenues*	227,787	221,167	200,003	218,429	207,210	237,226	225,316	255,468	243,672	273,924
23	Total Assessments	777,000	777,001	777,002	777,003	777,004	777,005	777,006	777,007	777,008	777,009
24	Capital Debt Reduction Charge**	235,000	235,000	293,750	367,188	404,300	404,300	404,300	404,300	404,300	404,300
25	Capital Interest	25,000	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
26	CDC Grants	751,100	974,250								
27	Transfers From CIRF/Reserves	500,000	200,000	810,000	760,000	650,000	540,000		370,000		
28	*TOTAL REVENUE*	2,515,887	2,437,418	2,090,755	2,132,619	2,048,514	1,968,531	1,416,622	1,816,775	1,434,980	1,465,233
29	**EXPENSES**										
31	Total Debt Payments	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,067,760
32											
33		CIP 2012	CIP 2013	CIP 2014	CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020	CIP 2021
34	Annual CIP	1,355,000	1,299,000	936,000	974,000	890,000	814,000		805,000		??
35	In-House Construction Projects	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
36	*TOTAL EXPENSES*	2,486,314	2,430,314	2,067,314	2,105,314	2,021,314	1,945,314	1,131,314	1,936,314	1,131,314	1,107,760
37	*SURPLUS/DEFICIT*	29,573	7,104	23,441	27,305	27,200	23,217	285,308	-119,539	303,666	357,473
38											
39	FUND AND LOAN BALANCES (EOY)										
42	Ending Funds ab District Policy	3,022,842	2,829,946	2,043,387	1,310,692	687,891	171,108	456,416	(33,123)	270,542	628,015

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

**** =Transfers to CDRC**