

Plan to Address Operating Deficit with Connection to City of Davis Water System
 (based on prior timeline of construction being complete in August 2019)

Property Owner 2018-19 Water Charge = \$6,021

- \$4,157 (Water Project Loan Repayment)
- \$1,864 (Current water service, landscaping, lighting, drainage)

Total 2018-19 Collections = \$571,176

- \$394,096 (Water Project Loan Repayment)
- \$177,080 (Current water service, etc.)

Current water service, street lighting, landscaping and storm drainage	Planned 2018-19 Operating Budget	Projected 2019-20 Budget w/Connection to City of Davis Water System	Notes
Revenue			
Total CSA Collections	\$177,080	\$182,392	Assumes 3% CPI
Expenses			
Current Water Service (wells)	\$167,125	\$0	Costs to operate wells eliminated in 2019-20
Street Lighting	\$8,475	\$8,898	
Landscaping	\$21,325	\$23,000	Cost of watering landscaping moves here in 2019-20
Storm Drainage	\$14,000	\$14,420	
General CSA Operation (does not include \$8,344 County loan interest or \$50,000 cost of litigation)	\$21,230	\$18,751	
Total Expenses	\$232,155	\$65,069	
Deficit	(\$55,075)	\$117,323	

North Davis Meadows CSA Operational & Water Project Revenues & Expenses as of 2/6/19

	2016-17 Actual	2017-18 Actual	2018-19 Actual (as of 2/6/19)	2018-19 Adjusted Budget	2019-20 Projected Budget w/out Water Project
OPERATIONS (Water, Street Lighting, Landscaping, Drainage)					
REVENUES					
SPECIAL ASSESSMENT	\$ 91	\$ 173,945	\$ 177,080	\$ 177,080	\$ 182,392
OTHER REVENUE (Interest on fund balance)	\$ 168,910	\$ 2,077	\$ (241)	\$ 1,280	\$ -
TOTAL OPERATIONS REVENUES	\$ 169,001	\$ 176,022	\$ 176,839	\$ 178,360	\$ 182,392
WATER OPERATION EXPENDITURES					
UTILITIES (Well operation - City of Davis & PG&E)	\$ 192,606	\$ 153,038	\$ 130,290	\$ 156,340	\$ 165,580
LEGAL SERVICES	\$ 4,675	\$ 2,086	\$ -	\$ 1,000	\$ 1,030
OTHER SERVICES (Staff time, water permit, etc.)	\$ 4,689	\$ 7,861	\$ 1,355	\$ 9,660	\$ 9,950
OTHER MISC EXP	\$ 25	\$ 40	\$ 51	\$ 125	\$ 129
WATER OPERATIONS EXPENDITURES SUBTOTAL	\$ 201,996	\$ 163,025	\$ 131,696	\$ 167,125	\$ 176,689
STREET LIGHTING EXPENDITURES					
UTILITIES (PG&E)	\$ 7,714	\$ 8,081	\$ 2,033	\$ 8,450	\$ 8,873
OTHER MISC EXP	\$ 98	\$ 25	\$ 84	\$ 25	\$ 26
STREET LIGHTING EXPENDITURES SUBTOTAL	\$ 7,811	\$ 8,106	\$ 2,116	\$ 8,475	\$ 8,898
LANDSCAPING EXPENDITURES					
LANDSCAPING SERVICES PAYMENTS	\$ 16,376	\$ 16,021	\$ 10,852	\$ 16,000	\$ 16,480
OTHER SERVICES (Staff time)	\$ -	\$ -	\$ 1,120	\$ 5,000	\$ 5,150
UTILITIES (PG&E)	\$ 120	\$ 120	\$ 30	\$ 300	\$ 309
OTHER MISC EXP	\$ 25	\$ 25	\$ 25	\$ 25	\$ 26
LANDSCAPING EXPENDITURES SUBTOTAL	\$ 16,521	\$ 16,166	\$ 12,027	\$ 21,325	\$ 21,965
DRAINAGE EXPENDITURES					
OTHER SERVICES (YCFC&WCD and Staff time)	\$ -	\$ 13,559	\$ 579	\$ 14,000	\$ 14,420
LESS BILL BACK TO ADJACENT PROPERTY OWNERS	\$ 1,377	\$ (5,580)	\$ -	\$ -	\$ -
DRAINAGE EXPENDITURES SUBTOTAL	\$ 1,377	\$ 7,980	\$ 579	\$ 14,000	\$ 14,420
GENERAL CSA OPERATION EXPENDITURES					
LEGAL SERVICES (County Counsel & Litigation)	\$ 1,942	\$ 3,776	\$ 14,733	\$ 57,880	\$ 5,000
AUDITING SERVICES (County Financial Services)	\$ 491	\$ 637	\$ -	\$ 650	\$ 670
OTHER SERVICES (Staff time)	\$ 31,431	\$ 7,589	\$ 1,361	\$ 12,550	\$ 12,927
INTEREST-LOANS PAYABLE (County Treasury Loan)	\$ -	\$ 5,722	\$ 4,483	\$ 8,344	\$ 12,000
OTHER MISC EXP	\$ -	\$ 93	\$ 125	\$ 150	\$ 155
GENERAL CSA OPERATION EXPENDITURES SUBTOTAL	\$ 33,863	\$ 17,817	\$ 20,702	\$ 79,574	\$ 30,751
TOTAL OPERATIONS EXPENDITURES	\$ 261,569	\$ 213,093	\$ 167,121	\$ 290,499	\$ 252,722
OPERATIONS NET RESULT	\$ (92,568)	\$ (37,071)	\$ 9,718	\$ (112,139)	\$ (70,330)
WATER CONNECTION PROJECT					
REVENUES					
SPECIAL ASSESSMENT	\$ 28,310	\$ 28,310	\$ 394,096	\$ 394,096	\$ 405,919
STATE LOAN (Project cost est. before fire flow adjust)	\$ -	\$ -	\$ -	\$ 8,349,000	\$ -
TOTAL WATER PROJECT REVENUES	\$ 28,310	\$ 28,310	\$ 394,096	\$ 8,743,096	\$ 405,919
EXPENDITURES					
CAPITAL PROJECT EXPENSES	\$ 243,235	\$ 293,963	\$ 31,217	\$ 7,642,950	\$ -
LEGAL SERVICES	\$ -	\$ -	\$ 950	\$ -	\$ -
OTHER SERVICES (Staff time and consultants)	\$ 18,222	\$ 28,250	\$ 23,501	\$ 35,000	\$ -
TOTAL WATER PROJECT EXPENDITURES	\$ 261,457	\$ 322,213	\$ 55,668	\$ 7,677,950	\$ -
WATER PROJECT NET RESULT	\$ (233,147)	\$ (293,903)	\$ 338,428	\$ 1,065,146	\$ 405,919
FUND BALANCE WITH SRF LOAN	\$ (151,484)	\$ (482,798)	N/A	\$ 470,209	\$ 805,798
FUND BALANCE WITHOUT WATER PROJECT (if Prop 218 increase invalidated and no SRF Loan)	\$ (151,484)	\$ (482,798)	N/A	\$ (685,605)	\$ (755,935)

North Davis Meadows CSA Operating Deficit, Water Connection Project & Impact of Litigation

February 19, 2019

Property Owner 2018-19 Water Charge = \$6,021

- \$4,157 (Water Project Loan Repayment)
- \$1,864 (Current water service, landscaping, lighting, drainage)

Total 2018-19 Collections = \$571,176

- \$394,096 (Water Project Loan Repayment)
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Estimated 2018-19 operating deficit: \$112,139 (includes \$50,000 for litigation and \$8,344 for County loan interest)

- Anticipated to be resolved with water connection to City of Davis in 2019 and elimination of well operating costs
- Cash deficit planned to be managed in current fiscal year within County treasury
- All costs related to water connection project anticipated to be covered with State Revolving Fund (SRF) loan

Litigation (Wolstencroft vs County of Yolo) filed to invalidate 03/20/18 Prop 218 fee increase

Status of Water Connection Project

- Costs to date: \$639,338
- Application for low interest (1.9%) SRF loan on hold by State until litigation resolved
- Depending on when/how litigation is resolved, State warned they may consider loan too risky due to future litigation risk

Options

Litigation Dropped Now

- Low-interest SRF loan likely still obtainable
- Litigation costs to CSA ~\$20k to date
- CSA operating deficit likely still manageable within County treasury
- No interest beyond 2018-19 to be paid for County loan
- Construction costs more likely aligned with recently reduced estimates
- Quicker reduction in non-water project component of fee following closure of deficit and payment of litigation costs
- No service reductions or fines imposed
- Safe drinking water and fire protection

Litigation Continues to Trial

- SRF loan in jeopardy; possibly unobtainable
- Other financing options result in much higher interest rates (estimate 5-7% interest; \$5,430-\$6,727/year for loan repayment over 30 years)
- Delay in project could result in higher construction costs
- Litigation costs to CSA estimated to be \$50k
- Additional fee increase likely necessary
- CSA operating deficit continues and grows with repairs/band-aides to aging wells and increasing operating costs
- Interest on County bridge loan grows; estimated to be \$12,000 in 2019-20 (repayment due 06/30/21)

CSA Advisory Committee & Board of Supervisors Decision Point

Risk: CSA Services Necessary to Eliminate to Address Deficit & Litigation Costs

- Water Service: \$167,125/year
- Street Lighting: \$8,475/year
- Landscaping: \$21,325/year
- Storm Drainage: \$14,000/year

CSA Advisory Committee & Board of Supervisors Decision Point

Risk: New Prop 218

- To repay County for water project costs expended
- To pay \$3,000/day fines for community water system out of compliance with no clear path to compliance

Deep Wells

On 9/10/18, the Pause Committee requested Proposition 218 proceedings to fund an exploratory well to determine the viability of deep wells as a solution to the North Davis Meadows community water system issues. The Board of Supervisors considered the request, and much of the information below, during their 9/25/18 meeting and chose to stay the course with the connection to the City of Davis water system. Previously during a community meeting, NDM was told going another route would likely not be supported through the CSA mechanism (i.e. would require an HOA or an independently governed Community Service District). Note: all estimates below should be considered rough estimates.

Exploratory Well Cost Estimate: \$248,000 (estimate by Luhdorff Scalmanini Consulting Engineers [LSCE])

Exploratory Well Timeline (from funding to permits to drilling to final water quality test results): estimated 8 months

Well Project Costs Estimate:	Construction Costs	Ongoing Annual O&M
Monitoring Well	\$248,000 ¹	N/A
Two 1,800 ft. Deep Wells (two wells required for redundancy; both required to individually meet fire protection requirements - see notes below)	\$4.6-6.3 million ²	\$190,000
Well Head Treatment ³	\$2 million/500 gpm well \$4-8 million/2,000 gpm well	\$80,000/500 gpm well \$150,000/2,000 gpm well
Total Estimated Well-Related Costs (see notes re: well size)	\$10.5-16.8 million ⁴	\$420,000
Current City of Davis Connection Project	\$8.3 million	\$365,750 ⁵

¹ Estimate from LSCE

² Estimate derived from 2010 and 2012 engineering memos; likely needs to be adjusted to account for increases in labor costs (+20%) and the price of steel (+30%) per Dan Morris, Eaton Pumps

³ Estimate based on wellhead treatment assessment commissioned by the City of Winters in 2016; LSCE has noted risk of manganese, hexavalent chromium and arsenic; 2,000 gpm well likely larger than needed, but treatment cost estimates for this size were readily available

⁴ Does not include upgrading pipes for increased flow, fire protection improvements, future capital replacement costs per LSCE and West Yost Associates

⁵ Based on City of Davis estimates of water usage for average NDM parcel considering 2018 rates (\$3,650/year/parcel)

Notes regarding well size:

- Two wells are required for redundancy
- The lower gpm (gallons per minute) well would require additional infrastructure to address the City of Davis requirement for 1,000 gpm fire flow (i.e. storage tank and booster pump)
- Fire flow requirements consider taking highest producing facility offline during a fire, or in other words, each well would need to be able to satisfy fire flow requirement by itself. As a result, both wells would have to accommodate 1,000 gpm.

Additional Notes:

- Metering will soon be required which is estimated to cost another \$250,000
- A low interest SRF loan is unlikely; traditional financing will likely realize a 5-7% interest rate with 110% debt coverage
- New wells will eventually need to be replaced with the burden on NDM solely; City of Davis system upgrades will be shared by all customers. Old wells will need to be decommissioned and demolished (\$239,000-\$299,000)
- If exploratory well result is not good, a permit to drill wells will not be granted without a treatment solution
- If exploratory well results are good, there is no guarantee they will remain good, especially with evolving drinking water quality standards

Regardless of the water quality & fire flow solution, the following costs to date will need to covered by NDM:

- Costs of the project to connect to the City of Davis (to date: \$639,338)
- CSA operating deficit for 2018-19 estimated to be \$112,139 for 2018-19 (includes \$50,000 for litigation and \$8,344 for interest on County loan)