

## Council Meeting Staff Report

January 19, 2022

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<b>Agenda No.:</b>	8.B.
<b>Indexes (Council Goals):</b>	DPU FY26 - 1.0 Provide Safe and Reliable Utility Services
<b>Presenters:</b>	Jack Richardson
<b>Legislative File:</b>	15271-21

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### Title

Quarterly Update on Utility System - Water System

### Recommended Action

**No recommendation, for information only.**

### Staff Recommendation

None

### Body

The Board has requested a system assessment on a different utility each quarter. This quarter, Jack Richardson, Deputy Utilities Manager for Gas, Water and Sewer, will present an update on the water system. This year's report is similar in scope and format to previous reports. Primary performance measure dashboard data, with trends and comparisons to national standards and DPU goals (Conservation, Strategic Plan & Budget), are included. Discussion including both the physical and financial condition of the water system sub-systems: Water Distribution (DW), Water Production (WP) and Non Potable (NP) System as well as the overall Water Fund itself are reported. Also included are recent AMT (Asset Management Team) achievements and challenges and some significant planned near term (FY23 & FY24) O&M Goals, Action Items and Major Projects.

The physical condition of each sub-system (DW = FAIR, WP = FAIR & NP = GOOD) are all basically unchanged from last year's report. A major difference is that now the physical condition assessment is calculated using the GWS GIS Asset Management Reporting tool developed over the previous 3 years. These new reports calculate a numeric value based on all individual asset's physical condition and risk assessment compiled into an overall system Condition & Risk Assessment Score. The plan is to track these overall system scores on an annual basis to trend improvement (or deterioration) of the systems over time.

Capital improvements are proceeding as planned and it will be informative to track these numeric values for overall system condition to see the effects of infrastructure improvements on a year to year basis. Additional revenue from the Profit Transfer return agreement continues to benefit the DW system and very low interest State loan program have enabled DPU to develop a more aggressive CIP program for both the DW & WP systems. In addition to the CIP R&R work on critical infrastructure such as well and booster station pumps & motor controls CIP R&R work on major pipelines that exhibit a history of pipeline breaks also continues to be prioritized for the near term future (10-year planning period).

Planned growth/expansion of the NP system along the Diamond Drive corridor is still limited until the second Group 12 Tank can be added to the NP system. However, a new approach to storage by re-purposing the Barranca Tank 1 storage tank from a WP asset to a NP asset would enable the NP system to expand to serve the Guaje Pines Cemetery. Also, with the completion of the upgraded Overlook Park Booster Station, NP system expansion throughout the White Rock area is now possible and planned within the current 10-year planning period.

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The overall Water Fund financial condition is FAIR. Cash balances are well below the recommendations set by BPU financial policy - but with the proposed rate increases they trend very well over the 10-year planning period; consistently climbing to eventually meet financial policy goals. This is due to the continued positive effect of the policy to debt finance future major WP CIP projects and to begin a program of debt financing major DW CIP projects. By eliminating annual significant cash balance deductions through debt financing of major CIP projects the Water Fund's cash balances increase annually until meeting the financial policy goals. At the same time, the proposed rates and debt financing policy create a financial climate where the finances for all three sub-systems (DW, WP & NP) are aligned and all trending consistently toward meeting BPU financial policy goals. At any time in the future a reduction in debt financing can be implemented, once the cash balances have stabilized at recommended policy levels, when it is determined the cash balance reduction from a cash financed CIP project does not adversely affect the long term Water Fund's cash balance amount.

**Alternatives**

None

**Fiscal and Staff Impact**

None

**Attachments**

A - Water Systems Quarterly Update to BPU\_1-19-2022