

Meeting Date: 3/3/2015

Report Type: Staff/Discussion

Report ID: 2015-00052

Title: Annual Capital Improvement Adjustments to Department of Utilities Project Budgets

Location: Citywide

Recommendation: 1) Receive and file the Annual Capital Improvement Program Update; and 2) pass a Resolution: a) amending the FY2014/15 Utilities Capital Improvement Program (CIP) to create and cancel existing projects; and b) authorizing the City Manager to make budget adjustments to the Utilities CIP and Multi Year Operating Program (MYOP) Budgets.

Contact: Susan Goodison, Business Services Manager, (916) 808-8995; Bill Busath, Interim Director, (916) 808-1434, Department of Utilities

Presenter: Susan Goodison, Business Services Manager, (916) 808-8995, Department of Utilities

Department: Department Of Utilities

Division: Fiscal Operations

Dept ID: 14001611

Attachments:

1-Description/Analysis

2-Background

3-Resolution

City Attorney Review

Approved as to Form

Joe Robinson

2/25/2015 10:07:26 AM

Approvals/Acknowledgements

Department Director or Designee: Bill Busath - 2/19/2015 5:16:59 PM

Description/Analysis

Issue Detail: As part of the ongoing management of the Capital Improvement Projects (CIPs) and Multi-Year Operating Projects (MYOPs), a periodic review is conducted and financial resources are reallocated to provide capital improvements in a timely and efficient manner. The review also enables financial resources to be allocated based on the priority and necessity of the projects. This process results in recommended budget adjustments to ensure progress continues on priority projects, including the establishment and cancellation of projects.

Policy Considerations: The recommendation to adjust the Department of Utilities (DOU) Operating, CIP and MYOP budgets is intended to ensure effective and efficient management of projects.

Economic Impacts: None

Environmental Considerations: Environmental Planning Services has reviewed the activity and determined that the proposed project is exempt from CEQA under Section Number 15378(b) of the CEQA Guidelines. The fiscal management of the DOU's CIP is an ongoing administrative activity and is not considered a project under Section 15378.

Sustainability: Not applicable

Commission/Committee Action: Not applicable

Rationale for Recommendation: Reallocation of resources ensures that projects move forward in a timely manner and that financial resources are allocated based on the priority and necessity of the projects. City staff is recommending budget adjustments from operating and CIP funds of 32 existing CIP Budgets and one MYOP Budget in the Water, Wastewater, Water Revenue Bonds Ser. 2013, Wastewater Revenue Bonds Ser. 2013, and Storm Drainage funds. Concurrently, City staff is recommending the creation of a new CIP, and the cancellation of three existing CIPs.

Financial Considerations: City staff is recommending the reallocation of existing resources within the Water, Wastewater, and Storm Drainage Capital Improvement Programs and the operating budget to better manage existing resources and address critical needs and high priority programs and projects. The reallocations will be supported by the Base CIP Reserves in the Water, Wastewater, and Storm Drainage programs, and the operating budget. The recommended MYOP changes reallocate existing resources within the Water, Wastewater, Storm Drainage, and operating budgets in order to fund additional critical and high priority needs within the projects.

This recommendation proposes allocation adjustments to 32 existing CIP Budgets, and one MYOP budget, in the Water, Wastewater, Water Revenue Bonds Ser. 2013, Wastewater Revenue Bonds Ser. 2013, and Storm Drainage funds; the creation of a new CIP project; and the cancellation of three CIP projects.

The recommended CIP changes will be supported by the Base CIP Reserves in the Water, Wastewater, Water Revenue Bonds Ser. 2013, Wastewater Revenue Bonds Ser. 2013, Storm Drainage programs, and other CIP projects, and the operating budget. The net effect of these changes on the Water Fund (6005) operating budget is a reduction totaling \$49,800. There is a net zero effect of these changes in the Wastewater Fund (6006), the Water Revenue Bonds Ser. 2013 Fund (6310), the Storm Drainage Fund (6011), and the Wastewater Revenue Bonds Ser. 2013 Fund (6320).

The Background section of this report provides additional information related to these proposed changes.

Local Business Enterprise (LBE): Not applicable.

Background Information

As part of the ongoing management of the Capital Improvement Projects (CIPs) and Multi-Year Operating Projects (MYOPs), a periodic review is conducted and financial resources are reallocated to provide capital improvements in a timely and efficient manner. The review also enables financial resources to be allocated based on the priority and necessity of the projects.

The Water, Wastewater, 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 Capital Improvement Program are selected based on an asset management approach defined in the Capital Improvement Programming Guide, which systematically addresses infrastructure criticality, condition assessment, life cycle costing, and prioritized replacement timetables. CIPs and MYOPs are typically a mix of rehabilitation, replacement, operational, improvements, and regulatory projects, primarily funded by rates, connection fees, and mitigation fees, depending on the project type.

The proposed CIP and MYOP budget adjustments are to reallocate funding from existing projects and operating budgets to other projects that are ready to proceed or have been identified as high priority, but lack sufficient funding.

City staff is proposing budget adjustments to transfer Wastewater Revenue Bonds (Fund 6320) and Storm Drainage funds (Fund 6011) to the projects that require additional funding to complete the construction phase of the project.

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-----------|--|------|----------------|
| X14130600 | Wastewater Collection Pipe Replacement Program | 6320 | (\$871,472.00) |
| X14130800 | Wastewater Collection Pipe Burst Program | 6320 | \$871,472.00 |
| X14000500 | Base CIP Contingency - Wastewater | 6320 | (\$369,000.00) |
| X14010000 | Combined Sewer System Capital | 6320 | \$369,000.00 |
| X14131500 | Facility Elec Rehab Program | 6320 | (\$317,612.00) |
| X14002300 | Pocket AD 2 Sewer Improvement | 6320 | \$317,612.00 |
| W14130800 | Drainage Plant Reg Improvement Program | 6011 | (\$230,000.00) |
| W14130600 | Drainage Sump Repl/Rehab Program | 6011 | \$230,000.00 |

City staff is proposing the reallocation of Water Fund (6005) operating budget funds to the following CIP to fund necessary upgrades.

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-----------|-----------------------------------|------|---------------|
| Z14140100 | Security & Emergency Prep Program | 6005 | \$75,000.00 |
| N/A | DOU 14001451 – Logistics | 6005 | (\$75,000.00) |

City staff is recommending creation of a new CIP project for the current fiscal year:

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-----------|--|------|----------------|
| W14150700 | Drainage Improvement Program | 6011 | \$437,500.00 |
| W14130800 | Drainage Plant Reg Improvement Program | 6011 | (\$437,500.00) |

Project W14150700 (Drainage Improvement Program) will be established to fund drainage improvement projects citywide, including pipeline improvements and detention basin construction.

City staff is recommending the cancellation of three existing CIP projects:

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-----------|---------------------------------|------|--------|
| W14110800 | Sump 152 Switchgear Replacement | 6011 | N/A |
| W14120200 | Firehouse Channel Improvements | 6011 | N/A |
| Z14130700 | Fuller House Improvements | 6005 | N/A |

Project W14110800 (Sump 152 Switchgear Replacement) will be re-scoped after the Basin 152 Master Plan is completed. W14120200 (Firehouse Channel Improvements) will be cancelled because it required the purchase of property that exceeded the budget and was no longer cost effective. Project Z14130700 (Fuller House Improvements) was initially planned to remodel the Fuller House, which currently houses DOU's Water Conservation offices, however, it was determined that remodeling the facility was not cost effective.

City staff is recommending funds be transferred from project Z14000800 (Water Fund 6005) to the operating budget for Department 14001411 – Water Distribution:

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-----------|-----------------------------------|------|---------------|
| N/A | DOU 14001411 – Water Distribution | 6005 | \$25,200.00 |
| Z14000800 | Backflow Prevention Device 3330 | 6005 | (\$25,200.00) |

Z14000800 (Backflow Prevention Device 3330) is complete. Staff recommends transfer of the remaining project funds to the operating budget, to fund the future purchase of backflow tags that are required annually by the County.

RESOLUTION NO. 2015 –

Adopted by the Sacramento City Council

March 3, 2015

APPROVING FY2014/15 BUDGET ADJUSTMENTS TO THE UTILITIES CAPITAL IMPROVEMENT PROGRAM BUDGET & MULTI-YEAR OPERATING PROJECT BUDGET

BACKGROUND

- A. As part of the ongoing management of the Department of Utilities’ Capital Improvement Program (CIP) and Multi-year Operating Projects (MYOPs), a periodic review and reallocation of the available financial resources is performed to continue providing capital improvements in a timely and efficient manner. This process results in recommended budget adjustments on a project-by-project basis to ensure that progress continues on priority projects.

- B. As part of the periodic review and reallocation of the available financial resources, staff recommends the addition of one new CIP project.

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

Section 1. The Utilities FY2014/15 Capital Improvement Program is amended to establish a new project related to drainage improvement projects citywide, including pipeline improvements and detention basin construction:

W14150700 Drainage Improvement Program

Section 2. Due to new assessments of the projects, the Utilities FY2014/15 Capital Improvement Program is amended to cancel the following projects:

W14110800 Sump 152 Switchgear Replacement
 W14120200 Firehouse Channel Improvements
 Z14130700 Fuller House Improvements

Section 3. The City Manager is authorized to adjust appropriations in the Storm Drainage Fund (6011) Capital Improvement Program and MYOPs as shown below:

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-----------|-------------------------------|------|----------------|
| I14010200 | FY10-14 NPDES STORMWATER PROG | 6011 | (\$400,000.00) |
| W14130800 | DRAIN PLANT REG IMPROV PROG | 6011 | (\$953,007.00) |

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-------------------|----------------------------------|-------------|----------------|
| W14130100 | DRAINAGE UNPLANNED REPAIR PROJ | 6011 | (\$125,000.00) |
| W14000200 | BASE CIP CONTINGENCY - DRAINAGE | 6011 | (\$173,000.00) |
| Z14003600 | INFORMATION TECHNOLOGY PROJ 3350 | 6011 | (\$30,000.00) |
| W14150700 | DRAINAGE IMPROVEMENT PROGRAM | 6011 | \$437,500.00 |
| W14000200 | BASE CIP CONTINGENCY-DRAINAGE | 6011 | \$400,000.00 |
| W14004500 | SUMP 117 ELECTRICAL REHAB | 6011 | \$90,000.00 |
| X14130200 | WASTEWATER MASTER PLAN PROG | 6011 | \$45,000.00 |
| W14130600 | DRAINAGE SUMP REPL/REHAB PROGRAM | 6011 | \$535,000.00 |
| X14131500 | FACILITY ELEC REHAB PROGRAM | 6011 | \$173,507.00 |
| Fund Total | | 6011 | 0.00 |

Section 5. The City Manager is authorized to adjust appropriations in the following projects funded by the Wastewater Revenue Bond, Ser. 2013 (6320):

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|-----------|------------------------------------|------|------------------|
| X14130600 | WASTEWATER COLL PIPE REP PROG | 6320 | (\$1,121,472.00) |
| X14000500 | BASE CIP CONTINGENCY - WASTEWATER | 6320 | (\$469,000.00) |
| X14003900 | SUMP 85 INFLUENT REHAB | 6320 | (\$30,000.00) |
| X14131000 | SUMP 1/1A REHAB/REP PROGRAM | 6320 | (\$21,799.00) |
| X14131100 | SUMP 2/2A REHAB/REP PROGRAM | 6320 | (\$100,000.00) |
| X14131500 | FACILITY ELEC REHAB PROGRAM | 6320 | (\$217,612.00) |
| X14130800 | WASTEWATER COLL PIPE BURST PROGRAM | 6320 | \$453,110.00 |
| X14010000 | COMBINED SEWER SYS CAPITAL | 6320 | \$770,799.00 |

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|------------|------------------------------------|------|--------------|
| X14130800 | WASTEWATER COLL PIPE BURST PROGRAM | 6320 | \$418,362.00 |
| X14002300 | POCKET AD 2 SEWER IMPROVEMENT | 6320 | \$317,612.00 |
| Fund Total | | 6320 | 0.00 |

Section 6. The City Manager is authorized to redistribute operating budget funds and CIP project funds in the Water Fund (6005) as shown below:

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|------------|-----------------------------------|------|---------------|
| Z14140100 | Security & Emergency Prep Program | 6005 | \$75,000.00 |
| N/A | DOU 14001451- Logistics | 6005 | (\$75,000.00) |
| Z14000800 | Backflow Prevention Device 3330 | 6005 | (\$25,200.00) |
| N/A | DOU 14001411 – Water Distribution | 6005 | \$25,200.00 |
| Fund Total | | 6005 | 0.00 |

Section 7. The City Manager is authorized to adjust appropriations in the following projects funded by the Water Revenue Bond, Ser. 2013 (6310):

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|------------|----------------------------|------|---------------|
| Z14000700 | BASE CIP CONTINGENCY-WATER | 6310 | (\$90,000.00) |
| Z14110100 | WELL REHAB PROGRAM | 6310 | \$90,000.00 |
| Fund Total | | 6310 | 0.00 |

Section 8. The City Manager is authorized to adjust appropriations in the following projects funded by the Wastewater Fund (6006):

| PROJECT | DESCRIPTION | FUND | AMOUNT |
|------------|--|------|---------------|
| Z14003600 | INFORMATION TECHNOLOGY PROJECT 3350 | 6006 | (\$50,000.00) |
| X14131500 | FACILITY ELEC REHAB PROGRAM | 6006 | \$50,000.00 |
| Fund Total | | 6006 | 0.00 |