

Lake Don Pedro Community Services District

Regular Meeting of August 15th, 2016

AGENDA SUPPORTING DATA

5. DISCUSSION AND ACTION ITEMS

- a. Review and Approval of a Capital Improvement Plan (CIP) for Replacement and Upgrade of District Equipment and Infrastructure

Recommended Motion

I move that the Board approve a Capital Improvement Plan for Replacement and Upgrade of District Equipment and Infrastructure.

Background

The Board of Directors in its 2016 Strategic Plan focused the efforts of management on two major areas:

1. Conducting water system maintenance in accordance with industry standards; and
2. Developing a Capital Improvement Plan (CIP) that identifies needed water system replacements and improvements

This agenda item introduces the first LDPCSD draft final CIP for the period of 2016 through 2021. The District has never prepared or adopted a CIP in the past. For the purposes of definition, Capital Improvement Projects are those that cost in excess of \$5000 each and are a new capital asset or a project that extends the life of an existing asset, and with a useful life of greater than three years.

Attached hereto is the draft CIP that was cooperatively developed using prior project lists, input from our operations team, District Engineer and management. The Board's priorities as detailed in the strategic plan were used to filter the projects down to this final list. Please note that this CIP does not include the planned replacement of all of the District infrastructure, or the identification of those unknown infrastructure items that will fail and need to be replaced during this time period.

The recently established Capital Reserve Policy provides for funding set asides to provide adequate money to complete the CIP list, plus funding for general capital replacement which should be in the amount of our current Depreciation line item in the budget. To ensure that the depreciation amount is accurate in its representation of the cost to replace the infrastructure over time, we will have our District Engineer review the infrastructure list and update the costs based on current and estimated future construction costs.

In addition, the funding of the Contingency Reserve as detailed in the Reserve Policy will provide funding for equipment not included in the budget, and/or not included in the CIP and that fails unexpectedly. Overall, the goal of this exercise is to be financially prepared for expensive infrastructure replacement as it is necessary. Adoption of this CIP is a first step in articulating how much money we will need in the short term.

