

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

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

February 21, 2019

On February 19, 2019, the North Davis Meadows CSA Advisory Committee received an update on the CSA's operating deficit, the water connection project and the impacts of the current litigation. In summary, the update included the following:

- Water Quality Issues: 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 drinking water quality standards. Absent a plan to address the water quality issues, the community runs the risk of \$1,000/day fines for each constituent above the MCL.
- **Solution Chosen**: The community chose to connect to the City of Davis water system (visit website for background on that decision: www.YoloCounty.org/North-Davis-Meadows-CSA > select Water Quality link). The engineering for the connection is now complete.
- Fee Increase to Pay for Connection to City of Davis Water System: On March 20, 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.
- **Current Water Fee**: The water fee is now made up of two components: 1) the recent fee increase of \$4,157 which is pledged to repay a low-interest State Revolving Fund (SRF) loan for the design and construction of the water connection project; and 2) the prior fee amount to pay for current CSA operations (water delivery from wells, landscaping, storm drainage and street lighting).
- **Operating Deficit**: The collections for CSA operations no longer cover the cost of those operations. This deficit was known and was planned to be corrected with the connection to the City of Davis for water delivery and the elimination of the costs to operate the well. Once the deficit was addressed, that component of the fee would be reduced. See page 1 of the enclosed for more detail.
- **Litigation**: On October 4, 2018, three residents of North Davis Meadows filed a complaint in Yolo Superior Court (Wolstoncroft v. County of Yolo available at: www.YoloCounty.org/North-Davis-Meadows-CSA select Water Quality link) 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.
- Impacts of Litigation to Operating Deficit: To facilitate the now completed design of the water connection project, the County has loaned the CSA \$430,000. For this fiscal year, as the project is now delayed, interest on that loan is expected to be \$8,344. Next year, it is projected to be \$12,000. As these costs are not reimbursable with an SRF loan, they are added to the operating deficit. Likewise, the growing legal fees (\$20,000 to date; estimated to be \$50,000 if the litigation continues to trial), which are a component of administration of the CSA, are also adding to the operating deficit. As the State has ceased

consideration of the CSA's application for a low-interest SRF loan, the plan to address the operating deficit is delayed. Find more detail on this impact of the litigation in page 2 of the enclosed.

- Impacts of Litigation to Water Project: As noted above, delay of the water project comes at a cost, but is the best case scenario. Should the litigation continue to trial the costs of this project, or any alternative, will increase exponentially as the State has indicated they would consider a loan to the community a risk they may be unwilling to take. Other financing options would result in a much higher interest rate (estimated to be 5-7%) resulting in an estimated \$5,430-\$6,727/year for loan repayment for the water connection project.
- **Future Decision Points**: More detail on the impacts of the litigation can be found on page 3 of the enclosed, which concludes with some decision points for the CSA Advisory Committee and Board of Supervisors should the litigation not be dropped now. The first decision point will be which CSA services (water service delivery, street lighting, landscaping and storm drainage) will need to be eliminated/reduced to address the operating deficit, accumulating interest and litigation costs. Because the residents of the North Davis Meadows CSA are the sole beneficiaries of these services, they must fully fund the costs to provide the services.

The subsequent decision point will be how to repay the County for water project costs to date (\$639,338). The law limits the use of County general fund money for CSA purposes to short-term loans. There will also need to be a plan to pay \$3,000/day fines for the North Davis Meadows public water system being out of compliance with no clear path to compliance.

• Path to Compliance: On September 10, 2018, the Pause Committee requested Proposition 218 proceedings to fund an exploratory well to determine the viability of deep wells as a solution to the community water system issues. The Board of Supervisors considered the request during their September 25 meeting with the costs and risks which are provided in page 4 of the enclosed. The Board determined that staying the course with the connection to the City of Davis water system was the most viable solution for the community to receive safe drinking water and adequate fire protection.

This is a lot of information to absorb. We encourage you to take the time to review the enclosed, which also includes required public notices related to the presence of nitrates, iron and aluminum above the MCLs. More information about water quality test results and the water connection project can be found at www.YoloCounty.org/North-Davis-Meadows-CSA.

The next meeting of the CSA Advisory Committee is scheduled for June 18, 2019. Regrettably, should the litigation not be dropped or resolved by this date, a likely agenda item for this meeting will be the reduction of CSA service to address the operating deficit.

Sincerely,

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

Cc: Board of Supervisors

Enclosed: Plan to Address Operating Deficit with Connection to City of Davis Water System; CSA Operational & Water Project Revenues & Expenses as of 2/6/19; CSA Operating Deficit, Water Connection Project & Impact of Litigation; Deep Wells; Nitrate, Aluminum and Iron Public Notices

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

North Davis Meadows CSA Operational & Water	ater Project Revenues & Expenses as of 2/6/19 2019-20 Project						019-20 Projected			
					2018-19 Actual		2018-19 Adjusted		Budget w/ou	
	2	2016-17 Actual		2017-18 Actual		(as of 2/6/19)		Budget		Water Project
OPERATIONS (Water, Street Lighting, Landscaping, Drainage	e)									
REVENUES	_	0.4		472.045	_	477.000		477.000	,	102 202
SPECIAL ASSESSMENT	\$ ¢	91 168,910	\$ ¢	173,945 2,077		177,080 (241)		177,080		182,392
OTHER REVENUE (Interest on fund balance) TOTAL OPERATIONS REVENUES	\$ \$	168,910 169,001	\$ \$	176,022		176,839		1,280 178,360	\$ \$	182,392
	•		т		•		7		•	
NATER OPERATION EXPENDITURES										
JTILITIES (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 WATER OPERATIONS EXPENDITURES SUBTOTAL	\$ \$	25 201,996	\$ \$	40 163,025	\$ \$	51 131,696	\$ \$	125 167,125	\$ \$	129 176,689
	•		•		•	,	•		•	
STREET LIGHTING EXPENDITURES			_							0.0=0
JTILITIES (PG&E) DTHER MISC EXP	\$	7,714		8,081		2,033		8,450		8,873
STREET LIGHTING EXPENDITURES SUBTOTAL	\$ \$	98 7,811	\$ ¢	25 8,106	\$ ¢	84 2,116	\$ ¢	25 8,475	\$ ¢	26 8,898
TREET LIGHTING EXPENDITORES SOUTOTAL	Ą	7,011	Ą	0,100	Ą	2,110	Ą	8,475	Ą	0,030
ANDSCAPING EXPENDITURES										
ANDSCAPING SERVICES PAYMENTS	\$	16,376	\$	16,021		10,852	-	16,000		16,480
OTHER SERVICES (Staff time)	\$	-	\$	-	\$	1,120	\$	5,000		5,150
JTILITIES (PG&E) DTHER MISC EXP	\$	120	\$	120	\$	30	\$	300 25		309
ANDSCAPING EXPENDITURES SUBTOTAL	\$ \$	25 16,521	\$ \$	25 16,166	\$ ¢	25 12,027	\$ ¢	25 21,325	\$ ¢	26 21,965
ANDSCAPING EXPENDITORES SOUTOTAL	Ą	10,321	Ą	10,100	Ą	12,027	Ą	21,323	Ą	21,903
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	Ş	1,377	\$	7,980	\$	579	\$	14,000	\$	14,420
GENERAL CSA OPERATION EXPENDITURES										
EGAL 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
NTEREST-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	Ś	(92,568)	\$	(37,071)	Ś	9,718	\$	(112,139)	Ś	(70,330)
	•	, , ,		. , ,		,				
						2010 10 4-1	2	2018-19 Adjusted	20	019-20 Projected
		2016-17 Actual		2017-18 Actual		2018-19 Actual (as of 2/6/19)		Budget w/ SRF Loan		Budget w/ SRF Loan
WATER CONNECTION PROJECT	-	2010-17 Actual		2017-18 Actual		(as of 2/0/13)		Loan		Loan
<u>REVENUES</u>										
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 DALANCE WITH ORD LOCAL	<u> </u>	[4F4 404]	_	(400 700)	A. 4	'A		470.000		005 700
FUND BALANCE WITH SRF LOAN	Þ	(151,484)	>	(482,798)	N/	A	\$	470,209	\$	805,798
FUND BALANCE WITHOUT WATER PROJECT	\$	(151,484)	\$	(482,798)	N/	Ά	\$	(685,605)	\$	(755,935)
(if Prop 218 increase invalidated and no SRF Loan)										

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)
- \$177,080 (Current water service, etc.)

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
- 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)

IMPORTANT INFORMATION ABOUT YOUR DRINKING WATER

Este informe contiene información muy importante sobre su agua potable.

Tradúzcalo o hable con alguien que lo entienda bien.

DRINKING WATER WARNING

North Davis Meadows water has high levels of nitrate

DO NOT GIVE THE WATER TO INFANTS UNDER 6 MONTHS OLD OR PREGNANT WOMEN OR USF IT TO MAKE INFANT FORMULA

Monthly water sample results, available at www.YoloCounty.org/North-Davis-Meadows-CSA (select Water Quality link), show ongoing nitrate levels at Well #2 (Blackhawk Place) above the nitrate standard or maximum contaminant level (MCL), of 10 milligrams per liter. Nitrate in drinking water is a serious health concern for infants less than six months old.

What should I do?

- **DO NOT GIVE THE WATER TO INFANTS**. Infants below the age of six months who drink water containing nitrate in excess of the MCL may quickly become seriously ill and, if untreated, may die because high nitrate levels can interfere with the capacity of the infant's blood to carry oxygen. Symptoms include shortness of breath and blueness of the skin. Symptoms in infants can develop rapidly, with health deteriorating over a period of days. If symptoms occur, seek medical attention immediately.
- **PREGNANT WOMEN SHOULD NOT CONSUME THE WATER**. High nitrate levels may also affect the oxygen-carrying ability of the blood of pregnant women.
- Water, juice, and formula for children <u>under six months of age</u> should not be prepared with tap water. Bottled water or other water low in nitrates should be used for infants until further notice.
- **DO NOT BOIL THE WATER**. Boiling, freezing, filtering or letting water stand does not reduce the nitrate level. Excessive boiling can make the nitrates more concentrated, because nitrates remain behind when the water evaporates.

• If you have other health issues concerning the consumption of this water, you may wish to consult your doctor.

What happened?

Nitrate in drinking water can come from natural, industrial, or agricultural sources (including septic systems, storm water run-off, and fertilizers). Levels of nitrate in drinking water can vary throughout the year. We will let you know if the amount of nitrate is again below the limit.

What is being done?

We anticipate resolving the problem by connecting to the City of Davis water system by the end of 2019.

For more information, visit www.YoloCounty.org/North-Davis-Meadows-CSA (select Water Quality link) or contact the Yolo County Service Areas Administrative Support Team at (530) 666-8153 or e-mail yoloCSA@yolocounty.org.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this public notice in a public place or distributing copies by hand or mail.

Secondary Notification Requirements

Upon receipt of notification from a person operating a public water system, the following notification must be given within 10 days [Health and Safety Code Section 116450(g)]:

SCHOOLS: Must notify school employees, students, and parents (if the students are minors).

 RESIDENTIAL RENTAL PROPERTY OWNERS OR MANAGERS (including nursing homes and care facilities): Must notify tenants.

• BUSINESS PROPERTY OWNERS, MANAGERS, OR OPERATORS: Must notify employees of businesses located on the property.

This notice is being sent to you by North Davis Meadows.

State Water System ID#: 5700788. Date distributed: 01/31/19

IMPORTANT INFORMATION ABOUT YOUR DRINKING WATER

Este informe contiene información muy importante sobre su agua potable.

Tradúzcalo o hable con alguien que lo entienda bien.

North Davis Meadows Has Levels of Aluminum and Iron Above the Secondary Drinking Water Standard

The North Davis Meadows community water system is routinely monitored for the presence of drinking water contaminants. Routine water sample results, available at www.YoloCounty.org/North-Davis-Meadows-CSA (select Water Quality link), show that the drinking water provided by the North Davis Meadows community water system Well #1 (Fairway Drive) has an ongoing aluminum concentration above the maximum contaminant level (MCL) for secondary drinking water standard at 0.2 mg/L and an ongoing iron concentration above the maximum contaminant level for secondary drinking water standard at 0.3 mg/L.

What should I do?

- Secondary drinking water standards are set on the basis of aesthetics.
- This is not an emergency. If it had been, you would have been notified immediately.
- For other health issues concerning the consumption of this water, you may wish to consult your doctor.

What happened?

The presence of aluminum in drinking water can be due to erosion of natural deposits or residual from some surface water treatment processes.

The presence of iron in drinking water can be due to leaching from natural deposits or industrial wastes.

What is being done?

We anticipate resolving the problem by connecting to the City of Davis water system by the end of 2019.

For more information, visit www.YoloCounty.org/North-Davis-Meadows-CSA (select Water Quality link) or contact the Yolo County Service Areas Administrative Support Team at (530) 666-8153 or e-mail YoloCSA@yolocounty.org.

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- BUSINESS PROPERTY OWNERS, MANAGERS OR OPERATORS: Must notify employees of businesses located on the property. This notice is being sent to you by North Davis Meadows.

State Water System ID#: 5700788. Date distributed: 01/31/19.