

LAFCO

Meeting Date: 07/27/2023

Information

SUBJECT

Public Hearing to consider approval of **Resolution 2023-03** adopting the Joint Powers Agency (JPA) Service Review for the Woodland Davis Clean Water Agency (WDCWA) (LAFCo No. 23-02)

RECOMMENDED ACTION

1. Receive staff presentation on the JPA Service Review and open the Public Hearing for any comments on this item.
2. Close the Public Hearing and consider the information presented in the staff report and during the Public Hearing. Discuss and direct staff to make any necessary changes.
3. Consider approval of Resolution 2023-03 adopting the JPA Service Review for WDCWA.

FISCAL IMPACT

No fiscal impact. The JPA Service Review was prepared "in-house" and appropriate funds were budgeted.

REASONS FOR RECOMMENDED ACTION

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), is LAFCo's governing law and outlines the requirements for preparing periodic Municipal Service Reviews (MSRs) and Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of "discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances". While MSRs are not legally required of Joint Powers Agencies/Authorities, LAFCo has been requested by the cities and County (i.e. JPA member agencies) to provide MSR-like service reviews of selected types of JPAs in the county. LAFCo has the authority to furnish informational studies and analyze independent data to make informed recommendations regarding the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses via these JPAs. With this intention, LAFCo has modified its MSR checklist to conduct service reviews of JPAs.

BACKGROUND

Agency Information

The Woodland-Davis Clean Water Agency (WDCWA or "Agency") is a joint powers authority formed in 2009 responsible for managing a sustainable, high-quality water supply for the cities of Woodland and Davis, and UC Davis. The Agency constructed and is now managing a regional surface water supply project to serve more than two-thirds of the urban population of Yolo County. The Agency is overseen by a six-member Board comprised of two City Council Members from each city, and two non-voting members, one each from UC Davis and Yolo County.

The water treatment facility can supply up to 30 million gallons of water per day, with an option for future expansion to 34 million gallons per day. Of the 30 million gallons per day, Woodland's share of treated surface water is 18 million gallons per day, Davis' share is 10.2 million gallons per day, and UC Davis' share is 1.8 million gallons per day. Approximately 4.5 miles of pipeline transports "raw" water from the surface water intake on the Sacramento River to the water treatment plant located south of Woodland. From there, the treated water travels 7.8 miles via pipeline to Davis, and approximately 1.4 miles to Woodland. The cost for project development and implementation was \$279.2 million. The bulk of the project was funded through customer water rates. With the completion and acceptance of all project capital facilities in 2016, the Agency's focus has transitioned to overseeing operations and maintenance of facilities, management of water supply and deliveries pursuant to applicable water rights and delivery contracts and servicing long-term debt obligations.

The WDCWA General Manager is the City of Woodland Principal utilities Engineer and the WDCWA Operations

Manager is the City of Davis Public Works Utilities & Operations Director. The Agency contracts for part-time Board Secretary services. The Agency has a significant contractual agreement with CH2M Hill for operation of the Water Supply Project.

Agency Involvement

LAFCo staff worked with the WDCWA General Manager and Operations Manager to provide required information. An administrative draft was shared with WDCWA staff and comments/edits were straightforward and resolved easily. LAFCo published a 21-day hearing notice and staff have not received any public comments and there have been no changes to the draft since the version posted for public review on July 6th.

JPA Service Review Determinations and Recommendations

This is the inaugural JPA Service Review for the WDCWA and overall, the review finds the JPA operating well, especially considering the significant project undertaken. The JPA is accountable and stable, and has adequate funding and reserve to pay off its debt balances. However, accounting for the JPA could be improved and needs additional attention.

Six of the seven MSR determinations are applicable to JPAs (the determination for disadvantaged unincorporated communities was removed for the JPA Service Review checklist). WDCWA's determinations and recommendations for Commission review and consideration are as follows:

Growth and Population MSR Determination:

Growth and population projections are not anticipated to impact the subject agency's service needs and demands or suggest a change in services. The WDCWA manages the operation of the water diversion project and treatment facility that can supply up to 30 million gallons of water per day, with an option for future expansion to 34 million gallons per day. It is the responsibility of the cities of Woodland and Davis to manage demand and capacity to supply water. Groundwater will continue to be used in Davis during periods when demand for water cannot be met with surface water supplies alone. The City of Woodland can utilize Aquifer Storage Recovery (ASR) wells to meet additional demand and planned in its 2035 General Plan.

Capacity and Adequacy of Public Facilities and Services Determination

WDCWA's infrastructure is relatively new considering its lifespan, with construction being completed in 2016. The water treatment facility can supply up to 30 million gallons of water per day, with an option for future expansion to 34 million gallons per day. The WDCWA water service provides an additional source of water supply to the cities to improve their water quality and resiliency to adapt to climate changes. Groundwater will continue to be used in Davis during periods when demand for water cannot be met with surface water supplies alone. The City of Woodland can utilize Aquifer Storage Recovery (ASR) wells to meet additional demand.

Financial Ability Determination

The 5-year trend indicates that WDCWA is in a relatively stable financial position. Since project construction was completed and all reimbursements resolved in 2019, the WDCWA has operated with a positive cash flow in the last three fiscal years. WDCWA holds a significant amount of debt at \$218 million as of its latest audit in 2020 and roughly 60% of its expenditures goes towards debt service payments that will extend until 2047.

The WDCWA may benefit from more involved financial oversight. The Agency was regularly audited each year up until 2020 but has not had an audit since. The fiscal year 2019/20 audit was completed late, and then the accounting transitioned from the City of Davis to the City of Woodland at the beginning of FY2020/21. Auditors are now in place to catch up and perform all audits after fiscal year 2019/20 was completed. Past audits have not included fund balance information, which is unusual in LAFCo staff experience. The quarterly financial reports present unaudited fund balance information, but it does not detail the different reserves used such as the Contingency Reserve Fund, which would be valuable information to operations staff.

There is a discrepancy in the WDCWA's financial reports between the closing yearend balance June 30, 2020, and the July 1, 2020, opening balance by more than \$2 million that will need to be resolved in the upcoming audits. The 5-year trend shows the WDCWA's fund balance has decreased 12% over the last five years, however, this could be due to this discrepancy.

Recommendation(s):

- The WDCWA Treasurer should review financial data on a regular basis and ensure any discrepancies are identified, investigated and corrective action taken in a timely manner.
- WDCWA audits should include a Statement of Revenues, Expenditures, and Changes in Fund Balance including

detail of any individual reserve accounts.

Shared Services Determination

WDCWA was formed as a shared agency operation including the cities of Woodland and Davis, and UC Davis (and Yolo County as a non-voting member that does not receive a water supply). It also partnered with Reclamation District 2035 on the Sacramento River intake facility. WDCWA also coordinates with multiple regional and state entities to efficiently provide an additional water supply to member agencies.

Accountability, Structure and Efficiencies Determination

There are no recommended changes to the organization's governmental structure or operations. In the past WDCWA has had audits performed on an annual basis, but there has been a gap since FY 2020, although auditors have recently been secured by the Agency to get caught up. WDCWA also needs to update its website content to improve its transparency.

Recommendation(s):

- Update WDCWA content to improve website transparency. See the most recent Yolo Local Government Website Transparency Scorecard posted on the LAFCo website to see where improvements are needed:

<https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>.

Attachments

ATT A-WDCWA JPA Service Review Reso 2023-03 July 27, 2023

ATT B-Public Review Draft Woodland-Davis Clean H2O Draft JPA Review Jul 6, 2023

Form Review

Inbox

Christine Crawford (Originator)

Form Started By: Christine Crawford

Final Approval Date: 07/19/2023

Reviewed By

Christine Crawford

Date

07/19/2023 09:53 AM

Started On: 06/27/2023 03:47 PM

YOLO LOCAL AGENCY FORMATION COMMISSION

Resolution № 2023-03

**ADOPTING THE JOINT POWERS AGENCY/AUTHORITY (JPA) SERVICE REVIEW FOR
THE WOODLAND-DAVIS CLEAN WATER AGENCY (WDCWA)
(LAFCo No. 23-02)**

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, set forth in Government Code Sections 56000 et seq., governs the organization and reorganization of cities and special districts by local agency formation commissions established in each county, as defined and specified in Government Code Sections 56000 et seq. (unless otherwise indicated all statutory references are to the Government Code); and

WHEREAS, Section 56378(a) provides for a local agency formation commission to initiate and make studies of existing governmental agencies, including inventorying those agencies and determining their maximum service area and service capacities requesting studies, joint powers agreements, and plans of joint powers agencies and joint powers authorities; and

WHEREAS, the cities within Yolo County (the Cities of Davis, West Sacramento, Winters, and Woodland) and the County of Yolo adopted the Yolo Local Government Transparency and Accountability Program at the meeting of each respective governing body in fall 2017, which requested that the Yolo Local Agency Formation Commission (LAFCo) add selected types of joint powers authorities/agencies (JPA) to its municipal service review process; and

WHEREAS, the Yolo Local Government Transparency and Accountability Program implementation requests LAFCo conduct Municipal Service Reviews every five years of selected types of JPAs whose service area is mostly within the county and includes: (1) JPAs that provide municipal services; (2) JPAs that employ staff; and/or (3) JPAs with boards comprised of agency staff; and

WHEREAS, in fiscal year 2022/23, LAFCo conducted a JPA Service Review of WDCWA; and

WHEREAS, staff has reviewed the JPA Service Review pursuant to the California Environmental Quality Act (CEQA) and determined that a JPA Service Review is not a “project” per CEQA Guidelines Section 21065 because it is not an activity which may cause a direct or indirect physical change to the environment; and

WHEREAS, the Executive Officer set a public hearing for July 27, 2023, for consideration of the draft JPA Service Review and caused notice thereof to be posted, published, and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and

WHEREAS, on July 27, 2023, the draft JPA Service Review came on regularly for hearing before LAFCo, at the time and place specified in the Notice; and

WHEREAS, at said hearing, LAFCo reviewed the draft JPA Service Review, and the Executive Officer's Report and Recommendations, and all other matters presented as prescribed by law; and

WHEREAS, at that time, an opportunity was given to all interested persons, organizations, and agencies to present oral or written testimony and other information concerning the proposal and all related matters; and

WHEREAS, the Commission received, heard, discussed, and considered all oral and written testimony related to the JPA Service Review, including but not limited to protests and objections, the Executive Officer's report and recommendations, and determinations and the service review.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Yolo Local Agency Formation Commission hereby adopts Resolution No. 2023-03 adopting the JPA Service Review for the Woodland-Davis Clean Water Agency (WDCWA) dated July 27, 2023, and incorporated herein by this reference, subject to the following finding and recommendations:

FINDING

Finding: Approval of the JPA Service Review is consistent with all applicable state laws and local Yolo Local Government Transparency and Accountability Program.

Evidence: The JPA Service Review was prepared consistent with the requirements in the Cortese-Knox-Hertzberg Act for requesting information from and furnishing studies for government agencies. Staff followed the steps outlined in the Yolo Local Government Transparency and Accountability Program including: Compiling publicly and readily available information; requesting any additional information from the JPA, minimizing JPA staff time; developing JPA recommendations regarding each of the determinations; completing an administrative draft report for preview by JPA management; responding to any comments and preparing a draft report available for public review; publishing a hearing notice for public review and comment of the draft JPA Service Review; adopting the JPA Service Review at a public hearing, finalizing the report, and posting it online; and sharing findings with city/county managers, including any cumulative recommendations on ways to streamline and improve efficiencies with the governance structures countywide.

RECOMMENDATIONS

1. The WDCWA Treasurer should review financial data on a regular basis and ensure any discrepancies are identified and investigated, and that corrective action be taken in a timely manner.
2. WDCWA audits should include a Statement of Revenues, Expenditures, and Changes in Fund Balance including detail of any individual reserve accounts.
3. Update WDCWA online content to improve website transparency. See the most recent Yolo Local Government Website Transparency Scorecard posted on the LAFCo website to see where improvements are needed: <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>.

PASSED AND ADOPTED by the Yolo Local Agency Formation Commission, State of California, this 27th day of July 2023, by the following vote:

Ayes:
Noes:
Abstentions:
Absent:

Olin Woods, Chair
Yolo County Local Agency Formation Commission

Attest:



Christine Crawford, Executive Officer
Yolo County Local Agency Formation Commission

Approved as to form:



Eric May, Commission Counsel