



# COUNTY OF YOLO

Office of the County Administrator

County Service Areas  
Administrative Support Team

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May 24, 2019

Dear North Davis Meadows County Service Area (CSA) Property Owners,

The purpose of this letter is to transmit notification of the initiation of Proposition 218 proceedings for continued provision of landscaping, street lighting and stormwater drainage services for the North Davis CSA. These services are the responsibility of the CSA and are subject to revenues from the fees of the CSA. To date, the CSA has chosen to have these services provided by Yolo County.

Additionally, this letter provides information to the residents of the North Davis Meadows CSA regarding actions taken by the Yolo County Board of Supervisors at their May 21, 2019 meeting regarding this Proposition 218 process, outstanding deficits and the extent of County loans to cover the current deficits. Please read this letter closely because there is information about the potential termination of County-provided lighting, landscaping and stormwater drainage services, beginning July 9, 2019.

## **Initiation of Two-Step Proposition 218 Proceedings to Fund Landscaping, Street Lighting and Stormwater Drainage Services**

This letter provides notice of proposed new fees that, if adopted, will fund landscaping, street lighting and stormwater drainage services for the North Davis Meadows CSA. The California Constitution establishes that Proposition 218 proceedings to adopt new or increased fees for essential water, sewer and garbage collection services are conducted as a “protest vote”. The Constitution, however, requires a two-step process to adopt new or increased property-related fees for services other than essential water, sewer or garbage collection. It is this two-step process that is being initiated with this notice. The steps are as follows:

- **Step 1: Protest of Consideration of New Fees** – If more than 50% of North Davis Meadows property owners protest the new fees prior to the close of the public hearing on July 9, 2019, then the CSA cannot adopt new fees for landscaping, street lighting or stormwater services (see enclosed Proposition 218 Notification for more detail on the protest proceedings).
- **Step 2: Majority Vote-by-Mail Ballot Election for New Fees** – In the absence of a majority protest for any of the new fees in Step 1, each property owner will receive a ballot(s) later in July to vote to support or oppose the new fees. If the election for a given new fee is successful – a majority of those who participate in the election vote in support of the new fee – that service will be provided. The results of the election will be announced at a meeting of the Board of Supervisors on September 10, 2019, which will be followed by a 60-day statute of limitations waiting period that ends on November 9, 2019.

### **Current CSA Revenue Insufficient to Pay CSA Bills**

On February 19, 2019, during the North Davis Meadows CSA Advisory Committee meeting, and in two letters dated February 21 and April 30, Yolo County communicated to CSA property owners that the CSA no longer collects enough revenue to pay for the current services related to water, landscaping, street lighting and stormwater drainage services (see attached financial information related to operating deficit). In recent years, there has been an operating deficit due to increasing costs for several components of service provided to the CSA. There has, however, been no increase in CSA revenue for providing those services. Instead, CSA reserve funds were used to close the gap. There are no longer any reserve funds available to cover the operating deficit. (Note: sewer service provided to the CSA is paid for by a separate fee which currently funds that service. Sewer service is not impacted by these actions or addressed in this letter.)

### **Relationship of Operating Deficit to Cost of Current Water Service and Water Connection Project**

For the past several years, the cost to provide CSA services, including water, landscaping, street lighting and stormwater drainage has risen with no increase in revenues. This is primarily due to PG&E rate increases and costs related to the failing water well system. The project to address the community's water quality and fire suppression issues by connecting to the City of Davis public water system would have eliminated the costs related to operating the wells, thus lessening the demand on the CSA's revenue and the need for additional fees for the other services. With the current delay in the water connection project, this plan to close the deficit is not feasible. Therefore, the costs for operating the existing community water system and for landscaping, street lighting and stormwater drainage services must all be paid from existing fees. The current fees provide insufficient revenue for all of these functions.

### **Payments Made for Water Connection Project Not Available for Other Purposes**

The current fee charged to CSA property owners was increased pursuant to a Proposition 218 protest proceeding, conducted in March 2018, to pay for the cost of design, construction and connection to the City of Davis water system. The funds collected for this purpose are not available to pay for landscaping, street lighting and stormwater drainage, or even for operation of the current well system. In order to assure that the water project funds are available for the project, and not used for any other purpose, the Board of Supervisors has established an escrow account for these funds. The revenue received from that fee is being deposited into this account and held with interest pending resolution of litigation challenges and re-initiation of that project.

### **CSA Exhausted Prior Loan and Fund Balance**

In order to continue the provision of services and advance the understood intention of the North Davis Meadows community to address its water quality and fire suppression issues, Yolo County has extended loans to the CSA from the County General Fund. On May 9, 2019, the Yolo County Chief Financial Officer notified the CSA that it had exceeded its borrowing authority and that it has insufficient funds to pay bills for services already rendered (notification attached). As a reminder, the CSA borrowed \$430,000 to complete the water project design (see attached timeline for more detail). Per State law, the Chief Financial Officer cannot issue checks to pay bills if there are insufficient funds.

## **Additional Loan to Pay for Services Already Rendered and Continue Services Until July 9, 2019**

The Board of Supervisors took action on May 21 to authorize an additional loan of up to \$275,000 to pay pending bills for services already provided to the CSA and to continue funding all services through July 9, 2019 – the date of the public hearing for Step 1 of the Proposition 218 proceedings. This is a loan and must be repaid by the CSA. The Board of Supervisors has not committed to loaning the CSA any additional funds to support these services after July 9, 2019. It is possible that landscaping, street lighting and stormwater drainage services provided through the County may be discontinued at that time. It is possible that the North Davis Meadows community may choose to continue to provide some or all of these services through the County or through another means, or to simply discontinue one or more of these services.

### **Conclusion**

This letter transmits official notification of the initiation of a two-step Proposition 218 process to charge new fees to provide revenue sufficient to support the provision of landscaping, street lighting and stormwater drainage services to the North Davis Meadows community. County Service Areas are required by State law to be self-funded. The services provided to CSAs are not County obligations. Yolo County provides these services on behalf of the CSA based on the CSA's payment of the costs. The law strictly limits a CSA's ability to borrow money from the County and establishes limits on the timeframes in which borrowed funds must be repaid. Because the CSA's revenue is insufficient to repay existing debt, let alone additional future debt, the County may be compelled to suspend services if there is not a clear funding stream to pay for the services.

Additional documents pertaining to the North Davis Meadows CSA can be found on the CSA's website: [www.YoloCounty.org/North-Davis-Meadows-CSA](http://www.YoloCounty.org/North-Davis-Meadows-CSA).

The CSA Advisory Committee is scheduled to meet on June 18 at 6:30 p.m. in the Board of Supervisors Chambers, located at 625 Court Street, Room 206 in Woodland. The Step 1 Proposition 218 public hearing will be conducted at 9:00 a.m. on July 9, 2019 at the same location.

Sincerely,

Yolo County Services Areas Administrative Team

Cc: Board of Supervisors

Attachments: North Davis Meadows CSA Financial Summary (Unaudited) May 2019

May 9, 2019 letter from Yolo County Chief Financial Officer re: North Davis Meadows unauthorized borrowing from County Treasury

Timeline of North Davis Meadows CSA Water Quality/Financial Sustainability Issues

Enclosed: Proposition 218 Notification