# SWEETWATER SPRINGS WATER DISTRICT

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

**FROM:** Steve Mack, General Manager

**Meeting Date: March 3, 2011**

**SUBJECT: UPDATE ON RRROC FUNDING FOR CIP 2012-2018, APPROVAL OF RESOLUTION 11-07, REQUEST FOR FUNDING FROM RRROC/CRDA**

**RECOMMENDED ACTION:** Receive a report on the Russian River Redevelopment Oversight Committee (RRROC) funding recommendations; approve Resolution 11-07 which updates the District's funding request from the Russian River Redevelopment Oversight Committee (RRROC) and the Sonoma County Community Redevelopment Agency (CRDA) based on the RRROC funding recommendations.

**FISCAL IMPACT:** Approximately $1.5 million in funding assistance for needed capital projects if approved by RRROC and CRDA**.**

**DISCUSSION:**
At the February 3, 2011 meeting the Board approved Resolution 11-04 which requested $3.9 million in funding assistance for the FY 2012-2018 Capital Improvement Program (CIP). This request for funding was made in response to a RRROC meeting that was being held on February 8, 2011 to possibly make long-term funding decisions in response to the State executive branch's attempt to take all statewide redevelopment agency funds to help balance the State budget. At the meeting RRROC approved funding for six projects, including $1,477,500 for the District's FY 2012 and 2013 CIP. CRDA staff have requested that the District approve a new resolution which specifically addresses the recommendations approved by RRROC and has other wording changes suggested by CRDA staff. Resolution 11-07 does that.

Table 1 shows the elements of the capital projects proposed for FY 2012 and 2013. The RRROC funding support recommendation was for 75% of the CIP eligible for funding. In the 2012 CIP, the Western, Eastern and Northern Avenues and Orchard Lane part is outside the Russian River Redevelopment area and is not eligible for funding. The funding support recommended by RRROC is not enough to complete the approved 2012-2018 CIP, but should redevelopment remain as a funding assistance possibility, the District can go back in future years with additional requests for funding. Table 2. Sweetwater Springs Water District Financial Planning Budget Summary, RRROC Assistance for FY12 and FY13, shows the benefit of the RRROC funding support and the need for approximately $2.5 million additional to complete the approved CIP.

RRROC plans to revisit the funding recommendations at its next meeting on March 17, 2011, and CRDA staff plan to present the funding recommendations to the CRDA Board at the March 22, 2011 meeting. District staff will assist CRDA staff and the

RRROC in developing whatever information is needed to move these funding recommendations forward.

At the February meeting the Board asked me to look into funding of District capital projects beyond the approved 2012-2018 CIP. I delivered a letter to John Haig regarding this matter at the February 8 RRROC meeting. This letter indicates a funding need of $3.5 million for projects going out to 2025, and was copied to Board members via email. At the February 8 meeting, it became clear to me that RRROC is more concerned with currently developed projects and was not looking into the future very far. In the event of final approval of the current RRROC funding support, we still need funding assistance of approximately $2.5 million for existing approved CIP projects and there are several other worthy local projects in need of RRROC funding assistance.

**Table 1. Sweetwater Springs Water District 2012-2013 Capital Improvement Program (CIP)**

| Year | Projects | Estimated Cost |
|---|---|---|
| 2012 | | |
| | Western, Eastern and Northern Avenues and Orchard Lane (GV) - Replace 3,100 lf of existing main and appurtenances. (outside Russian River Redevelopment Area, funding assistance not requested) | $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** |
| | **75% FY 2012 CIP CRDA Funding Request (Foothill Drive portion only)** | **$503,250** |
| | | |
| 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** |
| | **75% FY 2013 CIP CRDA Funding Request** | **$974,250** |
| | **Total 2012-2013 CIP Cost Estimate** | **$2,654,000** |
| | **Total CRDA Funding Request** | **$1,477,500** |

**Table 2. Sweetwater Springs Water District Financial Planning Budget Summary, RRROC Assistance for FY12 and FY13**

Water Rate Increase = 3.0% Starting in FY12; Sales flat

| | 10-11 (FY11) BUDGET | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | |
| **OPERATING REVENUE** | | | | | | | | | | |
| **4031 · Water Bill Revenue** | | | | | | | | | | |
| **4031.1. · Capital Debt Reduction** | 227,000 | 216,000 | 216,000 | 270,000 | 337,500 | 404,300 | 404,300 | 404,300 | 404,300 | 404,300 |
| **4031.1. · Water Sales** | 1,770,000 | 1,823,100 | 1,877,793 | 1,934,127 | 1,992,151 | 2,051,915 | 2,113,473 | 2,176,877 | 2,242,183 | 2,309,449 |
| **Total OPERATING REVENUE** | **1,997,000** | **2,039,100** | **2,093,793** | **2,204,127** | **2,329,651** | **2,456,215** | **2,517,773** | **2,581,177** | **2,646,483** | **2,713,749** |
| **NON-OPERATING REVENUE** | | | | | | | | | | |
| **Total NON-OPERATING REVENUE** | **119,200** | **119,900** | **120,607** | **121,321** | **122,042** | **122,771** | **123,506** | **124,249** | **125,000** | **125,758** |
| **Total Income** | 2,116,200 | 2,159,000 | 2,214,400 | 2,325,448 | 2,451,693 | 2,578,986 | 2,641,279 | 2,705,426 | 2,771,483 | 2,839,507 |
| **EXPENSES** | | | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | | | |
| **SALARY & BENEFITS** | | | | | | | | | | |
| **Total Salary** | **795,200** | **804,721** | **816,290** | **829,990** | **845,920** | **862,170** | **878,740** | **895,640** | **912,890** | **930,480** |
| **Benefits** | **Health/Dental Increase =** | | 5% | per year | | | | | | |
| **Total Benefits** | **256,600** | **277,741** | **285,746** | **294,408** | **303,758** | **313,497** | **323,643** | **334,213** | **345,228** | **356,708** |
| **Total SALARY & BENEFITS** | **1,051,800** | **1,082,463** | **1,102,036** | **1,124,398** | **1,149,678** | **1,175,667** | **1,202,383** | **1,229,853** | **1,258,118** | **1,287,188** |
| **SERVICES & SUPPLIES increase =** | 1% | | | | | | | | | |
| **Total SERVICES & SUPPLIES** | **513,814** | **518,952** | **524,142** | **529,383** | **534,677** | **540,024** | **545,424** | **550,878** | **556,387** | **561,951** |
| **Total OPERATING EXPENSES** | 1,565,614 | 1,601,415 | 1,626,177 | 1,653,781 | 1,684,355 | 1,715,691 | 1,747,807 | 1,780,731 | 1,814,505 | 1,849,139 |
| ***OPERATING SURPLUS/DEFICIT*** | **$550,586** | **$557,585** | **$588,223** | **$671,667** | **$767,338** | **$863,295** | **$893,472** | **$924,695** | **$956,978** | **$990,368** |
| **Total FIXED ASSET EXPENDITURES** | **1,050** | **1,000** | **26,000** | **1,000** | **26,000** | **1,000** | **26,000** | **1,000** | **26,000** | **1,000** |
| **Total TRANSFERS TO OTHER FUNDS*** ** | 507,000 | 293,000 | 556,000 | 630,000 | 717,500 | 804,300 | 824,300 | 844,300 | 864,300 | 884,300 |
| **Total DISASTER EXPENSE** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***SURPLUS/DEFICIT*** | **42,536** | **263,585** | **6,223** | **40,667** | **23,838** | **57,995** | **43,172** | **79,395** | **66,678** | **105,068** |
| **Capital Budget** | | | | | | | | | | |
| **REVENUE/SOURCES OF FUNDS** | | | | | | | | | | |
| **Net Operating Revenues*** | 282,536 | 300,585 | 306,223 | 360,667 | 363,838 | 417,995 | 423,172 | 479,395 | 486,678 | 545,068 |
| **Total Assessments** | 777,000 | 777,001 | 777,002 | 777,003 | 777,004 | 777,005 | 777,006 | 777,007 | 777,008 | 777,009 |
| **Capital Debt Reduction Charge**** | 227,000 | 216,000 | 216,000 | 270,000 | 337,500 | 404,300 | 404,300 | 404,300 | 404,300 | 404,300 |
| **Capital Interest** | 60,000 | 30,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| **CDC Grants** | 1,136,250 | $503,250 | $974,250 | | | | | | | |
| **Transfers From CIRF/Reserves** | 250,000 | 680,000 | 170,000 | 1,325,000 | | | | | | |
| ***TOTAL REVENUE*** | 2,732,786 | 2,506,836 | 2,453,475 | 2,742,670 | 1,488,342 | 1,609,300 | 1,614,478 | 1,670,702 | 1,677,986 | 1,736,377 |
| **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 | 1,091,314 | 1,091,314 |
| **CIP III** | 80,000 | | | | | | | | | |
| | **CIPIV-B, Proj 2** | CIP 2012 | CIP 2013 | CIP 2014 | CIP 2015 | CIP 2016 | CIP 2017 | CIP 2018 | CIP 2019 | CIP 2020 |
| **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** | **1,000,000** | **1,000,000** |
| **In-House Construction Projects** | 40,000 | 40,000 | 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 | 2,131,314 | 2,131,314 |
| ***SURPLUS/DEFICIT*** | **6,472** | **20,522** | **23,161** | **19,356** | **-774,972** | **-687,014** | **-661,136** | **-727,612** | **-453,328** | **-394,937** |
| **FUND AND LOAN BALANCES (EOY)** | | | | | | | | | | |
| **Ending Funds ab District Policy** | **2,432,447** | **1,772,970** | 1,626,130 | 320,486 | (454,486) | (1,141,500) | (1,802,636) | (2,530,248) | (2,983,575) | (3,378,513) |

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

**** =Transfers to CDRC**

***** PERS Side Fund Reimbursement ($243,000) subtracted in FY12**

# Resolution No. 11-07

## A Resolution of the Board of Directors of the Sweetwater Springs Water District Requesting Grant Funding From Sonoma County Community Redevelopment Agency For the District's FY 2012- FY 2018 CIP, Years 2012 and 2013

**WHEREAS**, pursuant to Water Code Section 31007, the District Board of Directors shall establish rates and charges sufficient to pay for operating expenses, provide for repairs and depreciation of works and pay for the principal and interest on bonded debt; and

**WHEREAS**, pursuant to Water Code Section 31025, the District shall fix and through the General Manager collect water rates; and

**WHEREAS**, the Board of Directors has evaluated the anticipated revenues and expenditures necessary to operate the District; and

**WHEREAS,** portions of the Sweetwater Springs Water District customers are presently being served with antiquated, deteriorating infrastructure in serious need of repairs; and

**WHEREAS,** on January 6, 2011 the Sweetwater Springs Board of Directors adopted Resolution 11-02 approving the Capital Improvement Program (CIP) for FY 2012-2018 identifying approximately $9.0 million in capital improvement projects to make required improvements to the Sweetwater Springs Water District that would provide a greater proportion of the Ratepayers with adequate water pressure, storage, fire flow, and fire protection, and reduce system leakage; and

**WHEREAS,** the projects approved in the District's CIP will reduce blight in the Russian River Redevelopment Project Area by upgrading infrastructure – water storage and distribution, fire protection, and paving streets and roads in needed areas allowing for and encouraging redevelopment of the project areas and thus will benefit the Russian River Redevelopment Project Area; and

**WHEREAS,** the Sonoma County Community Redevelopment Agency has previously approved 50% and 75% match funding for Sweetwater Springs Water District capital projects CIP IV-A and CIP IV-B, respectively, and said projects have been or are being successfully undertaken and completed in FY 2009, 2010 and 2011 resulting in adequate water pressure, storage, fire flow, and fire protection, and reducing system leakage in the areas of the projects; and

**WHEREAS,** the adopted FY 2012-2018 CIP includes capital projects for FY 2012 through FY 2018, and said projects will complement the ongoing and recently constructed capital projects, and also meet the objectives of improving system water pressure, storage, fire flow, and fire protection, and reduce system leakage in the areas of the projects, and are described in Exhibit A which is attached; and

**WHEREAS,** the Sweetwater Springs Water District Board of Directors fully recognizes its fiduciary responsibility to fully fund the stated objectives of Resolution 11-07 and has implemented the following funding options:

1. Approved a restructuring of water rates which included an overall 6% increase for FY 2010 and has plans for increasing water rates in FY 2012 and in each subsequent year to help fund capital projects and eventually build revenues to fund a sustainable CIP.
2. Acquired a $3 million loan in August 2008; and

**WHEREAS,** the Sweetwater Springs Water District applied for funding for past projects through the Safe Drinking Water State Revolving Fund, American Recovery and Reinvestment Act, but District projects were not selected for funding; and
**WHEREAS,** the Sweetwater Springs Water District currently spends 36% of its revenue on existing debt principal and interest and additional loan funding is not practical; and

**WHEREAS,** analysis of District financial planning shows that the District cannot complete the approved CIP with current funds available and would need $3,900,000 to complete the approved CIP within the seven-year period of FY 2012 through FY 2018; and

**WHEREAS,** the Sweetwater Springs Water District Board of Directors recognizes that a greater than planned increase in District rates places a financial burden on the Ratepayers, and, therefore, the entire community, and that no other reasonable source of funding is available; and

**WHEREAS,** analysis of the District's availability of existing funds, and the extent to which the District can raise additional funds by increasing rates to a level that will not impose a financial burden on Ratepayers, indicates that the District could pay for 25% of the construction cost for the FY 2012 and FY 2013 CIP projects that are located in the Redevelopment Project Area, and that Redevelopment funding for the remaining 75% of the cost would be required to enable the District to complete the needed improvements, preserve the District's ability to undertake additional required capital improvements in future years, and better stabilize rates.

**NOW, THEREFORE, BE IT RESOLVED,** that the Board of Directors of the Sweetwater Springs Water District has reviewed the list of projects attached hereto as Exhibit A, also known as the FY 2012-2018 CIP, as prepared by the General Manager for submission to the Sonoma County Community Redevelopment Agency, and accepts the information contained therein, and adopts the following:

1. Directs the General Manager to submit an application to the Sonoma County Community Redevelopment Agency for up to 75% grant funding for projects in the CIP for FY 2012 and FY 2013 that are located within the Russian River Redevelopment Project Area, which funding would total $1,477,500 and would be supplemented by District funds in the appropriate amount to complete the projects.

2. Requests that the Redevelopment Agency submit the application to the Russian River Redevelopment Oversight Committee for careful consideration and recommendation that the Board of Commissioners of the Sonoma County Community Development Commission (Commission) approve funding in the total amount of $1,477,500 for Fiscal Years 2012 and 2013 to fund of Sweetwater Springs Water District CIP projects as identified in Exhibit A hereto.

3. Directs the General Manager to work with the Redevelopment Agency to best use available redevelopment funding to meet local overall redevelopment needs within the context of the District's CIP projects.

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 March 3, 2011, by the following vote.

| Director | Aye | No |
|---|---|---|
| Sukey Robb-Wilder | _____ | _____ |
| Jim Quigley | _____ | _____ |
| Wanda Smith | _____ | _____ |
| Gaylord Schaap | _____ | _____ |
| Victoria Wikle | _____ | _____ |

_____
Jim Quigley
President of the Board of Directors

_____
Attest: Julie A. Kenny
Clerk of the Board of Directors

**Exhibit A**

# Sweetwater Springs Water District

## Capital Improvement Program 2012-2018

**Board of Directors**
*Jim Quigley, President*
*Gaylord Schaap, Vice President*
*Sukey Robb-Wilder, Financial Coordinator*
*Wanda Smith*
*Victoria Wikle*

**General Manager**
*Steve Mack*

# 2012-2018 Sweetwater Springs Water District Capital Improvement Program
## January 6, 2011

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. 2012-2018 Capital Improvement Program (CIP) lists needed District projects by year and includes estimated costs. The ranking criteria for the priority of capital projects are:

- Number of leaks.
- District time dedicated to repair the leaks.
- Costs per Customer.
- Potential Liability to the District.
- Storage and booster stations based upon system requirements for fire flow, and storage requirements.
- Impacts to the optimum operation of the system.
- Elimination of as many dead-end lines as possible, which affect both water quality and pressure.

**Table 1. Sweetwater Springs Water District 2012-2018 Capital Improvement Program (CIP) 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. (NOT LOCATED IN RUSSIAN RIVER REDEVELOPMENT AREA.) | $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 | $936,000 |

| | | |
|---|---|---|
| | appurtenances commencing at the Handy Andy Booster and proceeding westerly. | |
| | **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** |