

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott C. Stiles
Dept.: City Manager
Subject: Water Supply Program Budget
Fiscal Year 2017/18 and Fiscal
Year 2018/19

From: William E. Murray
Dept.: Public Works
Date: June 27, 2017

OBJECTIVE

To receive City Council approval for the proposed Water Supply Program Budget for Fiscal Year (FY) 2017/18 and FY 2018/19.

BACKGROUND

The mission of the Water Services Division is to provide a reliable water supply of the highest quality at the lowest possible cost. In keeping with this mission, three major issues must be considered:

- Purchased water and energy costs;
- Improvement of the water delivery system; and
- State and federal water quality mandates

To comply with these issues, and in keeping with the above mission, the Water Services Division has initiated programs such as:

- Working with Orange County Water District to balance the groundwater basin's protection with rate stabilization and with water conservation measures;
- Working with the Metropolitan Water District of Southern California, Orange County Water District, and the Municipal Water District of Orange County to improve water reliability by way of water conservation with grant funding; and
- Compliance with all state and federal water quality standards

During FY 2016/17, a number of operational and capital goals were met. Projects in progress or completed that are related to the Water Enterprise Fund include the following:

Implementation of the Water Master Plan, construction of the PRV and OC-Interconnect Facilities Rehabilitation Project, completion of the design of the Magnolia Concrete Reservoir Rehabilitation Project and the Ward Street Fire Flow Water Improvements, and completion of the FY 2016/17 capital replacement projects.

DISCUSSION

Major areas being addressed in the proposed FY 2017/18 and FY 2018/19 Water Supply Program Budget include: water supply budget, water cost factors, and implementation of

capital improvements and replacements. The capital improvement and replacement program for the upcoming fiscal year consists of the following:

- Replacement of 5,000 linear feet of main;
- Replace 90 fire hydrants;
- Replace service lines, as needed;
- Install meters at all city facilities;
- Implement gate valve exercise program;
- Replace 100 gate valves;
- Construction of the West Haven Reservoir Rehabilitation Project;
- Construction of the Magnolia Concrete Reservoir Rehabilitation Project;
- Construction of the Ward Street Fire Flow Water Improvements;
- Design and construction of the Citywide Water Services Replacement Project Phase II and the Well 21 Redevelopment Project;
- Continue with the upgrades of the SCADA System;
- Engineering evaluation and assessment of Well Nos. 16, 19 and 25;
- Perform miscellaneous improvements and/or repairs; and
- Continue conducting Water Rate Study and proper adjustment of water rate.


FINANCIAL IMPACT

This proposed budget will allow for the Water Enterprise Fund to continue meeting its financial obligations and carry out its capital improvement and replacement programs for FY 2017/18 and FY 2018/19.

RECOMMENDATION

It is recommended that the City Council:

- Approve the proposed Water Supply Program Budget for Fiscal Year 2017/18 and Fiscal Year 2018/19 as presented.


WILLIAM E. MURRAY, P.E.
Public Works Director


By: Katie Victoria
Senior Administrative Analyst

Attachment: Water Supply Program Budget FY 2017/18 and FY 2018/19

**CITY OF GARDEN GROVE
DEPARTMENT OF PUBLIC WORKS
WATER SERVICES DIVISION**

**WATER SUPPLY PROGRAM
FISCAL YEAR 2017/18 and 2018/19**

Presented By:

**CITY OF GARDEN GROVE
DEPARTMENT OF PUBLIC WORKS**

CITY OF GARDEN GROVE
WATER SUPPLY PROGRAM
(CITY COUNCIL ADOPTED)

BUSINESS PRINCIPLES

1. Satisfy Bond Covenant conditions under which outstanding water revenue bonds were issued.
2. Enterprise fund should break even, not generate a deficit.
3. In order to operate efficiently, a two (2) month cash flow is required, as well as maintenance of \$500,000 in reserves for contingencies.
4. Preserve replacement sinking fund. Ideal amount of fund should approach 5% of system value.
5. Maintain system and facilities up to industry standards by adequately funding new Capital Improvement Programs.
6. Continue design and construction of priority capital projects conforming to the annual budget.

WATER SERVICES BUDGET

FY 2016-17 - 2018-19

(\$000)

	2016-17 Adopted Budget	FY 16-17 Projected Year End	FY 17-18 Proposed Budget	FY 18-19 Proposed Budget
<u>FUNDS AVAILABLE</u>				
BEGINNING BALANCE	\$ 9,382.0	\$ 11,929.8	\$ 8,707.1	\$ 3,821.9
BOND PROCEEDS (annual allocation)	0.0	0.0	0.0	0.0
TRANSFER FROM REPLACEMENT	0.0	0.0	0.0	0.0
REVENUES	26,800.0	28,000.0	31,479.8	32,513.8
ANNUAL COMMODITY INDEX	0.0	0.0	0.0	0.0
TRANSFER FROM RESERVES	0.0	0.0	0.0	0.0
ADJUSTMENT	0.0	0.0	0.0	1,625.1
TOTAL FUNDS AVAILABLE	36,182.0	39,929.8	40,186.9	37,960.8
<u>OPERATION EXPENDITURES</u>				
OPERATIONS				
LABOR	5,388.0	4,920.0	5,731.4	5,874.7
CONTRACTUAL SERVICES	1,097.6	1,004.0	1,110.9	1,134.1
COMMODITIES	1,231.3	812.7	1,294.6	1,346.9
VEHICLE / EQUIPMENT RENTALS	966.6	980.3	1,037.8	1,058.5
INSURANCE	263.3	263.3	263.3	263.3
ADMIN SUPPORT COSTS	2,534.9	2,534.9	2,439.1	2,439.1
PURCHASED WATER	14,290.6	13,029.8	15,246.1	16,028.7
LONG TERM DEBT	2,664.2	2,664.2	2,402.3	2,390.2
RESERVE DRAWDOWN PAYBACK	0.0	0.0	0.0	0.0
DEPRECIATION (REPLACEMENT)	3,150.0	2,289.3	3,244.5	3,341.8
STREET REPAIR CHARGE	1,550.0	1,550.0	1,550.0	1,550.0
CAPITAL EQUIPMENT	158.0	164.1	45.0	33.5
ENTERPRISE RESOURCE PLANNING	0.0	0.0	0.0	500.0
REPLACEMENT SINKING FUND	0.0	0.0	0.0	0.0
RATE STABILIZATION FUND	0.0	0.0	0.0	0.0
TOTAL OPERATION EXPENDITURES	33,294.5	30,212.6	34,365.0	35,960.8
PROJECTED AMOUNT UNDER SPENT	0.0	0.0	0.0	0.0
NET OPERATION EXPENDITURES	33,294.5	30,212.6	34,365.0	35,960.8
<u>WATER CAPITAL EXPENDITURES</u>				
WATER MAINS	500.0	505.1	1,000.0	1,000.0
PRODUCTION CAPITAL	500.0	505.0	1,000.0	1,000.0
TOTAL CAPITAL EXPENDITURES	1,000.0	1,010.1	2,000.0	2,000.0
FUNDS AVAILABLE	36,182.0	39,929.8	40,186.9	37,960.8
WATER EXPENDITURES	34,294.5	31,222.7	36,365.0	37,960.8
ENDING BALANCE	\$ 1,887.5	\$ 8,707.1	\$ 3,821.9	0.0

WATER CAPITAL PROJECTS

FIVE YEAR PLAN
(\$000)

<u>PROJECTS</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>	<u>21-22</u>
1. WATER MAINS	\$ 500	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
2. PRODUCTION CAPITAL	<u>500</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
TOTAL	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000

CAPITAL IMPROVEMENTS - PUBLIC WORKS
WATER

FY 2017/18

(\$000)

CURRENT ESTIMATED COSTS

<u>PROJECTS</u>	<u>NEW CAPITAL</u>	<u>REPLACEMENT</u>
Water Services	0	906
Water Meter	0	319
Fire Hydrants	0	876
Main Valve	0	1,143
Water Main Improvements	1,000	0
Production Projects	1,000	0
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	\$ 2,000	\$ 3,245

FY 2018/19

(\$000)

CURRENT ESTIMATED COSTS

<u>PROJECTS</u>	<u>NEW CAPITAL</u>	<u>REPLACEMENT</u>
Water Services	0	934
Water Meter	0	329
Fire Hydrants	0	902
Main Valve	0	1,178
Water Main Improvements	1,000	0
Production Projects	1,000	0
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	\$ 2,000	\$ 3,342

WATER SERVICES REPLACEMENT PROGRAM

FIVE YEAR PLAN

(\$000)

BEGINNING BALANCE	\$0
REVENUES	<u>0</u>
DEPRECIATION RESERVES - TRANSFER	<u>0</u>
DEPRECIATION - TRANSFER	\$3,245

LESS REPLACEMENT COSTS	<u>(3,245)</u>
ENDING BALANCE	<u>\$ 0</u>

PROJECTS	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>
1. WATER SERVICE	880	906	934	962	990
2. WATER METER	310	319	329	339	349
3. FIRE HYDRANT	850	876	902	929	957
4. MAIN VALVE	1,110	1,143	1,178	1,213	1,249
5. WATER MAIN	0	0	0	0	0
6. PRODUCTION	0	0	0	0	0
7. NATURAL GAS ENGINE	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 3,150</u>	<u>\$ 3,245</u>	<u>\$ 3,342</u>	<u>\$ 3,442</u>	<u>\$ 3,545</u>

WATER REPLACEMENT PROJECTS

1. Replace deficient water service lines.
2. Replace small and large deficient meters.
3. Replace deficient fire hydrants.
4. Replace non-repairable main line gate valves.
5. Replace production equipment as needed.
6. Replace water mains as needed.
7. Replace natural gas engines as needed.

WATER COST FACTOR

(PER ACRE FOOT)

	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>
IMPORT WATER COST	\$ 979.0	\$ 1,015.0	\$ 1,065.8	\$ 1,119.0	\$ 1,175.0
POWER COSTS	\$ 49.0	\$ 46.0	\$ 47.0	\$ 49.0	\$ 50.0
REPLENISHMENT ASSESSMENT (GROUNDWATER)	\$ 402.0	\$ 445.0	\$ 476.0	\$ 509.0	\$ 531.0
EQUITY ASSESSMENT (OVER PUMPING COSTS)	\$ 549.0	\$ 576.0	\$ 605.0	\$ 636.0	\$ 667.0
BASIN PRODUCTION PERCENTAGE	75%	75%	75%	75%	75%