

CITY OF FULLERTON WATER RATE PROGRESS REPORT



PUBLIC WORKS DEPARTMENT
WATER DIVISION
303 W. COMMONWEALTH AVE
FULLERTON, CA 92832

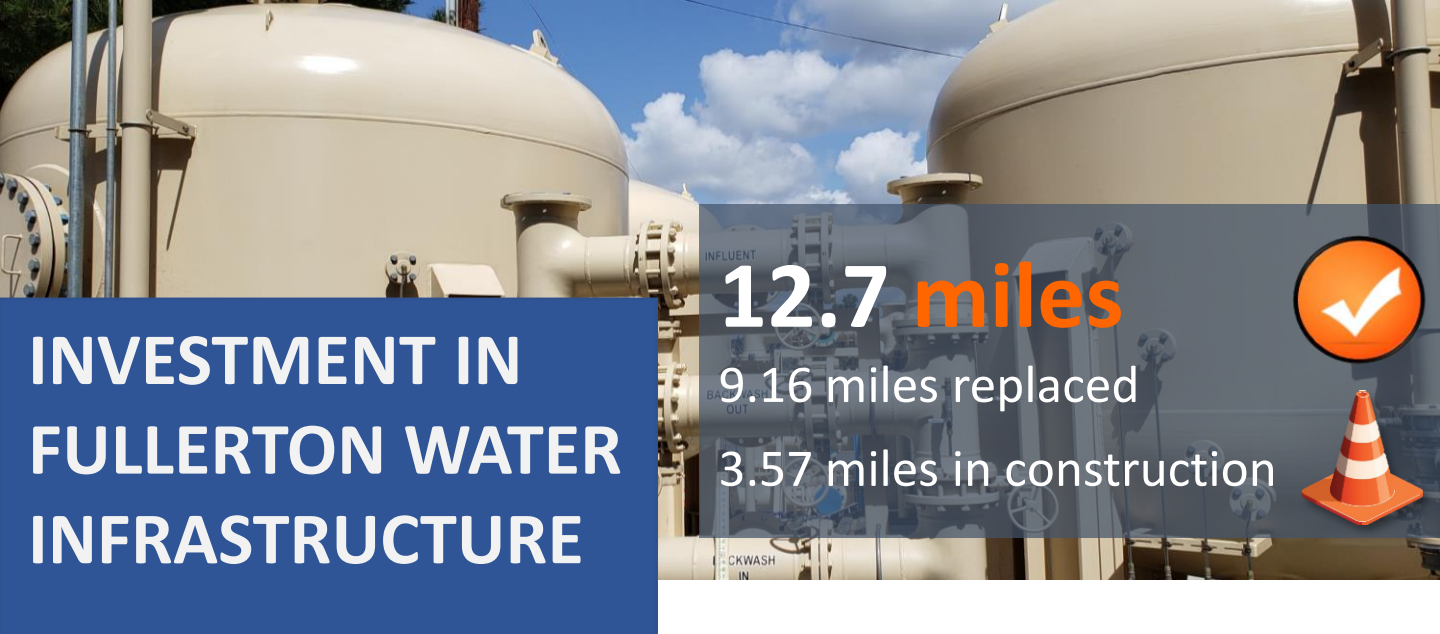
This annual progress report provides an overall update to the City Council, Infrastructure and Natural Resources Advisory Committee (INRAC), and Fullerton ratepayers on water-related Capital Improvement Program (CIP) projects and revenue realized as a result of 2019 Water Rate Study and subsequent water rate changes effective on July 1, 2021.

This report includes:

- Summary of completed and in-progress capital projects in the past year
- Cash reserve levels for the Water Fund



JULY 2021 – JUNE 2022



INVESTMENT IN FULLERTON WATER INFRASTRUCTURE

12.7 miles

9.16 miles replaced

3.57 miles in construction



Fullerton successfully exceeded its goal to replace eleven miles of pipeline within the last three years. With 9.16 miles replaced and 3.57 miles in construction, the City is actively investing in the future of our water production, conveyance and distribution facilities. The projects listed below are for the reporting period of FY 22 with previous fiscal years' projects listed on page 3.

CHALLENGES

- Historic spike in inflation caused by COVID-19-related issues, further exacerbated by the war in Ukraine.
- Increased project costs:
 - Increases in construction material costs.
 - Labor cost increases.
- Project schedule delays:
 - Raw material shortages.
 - Skilled labor shortages.
 - Shipping delays and other supply chain issues.
- Water sector obstacles:
 - Increased and emerging regulatory compliance resulting in more rigorous testing and reporting (PFAS, lead & copper, microplastics, amongst many others).
 - Drought and long-term drinking water supply availability ensuing mandates for water conservation/efficiency.
 - Increased cybersecurity attacks on critical infrastructure.
 - Aging workforce retirements combined with shortages of qualified, highly experienced and trained professionals.

PROJECT COST INCREASES
2019 Projected cost/mile: \$1.4M
2022 Actual cost/mile: \$2.4M
70% increase
2022 cost/mile (arterial): \$5.8M

PROJECTS COMPLETED IN FY 22

PIPELINE PROJECTS (4.17 MILES)

- West Ash Infrastructure (0.76 miles)
- Victoria Drive Infrastructure (0.81 miles)
- Euclid Street Reconstruction (0.49 miles)
- Nutwood/Yale Infrastructure (1.28 miles)
- Gilbert St/Iris Court Water Main (0.31 miles)
- San Juan Infrastructure (0.52 miles)

OTHER PROJECTS

- Well 7 Destruction and Well 7A Drilling

PROJECTS IN-CONSTRUCTION

PIPELINE PROJECTS (3.57 MILES)

- Orangethorpe/Acacia – St. College (0.58 miles)
- Kimberly/Acacia – St. College (0.56 miles)
- Hidden Lakes Water Main (0.82 miles)
- Marion Infrastructure (1.61 miles)

OTHER PROJECTS

- Las Palmas Booster Pump Station



INVESTMENT IN FULLERTON WATER INFRASTRUCTURE

PREVIOUSLY COMPLETED PROJECTS

PIPELINE PROJECTS COMPLETED (4.99 MILES)

- El Rancho Vista Infrastructure (1.65 miles)
- Valencia/Brookhurst – S Basque (0.59 miles)
- Chapman/Basque – Euclid (0.06 miles)
- Loma Alta Area Infrastructure (1.65 miles)
- Jacaranda Drake Area Infrastructure (0.11 miles)
- Commonwealth/Basque – Acacia (0.93 miles)

OTHER PROJECTS

- Kimberly Well 1A PFAS Water Treatment Plant
- Water Valve Replacement

PROJECTS IN-DESIGN

PIPELINE PROJECTS (±9.97 MILES)

- Mark III Water Main
- Orangethorpe/Harbor - Lemon
- Hermosa Water Main
- Water Main – Various Locations
- Associated/Yorba Linda - Bastanchury
- Associated/Rolling Hills - Imperial
- Glenwood – Ford Infrastructure
- Hollydale Water Main
- Sunny Hills – Twilight Water Main

OTHER PROJECTS

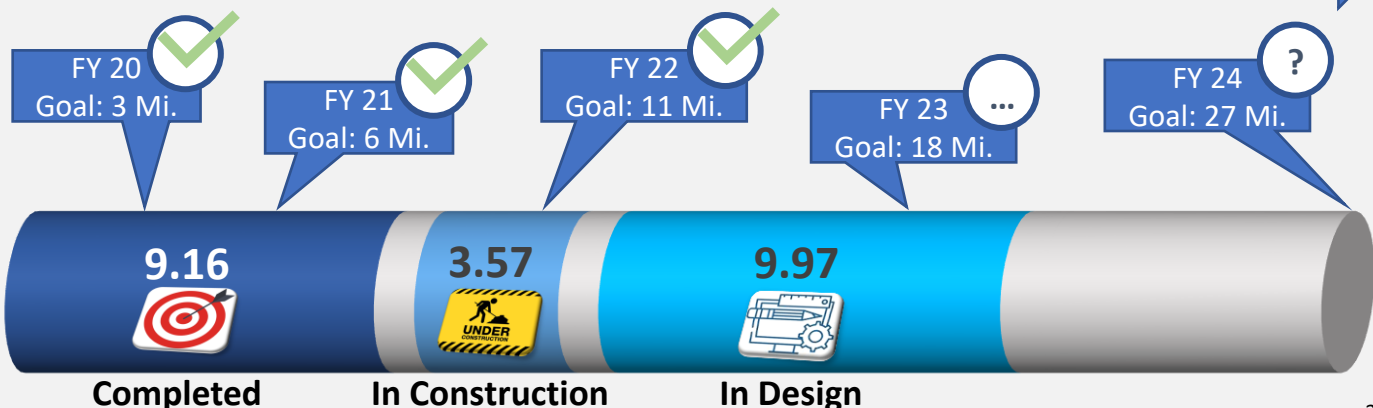
- Electrical Generator Upgrades
- Christlieb Well 15A Rehabilitation
- Tank Farm 2D Tank 2 Rehabilitation
- Coyote 1C Tank Rehabilitation
- Water System SCADA Upgrade
- Main Plant PFAS Water Treatment Plant

ATTENTION:

FY 23's goal is on track to be completed.
FY 24's goal will not be met due to
unanticipated cost increases

Fullerton Water Main Replacement Progress (as of 6/30/2022)

GOAL: 27 miles of Water Main Pipes in Construction by 2024



FULLERTON WATER CIP PROJECTS

Your  at Work!

MAIN PLANT PFAS TREATMENT PLANT

On February 6, 2020, State Water Board's Division of Drinking Water (DDW) issued drinking water response levels (RLs) of 10 parts per trillion (ppt) for perfluorooctanoic acid (PFOA) and 40 ppt for perfluorooctane sulfonate (PFOS), which required the City to remove impacted wells from service and purchase more expensive imported water. Fullerton collaborated with Orange County Water District (OCWD), who has taken the lead on this current project to develop groundwater treatment solutions in anticipation of future PFAS regulations set by the state and the Environmental Protection Agency (EPA). After completion of design of Fullerton's Main Plant PFAS Water Treatment Plant, OCWD awarded the construction contract to Pacific Hydrotech. OCWD will provide funding for construction of permanent treatment facilities and a portion of ongoing operational and maintenance costs for up to 30 years. Preliminary estimates of potential capital costs for treatment plants range from \$31.6 million to \$56 million, excluding City's costs for land acquisition, permitting, etc.

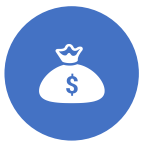
WATER MASTER PLAN

The Water Master Plan serves as a roadmap for the City's long-term capital improvement program by addressing its aging infrastructure, future water demands, and existing water resources. The previous Water Master Plan was prepared in 1997, while the current Water Master Plan is anticipated to be awarded by City Council in late 2022 to kickoff in early 2023. The newly developed master plan will assist the City in determining the necessary funding for CIP projects and serve as a predecessor to the new Water Rate Study.

TANK FARM 2D TANK 2 REHABILITATIONS

This tank is a steel tank capable of holding 6.5 million gallons of potable water. The last time rehabilitation was performed was in the 1990s. At the time, coal tar was applied to help prevent rusting. Over time, the coal tar has degraded and now needs to be replaced. This project will replace the coal tar with epoxy and help extend the life of the tank.





WHERE ARE WE?

FY 21-22 Water Fund Rev & Exp (Millions)

	Projected ¹	Actual
Rate Revenue	46.9	47.4
Non-Rate Revenue ²	1.8	2.6
Operating Expenses	(14.8)	(14.1)
Water Purchase	(19.5)	(18.2)
NET REVENUE	14.5	17.7
Capital Spending	(11.5)	(14.5) ³
SURPLUS/DEFICIT	3.0	3.2
Beginning Balance	35.1	
FY 2022 Surplus	3.2	
Other Budgeted CIPs	(9.0)	
ENDING BALANCE	29.4	
Cash Reserves	(9.9)	
New FY 2023 CIPs	(17.9)	
CASH REMAINING	1.5	

¹ Projected data from 2019 Water Rate Study.

² This excludes one-time revenues such as unrealized gain/loss on investment, contributed asset from developers, and premium on bond sales.

³ Includes encumbrance.

