

Buckman Direct Diversion Project

A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.

Memo

Date: April 16, 2014

To: Buckman Direct Diversion Board

From: Shannon Jones, Interim BDD Facility Manager 

ITEM AND ISSUE:

Informational Update of the Buckman Direct Diversion's Emergency Reserve Fund Policy and the Major Repair and Replacement Fund Policy.

BACKGROUND AND SUMMARY:

The BDD Project Intergovernmental Agreements required the creation of an Emergency Reserve Fund (ERF) and a Major Repair and Replacement Fund (RRF). The intent of these funds is to have funding available to meet the essential needs of the Buckman Direct Diversion. While the funds would be replenished annually, the fund allows level annual budgeting for the City of Santa Fe and Santa Fe County.

The Emergency Reserve Fund (ERF) will provide the cash flow needed for the emergency response to protect facilities from further damage and restore acceptable operational status of facilities. Insurance may provide reimbursement for damage caused by some perils but will not provide the initial cash required for emergency response. Requirements in excess of the Emergency Reserve Fund balance would require additional appropriations, but the \$2,000,000 recommended fund balance should cover likely scenarios for cash flow and encumbrance requirements in the interim period prior to the City of Santa Fe and Santa Fe County appropriation of additional cash or insurance policy reimbursements.

The Major Repair and Replacement Fund is needed to replace, overhaul, or refurbish certain equipment and facilities. These expenditures will be large compared to the equipment maintenance budget, and infrequent in nature. The recommended funding was a 2010 determination based upon the follow assumptions;

Equipment/Facilities	Life-Years	Amount
Variable Speed Pumps Drives – 10% of vaule	10	\$453,000
BS1A Pump Impellers	7	\$160,000
Re-Finish Forebay Tanks (2)	15	\$130,000
RWLS Pump Impellers	5	\$125,000
Roof Replacement (Raw Water)	15	\$115,000
Surge Tank Bladders (5)	15	\$100,000
Sediment Return Grit Pumps Impellers	10	\$50,000



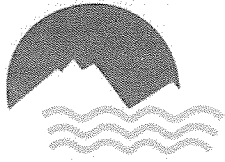
Loader	15	\$120,000
Forklift	15	\$40,000
Granular Activated Carbon	7	\$536,000
Membrane Filters	10	\$509,000
Ozone & Liquid Oxygen System Equipment	15	\$409,000
BS2A Pump Impellers	7	\$160,000
Centrifuges (2)	7	\$156,000
Re-Finish metal Building Walls	15	\$100,000
Membrane Feed Pump Impellers	10	\$100,000
BS4A Pumps	10	\$100,000
BS5A Pumps	10	\$100,000
Computers – SCADA and Operations	5	\$60,000
UV Covers for Floc/Sed Basins	10	\$50,000
Flash Mix Pump Impellers	10	\$40,000
Solids Transfer Pumps	7	\$40,000
Roof Replacement (Treatment Plant)	15	\$250,000

Actual expenditures from both funds will be shared in accordance with the cost sharing principles contained in the Fiscal Operations and Procedures Agreement (FOPA). Because emergency preparedness and major equipment repairs and replacement are integral to the operations of the Buckman Direct Diversion, the Fiscal Operations and Procedures Agreement OMR&R cost sharing percentages are applicable.

As of June 30, 2014 the Major Repair and Replacement Fund has, or will have, been funded to;

FUND	BALANCE
Emergency Reserve Fund	\$2,000,000
Major Repair and Replacement Fund	\$823,624

Both the Emergency Reserve and Major Repair and Replacement Funds are monitored by the BDD Financial Manager and may earn interest income on cash balances as stated in the adopted BDD Working Capital and Billing Policy.



Buckman Direct Diversion Project

A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.

Buckman Direct Diversion Emergency Reserve Fund Policy

In accordance with the BDD Project intergovernmental agreements and in order to secure resources assuring the BDD's timely response to emergencies, which could potentially threaten, reduce, or eliminate the BDD's capacity to meet its customers' demands, the BDD established an Emergency Reserve Fund (ERF) in the amount of two million dollars (\$2,000,000).

While insurance may provide reimbursement of costs associated with some emergency situations, the ERF will provide an immediate infusion of the funds that will be necessary to address the situation without having to first solicit funding from the BDDB partners.

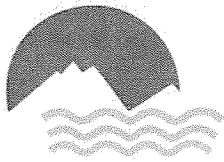
The purpose of this policy is to clarify what constitutes an emergency, how to obtain access to the funds, and how the ERF will be replenished once the funds had been utilized.

Definition of Emergency:

An emergency is defined as an Act of God or an unforeseeable equipment or facilities failure that renders the project inoperable or unable to deliver water at the required capacity or quality. The following is a detailed but not all inclusive summary of possible emergency scenarios:

1. Rio Grande flood
 - a. River channel relocation
 - b. Diversion structure being inundated with sediment
 - c. Raw water pump station flooding
 - d. Raw water pumps and pipelines filled with sediment
2. Local Arroyo flood
 - a. Access road destruction
 - b. Facilities damage or destruction
 - c. Pipeline exposure and / or damage
3. Contamination of raw water supply requiring remediation or additional treatment
4. Fire
 - a. Wildfire
 - b. Facilities fire
 - c. Electrical fire in switch gear or motor control center
5. Destructive failure of plant equipment or facilities resulting in major damage
 - a. In-plant mechanical break-down, explosion, electrical malfunction, or complete





Buckman Direct Diversion Project

A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.

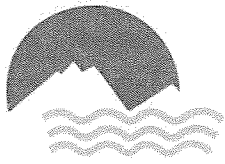
- computer breakdown or loss
 - b. Sabotage
 - c. Errors or omissions by O&M staff
 - d. Earthquake, flood and other natural phenomena
 - e. Chemical spill
6. Broken raw water or finished water pipeline and appurtenances
 7. Design errors and or omissions

Disbursement of funds:

The ERF shall be designated as a restricted reserve fund. The purpose of the ERF is to provide available cash flow to ensure immediate emergency response without having to first secure funding from the BDDB partners. It is intended that the ERF be sufficient to cover any emergency situation resulting in services, supplies, or parts exceeding \$25,000. In case of an emergency situation, the BDD Project Manager is authorized to approve services and purchases without prior approval of the BDD board and/or partners for purposes of restoration and/or maintenance of service levels in response to a natural disaster and/or emergency. To access the necessary funds in case of an emergency situation the following steps shall be followed:

1. The BDD Project Manager will identify and evaluate the emergency.
2. The BDD Facilities Manager and BDD Project Manager will develop an initial plan of action.
3. The BDD Project Manager will contact the BDD Board Chair within 24 hrs of the occurrence of the emergency and explain the nature of the emergency and initial plan of action.
4. The BDD Project Manager will declare the emergency
5. The BDD Project Manager will access the ERF in accordance with the BDD Project Manager's procurement policy. While certain emergencies do not require the processing of an Emergency Purchase Order (EPO) prior to initiation of emergency response activities, the EPO should be requested within 24 hours of service recruitment or purchases.





Buckman Direct Diversion Project

A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.

6. After the initiation of the emergency response and access to the ERF, the BDD Facilities Manager and BDD Project Manager shall notify the BDDDB partners within 24 hours and provide verbal monthly updates to the BDD Board for the duration of the event. Upon resolution of the emergency, the BDD Facilities Manager and BDD Project Manager shall provide a written report to the BDD Board.

Target balance and maintenance of the Emergency Reserve Fund:

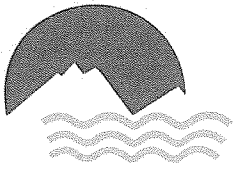
The approved target balance for the Emergency Reserve Fund is \$2,000,000.00 and will be fully funded by the end of FY2013/14. The BDDDB partners shall replenish the ERF according to the schedule below. Expenditures from the designated ERF which are subsequently recovered, either partially or fully from insurance and/or any other services, shall be utilized solely for the purpose of refunding the ERF.

Should the ERF balance fall below \$2,000,000 but is greater than \$1,000,000, contributions from all BDDDB partners shall bring the ERF balance back to \$2,000,000 at the beginning of the following fiscal year.

Should the ERF balance fall below \$1,000,000, contributions from all BDDDB partners shall bring the ERF balance back to \$2,000,000 within 2 Fiscal Years.

All funds will be monitored by the Project Manager and accrue interest that will be added to the fund and accounted for every fiscal year. Interest earned will be credited proportionately to each BDDDB partner's required contribution.





Buckman Direct Diversion Project

A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.

Buckman Direct Diversion Major Repair and Replacement Fund Policy

In accordance with the Buckman Direct Diversion's (BDD) Project intergovernmental agreements and in order to secure resources assuring the BDD's ability to cover the repair and replacement cost of capital assets already in existence within the Buckman Direct Diversion. The Major Repair and Replacement Fund allows level annual funding and ensures funding is available to repair and/or replace capital equipment when the capital equipment has reached the end of its effective useful life. Capital equipment is any equipment costing more than five thousand dollars (\$5,000) with a life expectancy of more than three (3) years. Replacement prioritization for the equipment is generally related to a specific time or duration of service identified as the equipment's Life Cycle. Typical examples of capital equipment include: SCADA system hardware, vehicles and heavy equipment, variable speed drives, raw and finished water pumps, solids handling process equipment and other equipment identified in the Buckman Direct Diversion Capital Asset Management Plan.

Actual expenditures from the Major Repair and Replacement Fund will be shared in accordance with the cost sharing principles contained in the Fiscal Operations and Procedures Agreement (FOPA).

The purpose of this policy is to clarify what constitutes a major repair or replacement, how to obtain access to the funds, and how the Repair and Replacement Funds will be monitored and reported.

Definition of a Major Repair:

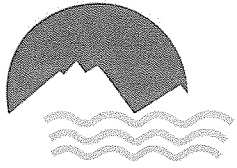
A major repair is defined as a repair, or proposed repair,

- (1) which is infrequent in nature and,
- (2) to equipment that's failure will significantly affect performance and/or operation of the Buckman Direct Diversion or,
- (3) where the complexity of the repair may significantly affect performance and/or operation of the Buckman Direct Diversion or,
- (4) that cannot be performed by BDD staff or under point repair contracts.

Disbursement of funds:

The Repair/Replacement Fund (RRF) shall be designated as a restricted reserve fund. The purpose of the RRF is to provide available cash flow to ensure major repairs and replacement of





Buckman Direct Diversion Project

A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.

equipment which life cycle has expired can immediately be addressed without having to first secure funding from the BDD partners. It is intended that the RRF be sufficient to cover any major repair or replacement of an asset resulting in services, supplies, or parts exceeding twenty thousand dollars (\$20,000). To access the necessary funds for major repair or replacement situation the following steps shall be followed:

1. The BDD Facility and Equipment Maintenance Superintendent will identify and evaluate all major repairs and replacements.
2. The BDD Facility and Equipment Maintenance Superintendent and BDD Facilities Manager will develop an initial plan of action.
3. After initial plan of action is developed, the BDD Facility Manager shall notify the BDDB partners.
4. The BDD Facility Manager will access the RRF in accordance with the BDD Project Manager's procurement policy.
5. Upon resolution of the major repair or replacement, the BDD Facilities Manager and BDD Financial Manager shall provide a written report to the BDD Board in the next regularly scheduled board meeting.

Target balance of the Major Repair and Replacement Fund:

The approved target balance for the Major Repair and Replacement Fund is \$411,812.00 in annual contributions and will be fully funded by the end of each fiscal year.

All funds will be monitored by the BDD Financial Manager and The Major Repair and Replacement fund may earn interest income on cash balances as stated in the adopted BDD Working Capital and Billing Policy.

