



Santa Clara Valley Water District

File No.: 20-1016

Agenda Date: 10/27/2020

Item No.: *7.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Overview of the Annual Capital Improvement Program Process and Integrated Financial Planning Schedule for Capital Projects, and Review of the Fiscal Year 2021-22 (FY22) Currently Unfunded Projects.

RECOMMENDATION:

- A. Receive an overview of the Annual Capital Improvement Program Process and Integrated Financial Planning Schedule; and
- B. Review list of Currently Unfunded Capital Projects.

SUMMARY:

The annual update of the 5-year Capital Improvement Program (CIP) includes project plan updates for all existing capital projects and a Validation Process to review and evaluate potential new capital projects for inclusion in the CIP, along with review points for the CIP Committee and decision Points for the Board. A PowerPoint that shows the steps in detail, along with an integrated financial planning schedule, is included in the Annual CIP Process PowerPoint (Attachment 1).

Annual CIP Process Overview:

Each year, Valley Water staff can submit new projects for consideration for inclusion into Valley Water's 5-Year CIP. For each potential new project, staff develops a business case to compare capital, non-capital, and non-asset alternative solutions; evaluates the lifecycle costs of these solutions; and identifies a recommended solution that minimizes lifecycle cost while balancing service levels and risk.

In May through September, staff submits the business case for review by their respective Deputy Operating Officer (DOO) or Deputy Administrative Officer (DAO). If staff's respective DOO/DAO approves the project, it is submitted to the CIP coordinator. Simultaneously, project managers update their existing capital projects to reflect changes to scope, schedule, and budget, which must also be approved by the respective DOO/DAO.

Between September and October each year these newly-proposed, initially validated projects will be presented to the CIP Committee and Board, along with a list of currently unfunded projects, which have been validated during prior years, for review and comment. Staff will address the Board's

feedback/comments when preparing the funding scenarios, which will include considering those unfunded projects for inclusion into the CIP.

In the fall of every year (October-November), an overview of the significant project plan updates from the prior year's adopted CIP are presented to the CIP Committee for information and feedback. During this same time, CIP and Finance staff compile the data from existing CIP project plans, collect the operational forecast information, and run the financial models.

The CIP Evaluation Team (DOOs/DAOs of the divisions initiating, delivering, implementing, and operating capital projects) meets in November of each year to review the financial models and determine which, if any, unfunded projects should be recommended for inclusion in the CIP. To ensure Valley Water's high priority business needs are met in adherence to Board policy, the CIP Evaluation team reviews the projects based upon:

- Board Priorities
- Asset's remaining lifespan
- Available funding
- Urgency of investment

Based upon the outcome of its review, the CIP Evaluation Team provides recommendations to the Chiefs and CEO regarding whether the new proposed capital projects should be included in the upcoming Preliminary 5-year CIP or remain on the unfunded list. These funding scenarios will be presented to the CIP Committee for review and feedback in November.

Each winter (December- January), CIP and Finance staff update the funding scenarios to include staff and CIP Committee recommendations, which will be presented to the full Board during a Funding Scenario Workshop in January, as deemed necessary. If a workshop is deemed necessary, the Board's direction from the workshop will be incorporated into the Preliminary CIP and presented to the Board at a subsequent meeting in January. Funding decisions will be made by the Board through its approval of the Preliminary CIP.

The full CIP Financial Planning Schedule is included in Attachment 1.

No new projects have been approved through the above referenced Validation Process for incorporation into the FY22-26 CIP.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

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ATTACHMENTS:

Attachment 1: PowerPoint

*Handout 7.1-A: Revised PowerPoint

UNCLASSIFIED MANAGER:

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