

DATE: June 18, 2020  
TO: Board of Directors, Woodland-Davis Clean Water Agency  
FROM: Tim Busch, General Manager *T B*  
SUBJECT: Proposed Agency Budget for FY20/21

### RECOMMENDATION

Consider the proposed FY 20/21 Agency budget for adoption.

### PROPOSED BUDGET

Exhibit A shows the proposed FY 20/21 Agency Operations Budget and includes a projection of operating costs by year through FY 28/29. Exhibit B shows the proposed quarterly expenditure and revenue plan for FY 20/21.

### O&M Budget

As shown in Exhibit A, the proposed operations budget for FY 20/21 includes the following major components:

- Operation and Maintenance: \$7,180,601
- O&M Oversight: \$212,000
- Permits and Water Supply: \$197,000
- Agency Administration: \$605,000
- Operations Contingency: \$409,730

### SRF Debt Service and Reserve Payments

Debt service payments on the Woodland SRF loans and the Davis/UC Davis SRF loans will continue this year and will continue through the life of the loans. The debt service costs total \$10,656,968 for FY 20/21, and include:

- Woodland SRF Reserve Payment: \$664,694
- Woodland SRF Principal and Interest Payments: \$6,165,183
- Davis/UCD SRF Reserve Payments: \$0
- Davis/UCD SRF Principal and Interest Payments: \$3,827,092

### DISCUSSION

Details on the O&M Budget for FY 20/21 as presented in Exhibit A are discussed below.

### *Operation and Maintenance*

The annual O&M costs are mainly associated with the operation of the regional facilities, which include the Joint Intake and the RWTF. Costs include the fixed operating costs outlined in the Service Contract between CH2M Hill (now Jacobs) and the Agency, variable operating costs linked to the flows delivered to the cities that are in excess of those requested at the beginning of the fiscal year (per Service Contract procedures), pass-thru chemical costs for those parameters defined by each City (i.e., chlorine residual, orthophosphate, and pH), electricity costs, and additional minor operations activities. Refinements have been made to the pass-thru chemical and electricity costs based on actual costs since the start of operations in July 2016.

The Agency is anticipating some improvements to the Joint Intake in FY21 to allow for reliability of intake operations. Some of the improvements envisioned to be completed in FY21 include replacement and straightening of the wire associated with the screen cleaner, upgrades to allow for safe access to the pump station roof, and modification to the crane system to allow access to the southernmost screen. The anticipated costs for these improvements are included as extraordinary expenses.

Annual permitting fees will also be required during operations. These fees include the Division of Drinking Water's Permit to Operate fees, water rights fees, air quality management district fees, and other miscellaneous fees.

A budgetary line item is included for the possibility of a supplemental water purchase in the event that Term 91 curtailments occur between November and March, when the Agency's normal surface water supplies would otherwise be unavailable. A purchase option was made in 2018 and 2019 from the City of West Sacramento. This option was exercised in 2018 due to a Term 91 curtailment that occurred in November of that year.

The America's Water Infrastructure Act (AWIA) Risk and Resilience Assessment (RRA) was completed in FY20 and the Emergency Response Plan will be completed in FY21, per existing federal regulations.

The levee at the Joint Intake is experiencing some erosion. The FY 20/21 budget includes funds to finalize the design, permitting, bidding and construction of an erosion control project. The work needs to be done outside of environmentally sensitive periods (typically December through June), and while the river levels are low; therefore, the work will be performed between July and November. This work will be funded jointly with RD 2035 who is responsible for funding 80% of the work.

### *Operation & Maintenance Oversight*

There are requirements in the Jacobs Service Contract that will involve Agency oversight. Some examples include the review of monthly operations reports, monthly invoices and annual cost settlements, reports to Government agencies, and annual updates to various operations plans. Coordination of activities outside the Service Contract is also required.

Examples include, coordination with RD 2035, Joint Intake electricity payment reconciliations, and annual predictions of surface water supply needs. The Agency budget will continue to be tracked and budget projections will continue to be completed and brought to the Board for consideration. Also included in this category are technical services tasks specific to Davis, Woodland, and UC Davis that will provide assistance for Agency member-specific needs that are related to the project.

This is the first year that the Agency will have a third-party complete an evaluation of the operation and maintenance of the Regional Water Treatment Plant and Joint Intake facilities, as is recommended within the Service Contract with CH2M Hill. The Agency is generally pleased with CH2M Hill's performance but feels that it is good practice to have a third-party complete an independent assessment to ensure that these large assets are appropriately being maintained to ensure its longevity and reliability.

#### *Permits and Water Supply*

The Water Supply Risk and Alternatives Evaluation that is already in progress is slated for completion in FY21. This study will provide the Agency with the information needed to determine next steps toward implementing/securing additional water supplies. There is money budgeted annually to investigate potential water purchase options. The Agency has plans to communicate with multiple water agencies in FY 20/21 to discuss the potential of leasing or purchasing supplemental water to support the water needs of the Project Partners identified in the Water Supply and Alternatives Evaluation. Execution of an agreement may require studies, such as reoperations plans and CEQA addenda, to get approval from the appropriate regulatory agencies. The budget does not include costs for this work because the scope required to support this effort is unknown at this time.

#### *Agency Administration*

Lastly, there are Agency administration expenses that will continue to be required. Anticipated expenses in this category include: General Manager, Operations Manager, Administrative Secretary, Treasurer, accounting services, Legal Counsel, administrative and technical support, organization memberships, insurance, and public outreach. Most of these functions are being provided through contracts or by City staff; General Manager (City of Woodland), Operations Manager (City of Davis), Secretary (Diemer Engineering, Inc. + replacement company), Treasurer (City of Woodland), accounting services (City of Davis), Legal Counsel (Bartkiewicz, Kronick & Shanahan), admin and technical assistance (West Yost Associates), and public outreach (Kim Floyd Communications).

The General Manager, Operations Manager, and Secretary positions are compensated on an hourly basis. The Treasurer and accounting services are provided at a flat rate. Legal Counsel is compensated on an hourly basis and a budget has been established for general Agency legal support. Additional legal support for specific activities relating to water rights is captured under the appropriate O&M cost category. Technical assistance and administrative support (including Agency Board meeting preparation and attendance) is compensated on an hourly basis.

There is a modest budget for the Agency's membership in appropriate professional organizations such as the Association of California Water Agencies and Northern California Water Association. There is also a budget for incidental Agency costs related to Agency activities (such as attendance at Association of California Water Agencies conferences, office supplies, etc.).

Making information available to the public about the project is an Agency priority. Efforts in FY 20/21 will primarily focus on website updates on the ongoing operation of the Agency's facilities and development of an educational video.

An update to the Agency's Urban Water Management Plan (UWMP) is also included in the FY 20/21 budget. This report requirement occurs on five-year cycles and even though it has not been five years since the last such report, the time schedule is being accelerated by the Department of Water Resources so that the UWMP will coincide with the schedules for other water agencies moving forward.

#### *Operations Contingency*

A five percent contingency is included on all project O&M Budget items to cover any unanticipated costs. The money will not be obtained from the Project Partners annually, but instead will remain in the Agency account for use as needed. The contingency fund will be assessed annually and re-funded if the balance dips below five percent of the annual budget.

#### PAYMENT SCHEDULE

The Agency will continue invoicing the member agencies on a quarterly basis. An expenditure and revenue plan, including the quarterly cash flow schedule is included with Exhibit B.

#### AGENCY CONSULTANT CONTRACTS

As a separate agenda item, the Board will be asked to consider the approval of new fiscal year consultant contracts necessary to support the various Agency activities included in the FY20/21 budget. The consultant contract amounts are consistent with the proposed FY 20/21 budget.

**WDCWA FY 20/21 Proposed Quarterly Expenditure and Revenue Plan**

**Davis-Woodland Water Supply Project with Joint Intake**

All Project Partners (Nominal Dollars)

| Category   | FY 20/21            |                    |                    |                    |                    |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|
|  | Total Annual Budget | Q1                 | Q2                 | Q3                 | Q4                 |
| <b>Regional Project Operating &amp; Debt Service Costs</b> |                     |                    |                    |                    |                    |
| Operation & Maintenance Costs <sup>(1)</sup>               | \$8,194,601         | \$2,354,182        | \$1,899,450        | \$1,737,221        | \$2,203,748        |
| SRF Debt Service and Revenue Payments                      | \$10,656,968        | \$0                | \$7,242,030        | \$0                | \$3,414,938        |
| <b>Total Operating &amp; Debt Service Costs</b>            | <b>\$18,851,569</b> | <b>\$2,354,182</b> | <b>\$9,141,480</b> | <b>\$1,737,221</b> | <b>\$5,618,686</b> |
| <b>Regional Project Revenue Source</b>                     |                     |                    |                    |                    |                    |
| <b>City of Woodland</b>                                    | <b>\$10,604,252</b> | <b>\$1,049,681</b> | <b>\$4,287,097</b> | <b>\$809,404</b>   | <b>\$4,458,069</b> |
| Operation & Maintenance Costs <sup>(1)</sup>               | \$3,774,375         | \$1,049,681        | \$872,159          | \$809,404          | \$1,043,131        |
| SRF Debt Service and Revenue Payments                      | \$6,829,877         | \$0                | \$3,414,938        | \$0                | \$3,414,938        |
| <b>City of Davis</b>                                       | <b>\$7,464,073</b>  | <b>\$1,009,996</b> | <b>\$4,674,942</b> | <b>\$784,458</b>   | <b>\$994,677</b>   |
| Operation & Maintenance Costs <sup>(1)</sup>               | \$3,636,981         | \$1,009,996        | \$847,850          | \$784,458          | \$994,677          |
| SRF Debt Service and Revenue Payments                      | \$3,827,092         | \$0                | \$3,827,092        | \$0                | \$0                |
| <b>UC Davis</b>  | <b>\$467,033</b>    | <b>\$130,093</b>   | <b>\$108,148</b>   | <b>\$101,347</b>   | <b>\$127,445</b>   |
| Operation & Maintenance Costs <sup>(1)</sup>               | \$467,033           | \$130,093          | \$108,148          | \$101,347          | \$127,445          |
| SRF Debt Service and Revenue Payments                      | \$0                 | \$0                | \$0                | \$0                | \$0                |
| <b>RD 2035</b>   | <b>\$316,212</b>    | <b>\$164,413</b>   | <b>\$71,293</b>    | <b>\$42,012</b>    | <b>\$38,494</b>    |
| <b>Revenue Total</b>                                       | <b>\$18,851,569</b> | <b>\$2,354,182</b> | <b>\$9,141,480</b> | <b>\$1,737,221</b> | <b>\$5,618,686</b> |

(1) Costs do not include contingency since contingency is not being collected from Project Partners annually.