



Capital Improvement Program (CIP) Management

Special Finance/Administration Committee
September 12, 2023

Agenda

- Appropriations and Cash Flow
- CIP Development
- CIP Mechanics
- Orinda and USL Transfer Detail
- USL Federal Funding Status
- Appropriations and CIP Visibility

Appropriations and Cash Flow

	Appropriations	Cash Flow
Definition	Authorized funding for Awards in the CIP	Projected and actual expenses for capital projects
Purpose	Set legal authority for CIP expenses	Planning for rates, debt issuance, available cash, and appropriations
Timing	Approved every two years for the biennial budget	Updated every two years for next five years (minimum) to 30 years (for internal planning)
Approval	Approved by the Board	Informs appropriations and rates
Tracking	Spending cannot exceed total Appropriations	Projected is compared to actual; may be higher or lower

CIP Development

<u>Infrastructure Workshop</u> (October)	<u>Draft CIP</u> (November-December)	<u>Budget Workshops</u> (January-March)	<u>Biennial Budget CIP</u> (June)
<ul style="list-style-type: none"> • Staff shares with Board infrastructure needs and risks • Based on Master Plans and studies and discussion of Critical Risks with Board 	<ul style="list-style-type: none"> • Project specifics refined • Several alternative CIP packages developed • Rate and debt assumptions incorporated 	<ul style="list-style-type: none"> • Board reviews and provides feedback on rate scenarios • Staff updates budget proposal based on Board feedback 	<ul style="list-style-type: none"> • Board approves CIP in Biennial Budget

Board Considers Biennial Budget and CIP

- CIP approved with appropriations for specific Awards
- Appropriations approved in two-year cycles
- Cash flows projected five years out
- Board approves all contracts above \$80,000/\$100,000 (depending on type)
- District forces supporting CIP paid through capital projects

Biennial Budget

Fiscal Years 2024 & 2025

Volume 2:
Capital Award
Summaries



CIP Mechanics

Board Approves CIP Biennially

Projects Initiated

- Board is updated of timelines and costs on major projects
- Board approves all contracts above \$80,000/\$100,000 (depending on contract type)

Staff Manages Timelines and Appropriations for Board-Approved Contracts

- Ensures sufficient appropriations are available to meet contractual obligations prior to Board approval
- Initiates appropriation transfers when there are insufficient appropriations in Awards to meet project budgets

**Process
repeats
every two
years**

Process Illustration: Two Projects (\$000)

Timeline	Project	Appropriations & Cash Flow		Fiscal Year		
			Total	2024	2025	2026
Approved CIP	Pumping Plant	Appropriations	\$30,000	\$30,000	-	-
		Cash Flow	\$30,000	\$20,000	\$10,000	-
	Reservoir	Appropriations	\$25,000	-	\$25,000	-
		Cash Flow	\$25,000	-	\$15,000	\$10,000

- The District embarks on two projects: Pumping Plant replacement and a Reservoir refurbishment
- Initial CIP totals \$55M to complete both projects over three years

Process Illustration: Two Projects (\$000)

Timeline	Project	Appropriations & Cash Flow		Fiscal Year		
			Total	2024	2025	2026
Approved CIP	Pumping Plant	Appropriations	\$30,000	\$30,000	-	-
		Cash Flow	\$30,000	\$20,000	\$10,000	-
	Reservoir	Appropriations	\$25,000	-	\$25,000	-
		Cash Flow	\$25,000	-	\$15,000	\$10,000
After Pumping Plant Bids - Increased Costs from CIP	Pumping Plant	Appropriations	\$32,000	\$32,000	-	-
		Cash Flow	\$32,000	\$15,000	\$10,000	\$7,000
	Reservoir	Appropriations	\$23,000	-	\$23,000	-
		Cash Flow	\$23,000	-	\$13,000	\$10,000

- Pumping Plant bids came in above estimates
- \$2,000 in appropriations moved from the Reservoir project to the Pumping Plant project. Cash flows also adjusted

Process Illustration: Two Projects (\$000)

Timeline	Project	Appropriations & Cash Flow		Fiscal Year		
			Total	2024	2025	2026
Approved CIP	Pumping Plant	Appropriations	\$30,000	\$30,000	-	-
		Cash Flow	\$30,000	\$20,000	\$10,000	-
	Reservoir	Appropriations	\$25,000	-	\$25,000	-
		Cash Flow	\$25,000	-	\$15,000	\$10,000
After Pumping Plant Bids - Increased Costs from CIP	Pumping Plant	Appropriations	\$32,000	\$32,000	-	-
		Cash Flow	\$32,000	\$15,000	\$10,000	\$7,000
	Reservoir	Appropriations	\$23,000	-	\$23,000	-
		Cash Flow	\$23,000	-	\$13,000	\$10,000
After Reservoir Bids - Decreased Costs from CIP	Pumping Plant	Appropriations	\$32,000	\$32,000	-	-
		Cash Flow	\$32,000	\$15,000	\$10,000	\$7,000
	Reservoir	Appropriations	\$23,000	-	\$23,000	-
		Cash Flow	\$23,000	-	\$13,000	\$10,000

- Reservoir bids within revised budget; cash flow slightly delayed

Process Illustration: Two Projects (\$000)

Timeline	Project	Appropriations & Cash Flow		Fiscal Year		
		Total		2024	2025	2026
Approved CIP	All	Appropriations	\$55,000	\$30,000	\$25,000	-
		Cash Flow	\$55,000	\$20,000	\$25,000	\$10,000
Completion	All	Appropriations	\$55,000	\$32,000	\$23,000	-
		Cash Flow	\$55,000	\$15,000	\$23,000	\$17,000

- No change in total appropriations, despite transfers between projects
- No change in total cash flow, though timing of expenses changed
- Other factors can result in an increase or decrease in appropriations and cash flow

Factors for Appropriation Transfers

Factors (The “Why”?)	Examples
Scope Modifications	WTP Upgrades – combine projects to minimize operational disruptions
Schedule Acceleration / Delays	Open Cut Reservoirs – delayed to sequence WTP upgrades first
Cost Increases/Decreases	Large Diameter Pipelines – cost decrease from lower bids Labor and supply chain – cost increase for WTP and Pumping Plants
Unanticipated Projects	Moraga Creek Flood and Erosion Control Project – grant funding opportunity

Process for Appropriation Transfers
<ul style="list-style-type: none"> • Determine amount available and amount required • Identify other projects with available appropriations not expected to be spent before next budget cycle • Make appropriation transfers • Report appropriation transfers greater than \$2.5M to the General Manager

Budget Resolution (Appropriation Transfer Authority)

Section 7.

The Director of Finance is hereby authorized and directed to distribute the FY 2024 and FY 2025 appropriations to the various accounts of the District in accordance with generally accepted accounting principles and consistent with the purposes and objectives identified in the approved budget....Department directors and department managers are authorized, with approval of the Office of Budget and Performance, to **transfer unexpended appropriations to other approved... capital projects, provided that the total Capital Budget... for the Water and Wastewater Systems remain unchanged.** An annual report of the transferred capital unexpended funds will be submitted by the Office of Budget and Performance to the General Manager. ...

Key Capital Transfers by Fiscal Year

- 2023: \$279M to Upper San Leandro (USL) Water Treatment Plant (WTP)
- 2022: \$29M to the Orinda WTP Disinfection and Chemical Safety Systems Improvements Projects; \$6M to Power Generation and Biogas (Wastewater)
- 2021: \$8M to Dam Operational Upgrades (Moraga Creek)
- 2020: \$41M to Treatment Plant Upgrades (Sobrante, USL) and \$14M to University PP Replacement
- 2019: \$31M to San Pablo Clearwell Replacement and \$28M to Maloney PP Improvements
- 2018: \$16M to Orinda WTP

Fiscal Year	Water and Wastewater Transfers* (\$M)
2023	346.3
2022	52.3
2021	26.3
2020	125.2
2019	123.7
2018	85.4

*Excludes transfers related to reorganizing projects.

Orinda and USL WTP Example

- Treatment Plant Upgrades Award includes Orinda, USL, other WTPs
- Distribution facility improvements accelerated to reduce operational impacts and increase construction efficiencies
- Labor and supply chain challenges meant projects received higher bids than originally estimated and existing appropriations were insufficient for all projected costs including Board-approved contracts
- Appropriations transferred from other Awards with schedule delays or scope reductions to address funding need

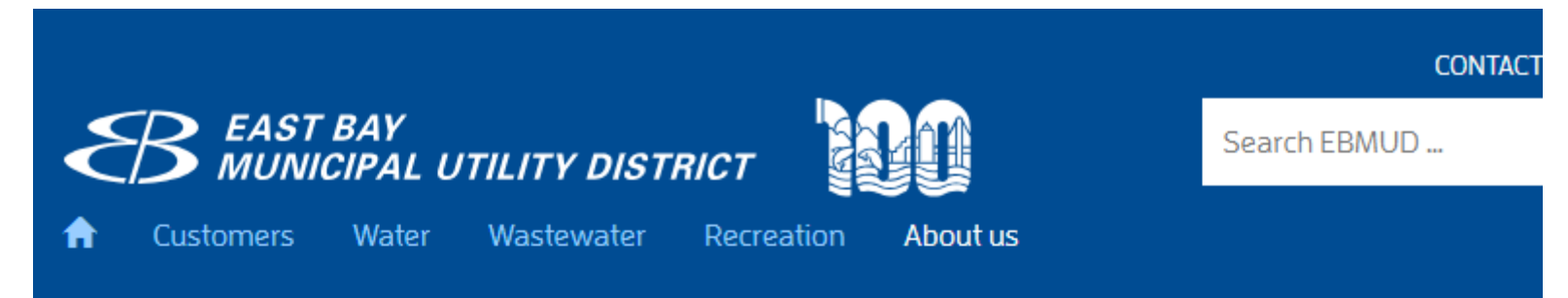


FY 2023 Water Treatment Plant Transfers for USL

From	Reasons for Funds Available	Amount (\$M)	To	Amount (\$M)
Open Cut Reservoir Program	Deferred Almond and Central Reservoir Replacements	(155)	Treatment Plant Upgrades	279.1
Large Diameter Pipelines	Reduced scope for E 15th Street Pipeline Project and lower bids or delays in other pipeline projects	(50)		
New Service Installations	Deferred construction of applicant work	(15)		
Service Lateral Replacements	Delays due to contracting out negotiations	(15)		
Pumping Plant Rehabilitation	Delays in Madrone, Palo Seco, Westside and Encinal PP projects	(14)		
Building Facilities Improvements	Delay in New Central Service Area and Fleet projects	(10)		
Mokelumne Aqueducts No. 2 & 3	Deferred to FY 2024	(10)		
Pipeline System Extensions	Deferred construction of applicant work	(10)		
Security Improvements	Planned budget for USL security improvements	(0.1)		
Total		(279.1)		279.1

USL Federal Funding Status

- USL awarded \$3.5M in 2022 from the Federal Consolidated Appropriations Act
- Funding partially offsets the \$237M construction contract amount
- Staff is working through application process including Build America, Buy America (BABA) waiver application
- Once approved by the Environmental Protection Agency (EPA), funding will be allocated on a **reimbursement basis**
- Project team to monitor compliance with Federal requirements
- **External auditor to audit external funding**



[Home](#) / [About us](#) / [News](#) / [Press releases](#) / [EBMUD Water Treatment Plant to receive \\$3.5M in federal commi](#)

March 22, 2022

EBMUD Water Treatment Plant to receive \$3.5M in federal community project funding

OAKLAND – The passage of the Consolidated Appropriations Act, 2022 brings \$3.5 million to customers of the East Bay Municipal Utility District (EBMUD) for needed improvements to the Upper San Leandro Water Treatment Plant in Oakland. EBMUD will upgrade the treatment plant to ensure the highest quality drinking water for its 1.4 million customers. The fiscal year 2022 government funding package was signed into law by President Joe Biden on March 15.

Amending Appropriations

- Staying within existing appropriations:
 - Supports rate affordability, as it maintains expenditure limits set at the same time as rates
 - Encourages resourceful management of existing funding
- Staff requests to amend the budget when it is not possible to absorb costs, such as receipt of grants, amendments to debt budgets, and other major unforeseen circumstances
- Requesting budget amendments more frequently could lead to over-appropriation and fewer controls on expenses

CIP Visibility

- To improve visibility to the Board and public, staff will provide the Board the summary of appropriation transfers currently provided to the General Manager and Senior Management Team.
- Staff is developing opportunities to enhance capital project budget management.
- Staff continues to work with Internal Auditor on best practices.
- Present information to Board at its September 12, 2023 meeting

Questions?



This page is intentionally left blank.