



APPROVED
BY THE CITY COUNCIL

JUN 9 1998

OFFICE OF THE
CITY CLERK

W2.2

DEPARTMENT OF
UTILITIES
BUSINESS SERVICES

CITY OF SACRAMENTO
CALIFORNIA

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May 29, 1998

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: PROPOSED 1999-2003 WATER FUND CAPITAL IMPROVEMENT PROGRAM
AND AMENDMENTS TO FY98 WATER FUND CAPITAL IMPROVEMENT
PROGRAM

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution to approve amendments to the FY98 Water Fund Capital Improvement Program.

CONTACT PERSONS: Michael Stamper, Business Services Manager, 433-6608
Edward Otte, Administrative Analyst, 433-6600

FOR COUNCIL MEETING OF: June 9, 1998

SUMMARY

This report presents information on the proposed 1999-2003 Water Fund Capital Improvement Program and recommends that the City Council approve amendments to the FY98 Water Fund Capital Improvement Program. Final recommendations to the FY99 Water Fund Capital Improvement Program budget will be presented as part of the City Manager's Addendum on June 30, 1998.

City Council

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Proposed 1999-2003 Water Fund Capital Improvement Program and Amendments to FY98 Water Fund Capital Improvement Program

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND INFORMATION

The Water Fund supports both the capital and operating costs associated with providing potable water throughout the City, including production, treatment, storage, and distribution. Revenues are generated primarily by user fees. In addition, the Fund generates revenues from water development fees, which are used for system improvements necessitated by growth.

The Department of Utilities has established the following goals that guide the planning and implementation of the Water Fund Capital Improvement Program:

- Provide a reliable supply of high quality drinking water to City residents and businesses.
- Ensure that water production and treatment complies with all State and federal regulations.
- Ensure that expansion of the water treatment plant capacity, storage, and distribution systems meets present and future needs and conforms to the City's General Plan.
- Upgrade or replace existing water treatment, storage, and distribution systems in conformance with the water system master plans.
- Increase reliability and reduce maintenance costs by upgrading or replacing inadequate or deteriorated systems.

All maintenance, rehabilitation, and development projects are scrutinized for conformance to the City's General Plan. Revisions to the City's General Plan are incorporated into the Department master planning process upon adoption by the Planning Commission and City Council. The planning efforts of the Department of Utilities for the Water Fund Capital Improvement Program have been detailed in the "Utility Infrastructure Report," November 1995, presented to the City Council in January 1996.

CURRENT CAPITAL IMPROVEMENT PROGRAM

In order to ensure that the current Water Fund Capital Improvement Program (FY98) is meeting the needs of its residential and commercial customers, the Department has evaluated all of the projects in the current program and recommends that the City Council amend the FY98 Water Fund Capital Improvement Program as shown in the following table.

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Project Number	Project Title	Modified Budget 5/1/98	FY98 Budget Adjustments	Explanation for Budget Adjustment
CC01	ADA Modifications	425,561	-360,000	Project construction will not start until FY 01
WE86	Fiber Optic Telemetry	300,000	-56,717	Project completed
ZB31	Water System Misc Improvmt	1,356,378	-135,481	Fewer subprojects than had been anticipated.
ZD11	Maint Shops Design SRWTP	365,046	-64,861	Project completed
ZD26	Well System Misc Improvmt	704,500	-100,000	Revised scope of work resulted in less cost.
ZD36	Water Supply Master Plan	2,022,587	-245,000	Revised scope of project resulted in less use of consultants.
ZE42	No. Sac Water Mn Repl Ph 2	732,000	-70,977	Project completed
ZE46	Base CIP Reserve	19,201	1,183,541	
ZE71	SRWTP SWTR Modifications	380,000	-95,000	Revised scope of project resulted in less use of consultants.
ZE81	SMUD CoGen Campbell Wtr Mn	216,000	100,000	Project completed; lower participation of County than had been anticipated.
ZE86	Upgrade Wtr Irrigation Sys	170,000	-55,505	Revised scope of project resulted in less use of consultants.
ZF71	Resvr Pipe Rehabilitation	100,000	-100,000	Project canceled; work incorporated in treatment capacity expansion (PN:ZF51)
NET TOTAL CHANGE			0	

1999-2003 CAPITAL IMPROVEMENT PROGRAM

The total appropriations recommended for the FY99 Water Fund Capital Improvement Program are \$8,520,000. This amount is \$3,396,000 less than the FY98 Capital Improvement Program. This reduction reflects a shift in the timing of planning and designing the treatment capacity expansion and the on-going effort to complete work already in progress. In addition, the Department has achieved significant cost savings in its Water Fund capital projects construction costs over the past 18 months as the result of vigorous review of construction requirements and received approval to apply the net savings to additional projects to improve the water distribution system.

Five of the largest water projects for which funding is proposed in FY99 include:

- ◆ ZG56 Hollywood Park Steel Main Replacement: to continue into the next phase of replacing aged steel distribution mains in Hollywood Park.

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- ◆ ZG61 North Sacramento Water Main Replacement, Phase 4: to continue replacing undersized and substandard water distribution pipes in North Sacramento.
- ◆ ZG36 SRWTP Underground Reservoir Roof Repair: to repair the roof of an underground reservoir that stores treated, potable water.
- ◆ ZF36 SCADA System Upgrade: to improve the flow of electronic data within the water production and distribution systems.
- ◆ ZG51 Sacramento River WTP Pump Station South Manifold: to replace the south discharge manifold pipes and vault because of severe corrosion.

Expansion of the City's treatment facilities is needed to: (1) insure water supply reliability, (2) begin replacement of aging treatment capacity, (3) meet current and expected State and federal drinking water regulations, and (4) meet anticipated community growth. Toward that end the Department recommends in the FY99 Water Fund Capital Improvement Program the allocation of \$5,000,000 to design the treatment capacity expansion at the E. A. Fairbairn Water Treatment Plant. The Department projects that capital construction outlays for treatment capacity expansion will occur in FY00, FY01, and FY03. The Department anticipates borrowing funds in order to proceed with construction. The most current construction projections have resulted in revised program estimates for the five year plan. The changes in the five year plan are shown in the following table.

Project		Budget (in thousands)				
Number	Project Title	FY99	FY00	FY01	FY02	FY03
WATER FUND - 413						
Current Project Proposed						
ZF41	E A Fairbairn WTP Expansion	5,000	0	20,000	40,000	0
ZF46	EARWTP Intake Expansion	1,000	0	4,900	9,000	0
ZF51	Sacto Rvr WTP Expansion	750	0	30,000	50,000	0
ZF56	SRWTP Intake Replacement	250	0	0	0	0
Revised Project Proposed						
ZF41	E A Fairbairn WTP Expansion	5,000	13,200	38,000	0	0
ZF46	EARWTP Intake Expansion	1,000	0	10,000	0	0
ZF51	Sacto Rvr WTP Expansion	750	0	0	7,000	57,000
ZF56	SRWTP Intake Replacement	250	20,000	0	0	0
Total Water Fund						
Current Total		8,520	5,558	63,176	106,000	7,000
Revised Total		8,520	38,758	56,276	14,000	64,000

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FINANCIAL CONSIDERATIONS

The proposed FY99 Water Fund Capital Improvement Program will be accomplished within currently available resources and does not require any increases in user fees. However, due to the significant construction costs for treatment capacity expansion in the remaining four years of the five year plan, the Department anticipates the need for increases in user fees. The following table provides the revenue and expenditure projections for the Water Fund for the next five years. The five-year projection forecasts rate increases ranging from three to five percent beginning in FY00.

WATER FUND FIVE YEAR PROJECTION*

FIVE YEAR PROJECTION	FY99	FY00	FY01	FY02	FY03
BEGINNING BALANCE	5,229	8,164	11,742	9,561	10,428
RATE INCREASE PROJECTED	0.00%	3.00%	5.00%	5.00%	5.00%
REVENUES					
User Fees	30,685	30,992	32,241	34,191	36,260
Revenue from Rate Increase**	0	930	1,612	1,710	1,813
Interest	1,938	1,977	2,016	2,057	2,098
Other	342	346	350	354	359
Debt Proceeds	0	33,200	48,000	7,000	57,000
Total Revenues	32,964	67,444	84,219	45,311	97,529
EXPENDITURES					
Operating	21,354	22,027	22,785	23,572	24,388
Debt Service	1,379	4,317	8,588	8,133	12,898
Capital Improvement Program	8,520	38,758	56,276	14,000	64,000
Total Expenditures	31,253	65,102	87,649	45,705	101,286
Other Reimbursements	1,224	1,236	1,249	1,261	1,274
ENDING BALANCE	8,164	11,742	9,561	10,428	7,945

* Dollars expressed in thousands. ** Gross revenue

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ENVIRONMENTAL DETERMINATION

There are no new environmental impacts associated with the proposed Water Fund Capital Improvement Program. The appropriate level of environmental review, under CEQA, will be performed in conjunction with the project planning and design stage of future capital improvement projects.

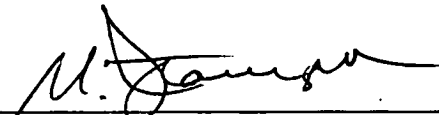
POLICY CONSIDERATIONS

The actions requested are consistent with Resolution 97-379, Section 9, para 9.6 and 9.7, approved by the City Council on June 24, 1997.

MBE/WBE

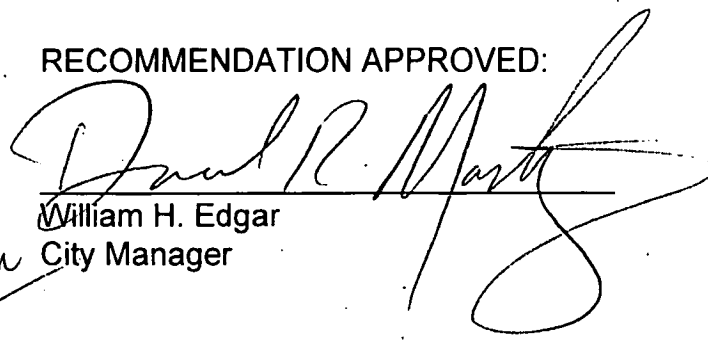
Not applicable. There are no goods or services being purchased as a direct result of this action.

Respectfully submitted,



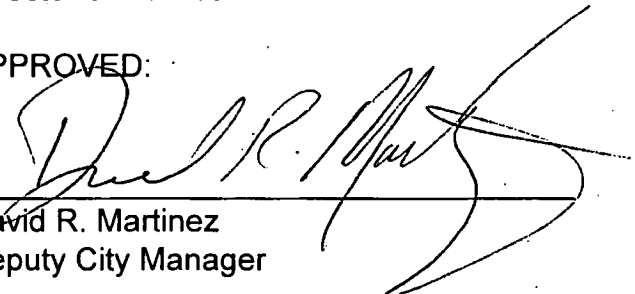
For Jim Sequeira
Director of Utilities

RECOMMENDATION APPROVED:



William H. Edgar
City Manager

APPROVED:



David R. Martinez
Deputy City Manager

RESOLUTION NO. 98-253

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL

JUN 9 1998

OFFICE OF THE
CITY CLERK

RESOLUTION TO AMEND THE FY98 WATER FUND CAPITAL IMPROVEMENT PROGRAM

BE IT RESOLVED BY THE SACRAMENTO CITY COUNCIL THAT:

The FY98 Water Fund Capital Improvement Program is hereby amended as follows:

Project Number	Project Title		FY98 Budget Adjustments
CC01	ADA Modifications	413-500-CC01-4820	-360,000
WE86	Fiber Optic Telemetry	413-500-WE86-4820	-56,717
ZB31	Water System Misc Improvmt	413-500-ZB31-4820	-135,481
ZD11	Maint Shops Design SRWTP	413-500-ZD11-4820	-64,861
ZD26	Well System Misc Improvmt	413-500-ZD26-4820	-100,000
ZD36	Water Supply Master Plan	413-500-ZD36-4820	-245,000
ZE42	No. Sac Water Mn Repl Ph 2	413-500-ZE42-4820	-70,977
ZE46	Base CIP Reserve	413-500-ZE46-4414	1,183,541
ZE71	SRWTP SWTR Modifications	413-500-ZE71-4820	-95,000
ZE81	SMUD CoGen Campbell Wtr Mn	413-500-ZE81-4820	100,000
ZE86	Upgrade Wtr Irrigation Sys	413-500-ZE86-4820	-55,505
ZF71	Resvr Pipe Rehabilitation	413-500-ZF71-4820	-100,000
NET TOTAL			0

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____