# SWEETWATER SPRINGS WATER DISTRICT

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

**FROM:** Steve Mack, General Manager

---

**Meeting Date: September 3, 2009**

**SUBJECT: UPDATE ON REQUEST FOR GRANT FUNDING FROM THE RUSSIAN RIVER REDEVELOPMENT OVERSIGHT COMMITTEE/SONOMA COUNTY REDEVELOPMENT AGENCY FOR CIP IV-B, AND APPROVAL OF RESOLUTION 09-22 WHICH REVISES RESOLUTIONS 09-04 and 09-15**

---

**RECOMMENDED ACTION:** Approve Resolution 09-22, which

1. Revises Resolution 09-04 amending the FY 2010-2015 CIP to add Bonita Terrace Mainline Replacement work, and
2. Revises Resolution 09-15, the earlier request for grant funding from Sonoma County Redevelopment Agency (RDA) and the Russian River Redevelopment Oversight Committee (RRROC) for CIP IV-B, by adding the mainline replacement work on Bonita Terrace, and
3. Revises Resolution 09-15 to request a grant amount of up to 75% of the construction cost estimate.

**FISCAL IMPACT:** The addition of Bonita Terrace to the CIP and grant request adds $238,000 to the total CIP cost amount. The 75% grant request increases the total funding request to $2,228,750 which will fund approximately 75% of CIP IV-B, the Fiscal Year 2010 and 2011 projects of the District's 2010-2015 Capital Improvement Program (CIP). Increasing the grant funding from 50% to 75% for CIP IV-B would enable the District to complete the 2010-2015 CIP as scheduled and have reserves above District policy to construct capital project beyond the six-year CIP. This would allow the District to delay increasing the Capital Debt Reduction Charge (CDRC) as planned.

**DISCUSSION:**

At the June meeting the Board approved Resolution 09-15 requesting 50% grant funding from the RDA/RRROC for CIP IV-B. Ongoing work with CIP IV-A, Project 2 (50% funded by RDA/RRROC) identified mainline replacement work in Bonita Terrace as complementary to CIP IV-A, Project 2 and CIP IV-B, Project 1 and the Board directed the General Manager to add that project to the funding request at the August 07, 2009 meeting. At this meeting the Board is asked to approve Resolution 09-22 which revises Resolution 09-04 which approved the FY 2010-2015 CIP and Resolution 09-15 which is the original funding request resolution to add the Bonita

Terrace project to the CIP and funding request. The revised CIP is shown as Exhibit A to the Resolution. Resolution 09-22 also increases the funding request to up to 75% of the estimated construction cost (which will be discussed in the paragraphs below).

At the RRROC meeting on August 20, 2009, RDA staff presented the District's 50% funding request (including the Bonita Terrace element) to the RRROC and District staff participated in answering questions about the District CIP and funding request. The funding request was well received by the RRROC. The District got compliments for the current projects, and there was agreement from the RRROC that the District should ask for a higher funding amount – up to 100% of the construction cost. Kathleen Kane, RDA Executive Director, gave an explanation of RDA funding guidelines pointing out that for the District, RDA funding should be a source of last resort for funding and that RDA could not replace existing District funds. Since the District does have approximately $300,000 per year available for capital projects and some available reserves, a 75% grant request looks like the highest level of grant funding possible. The RRROC has a two meeting rule for funding requests above $25,000 and the changed funding request discussed here – brought up at the suggestion of RRROC members- can be presented at the September 17, 2009 meeting

Part of the RRROC support for a 75% grant was based on the possibility of rate relief for District customers. District rates were recently restructured and the discussions regarding future rates included cost of living (COLA) increases for the Base Charge and Water Use Charge which fund the Operating Budget and increases to the Capital Debt Reduction Charge to fully recoup the principal and interest charges. The District should keep with the COLA increases because operating expenses will continue to increase. With a 75% grant, the District should consider delaying increases to the CDRC. The increased grant amount will allow continued interest accumulation from the loan balance and other reserves to offset the private placement loan principal and interest payments for which the CDRC increases are targeted. The contemplated CDRC increases would average approximately 2% per year for two years for a typical residential customer (of course being different for different customers).

The District currently has an application in to the RDA staff for the 50% funding amount. The District needs to be careful with a request for an increase in funding because, while this increase grant amount was suggested by the RRROC, ultimate approval is by the Board of Supervisors, who may have a different view of the funding request. Resolution 09-22 is worded with an "up to" funding amount so that if the discussions with Sonoma County officials indicate that a 50% grant is the best we can expect, the application for funding can remain at that amount.

Staff will be returning to the RRROC meeting on September 17, 2009 for a second presentation. After the second meeting at RRROC, the funding request will move to the Board of Supervisors for final consideration.

# Resolution No. 09-22

## 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, Revising Resolution 09-15 to Include Main Replacement Work on Bonita Terrace and Revising Resolution 09-04 which Approved the 2010-2015 CIP, to Include Said Work on Bonita Terrace

**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; and

**WHEREAS,** at the June 4, 2009 meeting the District Board of Directors approved Resolution 09-15 which contained most the findings of this resolution and directed the General Manager to request 50% grant funding from the Sonoma County Redevelopment Agency in the amount of $1,144,000; and

**WHEREAS,** subsequent investigations and work with CIP Phase IV-A, Project 2 in the Monte Rio Terraces identified additional main replacement work in Bonita Terrace that addresses needed repair work and is complementary to the work included in the FY 2010 CIP projects; and

**WHEREAS,** said work in Bonita Terrace is estimated to cost $238,000; and

**WHEREAS,** the District's request for grant funding was well received by the RRROC whose members suggested requesting a higher percentage of funding from the Sonoma County Redevelopment Agency; and

**WHEREAS,** analysis of the District's availability of existing funds and the RDA funding guidelines appear to suggest that the District could ask for up to 75% of the construction cost and funding at that level would enable further District capital improvements and better rate stabilization.

**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. Revises Resolution 09-04 to approve the addition of the Bonita Terrace Project, estimated to cost $238,000, to year 2010 of the 2010-2015 CIP.

2. Revises Resolution 09-15 to direct the General Manager to submit an application to the Sonoma County Redevelopment Agency and the Russian River Redevelopment Oversight Committee for up to 75% grant funding for CIP IV-B which funding would total $2,228,750 and would be matched by District fund in the amount of $614, 250.

3. 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 $2,228,750 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 September 3, 2009, by the following vote.

This Resolution was adopted this September 3, 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 |
| | Bonita Terrace (MR) - Replace 1,500 ft of existing main and appurtences on Bonita Terrace, including ties to Schoolhouse Tank and Delta Way (CIP IV-A), to create a loop. | $238,000 |
| | 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 |
| | 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** | **$1,328,000** |
| **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 |
| | | |
| | **2011 Total** | **$1,515,000** |
| | **Total CIP IV-B** | **$2,843,000** |