



Agenda Item No. _____

File Code No. _____

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

Item 8

AGENDA DATE: November 25, 2014

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Water Main Replacement Program Funding

RECOMMENDATION:

That Council appropriate \$1,500,000 from the Water Fund Reserves to the Water Capital Fund to address the need for ongoing distribution system maintenance and repair projects.

DISCUSSION:

On May 13, 2014, Council approved the creation of a Drought Fund to track all the drought-related costs under a single fund. The intention was to make it possible for the City to be reimbursed for some portion of drought-related costs, in the event of a federal and/or state-declared emergency. The Drought Fund includes both capital and operational costs related to the City's response to the drought. Expenditures within the drought fund include work related to the preliminary design for the Desal plant reactivation, groundwater well rehabilitation and replacements, supplemental water purchases, and additional temporary staffing to assist with water conservation.

The Drought Fund was created by making significant budget reductions within the Water Fund. Many planned Capital Improvement Projects and programs were either greatly reduced or postponed. The majority of the funding was diverted from the Water Main Replacement Program (Main Program), which is generally funded annually with approximately \$4,000,000 to keep pace with Council's goal of annually replacing one percent of the City's water mains. The Program also funds distribution system support and planning projects as well as unanticipated water main replacements in response to emergency water main breaks.

To create the Drought Fund, the Fiscal Year 2014 Main Program was reduced from \$4,025,000 to \$725,000, with \$3,300,000 being directed to the Drought Fund. For continued support of Drought Fund, the Fiscal Year 2015 Main Program was reduced to \$500,000, the majority of which has been expended on the Meter Replacement Project and the Hydraulic Water Distribution Model calibration. The Main Program was also intended to fund emergency water main replacements, of which there was one on La Vista Grande and one on Gillespie Street, for a total of \$310,000. The emergency main

replacement work was done under the existing Purchase Order for the Fiscal Year 2014 Main Program under Change Order funds, which is typically 10% of the Purchase Order amount, which in this case was \$400,000. The Change Order funds were never encumbered in the Main Program, which is the City's standard practice with Purchase Orders. As a result, there were sufficient funds available at the time the emergency main work was needed, but the funds had been expended by time the work had been completed because of the other projects competing for the same funds.

After review of current and upcoming expenses at the end of the first quarter of Fiscal Year 2015, the current Main Program budget has insufficient funding to cover ongoing and planned Program needs. The Main Program was planned to fund \$25,000 for the La Vista Grande Water Line Realignment Project, which is the City's portion of a Settlement Agreement with two title companies for realignment of a large City water transmission main on private properties. The Main Program was also intended to fund \$65,000 for the repairs and stabilization of a creek bank and Caltrans roadway section as a result of a City fire hydrant failure in the Caltrans Right-of-Way. The Main Program was also planned to fund \$275,000 for the development of an Asset Management Program for the City's water distribution system. This is a second phase of an ongoing program being developed for the Water Distribution system. The proposed work includes developing a Computer Maintenance Management System to create work orders for the optimization of work practices, and to generate work orders to ensure assets are being properly maintained on a set schedule for the benefit of extending asset life cycles; the creation of a water main replacement program that ranks the City's water mains based on risk of failure, fire protection needs, and water age; and the creation of a Replacement and Rehabilitation model for water distribution assets for long-term planning purposes.

The following table lists planned and emergency work in the Program that requires an additional \$675,000 in Fiscal Year 2015. Staff recommends transferring an additional \$825,000 into the Program, for a total transfer amount of \$1,500,000, to ensure the Program is sufficiently funded for the rest of Fiscal Year 2015.

Project	Amount	Reason
La Vista Grande Water Main Realignment	\$ 25,000	As part of the Settlement Agreement The City will cover costs staffing to Inspect work
Sycamore Canyon Road Bank Repair – planned	\$ 65,000	Repair of creek bank and Caltrans roadway as a result of a hydrant blowout in Caltrans Right of Way
Distribution System Asset Management Program - planned	\$ 275,000	FY 2015 Planned work
Unanticipated Water Main Replacements – completed	\$ 310,000	Emergency water main replacements on La Vista Grande and Gillespie St.
Subtotal	\$ 675,000	
Funding for Emergency Water Main Replacements based on annual main break history	\$ 825,000	FY 2015 emergency response water main replacements
Subtotal	\$ 825,000	
Total	\$1,500,000	From Water Fund Reserves

Staff recommends that Council appropriate \$1,500,000 from Water Fund Reserves to the Water Capital Fund to cover the costs noted above. There are sufficient funds in reserves to cover this transfer. Water Fund Reserves for Fiscal Year 2014 ended approximately \$2 million higher than projected as a result of operational savings related to the delayed operation of the Ortega Groundwater Treatment Plant, higher than anticipated revenues from water sales, and the restructuring of debt in the Water Fund.

PREPARED BY: Joshua Haggmark, Acting Water Resources Manager/mh

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office