

City of Garden Grove**INTER-DEPARTMENT MEMORANDUM**

To: Scott C. Stiles
Dept.: City Manager
Subject: Water Supply Program Budget
Fiscal Year 2016/17

From: William E. Murray
Dept.: Public Works
Date: June 28, 2016

OBJECTIVE

To receive City Council approval for the proposed Water Supply Program Budget for Fiscal Year (FY) 2016/17.

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 2015/16, 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 West Street-Daniel Avenue Fire Flow Water Improvements and the Citywide Water Services Replacement Project Phase I, completion of the design of the West Haven Reservoir Rehabilitation Project and the PRV and OC-Interconnect Facilities Rehabilitation Project, and completion of the FY 2015/16 capital replacement projects.

DISCUSSION

Major areas being addressed in the proposed FY 2016/17 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 1,000 linear feet of main;
- Replace 140 fire hydrants;
- Replace 500 service lines;
- Replace 1,500 small meters and test/repair or replace 30 large meters;
- Replace 100 gate valves;
- Construction of the West Haven Reservoir Rehabilitation Project;
- Construction of the PRV and OC-Interconnect Facilities Rehabilitation Project;
- Design of the Citywide Water Services Replacement Project Phase II, Ward Street Fire Flow Water Improvements, and Magnolia Concrete Reservoir Rehabilitation 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
- Conduct 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 2016/17.

RECOMMENDATION

It is recommended that the City Council:

- Approve the proposed Water Supply Program Budget for Fiscal Year 2016/17 as presented.

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

By: Katie Victoria
Senior Administrative Analyst

Attachment: Water Supply Program Budget FY 2016/17

WATER SERVICES BUDGET

FY 2015-16 - 2017-18

(\$000)

<u>FUNDS AVAILABLE</u>	<u>FY 15-16 Adopted Budget</u>	<u>FY 15-16 Projected Year End</u>	<u>FY 16-17 Proposed Budget</u>	<u>FY 17-18 Forecast</u>
BEGINNING BALANCE	\$ 9,864.0	\$ 9,864.0	\$ 9,382.0	\$ 1,887.5
BOND PROCEEDS (annual allocation)	0.0	0.0	0.0	0.0
TRANSFER FROM REPLACEMENT	0.0	0.0	0.0	0.0
REVENUES	32,000.0	26,000.0	26,800.0	26,800.0
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	0.0	8,930.6
TOTAL FUNDS AVAILABLE	<u>41,864.0</u>	<u>35,864.0</u>	<u>36,182.0</u>	<u>37,618.1</u>
 <u>OPERATION EXPENDITURES</u>				
OPERATIONS				
LABOR	4,888.6	4,888.6	5,388.0	5,605.2
CONTRACTUAL SERVICES	1,011.7	1,011.7	1,097.6	1,137.3
COMMODITIES	1,153.1	1,153.1	1,231.3	1,275.9
VEHICLE / EQUIPMENT RENTALS	943.2	943.2	966.6	1,001.6
INSURANCE	263.3	263.3	263.3	263.3
ADMIN SUPPORT COSTS	2,371.9	2,371.9	2,534.9	2,626.6
PURCHASED WATER	14,881.5	13,000.0	14,290.6	16,269.8
LONG TERM DEBT	2,671.9	2,671.9	2,664.2	2,675.4
RESERVE DRAWDOWN PAYBACK	0.0	0.0	0.0	0.0
DEPRECIATION (REPLACEMENT)	2,600.0	2,600.0	3,150.0	3,213.0
STREET REPAIR CHARGE	1,550.0	1,550.0	1,550.0	1,550.0
CAPITAL EQUIPMENT	254.0	254.0	158.0	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 OPERATION EXPENDITURES	<u>32,589.2</u>	<u>30,707.7</u>	<u>33,294.5</u>	<u>35,618.1</u>
PROJECTED AMOUNT UNDER SPENT	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
NET OPERATION EXPENDITURES	<u>32,589.2</u>	<u>30,707.7</u>	<u>33,294.5</u>	<u>35,618.1</u>
 <u>WATER CAPITAL EXPENDITURES</u>				
WATER MAINS	1,100.0	1,100.0	500.0	1,000.0
PRODUCTION CAPITAL	<u>1,900.0</u>	<u>1,900.0</u>	<u>500.0</u>	<u>1,000.0</u>
TOTAL CAPITAL EXPENDITURES	<u>3,000.0</u>	<u>3,000.0</u>	<u>1,000.0</u>	<u>2,000.0</u>
FUNDS AVAILABLE	41,864.0	35,864.0	36,182.0	37,618.1
WATER EXPENDITURES	<u>35,589.2</u>	<u>33,707.7</u>	<u>34,294.5</u>	<u>37,618.1</u>
ENDING BALANCE	\$ 6,274.8	\$ 2,156.3	\$ 1,887.5	\$ 0.0

WATER CAPITAL PROJECTS

FIVE YEAR PLAN (\$000)

<u>PROJECTS</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>
1. WATER MAINS	\$ 1,100	\$ 500	\$ 1,000	\$ 1,000	\$ 1,000
2. PRODUCTION CAPITAL	<u>1,900</u>	<u>500</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
TOTAL	\$ 3,000	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000

CAPITAL IMPROVEMENTS - PUBLIC WORKS
WATER
(\$000)

FY 2016-17

CURRENT ESTIMATED COSTS

<u>PROJECTS</u>	<u>NEW CAPITAL</u>	<u>REPLACEMENT</u>
Water Services	\$ 0	\$ 880
Water Meter	0	310
Fire Hydrants	0	850
Main Valve	0	1,110
Water Main Improvements	500	0
Production Projects	500	0
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	\$ 1,000	\$ 3,150

WATER SERVICES REPLACEMENT PROGRAM

FIVE YEAR PLAN

(\$000)

BEGINNING BALANCE	\$ 0
REVENUES	<u>0</u>
DEPRECIATION RESERVES - TRANSFER	<u>0</u>
DEPRECIATION - TRANSFER	\$3,150
LESS REPLACEMENT COSTS	<u>(3,150)</u>
ENDING BALANCE	\$ 0

<u>PROJECTS</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>
1. WATER SERVICE	780	880	898	916	934
2. WATER METER	260	310	316	322	329
3. FIRE HYDRANT	650	850	867	884	902
4. MAIN VALVE	910	1,110	1,132	1,155	1,178
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>\$2,600</u>	<u>\$3,150</u>	<u>\$3,213</u>	<u>\$3,277</u>	<u>\$3,343</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>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>
IMPORT WATER COST	\$ 923.5	\$ 942.0	\$ 979.0	\$ 1,028.0	\$ 1,133.3
POWER COSTS	\$ 51.0	\$ 53.0	\$ 54.0	\$ 56.0	\$ 58.0
REPLENISHMENT ASSESSMENT (GROUNDWATER)	\$ 322.0	\$ 402.0	\$ 422.0	\$ 443.0	\$ 465.0
EQUITY ASSESSMENT (OVER PUMPING COSTS)	\$ 547.0	\$ 549.0	\$ 576.0	\$ 605.0	\$ 636.0
BASIN PRODUCTION PERCENTAGE	75%	75%	70%	70%	70%