



STAFF REPORT

Meeting Type: Board of Directors
Title: Capital Program Update
From: Alex Anaya, Director of Engineering
Through: Ben Horenstein, General Manager
Meeting Date: February 3, 2026

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TYPE OF ITEM: Action Information

RECOMMENDATION: Receive a staff update on Fiscal Year 2026 second quarter Capital Improvement Program

SUMMARY: Staff has been working on various capital projects identified in the District's adopted FY26 Budget since the last Capital Program Update to the Board on October 7, 2025. Staff continue to work diligently on the variety of capital projects identified in the adopted budget, which includes tank, pump station, treatment plant and pipeline projects as well as unplanned capital projects. To ensure continued capital project delivery, staff have hired on-call consultants and will continue to use this strategy to keep up with the capital program. It's important to note that the District has been experiencing challenges filling newly created positions as well as some recent staff departures within engineering, which is beginning to strain existing resources. Larger complex capital projects, such as the District's Enterprise Resource Planning (ERP) software update, have experienced some challenges causing adjustments to the project timeline for completion.

DISCUSSION: Staff have been diligently working on various capital projects identified in the District's adopted budget for FY26 ranging from treatment plant to pipeline projects. To help execute some of the more complicated work, the District has hired consulting firms for design assistance on pump station, tank, treatment plant and dam projects. Many projects identified in the current budget cycle span a two-year period due to the size and timing of the projects. Some of those projects currently underway in construction include large, highly visible pipeline projects such as the Canal, Marin City and Sleepy Hollow Pipeline Replacement Projects. Staff will also be advertising the Bolinas Road Pipeline Replacement Project in February 2026, that will replace approximately 4,400 feet of cast iron pipe installed in 1921 (105 year old) on Bolinas Road in the Town of Fairfax.

The District is also currently finishing the third year of construction on the Gibson Tank Project in preparation of the tank foundation and vertical construction scheduled for August 2026 (year four). Once completed in 2029, the Gibson Tanks will provide seismically resilient water storage with increased capacity to the Ross Valley Area which is approximately 23% of the District's service area.

Staff will be advertising the Scenic Avenue Tank Replacement Project in February and looking to award the contract in March 2026. This will replace one of the four remaining redwood tanks in our system with a bolted steel tank. Staff are also expecting to advertise the Hind Tanks Replacement Project in March 2026, that will replace two of the four remaining redwood tanks in the system with steel tanks improving seismic resiliency to the system. Staff will be working on the design to replace the last remaining redwood storage tank by 2028.

The District also awarded the Kastania Pump Station Phase 2 project, which is now in construction and the procurement of equipment by the contractor is underway. The improvements will provide reliable pumping from Kastania while anticipating larger pump station needs to meet the capacity of the Atmospheric River Capture Project. Staff will also be advertising the Tocaloma Pump Station project in February 2026, which has an estimated engineering cost of \$12.8 million dollars. This complex project will span a two year construction window, the first year of which involves the procurement of electrical equipment before demolition and construction begins.

On occasion, staff have had to reprioritize projects in order to work on unplanned capital projects such as the Fairfax Manor Pump Station Replacement Project. Staff continue to work on the unplanned Fairfax Manor Pump Station Project to replace the damaged pump station that occurred as a result of an unfortunate paving accident in May 2024. Staff are still working through complicated issues which have caused this project to take longer than expected. Staff will be bringing an item to the Board related to this project in the coming month.

While the capital program continues to move forward, it is important to mention some challenges that the District has been experiencing with engineering staff. On October 1, 2024, the Board approved two new engineering positions and following Board approval, staff opened recruitment for those positions. Active recruitment has been ongoing since then with multiple interviews resulting in hiring one new engineer. While the recruitment was ongoing, the District lost one engineer to another bay area water agency, resulting in a net zero gain of staff and loss of experience. Engineering staff have been able to manage the capital work until now, but with the loss of a tenured engineer, addition of a new engineer and the upcoming capital work, it will be necessary to hire a consultant team to assist with select capital projects, while the District continues its efforts to recruit new engineers and develop staff.

SAP is the current Enterprise Resource Planning (ERP) software that the District currently utilizes, and it's reaching the end of useful life and will need to be replaced. Staff have been actively working on this complex upgrade and modernization effort over the past year in preparation for switching over to the new software in a phased manner. As the project has been progressing, challenges have been identified in the implementation phase of this work that has caused the schedule to shift hence increasing the duration of this project. It is important to mention that large and complex projects such as the ERP project may encounter challenges during implementation, which may cause project timelines to move while solutions are developed to address the issues.

ENVIRONMENTAL REVIEW: Not Applicable.

FISCAL IMPACT: None.

ATTACHMENT(S): None.