



# COUNTY OF YOLO

Office of the County Administrator

County Service Areas  
Administrative Support Team

625 Court Street, Room 202 • Woodland, CA 95695  
(530) 666-8153 • FAX (530) 668-4029  
YoloCSA@yolocounty.org

January 11, 2019

Dear North Davis Meadows County Service Area (CSA) Residents,

This letter provides an update on 1) the North Davis Meadows Water System Consolidation Project and the impacts of the pending litigation; and 2) other important financial matters related to the North Davis Meadows CSA. In short – the State Water Resources Control Board will not review the loan application until the litigation is resolved and the CSA operating deficits may soon constrain available services in North Davis Meadows.

## **Water System Consolidation Project Update**

### **Background:**

As background, since 2009, the North Davis Meadows public water system has been under a compliance order to address nitrate, aluminum and iron (previously hexavalent chromium as well) which exceed maximum contaminant levels (MCL) per State of California water quality standards. In June 2015, a survey of residents showed strong support for connection to the City of Davis water system for indoor uses. Successful Proposition 218 proceedings to design such a project were conducted in May 2016 and design commenced in December 2016, as well as the process of applying for a low-interest State Revolving Fund (SRF) loan to finance the project.

Following a strong recommendation from the City of Davis Fire Chief for fire protection to also come from the City of Davis water system, and another survey of the community in the fall of 2017 showing strong support, the decision was made to connect both indoor and outdoor water uses to the City system. In March 2018, the Board of Supervisors held a Proposition 218 public hearing to consider whether to adopt a resolution to increase the CSA fee to repay an SRF loan and to tabulate protests to the resolution. The Board passed the resolution after determining that no majority protest existed. Since then, County staff and consultants have been working diligently to obtain an SRF loan in 2018 to benefit from the lower 2018 interest rate.

In October 2018, three residents of North Davis Meadows filed a complaint in Yolo Superior Court (Wolstoncroft v. County of Yolo) to invalidate the resolution, which provided for an increase in the CSA fee dedicated to repaying an SRF loan. As a result, the State Water Resources Control Board has ceased review of the loan application until resolution of the litigation.

### **Implications of Loan Application Delay:**

- **Interest Rate Increased:** The community will not benefit from the lower 2018 interest rate (1.8%). We understand the 2019 interest rate will be 1.9%, resulting in additional amortization costs over the financing period.

- Construction Season Will Be Missed: The delay pushes the project past the current construction season.
- Construction Cost Variability: There will be increased cost uncertainty for pipework construction and potential cost increases due to a more competitive market in the future.
- Financial Analysis May Require Update: The financial information submitted for the SRF loan is only valid for a limited amount of time. In future months, the financial information will need to be updated. The financial component of the application has been particularly challenging given growing operating deficits in the North Davis Meadows CSA, primarily due to increases in costs to operate the aging wells. Now, the operating deficit will further expand due to:
  - Legal costs related to Wolstoncroft v. County of Yolo
  - Accumulating interest related to bridge loans from the County to fund the water connection project work and an operating deficit in the sewer fund which would be resolved with the water connection to Davis
- Risk of Fines: The community continues to run the risk of paying \$1,000 per day, per constituent over the MCL (nitrate, aluminum, iron) fines without a viable and imminent solution to the public water system for which it is responsible.

### **Other CSA Financial Matters**

#### **Growing CSA Operating Deficits:**

Demands for services continue to grow and the associated costs are exceeding the existing fee due to costs for:

- Common-use area landscaping and related irrigation system
- Needed fence repairs
- Repairs for aging wells
- Ongoing increased well operating and maintenance costs
- Additional CSA support staff and consultant time

Staff will work with the CSA Advisory Committee to understand the growing operating deficit and identify options to reduce the gap. We encourage you to join the next CSA Advisory Committee meeting on February 19 at 7:00 p.m. at the Church of Christ, located at 39960 Barry Road.

Sincerely,

Yolo County Service Areas Administrative Support Team  
 E-mail: [YoloCSA@yolocounty.org](mailto:YoloCSA@yolocounty.org) or (530) 666-8153