



**Fiscal Year 2013
Recommended
Electric & Water Capital Budgets**



**FY 2013
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Electric & Water Capital Budgets**

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Discussion of Significant Recommended Budget Items and Changes:

The Canby Utility Recommended Capital Budgets for FY13 have been prepared with the input of management and staff. There have been various estimates and assumptions used to determine total Capital Project costs. The Recommended Capital Budget documents are meant to be used as planning tools and a point of reference for comparison to actual FY13 results.

The following points have been deemed important enough to be discussed at the beginning of the budget documents. Throughout the budget documents you will find further discussion and explanation that should be read to facilitate a more complete understanding of the Recommended Capital Budgets.

- Capital projects are paid for with funds set aside in various restricted fund reserve accounts. These funds were generated through Electric and Water sales revenues, development charges such as line extension fees and water SDCs, interest income on invested funds and miscellaneous revenue sources.
- Capital projects are identified through various processes. Engineering studies are performed to analyze the existing Electrical & Water systems for reliability, ability to manage growth, and requested or required improvements. Projects are also identified through a review of current equipment for replacement or necessary upgrades.
- During the time that capital projects are being purchased and/or constructed, the related expenditures are charged against the appropriate reserve at year end. At completion, the new asset is entered in our depreciation records and depreciation started.
- Many of the Recommended capital projects are subject to further review prior to initiating the project. Generally, this review process results in the recommended project being brought to the Board for final approval. Some projects, such as subdivisions, will be initiated based on contractor timing and requests.

Electric & Water Reserves and Estimated Cash Flow Summary:

Canby Utility maintains the following reserves:

- Emergency – Electric & Water for catastrophic or unseen events.
- Capital Improvements – Electric & Water designated funds for capital improvements in the current year.
- Capital Replacements – Electric & Water designated funds for capital replacements in the current year.
- SDC – One-time capital charges assessed to new Water customers. These charges ensure that growth pays for itself.
- Future Improvements/Replacements – Electric & Water designated funds for improvement and replacement capital projects in subsequent fiscal years.

The Recommended FY13 Cash Summary below lists restricted and unrestricted cash, which when combined with an estimate of the change in net cash based on Recommended FY13 Operating Budget balances, provides an estimate of the cash ending balance on June 30, 2013.

**Electric and Water System
Recommended FY13 Capital Budget
Cash and Reserves Summary**

Electric System						
Recommended FY13 Cash Summary		Recommended FY13 Reserves Summary				
Estimated Beginning Cash	\$ 7,846,818	Specific Reserve	Beginning Balance	In	Out	Ending Balance
Net Cash Generated (Used)	(1,998,436)	Emergency	750,000	-	-	750,000
Estimated Ending Cash	<u>5,848,382</u>	Capital Imp	2,436,473	94,188	(2,530,661)	-
Unrestricted vs. Restricted Beginning Balance 7/1/12:		Capital Rep	628,448	249,328	(877,776)	-
Unrestricted	3,840,309	Customer Deposits	191,588	1,150	-	192,738
Restricted	4,006,509	Future Imp/Rep	-	3,064,921	(1,150)	3,063,771
Beginning Cash Balance	<u>7,846,818</u>	Reserve Total	<u>\$ 4,006,509</u>	<u>\$ 3,409,587</u>	<u>\$(3,409,587)</u>	<u>\$ 4,006,509</u>
Unrestricted vs. Restricted Ending Balance 6/30/13:						
Unrestricted	1,841,873					
Restricted	4,006,509					
Ending Cash Balance	<u>\$ 5,848,382</u>					

Water System						
Recommended FY13 Cash Summary		Recommended FY13 Reserves Summary				
Estimated Beginning Cash	\$ 3,096,272	Specific Reserve	Beginning Balance	In	Out	Ending Balance
Net Cash Generated (Used)	(1,062,067)	Emergency	100,000	-	-	100,000
Estimated Ending Cash	<u>2,034,205</u>	Capital Imp	118,055	13,358	(131,413)	-
Unrestricted vs. Restricted Beginning Balance 7/1/12:		Capital Rep	1,229,548	546,453	(1,776,001)	-
Unrestricted	1,398,669	SDC's	-	43,329	-	43,329
Restricted	1,697,603	Bond Principle Payment	250,000	-	(250,000)	-
Beginning Cash Balance	<u>3,096,272</u>	Bond Reserve Req.	-	-	-	-
Unrestricted vs. Restricted Ending Balance 6/30/13:		Future Imp/Rep	-	1,597,603	(43,329)	1,554,274
Unrestricted	336,602	Reserve Total	<u>\$ 1,697,603</u>	<u>\$ 2,200,743</u>	<u>\$(2,200,743)</u>	<u>\$ 1,697,603</u>
Restricted	1,697,603					
Ending Cash Balance	<u>\$ 2,034,205</u>					

Debt Summary:

Canby Utility issued \$2,900,000 of Series 2004 Water Revenue bonds during FY05 and issued \$3,200,000 of Series 2007 Water Revenue bonds during FY08. The 2004 and 2007 bond proceeds have been fully utilized. The proceeds of both issues were used to finance improvements to the water system, including storage, treatment, and security improvements, and to pay the costs of bond issuance.

Canby Utility is required by the debt covenants to maintain a Debt Service Coverage ratio of 1.25, (i.e. Gross Water Revenues, less Operating Expenses, divided by the debt service payment).

**Recommended FY13 Water Operating Budget
Debt Summary Through FY13**

Fiscal Year	Operating	Operating	Net Water	Debt	Debt Service Requirements		Net Water Revenues Needed for 1.25	Net Water Revenues Gain/(Deficit)
	Revenues (1)	Expenses (2)	Revenues	Outstanding At year end	Annual Debt Service	DSC		
2012	2,236,362	1,343,544	892,818	4,880,000	440,288	2.03	\$ 550,360	\$ 342,458
2013	2,258,309	1,432,707	825,602	4,630,000	441,709	1.87	552,137	273,465

(1) Operating Revenues, ("Gross Water Revenues") as defined in the Master Water Revenue Bond Declaration.

(2) Operating Expenses as defined in the Master Water Revenue Bond Declaration.

Note: The Master Water Revenue Bond Declaration requires a Debt Service Coverage ratio of no less than 1.25 be maintained annually when there are transfers to and from the Rate Stabilization Account.

**Electric System
FY 13 Recommended Capital Budget**

Project Name	Description of Project	Labor	Materials	Transportation Charges	Labor Overheads 59.72%	Contractor Costs	Project Cost	Reserve Funding Source
Executive - Projects Key Issue #1: Future Facility, Management Initiative #3-- Negotiate Sale of Existing Properties (E&W) Key Issue #4: Future Power Supply Options	Tasks include developing water asset ownership transfer concept (contract or charter amendment) with Board Attorney and appraisal of shops complex property value. Work with consultant familiar with the Northwest power market to help staff and Board identify what type of power generation fits CU's policy and needs (renewables, micro generation, other), whether by ownership or power purchase agreement or combination. Tasks include hiring consultant to update Canby Utility's 1999 Electric System study and connect it with our current Master Plan done by Operations	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ 4,000	Capital Replacement
Finance - Projects Admin Heat Pump- Conf Room (E&W) Admin Heat Pump (E&W)	Replace heat pump that controls temperature in conference room. This unit has had multiple repairs and needs to be replaced. Tentative heat pump replacement for the unit that controls temperature in the customer service area. This unit is older and showing signs to deterioration. May need to be replaced in this fiscal year.	-	-	-	-	10,000 31,000	10,000 31,000	Capital Improvement Capital Replacement
Operations - Projects Knights Bridge Substation	A new substation adjacent to the existing PGE Canby Substation is recommended, and would eliminate the need to purchase transformed power from PGE's Canby Substation, our point of delivery for our Feeders 1 and 2. It will insure future capacity, provide CU complete control of inter-feeder load transfers involving Feeders 1 & 2, increase our system reliability and remove our reliance on PGE's aging distribution substation for service to many of our most critical loads. Adding this system capacity at this time appears cost effective, with an estimated payback on our investment, when combined with the benefits of the Westcott Expansion, of approximately 15 years. Enclose one parking bay in conjunction with 3 city-occupied bays. City in charge of project and only asked for a contribution towards the roll-up door and	153,600	1,380,693	47,000	91,730	585,806 3,750	2,256,829 3,750	Capital Improvement Capital Improvement
Operations - Capital Equipment Purchase Tractor/Mower (E&W) Purchase Equip. Trailer (E&W)	The City of Canby has declined to surplus the tractor and mower listed in our FY12 Budget. It is recommended that Canby Utility purchase equipment to mow the access roads to the MRI, the springs gallery and backwash ponds area, the blending vault area, the area adjacent to Westcott Substation and our 6 acre Pine St. property. All toll we have about 10 acres to maintain. Due to revised statutes concerning securing of loads and allowable overhangs, Canby Utility's Ditch Witch trenching machine can no longer be legally transported on the small trailer it is currently transported upon. Therefore, it is recommended to purchase a 18 foot tandem axle fill bed trailer.	-	7,500	-	-	-	7,500	Capital Improvement
		-	3,200	-	-	-	3,200	Capital Improvement

Electric System
FY 13 Recommended Capital Budget

Project Name	Description of Project	Labor	Materials	Transportation Charges	Labor Overheads 59.72%	Contractor Costs	Project Cost	Reserve Funding Source
Distribution - Projects AMR Metering	Purchase and install approximately 1,000 AMR electric meters during FY 13. In addition to providing radio read meter reading, these meters provide improved metering accuracy and tampering indication.	39,000	147,000	15,000	23,291	-	224,291	Capital Replacement
Smart Switches	Purchase and install three O.H. smart distribution switches. This will further CU's smart switch program and enhance our ability to restore power to effected portions of our system. The FY13 switches will provide automatic sectionalization and return to service options for Feeders 3 and 4. This equipment will provide increased service reliability to a mix of commercial and residential customers.	20,000	100,000	14,000	11,944	5,000	150,944	Capital Improvement
NW Cable Replacement	Replace and upgrade approximately 4000' of aging primary cable at NW 9th Ave. to NW 13th Ave. and N. Aspen St. Relocate transformers from rear to front lot line and create loop source.	25,000	30,000	15,000	14,930	40,000	124,930	Capital Replacement
Install New Primary Metering at JCI	Purchase and install 200 amp 3 phase pad mounted primary metering package to replace failed unit. During routine switching to isolate JCI during a customer side equipment failure and outage, our primary metering assembly failed. The existing unit has been found to be discontinued and not repairable. It is recommended to purchase a like unit to the 2nd JCI primary metering unit in order to have spare and interchangeable parts.	1,000	26,250	500	597	-	28,347	Capital Replacement
Replace Failed Cooper Power VFI Switchgear	Another Cooper Power switchgear with evidence of moisture penetration due to poor product design failed to operate correctly during switching operations. This resulted in very serious power quality issues for several of our Pioneer Industrial park customers and customer side equipment damage. It is recommended to replace this switch with another brand and style of switch as we recently did with another identical and similarly malfunctioning Cooper	3,000	44,447	600	1,792	-	49,839	Capital Replacement
Feeder 3 - Upgrade	Propose to add a parallel conductor to the Westcott Feeder #3 UG get-a-way. This added capacity will allow Feeder 3 to provide significant back-up to Feeder 1 and 2 out of Canby Substation and Feeders H and 4 out of Westcott Substation. This added capability would be beneficial during scheduled and emergency load transfers in addition to allowing increased Smart Switch utilization. This will provide a "backbone" feeder out of the new Westcott T2 section, much as Feeder 4, also with parallel conductors, does with the old Westcott T1 section of the substation where it backs up Feeder E,F,G and 3.	30,000	100,000	6,000	17,916	-	153,916	Capital Replacement
Distribution - Capital Equipment Purchase Secondary Cable Fault Locator	The current underground fault locating device is approx. 30 years old, has become unreliable, making secondary cable fault locating difficult.	-	2,000	-	-	-	2,000	Capital Replacement
Purchase Rock Shoot Gate for U-6 (E&W)	Unit 6 presently has a full width dump gate that requires excessive maneuvering and hand labor to place fill in trenches or pits. Fitting U6 with a "Rock Shoot" gate will allow the option of varying the dumping width to the job for much more accurate and efficient placement of materials.	-	-	-	-	2,250	2,250	Capital Improvement
CONTRIBUTED CAPITAL:								
Fred Meyer Gas Station	Provide electrical service to a recommended new Fred Meyer Gas Station to be located at 99E and S. Locust.	4,400	10,000	2,200	2,628	-	19,228	Capital Improvement
Various residential connects	Estimate of 10 connects/meter sets	2,220	3,000	1,000	1,326	-	7,546	Capital Improvement
NW 1st Ave Undergrounding	The City of Canby NW 1st Ave Project involves the undergrounding of the overhead electrical lines from Ivy to Elm.	57,828	91,859	16,300	34,535	-	200,522	Capital Replacement
Dance Studio	Service to commercial building	2,000	4,000	500	1,194	-	7,694	Capital Improvement
Dragon Berry Produce	Provide electrical service to new commercial building.	2,000	6,000	1,000	1,194	-	10,194	Capital Improvement
Totals		\$ 340,048	\$ 1,955,949	\$ 119,100	\$ 203,077	\$ 691,931	\$ 3,310,105	

**Water System
FY 13 Recommended Capital Budget**

Project Name	Description of Project	Labor	Materials	Transportation Charges	Labor Overheads 65.93%	Contractor Costs	Project Cost	CU Reserves Funding Source
Executive - Projects Key Issue #1: Future Facility, Management Initiative #2--Secure Water Business Rent	Work with Board Attorney's office to implement Board's direction on potential ballot measure charter change at general or primary election. Includes costs for public information outreach if measure is put on ballot.	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,000	\$ 2,000	Capital Improvement
Key Issue #1: Future Facility, Management Initiative #3--Negotiate Sale of Existing Properties (E&W)	Work with Board Attorney and appraiser to value shops.	-	-	-	-	1,000	1,000	Capital Replacement
Key Issue #2: Future Water Supply, Goal #1 Management Initiative #3--Re-investigate wells as non-firm emergency back-up	Tasks include re-investigating and developing groundwater options with consultant and contractor to explore and develop well resources. Also, continue involvement with Molalla River Alliance to enhance Canby's watershed protection.	-	-	-	-	30,000	30,000	Capital Improvement
Finance - Projects Admin Heat Pump- Conf Room (E&W)	Replace heat pump that controls temperature in conference room. This unit has had multiple repairs and needs to be replaced.	-	-	-	-	1,625	1,625	Capital Replacement
Admin Heat Pump (E&W)	Tentative heat pump replacement for the unit that controls temperature in the customer service area. This unit is older and showing signs of deterioration. May need to be replaced in this fiscal year.	-	-	-	-	750	750	Capital Replacement
Operations - Projects 13th Ave Pump House Re-Roof	Remove old roof from reservoir site pump house and replace with new composite roof.	-	-	-	-	3,225	3,225	Capital Replacement
4th & Fir Pump House Re-Roof	Remove old roof from reservoir site pump house and replace with new composite roof.	-	-	-	-	5,785	5,785	Capital Replacement
Parking Bay Enclosure (E&W)	Enclose one parking bay in conjunction with 3 city-occupied bays. City in charge of project and only asked for a contribution towards the roll-up door and wiring.	-	-	-	-	1,250	1,250	Capital Improvement
Operations - Capital Equipment Purchase Tractor/Mower (E&W)	The City of Canby has declined to surplus the tractor and mower listed in our FY12 Budget. It is recommended that Canby Utility purchase equipment to mow the access roads to the MRI, the springs gallery and backwash ponds area, the blending vault area, the area adjacent to Westcott Substation and our 6 acre Pine St. property. All toll we have about 10 acres to maintain. We have located a very low hours used tractor with a brand new fall mower at an excellent price.	-	2,500	-	-	-	2,500	Capital Improvement
Purchase Equip. Trailer (E&W)	Due to revised statutes concerning securing of loads and allowable overhangs, Canby Utility's Ditch Witch trenching machine can no longer be legally transported on the small trailer it is currently transported upon. Therefore it is recommended to purchase a 18 foot tandem axle trailer.	-	1,067	-	-	-	1,067	Capital Improvement
Install 4-Way Hydraulic Hose Boom on Vector	Purchase a factory option "acid-a-boom" to our recently purchased Vactor vacuum excavator. This option was originally intended, but was not available thru the state bid process thru which we obtained substantial savings on the base unit itself. It has also now become a safety issue with multiple concerns raised by crew members about back strain and being knocked off balance when trying to handle the suction hose.	-	-	-	-	-	-	Capital Improvement
Purchase Rock Shoot Gate for U-6 (E&W)	Unit 6 presently has a full width dump gate that requires excessive maneuvering and hand labor to place fill in trenches or pits. Fitting U6 with a "Rock Shoot" gate will allow the option of varying the dumping width to the job for much more accurate and efficient placement of materials.	-	13,941	-	-	-	13,941	Capital Improvement
		-	-	-	-	2,250	2,250	Capital Improvement

Water System
FY 13 Recommended Capital Budget

Project Name	Description of Project	Labor	Materials	Transportation Charges	Labor Overheads 65.93%	Contractor Costs	Project Cost	CU Reserves Funding Source
Distribution - Projects City Street Resurfacing	In advance of City street resurfacing projects at various locations throughout the year, Canby Utility must adjust or replace all effected valve cans.							
AMR Meters	Purchase and install 1000 AMR water meters	10,800	6,000	5,400	7,120	-	29,320	Capital Replacement
N. Pine St. - Decommission Vintage Main.	Finish transfer of services and hydrants from old mainline to newer mainline, reconfigure valving at tie points in order to decommission old mainline.	29,430	165,000	19,075	19,403	-	232,908	Capital Replacement
Main Replacement - S Ivy / Various	Replace approx. 1850 feet of deteriorated steel mainline with 12" ductile iron pipe. Prior excavations for two leak repairs by Canby Utility in this line section found it to be in poor condition, in addition to having been damaged by others excavation while installing a parallel concrete duct bank. In addition the concrete duct bank is installed so close so as to require chipping of concrete in order to make repairs to our mainline, and in some places concrete partially in case our mainline. This project continues the Water Master Plan recommendation to replace vintage mainline.	12,960	10,000	4,000	8,545	-	35,505	Capital Replacement
Water Quality Sample Stations	Purchase and install 12 water quality sampling stations per year for three years. These sampling stations will provide dedicated sanitary sampling locations as opposed to the current practice of using residential or commercial faucets which carry the potential of a false positive reading being reported to the State.	70,000	100,000	50,000	46,151	34,430	300,581	Capital Replacement
Hydrant Upgrades	It is recommended to install 25 hydrant pads in high risk locations during FY13. These poured in place concrete pads are required so the hydrant's "breakaway" feature would be much more likely to perform as designed in the event of a vehicle impact. Without these pads a vehicle impact may cause a mainline break resulting in significant water damage and increased repair expenses.	1,296	7,200	1,000	854	-	10,350	Capital Improvement
NW 1st Ave Service replacements	Replace 26 main-to-meter service laterals.	2,600	250	2,000	1,714	1,500	8,064	Capital Improvement
4th & Fir Tank Rehab	Remove existing interior coating and apply a new potable water approved epoxy coating. The existing interior coating would not be cost effective to patch and recoat. The exterior finish will be repaired and recoated.	10,500	7,625	10,335	6,923	-	35,383	Capital Replacement
Backflow Assemblies for Hydrant Meters	Purchase eight 2" Double Check Valve Assemblies with Chapman valves and connecting hose assemblies in order to bring our hydrant meter installations up to standards recommended for filling portable / Mobile water using equipment.	-	-	-	-	175,000	175,000	Capital Replacement
Fire Line Usage Check Meters	Purchase three paddle wheel check meters for installation in fire service lines where unauthorized use is suspected. These devices can be moved around the system as needed to check for compliance with the fire use only requirement of these normally un-metered fire lines. Readings from these meters will allow us to recover lost revenue and account for some of our system "losses".	500	4,500	-	330	-	5,330	Capital Improvement
Zoar Lutheran Fire Service	Provide 6" fire service main-to-check valve vault.	750 1,000	3,600 2,000	300 500	494 659	-	5,144 4,159	Capital Improvement Capital Improvement

Water System									
FY 13 Recommended Capital Budget									
Project Name	Description of Project	Labor	Materials	Transportation Charges	Labor Overheads 65.93%	Contractor Costs	Project Cost	CU Reserves Funding Source	
Distribution - Capital Equipment									
Ductile Iron Pipe Saw	Currently Canby Utility is utilizing a gas powered cutoff saw to cut pipe above and below ground and in vaults. Though it has been the tool of choice for many years, there are inherent safety issues with using a cutoff saw for this purpose. The danger of kickback, blade explosion, awkward ergonomic position, debris stream, fire hazard and carbon monoxide all must be dealt with. Larger excavations must be made in order to use a cutoff saw, due to shallow cutting depth. A hydraulically powered ductile iron chainsaw, along with the optional pipe clamp, would eliminate all of the safety issues of using a cutoff saw and the oversized excavations.	-	4,300	-	-	-	4,300	Capital Improvement	
Pavement Core Drill	Currently Canby Utility is pot-holing all utility crossings when we are planning mainline replacement projects, excavating for service installs or replacements or for hydrant installs or replacements. Current practice is to use either a jackhammer or the demolition tool for the backhoe to make a hole in the pavement at the desired location. Jackhammers are a physically demanding tool to operate and can pose a high risk of injury for the operator. Jackhammers also damage the surrounding area of pavement and can potentially require repair from failure in future years.	-	2,700	-	-	-	2,700	Capital Improvement	
WTP									
Refurbish circa 1984 13th Ave Tank (carry-over)	Refurbish and paint to meet City permit requirements for the site.	-	-	-	-	408,466	408,466	Capital Replacement	
Capital Expenditure Modifications	Per VEOLIA WATER O&M Service Agreement.	-	-	-	-	25,000	25,000	Capital Improvement	
CONTRIBUTED CAPITAL									
Structural Improvements on circa 1984 13th Ave Tank	A primary structural upgrade is needed to prevent a catastrophic failure of the reservoir walls. The process would involve wrapping the walls with pre-stressed wire and coat with shotcrete. FEMA funded.	-	-	-	-	476,314	476,314	Capital Replacement	
City NW 1st Ave Improvements	Install four 5/8x3/4" Commercial and one 2" Irrigation services, four fire hydrants, remove four hydrants.	-	-	-	-	-	-		
City NW 1st Ave Lower Main	Replace 350 feet of 10" PVC mainline with 10" DI from Ivy to Holly.	7,894	18,460	5,950	5,205	-	37,509	Capital Replacement	
JVNW Fire Service Usage Check Meter	Install paddle wheel check meter in fire hydrant service line to JVNW.	2,700	15,500	2,650	1,780	10,000	32,630	Capital Replacement	
Dance Studio 5/8" x 3/4"	Service to commercial building.	270	1,200	100	178	-	1,748	Capital Improvement	
Dragon Berry Produce 5/8" x 3/4"	Service to commercial building.	486	300	400	320	-	1,506	Capital Improvement	
Various residential connects	Estimate of 10 connects/meter sets.	486	300	400	320	-	1,506	Capital Improvement	
Fred Meyer Gas Station 5/8" x 3/4"	Provide water service to a recommended new Fred Meyer Gas Station to be located at 99E and S. Locust.	3,000	1,600	514	1,978	-	7,092	Capital Improvement	
Total		\$ 155,158	\$ 369,343	\$ 103,024	\$ 102,294	\$ 1,177,595	\$ 1,907,414		