

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott C. Stiles
Dept.: City Manager
Subject: Water Supply Program Budget
Amendment for Fiscal Year 2020/21

From: William E. Murray
Dept.: Public Works
Date: June 23, 2020

OBJECTIVE

To receive City Council approval to amend the Fiscal Year 2020/21 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 25, 2019, Council adopted the City's two-year budget for FY 2019/20 and FY 2020/21. During FY 2019/20, 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 Reservoirs Rehabilitation Project, and completion of the FY 2019/20 capital replacement projects.

DISCUSSION

Staff has conducted a mid-biennial review and budget adjustments are needed in capital expenditures to the second year of the two-year budget. Major areas being addressed in the proposed 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 240 fire hydrants;
- Replace 650 service lines;
- Continue gate valve exercise program;
- Replace 200 gate valves;
- Replace 20 meter vault lids;
- Construction of the Magnolia Concrete Reservoir Rehabilitation Project;
- 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 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 2020/21.

RECOMMENDATION

It is recommended that the City Council:

- Approve the proposed Water Supply Program Budget Amendment for Fiscal Year 2020/21 as presented.

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

Attachment: Water Supply Program Budget FY 2020/21

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

**WATER SUPPLY PROGRAM
FISCAL YEAR 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 2020-21 AMENDED
 (\$000)

<u>FUNDS AVAILABLE</u>	<u>FY 20-21 Amended Budget</u>
BEGINNING WORKING CAPITAL	\$ 16,636.7
REVENUES	40,495.0
BOND PROCEEDS	4,000.0
FUNDS AVAILABLE	<u>\$ 61,131.7</u>
<u>OPERATIONAL EXPENDITURES</u>	
OPERATIONS	
LABOR	\$ 6,481.9
CONTRACTUAL SERVICES	1,813.6
COMMODITIES	837.4
VEHICLE/EQUIPMENT RENTALS	921.5
INSURANCE	263.3
ADMIN SUPPORT	2,338.8
PURCHASED WATER	27,236.4
LONG TERM DEBT	3,576.1
STREET REPAIR CHARGE	775.2
REPLACEMENT SINKING FUND	0.0
RATE STABILIZATION FUND	0.0
TOTAL OPERATIONS EXPENDITURES	<u>\$ 44,244.2</u>
<u>CAPITAL EXPENDITURES</u>	
WATER REPLACEMENT	\$ 3,304.9
WATER CAPITAL	4,000.0
TOTAL CAPITAL EXPENDITURES	<u>\$ 7,304.9</u>
TOTAL EXPENDITURES	<u><u>\$ 51,549.1</u></u>
FUNDS AVAILABLE	\$ 61,131.7
EXPENDITURES	<u>51,549.1</u>
ENDING WORKING CAPITAL	\$ 9,582.6