



July 15, 2013

Regina G. Espinoza
Manager of County Service Areas and Special Districts
Yolo County Planning and Public Works Department
292 W. Beamer Street
Woodland, CA 95695

Subject: North Davis Meadows County Service Area

Dear Ms. Espinoza:

Thank you for your letter dated May 22, 2013 outlining the County of Yolo's terms for a consolidation of the water system for the North Davis Meadows County Service Area (NDMCSA) with the City of Davis water supply system. Reference is also made to subsequent meetings between representative of Yolo County and the City of Davis on June 7 and 20 regarding the subject matter, as well as a meeting between representatives of Yolo County, Davis, the Woodland Davis Clean Water Agency and the California Department of Public Health (CDPH) on June 14, 2013 regarding obtaining State Revolving Fund (SRF) financing possibilities to include the subject consolidation. Based on the status of informal discussions, as you are aware, the City Council considered water service to North Davis Meadows and gave staff authority to continue discussions and report back to them when they return from their summer recess.

We wish to individually respond to your consolidation agreement proposal terms, in the general order in which you set them out in your letter:

- a. Connection Fee. *(per 5/22/13 letter - There will be no connection fee related to this consolidation.)* The City does not object to extending some of the long term cost savings to NDMCSA that could be realized from SRF financing for the City's share of the Surface Water Project to off-set the initial connection fee estimate \$2,840,400.
- b. Total Capital Cost. *(per 5/22/13 letter - The total capital cost to the NDM ratepayers will not exceed the estimated \$2 million capital cost for their project to install a new separate system and retrofit the existing for irrigation purposes.)* Per Table 1 of the Technical Memorandum (TM) prepared by West Yost Associates dated May 30, 2013, the estimated cost to extend a domestic only water line to NDMCSA is \$4,108,000. While we believe that the estimated cost of your project does not include the entire cost, such as the treatment and removal of constituents in the groundwater that NDM is likely to encounter, we agree to provide NDMCSA service at that \$2 million dollar capital cost.



- c. Consolidation would be sized for Domestic Water Only. (per 5/22/13 letter - *The current wells and water distribution system for the purposes of irrigation water supply and fire protection.*) The TM sized the transmission and distribution facilities in accordance with this term. The County of Yolo will be responsible for, and pay the cost of, ensuring the connection of the individual residential irrigation services to the well system and any disconnection of the irrigation services the from the house domestic supply
- d. All Necessary Domestic Conveyance Facilities to Be Included. (per 5/22/13 letter - *The consolidation will require installation conveyance facilities to the neighborhood and distribution facilities within the neighborhood. These facilities would include but not be limited to:*
- i. *A main pipeline from the City of Davis water system to a master meter at the onset of North Davis Meadows community.*
 - ii. *An internal community distribution system from the master meter to each home stub-out.*
 - iii. *Domestic Water Meters installed at each home.*
 - iv. *All roads and other facilities disrupted by the construction project will be restored to the condition prior to water line installation.)*

In accordance with terms *d.i and ii*, these design considerations were incorporated into the TM except that we have eliminated the master meter to reduce unnecessary pressure loss. In accordance with terms *d.ii and iii*, service will be provided to each home culminating at a water meter. The County of Yolo will be responsible for, and pay the cost of, completing the connection of the individual residence to the domestic water supply at the water meter, the installation of an approved backflow prevention device at each residence and any disconnection of the irrigation services from the house domestic supply. In accordance with terms *d.iv*, the cost for repaving was included in the TM.

- e. Consistent Engineers. (per 5/22/13 letter - *Usage of the same engineer/subcontractor for the irrigation water distribution system retrofits as used for the new domestic water system installation.*) The City of Davis agrees with this term.
- f. Timing of Construction. (per 5/22/13 letter - *Installation of domestic water system connection and distribution system, and retrofit of the irrigation water distribution system be done as soon as possible and prior to surface water project construction.*) The City of Davis agrees with this term.
- g. Repayment Timing. (per 5/22/13 letter - *Funding for all construction costs are not be accelerated for NDMCSA and should be included in the overall cost of the project.*) The repayment of the Total Capital Cost, determined under term *b.* above, will be amortized at a rate and term equivalent to any loan received by the City of Davis through the Safe Drinking Water Act State Revolving Fund (SRF) program. If the City is successful at securing SRF financing of 1.9% with a term of 20 years, the repayment of

the \$2 million capital component, identified in term *b.* above, has been estimated to be \$120,279 annually or \$105.50 per month per connection for the next 20 years.

h. Interest Rate. (per 5/22/13 letter - Interest rate on repayment of the NDMCSA construction expenses should be the same as that interest rate being incurred by the City of Davis in the loan provided for under the SRF program.) The City of Davis agrees with this term.

i. Water Rates. (per 5/22/13 letter - A wholesale water rate with NDMCSA that recognizes the existing low monthly cost for water must be achieved.) The City of Davis commissioned our rate consultant, Bartle Wells Associates (BWA), to develop a domestic only (wholesale) water rate for billing purposes. This rate design was captured in a letter dated June 20, 2013 from BWA to the City, enclosed. The domestic rate consists of a fixed charge/connection and a use rate/ccf of water consumed and was calculated for the next two years. The projected rate will escalate parallel with the rate increases approved for the City of Davis customers. The City, after consulting with BWA, has come up with the following rate schedule in Table 1.

Table 1 – Proposed Domestic Water Rates

Year	Fixed-Ready to Serve Charge (\$/mo/connection)	Consumption Charge (\$/ccf)
13/14	\$ 9.61	\$1.20
14/15	\$10.37	\$1.51
15/16	\$12.96	\$1.89
16/17	\$14.00	\$2.04
17/18	\$15.12	\$2.20
18/19	\$15.88	\$2.31

Rates in the subsequent years shall be negotiated but will reflect the cost to provide service in accordance with California Constitution Article XIID and in proportion and equitable to those rates charged City of Davis residents for like services.

The City requires that each owner of record of each parcel receiving a water connection within NDM go into billing as an individual customer. In our previous letter to Yolo County dated June 24, 2010, the City calculated that the average water use per household within the NDMCSA was over 100 ccf/month. (1 ccf = 748 gallons; 100 ccf/mo = 2,500 gallons/day/household). By comparison, the average Davis household uses only about 12 ccf/month for interior domestic use, excluding irrigation. We do not have a like comparison of interior domestic demand for NDMCSA, however in order to estimate a potential monthly water charge per household, Davis staff suggests using, as a surrogate, the Davis average winter demand of 8.93ccf/month to estimate the NDMCSA domestic demand. households will be billed on actual water usage as determined by monthly

meter reading and the annual amount billed could be lower or higher than the estimated water bill in Table 2.

Table 2 – Estimated Monthly Domestic Water Bill¹

	Fixed-Ready to Serve Charge (\$/mo/connection)	Consumption Charge (\$/ccf)	Monthly Consumption Charges ²	Total Estimated Monthly Water Bill/Connection
13/14	\$ 9.61	\$1.20	\$10.01	\$19.62
14/15	\$10.37	\$1.51	\$12.59	\$22.96
15/16	\$12.96	\$1.89	\$15.74	\$28.70
16/17	\$14.00	\$2.04	\$17.00	\$31.00
17/18	\$15.12	\$2.20	\$18.36	\$33.48
18/19	\$15.88	\$2.31	\$19.28	\$35.15

¹ Does not include monthly repayment of Capital Component of \$105.50/month discussed in terms b. and g. above

² Assumes NDMCSA interior domestic water use at the Davis average winter demand of 8.93ccf/month/connection

In accordance with the attached email dated June 28, 2013 from CDPH, in addition to all the standard SRF eligibility rules and requirements, the following will need to be demonstrated to CDPH in order for the Davis portion of the SWTP project and improvements to be eligible under CDPH-SRF's Consolidation Incentive Program. If the SRF funding is not secured then the City of Davis will be under no obligation to consolidate water systems or extend service of any kind to NDMCSA under the terms proposed in this letter.

The consolidation of North Davis Meadows (NDM) into the City of Davis will have to be a cost-effective solution in addressing NDM's ranked problem. The cost of "full" consolidation whereby Davis takes full ownership of North Davis Meadows potable system; with annexation; and with the high connection fees wrapped up in a 20-year amortized SRF loan; must be included in the cost effective analysis. Such an inclusion will also ensure full disclosure of this alternative to the rate payers of North Davis Meadows.

- 1. Davis and NDM will have to demonstrate the nature of ownership of the various components of the NDM system as well as the transmission line to NDM from Davis.*
- 2. Davis will have to amend their water permit to include service to NDM.*
- 3. NDM will surrender their water permit and their potable water system will be regulated under the permit amendment to Davis.*
- 4. All existing customers of NDM must connect and agree to be served by Davis.*
- 5. Davis and NDM must demonstrate in written consolidation contract or agreement that Davis will operate and maintain NDM's potable water system for, at minimum, the term of the SRF funding agreement.*
- 6. NDM cannot make any kind of a profit on their billing of water to the NDM customers. Meaning, the billing of water service to NDM customers by NDM should be a pass-through of all charges made against NDM by Davis as well as any administration*

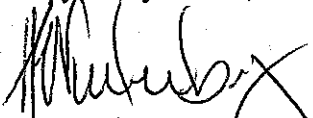
charges by the County for the performance of the actual billing. Please let us know if the billing arrangement changes from what was previously discussed.

7. *The service line to NDM must be from Davis and not the JPA.*

The City believes that in the interest of securing the favorable SRF financing for the City's share of the Davis Woodland Water Supply Project and providing NDMCSA potable water, the terms stipulated by CDPH are acceptable to staff, subject to final negotiation. Final approval, of course, rests with the City Council. We will ensure that any application materials submitted to CDPH will conform to the aforementioned CDPH conditions 1 through 8. We have already submitted the pre-application to CDPH in order to meet their July 8, 2013 deadline. Please contact the City of Davis if you have any questions regarding the nature of the application to CDPH.

We look forward to working out the terms and conditions of the agreement to facilitate consolidation and City domestic use water service to the NDMCSA. Should you require additional information please feel free to contact me at 530-747-5885.

Very Truly Yours,



H. E. Niederberger, Jr.
General Manager - Utilities Development and Operations

Encl:

1. Davis letter to Yolo County, 6/24/2010
2. CDPH letter to Davis, 5/8/2013
3. Yolo County letter to Davis, 5/22/2013
4. West Yost Draft TM, 5/30/2013
5. BWA letter to Davis, 6/20/2013
6. CDPH e-mail to Davis, 6/28/2013

c: Joe Krovoza, Mayor, City of Davis
Steve Pinkerton, City Manager
Harriet Steiner, City Attorney
Bob Clarke, City Engineer/Director of Public Works
Dianne Jensen, Principal Civil Engineer, Water Division
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