



● **Board of Directors**
Engineering and Capital Programs Committee

June 9, 2009 Board Meeting

8-3

Subject

Appropriate \$4.15 million; and authorize capital program for projects costing less than \$250,000 for fiscal year 2009/10 (Approp. 15460).

Description

This action provides funding and authorizes the General Manager to proceed with a program to execute capital projects costing less than \$250,000 for fiscal year 2009/10. This action will enable staff to expeditiously address smaller upgrades and rehabilitation work that arises during the fiscal year.

Timing and Urgency

In keeping with the Board's directive to reduce and postpone expenses where possible during the ongoing economic crisis, Metropolitan staff closely analyzed the merits of proceeding with this request. Because of the importance of the program in enabling staff to complete smaller, unscheduled capital projects that invariably arise during the year, staff believes this work should proceed and not be postponed. The potential risks to the distribution system and treatment plants outweigh the savings of a postponement.

This program has been reviewed with Metropolitan's updated Capital Investment Plan (CIP) prioritization criteria, and staff recommends authorization of the program at this time to enhance reliability of the existing conveyance/distribution system and treatment plants. Additionally, every project proposed for implementation under this program is reviewed in the same manner as all capital projects to ensure that the requested work cannot be postponed, and is urgently needed to meet regulatory and/or reliability requirements. These projects are categorized as Infrastructure Rehabilitation and Upgrade projects within Metropolitan's CIP, and funds have been included within the fiscal year 2009/10 capital budget.

Minor Capital Projects Program – Design and Construction (\$4,150,000)

This program supports essential repairs and upgrades for facilities located throughout Metropolitan's conveyance/distribution system and treatment plants. Examples of infrastructure likely to be refurbished or replaced include pumps and valves, structural components, plumbing, electrical systems, and water treatment equipment. Many of these projects require fast response due to safety or regulatory concerns, unanticipated failures, construction crew availability, and shutdown opportunities. Projects are required to be implemented under a capital program rather than as operations and maintenance activities when they are estimated to cost more than \$50,000 and have an expected life exceeding five years.

In previous years, appropriations for small capital projects have been authorized for amounts varying between \$3 million and \$5 million. Past experience has shown that approximately 1 percent of the fiscal year's capital budget is an appropriate level of funding for this program. In fiscal year 2008/09, the Board appropriated \$4,825,000 to support a total of 24 projects. Examples of projects identified in fiscal year 2008/09 and currently underway include: upgrades to variable speed flocculator drives at the Robert A. Skinner Treatment Plant to improve treatment reliability; upgrade of the Weymouth plant storm drain facilities to eliminate debris from entering the regional flood control system; installation of warehouse security systems to allow remote monitoring; and upgrade of the Robert B. Diemer Treatment Plant chemical feed systems to improve treatment reliability. Over the past several years, staff has found that implementation of small projects such as these through the Minor

Capital Projects Program has allowed necessary work to be addressed in a timely manner with reduced administrative costs.

Based on the continuing identification of numerous small projects during the current year, staff proposes that the fiscal year 2009/10 program be planned to support 20 to 30 projects, with an appropriation of \$4.15 million. As in past years, progress on all projects under this program will be reported to the Board periodically.

This action appropriates \$4.15 million in budgeted funds for a program to address capital projects costing less than \$250,000 that are identified during fiscal year 2009/10, and delegates authority to the General Manager to efficiently execute this work. All projects executed under this capital program are required to be evaluated and recommended by Metropolitan's CIP Evaluation Team. The requested funds have been included in the fiscal year 2009/10 capital budget.

See [Attachment 1](#) for the Financial Statement. The costs for the Financial Statement were developed from historical cost information on previous minor capital projects.

This program is consistent with Metropolitan's goals for sustainability by enhancing reliability of the existing conveyance/distribution system and treatment plants.

Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions are categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The overall program will involve carrying out future preliminary studies and environmental analyses for proposed Minor Capital Projects that are unknown at this time. These preliminary studies and investigations would consist of basic data collection and resource evaluation activities, which do not result in a serious or major disturbance to an environmental resource. This may be strictly for information gathering purposes, or as part of a study leading to an action that a public agency has not yet approved, adopted, or funded. Accordingly, the proposed actions qualify as a Class 6 Exemption (Section 15306 of the State CEQA Guidelines). The funding mechanism in support of the proposed program is not defined as a project under CEQA and is therefore not subject to the CEQA process (Section 15378(b) of the State CEQA Guidelines). Metropolitan, as the Lead Agency, will be responsible for complying with the requirements of CEQA and the State CEQA Guidelines for each project that meets the program's criteria prior to approval of such project. As specific projects are proposed, Metropolitan staff will conduct CEQA review as applicable and prepare the appropriate environmental documentation for each project. Generally, the decision-making body responsible for approving Metropolitan projects is the Board (Section 15356 of the State CEQA Guidelines). With the proposed actions, the Board will designate the General Manager as the decision-making body for purposes of reviewing, approving, and certifying any environmental documentation that may be required for such projects that fall within this program.

The CEQA determination is: Determine that the proposed actions are exempt from CEQA pursuant to Sections 15306 and 15378(b) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and

- a. Appropriate \$4.15 million for capital projects costing less than \$250,000 for fiscal year 2009/10;
- b. Authorize the General Manager to initiate capital projects costing less than \$250,000 and perform all work including the preparation of necessary environmental documentation; and

- c. Designate the General Manager as the decision-making body for purposes of reviewing, approving, and certifying any environmental documentation that may be required for such projects.

Fiscal Impact: \$4.15 million of budgeted funds under Approp. 15460

Business Analysis: This option would increase efficiency in the execution of small repair and rehabilitation capital projects that require fast response due to safety or regulatory concerns, unanticipated failures, construction crew availability, and shutdown opportunities.

Option #2

Do not appropriate funds and seek board approval for each small project individually.

Fiscal Impact: None

Business Analysis: Approval of each project individually could impair staff's ability to respond quickly to urgent project needs, comply with regulatory requirements, and maintain service without disruptions.

Staff Recommendation

Option #1



Roy L. Wolfe
Manager, Corporate Resources

5/22/2009
Date



Jeffrey Nightlinger
General Manager

5/26/2009
Date

Attachment 1 – Financial Statement

BLA #6667

Financial Statement for Capital Projects Costing Less Than \$250,000 for Fiscal Year 2009/10

A breakdown of Board Action No. 1 for Appropriation No. 15460 is as follows:

	New Total Appropriated Amount
Labor	
Studies and Investigations	\$ 36,000
Final Design	397,000
Owner Costs (Program mgmt., permitting, environ. planning)	203,000
Construction Inspection and Support	66,000
Metropolitan Force Construction	2,258,000
Materials and Supplies	300,000
Incidental Expenses	8,000
Professional/Technical Services (Hazardous material testing and removal)	51,000
Contracts	528,000
Remaining Budget	303,000
Total	\$ 4,150,000

Funding Request

Program Name:	Capital Program for Projects Costing Less Than \$250,000 for Fiscal Year 2009/10		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15460	Board Action No.:	1
Requested Amount:	\$ 4,150,000	Capital Program No.:	07801-I
Total Appropriated Amount:	\$ 4,150,000	Capital Program Page No.:	E-10
Total Program Estimate:	\$ 4,150,000	Program Goal:	Reliability