# SWEETWATER SPRINGS WATER DISTRICT

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

**FROM:** Steve Mack, General Manager

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**Meeting Date: December 4, 2014**

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

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**RECOMMENDED ACTION:** Receive a report on the 2014-2019 Capital Improvement Program (CIP) and provide direction to staff.

**FISCAL IMPACT:** none

**DISCUSSION:**

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**