SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: December 7, 2017

Subject: DISCUSSION/ACTION RE REVIEW OF THE DISTRICT'S CAPITAL IMPROVEMENT PROGRAM

RECOMMENDED ACTION: Receive a presentation on the review of the 2017-2024 Capital Improvement Program (CIP). adopt Resolution 17-20 approving the revised 2017-2024 CIP, and provide direction to staff.

FISCAL IMPACT: none

DISCUSSION:

Typically, every year we discuss the District's multi-year Capital Improvement Program (CIP) program at the December meeting including a discussion of what has happened in the past year and what changes, if any, are needed to the program approved the prior year. In this past year and a half we have changed our minds on our approach to the CIP as we learned more of our financial situation and of our capital project needs. We first decided to build the River Road/Old River Road Project in full to replace the aging cast iron pipe that supplies water to Rio Nido, and we secured a USDA loan/bond to pay for it. We slowed down on that approach because the USDA bond did not include the grant we were hoping for. We decided to self fund the River Road/Old River Road project, split the project into three parts, and agreed to construct the project over five years, skipping projects in alternate years. Table 1 shows the approved CIP from last year's review.

Last Spring we realized our financial situation would be improved if we used the USDA bond. The contract for the first phase of the River Road/Old River Road ready for award and we downsized our bond request to fund phases 2 and 3. Construction of phase 1 has been completed. We have restarted the USDA bond process and we should have receipt of the bond funds in March 2018. We expect to advertise phases 2 and 3 in January and award the contract in April or May. We expect receipt of the bond funds in March 2018 so that we will have the funds prior to award of contract. Because we are able to fund construction of phases 2 and 3 of the River Road/Old River Road Project in 2018 we are able to move up the other projects. Please review Table 2 to see the proposed 2018-2024 CIP.

The revised 2018-2024 CIP is the result of last year's comprehensive staff and Board review of the District's capital projects, augmented by the work of the ad hoc CIP Review Subcommittee plus updating the timing based on available funding. 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**

The projects included in last year's CIP have been rescheduled based on available funds as shown in Table 3, Capital Planning Model. The Model has been updated to include FY17 actual budget, proposed UAL funding, and the latest CIP costs placed in the year occurring.

The proposed FY 18-24 CIP includes construction of approximately $4.3 million of scheduled projects and $3.0 million of additional projects. This proposed CIP a realistic construction plan and keeps the District's reserves in good shape. As always, we review the CIP annually and so far have made adjustments to the plan nearly every year.

One big unknown is where the Guernewood Park Resort fits in this plan. That project may need new facilities, may require some kind of cost sharing by the District, and has nothing specific included in this CIP.

Resolution 17-20 approves the 2018-2024 CIP which will be added to the District's website so our customers can know the general construction schedule of our needed capital projects.

Table 1. Sweetwater Springs Water District 2017-2024 CIP Projects by Year Approved December 1, 2016

Year	Projects	Estimated Cost	Cost/Service	Comments
2017				
	Replace approximately 2200 ft of existing main and 17 services on River Rd from Rio Nido to Old River Road near Outlet Drive.	$824,000	$48,471	Completed
	2017 Total	$824,000		
2018				
	Skip Capital Project			
	2018 Total	$0		
2019				
	Replace approximately 2700 ft of existing main and 26 services on Old River Rd from River Road near Outlet Drive to Morningside Drive.	$845,000	$32,500	Remainder of cast iron pipe along Old River Road, construction in summer 2019
	2019 Total	$845,000		
2020				
	Skip Capital Project			
	2020 Total	$0		
2021				
	Replace approximately 1350 ft of existing main and 33 services on Foothill Blvd and Orchard Rd and tie into new main on Old River Road	$648,200	$19,642	Construction in summer 2021
2022				
	Monte Rio Treatment Plant Green Sand Filter Replacement. Serves Monte Rio system (1100 services)	$200,000	$182	
	2021 Total	$200,000	$4,255	
2023				
	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	
	2023 Total	$914,000	$18,280	
2024				

	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	
	2024 Total	$675,000		
	Total Cost of 2017-2024 Projects	**$4,106,200**		
	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	$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	$2,702	
	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	$4,043	
	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	**$2,951,300**		

Table 2. Sweetwater Springs Water District Proposed 2018-2024 CIP Projects by Year

Year	Projects	Estimated Cost	Cost/Service	Comments
2018				
	Phase 2 and 3, Old River Road/River Road (GV) - replace approximately 4,600 ft of existing main and 58 services on Old River Rd at Morningside east to the eastern section of Foothill Drive and include Orchard Rd and Foothill Drive.	$1,488,000	$25,655	
	2018 Total	$1,488,000		
2019				
	Monte Rio Treatment Plant Green Sand Filter Replacement. Serves Monte Rio system (1100 services)	$250,000	$227	
	2019 Total	$250,000		
2020				
	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	
	2020 Total	$914,000		
2021				
	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	
	2021 Total	$675,000		
2022				
	Skip Capital Project			
2023				

	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	$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	$2,702	
	2023 Total	$941,300		
2024				
	Skip Capital Project			
	Total Cost of 2017-2024 Projects	**$4,268,300**		
2025				
	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		
	Natoma Tank – Replace the existing 10,000 gallon storage tank with a 30,000 storage tank. 2005 cost estimate	$190,000		
	2025 Total			
	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	**$1,410,000**		

Table 3. OPERATING AND CAPITAL BUDGET SUMMARY - 3% Increase, Phased
2017 CIP, USDA Loan, Incrd UAL Pmt

Water Rate, CDRC Increase = 3% Sales Flat

		FY17 Actual	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1	**REVENUE**								
2	**OPERATING REVENUE**	Flat	Flat….						
3	**Water Bill Revenue**								
4	**Capital Debt Reduction Charge**	270,660	278,779	287,143	295,757	304,630	313,769	323,182	404,300
5	**Total Water Sales**	2,035,255	2,103,878	2,206,092	2,272,275	2,340,444	2,410,657	2,482,977	2,557,466
6	**Total OPERATING REVENUE**	**2,305,914**	**2,382,657**	**2,493,235**	**2,568,032**	**2,645,073**	**2,724,425**	**2,806,158**	**2,961,766**
7	**Total NON-OPERATING REVENUE**	**138,453**	**119,600**	**112,702**	**114,655**	**116,647**	**118,679**	**120,751**	**122,865**
8	**Total Income**	2,444,368	2,502,257	2,605,938	2,682,687	2,761,720	2,843,104	2,926,909	3,084,631
9	**EXPENSES**				**New GM**				
10	**Total Salary**	**881,298**	**905,120**	**923,222**	**971,687**	**991,121**	**1,010,943**	**1,031,162**	**1,051,785**
11	**Total Benefits**	**321,546**	**342,180**	**352,445**	**363,019**	**373,909**	**385,127**	**396,680**	**408,581**
12	**SALARY & BENEFITS**	**1,202,844**	**1,247,300**	**1,275,668**	**1,334,706**	**1,365,030**	**1,396,070**	**1,427,842**	**1,460,366**
13	**Unfunded Liability Increase**	**60,000**	**90,000**	**77,158**	**73,046**	**68,934**	**68,934**	**68,934**	**68,934**
14	**SERVICES & SUPPLIES increase =**								
15	**SERVICES & SUPPLIES**	**530,607**	**515,900**	**521,059**	**526,270**	**531,532**	**536,848**	**542,216**	**547,638**
16	**TOTAL OPERATING EXPENSES**	1,793,451	1,853,200	1,873,885	1,934,022	1,965,497	2,001,852	2,038,993	2,076,939
18	**FIXED ASSET EXPENDITURES**	**41,335**	**22,000**	**60,000**	**20,000**	**60,000**	**20,000**	**60,000**	**20,000**
19	**Tfers to CIRF for CDR Revenue**	270,660	278,779	287,143	295,757	304,630	313,769	323,182	404,300
20	**Tfers to CIRF**	330,000	300,000	340,000	390,000	390,000	460,000	460,000	540,000
21	**Total TRANSFERS TO OTHER FUNDS**	690,767	618,779	667,143	725,757	734,630	813,769	823,182	984,300
22	SURPLUS/DEFICIT	**-81,185**	**8,278**	**4,910**	**2,909**	**1,594**	**7,484**	**4,735**	**3,392**
23	**Capital Budget**								
24	**REVENUE/SOURCES OF FUNDS**								
25	**Net Operating Revenues****	248,815	308,278	344,910	392,909	391,594	467,484	464,735	543,392
26	**Assessments**	768,703	768,703	768,703	768,703	768,703	768,703	768,703	768,703
27	**Capital Debt Reduction Charge*****	270,660	278,779	287,143	295,757	304,630	313,769	323,182	404,300
28	**Capital Interest**	12,811	10,000	10,000	10,000	10,000	10,000	10,000	10,000
29	**Transfers From CIRF/Reserves**	680,000			590,000		110,000	370,000	
30	**USDA Loan**		1,613,000	get loan funds late FY18					
31	TOTAL REVENUE	1,980,988	2,978,760	1,410,755	2,057,368	1,474,926	1,669,955	1,936,619	1,726,395
32	**EXPENSES**						State Loan Done		
33	**Total Debt Payments**	**1,099,017**	**1,013,550**	**1,095,550**	**1,095,550**	**1,095,550**	**948,811**	**948,811**	**948,811**
34		CIP 2017-1	CIP 2017-2-3	**rpl GSF**	**2020 CIP**	**No Project**	**2022 CIP**	**2023 CIP**	**No Project**
35	**Annual CIP**	**839,305**	**1,488,000**	**250,000**	**914,000**	**-**	**675,000**	**941,300**	
36	**In-House Construction Projects, etc.**	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
37	TOTAL EXPENSES	1,978,322	2,541,550	1,385,550	2,049,550	1,135,550	1,663,811	1,930,111	988,811
38	SURPLUS/DEFICIT	**2,666**	**437,210**	**25,205**	**7,818**	**339,376**	**6,144**	**6,508**	**737,584**
39	**FUND AND LOAN BALANCES (EOY)**								
40	**Ending Funds ab District Policy (DP)**	**539,240**	**1,122,450**	**1,147,655**	**565,473**	**904,850**	**800,994**	**437,502**	**1,175,085**
41	**Funds ab DP and Debt Payments**	**(559,777)**	**108,900**	**52,105**	**(530,077)**	**(190,700)**	**(147,817)**	**(511,309)**	**226,274**
42	**NET CAPITAL FUNDING******	**201,971**	**352,210**	**315,205**	**371,818**	**379,376**	**611,144**	**617,808**	**777,584**

*** Starting values based on actual FY17 EOY**

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

***** =Transfers from CDRC**

****** =Net Operating Revenues + Assessments + CDRC + Capital Interest - Total Debt Payments**

Resolution No. 17-20

A Resolution of the Board of Directors of the Sweetwater Springs Water District Adopting the 2018-2024 Capital Improvement Program

WHEREAS, the Board of Directors has reviewed the overall Capital Improvement Program and has established priorities for the upcoming eight year period;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, hereby adopts the Revised 2018-2024 Capital Improvement Program attached as Exhibit A hereto, effective December 7, 2017.

BE IT FURTHER RESOLVED, that this Resolution supercedes and replaces Resolution 16-12.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on December 7, 2017, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Rich Holmer	_____	_____
Gaylord Schaap	_____	_____
Pip Marquez de la Plata	_____	_____

_____
Sukey Robb-Wilder
President of the Board of Directors

_____
Attest: Julie Kenny
Clerk of the Board of Directors

Exhibit A

Sweetwater Springs Water District

Capital Improvement Program
2018-2024

Revised December 7, 2017

Board of Directors
Sukey Robb-Wilder
Rich Holmer
Tim Lipinski
Gaylord Schaap
Pip Marquez de la Plata

General Manager
Steve Mack

2018-2024 Sweetwater Springs Water District Capital Improvement Program

December 7, 2017

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. Table 1. 2017-2024 Capital Improvement Program (CIP) lists needed District projects by year and includes estimated costs. The ranking criteria for the priority of capital projects are:

- **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**

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