

North Tahoe Public Utility District

Adopted Capital Improvement Program Fiscal Year 2011-2012

Five Year Focus



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Introduction:

The North Tahoe Public Utility District continues its efforts in making major investments in the District's aging infrastructure including areas of sewer and water system replacement and rehabilitation to address areas of need and to reduce and/or eliminate current system deficiencies based on the highest and greatest priorities for our system.

The District began providing sewer service and operations in 1948 to approximately 5,523 service connections through a 75 mile gravity collection system, 6 miles of force main, and 18 various sewage pumping stations. The District maintains this intricate and in some cases a very old sewer collection and pumping system within one of the most environmentally sensitive areas in the State of California at Lake Tahoe. The District began providing water treatment, distribution, and operation services in 1968 by acquiring several privately owned and built water systems from local developments. The District serves water to approximately 3,872 water connections, produces more than 3.0 million gallons of potable water daily, and has storage capacity of 3.85 million gallons. Much of the water distribution system was built in the 1960's through the 1970's and was built for part-time ownership. The property land use has changed since the development of the properties during the 1960 Squaw Valley Olympics and the water transmission, distribution, and treatment standards have changed to meet enhanced environmental standards. Lastly, the North Tahoe Public Utility District added Parks and Recreation to its services for the residents, property owners, and visitors of the District. The park assets include the 108 acre North Tahoe Regional Park, Tahoe Vista Recreation Area, and the 16,000 square foot North Tahoe Event Center.

The District adopted a new rate structure to effectively address the sewer and water system deficiencies in order to provide the necessary funds for a capital replacement program.

Capital Budget Policy

The purpose of the Capital Improvement Program (CIP) Budget document is to serve as a planning tool, which coordinates the financing and scheduling of major projects undertaken by the District. The CIP Budget document has been prepared in accordance with generally

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accepted accounting principles (GAAP). This document is dynamic and, consequently, must be revised annually to address changing needs, priorities, and financial conditions. The capital improvements presented in this document are the District's major projects, which exceed \$30,000 in cost, have long-term life spans, and are generally non-recurring. These projects include design, construction, or rehabilitation of District buildings or facilities; public infrastructure design and construction; and park design and construction projects.

The District's goal in providing a CIP Budget is to develop a five-year plan for capital improvements that will follow needs identified within the Sewer and Pump Station, Water, and Parks and Recreation Master Plans, these documents identify situation needs for infrastructure replacement and/or rehabilitation, along with maintenance and operations records that detail current impacts of system deficiencies. In determining the relative merit of a proposed project, key management team members evaluate projects for feasibility, community enhancement, infrastructure and historic preservation, and safety.

Plan Development

The CIP budget was developed by incorporating input from key management team members, based on community comments and internal feedback received throughout the year. This team then identified and evaluated community needs in the areas of County and State project conflicts, energy conservation, water loss, fire safety, system redundancy, environmental concerns, and redundant maintenance repairs for projects. Each proposed project has been reviewed and discussed with appropriate members of management to ensure necessity and funding were appropriately addressed. The Development and Planning Committee, a Board of Directors sub-committee, have met on a monthly basis to determine project priorities.

All proposed Open Space & Recreation projects were reviewed by the District's Parks and Recreation Committee, another Board of Directors sub-committee, to ensure they are in conformance with the District's Parks and Recreation Master Plan document. Additionally, all proposed capital projects are reviewed by the Board of Directors to insure they are in conformance with the District's Master Plans.

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Projects in this document have been scheduled in each of the five fiscal years based on District needs, as determined by the Board of Directors, and availability of funding. Priority rankings in each department (Sewer, Water, Facilities, Fleet, and Open Space and Recreation) have been assigned in accordance with priority guidelines as shown on the Project Priority page herein.

The five-year Capital Improvement Program for Fiscal Years 2011/2012 through 2015/2016 sets forth infrastructure needs and a capital plan involving 28 projects, totaling an estimated cost of \$20.4 million. Of the 28 projects, there are 12 priority-1 projects in the CIP which include new and on-going projects. The priority-1 projects consist of one Facilities project for \$225,000, three Parks and Open Space projects for \$4,095,000, six Sewer Improvement Projects totaling \$3,546,707, and two Water Improvement Projects totaling \$3,521,268. The total cost of the funded priority one projects for Fiscal Year 2011/2012 is \$2.4 million, not including carry-over from on-going CIP projects. The projects identified within the CIP document for Fiscal Years 2012/2013 through 2015/2016 are currently unfunded, approximately \$8.4 million. The District will need to identify additional funding sources for the remaining projects that are not being funded by other agencies before all of the projects can be completed.

The projected expenditures for all future projects in Fiscal Years 2012/2013 through 2015/2016 are provided primarily for planning purposes and are not a commitment of funds. Expenditure approval will be sought for these projects during the appropriate Fiscal Year.

Conclusion

The capital improvement plans contained within this report continue to advance the Board of Directors' mission statement "To provide sewer and water service, consistent with standards set forth for public health, safety, and the environment in an efficient and accountable manner."

The Capital Improvement Program for Fiscal Years 2011/2012 through 2015/2016 is the result of a team effort of both the District staff and Board of Directors. The projects included in the CIP are intended to fulfill

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District needs and improve the quality of life for all customers served by the District. I would like to thank staff and the Board of Directors for all the contributions that were made in developing the capital budget.

Users Guide for the Capital Improvement Program (CIP)

Purpose of the CIP

The State of California Government Code Section 66002 requires local agencies that have developed a fee program to adopt a CIP indicating the approximate location, size, timing, and cost estimate of all facilities or improvements to be financed by fees. The North Tahoe Public Utility District has such a fee program and is presenting this 2011/2012-2015/2016 CIP as an update of the infrastructure needs for the future.

A formal CIP is recommended, at a minimum, to include a five-year plan and the budget to follow each infrastructure element of the District's Master Plans. The process of preparing a five-year plan forecast will help to maintain and update the District's Master Plans. Furthermore, it flags situations where infrastructure is needed to accommodate planned development.

A capital project involves the purchase or construction of major fixed assets such as land, buildings, or permanent improvements including additions, replacements, and major alterations having a long life expectancy. Generally, only those items costing \$10,000 or more are considered capital projects. For information purposes, capital projects are also referred to as capital facilities, CIP projects, and capital improvement projects.

The CIP relates the District's annual capital expenditures to a long-range plan for public improvements. By relating the plan for public improvements to the District's capacity for funding and scheduling expenditures over a period of years, the CIP helps maximize the funds available. In addition, the CIP is used as a tool to assist in planning and budgeting for the operating costs related to maintaining these improvements on an annual basis. A further discussion of the impact of these costs is noted below.

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The capital budget, as part of the operating budget, is adopted on a basis consistent with generally accepted accounting principles (GAAP), except that for budgeting purposes only, encumbrances are treated as carryover.

Capital Revenue Assumptions

Revenue available for capital projects depends primarily on the District's Enterprise Funds (Sewer and Water System Replacement fee Revenues) and Property Tax. Based on the Board approved rate increases for the sewer and water funds, replacement revenue funds are set aside annually to fund system replacements.

The District is very conservative in projecting revenues for Fiscal Year 2011/2012. The Sewer Replacement Fund is projected to generate approximately \$665,000; Water System Replacement Fund approximately \$1,102,000; Property Tax revenue approximately \$3,250,000 for Fiscal Year 2011/2012.

The District also anticipates receiving several grants for projects identified in the CIP. The State of California Department of Boating and Waterways providing \$1,732,000 for TVRA Phase II parking lot, Placer County \$500,000 for TVRA Phase II Parking lot; and the North Lake Tahoe Resort Association (NLTRA) \$500,000 for the TVRA Phase II Parking lot project.

"How To" Guide to the CIP

The CIP is divided into four categories of projects. Each category has a summary listing of projects that includes the total cost per year, as well as the total cost per fund. Projects with cost projected beyond Fiscal Year 2011/2012 are increased for inflation at two percent, where appropriate. The completion of the project will be in the final year project dollars as noted. These projects are broken down into priority rankings of 1 through 4, which will be explained below.

CIP Categories

All CIP projects are grouped into one of the following categories:

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1. **Sewer (SWR)** – Facilities for the pumping, collection, treatment, reclamation and disposal of sewage.
2. **Water (WTR)** – Facilities for the treatment, pumping, disinfection, transmission, distribution, metering and storage of water service.
3. **Parks and Recreation (PREC)** – Facilities for the parks and recreation, including natural open space, developed park sites, community and recreation centers, biking and joint use trails.
4. **Public Buildings (PBG)** – General and special purpose buildings to include District office and operational buildings.

Project Priority

Each project has a project priority. The departments determine this priority with input from the General Manager/CEO. The project priority determines which projects should be started before others. The description of priorities is as follows:

Priority 1: The project is ***essential*** and should be started within the year.

Priority 2: The project is ***necessary*** and should be started within 1 to 3 years.

Priority 3: The project is ***desirable*** and should be started with 3 to 5 years.

Priority 4: The project is ***deferrable*** due to lack of funding or other reasons and is scheduled to start within 5 to 10 years.

Project Description in Detail

There are **28** projects included in this CIP document. Of the 28 projects, there are 12 Priority-1 projects. All 12 projects classified as Priority 1 have a “Project Description in Detail” form included in the CIP by category. These forms include the following information:

- **Project Title:** Complete name of project.
- **Location:** List major cross streets by North/South, East/West.
- **Benefit Area:** Area(s) benefiting from the project: Tahoe Vista, Kings Beach, Cedar Flats, etc...

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- **CIP Category:** Category which best suits this project.
- **Description of Improvement:** Description of work to be completed.
- **Status:** Current status of the project.
- **Project Manager:** Name of person responsible for this project.
- **Project Status:** Approved project carried over from prior year, a new project, or a future project.
- **Justification/Significance of Improvement:** How this project benefits or improves the existing system.
- **Project Priority within CIP Category:** As determined by Department or General Manager/CEO.
- **Project Cost:** Non-recurring costs. Listed by cost type and year the amount is to be expended.
- **Funding Source(s):** The funding sources (known or estimated) for this project and the related dollars.
- **Annual Operating & Maintenance Cost:** Recurring costs related to the operation or maintenance of the project, if applicable.

The CIP Process

Staff develops the CIP with policy direction from the Board of Directors. The capital budget is:

- Initiated by various Departments;
- Prepared and coordinated by the Planning and Engineering Department;
- Recommended by the General Manager/CEO;
- Reviewed by the Parks and Recreation Committee for the Open Space and Recreation Plan;
- Reviewed by the Development and Planning Committee of the Board of Directors;
- Reviewed by the Finance Committee of the Board of Directors; and
- Adopted by the Board of Directors.

The timing and scheduling of the CIP is in conjunction with the preparation of the annual operating budget and the first year of the CIP is the capital budget component of the annual operating budget.

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Operating & Maintenance Cost Impacts

Projects in the CIP can have long-term impacts on the annual operating budget of the District. If a new district facility is constructed or any project which would require new or increased maintenance to the District, funds must be budgeted to cover these costs. Operating and maintenance costs can include labor, materials, equipment, utilities, as well as contracted cost for services. These costs would vary depending upon the specific project. However, listed below is the annual average cost per service for various operational and maintenance expenditures:

<u>Description</u>	<u>Average Cost Per Service</u>
Facilities O/M	\$10.00 per square foot of facility
Park Maintenance	\$5,000 to \$10,000 per acre of park

The funding sources to cover these costs include the following funds:

- Property Tax
- Sewer Fund
- Water Fund
- Community Facilities District 94-1 (CFD)

Capital Budget Overview

The Five-Year CIP represents a comprehensive update of the North Tahoe Public Utility District public infrastructure plan. The District prepares a Capital Budget document that is different from the Operating Budget document, but the two budgets are closely linked. The Capital Improvement Program, as distinguished from the Operating Budget, is used as a planning tool by the District to identify the capital improvement needs consistent with financing and timing of those needs in a way that assures the most responsible and efficient use of resources. Capital Projects typically apply to: (1) expenditures which take place over two or more years, requiring continuing appropriations beyond a single fiscal year; (2) systematic acquisition over an extended period of time; and (3) scheduled replacement or maintenance of specific elements of physical

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assets. The five-year CIP is reviewed annually to enable the District Board of Directors to reassess projects in the program. The Capital Budget in the CIP consists of planned expenditures for Fiscal Year 2011/2012. The Capital Budget is part of the annual Operating Budget, which appropriates funds for specific programs and projects.

Highlights by CIP Category

Sewer

The Five-Year CIP for the sewer replacement fund consists of seven projects that total \$4,357,815 for fiscal year 2011/2012. Of that budgeted amount, \$1,849,759 is carry-over from Fiscal Year 2010/2011 and \$2,275,000 is additional expenditures for projects. Projects included here are: Carnelian Force Main Valve, Sewer Master Plan Update, Secline Pump Station Rehabilitation, Carnelian/Dollar Pump Station Rehabilitation Design, Dollar Pump Station Rehabilitation Construction, Satellite Pump Station Valve Replacements, and Brook Avenue Sewer Main Replacement.

Water

The Five-Year CIP for the water replacement fund consists of eight projects that total \$4,194,828 for fiscal year 2011/2012. This includes carry-over from the previous fiscal amounts of \$2,003,610, and an additional \$635,000 is being budgeted to complete and/or begin these water replacement projects. Projects include: Zone 1 - 1.3 million gallon Water Tank Project completion, National Avenue Water Treatment Plant Improvements Phase 1 and Phase 2, Kingswood/Carnelian Erosion Control Projects, Brockway Erosion Control Waterline Improvements, and Kings Beach Watershed Improvements Projects. These last two projects are Placer County projects in which the District is required to relocate some water and sewer mains within the Placer County right-of-way.

Parks and Recreation

The Five-Year CIP for the Parks and Recreation category consists of three projects that total \$2,774,967 for fiscal year 2011/2012. This

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includes carry-over from the previous fiscal amounts of \$2,748,526. Projects included are: Tahoe Vista Recreation Phase II, Soccer Field Revegetation Mitigation, Pine Drop Trail Safety Railings and Repairs.

Public Buildings

The Five-Year CIP for the Public Buildings category consists of one project totaling \$225,000 for Fiscal Year 2011/2012. Project carry-over includes \$109,638 from last fiscal year. Projects included are Base Facilities Site Design.