SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: December 2, 2010

Subject: CAPITAL IMPROVEMENT PROGRAM UPDATE INTRODUCTION

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

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 November 2008 District staff started the prior review of the District's capital needs which resulted in the 2010-2015 CIP approved in January 2009 (Table 1). In the past two years the District has completed CIP IV-A, Projects 1 and 2 at an approximate total cost of $1,990,000. Currently, the District is constructing CIP IV-B Projects 1 and 2 with contract costs of $2,380,000. Funding for these projects were assisted with grants from the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee. The CIP IV-B projects are essentially the first two years of the currently approved CIP. The District recently awarded a contract to Coastland Engineering for the design and construction management of the FY 2012 CIP, which is the third year of the approved CIP.

It's now time to review the approved CIP, update the list of approved projects, and approve the updated list into a revised CIP that accounts for the completed projects and current needs of the District. Doing so will keep the capital improvement effort moving forward and meet the District's infrastructure needs. The purpose of presenting the proposed, updated CIP at the December meeting is to introduce and make public staff's current thinking on the most important capital projects and a general priority listing of when these projects might be completed. With Board approval and direction, our intention is to listen to Board comments, and have additional staff discussions on these projects for further refinement of the projects. At the January meeting the refined list will be presented to the Board for its approval.

Table 1. 2008- 2015 Sweetwater Springs Water District Capital Improvement Program Projects by Year shows the CIP approved in January 2009. This is a list of projects that we felt we needed at that time, in their priority of importance. Since then, as noted above, the first two years of the CIP are under construction and the third year is in design. In looking at the rest of the currently approved CIP, staff considered current District infrastructure needs and the leak and repair history of the past two years. Revising the priority of needed capital projects included the following:

- Projects on Starrett Hill Road, Lovers Land, and Middle Terrace were moved up because of recent leak and repair history – these lines need replacing.
- The tank projects – Upper Summit Tank, Natoma Tank, and Schoeneman Tank – were moved down on the priority list. These are important projects that need to 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.
- Old Monte Rio Road Project was moved down one year. It's still an important project, but the others are more pressing.
- Park Avenue and Cherry Street projects moved up in priority based on leak and repair histories.

The 2012 CIP is in design and we plan to start construction in May-June 2011, a little ahead of the start of the 2012 Fiscal Year (July 1 2011). That timing recognizes the reality of the construction season versus the start of the fiscal year. We should be starting projects at the most opportune time which is the start of the summer construction season (and for the Foothill Road project at the end of the school year).

We have set a target of $1,000,000 annual capital program. All of the year's projects add up to more than that amount. We are being optimistic here – we are aiming for grant funding and favorable bids to make these projects possible. Staff will look for grants from all possible sources and plan on requesting funding for the FY 2013 and FY 2014 CIP from RRROC if other sources of grant funding are not available.

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 3 which is the multi-year projection of available funding for capital projects, shows that the District goes below Policy Reserve levels by FY 2014 without funding assistance of approximately $4 million for

the entire 2012-2018 CIP. If the funding assistance does not materialize we will have to scale back our program.

This is a seven year CIP, but the most important part is the first three years – FY 2012-2014 – projects. We constantly 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 extending the CIP out for two more years – to 2020.

Please review the information in this agenda report. Staff will be available for comments and questions of all aspects of the review of the CIP. Staff plan to come the January meeting with a resolution for approval of the FY 2012-2018 CIP.

Table 1. Sweetwater Springs Water District 2010-2015 CIP by Year

Year	Projects	Estimated Cost
2010	**CIP IV-B, Project 1**	
	Schoolhouse Tank and Upper Schoolhouse Tank (MR) **–** Construct a storage tank with a capacity of approximately 65,000 gallons at the top of Bonita Terrace, install a booster station, and connect with replacement reservoir at Upper Schoolhouse site. This project fits well with CIP-PHASE IV-A, PROJECT 2 distribution system improvements in the Monte Rio Terraces.	$638,000
	Bonita Terrace (MR) - Replace 1,500 ft of existing main and appurtences on Bonita Terrace, including ties to Schoolhouse Tank and Delta Way (CIP IV-A), to create a loop.	$238,000
	Riverlands Road (GV) – Replace 1,600 lf of existing main and appurtenances in Riverlands Road, including two ties at Drake Road to create a loop.	$393,000
	Handy Andy Booster Feed Line (GV) **–** Replace 300 lf of existing main between Hwy 116 and the booster pump at Old Monte Rio Road**.**	$59,000
	2010 - CIP IV-B, Project 1 Total	**$1,328,000**
2011	**CIP IV-B, Project 2**	
	Alder Road, Pebble Way, & Heller Streets (MR) – On River Blvd, Alder Rd., Willow Rd., and Railroad Ave., replace existing mains and appurtenances with approximately 6,000 lf of 6-inch water main, to complete loop. Abandon 4,500 lf of parallel undersized water mains and transfer water services to larger main.	$1,165,000
	Rio Vista Terrace (MR) - On Rio Vista Terrace and Huckleberry Way replace 1,300 lf of 2 inch water line with 6 inch line with 24 service connections, add 3 fire hydrants, and pave roads.	$350,000
	2011 - CIP IV-B, Project 2 Total	**$1,515,000**
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	$671,000

	to through traffic. Install 1,200 lf of 6-inch and 1,900 lf of 2-inch main and appurtenances to loop system.	
	2012 Total	**$1,355,000**
2013		
	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
	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	**$1,265,000**
2014		
	Hidden Valley Rd (GV) – Replace 3,900 lf of existing main and appurtenances on Hidden Valley Rd.	$656,000
	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
	2014 Total	**$974,000**
2015		
	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 that currently serves the highest connections in the Summit Service Zone. 2005 cost estimate.	$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
	2015 Total	**$807,000**
	Total CIP	**$7,244,000**

Table 2. 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 3. Sweetwater Springs Water District Capital Planning Budget, 2011-2018, Base Situation

	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
REVENUE/SOURCES OF FUNDS								
Net Operating Revenues*	300,000	304,500	309,068	313,704	318,409	323,185	328,033	332,953
Total Assessments	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000
Capital Debt Reduction Charge**	227,000	227,000	283,750	354,688	404,300	404,300	404,300	404,300
Capital Interest	60,000	56,212	28,872	10,000	10,000	10,000	10,000	10,000
CDC Grants	1,136,250							
Private Placement Funding (Loan proceeds)	378,750							
Transfers From CIRF/Reserves		1,140,000	1,050,000	522,749				
TOTAL REVENUE	2,879,000	2,504,712	2,448,689	1,978,140	1,509,709	1,514,485	1,519,333	1,524,253
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	1,091,314
CIP III	80,000							
CIP IV-A (Obligated)								
	CIPIV-B, Proj 2	FY 12 CIP	FY 13 CIP	FY 14 CIP	FY 15 CIP	FY 15 CIP	FY 15 CIP	FY 15 CIP
Annual CIP	1,515,000	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	40,000
TOTAL EXPENSES	2,726,314	2,486,314	2,430,314	2,723,314	2,263,314	2,296,314	2,275,614	2,398,314
SURPLUS/DEFICIT	152,686	18,398	18,375	(745,174)	(753,605)	(781,829)	(756,281)	(874,061)
FUND AND LOAN BALANCES (EOY)								
Funds above District Reserve Policy	2,675,975	1,554,373	522,749	(745,174)	(1,498,779)	(2,280,608)	(3,036,889)	(3,910,950)
Begining PP Loan								
EOY PP LOAN								
Total Funding Available for CIP	2,675,975	1,554,373	522,749	(745,174)	(1,498,779)	(2,280,608)	(3,036,889)	(3,910,950)

*** Projection includes estimated effect of annual 3% COLA rate increase for Base Charge and Water Use Charge (1.5% increase in Net Revenue)**

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

1,052,000

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