

# Staff Report

**TO:** Board of Directors

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

**DATE:** June 8, 2022

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

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***ENGINEERING***

**RECOMMENDATION:**

Consider options 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.

Staff presented this program to the Board on

Based on the Board's request, the continuation of the DFWLE program was presented to the Board for input at the March 23, 2023 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 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.

**Existing Projects:** At the March 23<sup>rd</sup> 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:

<b>Project Name</b>	<b>Project estimates</b>
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
<b>Total (84 parcels)</b>	<b>\$2,714,337</b>

At the May 10<sup>th</sup> Board workshop, staff presented to the Board an option of moving forward with the four existing groups. For these four groups, staff proposed 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 proposed that a 10% good faith deposit is collected, as is currently the requirement. Once the plans were completed 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 based on current cost estimates. Some of this could be repaid sometime in the future should those parcels request water service.

During the May 10<sup>th</sup> workshop, the Board still had concerns regarding several of the items within the current program and requested that staff look at other potential options for the existing groups. Based on that, staff has developed the following items to consider:

	Current Program	Potential Options
Financing	Finance both participants and non-participants	Only finance non-participants with participating property owners paying full share
Financing Rate	Interest based on "United States 5-year Agency Bond Rates published by the District Investment Broker	Current U.S. Prime Rate at time of funding agreement execution
"Not to Exceed" Cost Structure	Project estimate costs are a not to exceed amount for participates	Collect good faith deposit and sign funding agreement based on cost estimate, then reconcile and increase/reduce financed amount as needed.

The Board could consider implementing all potential options, or just certain items while leaving the current program requirements in place. If the Board decides to eliminate the "not to exceed cost" option and have the participates reconcile final costs, due to the current bidding climate, staff recommends adding language in the funding agreement that can allow people to opt out should the bid exceed the estimated costs used to develop the good faith deposit. Based on input from the Board, staff is recommending moving forward with these projects by engaging with all four groups and would recommend the following timeline:

- All four projects would have kickoff meetings in June (public meetings to discuss project, costs and changes (if any) to the program)
- Good-faith deposits received by the end of July (this will let us know how many projects would be moving forward)
- Funding agreements to property owners for review/signature by end of August
- Property owners return executed funding agreements by the end of September
- Funding agreements brought to the Board in October
- Design improvement plans (2-4 months)
- Bid construction projects in first quarter of 2023
- Board would award construction contract and approve budget amendment for the project
- Construction would occur in summer/fall of 2023.
- Project completion/reconciliation

By moving forward with the four existing groups being processed at the same time to finalize which, if any, projects would be moving forward. Based on previous experience, staff is anticipating that not all projects will get the necessary commitments from property owners to move forward to construction. By working on multiple projects at one time, the potential monetary commitment from the Board would be known sooner, versus working on one at a time. Due to uncertainty of which projects would move forward to construction and that this program is not budgeted for 2022, staff would recommend that a budget amendment be brought forward to the Board at the same time as award of the construction contract.

Based on direction from the Board, staff will make the necessary changes to the funding agreement and would bring those changes back to the Board for final review/approval prior to sending out to the property owners for signature. Maps of the four existing groups are attached to the staff report. Based on final participation of the property owners, final project pipeline lengths may vary.

**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 in doing 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, staff would develop funding options that the Board could consider for the project, which could include 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 for the project, approval of the CFD/AD creates the funding mechanism in which payment of the debt service is made, so no District funds are encumbered up front. Costs associated with supporting the CFD/AD would be included in the costs paid by the CFD/AD. Once CFD/AD process is completed and a vote of the property owners has been done, the Board would formally approve the formation of the CFD/AD. At that time, the District would then develop the final design drawings and specifications to bid out and construct the project.

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

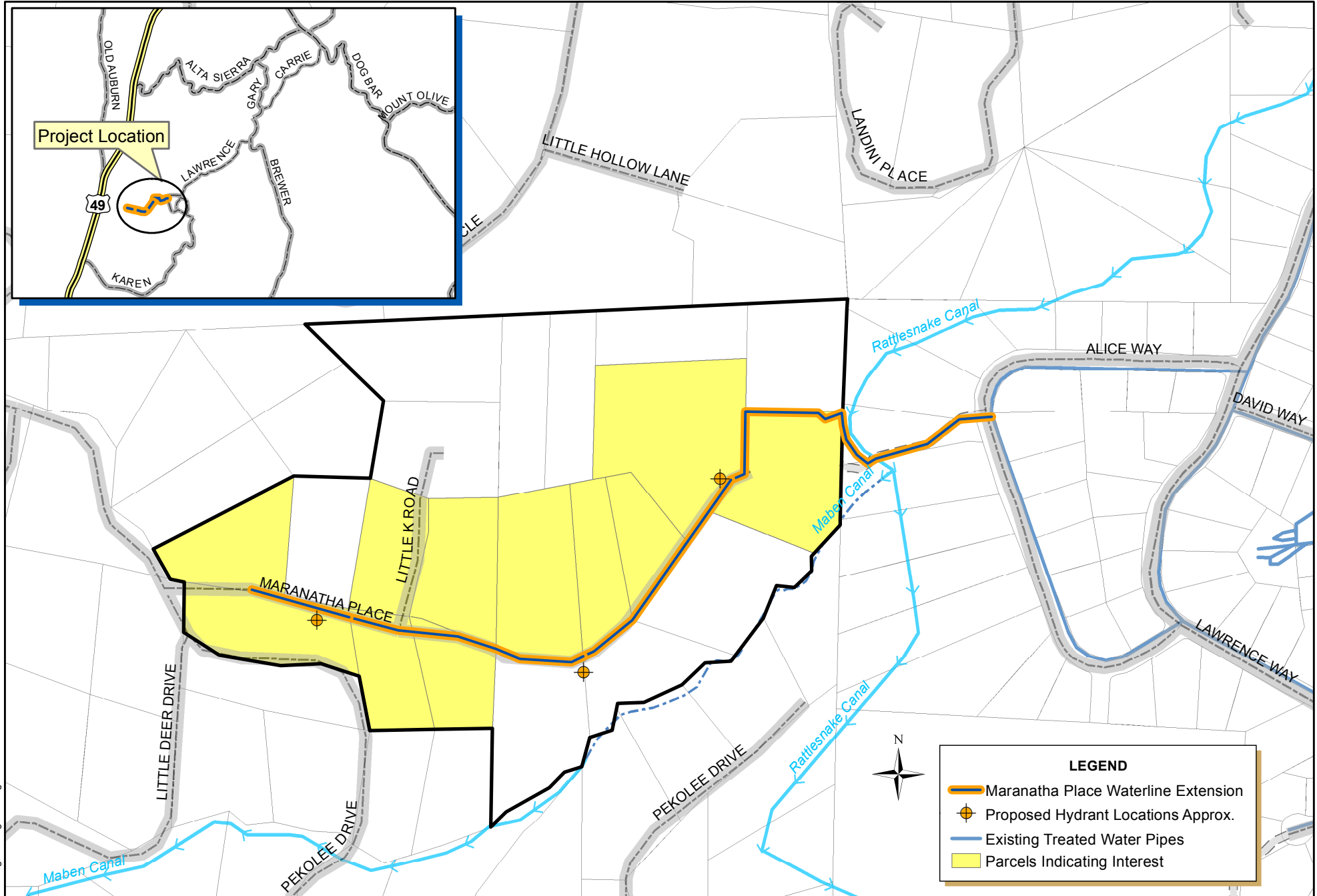
If this is the direction the Board would like to move forward with, then staff will develop program requirements/documents and would to bring this item back to the Board for final review/approval.

**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

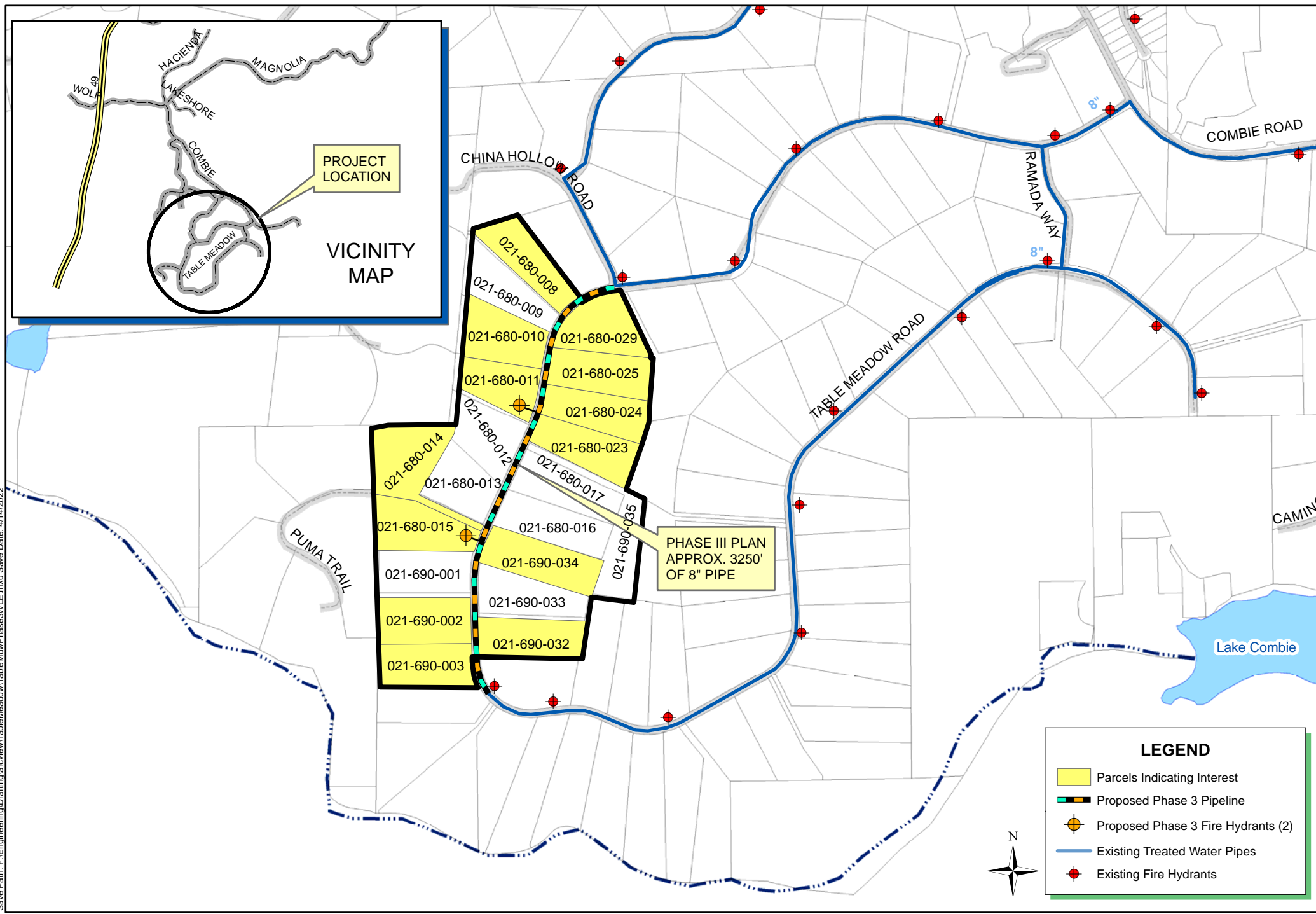
**MARANATHA PLACE WATERLINE EXTENSION V3**

Drawn By: L. GORDON

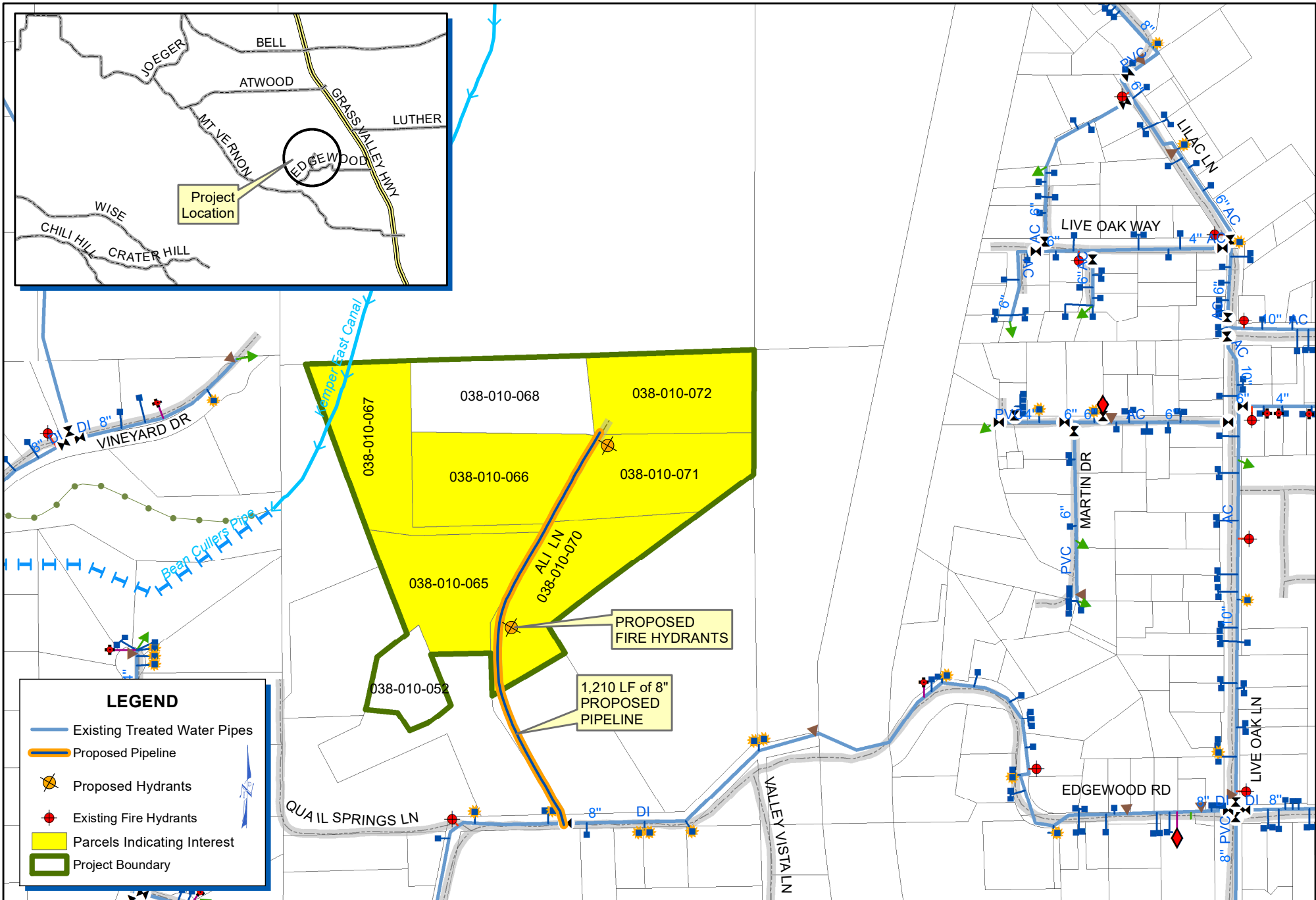
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Sheet: 1 of 1



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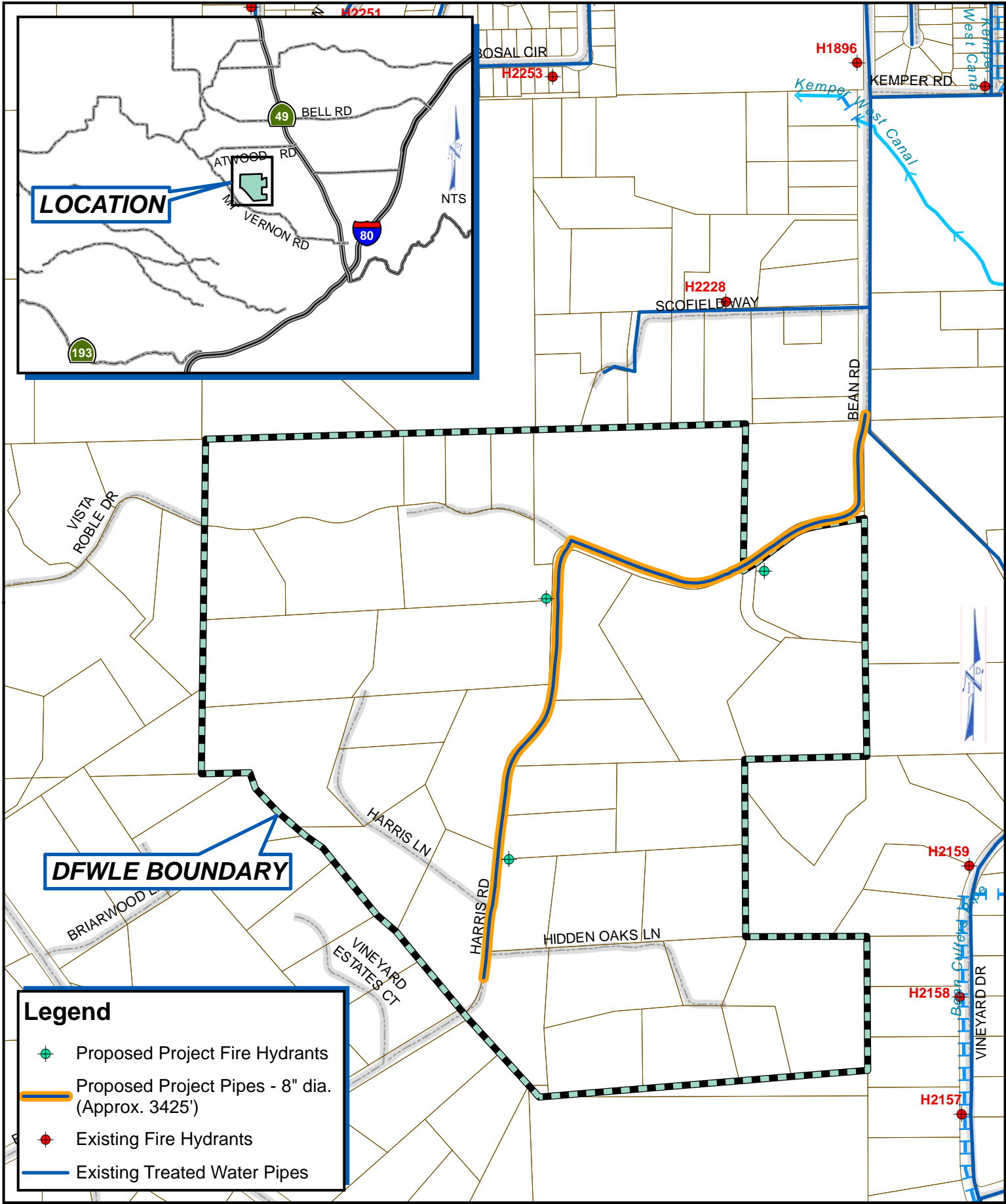


**LEGEND**

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

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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**

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



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

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