SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: June 4, 2009

SUBJECT: RESOLUTION 09-15, REQUESTING GRANT FUNDING FROM THE RUSSIAN RIVER REDEVELOPMENT OVERSIGHT COMMITTEE/SONOMA COUNTY REDEVELOPMENT AGENCY FOR CIP IV-B

RECOMMENDED ACTION: Discussion/Action re Resolution 09-15, Requesting Grant Funding from the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee for CIP IV-B.

FISCAL IMPACT: This is a request 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:

Improving the infrastructure of the Sweetwater Springs Water District is essential to improved operations of the District and improvements to and enhancements for the Guerneville, Monte Rio and other communities served by the District. The District is plagued by aging and inadequate distribution systems and storage which results in unacceptably high leakage rates, poor fireflows and system pressure in many areas, frequent system outages, inefficiencies in continually repairing leaks, disruption in the lives of District customers because of the frequent repair efforts and outages and other conditions that contribute to blight in District communities. To improve its infrastructure, the District has approved capital improvement programs (CIP) to identify the specific projects that address the infrastructure issues. The current CIP has been approved for Fiscal Years 2010-2015 and identifies projects with a total estimated cost of over $6.8 million. The projects identified for completion in the next two fiscal years are called CIP IV-B and are listed in Exhibit A to Resolution 09-15.

The Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee have helped the District fund CIP IV-A with a 50% matching grant

that totals $983,500. These projects - improvements to Monte Cristo Avenue, Riverside Drive, Guernewood Road and the Monte Rio Terraces - are either completed or under construction. These projects demonstrate that the District can complete needed projects and the end result are significant improvements and enhancements to the Russian River Redevelopment Area.

The current funding request is for $1,144,000. That is slightly less than 50% of the total $2,472,000 estimated cost of CIP IV-B, because design of these projects is underway and is fully funded by the District.

The projects listed in Exhibit A will improve and enhance the Russian River Redevelopment Area by improving the water distribution and storage of these areas, thereby reducing leakage, improving water quality, fireflows and system water pressure, and reducing outages from frequent repairs and reductions in water service. These projects will also result in paved streets and roads in the construction areas – an incidental, but important benefit of the projects.

This District has multi-year financial planning analyses (Figures 1A and 1B) that show the 2010-2015 CIP cannot be completed on schedule without this assistance. The District has had annual water increases throughout its capital improvement project construction, has raised rates overall approximately 6% for this coming fiscal year, has similar planned increases for the next two years, and will continue with cost of living increases in later years. Raising rates to fully fund the CIP is not practical nor possible.

The District borrowed $3 million for CIP funding in August 2008. This is matching the current Redevelopment Agency 50% grant and will help match any future grants, but it is not enough to complete the 2010-2015 CIP by itself. The District has looked for other sources of funds and has not been successful. The District applied for loan or grant assistance through the California Drinking Water Revolving Loan Fund and the American Redevelopment and Recovery Act but was not successful. The District spends 36% of its revenues on debt interest and principal repayment.

It is important to note that completion of the 2010-2015 CIP will not fully upgrade District infrastructure to standards needed for this area at this time. The 2010-2015 CIP has the priority projects, but other projects are needed and the District's CIP will be reviewed on a two-year basis to determine priority needs. The District does not have local funding adequate to fund the annual level of capital projects needed and future requests for assistance will likely be needed.

The District has a strong argument for continued assistance by the the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee for CIP IV-B. Staff has completed an application with the Agency to initiate the funding process and approval of Resolution 09-15 is a necessary element of the application process. The next step will be review by the Russian River Redevelopment Oversight Committee and that may happen at their regular meeting in June or July.

Figure 1A. Base Situation	FY 08-09 Revised	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*	304,212	374,350	305,000	309,575	314,219	318,932	323,716	328,572
Total Assessments	777,000	782,000	777,000	777,000	777,000	777,000	777,000	777,000
Capital Debt Reduction Charge	170,300	170,000	252,426	327,089	404,314	404,314	404,314	404,314
Capital Interest	60,000	110,000	95,000	76,625	57,825	10,000	10,000	10,000
Other Income	131,483							
CDC Grants	983,500	983,500						
Private Placement Funding (Loan proceeds)	983,500	983,500	1,052,000	940,399				
Economic Stimulus Loan (Proceeds)								
Transfers From CIRF/Reserves				205,000	935,000	890,000	595,000	420,000
TOTAL REVENUE	3,409,995	3,403,350	2,481,426	2,635,688	2,488,358	2,400,246	2,110,030	1,939,886
EXPENSES								
TOTAL CURRENT DEBT PAYMENTS	1,042,300	974,307	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314
Economic Stimulus Loan Debt								
CIP III	35,000	35,000	50,000	80,000				
CIP IV-A (Obligated)	1,967,000	1,967,000						
Future Capital Projects			CIP IVB, 1	CIP IVB, 2	FY 12 CIP	FY 13 CIP	FY 14 CIP	FY 15 CIP
			1,052,000	1,420,000	1,355,000	1,265,000	974,000	807,000
In-House Construction Projects	75,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENSES	3,119,300	3,016,307	2,233,314	2,631,314	2,486,314	2,396,314	2,105,314	1,938,314
SURPLUS/DEFICIT	290,695	387,043	248,112	4,374	2,044	3,932	4,716	1,572
	6,238,600							
FUND AND LOAN BALANCES (EOY)								
Funds above District Reserve Policy	-	1,820,291	2,073,751	1,873,126	940,169	54,101	(536,183)	(954,611)
Economic Stimulus Funding								
PP LOAN	2,975,899	1,992,399	940,399	0				
Total Funding Available for CIP		3,812,691	3,014,151	1,873,126	940,169	54,101	(536,183)	(954,611)

Figure 1B. With Redevelopment Agency Assistance	FY 08-09 Revised	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*	304,212	374,350	305,000	309,575	314,219	318,932	323,716	328,572
Total Assessments	777,000	782,000	777,000	777,000	777,000	777,000	777,000	777,000
Capital Debt Reduction Charge	170,300	170,000	252,426	327,089	404,314	404,314	404,314	404,314
Capital Interest	60,000	110,000	95,000	90,485	104,159	70,495	43,292	10,000
Other Income	131,483							
CDC Grants	983,500	983,000	461,500	682,500				
Private Placement Funding (Loan proceeds)	983,500	983,000	590,500	737,500	664,899			
Economic Stimulus Loan (Proceeds)								
Transfers From CIRF/Reserves					130,000	825,000	555,000	400,000
TOTAL REVENUE	3,409,995	3,402,350	2,481,426	2,924,149	2,394,591	2,395,740	2,103,321	1,919,886
EXPENSES								
TOTAL CURRENT DEBT PAYMENTS	1,042,300	974,307	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314	1,091,314
Economic Stimulus Loan Debt								
CIP III	35,000	35,000	50,000	80,000				
CIP IV-A (Obligated)	1,967,000	1,967,000						
Future Capital Projects			CIP IVB, 1	CIP IVB, 2	FY 12 CIP	FY 13 CIP	FY 14 CIP	FY 15 CIP
			1,052,000	1,420,000	1,355,000	1,265,000	974,000	807,000
In-House Construction Projects	75,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENSES	3,119,300	3,016,307	2,233,314	2,631,314	2,486,314	2,396,314	2,105,314	1,938,314
SURPLUS/DEFICIT	290,695	386,043	248,112	292,835	-91,723	-574	-1,993	-18,428
	6,238,600							
FUND AND LOAN BALANCES (EOY)								
Funds above District Reserve Policy	-	1,820,291	2,073,751	2,366,586	2,144,864	1,319,290	762,298	343,869
Economic Stimulus Funding								
PP LOAN	2,975,899	1,992,899	1,402,399	664,899				
Total Funding Available for CIP		3,813,191	3,476,151	3,031,486	2,144,864	1,319,290	762,298	343,869

Resolution No. 09-15

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT REQUESTING GRANT FUNDING FROM SONOMA COUNTY REDEVELOPMENT AGENCY AND THE RUSSIAN RIVER REDEVELOPMENT OVERSIGHT COMMITTEE FOR FISCAL YEARS ENDING JUNE 30, 2010-2011

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 9, 2009 the Sweetwater Springs Board of Directors adopted Resolution 09-04 approving the Capital Improvement Program (CIP) for FY 2010-2015 identifying in excess of $6.8 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, and fire flow, and reduce system leakage; and

WHEREAS, the projects approved in the District's CIP will reduce blight in the Russian River Redevelopment Area by upgrading infrastructure – both water storage and distribution, 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 Area; and

WHEREAS, the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee has previously approved 50% match funding for Sweetwater Springs Water District capital projects, CIP IV-A, Projects 1 and 2 and said projects are being successfully undertaken and completed in FY 2009 resulting in adequate water pressure, storage, and fire flow, and reducing system leakage in the areas of the projects; and

WHEREAS, the adopted FY 2010-2015 CIP includes capital projects for FY 2010 and 2011, called CIP IV-B, Projects 1 and 2, and said projects will complement the ongoing and recently constructed capital projects and also meet the objectives of improving system water pressure, storage, and fire flow, 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 09-04 and has implemented the following funding options:

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

WHEREAS, the Sweetwater Springs Water District applied for funding for these projects through the Safe Drinking Water State Revolving Fund, American Recovery and Reinvestment Act, but these 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

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

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 CIP IV-B, Projects 1 and 2, as prepared by the General Manager for submission to the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee, and accepts the information contained therein and adopts the following:

1. Directs the General Manager to submit an application to the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee for 50% grant funding for CIP IV-B which funding will be matched by District funds in the amount of $1,144,000.

2. Requests that the Russian River Redevelopment Oversight Committee carefully consider recommending that the Board of Commissioners of the Sonoma County Community Development Commission (Commission) approve funding in the total amount of $1,144,000 for fiscal years 2010 and 2011 funding of Sweetwater Springs Water District CIP IV-B as identified in Exhibit A hereto.

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 June 4, 2009, by the following vote.

This Resolution was adopted this June 4, 2009, on roll call by the following vote:

Wanda Smith : _____

Victoria Wikle : _____
Jim Quigley: _____
Sukey Wilder: _____
Gaylord Schaap: _____

_____
Victoria Wikle
President of the Board

ATTEST:

_____
Julie A. Kenny
Clerk of the Board

Exhibit A. 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**