



- Board of Directors
Engineering and Operations Committee

5/14/2013 Board Meeting

8-6

Subject

Authorize increase of \$5 million for capital projects costing less than \$250,000 for fiscal years 2012/13 and 2013/14 (Approp. 15476)

Executive Summary

This action provides an increase in funding for the biannual capital program to execute projects costing less than \$250,000 during fiscal years 2012/13 and 2013/14. The majority of these projects are categorized as Infrastructure Replacement and Refurbishment projects within Metropolitan's Capital Investment Plan (CIP). The projects executed under the Minor Capital Projects Program 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. Funds for this program are available within Metropolitan's capital expenditure plan for fiscal years 2012/13 and 2013/14.

Timing and Urgency

The Minor Capital Projects Program streamlines the approval process and allows staff to move forward quickly on needed small projects while reducing administrative costs. Minor capital projects are typically executed in an expedited process after the Board appropriates funds and authorizes work through a single action at the beginning of the fiscal year. Projects usually have well-defined scopes for all phases of work and are only recommended to proceed after passing the rigorous screening, evaluation, and rating process conducted by Metropolitan's CIP Evaluation Team.

In June 2012, Metropolitan's Board appropriated an initial amount of \$5 million and authorized the General Manager to proceed with a program to execute capital projects costing less than \$250,000 for a two-year period commencing with fiscal year 2012/13. During the initial year, a total of 25 projects costing approximately \$4.5 million have been authorized under this program. An increase in the appropriation is requested for the second year of the biennial budget to execute additional minor capital projects which will address unanticipated failures, urgent safety or regulatory compliance concerns, or essential replacements and refurbishments.

Details

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 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 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.

In June 2012, the Board provided initial funding and approved the Minor Capital Projects Program for a two-year period commencing with fiscal year 2012/13. During the initial year, a total of 25 projects have been authorized under the program. These projects will expend approximately \$4.5 million out of the \$5 million that was initially appropriated. Staff requests an increase in the current appropriation to move quickly on small capital projects that may arise during the second year of the biennial budget. With the increased funding, the program will support an additional 25 to 30 capital projects.

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

The Minor Capital Projects Program provides an efficient mechanism to refurbish or replace equipment and execute small infrastructure projects. The work typically addresses items such as pumps, valves, plumbing, electrical systems, building repairs, and water treatment equipment. Examples of projects which are ongoing or were completed in fiscal year 2012/13 include: installation of cathodic protection at the Santiago Control Tower; refurbishment of a leaky roof at the Oak Street Pressure Control Structure; replacement of a damaged impeller on a Colorado River Aqueduct pump; and replacement of a leaky conduit coupling at the Hiram Wadsworth Pumping Plant. The latter two projects were completed expeditiously by taking advantage of shutdown opportunities.

This action appropriates \$5 million for capital projects costing less than \$250,000 for fiscal years 2012/13 and 2013/14. With the present action, the total funding for Appropriation No. 15476 will increase to \$10 million. Staff anticipates that a total of 60-70 projects will be executed under this program. All projects are required to be evaluated and recommended by Metropolitan's CIP Evaluation Team.

The requested funds are available within the capital expenditure plan for fiscal year 2013/14. See [Attachment 1](#) for the Financial Statement. The cost breakdown for the Financial Statement is based on estimates. As a result, expenditures in each category may vary. The total funding, however, is a not-to-exceed amount of \$10 million.

Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action to increase funding for the Minor Capital Projects Program would not be subject to CEQA as it is considered a government fiscal activity which would not involve any commitment to any specific project which would have a significant effect on the environment.

The increase in funding 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)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed actions are not subject to CEQA pursuant to Section 15378(b) (4) of the State CEQA Guidelines.

CEQA determination for Option 2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize increase of \$5 million for capital projects costing less than \$250,000 for fiscal years 2012/13 and 2013/14.

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

Business Analysis: This option would increase efficiency in the execution of small capital projects. It would enhance reliability of the existing water conveyance/distribution system and treatment plants. Deferral or delay of these projects could result in increased risk of costly emergency repairs or potential service interruptions.

Option #2

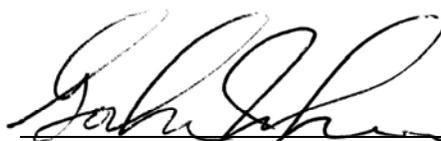
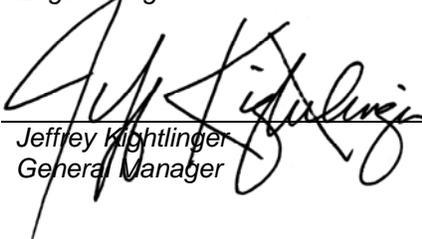
Do not appropriate funds and seek board approval for each small project individually.

Fiscal Impact: Increased administrative costs

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

	4/22/2013
Gordon Johnson Manager/Chief Engineer, Engineering Services	Date
	4/29/2013
Jeffrey Kightlinger General Manager	Date

Attachment 1 – Financial Statement

Financial Statement for Capital Projects Costing Less Than \$250,000 for Fiscal Years 2012/13 and 2013/14

A breakdown of Board Action No. 2 for Appropriation No. 15476¹ is as follows:

	Previous Total Appropriated Amount (June 2012)	Current Board Action No. 2 (May 2013)	New Total Appropriated Amount
Labor			
Studies & Investigations	\$ 43,000	\$ 43,000	\$ 86,000
Final Design	485,000	485,000	970,000
Owner Costs (Program mgmt., permitting, envir. doc.)	248,000	248,000	496,000
Construction Inspection & Support	74,000	74,000	148,000
Metropolitan Force Construction	2,678,000	2,678,000	5,356,000
Materials & Supplies	323,000	323,000	646,000
Incidental Expenses	9,000	9,000	18,000
Professional/Technical Services	-	-	-
(Hazardous material testing & removal)	62,000	62,000	124,000
Equipment Use	-	-	-
Contracts	645,000	645,000	1,290,000
Remaining Budget	433,000	433,000	866,000
Total	\$ 5,000,000	\$ 5,000,000	\$ 10,000,000

Funding Request

Program Name:	Capital Program for Projects Costing Less Than \$250,000 for Fiscal Years 2012/12 and 2013/14		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15476	Board Action No.:	2
Requested Amount:	\$ 5,000,000	Capital Program No.:	12302
Total Appropriated Amount:	\$ 10,000,000	Capital Program Page No.:	35
Total Program Estimate:	\$ 10,000,000	Program Goal:	Reliability

¹ The total amount expended to date on the Minor Capital Projects Program during fiscal year 2012/13 is approximately \$452,800.