

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 Fiscal Year 2019-20 and Fiscal Year 2020-21	Date:	June 25, 2019

OBJECTIVE

To receive City Council approval for the proposed Water Supply Program Budget for Fiscal Year (FY) 2019-20 and FY 2020-21.

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 2018-19, 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 Westhaven Well 21 Rehabilitation Project, completion of the construction of the Citywide Water Services Replacement Project Phase II, and completion of the FY 2018-19 capital replacement projects.

DISCUSSION

Major areas being addressed in the proposed FY 2019-20 and FY 2020-21 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 includes the following:

- Replacement of 5,000 linear feet of main;
- Replace 300 fire hydrants;
- Replace 650 service lines;
- Implement gate valve exercise program;
- Replace 200 gate valves;
- Construction of the Magnolia Concrete Reservoir Rehabilitation Project;
- Construction of the Ward Street Fire Flow Water Improvements;
- Design of the Above Ground Reservoir Repair Project;
- Completion of the Water Master Plan Update;
- Continue with the upgrades of the SCADA System; and
- Perform miscellaneous improvements and/or repairs.

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 2019-20 and FY 2020-21.

RECOMMENDATION

It is recommended that the City Council:

- Approve the proposed Water Supply Program Budget for Fiscal Year 2019-20 and Fiscal Year 2020-21 as presented.

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

By: Katie Victoria
Senior Administrative Analyst

Attachment: Water Supply Program Budget FY 2019-20 and FY 2020-21

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

**WATER SUPPLY PROGRAM
FISCAL YEAR 2019-20 and 2020-21**

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 2018-19 - 2020-21
(\$000)

	FY 18-19 Amended Budget	FY 18-19 Projected Year End	FY 19-20 Proposed Budget	FY 20-21 Proposed Budget
<u>FUNDS AVAILABLE</u>				
BEGINNING BALANCE	\$ 5,255.8	\$ 8,930.3	\$ 4,990.0	\$ 3,190.55
TRANSFER FROM REPLACEMENT	0.0	0.0	0.0	0.0
REVENUES	35,623.0	35,623.0	37,676.5	38,229.1
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	0.0
FUNDS AVAILABLE	\$ 40,878.8	\$ 44,553.3	\$ 42,666.5	\$ 41,419.7
<u>OPERATIONS EXPENDITURES</u>				
OPERATIONS				
LABOR	\$ 5,888.0	\$ 5,388.0	\$ 6,122.4	\$ 6,572.3
CONTRACTUAL SERVICES	1,134.1	1,134.1	1,812.0	1,806.4
COMMODITIES	1,368.5	1,048.5	822.5	837.3
VEHICLE/EQUIPMENT RENTALS	1,030.0	1,030.0	1,075.5	1,097.0
INSURANCE	263.3	263.3	263.3	263.3
ADMIN SUPPORT	2,758.2	2,758.2	2,435.8	2,435.8
PURCHASED WATER	16,028.7	15,528.7	16,972.6	17,736.4
LONG TERM DEBT	2,390.2	2,390.2	2,394.6	2,388.4
RESERVE DRAWDOWN PAYBACK	0.0	0.0	0.0	0.0
DEPRECIATION (REPLACEMENT)	3,341.8	3,341.8	3,338.5	3,304.9
STREET REPAIR CHARGE	1,940.4	1,940.4	1,958.8	1,977.7
CAPITAL EQUIPMENT	82.5	82.5	180.0	0.0
ENTERPRISE RESOURCE PLANNING	500.0	500.0	100.0	0.0
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	\$ 36,725.7	\$ 35,405.7	\$ 37,476.0	\$ 38,419.5
WATER MAINS	1,000.0	1,000.0	1,000.0	1,000.0
PRODUCTION CAPITAL	1,000.0	3,157.6	1,000.0	2,000.0
TOTAL CAPITAL EXPENDITURES	2,000.0	4,157.6	2,000.0	3,000.0
FUNDS AVAILABLE	40,878.8	44,553.3	42,666.5	\$ 41,419.7
EXPENDITURES	38,725.7	39,563.3	39,476.0	41,419.5
ENDING BALANCE	2,153.1	4,990.0	3,190.6	0.2

WATER CAPITAL PROJECTS

FIVE YEAR PLAN (\$000)

<u>PROJECTS</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>22-23</u>
1. WATER MAINS	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,500
2. PRODUCTION CAPITAL	<u>3,158</u>	<u>1,000</u>	<u>2,000</u>	<u>2,500</u>	<u>1,000</u>
TOTAL	\$ 4,158	\$ 2,000	\$ 3,000	\$ 3,500	\$ 3,500

CAPITAL IMPROVEMENTS - PUBLIC WORKS
WATER

FY 2019-20

(\$000)

CURRENT ESTIMATED COSTS

<u>PROJECTS</u>	<u>NEW CAPITAL</u>	<u>REPLACEMENT</u>
Water Services	0	935
Water Meter	0	334
Fire Hydrants	0	901
Main Valve	0	1,169
Water Main Improvements	1,000	0
Production Projects	1,000	0
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	\$ 2,000	\$ 3,339

FY 2020-21

(\$000)

CURRENT ESTIMATED COSTS

<u>PROJECTS</u>	<u>NEW CAPITAL</u>	<u>REPLACEMENT</u>
Water Services	0	925
Water Meter	0	331
Fire Hydrants	0	892
Main Valve	0	1,157
Water Main Improvements	1,000	0
Production Projects	2,000	0
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	\$ 3,000	\$ 3,305

WATER SERVICES REPLACEMENT PROGRAM

FIVE YEAR PLAN

(\$000)

BEGINNING BALANCE	\$0
REVENUES	<u>0</u>
DEPRECIATION RESERVES - TRANSFER	<u>0</u>
DEPRECIATION - TRANSFER	\$3,339

LESS REPLACEMENT COSTS	<u>(3,339)</u>
ENDING BALANCE	\$ 0

<u>PROJECTS</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>22-23</u>
1. WATER SERVICE	933	935	925	953	982
2. WATER METER	329	334	331	340	351
3. FIRE HYDRANT	902	901	892	919	947
4. MAIN VALVE	1,178	1,169	1,157	1,191	1,227
5. WATER MAIN	0	0	0	0	0
6. PRODUCTION	0	0	0	0	0
7. NATURAL GAS ENGINE	0	0	0	0	0
TOTAL	<u>\$ 3,342</u>	<u>\$ 3,339</u>	<u>\$ 3,305</u>	<u>\$ 3,404</u>	<u>\$ 3,506</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>18-19</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>22-23</u>
IMPORT WATER COST	\$ 1,050	\$ 1,078	\$ 1,132	\$ 1,189	\$ 1,248
POWER COSTS	\$ 54	\$ 46	\$ 47	\$ 48	\$ 50
REPLENISHMENT ASSESSMENT (GROUNDWATER)	\$ 422	\$ 487	\$ 511	\$ 537	\$ 564
EQUITY ASSESSMENT (OVER PUMPING COSTS)	\$ 444.0	\$ 575.0	\$ 604.0	\$ 634.0	\$ 666.0
BASIN PRODUCTION PERCENTAGE	75%	77%	75%	75%	75%