

Update to Council

Goal #7: Acquire Seattle Potable Water System (Seattle Public Utilities - SPU)

March 5, 2012



SPU Acquisition

- What are going to cover tonight:
 - Review the progress of the Public Steering Committee
 - Draft Preliminary Engineering Report
 - Next Steps and Schedule

Steering Committee Review

Why is this work necessary?

Opportunity to address:

1. Long-term Community Goal
2. Representation
3. Construction Coordination
4. Operational Efficiencies

Steering Committee Review

Project Background:

Council Objectives for SPU Acquisition:

1. To acquire the system at a price that, when added to other costs to operate and maintain the system, would fall within a rate structure equal to or less than what SPU would forecast over a reasonable period of time
2. Reinvest back into the system more aggressively with O&M and CIP.

Steering Committee Review

What has been done to date?

- Two-phase approach in evaluating the opportunity of the SPU system
 - A. negotiation to achieve a reasonable price; \$25M in the 2020
 - B. Due Diligence to confirm that Council parameters can be met
- Negotiate a final agreement with Seattle

Steering Committee Review

Financial Analysis

- Revenues for entire area for all customer types
- Compare to costs of operating the utility
 - Purchase price
 - Wholesale water purchases
 - Operating costs

Steering Committee Review

Detailed Revenue Calculations:

- Know current revenue levels – data from SPU
 - \$8.5 million for 2011
- Customer Growth
 - Forecasts we have are from 2006
 - Will growth be more or less than Seattle?
- Use per customer
 - SPU forecasts use per customer to continue to decline
 - Is Shoreline the same or different than Seattle?



Total Revenue Projections

- Projected SPU Rates
 - 30-40% increase from 2011-2014
 - Long term 1% above inflation
- Revenue Projections
 - \$11million 2014 forecast
 - Nearly \$15million by 2020
 - Sensitive to long-term SPU rate increases

Engineering Review

Review of System, Separation Issues,
and current and future O&M plans

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Overview of Engineering Report

- Status and Condition of existing System
- Current Maintenance Program
- Current Capital Improvement Program
- Proposed Maintenance Prior to Shoreline Acquisition
- Proposed Post-Acquisition Maintenance Program
- Proposed Post-Acquisition O&M Budget
- Separation Options, Issues and Costs
- Proposed Post-Acquisition Capital Improvements and Budgets

Overview of Existing facilities & Operations

- Pump stations
- Tanks
- Distribution System



Facilities Condition

- Pump stations
- Tanks
- Mains & Hydrants



Current Maintenance Plan and Practices

- Pump stations
- Tanks
- Hydrants
- Mains, Services & Meters
- Pressure reducing valve stations



Current Capital Improvement Plan

SPU Distribution CIP Estimated for Shoreline Based On Proportional Length of Mains

SPU Distribution CIP Category	SPU Annual CIP	Proportionate Share in Shoreline
Reline or replace aging water mains and improve pressures and fire flows where cost-effective	\$5,500,000	\$390,500
Extend water mains to new developments.	\$1,000,000	\$71,000
Relocate water mains impacted by other projects and upgrade water mains in redevelopment areas.	\$3,000,000	\$213,000
Replace leaking service connections And install new	\$10,000,000	\$710,000
Replace meters.	\$600,000	\$42,600
Total	\$20,100,000	\$1,427,100



Proposed Maintenance Prior to System Acquisition

- Pump stations
- Tanks
- Hydrants
- Mains, Services & Meters
- Pressure reducing valves

Proposed Post-Acquisition Maintenance Plan

- Increased maintenance frequency
- Increased distribution system maintenance
- Specific recommendations by facility type

Proposed Post-Acquisition O&M Budget

Annual O&M Budget	
Category	Annual Budget
Labor	\$1,227,799
Materials & Supplies	\$659,681
Employee Benefits	\$491,120
Administrative	\$1,500,000
Taxes	\$232,716
Total	\$4,111,315



Separation Options, Issues and Costs

- Summary of separation options
- Recommended option – \$4.8 million
- Operational issues

Proposed Post-Acquisition Capital Improvements and Budget

Post Acquisition Capital Improvements	
Category	Estimated Cost
2 MG Storage Tank	\$4,072,000
Pump Stations & Controls	\$1,134,400
Distribution Mains	\$33,288,695
Utility Buildings	\$733,090
Heavy Equipment & Vehicles	\$933,900
Tools & Inventory	\$275,880
Total	\$40,437,965



Proposed On-going Capital Improvements

Ongoing Capital Improvements	
Category	Estimated Cost
Vehicle Replacements	\$93,390
Tool Replacements	\$17,413
Distribution main extensions	\$71,000
Distribution main relocations	\$213,000
Service replacements	\$710,000
Meter replacements	\$42,600
Hydrant Replacements	\$50,000
Valve Replacements	\$50,000
Water Quality Improvements	\$10,000
Cathodic Protection Improvements	\$10,000
Pump & Storage Improvements	\$50,000
Scada & communications Improvements	\$20,000
Total	\$1,337,403



Next Steps

- Two Sub-committees; Engineering & Financial
- Adjustments to the Engineering Report
- Add to the financial model – March & April
- Review final financial analysis & model – May
- SPU agreement – June