

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott C. Stiles

From: William E. Murray

Dept.: City Manager

Dept.: Public Works

Subject: Water Supply Program Budget
Amendment for Fiscal Year 2018/19

Date: June 26, 2018

OBJECTIVE

To receive City Council approval to amend the Fiscal Year 2018-19 Water Supply Program Budget.

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

On June 27, 2017, Council adopted the City's two-year budget for FY 2017/18 and FY 2018/19. During FY 2017/18, 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 2017/18 capital replacement projects.

DISCUSSION

Staff has conducted a mid-biennial review and budget adjustments are needed in operating and capital expenditures to the second year of the two-year budget. Major

areas being addressed in the proposed FY 2018/19 Water Supply Program Budget Amendment 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 140 fire hydrants;
- Replace service lines, as needed;
- Install meters at all city facilities;
- Implement gate valve exercise program;
- Replace 150 gate valves;
- Construction of the West Haven Reservoir Rehabilitation Project;
- Construction of the Magnolia Concrete Reservoir and Booster Pump Station 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; and
- Perform miscellaneous improvements and/or repairs.

FINANCIAL IMPACT

This proposed amended 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 2018/19.

RECOMMENDATION

It is recommended that the City Council:

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

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

By: Samuel Kim, P.E.
Water Services Manager

Attachment: Water Supply Program Budget FY 2018/19

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

**WATER SUPPLY PROGRAM
BUDGET AMENDMENT
FISCAL YEAR 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 2017-18 - FY 2018-19
 (\$000)

<u>FUNDS AVAILABLE</u>	<u>FY 17-18 Adopted Budget</u>	<u>FY 17-18 Projected Year End</u>	<u>FY 18-19 Adopted Budget</u>	<u>FY 18-19 Amended Budget</u>
BEGINNING BALANCE	\$ 8,707.1	\$ 9,296.4	\$ 3,821.9	\$ 5,255.8
BOND PROCEEDS	0.0	0.0	0.0	0.0
TRANSFER FROM REPLACEMENT	0.0	0.0	0.0	0.0
REVENUES	31,479.8	31,907.0	32,513.8	35,623.0
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	1,625.1	0.0
FUNDS AVAILABLE	\$ 40,186.9	\$ 41,203.4	\$ 37,960.8	\$ 40,878.8
 <u>OPERATIONS EXPENDITURES</u>				
OPERATIONS				
LABOR	\$ 5,731.4	\$ 5,731.4	\$ 5,874.7	\$ 5,888.0
CONTRACTUAL SERVICES	1,110.9	1,110.9	1,134.1	1,134.1
COMMODITIES	1,294.6	1,294.6	1,346.9	1,368.5
VEHICLE/EQUIPMENT RENTALS	1,037.8	1,037.8	1,058.5	1,030.0
INSURANCE	263.3	263.3	263.3	263.3
ADMIN SUPPORT	2,439.1	2,439.1	2,439.1	2,758.2
PURCHASED WATER	15,246.1	14,828.7	16,028.7	16,028.7
LONG TERM DEBT	2,402.3	2,402.3	2,390.2	2,390.2
RESERVE DRAWDOWN PAYBACK	0.0	0.0	0.0	0.0
DEPRECIATION (REPLACEMENT)	3,244.5	3,244.5	3,341.8	3,341.8
STREET REPAIR CHARGE	1,550.0	1,550.0	1,550.0	1,940.4
CAPITAL EQUIPMENT	45.0	45.0	33.5	82.5
ENTERPRISE RESOURCE PLANNING	0.0	0.0	500.0	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 OPERATIONS EXPENDITURES	\$ 34,365.0	\$ 33,947.6	\$ 35,960.8	\$ 36,725.7
 WATER MAINS	 \$ 1,000.0	 \$ 1,000.0	 \$ 1,000.0	 \$ 1,000.0
PRODUCTION CAPITAL	1,000.0	1,000.0	1,000.0	1,000.0
TOTAL CAPITAL EXPENDITURES	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0
 FUNDS AVAILABLE	 \$ 40,186.9	 \$ 41,203.4	 \$ 37,960.8	 \$ 40,878.8
EXPENDITURES	36,365.0	35,947.6	37,960.8	38,725.7
ENDING BALANCE	\$ 3,821.9	\$ 5,255.8	\$ 0.0	\$ 2,153.1