



- Board of Directors
Engineering and Operations Committee

6/12/2012 Board Meeting

8-5

Subject

Appropriate \$5 million; and authorize capital program for projects costing less than \$250,000 for fiscal years 2012/13 and 2013/14 (Approp. 15476)

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 years 2012/13 and 2013/14. Most of these projects are categorized as Infrastructure Replacement and Refurbishment projects within Metropolitan's Capital Investment Plan (CIP), and funds have been included within the capital expenditure plan for fiscal years 2012/13 and 2013/14.

Timing and Urgency

The Minor Capital Projects Program enables staff to expeditiously execute small capital projects which arise throughout each fiscal year. This authorization streamlines the project approval process and allows staff to move forward quickly on needed small projects while reducing administrative costs. Minor capital projects are typically implemented under the approved annual budget and have well-defined scopes for all phases of work. Projects are only recommended to proceed after passing the rigorous screening, evaluation, and rating process conducted by Metropolitan's CIP Evaluation Team.

Background

Projects are required to be executed under a capital program, rather than handled as operation and maintenance activities, when they cost more than \$50,000 and have an expected service life of five years or more. With capital projects, work is authorized and funds are appropriated through specific board actions. For the majority of Metropolitan's capital projects, authorization is accomplished via individual board letters which are scheduled and considered monthly at the board committee meetings. For small capital projects under the Minor Capital Projects Program, an expedited process is typically followed which appropriates funds and authorizes work through a single board action at the beginning of the fiscal year. This expedited approach allows staff to move forward quickly on needed small projects while reducing administrative costs.

Upon approval of the Minor Capital Projects Program by Metropolitan's Board, staff identifies projects and prepares proposals for work to be addressed under the program. Proposals are submitted to the CIP Evaluation Team for consideration, and only those projects which pass the rigorous screening, evaluation, and rating process are recommended to proceed. Every project proposed for this program is reviewed in the same manner as larger capital projects.

Minor capital projects have well-defined scopes of work for their design and construction phases. Construction is often performed by Metropolitan forces, while in some cases construction contracts are advertised and awarded under the General Manager's Administrative Code authority. The durations for some projects may extend several years, if shutdowns must be scheduled or construction contracts must be developed.

The Minor Capital Projects Program is intended to streamline administrative procedures, reduce costs, and enable capital projects less than \$250,000 to move forward without delay. Specific criteria have been established to streamline the approval process while ensuring oversight and control by management and the Board, including issuance of monthly project reports to management and Quarterly CIP Reports to the Board. In recognition of the unique requirements of small projects, and the goal of reducing administrative costs, staff has established specific administrative procedures for these projects, whose durations may range from a few months to several years. The timing for final completion of a minor capital project may also vary, based on a number of close-out activities which are typically not considered urgent. For example, one of the close-out tasks includes preparation of record drawings, which is normally scheduled based on efficient utilization of resources.

Minor Capital Projects Program – Design and Construction (\$5,000,000)

The Minor Capital Projects Program enables staff to expeditiously initiate smaller capital projects which are located throughout Metropolitan's conveyance and distribution system, and at the water treatment plants. These projects typically address unanticipated failures, urgent safety or regulatory compliance concerns, or essential replacements and refurbishments. The projects may also be scheduled to take advantage of shutdown opportunities. Infrastructure typically refurbished or replaced under the Minor Capital Projects Program includes pumps, valves, structural components, plumbing, electrical systems, and water treatment equipment.

Examples of projects which are ongoing or were completed in fiscal year 2011/12 include: construction of quagga mussel percolation basins to facilitate dewatering of the Yorba Linda Feeder; replacement of a deteriorated seal for a butterfly valve on the Eastside Pipeline; repair of cracked canal panels on the Colorado River Aqueduct; and repair of leaky pipe joints on the Lakeview Pipeline. The latter three projects were completed by taking advantage of shutdown opportunities.

This action appropriates \$5 million to execute minor capital projects costing less than \$250,000 per project which are identified during fiscal years 2012/13 and 2013/14, and delegates authority to the General Manager to efficiently execute this work. All projects executed under the Minor Capital Projects Program are required to be evaluated and recommended by Metropolitan's CIP Evaluation Team. This program is anticipated to support 20 to 30 capital projects. Based on the number of minor capital projects identified and recommended for inclusion in this program, staff may return at a later date to request an increase in this appropriation.

The requested funds have been included in the fiscal year 2012/13 and 2013/14 capital budgets. See [Attachment 1](#) for the Financial Statement. The cost breakdown for the Financial Statement was developed from historical information on previous capital projects. As a result, the amounts indicated for individual cost categories are estimates. Actual expenditures in each category may vary. The total funding appropriated, however, is a not-to-exceed amount of \$5 million.

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 \$5 million for capital projects costing less than \$250,000 for fiscal years 2012/13 and 2013/14;
- b. Authorize the General Manager to initiate capital projects costing less than \$250,000 and perform all required 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 which may be required for such projects.

Fiscal Impact: \$5 million of capital funds under Approp. 15476

Business Analysis: This option would increase efficiency in the execution of small rehabilitation capital projects. It enhances infrastructure reliability of the existing water conveyance/distribution system and treatment plants. Deferrals and delays of these minor capital projects could result in increased risks of costly emergency repairs and potential for service interruptions.

Option #2

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

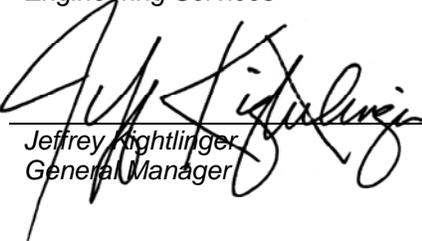
Fiscal Impact: None

Business Analysis: Approval of each project individually may impair staff's ability to respond to project needs in a timely manner, comply with regulatory requirements, and maintain service without disruptions.

Staff Recommendation

Option #1

 5/21/2012
 Gordon Johnson Date
 Manager/Chief Engineer,
 Engineering Services

 5/30/2012
 Jeffrey Lightlinger Date
 General Manager

Attachment 1 – Financial Statement

Financial Statement for Capital Projects Costing Less Than \$250,000 for Fiscal Years 2012/13 and 2023/14

A breakdown of Board Action No. 1 for Appropriation No. 15476¹ is as follows:

	Current Board Action No. 1 (June 2012)
Labor	
Studies & Investigations	\$ 43,000
Final Design	485,000
Owner Costs (Program mgmt., permitting, envir. planning)	248,000
Construction Inspection & Support	74,000
Metropolitan Force Construction	2,678,000
Materials & Supplies	323,000
Incidental Expenses	9,000
Professional/Technical Services (Hazardous material testing & removal)	62,000
Contracts	645,000
Remaining Budget	433,000
Total	\$ 5,000,000

Funding Request

Program Name:	Capital Program for Projects Costing Less Than \$250,000 for Fiscal Years 2012/13 and 2013/14		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15476	Board Action No.:	1
Requested Amount:	\$ 5,000,000	Capital Program No.:	12302
Total Appropriated Amount:	\$ 5,000,000	Capital Program Page No.:	35
Total Program Estimate:	\$ 5,000,000	Program Goal:	Reliability

¹ This is the initial appropriation for the Minor Capital Projects Program for fiscal years 2012/13 and 2013/14.