SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: December 3, 2015

Subject: DISCUSSION/ACTION RE REVIEW OF THE 2016-2023 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDED ACTION: Receive a presentation on the review of the 2016-2023 Capital Improvement Program (CIP) and provide direction to staff.

FISCAL IMPACT: none

DISCUSSION:

This is the start of the annual review of the District's approved Capital Improvement Program (CIP) which we start every December. If there are no changes or questions, we move on with whatever has been planned for the coming year; if questions arise staff work on getting and we come back in January for more discussion. This is one of those years when the Board may have questions and explore alternatives largely because we are running out of money. We had been fortunate to be able to build up and maintain substantial reserves because of the funding from the Redevelopment Agency which is no longer an option. The past two years we have been fully funding our projects and we are nearing the end of what we can self fund on an annual basis.

At the August 2015 Board Meeting the Board approved a revised 2016-2023 CIP which was the result of a comprehensive staff and Board review of the District's capital projects, augmented by the work of the ad hoc CIP Review Subcommittee. Items that the Subcommittee addressed included the selection criteria listed below:

- **Improved water quality**
- **Water losses**
- **Potential Liability**
  - **Age of Pipe**
  - **Pipe Material**
  - **Terrain**
  - **Difficulty of Repair/Maintenance**
- **Storage and pressure zone requirements**
- **Costs per service**

Table 1 shows the approved 2016-2023 CIP. A major change in the CIP was the inclusion of the River Road project and position as the project next for construction in FY 2017. This project is currently under design by Coastland Engineering. Two leaks associated with the water main along River Road near Rio Nido, the pipe material of that main - cast iron - the condition of the pipe material when it was excavated for repair, and the fact that it's the only supply line into Rio Nido have moved this project to the top of the list.

A major issue with the approved CIP is the possible cost of the 2017 project. In Table 1 the project is listed as $985,000 but we are almost certain it is much more expensive than that - the main length is longer than what is stated in the CIP and the included side streets only add length and cost. We are thinking it will be closer to $ 2 million. We will have a much better of the cost in January when design is nearing the 50% mark. As Table 2 shows we cannot afford this size of a project to be done next year - we will run through all our reserves including Policy Reserves. Possible alternatives include:

- Split the project into two years but do we want to chance the possibility that starting the project and then waiting for completion will present a risk of failure to the delayed half.
- Do the 2018 project first building up reserves (or just skip a year totally). That will also give us some time to look for grant funds.
- Get a loan - we might be able get a USDA loan but that incurs more debt, something we've been trying to get away from. However, with low reserves we might be able to get some debt forgiveness. Also possible is a State Prop 1 grant or loan associated with that or other State funding.

We can discuss this and other aspects of the CIP at the Board Meeting.

Table 1. Sweetwater Springs Water District 2016-2023 CIP Projects by Year				
Year	Projects	Estimated Cost	Cost/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	$11,867	Contract Awarded for $915,433, Design, CMI $175,000
	2016 Total	$890,000		
2017				
	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. Feeds Rio Nido.	$985,000	$14,071	Cost is rough estimate, will be refined during design
	2017 Total	$985,000		
2018				
	Monte Rio Treatment Plant Green Sand Filter Replacement. Serves Monte Rio system (1100 services)	$200,000	NA	
	2018 Total	$200,000		
2019				
	Park Ave. (GV) replace approximately 2900 lf of main line on Park Ave. and McLane, 37 services. Loop two deadend lines. Replace/repair Park Ave. Tank	$788,000	$21,297	
	Cherry St. (GV) replace approximately 440 lf of main line, 13 services.	$126,000	$9,692	
	2019 Total	$914,000	$18,280	
2020				
	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	
	2020 Total	$675,000	$15,000	
2021	**Skip Capital Project**			
2022				

	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 and includes Shoeneman Booster)	$814,300	$17,326	
	Schoeneman Tank– Replace the existing 10,000 gallon tank with a 30,000 gallon storage tank. 2005 cost estimate	$127,000		
	2021 Total	$941,300	$20,028	
2023				
	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 and includes Edgehill Booster)	$870,000	$18,511	
	Natoma Tank – Replace the existing 10,000 gallon storage tank with a 30,000 storage tank. 2005 cost estimate	$190,000		
	2023 Total	$1,060,000	$22,553	
	Total Cost of 2017-2023 Projects	**$4,675,300**		
	Other Projects			
	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		wait for Dubrava Development?
	Total Approximate Cost of Future, Unapproved Projects	**$950,000**		

Table 2. OPERATING AND CAPITAL BUDGET SUMMARY - 3% Increase, Approved CIP with est costs

Water Rate, CDRC Increase = 3% Sales Flat

		FY15 Actual	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1	**REVENUE**										
2	OPERATING REVENUE		Reduced WS	Flat	10% Increase	Flat….					
3	Water Bill Revenue										
4	Capital Debt Reduction Charge	254,854	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
5	Total Water Sales	1,951,973	1,953,372	2,011,973	2,126,910	2,190,717	2,256,439	2,324,132	2,393,856	2,465,671	2,539,641
6	Total OPERATING REVENUE	2,223,209	2,215,871	2,282,348	2,405,396	2,477,558	2,551,884	2,628,441	2,707,294	2,788,513	2,773,941
7	Total NON-OPERATING REVENUE	128,965	110,982	108,911	110,788	112,702	114,655	116,647	118,679	120,751	122,865
8	**Total Income**	2,352,174	2,326,853	2,391,258	2,516,183	2,590,260	2,666,539	2,745,088	2,825,973	2,909,264	2,896,806
9	**EXPENSES**										
10	Total Salary	769,269	845,041	841,542	858,370	915,540	933,850	952,530	971,580	991,010	1,010,830
11	Total Benefits	287,128	271,662	260,021	269,208	283,916	294,024	304,572	315,580	327,071	339,067
12	SALARY & BENEFITS	1,078,736	1,116,703	1,101,563	1,127,578	1,199,456	1,227,874	1,257,102	1,287,160	1,318,081	1,349,897
13	SERVICES & SUPPLIES increase =	1%									
14	SERVICES & SUPPLIES	571,105	556,000	561,560	567,176	572,847	578,576	584,362	590,205	596,107	602,068
15	TOTAL OPERATING EXPENSES	1,649,841	1,672,703	1,663,123	1,694,754	1,772,303	1,806,450	1,841,463	1,877,365	1,914,188	1,951,965
16	OPERATING SURPLUS/DEFICIT	$702,333	$654,150	$728,136	$821,429	$817,957	$860,090	$903,624	$948,607	$995,075	$944,841
17	FIXED ASSET EXPENDITURES	50,888	40,000	11,000	40,000	11,000	40,000	11,000	40,000	11,000	40,000
18	Tfers to CIRF for CDR Revenue	253,947	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
19	Tfers to CIRF	260,000	310,000	360,000	470,000	470,000	460,000	510,000	510,000	560,000	550,000
20	Total TRANSFERS TO OTHER FUNDS	553,947	612,500	670,375	788,486	796,841	795,446	854,309	863,438	922,842	824,300
21	SURPLUS/DEFICIT	119,836	1,651	46,761	-7,057	10,116	24,644	38,315	45,169	61,234	80,541
22	**Capital Budget**										
23	**REVENUE/SOURCES OF FUNDS**										
24	Net Operating Revenues**	379,836	311,651	406,761	462,943	480,116	484,644	548,315	555,169	621,234	630,541
25	Assessments	827,995	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000
26	Capital Debt Reduction Charge***	253,947	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
27	Capital Interest	11,995	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
28	Transfers From CIRF/Reserves	708,000	800,000	620,000		530,000		540,000	-	170,000	250,000
29	TOTAL REVENUE	2,181,773	2,181,150	2,084,136	1,528,429	2,083,957	1,567,090	2,179,624	1,655,607	1,901,075	1,901,841
30	**EXPENSES**										
31	Total Debt Payments	970,693	1,038,300	1,038,300	1,038,300	1,038,300	1,038,300	1,038,300	1,017,300	847,300	847,300
32		CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020	CIP 2021	CIP 2022	CIP 2023	CIP 2024
33	Annual CIP	1,038,062	1,097,346	2,000,000	200,000	1,096,800	810,000	no project	1,129,560	no project	1,000,000
34	In-House Construction Projects, etc.	52,274	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
35	TOTAL EXPENSES	2,061,030	2,175,646	3,078,300	1,278,300	2,175,100	1,888,300	1,078,300	2,186,860	887,300	1,887,300
36	SURPLUS/DEFICIT	120,743	5,504	-994,164	250,129	-91,143	-321,210	1,101,324	-531,253	1,013,775	14,541
37	FUND AND LOAN BALANCES (EOY)										
38	Ending Funds ab District Policy	1,774,258	979,762	(634,402)	(384,273)	(1,005,416)	(1,326,626)	(765,302)	(1,296,555)	(452,779)	(688,238)
39	NET CAPITAL FUNDING****	503,080	342,850	425,836	490,129	515,657	528,790	601,324	638,307	883,775	804,541

* 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

Table 3. OPERATING AND CAPITAL BUDGET SUMMARY - 3% Increase, Approved CIP with est costs, split 2017

Water Rate, CDRC Increase = 3% Sales Flat

		FY15 Actual	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1	**REVENUE**										
2	**OPERATING REVENUE**		Reduced WS	Flat	10% Increase	Flat….					
3	**Water Bill Revenue**										
4	**Capital Debt Reduction Charge**	254,854	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
5	**Total Water Sales**	1,951,973	1,953,372	2,011,973	2,126,910	2,190,717	2,256,439	2,324,132	2,393,856	2,465,671	2,539,641
6	**Total OPERATING REVENUE**	**2,223,209**	**2,215,871**	**2,282,348**	**2,405,396**	**2,477,558**	**2,551,884**	**2,628,441**	**2,707,294**	**2,788,513**	**2,773,941**
7	**Total NON-OPERATING REVENUE**	**128,965**	**110,982**	**108,911**	**110,788**	**112,702**	**114,655**	**116,647**	**118,679**	**120,751**	**122,865**
8	**Total Income**	2,352,174	2,326,853	2,391,258	2,516,183	2,590,260	2,666,539	2,745,088	2,825,973	2,909,264	2,896,806
9	**EXPENSES**										
10	**Total Salary**	**769,269**	**845,041**	**841,542**	**858,370**	**915,540**	**933,850**	**952,530**	**971,580**	**991,010**	**1,010,830**
11	**Total Benefits**	**287,128**	**271,662**	**260,021**	**269,208**	**283,916**	**294,024**	**304,572**	**315,580**	**327,071**	**339,067**
12	**SALARY & BENEFITS**	**1,078,736**	**1,116,703**	**1,101,563**	**1,127,578**	**1,199,456**	**1,227,874**	**1,257,102**	**1,287,160**	**1,318,081**	**1,349,897**
13	**SERVICES & SUPPLIES** increase =	1%									
14	**SERVICES & SUPPLIES**	**571,105**	**556,000**	**561,560**	**567,176**	**572,847**	**578,576**	**584,362**	**590,205**	**596,107**	**602,068**
15	**TOTAL OPERATING EXPENSES**	1,649,841	1,672,703	1,663,123	1,694,754	1,772,303	1,806,450	1,841,463	1,877,365	1,914,188	1,951,965
16	OPERATING SURPLUS/DEFICIT	**$702,333**	**$654,150**	**$728,136**	**$821,429**	**$817,957**	**$860,090**	**$903,624**	**$948,607**	**$995,075**	**$944,841**
17	**FIXED ASSET EXPENDITURES**	50,888	**40,000**	**11,000**	**40,000**	**11,000**	**40,000**	**11,000**	**40,000**	**11,000**	**40,000**
18	**Tfers to CIRF for CDR Revenue**	253,947	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
19	**Tfers to CIRF**	260,000	310,000	360,000	470,000	470,000	460,000	510,000	510,000	560,000	550,000
20	**Total TRANSFERS TO OTHER FUNDS**	553,947	612,500	670,375	788,486	796,841	795,446	854,309	863,438	922,842	824,300
21	SURPLUS/DEFICIT	**119,836**	**1,651**	**46,761**	**-7,057**	**10,116**	**24,644**	**38,315**	**45,169**	**61,234**	**80,541**
22	**Capital Budget**										
23	**REVENUE/SOURCES OF FUNDS**										
24	**Net Operating Revenues****	379,836	311,651	406,761	462,943	480,116	484,644	548,315	555,169	621,234	630,541
25	**Assessments**	827,995	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000
26	**Capital Debt Reduction Charge*****	253,947	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
27	**Capital Interest**	11,995	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
28	**Transfers From CIRF/Reserves**	708,000	800,000	620,000		530,000		540,000	-	170,000	250,000
29	TOTAL REVENUE	2,181,773	2,181,150	2,084,136	1,528,429	2,083,957	1,567,090	2,179,624	1,655,607	1,901,075	1,901,841
30	**EXPENSES**										
31	**Total Debt Payments**	**970,693**	**1,038,300**	**1,038,300**	**1,038,300**	**1,038,300**	**1,038,300**	**1,038,300**	**1,017,300**	**847,300**	**847,300**
32		CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020	CIP 2021	CIP 2022	CIP 2023	CIP 2024
33	**Annual CIP**	**1,038,062**	**1,097,346**	**1,000,000**	**200,000**	**1,000,000**	**no project**	**1,096,800**	**810,000**	**no project**	**1,129,560**
34	**In-House Construction Projects, etc.**	52,274	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
35	TOTAL EXPENSES	2,061,030	2,175,646	2,078,300	1,278,300	2,078,300	1,078,300	2,175,100	1,867,300	887,300	2,016,860
36	SURPLUS/DEFICIT	**120,743**	**5,504**	**5,836**	**250,129**	**5,657**	**488,790**	**4,524**	**-211,693**	**1,013,775**	**-115,019**
37	**FUND AND LOAN BALANCES (EOY)**										
38	**Ending Funds ab District Policy**	**1,774,258**	**979,762**	**365,598**	**615,727**	**91,384**	**580,174**	**44,698**	**(166,995)**	**676,781**	**311,762**
39	**NET CAPITAL FUNDING******	**503,080**	**342,850**	**425,836**	**490,129**	**515,657**	**528,790**	**601,324**	**638,307**	**883,775**	**804,541**

*** 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**

Table 4. OPERATING AND CAPITAL BUDGET SUMMARY - 3% Increase, Approved CIP with est costs, move 2017

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6	**Total OPERATING REVENUE**	**2,223,209**	**2,215,871**	**2,282,348**	**2,405,396**	**2,477,558**	**2,551,884**	**2,628,441**	**2,707,294**	**2,788,513**	**2,773,941**
7	**Total NON-OPERATING REVENUE**	**128,965**	**110,982**	**108,911**	**110,788**	**112,702**	**114,655**	**116,647**	**118,679**	**120,751**	**122,865**
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9	**EXPENSES**										
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11	**Total Benefits**	**287,128**	**271,662**	**260,021**	**269,208**	**283,916**	**294,024**	**304,572**	**315,580**	**327,071**	**339,067**
12	**SALARY & BENEFITS**	**1,078,736**	**1,116,703**	**1,101,563**	**1,127,578**	**1,199,456**	**1,227,874**	**1,257,102**	**1,287,160**	**1,318,081**	**1,349,897**
13	**SERVICES & SUPPLIES increase =**	1%									
14	**SERVICES & SUPPLIES**	**571,105**	**556,000**	**561,560**	**567,176**	**572,847**	**578,576**	**584,362**	**590,205**	**596,107**	**602,068**
15	**TOTAL OPERATING EXPENSES**	1,649,841	1,672,703	1,663,123	1,694,754	1,772,303	1,806,450	1,841,463	1,877,365	1,914,188	1,951,965
16	OPERATING SURPLUS/DEFICIT	**$702,333**	**$654,150**	**$728,136**	**$821,429**	**$817,957**	**$860,090**	**$903,624**	**$948,607**	**$995,075**	**$944,841**
17	**FIXED ASSET EXPENDITURES**	50,888	**40,000**	**11,000**	**40,000**	**11,000**	**40,000**	**11,000**	**40,000**	**11,000**	**40,000**
18	**Tfers to CIRF for CDR Revenue**	253,947	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
19	**Tfers to CIRF**	260,000	310,000	360,000	470,000	470,000	460,000	510,000	510,000	560,000	550,000
20	**Total TRANSFERS TO OTHER FUNDS**	553,947	612,500	670,375	788,486	796,841	795,446	854,309	863,438	922,842	824,300
21	SURPLUS/DEFICIT	**119,836**	**1,651**	**46,761**	**-7,057**	**10,116**	**24,644**	**38,315**	**45,169**	**61,234**	**80,541**
22	**Capital Budget**										
23	**REVENUE/SOURCES OF FUNDS**										
24	**Net Operating Revenues****	379,836	311,651	406,761	462,943	480,116	484,644	548,315	555,169	621,234	630,541
25	**Assessments**	827,995	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000	777,000
26	**Capital Debt Reduction Charge*****	253,947	262,500	270,375	278,486	286,841	295,446	304,309	313,438	322,842	234,300
27	**Capital Interest**	11,995	30,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
28	**Transfers From CIRF/Reserves**	708,000	800,000		1,550,000		610,000		220,000		370,000
29	TOTAL REVENUE	2,181,773	2,181,150	1,464,136	3,078,429	1,553,957	2,177,090	1,639,624	1,875,607	1,731,075	2,021,841
30	**EXPENSES**										
31	**Total Debt Payments**	**970,693**	**1,038,300**	**1,038,300**	**1,038,300**	**1,038,300**	**1,038,300**	**1,038,300**	**1,017,300**	**847,300**	**847,300**
32		CIP 2015	CIP 2016	CIP 2017	CIP 2018	CIP 2019	CIP 2020	CIP 2021	CIP 2022	CIP 2023	CIP 2024
33	**Annual CIP**	**1,038,062**	**1,097,346**	**200,000**	**2,000,000**	**no project**	**1,096,800**	**no project**	**810,000**	**no project**	**1,129,560**
34	**In-House Construction Projects, etc.**	52,274	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
35	TOTAL EXPENSES	2,061,030	2,175,646	1,278,300	3,078,300	1,078,300	2,175,100	1,078,300	1,867,300	887,300	2,016,860
36	SURPLUS/DEFICIT	**120,743**	**5,504**	**185,836**	**129**	**475,657**	**1,990**	**561,324**	**8,307**	**843,775**	**4,981**
37	**FUND AND LOAN BALANCES (EOY)**										
38	**Ending Funds ab District Policy**	**1,774,258**	**979,762**	**1,165,598**	**(384,273)**	**91,384**	**(516,626)**	**44,698**	**(166,995)**	**676,781**	**311,762**
39	**NET CAPITAL FUNDING******	**503,080**	**342,850**	**425,836**	**490,129**	**515,657**	**528,790**	**601,324**	**638,307**	**883,775**	**804,541**

*** 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**