



● **Board of Directors**
Engineering and Operations Committee

6/14/2016 Board Meeting

8-4

Subject

Appropriate \$10 million; and authorize capital program for projects costing less than \$250,000 for fiscal years 2016/17 and 2017/18 (Approp. 15498)

Executive Summary

This action provides funding and authorizes the General Manager to proceed with a biennial program to execute capital projects costing less than \$250,000 for fiscal years 2016/17 and 2017/18. Most of the projects included in the Minor Capital Projects Program address replacement or refurbishment of aging or damaged infrastructure.

The Minor Capital Projects Program enables staff to expeditiously execute small capital projects that 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 typically have well-defined scopes for all phases of work and are only recommended to proceed after passing the rigorous screening and evaluation process conducted by Metropolitan's Capital Investment Plan (CIP) Evaluation Team.

This action appropriates the total budgeted amount of \$10 million for fiscal years 2016/17 and 2017/18, which is the same level of funding budgeted over the previous two biennial budget periods. Funds for this action are available within Metropolitan's capital expenditure plan for fiscal years 2016/17 and 2017/18.

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 followed which appropriates funds and authorizes work through a single board action at the beginning of the biennial budget period. 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 and evaluation 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 performed either by Metropolitan forces or construction contracts, depending on the site and operational requirements, along with the need for specialized expertise. When utilized, 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 small capital projects 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 Minor Capital Projects Program became a component of Metropolitan's CIP in the 1970s. Staff recently reviewed the quantity and types of projects executed in recent fiscal years under this program. In addition, staff reviewed cost trends and assessed whether an increase in the maximum value of minor capital projects (i. e. greater than \$250,000) would be beneficial.

For the last four fiscal years, the average project value within the program was \$190,000. In addition, an average of two capital projects per year had a value between \$250,000 and \$500,000, and were managed as typical CIP projects. As a result of this assessment, staff concluded that there would be little benefit from increasing the maximum project value above \$250,000 at this time. Staff therefore recommends that this value be retained for the next biennial budget period. However, the maximum project value of \$250,000 will be reconsidered over the next two years, and an increase may be recommended in the future.

Minor Capital Projects Program – Design and Construction (\$10,000,000)

This program enables staff to efficiently execute 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. Types of infrastructure typically refurbished or replaced under the Minor Capital Projects Program include pumps, valves, meters, structural components, plumbing, electrical systems, and water treatment equipment. The timing of the work may be expedited in order to take advantage of shutdown opportunities.

Examples of projects which are ongoing or were completed in fiscal years 2014/15 and 2015/16 include: replacement of an acoustic flow meter for a service connection at the Mills plant; replacement of a damaged automatic voltage regulator at the Etiwanda Hydroelectric Plant; and replacement of deteriorating cathodic protection equipment on the Eagle Rock Control Tower. The latter project will be completed expeditiously by taking advantage of a shutdown opportunity in August 2016.

This action appropriates \$10 million for minor capital projects that are identified during fiscal years 2016/17 and 2017/18, and delegates authority to the General Manager to perform the work. Staff anticipates that a total of 40 to 46 projects will be handled under this program during the two fiscal years. All projects executed under the Minor Capital Projects Program are required to be evaluated and recommended by Metropolitan's CIP Evaluation Team.

The requested funds have been included in the capital expenditure plan for fiscal years 2016/17 and 2017/18. See [Attachment 1](#) for the Financial Statement. The cost breakdown for the Financial Statement was developed from historical information on previous minor capital projects.

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 action qualifies 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 action, 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 not defined as a project or are categorically 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 that the proposed actions are not defined as a project or are categorically exempt from CEQA, and

- a. Appropriate \$10 million for capital projects costing less than \$250,000 for fiscal years 2016/17 and 2017/18;
- 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: \$10 million of capital funds under Approp. 15498

Business Analysis: This option will increase efficiency in the execution of small capital projects. Delays of these projects may result in increased risk of costly emergency repairs and service interruptions.

Option #2

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

Fiscal Impact: Unknown

Business Analysis: Approval of projects individually may impair staff's ability to respond to infrastructure 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

5/16/2016
Date



Jeffrey Kightlinger
General Manager

5/24/2016
Date

Attachment 1 – Financial Statement

Ref# es12642994

Financial Statement for Capital Appropriation for Projects Costing Less Than \$250,000 for Fiscal Years 2016/17 and 2017/18

A breakdown of Board Action No. 1 for Appropriation No. 15498 is as follows:

	Current Board Action No. 1 (June 2016)
Labor	
Studies & Investigations	\$ 82,000
Final Design	828,000
Owner Costs (Program mgmt., permitting, envir. planning)	518,000
Construction Inspection & Support	202,000
Metropolitan Force Construction	5,346,000
Materials & Supplies	794,000
Incidental Expenses	22,000
Professional/Technical Services (Hazardous material testing & removal)	124,000
Contracts	1,236,000
Remaining Budget	848,000
Total	<u>\$ 10,000,000</u>

Funding Request

Appropriation Name:	Capital Appropriation for Projects Costing Less Than \$250,000 for Fiscal Years 2016/17 and 2017/18		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15498	Board Action No.:	1
Requested Amount:	\$ 10,000,000	Budget Page No.:	N/A
Total Appropriated Amount:	\$ 10,000,000	Total Appropriation Estimate:	\$ 10,000,000