



- Board of Directors
Engineering and Operations Committee

6/10/2014 Board Meeting

8-6

Subject

Appropriate \$5 million; and authorize capital program for projects costing less than \$250,000 for fiscal years 2014/15 and 2015/16 (Approp. 15489)

Executive Summary

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 2014/15 and 2015/16. Most of these projects are categorized as Infrastructure Reliability projects within Metropolitan's Capital Investment Plan (CIP).

The Minor Capital Projects Program enables staff to expeditiously execute small capital projects which arise throughout each fiscal year. The streamlined project approval process allows staff to move forward quickly on needed small projects while reducing administrative costs. Minor capital projects are typically implemented under the approved biennial 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.

This action appropriates the initial \$5 million of the total budgeted amount of \$10 million for fiscal years 2014/15 and 2015/16. Staff will monitor the usage and need for funds under the Minor Capital Projects Program, and will return to the Board for additional funding at the end of fiscal year 2014/15, based on projected needs for the remainder of the biennial budget period.

Details

Background

Projects are required to be executed under a capital appropriation, 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 board letters which are considered throughout the fiscal year 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 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, staff has established specific administrative procedures for these projects, whose durations may range from a few months to several years. The longer durations may be necessary for some projects if shutdowns must be scheduled or construction contracts must be developed. 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. Types of infrastructure typically refurbished or replaced under the Minor Capital Projects Program include pumps, valves, structural components, plumbing, electrical systems, and water treatment equipment.

Examples of projects which are ongoing or were completed in fiscal years 2012/13 and 2013/14 include: repair of a leaking pipe segment on the Upper Feeder; replacement of a cracked concrete liner panel on the Colorado River Aqueduct at the Iron Mountain Reservoir; and installation of fuel recovery equipment at fuel tanks located at Diamond Valley Lake and the Diemer plant. The latter project was completed by June 2014 in order to comply with new air quality regulations.

This action appropriates \$5 million to execute minor capital projects costing less than \$250,000 per project which are identified during fiscal years 2014/15 and 2015/16, 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 amount is anticipated to support 20 to 30 capital projects.

The total budgeted amount to execute minor capital projects during fiscal years 2014/15 and 2015/16 is \$10 million, which is the same level of funding approved and utilized for fiscal years 2012/13 and 2013/14. This action provides initial funding of \$5 million for the Minor Capital Projects Program for the upcoming two fiscal years. Staff will monitor the usage and need for funds for minor capital projects, and will return to the Board for additional funding at the end of fiscal year 2014/15, based on projected needs for the remainder of the biennial budget period.

The requested funds have been included in the fiscal years 2014/15 and 2015/16 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 categorically exempt and not subject to 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 that the proposed action is categorically exempt and not subject to CEQA, and

- a. Appropriate \$5 million for capital projects costing less than \$250,000 for fiscal years 2014/15 and 2015/16;
- 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. 15489

Business Analysis: This option will increase efficiency in the execution of small capital projects. Deferrals and delays of minor capital projects may result in increased risk 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



Gordon Johnson
Manager/Chief Engineer,
Engineering Services

5/20/2014
Date



Jeffrey Kightlinger
General Manager

5/27/2014
Date

Attachment 1 – Financial Statement

Ref# es12630507

Financial Statement for Capital Appropriation for Projects Costing Less Than \$250,000 for Fiscal Years 2014/15 and 2015/16

A breakdown of Board Action No. 1 for Appropriation No. 15489¹ is as follows:

	Current Board Action No. 1 (June 2014)
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

Appropriation Name:	Capital Appropriation for Projects Costing Less Than \$250,000 for Fiscal Years 2014/15 and 2015/16		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15489	Board Action No.:	1
Requested Amount:	\$ 5,000,000	Budget Page No.:	32
Total Appropriated Amount:	\$ 5,000,000	Total Appropriation Estimate:	\$ 10,000,000

¹ This is the initial appropriation for the Minor Capital Projects Program for fiscal years 2014/15 and 2015/16.