SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: August 6, 2009

SUBJECT: UPDATE ON REQUEST FOR GRANT FUNDING FROM THE RUSSIAN RIVER REDEVELOPMENT OVERSIGHT COMMITTEE/SONOMA COUNTY REDEVELOPMENT AGENCY FOR CIP IV-B

RECOMMENDED ACTION: Receive a Report on the Request for Grant Funding from the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee for CIP IV-B.

FISCAL IMPACT: The grant request is for $1,144,000 which will fund approximately 50% of CIP IV-B, which is the Fiscal Year 2010 and 2011 projects of the District's approved 2010-2015 Capital Improvement Program (CIP). This level of funding from the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee for CIP IV-B would enable the District to complete the 2010-2015 CIP as scheduled.

DISCUSSION:

At the June meeting the Board approved Resolution 09-15 requesting 50% grant funding from the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee for CIP IV-B which are the projects listed in Table 1 below. Staff submitted the application and resolution to the Sonoma County Redevelopment Agency (RDA) and met with RDA staff on June 24 staff to discuss the application. RDA staff made several recommendations for updates, improvements and additional information and a revised application and other documents were submitted on July 28, 2009. Attached is Exhibit A. Sweetwater Springs Water District Fact Sheet and Additional Information for Application for Redevelopment Funds, which was submitted with the application material and has much of the requested and updated District information.

With the submittal of the requested information and revised application, and assuming a positive RDA staff review, we believe we are on schedule to give a presentation at the August 20 Russian River Redevelopment Oversight Committee (RRROC) meeting requesting their support. Because the funding request is greater than $25,000, there

will need to be two hearings before the RRROC and a positive recommendation before it moves to the Board of Supervisors for final consideration.

Table 1. Sweetwater Springs Water District CIP IV-B		
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
	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.	$355,000
	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 Total	**$1,052,000**
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.	$1,420,000
	2011 Total	**$1,420,000**
	Total CIP IV-B	**$2,472,000**

Exhibit A. Sweetwater Springs Water District Fact Sheet and Additional Information for Application for Redevelopment Funds
July 21, 2009

Mission: The mission of the Sweetwater Springs Water District (SSWD) is to provide its customers with quality water and service in an open, accountable, and cost-effective manner and to manage District resources for the benefit of the community and environment.

Objective: The objective of the District is to provide water distribution and maintenance services to five townships adjacent to the Russian River:

- Guerneville
- Rio Nido
- Guernewood Park
- Villa Grande
- Monte Rio

Background:

- District began operations in 1992, purchasing the facilities of Citizens Utilities Company, a private water company.

- The District's water supply comes from wells near the River and the distribution facilities consist of two separate water systems: one in Guerneville with three wells and the other in Monte Rio with two wells.

- The District serves approximately 3,600 accounts (95% residential) comprised of about 9,000 persons.

- The District has recently restructured its water rates to provide equitable rates for all customers. The major changes are using AWWA standards for the meter multiplier, having only one multiplier at most for any customer, and applying the meter multiplier and multi-family multiplier to the Capital Debt Reduction Charge.

- The District has aging and inadequate distribution infrastructure. This results in poor service to District customers – frequent line breaks, shutoffs due to the frequent repairs, inadequate pressure, poor water quality, inadequate fire protection.

- A major issue facing the District is unaccounted for water – approximately 30% of water produced is lost prior to delivery to customers and staff are busy on a daily basis fixing leaks in the distribution system.

- The District has an active Capital Improvement Program (CIP) to reduce leaks, improve fire protection, improve water quality, improve system pressure and reliability, improve customer service, and reduce customer interruptions. The District is increasing rates as part of the rate restructuring to help fund the CIP, and is always looking for ways to cost-effectively accelerate the CIP. The Sonoma County Redevelopment Agency is providing a 50% match grant for funding the current CIP (IV-A), and the District is requesting a similar grant for CIP IV-B. The District has contracted for design of CIP IV-B ($184,000) and those costs will not be included in grant request.

Additional Information in Tables and Figures:

List of Tables and Figures:

Table 1. Sweetwater Springs Water District 2010-2015 CIP by Year
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Figure 1. Water Production and Sales 12 Month Moving Average, Sweetwater Springs Water District
Figure 2. Sweetwater Springs Water District Total Pipeline Breaks. and Hours Spent in Repair, Moving Annual Average

Table 1. Sweetwater Springs Water District 2010-2015 CIP by Year lists the capital improvement program approved by the District Board at its January 9, 2009 meeting. This CIP is an update of the CIP presented to RRROC for the prior 50% grant for CIP IV-A. The CIP was changed a bit to reflect current needs, recent leak history, updated costs, and fitting projects into manageable yearly increments.

Tables 2 and 3, Sweetwater Springs Water District Capital Planning Budgets show the District's multi-year planning for implementation of the approved CIP. The tables show summaries of District revenue and expense estimates for the six year period. The budgets include water rate increases for six year period, assuming a 3.5% COLA for the Base Rate and Water Use Charge and a 3 step increase in the Capital Debt Reduction Charge to reflect repayment of the private placement loan acquired in August 2008.

The health of District finances are keyed by the level of District reserves and this is shown in the row entitled "Reserves above District Reserve Policy" shown in yellow. In Table 2 with no outside funding assistance the Reserves above District Policy go negative in 2013 meaning the District cannot continue funding the approved CIP. With assistance from Redevelopment in the form of the requested 50% grant, Reserves above District Reserve Policy stay positive through the CIP planning period (Table 3, also shown in yellow). Table 3 shows only Redevelopment assistance for two years of the CIP (CIP IV-B identified in Table 1). The District CIP will be reviewed in 2 years, revised based on then current information and probably expanded into the future – this CIP does not include every essential capital project needed by the District. At that time the approach taken in Tables 2 and 3 will be updated and additional assistance from Redevelopment may be needed. Tables 2 and 3 do show that Redevelopment assistance is needed now to complete the approved CIP.

Table 4. Analysis of Effect of SSWD 6-Year CIP on District Annual Rates is an update of a table prepared by CDC staff for the prior Redevelopment grant awarded to the District. This revised table shows similar results – the cost of the approved CIP will add additional financial burdens on ratepayers who are already facing annual rate increases. The table estimates that the added cost to District ratepayers for funding the approved CIP through a loan ultimately would cost the average ratepayer over $132 per year This table is a little different from the one provided with the prior

grant in that it shows the calculations for the debt service on the approved six year CIP. The table in the prior application shows the costs of 10 years of a $1 million per year CIP.

Table 5. Regional Water Agencies Water Rates Comparison compares water rates from several Sonoma County water agencies. Water rates change on a frequent basis and many local rates have been changed in response to the current water shortage. The rates shown in Table 5 are as current as SSWD staff could determine from the sources used (mainly phone calls and web page investigations). Sweetwater Springs Water District rates are high for the region.

Table 6. Median Household Income shows some updated median household income information, however the Census Bureau does do mid census updates for smaller communities such as Guerneville and Monte Rio, at least that information could not be found and with the larger community information there was a statement that this information was only available for communities above a certain size.

Figure 1. Water Production and Sales 12 Month Moving Average, Sweetwater Springs Water District shows the 12 month moving averages for District water production and sales in acre feet per 12 months since May 2001. It also displays the difference between production and sales in percent difference on the right hand vertical axis. This figure demonstrates the high amount of system losses and shows how the difference between production and sales has declined since the District started emphasizing replacing the inadequate distribution system. We expect to see a difference from the current capital improvements and the projects included in this request, in particular Riverlands Road and Alder Road, Pebble Way, & Heller Streets should also result in reduced system losses.

Figure 2. Sweetwater Springs Water District Total Pipeline Breaks. and Hours Spent in Repair, Moving Annual Average shows the 12 month moving average of total system pipeline breaks and the amount of time staff spend on those breaks. This figure shows how this situation is improving due to the capital improvements of recent years, although it's still far from ideal. System breaks not only result in lost water, but also result in low system pressure, service interruptions for customers, access issues for customers, and possible water quality contamination.

System breaks are an indicator of system infrastructure condition and the District has an unacceptably high number of breaks. Reducing leaks will also make staff available to start a proactive leak detection program whereby staff can go looking for system leaks and fix them before they surface. It will also allow staff more time to do in-house projects for the smaller sized projects that can be done by existing staff, saving money for District ratepayers and getting needed smaller projects done in a timely manner. We expect the capital projects currently underway to continue the trends shown in Fibure 2 and the improvements in the projects that will be constructed with the requested funding will also extend the improvements to new areas of the District.

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
	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
	Riverlands Road Pavement Restoration (included above)	$58,500
	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	**$1,090,000**
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.	$1,515,000
	Alder Road, Pebble Way, & Heller Streets Pavement Restoration (included above)	$174,000
	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 to through traffic. Install 1,200 lf of 6-inch and 1,900 lf of 2-inch main and appurtenances to loop system.	$671,000
	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	**$7,006,000**

Table 2. Sweetwater Springs Water District Capital Planning Budget, Base Situation

	FY 08-09 Projected	FY 09-10 BUDGET	FY 11	FY 12	FY 13	FY 14	FY 15
REVENUE/SOURCES OF FUNDS							
Net Operating Revenues*	374,350	300,000	304,500	309,068	313,704	318,409	323,185
Total Assessments	782,000	782,000	782,000	782,000	782,000	782,000	782,000
Capital Debt Reduction Charge**	170,000	252,426	327,100	404,300	404,300	404,300	404,300
Capital Interest	110,000	95,000	61,716	32,441	9,604	10,000	10,000
CDC Grants	983,500						
Private Placement Funding (Loan proceeds)	983,500	1,090,000	902,399				
Transfers From CIRF/Reserves			320,000	950,000	900,000	400,000	
TOTAL REVENUE	3,403,350	2,519,426	2,697,716	2,477,809	2,409,607	1,914,709	1,519,485
EXPENSES							
Total Dept Payments	974,307	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314
CIP III	35,000	50,000	80,000				
CIP IV-A (Obligated)	1,967,000						
		CIP IV-B, Proj 1	CIPIV-B, Proj 2	FY 12 CIP	FY 13 CIP	FY 14 CIP	FY 15 CIP
Annual CIP		$1,090,000	1,515,000	1,355,000	1,265,000	974,000	807,000
In-House Construction Projects	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENSES	3,016,307	2,271,314	2,726,314	2,486,314	2,396,314	2,105,314	1,938,314
SURPLUS/DEFICIT	**387,043**	**248,112**	**-28,598**	**-8,505**	**13,293**	**-190,605**	**-418,829**
FUND AND LOAN BALANCES (EOY)							
Funds above District Reserve Policy	**1,820,291**	**2,073,751**	**1,725,153**	**766,648**	**(120,059)**	**(710,664)**	**(1,129,493)**
Begining PP Loan	2,975,899						
EOY PP LOAN	1,992,399	902,399	-				
Total Funding Available for CIP	**3,812,691**	**2,976,151**	**1,725,153**	**766,648**	**(120,059)**	**(710,664)**	**(1,129,493)**

*** Projection includes effect of annual 3.5% COLA rate increase for Base Charge and Water Use Charge**

**** Projection includes CDRC rate increases in FY11 and FY12 to pay principal and interest on Private Placement Loan**

Table 3. Sweetwater Springs Water District Capital Planning Budget, Redevelopment 50% Grant for CIP IV-B

	FY 08-09 Projected	FY 09-10 BUDGET	FY 11	FY 12	FY 13	FY 14	FY 15
REVENUE/SOURCES OF FUNDS							
Net Operating Revenues*	374,350	300,000	304,500	309,068	313,704	318,409	323,185
Total Assessments	782,000	782,000	782,000	782,000	782,000	782,000	782,000
Capital Debt Reduction Charge**	170,000	252,426	327,100	404,300	404,300	404,300	404,300
Capital Interest	110,000	95,000	73,729	63,004	40,931	10,000	10,000
CDC Grants	983,500	$480,500	$730,000				
Private Placement Funding (Loan proceeds)	983,500	609,500	652,899	730,000			
Transfers From CIRF/Reserves				200,000	900,000	400,000	
TOTAL REVENUE	3,403,350	2,519,426	2,870,228	2,488,372	2,440,934	1,914,709	1,519,485
EXPENSES							
Total Dept Payments	974,307	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314
CIP III	35,000	50,000	80,000				
CIP IV-A (Obligated)	1,967,000						
		CIP IV-B, Proj 1	CIPIV-B, Proj 2	FY 12 CIP	FY 13 CIP	FY 14 CIP	FY 15 CIP
Annual CIP		$1,090,000	1,515,000	1,355,000	1,265,000	974,000	807,000
In-House Construction Projects	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENSES	3,016,307	2,271,314	2,726,314	2,486,314	2,396,314	2,105,314	1,938,314
SURPLUS/DEFICIT	**387,043**	**248,112**	**143,914**	**2,058**	**44,620**	**-190,605**	**-418,829**
FUND AND LOAN BALANCES (EOY)							
Funds above District Reserve Policy	**1,820,291**	**2,073,751**	**2,217,665**	**2,019,723**	**1,164,343**	**573,738**	**154,909**
Begining PP Loan	2,975,899						
EOY PP LOAN	1,992,399	1,382,899	730,000.00				
Total Funding Available for CIP	**3,812,691**	**3,456,651**	**2,947,665**	**2,019,723**	**1,164,343**	**573,738**	**154,909**

*** Projection includes effect of annual 3.5% COLA rate increase for Base Charge and Water Use Charge**

**** Projection includes CDRC rate increases in FY11 and FY12 to pay principal and interest on Private Placement Loan**

Table 4. Analysis of Effect of SSWD 6-Year CIP on District Annual Rates

Number of customers (meter equivalents)	4150
FY 09 Operating Budget	$ 2,059,924
FY 10 Operating Budget	$ 2,165,129
Existing Debt (2009)	$ 1,091,000
COLA Index	3.50%
Loan Int. Rate	4.75%
Length of Loans	20

	O&M and Existing Debt Cost			CIP Debt Service without Redevelopment Assistance			Totals		
Fiscal Year	Average Annual Cost per Ratepayer	Increase over 2009	% Increase over 2009	Approved CIP Annual Amount	Average Annual Cost/ Ratepayer	% Increase over 2009	Total Annual Bill	Total Annual Increase over 2009	% Increase over 2009
2009	$ 759.26								
2010	$ 784.61	$ 25.35	3.3%	$ 1,090,000	$ 20.63	2.6%	$ 805.24	$ 45.98	6.1%
2011	$ 802.87	$ 43.61	5.7%	$ 1,515,000	$49.31	6.1%	$ 852.18	$ 92.92	12.2%
2012	$ 821.77	$ 62.51	8.2%	$ 1,355,000	$74.95	9.1%	$ 896.72	$ 137.46	18.1%
2013	$ 841.33	$ 82.07	10.8%	$ 1,265,000	$98.90	11.8%	$ 940.23	$ 180.97	23.8%
2014	$ 861.57	$ 102.32	13.5%	$ 974,000	$117.33	13.6%	$ 978.91	$ 219.65	28.9%
2015	$ 882.53	$ 123.27	16.2%	$ 807,000	$132.61	15.0%	$ 1,015.14	$ 255.88	33.7%
2016	$ 904.22	$ 144.96	19.1%		$132.61	14.7%	$ 1,036.82	$ 277.57	36.6%
2017	$ 926.66	$ 167.40	22.0%		$132.61	14.3%	$ 1,059.27	$ 300.01	39.5%
2018	$ 949.89	$ 190.64	25.1%		$132.61	14.0%	$ 1,082.50	$ 323.24	42.6%
2019	$ 973.94	$ 214.68	28.3%		$132.61	13.6%	$ 1,106.55	$ 347.29	45.7%
2020	$ 998.83	$ 239.57	31.6%		$132.61	13.3%	$ 1,131.43	$ 372.18	49.0%
2021	$ 1,024.58	$ 265.33	34.9%		$132.61	12.9%	$ 1,157.19	$ 397.93	52.4%
2022	$ 1,051.24	$ 291.98	38.5%		$132.61	12.6%	$ 1,183.85	$ 424.59	55.9%
2023	$ 1,078.84	$ 319.58	42.1%		$132.61	12.3%	$ 1,211.44	$ 452.18	59.6%
2024	$ 1,107.39	$ 348.13	45.9%		$132.61	12.0%	$ 1,240.00	$ 480.74	63.3%
2025	$ 1,136.95	$ 377.69	49.7%		$132.61	11.7%	$ 1,269.56	$ 510.30	67.2%
2026	$ 1,167.54	$ 408.28	53.8%		$132.61	11.4%	$ 1,300.15	$ 540.89	71.2%
2027	$ 1,199.21	$ 439.95	57.9%		$132.61	11.1%	$ 1,331.81	$ 572.56	75.4%
2028	$ 1,231.98	$ 472.72	62.3%		$132.61	10.8%	$ 1,364.59	$ 605.33	79.7%
2029	$ 1,274.33	$ 515.07	67.8%		$132.61	10.4%	$ 1,406.94	$ 647.68	85.3%

Table 5. Regional Water Agencies Water Rates Comparison

City/District/Company	# of Customers	Monthly Cost for 5 Hcf	Monthly Cost for 14 Hcf	Comments
Santa Rosa	50,000	$ 26.31	$ 50.83	Marin Survey, 2-09
Rohnert Park	9,800	$ 29.52	$ 50.80	Marin Survey
Petaluma	19,500	$ 16.02	$ 46.25	Marin Survey
Windsor	25,000	$ 27.25	$ 34.92	Marin Survey
Sweetwater Springs	**3,600**	**$ 52.10**	**$ 78.55**	Bimonthly billing
Bodega Bay	1,071	$ 44.93	$ 73.82	4 hcf included in base rate, bimonthly
Forestville W.D.	940	$ 17.00	$ 37.40	Rates in effect 9-1-09
Cal Water Guerneville	400	$ 67.53	$ 97.18	Steve
Cloverdale	3,200	$ 16.93	$ 33.66	
Cotati	2,600	$ 41.70	$ 42.25	Marin Survey
Hidden Valley CSD	2,400	$ 31.25	$ 31.25	Flat Rate
Russian River Utilities	1,200	Multiple small utilities with different rates		
Healdsburg	11,706	$ 29.19	$ 52.59	5 Units included in base rate
Valley of the Moon	7,000	$ 20.73	$ 38.17	Marin Survey
Sebastopol	2,800	$ 18.76	$ 26.46	Bimonthly billing
Sonoma	4,300	$ 30.51	$ 55.08	Marin Survey

Table 6. Median Household Income			
Area	MHI (2000)	MHI (2007)	Difference
Guerneville CDP	**$ 37,266**	NA	
Monte Rio CDP	**$ 38,299**	NA	
Calistoga City	$ 38,454	NA	
Cloverdale	$ 42,309	NA	
Sebastopol City	$ 46,436	NA	
Graton CDP	$ 48,750	NA	
Healdsburg City	$ 48,995	NA	
Sonoma City	$ 50,505	NA	
Forestville CDP	$ 50,898	NA	
Santa Rosa City	$ 50,931	$ 56,777	11.5%
Rohnert Park City	$ 51,942	$ 58,791	13.2%
Cotati City	$ 52,808	NA	
Sonoma County	$ 53,176	$ 62,311	17.2%
Occidental CDP	$ 54,000	NA	
Bodega Bay CDP	$ 56,818	NA	
Petaluma City	$ 61,679	$ 68,949	11.8%
Windsor City	$ 63,252	$ 76,718	21.3%

Figure 1. Water Production and Sales 12 Month Moving Average
Sweetwater Springs Water District

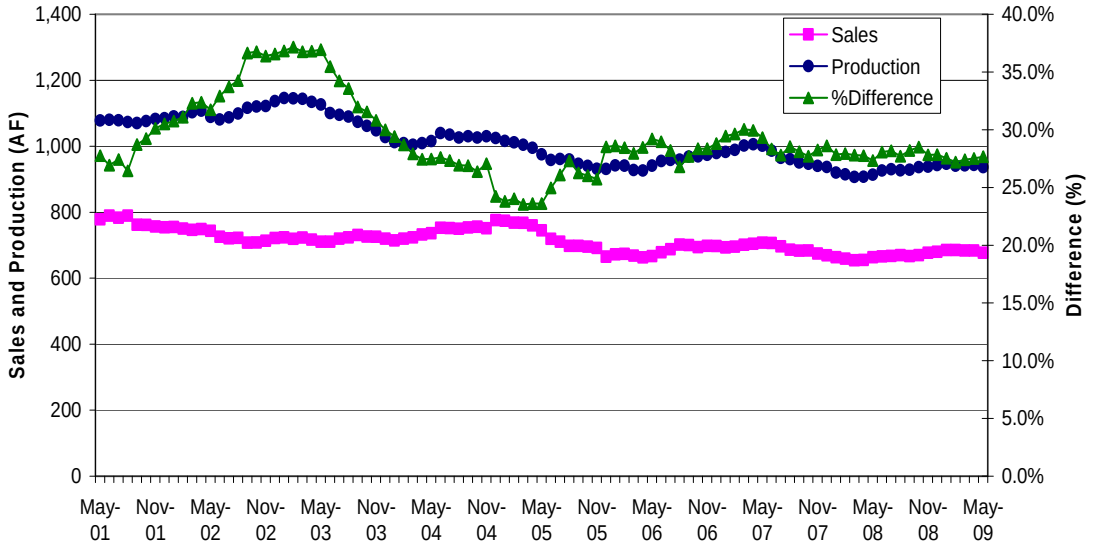
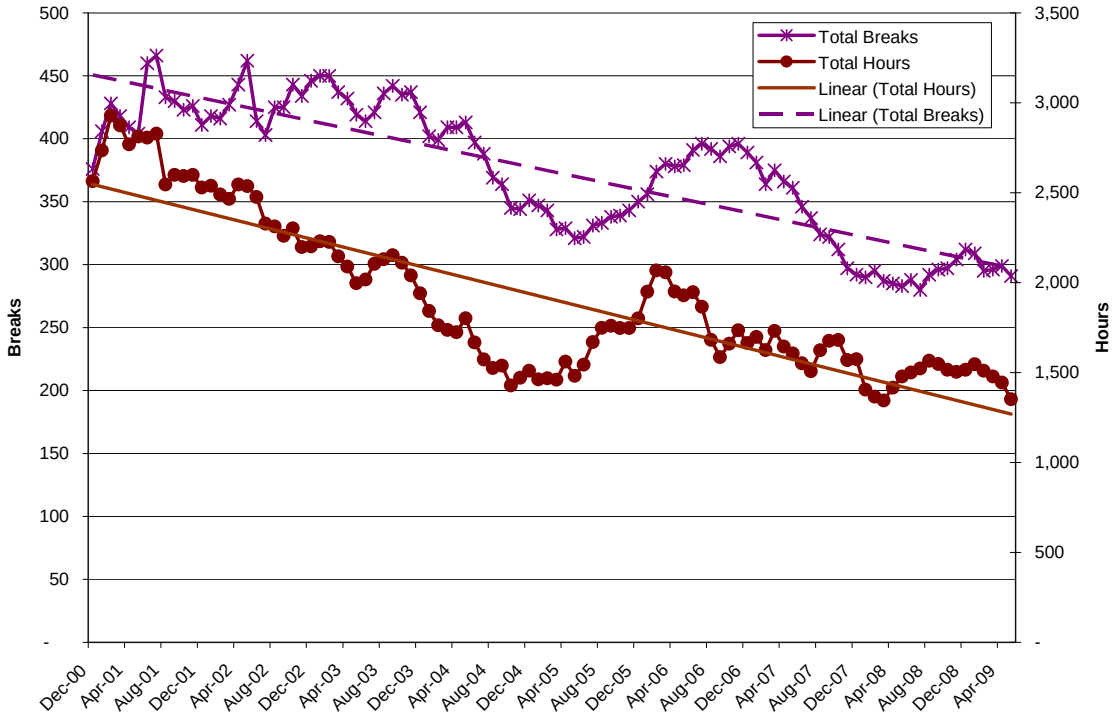
Figure 2. Sweetwater Springs Water District Total Pipeline Breaks and Hours Spent in Repair, Moving Annual Average