SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: December 2, 2010

Subject: 2012-2018 CAPITAL IMPROVEMENT PROGRAM REVIEW

RECOMMENDED ACTION: Receive a report on the 2012-2018 Capital Improvement Program Review.

FISCAL IMPACT: none

DISCUSSION:

Capital improvements are an important element of the District's work effort. The District has an aging 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 December 2010 District staff started the prior review of the District's capital needs which resulted in the 2012-2018 CIP approved in January 2011 (Table 1). In the past year the District has nearly completed the FY 2012 CIP, the first year of this CIP. Currently, the District has engaged Coastland Engineering to design the FY 2013 CIP, with construction expected to start in June 2012. Funding for these projects has been assisted with grants from the Sonoma County Redevelopment Agency (CRDA) and the Russian River Redevelopment Oversight Committee (RRROC). A year has passed since approval of the current CIP and it's appropriate to review the approved CIP.

Since the approval of the 2012-2018 CIP last January, the funding plan for the CIP has changed. A year ago, the District was planning on fully funding the 2012 CIP by ourselves and then requesting funding for the 2013 and 2014 CIP's. The State attempt to abolish redevelopment statewide moved up the District's plan. The District requested 75% funding from the RRROC and CRDA for the elements of the 2012 and 2013 CIP's that are eligible for CRDA funding and that funding was approved. Additional funding for the CIP is uncertain because future redevelopment programs in general remain uncertain.

The staff review of Table 1 has resulted in small changes in the project descriptions. In particular, the FY 2013 CIP has been updated with recent information developed for the design effort.

This list of projects is a wish list. The current rate structure does not support funding at this level without grant assistance (or loans which we are not planning to seek). Table 2 which is the multi-year projection of available funding for capital projects, shows that the District goes below Policy Reserve levels by FY 2018 without funding assistance of approximately $1 million for the entire 2012-2018 CIP.

Table 2 shows a brighter picture than was presented one year ago. I discovered an error in my calculation approach (I combined budgeted amounts with actual) that double counted the beginning year CIP expense. Even with the brighter picture, if funding assistance does not materialize we will have to scale back or extend out our program.

This is a seven year CIP, but the most important part to review now is the next two years' – FY 2013-2014 – projects. We annually review our CIP and the next full review will happen in November – December 2012. By that time the FY 2012 and FY 2013 will have been completed or under contract for completion, and the FY 2014 project will likely be in design. In the next full CIP review we will be re-evaluating the projects from FY 2015 on and considering extending the CIP out for two more years – to 2020.

The 2012-2018 CIP is focused on distribution system improvements. There are other possible capital improvements out there including:

- Chlorination system at both treatment locations. The current system, Miox, is maintenance intensive and has continually failing elements. Staff is investigating alternatives that will have longer lived components and require less maintenance. Expected cost is approximately $25,000 for two units.

- Green sand Filter replacement at Monte Rio Treatment Plant. This was an emergency rehabilitation two years ago and has an expected life of approximately 8 years. We may want to replace the green sand filter with the system used at the Highland site (Atech) which has been low maintenance and longer lived between rehabilitations, and has the additional benefit of not needing the addition of potassium permanganate which is a hazardous material, and which over application can cause the treated water to turn pink. Expected cost is approximately $100,000.

At this time staff do not want to add these projects to the CIP.

Table 1. Sweetwater Springs Water District 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 1940 ft of main line, 25 services.	$380,000
	Lovers Lane (GV) Replace approximately 1440 ft of main line, 22 services.	$300,000
	Middle Terrace (MR) Replace approximately 1,270 ft of main line, 13 services.	$290,000
	Canyon Seven Rd (GV) – Eliminate dead end mains and create loops by installing 2,505 lf of new main and appurtenances in Canyon Seven Rd between Sequoia Rd and Paradise Ln with extension up Rio Nido Road, 31 services.	$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. (requires completion of Schoeneman Tank)	$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.	$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 Capital Planning Budget, 2012-2018, RRROC Funding FY 12, FY13

December 1, 2011	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
REVENUE/SOURCES OF FUNDS							
Net Operating Revenues*	300,585	306,223	360,667	363,838	417,995	423,172	479,395
Total Assessments	777,000	777,000	777,000	777,000	777,000	777,000	777,000
Capital Debt Reduction Charge**	227,000	283,750	354,688	404,300	404,300	404,300	404,300
Capital Interest	89,240	75,209	10,000	10,000	10,000	10,000	10,000
CDC Grants	503,250	974,250					
Private Placement Funding (Loan proceeds)							
Transfers From CIRF/Reserves	600,000	25,000	1,240,000	720,000	700,000	680,000	116,665
TOTAL REVENUE	2,497,075	2,441,431	2,742,355	2,275,138	2,309,295	2,294,472	1,787,360
EXPENSES							
Total Debt Payments	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314
CIP III							
	FY 12 CIP	FY 13 CIP	FY 14 CIP	FY 15 CIP	FY 16 CIP	FY 17 CIP	FY 18 CIP
Annual CIP	**1,355,000**	**1,299,000**	**1,592,000**	**1,132,000**	**1,165,000**	**1,144,300**	**1,267,000**
In-House Construction Projects	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENSES	2,486,314	2,430,314	2,723,314	2,263,314	2,296,314	2,275,614	2,398,314
SURPLUS/DEFICIT	**10,761**	**11,117**	**19,041**	**11,824**	**12,981**	**18,858**	**(610,954)**
FUND AND LOAN BALANCES (EOY)							
Funds above District Reserve Policy	**3,407,844**	**3,393,961**	**2,173,002**	**1,464,825**	**777,806**	**116,665**	**(610,954)**
Begining PP Loan							
EOY PP LOAN							
Total Funding Available for CIP	**3,407,844**	**3,393,961**	**2,173,002**	**1,464,825**	**777,806**	**116,665**	**(610,954)**

*** Projection includes estimated effect of annual 3% COLA rate increase for Base Charge and Water Use Charge**

**** Projection includes CDRC rate increases in FY13, FY14, and FY15 to pay principal and interest on Private Placement Loan**