



REPORT TO COUNCIL

City of Sacramento

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www.CityofSacramento.org

Consent
April 7, 2009

Honorable Mayor and
Members of the City Council

Title: FY2008/09 Adjustments to the Utilities Capital Improvement Program (CIP)
Budgets

Location/Council District: All

Recommendation: Adopt a Resolution authorizing the City Manager to amend the FY2008/09 (FY09) Utilities CIP budgets to add eight new projects to the FY09 Utilities Capital Improvement Programs; and to defund various projects and appropriate funds to other projects and to new projects as listed in the attached resolution.

Contact: David L. Brent, Engineering Manager, 808-1420; Jamille Moens, Business Services Manager, 808-5988

Presenters: None

Department: Utilities

Division: Engineering Services

Organization No: 14001311

Description/Analysis

Issue: As part of the ongoing management of the Department of Utilities (DOU) Capital Improvement Program (CIP), a periodic review and reallocation of the available financial resources is made to provide capital improvements in a timely and efficient manner. This process results in recommended budget adjustments on a project-by-project basis to ensure progress continues on priority projects.

In addition, during the FY08/09 Midyear Budget process, DOU recommended reallocating additional funds from the CIPs to contingency reserves to address revenue shortfalls and increased bad debt expense experienced as a result of the downturn in the economy. Therefore, as part of the Midyear Budget Report dated February 10, 2009, Council directed the DOU to return to the City Council within 60 days with a report realigning capital improvement projects (CIPs) in the Water (6005) and Solid Waste (6007) Funds to address identified shortfalls in these funds.

Policy Considerations: The recommendation to adjust the Utilities' CIP budget is consistent with the City's Strategic Plan goals of improving and expanding public safety and achieving sustainability and livability.

Environmental Considerations:

California Environmental Quality Act (CEQA): There are no environmental impacts associated with the budgetary adjustments in the Water, Sewer, Solid Waste, and Storm Drainage Fund CIPs. The appropriate level of environmental review, under CEQA, is performed in conjunction with the project planning and design stage of the capital improvement projects.

Sustainability Considerations: Not applicable

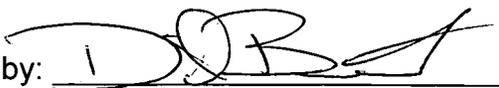
Other: Not applicable

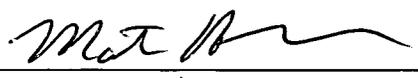
Commission/Committee Action: None

Rationale for Recommendation: The reallocation of resources complies with Council direction and ensures that projects move forward in a timely manner.

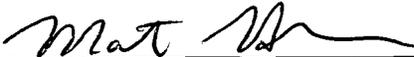
Financial Considerations: The changes recommended within this report will reallocate existing resources within the Water, Sewer, Solid Waste, and Storm Drainage Capital Improvement Programs to better manage existing resources. The recommended funding adjustments will result in an increase of \$4,444,559 in the Water Fund (6005) Contingency Reserve, \$87,500 in the Sewer Fund (6006) Contingency Reserves, and \$147,000 in the Solid Waste Fund (6007) Contingency Reserve. Staff is requesting additional funding from the Storm Drainage Fund contingency reserves in the amount of \$256,166 (Fund 6011) as part of the funding for projects as reflected the resolution.

Emerging Small Business Development (ESBD): Not applicable. There are no goods or services being purchased as a direct result of this action.

Respectfully Submitted by: 
David L. Brent
Engineering Manager

Approved by: 
Marty Hanneman
Assistant City Manager/Director of Utilities

Recommendation Approved:

for 

Ray Kerridge
City Manager

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Attachment 1**Background Information:**

As part of the management of the Capital Improvement Program (CIP), the Department of Utilities periodically reviews project budgets and timelines. This review process results in recommended budget adjustments on a project-by-project basis to ensure financial resources are allocated such that progress continues on priority projects. This year's (FY08/09) adjustments meet those objectives and also the directive of the City Council from the Midyear Review to resolve shortfalls in the water and solid waste fund reserves.

To address the shortfalls in the water fund reserve, the proposed adjustments defund: \$1.86 million from the residential water meter projects as the proposed FY08/09 water rates were not adopted which would have generated the funding required for the program; \$735,000 from various water projects due to shortfalls in development fees revenue; \$1.85 million from wholesale water wheeling to help mitigate bad debt expense and create a sufficient fund balance to support the FY09/10 proposed budget. (The intent of DOU is to allocate \$1.85 million back to the wholesale water wheeling project when sufficient reserves exist in the water fund, as these funds are intended to build additional capacity for water transmission.) To address the shortfalls in the solid waste fund reserve, the proposed adjustments defund \$147,000 to mitigate anticipated bad debt expense in the Solid Waste fund.

In addition, as part of DOU's ongoing CIP management program, adjustments are proposed to reallocate funding from existing projects to other projects that are ready to proceed but lack sufficient appropriations. DOU is recommending the creation of eight new projects for greater water distribution and production efficiency, to improve neighborhood code enforcement efforts, and to add funding to several existing priority projects to account for scope changes or cost increases.

Two notable adjustments in the Water Program fund are the defunding of \$3.5 million from the South Sacramento 3 Million Gallon (MG) Reservoir Project (PN: Z14005400) and adding \$4.7 million to the Main Ave./Del Paso Rd Transmission Main, Blackrock Dr. to Rio Linda Blvd Project (PN: Z14005600). The Main Avenue Project includes constructing over 2 miles of new 36" diameter transmission main in Del Paso Road and Main Avenue that will provide an important link in the City's water distribution system. Without this project, if the existing transmission main feeding North Natomas is taken out of service or fails for any reason, most water service, including fire protection, will be lost in a broad area for an extensive time period, affecting many residents and businesses, including Arco Arena. The project will mitigate this situation, and it is ready to advertize for bids. Defunding a portion of the South Sacramento 3MG Reservoir project permits the transmission main project to be constructed while allowing planning and design to continue on the reservoir.

The Water, Sewer, Solid Waste, and Storm Drainage Enterprise Funds support the operations, maintenance, repair, rehabilitation, and improvements of the water,

wastewater, and storm drainage systems, respectively. The projects in DOU's CIP are selected using an asset management approach to systematically address infrastructure criticality, condition assessment, life cycle costing, and prioritized replacement timetables. Projects in the CIP are typically a mix of rehabilitation and replacement projects, and improvement and regulatory projects primarily funded by rate payers, connection fees, or mitigation fees, depending on the fund.

RESOLUTION NO.
 Adopted by the Sacramento City Council

**FY2008/09 ADJUSTMENTS TO THE
 UTILITIES CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET**

BACKGROUND

- A. The City's Strategic Plan established a goal of enhancing and preserving neighborhoods; the Department of Utilities supports this goal by providing high quality, reliable, and cost-effective water supply, sewer and drainage systems.
- B. The Department of Utilities evaluated the projects in the current programs for condition assessment and criticality to ensure that the current Capital Improvement Program is meeting the needs of its residential and commercial customers and is in conformance with the City's Strategic Plan and the departmental goals.
- C. As part of the Midyear Budget Report dated February 10, 2009, Council directed the Department of Utilities to return to the City Council within 60 days with a report realigning capital improvement projects (CIPs) in the Water (6005) and Solid Waste (6007) Funds to address identified shortfalls in these funds. This resolution includes actions to return appropriations to the contingency reserves of those funds.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The FY09 Capital Improvement Program is hereby amended to add the following new projects:
- W14004700 Impact Fee Study - Water, Sewer, Drainage
 - Y14000800 Elder Creek Improvements
 - Z14009000 FWTP Women's Locker Shower Facility
 - Z14009100 Lower American River Study Program
 - Z14009200 Rate Model - 20 Year
 - Z14009300 AMI : Meter Reading
 - Z14009400 Fire Hydrant & Gate Valve Replacement Program
 - Z14009500 FWTP Chlorine Powell System

- Section 2. The City Manager is authorized to adjust appropriations in the Water Capital Improvement Program and fund contingency reserve as shown below:

CIP	Fund	Amount
Z14005400 SO SAC 3MG RESERVOIR	6005 Water	(3,500,000)
Z14010011 RWM PR 4PR3A SOUTH LAND PARK PH4	6005 Water	(1,860,000)
Z14006700 WHLS WHEELNG CONN FEE IMPV	6005 Water	(1,850,000)
Z14004800 FWTP MECHANICAL DEWATERING	6005 Water	(800,000)
Z14003800 T-MAIN RPL 13TH ST H-Q ST	6005 Water	(650,000)
Z14004900 STOCKTON BLVD T-MAIN R-2 ND	6005 Water	(529,364)
Z14000800 BACKFLOW PREVENTION DEVICE	6005 Water	(400,000)

Z14002400	SAC RVR WTR RELIAB STUDY	6005 Water	(300,000)
Z14010009	MTR PR 4PR2B SLP PH3	6005 Water	(300,000)
Z14000100	WATER SYSTEM MISC IMPROVMT	6005 Water	(249,175)
Z14002900	SRWTP SWITCHGEAR RPL	6005 Water	(200,000)
Z14004000	SOUTHEAST SACRAMENTO TMAIN	6005 Water	(172,000)
Z14010006	RWM RETRO 3M2 56TH/J	6005 Water	(150,000)
Z14003601	INFORMATN TECHNOLOGY PROJ	6005 Water	(143,122)
Z14007800	FWTP REPLACE PUMPS /IMPELLERS	6005 Water	(123,630)
W14004700	IMPACT FEE STUDY - WTR, SWR, DRAIN	6005 Water	50,000
Z14009200	RATE MODEL - 20 YEAR	6005 Water	70,000
Z14009500	FWTP CHLORINE POWELL SYSTEM	6005 Water	75,000
Z14001900	UTILITY ENERGY EFFICIENCY	6005 Water	80,000
W14004200	INVENTORY O&M MGMNT CENTER	6005 Water	100,000
Z14009000	FWTP WOMENS LOCKER SHOWER FAC	6005 Water	100,000
Z14009400	FIRE HYDRANT & GATE VALVE REPLAC	6005 Water	100,000
Z14003200	CAMERAS AT RESERVOIRS AND PLANTS	6005 Water	200,000
Z14009100	LOWER AR STUDY PROGRAM	6005 Water	400,000
Z14009300	AMI : METER READING	6005 Water	450,000
Z14003500	RESIDENT WATER METER PRGM	6005 Water	457,732
Z14005600	MAIN AVE TM BLCKRK-RIO LINDA	6005 Water	4,700,000
	WATER FUND CONTINGENCY RESERVE	6005 Water	4,444,559

Section 3. The City Manager is authorized to adjust appropriations in the Sewer Capital Improvement Program and fund contingency reserve as shown below:

CIP	Fund	Amount
X14004200	REHAB PROJECT - FY09	6006 Sewer (486,000)
X14000500	BASE CIP RESERVE – SEWER	6006 Sewer (100,000)
X14010026	FLOW METERS CSS FACILITIES	6006 Sewer (77,500)
Z14001900	UTILITY ENERGY EFFICIENCY	6006 Sewer 40,000
W14004700	IMPACT FEE STUDY - WTR, SWR, DRAIN	6006 Sewer 50,000
X14002700	REHAB PROJECT 2008	6006 Sewer 486,000
	SEWER FUND CONTINGENCY RESERVE	6006 Sewer 87,500

Section 4. The City Manager is authorized to adjust appropriations in the Solid Waste Capital Improvement Program and fund contingency reserve as shown below:

CIP	Fund	Amount
Y14000600	VEHICLES/ADD'L ROUTES	6007 Solid Waste (147,000)
Y14000102	OLD ELVAS LANDFILL	6007 Solid Waste (11,926)
Y14000800	ELDER CREEK IMPROVEMENTS	6007 Solid Waste 11,926
	SOLID WASTE FUND CONTINGENCY RESERVE	6007 Solid Waste 147,000

Section 5. The City Manager is authorized to adjust appropriations in the Storm Drainage Waste Fund Capital Improvement Program and fund contingency reserve as shown below:

CIP	Fund	Amount
W14000200 BASE CIP RESERVE-DRAINAGE	6011 Storm Drainage	(185,000)
W14000600 TRASH RACK AT SEARS DITCH	6011 Storm Drainage	(175,315)
W14004000 DELTA SHORES/SOI MSTR PLAN	6011 Storm Drainage	(116,019)
X14010026 FLOW METERS CSS FACILITIES	6011 Storm Drainage	(22,500)
W14004700 IMPACT FEE STUDY - WTR, SWR, DRAIN	6011 Storm Drainage	50,000
Z14001900 UTILITY ENERGY EFFICIENCY	6011 Storm Drainage	80,000
W14003406 SUMP 94 ELECTRICAL REHAB	6011 Storm Drainage	150,000
W14003407 SUMP 51 ELECTRICAL REHAB	6011 Storm Drainage	150,000
W14000700 BASIN 26 DETENTION	6011 Storm Drainage	325,000
STORM DRAINAGE FUND CONTINGENCY RESERVE	6011 Storm Drainage	(256,166)

