

Staff Report

TO: Board of Directors

FROM: Doug Roderick, P.E., Engineering Manager
Shannon Wood, Business Services Technician

DATE: May 10, 2022

**SUBJECT: District Financed Waterline Extension Program -
Proposed Modifications**

ENGINEERING DEPT

RECOMMENDATION:

Consider modifications of the District Financed Waterline Extension program for the remaining groups on the DFWLE list, and general discussion to the program moving forward, and direct staff as necessary.

BACKGROUND:

The District's Water Service Regulations currently includes section 10.20, District Financed Waterline Extensions, which provides for a program in which eligible neighborhood groups actively seeking the extension of treated water lines into their community can obtain assistance from the District to do so. This assistance includes:

- Organization of informative group meetings.
- Project design and construction services.
- Advanced project funding.
- Funding associated with non-participating parcels.
- Financing for participating parcels.

Overtime, this program has been modified to increase participation. To date eight projects have been completed under the program, benefiting 101 total participants. The total dollars spent to date on these eight projects is \$4,475,000, or \$43,307 per participant on average.

Based on the Board's request, the continuation of the DFWLE program was presented to the Board for input at the March 23, 2022 Board Meeting. At that

meeting there was consensus that the program required modification. This was based on the following:

- The program is not equally available to all parcels within District. Some parcels are not able to participate in the program because it is not feasible due to distance from a water treatment plant and/or mainline, and raw water customers and multi-parcel developers are not eligible
- It would not be financially feasible for the District to partially fund and/or finance water line extension projects for all parcels that are located within District boundaries and pay property taxes.
- The program currently allows for private individuals to prioritize expenditure of rate payer and taxpayer funds without consideration of other capital priorities that provide greater benefit to the rate payer/tax payer base. The District has a large amount of deferred maintenance and replacement that needs to be completed.
- The program currently allows for District to pay for the non-participating parcel's fare-share cost of a proposed DFWLE. With the idea being that these funds would be recovered when/if a parcel decided to connect in the future. To date, there have only been 4 parcels connected after project completion. This indicates that the funds expended for the non-participating parcels are likely non-recoverable.
- The revenue associated with the below market interest rate allowed by the program does not equal the revenue the District could receive if the funds were invested. Revenue received from the District's investments benefit the all parcels within the District.

The Board directed staff to propose modifications to the program for any new projects and any existing projects that have been in the process separately.

New Projects: For new projects staff recommends that the program transition away from any District financial participation and that water line extension projects be paid for entirely by the project proponent outright, through the use of Community Facilities District (CFD) or Assessment District (AD) for a bond issuance or to secure a loan from a public entity, or through the use of other non-district funds, such as grant funding. This would allow the District to still assist property owners with obtaining treated water service but would relieve the District of any financial obligation to do so.

Staff envisions this process starting with a group of owners that comes to the District wanting to get treated water service. Staff will review/determine how the project would best be served and develop a preliminary cost estimate. If the owners want to move forward, then staff would develop a cost to form the CFD/AD. Since this is specialized work, staff would solicit consultants to determine the cost required to go through the CFD/AD process. The owners would be required to deposit the costs for the formation of the CFD/AD. During this time, the Board could consider bonding for the project, getting potential loans such as the State

Revolving Fund, if eligible, and potential grants to help offset costs for the project. While the District would be incurring debt, approving of the CFD/AD creates the funding mechanism in which payment of the debt service is made, so no District funds are encumbered. Costs associated with supporting the CFD/AD would be included in the costs paid by the CFD/AD.

The only out of pocket costs to the District is the staff time necessary should the CFD/AD ultimately not be approved.

Existing Projects: At the March 23rd Board meeting, direction was given by the Board of Directors to modify the District’s Water Service Regulations Section 10.20 District Financed Waterline Extensions recognizing that four groups remain on the DFWLE list should have an opportunity to continue with their proposed projects.

The four groups that have petitions on file with the District are:

Project Name	Project estimates
Maranatha Place (21 parcels):	\$816,072
Table Meadow Phase 3 (21 parcels):	\$767,970
Ali Lane (8 parcels):	\$339,372
Harris Road (34 parcels):	\$790,923
Total (84 parcels)	\$2,714,337

Under the original program process, the District would be responsible for financing 100% of the project minus the 10% good faith deposit of the participating parcels. At least half of the parcels would be paying back the District over a 30 year period and the District would financing 100% of the non-participating parcels. For these four groups, staff proposes that the current program requirements remain in place, except that the participating parcels would be responsible for their entire share of the costs. The District would still be liable to finance 100% of the non-participating parcels costs of the project. Staff would propose that a 10% good faith deposit is collected, as is currently the requirement. Once the plans are complete and are ready for bid, the participating property owners would then deposit the remaining amount. Once the construction is complete, reconciliation of project costs would be completed and either a portion of the deposit would be returned or final payment would be made. It’s at that time, property owners would request meters and pay appropriate connection fees.

With the modification to the program, the District would be financing the non-participating parcel costs, which at a worst case would be 50%, which is currently estimated at \$1,357,168. Some of this could be repaid sometime in the future should those parcels request water service. As discussed at the March 23rd meeting, the District currently has spent \$4,475,000 for DFWLE projects, with an approximate balance of \$2,190,000 financed by participating parcels.

If the Board considers progressing with these modifications, the timeline for these projects would be as follows:

- Board budgets funds
- Kickoff meeting to neighborhood group(s)
- Applications due within 30 days of kick-off meeting
- Deposits due within 30 days of receiving application
- Design improvement plans (2-3 months)
- Collect proportionate share from property owners
- Bid construction
- Board of Directors award bid to contractor
- Construction
- Project completion/reconciliation
- Property owners request meters & pay appropriate connection fees

Since none of these projects are currently budgeted, staff would be coming to the Board with a proposed budget amendment at the time of award of the construction contract. This would also allow staff to work on more than one project at a time, if the Board would be agreeable to potentially funding several projects at once. Based on previous projects that did not move forward to construction, it is likely that one or more of these projects falls out due to the lack of available financing from the District.

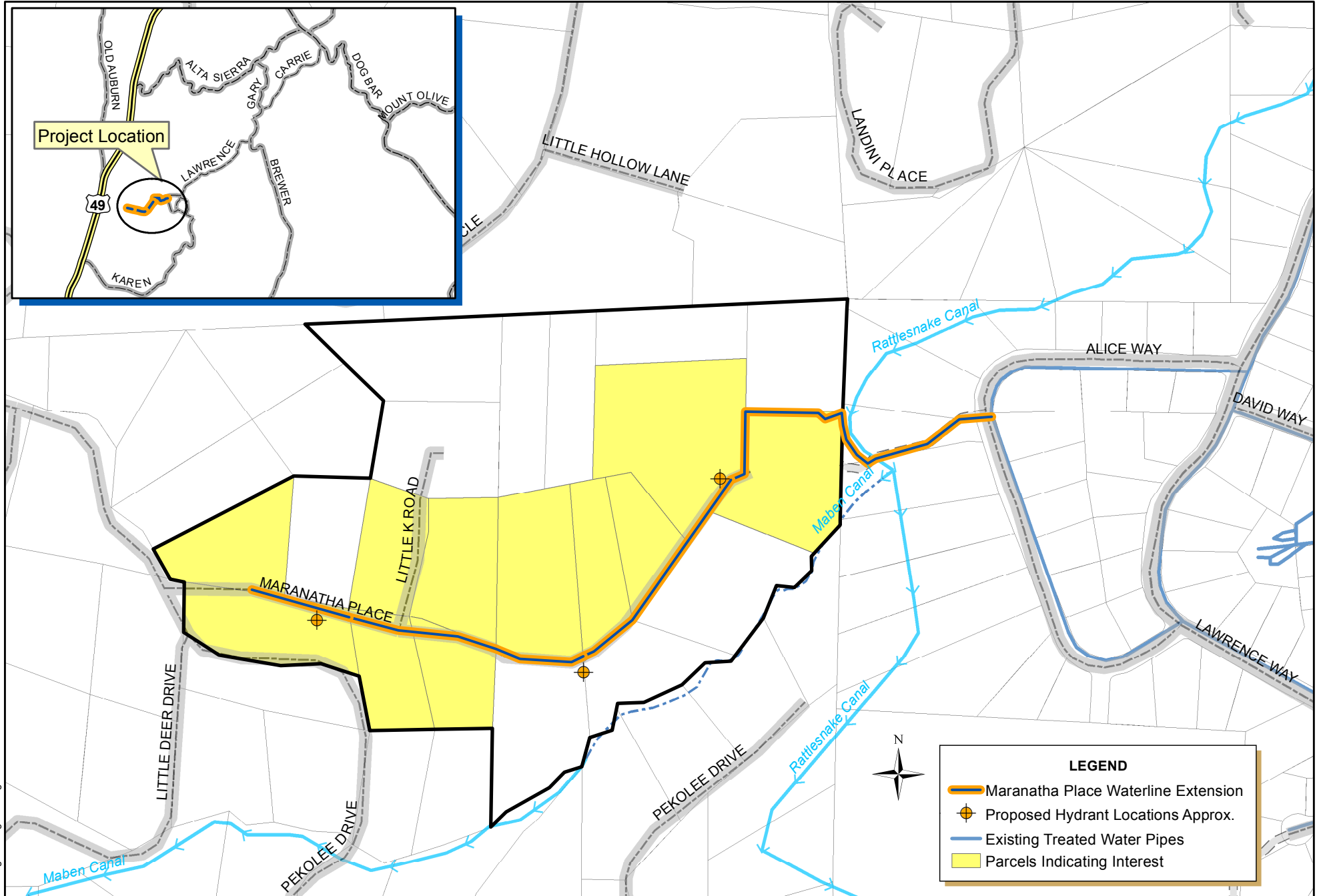
If this is the direction the Board would like to go with, then staff will make the necessary changes to the funding agreement and would bring back to the Board for final review/approval.

BUDGETARY IMPACT: Estimated at \$1,357,168 for the four projects on the DFWLE list should all four projects successfully move forward to construction. This is half of the total estimated project costs. Staff would not anticipate any budgetary impacts moving forward with the CFD/AD approach.

DR/SW

Attachments: (4)

- Maranatha Placer conceptual map
- Table Meadow Phase 3 conceptual map
- Ali Lane conceptual map
- Harris Road conceptual map



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NEVADA IRRIGATION DISTRICT
 NEVADA COUNTY -- PLACER COUNTY
 GRASS VALLEY, CALIFORNIA

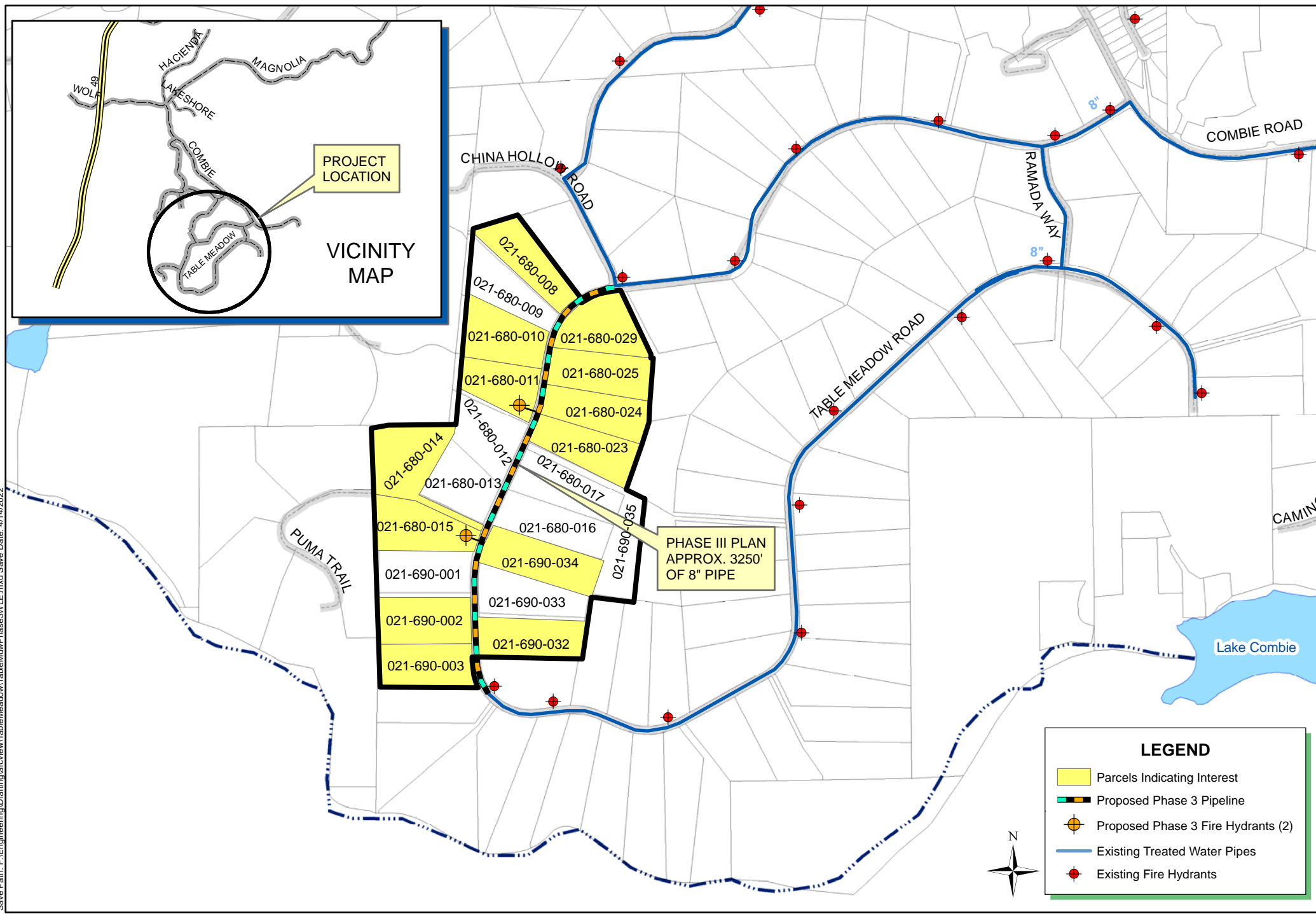
MARANATHA PLACE WATERLINE EXTENSION V3

Drawn By: L. GORDON

Date: 8/15/2019

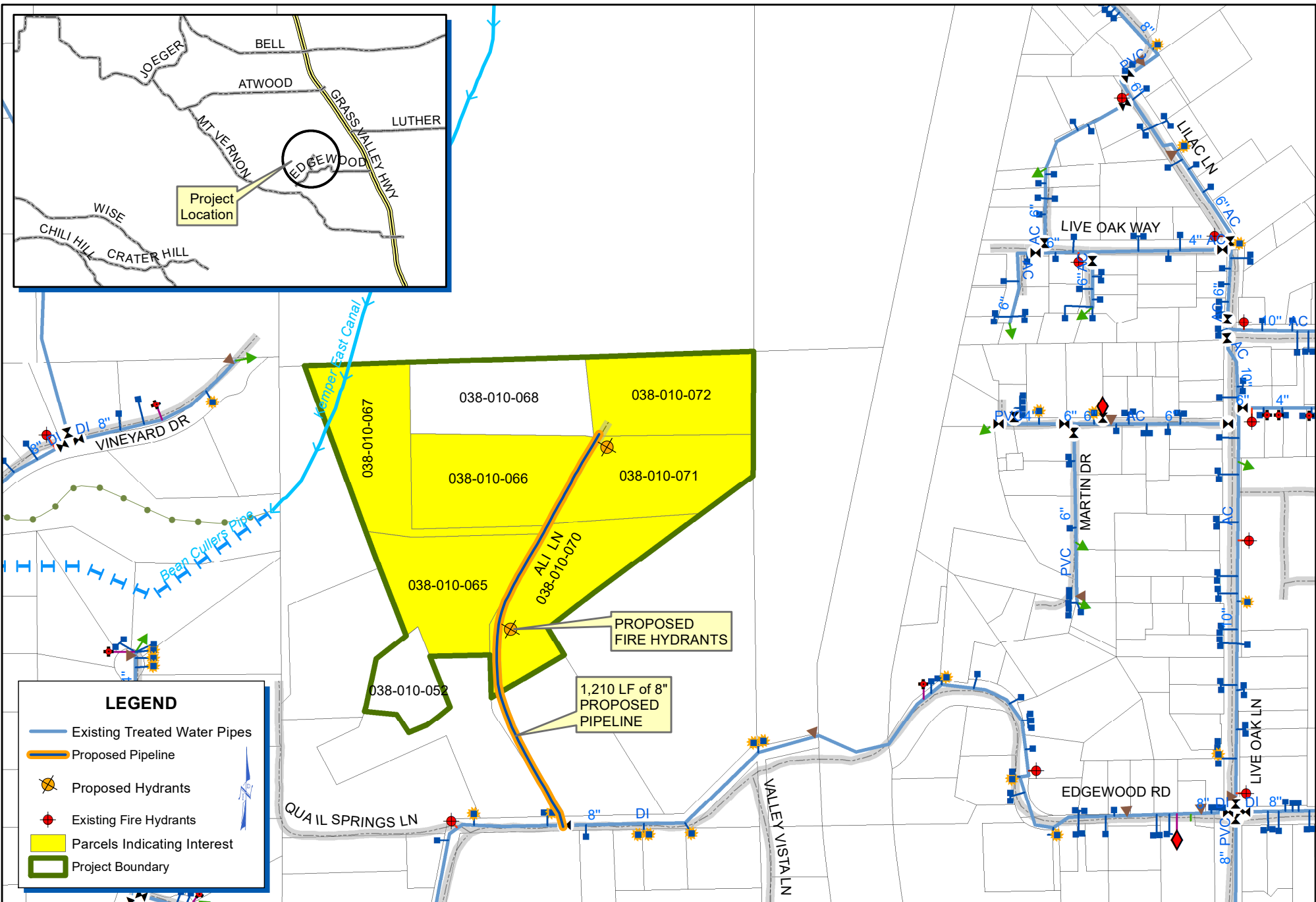
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LEGEND

- Existing Treated Water Pipes
- Proposed Pipeline
- Proposed Hydrants
- Existing Fire Hydrants
- Parcels Indicating Interest
- Project Boundary

NEVADA IRRIGATION DISTRICT

NEVADA COUNTY -- PLACER COUNTY
GRASS VALLEY, CALIFORNIA



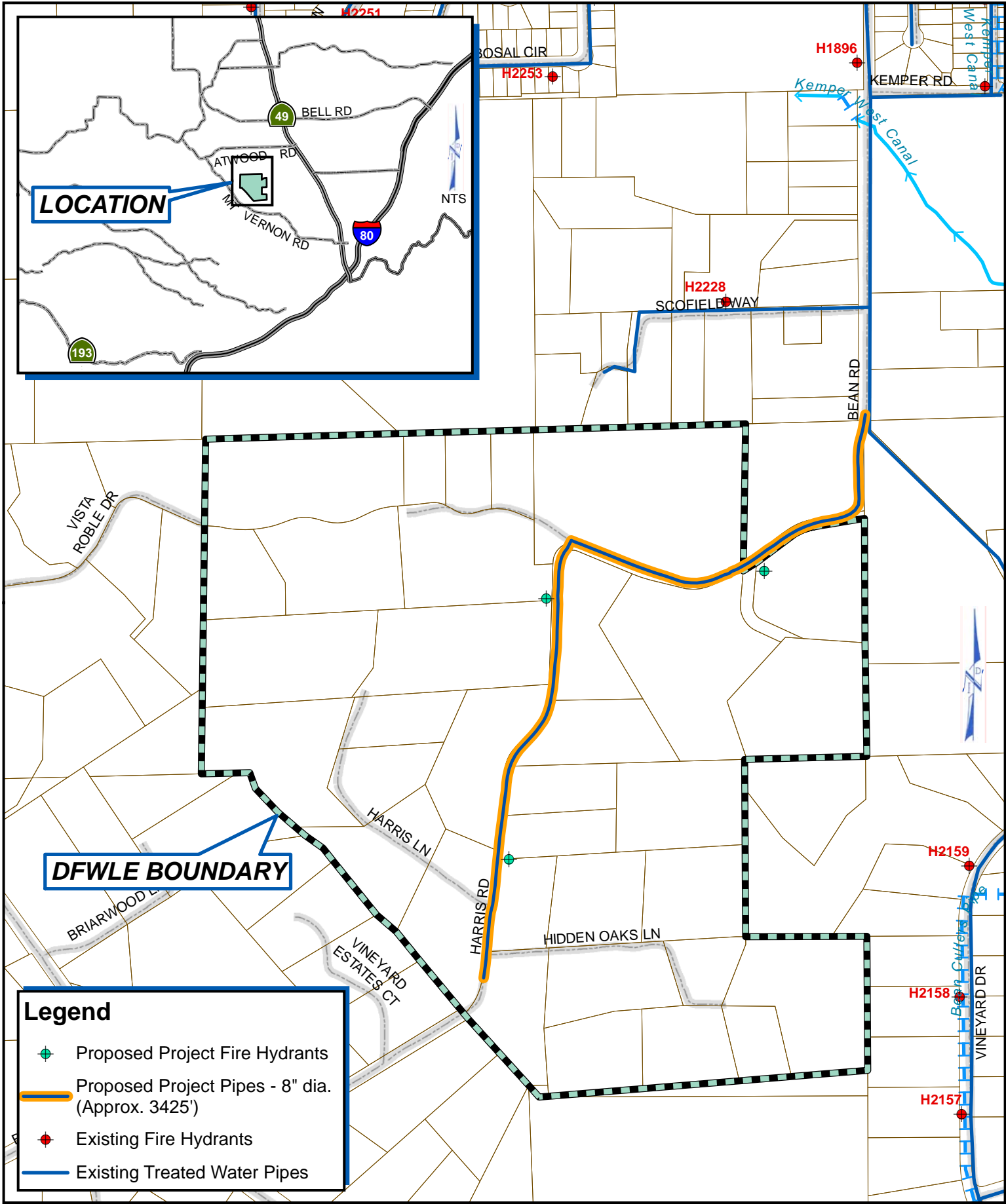
ALI LANE DFWLE - DIVISION 4

Drawn By: D. HUNT

Date: 12/2/2019

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LOCATION

DFWLE BOUNDARY

Legend

-  Proposed Project Fire Hydrants
-  Proposed Project Pipes - 8" dia. (Approx. 3425')
-  Existing Fire Hydrants
-  Existing Treated Water Pipes

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HARRIS ROAD DFWLE - DIVISION 4

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 NEVADA COUNTY -- PLACER COUNTY
 GRASS VALLEY, CALIFORNIA



Date: 5/3/2022
 Drawn By: L. HAMMER

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