

**CITY OF WOODLAND
300 FIRST STREET
WOODLAND, CALIFORNIA**

**CITY COUNCIL
SPECIAL MEETING/STUDY SESSION AGENDA**

January 22, 2013

5:00 P.M.

- A. CALL TO ORDER
- B. CLOSED SESSION
- C. PLEDGE OF ALLEGIANCE
- D. COMMUNICATIONS-PUBLIC COMMENT

This an opportunity for the public to speak to the Council on any item other than those listed for public hearing on this agenda. Speakers are requested to use the microphone in front of the Council and to begin by stating their name, whether they reside in Woodland and the name of the organization they represent if any. The Mayor may impose a time limit on any speaker depending on the number of people wanting to speak and time available for the rest of the agenda. In the event comments are related to an item scheduled on the agenda, speakers may be required to wait to make their comments until that item is considered.

- E. COMMUNICATIONS–COUNCIL/STAFF STATEMENTS AND REQUESTS

This is an opportunity for the Council Members and Staff to make comments and announcements, to express concerns, or to request Council's consideration of any items a Council Member would like to have discussed at a future Council meeting.

- F. REPORTS OF THE CITY MANAGER

- 1. Surface Water Project Financing Plan

Recommendation: 1) It is recommended that the City Council conduct a Study Session to review the preliminary financing plan in support of the Woodland-Davis Surface Water Project, and 2) Provide direction to staff related to next steps in implementing the financing plan.



2. Presentation on City Storm Drain System Operations and Stormwater Regulatory Requirements

Recommendation: Staff recommends that the City Council receive the presentation on storm drain system operation and increasing permit requirements and provide staff direction regarding additional information or actions desired.

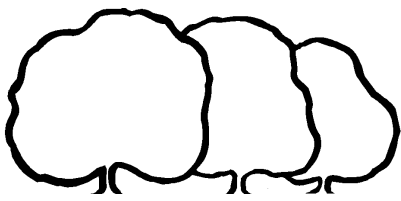
G. ADJOURN

I declare under penalty of perjury that the foregoing Agenda for the Joint Regular City Council/Woodland Finance Authority of the City of Woodland scheduled for Tuesday, January 22, 2013 was posted on January 18, 2013 in the outside display case at City Hall, 300 First Street, Woodland, CA, and was available to the public during normal business hours.

Jennifer Robinson
Deputy City Clerk

Upon request, agendas and documents in the agenda packet will be made available in appropriate alternative formats to persons with a disability, as required by law. Any such request must be made in writing to the Office of the City Clerk of the City of Woodland. Requests will be valid for the calendar year in which the request is received, and must be renewed prior to January 1st.

Persons needing disability-related modifications or accommodations in order to participate in public meetings, including persons requiring auxiliary aids or services, may request such modifications or accommodations by calling the Office of the City Clerk (530-661-5806) at least 48 hours prior to the meeting.



REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: January 22, 2013

SUBJECT: Study Session - Surface Water Project Financing Plan

Recommendation:

- 1) It is recommended that the City Council conduct a Study Session to review the preliminary financing plan in support of the Woodland-Davis Surface Water Project, and
- 2) Provide direction to staff related to next steps in implementing the financing plan.

Summary

The City Council has scheduled a Study Session on January 22, 2013 to hear a presentation of the preliminary financing plan being developed to support the City of Woodland's contribution to funding the Woodland-Davis Surface Water Project.

The preliminary financing plan to be presented at the Study Session is designed to provide funding for the City of Woodland's share of capital project costs, consistent with the current project cost estimates and procurement schedule being pursued by the Woodland-Davis Clean Water Agency JPA. The financing plan is also being developed consistent with the revenue capacity provided by the city's approved multi-year water rate ordinance.

While the baseline financing plan is geared toward supporting the City of Woodland's share of the proposed 30MGD joint project, staff is also prepared to discuss how the financing plan provides the flexibility to support an 18MGD stand-alone project for the City of Woodland should the City of Davis be unable to proceed with the project. The City of Davis' ongoing participation in the project is contingent upon approval of a March 5th ballot measure, as well as approval of proposed water rates, pursuant to the process prescribed by Proposition 218.

Background

Description of Surface Water Project

- The overall project consists of construction of the following regional facilities:
 - *Sacramento River Intake Facility* – currently proposed as a joint intake facility with Reclamation District 2035; the JPA requirement would be for roughly 20% of the capacity of the joint intake facility, with RD2035's share to be funded through securing Federal and State grants.

- o *Raw Water Pipeline* – to convey Sacramento River water from the intake facility to a Water Treatment facility (WTF)
- o *Regional Water Treatment Facility* – constructed to treat surface water for distribution to Woodland and Davis
- o *Treated Water Pipeline* – to convey treated surface water from the WTF to connection points to both the City of Woodland and City of Davis municipal water systems.
- o *Local Facilities* – in addition to the infrastructure being developed by the JPA in support of the regional water project, both Woodland and Davis will also need to invest in new and upgraded “local” infrastructure in order to effectively integrate the new treated surface water into their respective municipal water utilities. The costs for each city’s local facilities are generally outside the project costs associated with the regional facilities being provided via the JPA, but are included in the overall project cost estimates so all elements of the project are represented and transparent to the public..
- o *Water Rights* - A critical component of the regional surface water project is the acquisition of permanent water rights needed to meet the current and future water demands of the project partners. To date, this effort has resulted in two major milestones:
 - Securing the rights to 40,000 acre-feet of Sacramento River water through the State Water Resources Control Board; included the combining of rights originally applied for by the cities of Woodland and Davis as well as the University of California –Davis. This water permit was secured in 2011
 - Summer Water Rights – in order to meet summer peak-demand requirements, the JPA successfully secured permanent senior rights to an additional 10,000 acre-feet of “summer” water through an agreement with the Conway Preservation Group (CPG). The agreement for the purchase of summer water rights from CPG is separate from other agreements reached with CPG related to the Joint Intake Facility and easements for the raw water pipelines.

Project Timeline

- The project schedule has, from inception, provided for completion of the regional water supply project.
- In order to meet this schedule, the JPA envisioned issuance of an RFP for Design-Build-Operation (DBO) by February of 2012, with contracts awarded so as to allow construction to begin in early 2013.

- In late 2011 / early 2012, a revised project timeline was approved by the JPA Board in order to allow the City of Davis to a) restructure its water rate setting process and b) place a measure before the Davis voters at the November 2012 election.
- The JPA's project schedule was again revised in the summer of 2012 to provide additional time requested by the City of Davis, consistent with their decision to hold the election in March, 2013.

Project Costs

- The original project cost estimate for the regional surface water project was an estimated \$337 million, based on projections of ultimate share of total project capacity of 40MGD. The most current cost estimate for the regional surface water project, - based on an initial capacity of 30MGD - has been reduced to an estimated \$245.0 million, with Woodland's share estimated to be \$131.3 million and Davis' share estimated at \$113.8 million. These estimates reflect updated cost-sharing parameters negotiated between Woodland and Davis, pending approval by both City Councils of the related amendments to the JPA Agreement.

The current procurement schedule calls for responses to the Request for Proposals from the DBO teams this summer, with contract award by September 2013. Both cities will be required to have their respective financing in place over the course of the next 6-9 months in order to support this project schedule.

The Study Session (outline attached) is intended to provide the City Council with information required to provide direction for next steps in implementing the financing plan needed in support of the Surface Water Project

Paul Navazio
City Manager

Enclosures

- Study Session Outline
- Project Map
- Project Milestones
- Financing Milestones

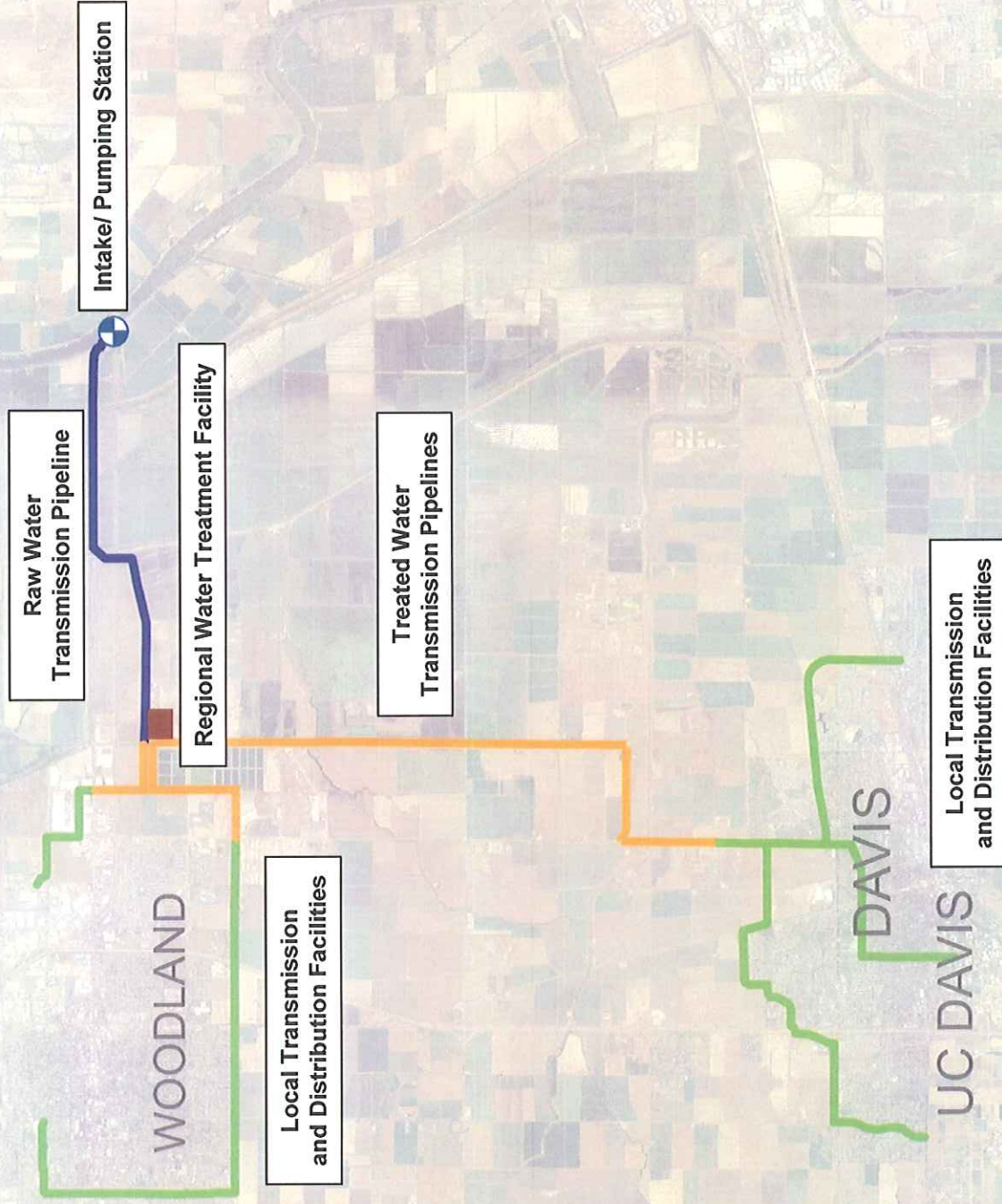
SURFACE WATER PROJECT - FINANCING PLAN

City Council Study Session

January 22, 2013

- Introduction / Purpose of Study Session
- Background - Project Overview - (*Dennis Diemer*)
 - Project Description / Goals / Objectives
 - Current Schedule and Upcoming Milestones
 - Concurrent 30MGD Joint Project / 18MGD Stand-Alone Project
- Background - Project Cost(s) - (*Paul Navazio*)
 - Overall Project Costs
 - Cash-Flow Requirements
 - Approved City of Woodland Multi-Year Rates
 - Assumptions Used in Rate-Setting Model
 - Current estimate of Revenue Capacity from Rates
- Financing the Surface Water Project
 - Financing Options (Debt Financing / State Revolving Loan Fund / Other)
 - Goals of Overall Financing Plan
 - Deliver resources to project when needed
 - Manage total project
 - Manage overall customer rate impacts
- Current Financing Plan Scenario
 - Utility Revenue Bonds
 - Interest Rate Climate
 - Maximize Capacity provided by Existing Water Rate Plan
 - Potential for State Revolving Loans Funds
 - Maintain Flexibility to incorporate alternative financing
 - Stand-Alone 18 MGD Project Financing Plan
- Some Policy Considerations
 - Timing / Structure of Debt Financing
 - Consideration of Debt-Financing for Summer Water Purchase
 - Preliminary Staff Recommendation(s)
- Public Outreach Plan (*Kim Floyd*)
- NEXT STEPS

Davis Woodland Water Supply Project



Updated: 6/21/12

Schedule Milestones

Task	Completion by
NEPA/CEQA for joint intake	October 2012 ✓
Complete RWTF Site Fill	November 2012 ✓
Issue Final RFP for DBO Contract	December 2012 ✓
Land/Easement Acquisition	December 2012 ✓
USACE 404 Permit	February 2013
Approval of Project Funding by Each City	March 2013
Secure Joint Intake Construction Funding	May 2013
Receive DBO Price Proposals	June 2013
Award DBO Contract	September 2013
Project Acceptance Testing	August 2016

Bond Financing Milestone Schedule

Task	Date	✓	City Council Decision
Plan of Finance Discussion with City Staff	Dec 2012	✓	
Plan of Finance Presentation to City of Woodland City Council	Jan 2013		
Bond Document / Official Statement Preparation	Jan-Mar 2013		
City of Woodland City Council (Full Bond Authorization / Authorize First Bond Series)	Mar 2013		X
Davis Completion of 218 Process and Approval of Water Rates ("go / no go" decision)	Mar 2013		X
Rating Agency Presentations	Apr 2013		
Bonds Issued / Closing	Apr-May 2013		
Award of Service Contract	Sep 2013		



Surface Water Supply Project Plan of Finance

January 22, 2013



City of Woodland

Davis-Woodland
Surface Water Supply Project



STUDY SESSION OUTLINE

- Background – Project Overview
- Project Costs / Cash Flow Requirements
- Goals of Financing Plan
- Current Financing Plan Scenario
 - Favorable Interest Rate Climate
 - Maintain Utmost Flexibility
- Policy Considerations
- Council Direction / Next Steps
- Public Outreach



WOODLAND - DAVIS
Clean Water Agency

Davis-Woodland Water Supply Project

**Woodland City Council Study Session
January 22, 2013**

Woodland-Davis Clean Water Agency

- Formed September 15, 2009
- JPA of Davis and Woodland; UC Davis a Participating Agency
- Governing Board - 2 council members from each city + non-voting representative from UC Davis and Yolo County
- Funded by user fees in each city

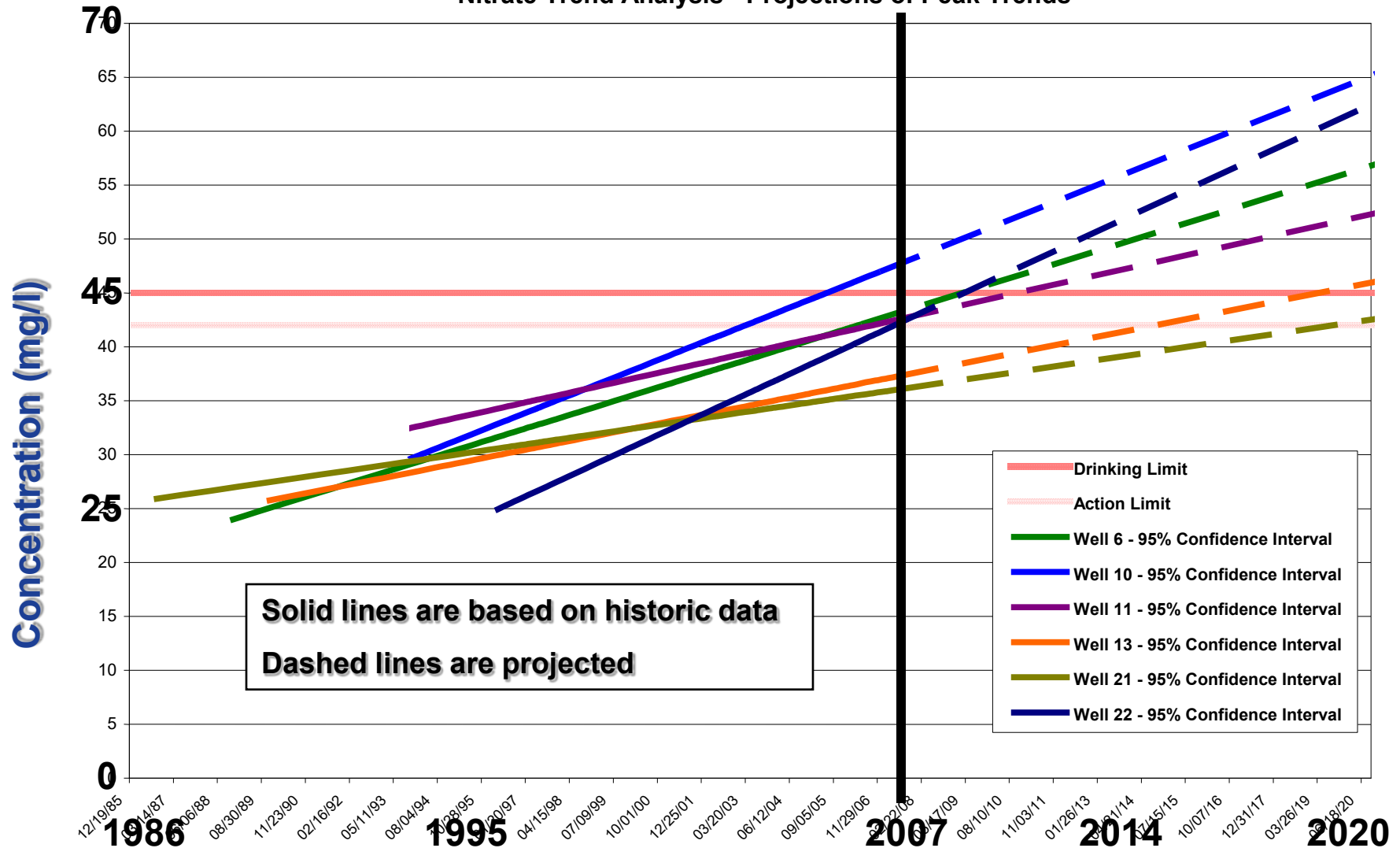
WDCWA

Issues/Concerns

- 100% dependence on groundwater
- Aging water systems
- Degradation of groundwater supplies (e.g.- nitrates)
- More stringent drinking water regulations
- More restrictive wastewater discharge regulations

City of Woodland Well Nitrate Levels

Nitrate Trend Analysis - Projections of Peak Trends

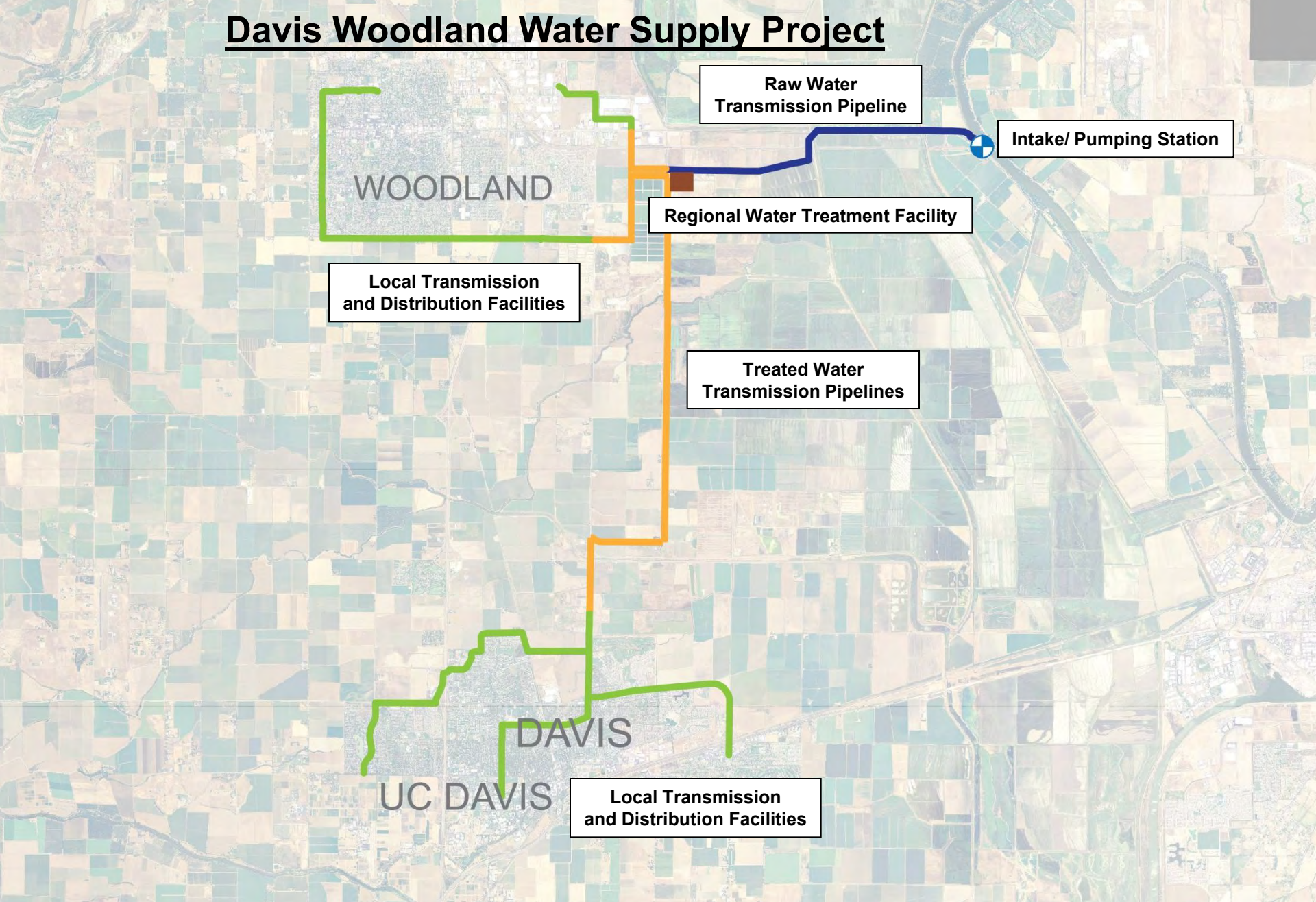


WDCWA

Goals and Objectives

- Improve water supply yield and quality
- Comply with drinking water/wastewater discharge regulatory requirements
- Provide environmental benefits and minimize impacts
- Diversify supply portfolio to improve supply reliability
- Integrate water conservation elements

Davis Woodland Water Supply Project



Water Quality

Constituent	Groundwater	Sacramento River
Salinity (EC, uohms/cm)	640 – 1,140	190 – 210
Boron, ppb	500 – 2,300	<100
Selenium, ppb	0 - 40	<0.1
Nitrates, ppm	1 - 40	<1
Iron, ppb	0 - 720	0.32
Manganese, ppb	0 - 110	<15

Sources: Woodland & Davis Annual Water Quality Reports for groundwater; 2009 treated water quality reports for West Sacramento water treatment plant for Sacramento River

30 mgd Joint Project Costs

(Apr 2012 million dollars)

Construction Costs¹

Facility	Cost
Joint Intake (Agency Portion)	13.12
Raw Water Pipeline	25.65
Regional Water Treatment Facility (RWTF)	105.03
Woodland Treated Water Pipelines	6.18
Davis Treated Water Pipeline	25.33
Permit Fees & Construction Counsel	2.91
TOTAL	178.22



Capital Costs, 2009-2016

Component	Total
Agency Administration	3.51
Program Management	3.43
Water Supply	1.70
Environmental & Permitting	1.57
Land/ROW Acquisition	4.30
Pre-Design	6.15
Construction	178.22
Capital Contingency	7.59
Woodland and Davis Local Facilities	31.03
Costs Expended Since 2009	7.49
TOTAL CAPITAL COSTS	245.01

¹ Includes DBO contract design and construction costs, design-bid-build construction costs, and Agency design review, construction management, engineering services during construction, environmental construction monitoring, and environmental mitigation, permitting and incidental costs.

WDCWA Project Capacity

30 mgd Joint Project

- 18 mgd Woodland capacity
- 12 mgd Davis capacity
- Capacity sufficient through 2035 for both Cities
- Woodland to add 4 mgd in 2035, sufficient through 2050

18 mgd Woodland-only Project

- Available should Davis decide not to participate in Joint Project

Schedule Milestones

Task	Completion by
NEPA/CEQA for joint intake	October 2012 ✓
Complete RWTF Site Fill	November 2012 ✓
Issue Final RFP for DBO Contract	December 2012 ✓
Land/Easement Acquisition	December 2012 ✓
USACE 404 Permit	February 2013
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PROJECT COSTS

CURRENT RATE CAPACITY

Evolution of Project Cost Reductions

Project Alternatives / Scope	Woodland Cost (\$M)
40 MGD Rate Study Project	\$151
40 MGD Baseline DWWSP Project	\$139
30 MGD Baseline DWWSP	\$128
30 MGD Current Cost Share DWWSP	\$131
• 50% / 50% Regional Non-Capacity	
• 59.2 % / 40.8% Regional Capacity Costs	
• 50% Share of Treated Pipe to 25A	
• 100% Local Project Costs	

Current Project Costs – 30 MGD Joint Project

(\$ millions)

Cost Category	TOTAL	Davis	Woodland
Regional Project Admin.	\$8.65	\$3.75	\$4.93
Environmental & Permitting	1.57	0.77	0.81
Land / ROW Acquisition	4.30	2.00	2.31
Pre-Design	6.15	2.85	3.31
Construction	178.22	82.77	95.45
• <i>Joint Intake</i>	<i>13.12</i>	<i>5.76</i>	<i>7.37</i>
• <i>Raw Water Pipeline</i>	<i>25.65</i>	<i>10.47</i>	<i>15.19</i>
• <i>Regional Water Treatment Facility</i>	<i>105.03</i>	<i>42.86</i>	<i>62.17</i>
• <i>Treated Water Pipeline</i>	<i>31.51</i>	<i>22.24</i>	<i>9.27</i>
• <i>Fees / Legal</i>	<i>2.91</i>	<i>1.45</i>	<i>1.46</i>
Local Facilities	31.03	14.66	16.38
Costs Expended Since 2009	7.49	3.48	4.01
TOTAL PROJECT COSTS	\$245.01	\$113.77	\$131.27

Cash Flow Requirements

(\$ 000's)

	12-13	13-14	14-15	15-16	16-17	17-18	18-19
Agency Admin	399	373	354	365	334	291	302
Capital Project	5,691	17,778	40,392	40,166	12,096	25	26
Water Purchase	0	0	0	1,401	1,429	1,458	1,487
O & M	0	0	0	0	3,503	4,435	4,713
Total Costs	\$6,090	\$18,151	\$40,746	\$41,932	\$17,362	\$6,209	\$6,528

\$118 M Capital Costs
\$ 14 M TECP Refunding

Approved Multi-Year Water Rate Ordinance

		Multi-Year Rate Ordinance				
	July 2012	Jan 2013	Jan 2014	Jan 2015	Jan 2016	→
Revenue Increase	20%	17%	17%	17%	17%	CPI (3%)
<i>Typical Residential Bill</i>	\$51.75	\$64.07	\$70.60	\$84.07	\$95.23	
<i>(Assumes 1,700 c.f. / month)</i>						

- Recommendations informed by Utility Rate Advisory Committee
- Council approve recommendation - Feb 2012
- Public Hearing (Prop 218) / Ordinance Adoption – April/May 2012
- Effective Date - January 1, 2013



Assumptions Used in Rate Model

- **Surface Water Project Capital Costs** **\$151 Million**
- **New Debt (Bonds) Required** **\$187 Million**
 - *Includes \$24.7 million - local facilities projects*
- **Interest Rate on New Bonds** **5.75%**
- **Annual Level Debt Service (2020)** **\$ 14.0 million**
- **SWP Operations and Maintenance (FY2018)** **\$ 4.68 million**

Existing Water Utility Revenue Requirements

(\$ Millions)

	2013	2014	2015	2016	2017	2018
O&M - Current	6.68	7.66	7.46	7.84	7.93	8.28
<u>O&M SWP</u>	<u>0.40</u>	<u>0.37</u>	<u>0.35</u>	<u>0.37</u>	<u>3.83</u>	<u>4.73</u>
Total O&M	7.08	8.03	7.81	8.21	11.76	13.01
Summer Water Purchase	---	---	---	1.63	1.70	1.77
Rate-Funded Capital	0.99	0.99	1.00	1.00	1.00	1.00
Debt Service	1.46	5.09	6.46	10.60	10.60	10.60
Other	4.36	2.25	3.93	1.45	0.125	<0.11>
TOTAL REVENUE	13.90	16.36	19.2	22.90	25.18	26.26

Water Enterprise Fund

Existing Indebtedness

- **\$18,815,000, Woodland Finance Authority, Water Revenue Bonds, Series 2011**
 - Amount remaining: \$18,500,000
 - Final maturity: 3/1/41
 - S&P rating: AA-
- **Purpose:**
 - Currently refunded Water Revenue Bonds, Series 2008
 - Provided \$7,601,000 of New Money
 - Water Meters
 - Ground Level Water Tank
 - Well and Pipe Replacement and Rehabilitation
- **Established new bond covenants in anticipation of Surface Water Project**
 - 1.20x Rate Covenant
 - Flexible Additional Bonds Test (“ABT”)

Water Enterprise Fund

Existing Indebtedness (Continued)

- **\$38,000,000, Woodland Finance Authority, Water Revenue Commercial Paper Notes (“TECP”)**
 - Amount drawn: \$10,300,000
 - Amount remaining: \$27,700,000
 - Letter of credit: Union Bank
 - LOC expiration: May 12, 2014
 - Current mode: 54 Days
 - Current rate: 0.22%
 - Ratings: S&P A-1, Fitch F1

- **Purpose:**
 - Fund early Surface Water Project costs
 - To be paid off with future series of Water Revenue Bonds



FINANCING THE SURFACE WATER PROJECT



Goals Of Financing Plan

- **Deliver funding resources to project as needed**
 - Capital Project Costs (Design-Construction)
 - Provide for Debt and Operating Reserves (Liquidity)

- **Manage Financing Costs as Component of Overall Project Costs**
 - Lowest-Cost Financing
 - Manage Interest Rate Risk
 - Provide for Financing Flexibility

- **Manage Overall Rate Impacts**
 - Smoothing of Rate Impacts
 - Manage to Lowest Overall Rates

Financing Options

- **Water Utility Revenue Bonds**

- ☐ Tax-exempt market-rate debt
- ☐ Secured by water rate revenues
- ☐ 30-year amortization

- **State Revolving Loan Fund**

- ☐ Low-interest, 20-year loan(s) – currently 2.25%
- ☐ Currently pursuing:
 - Intake Facility
 - Water Treatment Facility
 - Raw & Treated Pipelines

- **Grants / Other**

- **Pay-As-You-Go**



Water System Proposed Indebtedness

- **\$82,115,000, Woodland Finance Authority, Water Revenue Bonds, Series 2013**
 - Final maturity: March 1, 2043 (FY 2043)
 - Reserve fund: Full Cash (Maximum Annual Debt Service)
 - Project Amount: \$60,467,273
 - Other use: Redeem \$14,691,000 Water Revenue Commercial Paper Notes
- **\$56,485,000, Woodland Finance Authority, Water Revenue Bonds, Series 2015**
 - Final maturity: March 1, 2045 (FY 2045)
 - Reserve fund: Full Cash (Maximum Annual Debt Service)
 - Project Amount: \$53,530,583

Water System

Proposed Financing Cash Flow

Timing	Par Amount of Bonds	Bond Proceeds	TECP Proceeds	PAYGO (Cash)	Project Capital Costs
FY 2013			\$5,691,000		\$5,691,000
Series 2013 ⁽¹⁾	\$82,115,000	\$61,118,273			
FY 2014					\$17,778,000
FY 2015					\$43,340,273
Series 2015	\$56,485,000	\$51,559,583			
FY 2016				\$5,000,000	\$42,932,945
FY 2017					\$13,626,638
FY 2018				\$1,669,823	\$1,669,823
FY 2019				\$3,474,168	\$3,474,168
Totals	\$138,600,000	\$112,677,856	\$5,691,000	\$10,143,991	\$128,512,847

Notes

(1) Includes refinancing of \$14.691M TECP (\$9M FY12 and \$5.691M FY13)

Water System

Pro Forma Analysis

\$/1,000s

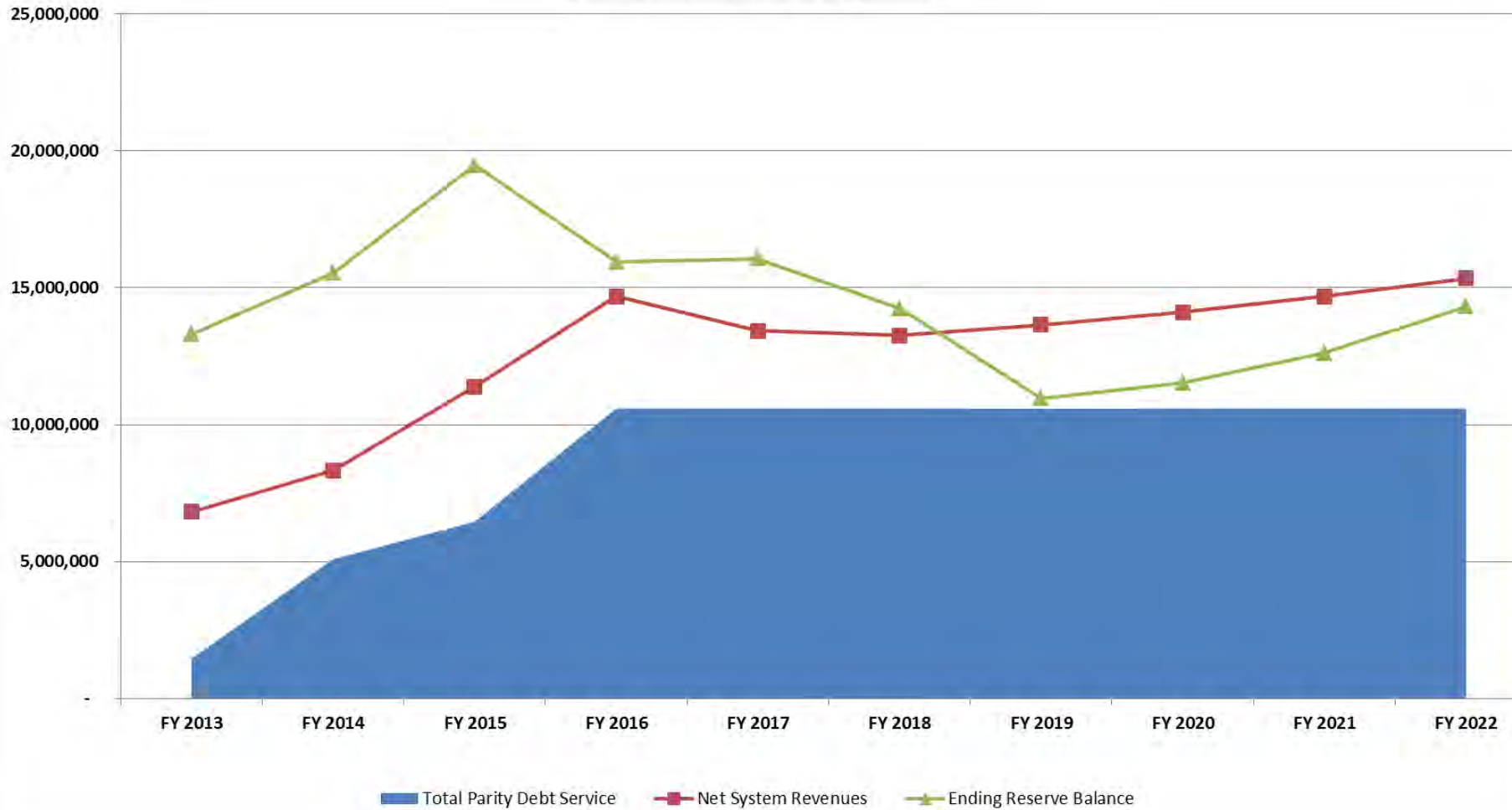
Fiscal Year	Budget <u>12/13</u>	Projected <u>13/14</u>	<u>14/15</u>	<u>15/16</u>	<u>16/17</u>	<u>17/18</u> <u>21/22</u>	
Gross Revenue	\$13,901	\$16,357	\$19,200	\$22,899	\$25,180	\$26,264	\$30,861
O&M / Admin	<u>\$7,087</u>	<u>\$8,030</u>	<u>\$7,810</u>	<u>\$8,210</u>	<u>\$11,759</u>	<u>\$13,011</u>	<u>\$15,521</u>
Net System Revenues	\$6,814	\$8,327	\$11,390	\$14,689	\$13,421	\$13,253	\$15,340
Debt Service	\$1,462	\$5,050	\$6,462	\$10,596	\$10,592	\$10,596	\$10,594
Debt Service Coverage	4.66	1.64	1.76	1.39	1.27	1.25	1.45
Debt Service Coverage ^(1,2)	4.47	1.58	1.72	1.34	1.22	1.21	1.40
FYE Fund Balance	\$13,302	\$15,548	\$19,477	\$15,933	\$16,059	\$14,249	\$14,329
Percentage of O&M	188%	194%	249%	194%	137%	110%	92%

Notes

(1) Excludes Connection Fees

(2) Debt Service Essentially Level from FY 15/16

City of Woodland Water Enterprise Fund Summary of Operations (Joint Project)



Plan of Finance

- Assumes “Base Case” with full City of Davis participation
- Keys to the plan:
 - City meets Additional Bonds Test (“ABT”) upon each subsequent issuance
 - Utilize existing rate covenant and additional bonds test
 - Utilize Rate Stabilization Fund, as needed (no current plans)
 - TECP (Commercial Paper) used to fund first \$14.691M of SWP costs (current rate of 0.22%)
 - Paid off as part of Series 2013
 - First series maximized to fund three years of project costs to meet Treasury regulations and take advantage of historically low interest rate environment
 - Issuing two series allows for reduction or elimination of second series in the event the City secures other low interest loans or grant funds
 - Look to maintain system rating in the S&P “AA” category
 - Effect will be to maintain lower borrowing costs
 - \$5MM pay-as-you-go (“PAYGO”) component in FY 2016

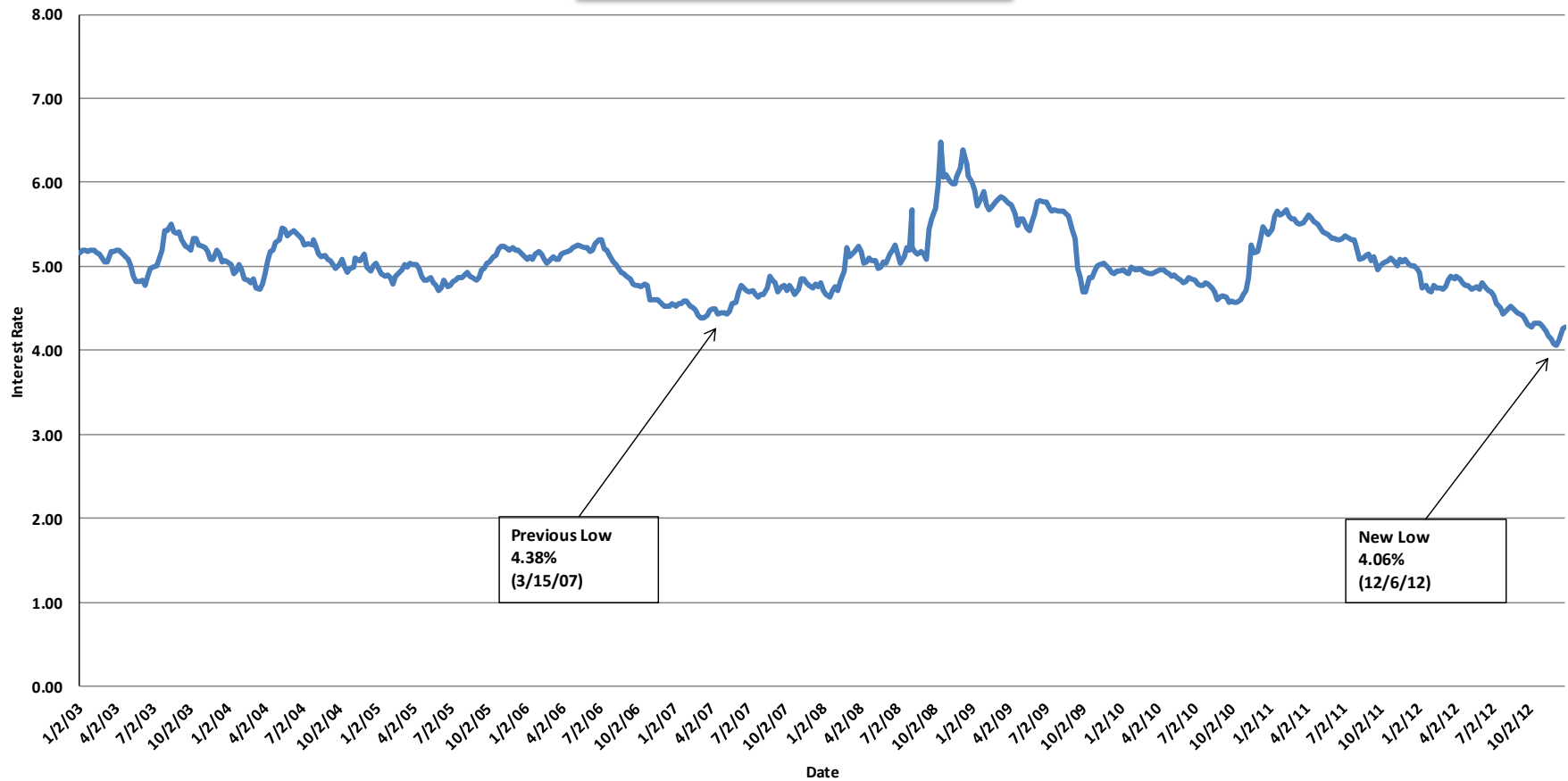
Plan of Finance (continued)

- Assumes conservative costs
 - Costs of issuance at 1.25%
 - 4.75% interest rate on first planned series
 - Amortization 30-years
- Assumes full project funding
 - 100% of SWP project costs and portion of local CIP bond funded
 - Portion funded “pay-as-you-go” (“PAYGO”)

Plan of Finance (continued)

- Debt service coverage above required 1.20x each fiscal year
 - Pinch point begins in FY 2017 and FY 2018 as debt service escalates to ultimate level and rate increases level off
- Fund balance shows high liquidity
 - Seen as credit positive during construction period
 - Allows for flexibility as:
 - Davis participation becomes known
 - Design Build Operate “DBO” costs become known
 - Annual operating costs of plant become known
- Pro Forma stabilizes by FY 2018
- Renew Letter of Credit with Union Bank in the event Davis does not participate
 - Not anticipated to be used with joint project other than FY 2013 costs
 - Paid off as part of FY 2013 bond issuance

Bond Buyer Revenue Bond Index (Ten Years)



Notes:
Revenue 25 Bond Index (30 Years, A1, A+)



Bond Financing Milestone Schedule

Task	Date	✓	City Council Decision
Plan of Finance Discussion with City Staff	Dec 2012	✓	
Plan of Finance Presentation to City of Woodland City Council	Jan 2013		
Bond Document / Official Statement Preparation	Jan-Mar 2013		
City of Woodland City Council (Full Bond Authorization / Authorize First Bond Series)	Mar 2013		X
Bonds Issued / Closing	Apr-May 2013		
Award of Service Contract	Sep 2013		X



Policy Considerations

Discussion Items

- First bond series the same with or without Davis participation
- Can withstand 20-year SRF amortization (joint project)
- Renew LOC to assure plan works without Davis participation



Variables / Uncertainty

- Davis Participation
- Design / Build Contract Costs
- Interest Rate Risk over Financing Period
- Federal Tax-Exemption (28% or Elimination)

Sensitivity to Major Assumptions

(\$ millions)

	Rate Model	30MGD / 18MGD	Project <10%>	Cost + 10%	Interest + 50 Bps	SRF \$50 M
Project Cost	\$151	\$131	\$118	\$144	\$131	\$131
New Debt		\$ 82.12	\$ 82.12	\$ 82.12	\$ 82.12	\$82.12
	_____.	<u>\$ 56.49</u>	<u>\$ 49.86</u>	<u>\$ 67.96</u>	<u>\$ 56.49</u>	<u>\$ 6.49</u>
	\$187	\$138.61	\$141.98	\$150.08	\$ 138.61	\$88.61
Interest %	5.75%	4.75%	4.75%	4.75%	5.25%	Blended
Annual Debt	\$14.10	\$10.60	\$10.11	\$11.68	\$10.91	\$10.10
Total Debt		\$296.2	\$283.1	\$321.6	\$311.8	\$250.5
2017 (Year 4)	17%	17%	10%	17%	17%	10%
Revenue Increase						

Recommendation

- Convene Woodland Surface Water Project Financing Team
- Review SWP Plan of Finance with Utility Rate Advisory Committee
- Develop Bond Document and Official Statements for Base Financing Plan
 - Series A - \$82.115 Million (2013)
 - Series B - \$56.485 Million (2015)
- Return to Council February / March
 - Formal Council Action for Bond Authorization
 - Present Bond Counsel Opinion re Option for Issuance of JPA Debt
- Continue to partner with WDCWA on pursuit of SRF
- Refine Project Cost estimates for Stand-Alone Project Alternative



Public Outreach

■ Enhance Public, Community and Rate-Payer Information

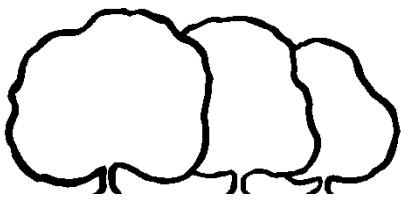
- ☐ Water System / Water Project Information
- ☐ Water Conservation
- ☐ Rate & Bill Management

■ Forums

- ☐ Neighborhood Meetings
- ☐ Outreach Materials
- ☐ Small Group Meetings / Presentations
- ☐ Website
- ☐ Community Meetings
- ☐ Media Relations



Questions ???



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: January 22, 2013

SUBJECT: Presentation on City Storm Drain System Operations and Stormwater
Regulatory Requirements

Recommendation for Action

Staff recommends that the City Council receive the presentation on storm drain system operation and increasing permit requirements and provide staff direction regarding additional information or actions desired.

Presentation Purpose

Staff is presenting an overview of the City's storm drain and stormwater conveyance system to inform the City Council and the public about system operation and maintenance requirements, infrastructure needs, significant impending permit changes, and associated cost concerns. The presentation expands upon and updates information staff has provided to Council members in the past two years as the new state permit requirements have been under development. The intent is to reinforce community awareness about storm drain system issues, prepare for 2013/14 budget planning, and highlight opportunities to help effect state-level changes related to the stormwater regulatory process and storm drain revenue generation.

Background

The City's stormwater system includes more than 2,000 drain inlets and inverted siphons, 80 miles of drainage pipes, three pumping stations, detention ponds, and other major components. Increased urbanization and the associated expansion of pavement and other impermeable surfaces has led to an increase in both stormwater flows and dry-weather flows—such as runoff from lawn watering and pavement and car washing—being conveyed through the storm drain system. These flows carry pollutants including pesticides and fertilizers, automotive fluids, and debris to the Tule Canal in the Yolo Bypass, where Woodland's stormwater is discharged.

Since 2003, discharges from the City's storm drain system have been regulated under the federal Clean Water Act. The requirements of the Act are enforced in California through a National Pollutant Discharge Elimination System (NPDES) permit for small municipal separate storm sewer systems (Phase II MS4 permit) issued by the State Water Resources Control Board (State Water Board). The intent of the permit is to reduce, to the maximum extent practicable, small municipalities' discharges of pollutants into natural water bodies via their storm drain systems.

Attachment 1 summarizes the City's activities, or "best management practices" (BMPs), conducted between July 1, 2011 and June 30, 2012, to comply with the existing Phase II MS4 permit. Providing this summary fulfills the requirement that the City Council be updated annually on how stormwater BMPs were implemented during the previous reporting year.

The Phase II MS4 permit was intended to be revised and reissued in 2008. However, revision has been ongoing for several years, and three drafts of the revised permit have been issued since June 2011. The State Water Board expects to adopt a final version in February 2013. The permit revisions reflect increased federal and state concerns about the array of pollutants in municipal discharges and also how runoff alters stream channels by modifying flow volumes and velocities. While implementing the existing BMPs has satisfied the City's compliance requirements to date, the revised permit will demand a much higher level of City compliance activities. These are anticipated to include strict restrictions on runoff from all new development and highly prescriptive measures intended to identify and address potential pollutant sources. City staff agrees with permittees throughout the state in arguing that many of the proposed permit provisions exceed Clean Water Act requirements and therefore constitute unfunded state mandates.

The stormwater fees that the City collects are inadequate to cover the current costs of operating and maintaining the storm water conveyance system and meeting existing regulatory requirements. The City's General Fund is already negatively affected by the shortfall in storm drain funds. In addition, the City will not be able to meet the new Phase II MS4 permit requirements without committing more staff and budget to compliance activities. However, City options for raising fees are severely constrained by Proposition 218 requirements, which prohibit a storm drain fee from being increased without an affirmative vote by a majority of property owners or two-thirds of the electorate.

Discussion

Following is a summary of the topics being covered in the staff presentation:

1. Purpose of the Presentation
2. The Storm Drain System
 - Components
 - Operation and Maintenance
3. Current Stormwater Regulation and Compliance
 - Federal and State Stormwater Regulation
 - Current Phase II MS4 Permit and Compliance

4. Costs and Revenues
 - Storm Drain Fees and Proposition 218
 - Current Revenue Needs vs. Revenues
5. New Phase II MS4 Permit
 - Changes in Regulatory Focus
 - Permit Revision Process
 - Permit Outline
 - Major Issues of Concern
 - Estimated Costs
 - Implementation Schedule
6. Potential Next Steps
7. Summary

Conclusion

Staff recommends that the City Council receive the presentation on storm drain system operation and increasing permit requirements and provide staff direction regarding additional information or actions desired.

Prepared by: Roberta Childers
Environmental Resource Analyst

Reviewed by: Gregor G. Meyer
Public Works Director

Paul Navazio
City Manager

Attachment: Summary of MS4 Permit Compliance for Reporting Year 2011/2012

Woodland City Council, January 22, 2013
Storm Drain System and Stormwater Regulation Update

Attachment 1
Summary of MS4 Permit Compliance for Reporting Year 2011/2012

On September 13, 2012, the City submitted its annual report to the Central Valley Regional Water Quality Control Board (RWQCB) for compliance with the *National Pollutant Discharge Elimination System General Permit for the Discharge of Storm Water from Small Municipal Separate Storm Sewer Systems, Order No. 2003-0005-DWQ* (MS4 Permit). The annual report documents the City's efforts to implement the required actions described in the City's Storm Water Management Program (SWMP) for the reporting period of July 1, 2011 through June 30, 2012 for the six required minimum control measures. These actions are referred to as Best Management Practices, or BMPs. One requirement of the City's SWMP is to update the City Council on the City's efforts to implement the stormwater BMPs in the previous reporting year. The information presented herein summarizes the annual report content and satisfies this requirement.

Public Education and Outreach: City staff continued to use various methods and venues for providing information to the community about storm water quality management. These included the following:

- Providing information at booths set up at numerous special community events.
- Presenting storm water issues to a City Council and Chamber of Commerce study group.
- Sponsoring "ZunZun" bilingual performances for 4,570 elementary school students that provided education about waste and recycling, watershed protection, and water conservation and the relationship between the three.
- Collaborating with other local jurisdictions to design and produce annual calendars using environmental themes, including storm water pollution prevention.
- Recording and sponsoring KUIC FM 95.3 "Hometown Green" spots related to storm water pollution prevention.
- Using the billboard message "Recycle Your Used Oil & Filter! Used Motor Oil Pollutes Our Waterways" and a used oil filter exchange event to promote awareness of pollution prevention through proper oil disposal.
- Partnering with the Yolo County Master Gardeners to promote backyard composting and landscape pesticide reduction at fall and spring events.
- Presenting Introduction to the Seven Principles of River-Friendly Landscaping at the City's Home Water-Wise Landscape Tour.
- Promoting the proper disposal of fats, oils, and grease (FOG) to prevent sanitary sewer overflows.

Public Involvement and Participation: Public participation efforts this year focused on storm drain protection on commercial sites. The City distributed a BMP guidance letter to approximately 50 businesses, reviewed storm water pollution prevention with commercial site managers and staff during about 550 business site inspections, and encouraged the marking of

storm drain inlets at commercial premises to increase employee awareness. The City makes storm drain identification stencils and spray paint available to all businesses for storm drain marking.

Staff updated the City Council and the public on the status of compliance with the City's Storm Water Management Program at the November 1, 2011 City Council meeting.

Illicit Discharge Detection and Elimination: The City's storm water conveyance system map and ordinance have been regularly checked to make sure they are up to date. The City continued its 8-year program for systematic inspection and cleaning of the storm water conveyance system, and during the 2011/2012 reporting period, cleaned 364 storm drain inlets and 48,752 feet of storm line and evaluated 46,550 feet of storm lines using closed-circuit television (CCTV). City staff monitored agricultural discharge locations, and no illicit connections or illegal agricultural discharges to the City's storm drain system were identified. Staff also regularly inspected and cleaned open channels and documented findings.

Utilities, environmental compliance, and code compliance staff members met regularly to review illicit connections and illegal discharges to the storm water conveyance system, including sanitary sewer overflows. All of the 24 identified problem discharges were contained and cleaned up within the City's storm drain system or before reaching it. In conjunction with containment and cleanup of these incidents, the Utilities O&M Branch distributed the bilingual (English/Spanish) Home Improvement Guide to Protecting Our Waterways and door hangers to 140 residences.

Environmental Compliance staff also distributed bilingual brochures on controlling the introduction of fats, oils, and grease (FOG) into the sanitary sewer system to 80 apartment complexes with 4,484 apartment units. The program brochures are also available at City Hall and library displays, and were distributed at various public outreach events.

Also during this reporting period, three violation notices and a citation were issued for illegal storm water discharges.

Construction Site Runoff Control: Storm water construction site inspectors visited each construction site with an active storm water pollution prevention plan (SWPPP) or erosion and sediment control plan at least once per month, and usually more frequently, to ensure that appropriate BMPs were in place. Followup with contractors was required in two instances because of dirt/mud and debris tracking, but no correction or violation notices were required.

Post-Construction Runoff Control: Each development application packet distributed by the Community Development Department included a fact sheet explaining that post-construction BMPs are required for certain types of development projects. The City's Storm Water Technical Guidance Manual describes storm water quality control measures and the projects that must implement them. Projects that require post-construction BMPs were reviewed to ensure that the appropriate measures are included to reduce, improve, and treat storm water runoff.

To ensure proper functioning of storm water treatment systems, City staff inspected the 13 commercial sites that have permanent storm water pre-treatment mechanisms (stormceptors, storm vaults, and swales) and verified that they are being appropriately maintained by the property owners.

Municipal Operations Runoff Control: In June, the entire Public Works staff received training on practices for protecting storm water quality. Regular tailgate sessions about storm water pollution prevention and spill cleanup were held with the field crews throughout the year. Housekeeping practices at the Municipal Service Center and recreation facilities continued to be monitored, and no problems were encountered. The City proceeded with its upgrade of the older park irrigation systems to improve watering efficiency and reduce runoff. City crews performed weekly maintenance and visual inspections of the East Main Street Storm Water Lift Station and bimonthly inspections of open channels.

The Public Works staff is continually trained in responding to sanitary sewer overflows (SSOs). City staff responded to 33 SSOs during this reporting period, 15 of which were caused by root intrusion, 3 of which were the result of fats, oils, and grease (FOG), and 15 of which were the result of debris, private lateral failures, vandalism, and unknown causes. All spills were contained and thoroughly cleaned up within the private systems or within the City's storm water system.

City staff members continued to meet with Waste Management personnel monthly throughout the reporting period, and frequently coordinated between meetings on ways to address green waste program and street sweeping issues. The City has continued a very proactive education program on green waste and also promoted composting and pesticide reduction through training workshops, newspaper articles, advertising, KUIC FM 95.3 "Hometown Green" radio spots, outreach literature, and City displays.

Woodland City Council

January 22, 2013

Storm Drain System Operations and Regulatory Requirements

Topics

1. Purpose of the Presentation
2. The Storm Drain System
3. Current Regulations and Compliance
4. Costs and Revenues
 - *Break for Q&A*
5. New Phase II MS4 Permit
6. Next Steps
7. Summary
 - *Q&A*

1. Purpose of the Presentation

- Inform and educate Council and public
- Receive comments and direction from Council

2. The Storm Drain System

The Storm Drain System

System Characteristics



- Built to convey rainfall runoff away from properties to prevent localized flooding
- Some components as much as 100 years old
- Typically sized for 10-year rain event
- In some older parts of town, design is for over-land flow rather than underground pipes

111 miles of storm mains



14 miles of channels



2,800 drain inlets



1,200 storm drain
manholes



180 acres of retention basins



46-acre East Detention Pond



2 pump stations



Other facilities



Gibson Ashley storm gate





January 2008







December 2012

The Storm Drain System

Operation and Maintenance

Storm Fighting



Storm cleanup



System cleaning



E. Main Lift Station





Debris removal



Canal maintenance



Video inspection of pipelines



Infrastructure failures

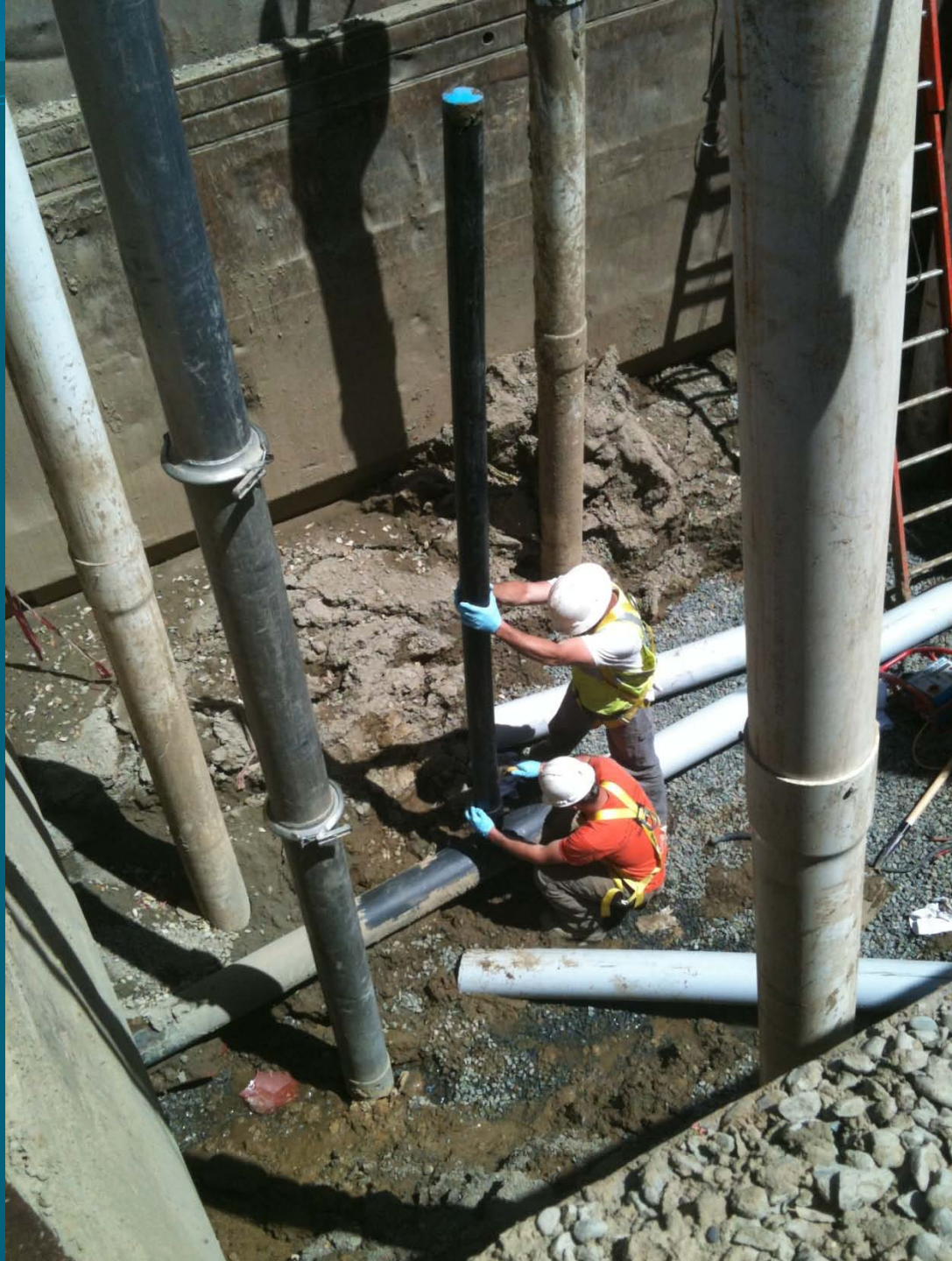












Illicit discharge response





Sanitary sewer overflows



Storm Drain System Summary

- For normal storms, 95% of the system is adequate
 - As long as sufficient maintenance is performed
 - Designed for localized water runoff
 - 5% of the system has localized flooding in any moderate rainfall.
 - 1 to 2 hours after storm, the system stabilizes and resets
- The system is rapidly aging and needs increased maintenance
- The need for capital repairs is escalating as the quality and quantity of inspections grow

3. Current Stormwater Regulations and Compliance

Current Stormwater Regulations and Compliance

Federal and State Regulations



Federal Clean Water Act – National Pollutant Discharge Elimination System (NPDES)

Regulation of non-point pollutant discharges to waterways via municipal runoff

- *Phase I: populations $\geq 100,000$*
- *Phase II: populations $< 100,000$*

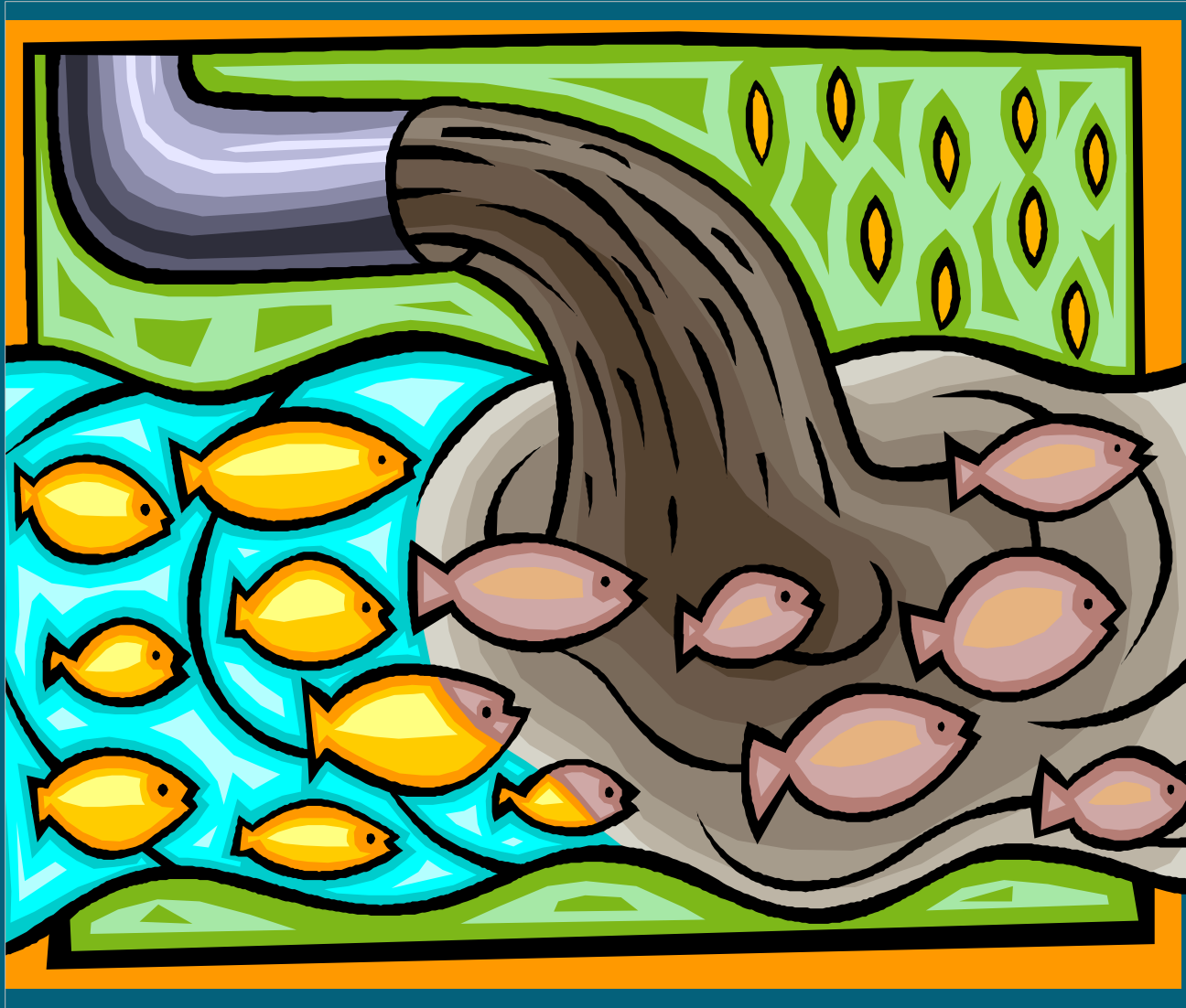


State of California Phase II NPDES Permit:

General Permit for the Discharge of Storm Water from Small Municipal Separate Storm Sewer Systems (MS4s)

- *Referred to as Phase II MS₄ Permit*
- *Adopted in 2003*

Environmental Protection



Protection of Public Health



Municipal runoff has many potential pollutant sources.

Some common visible sources...

Paint





Home improvement projects



Trash



Development construction



Sediment





Cleaning fluids



Less visible

- Bacteria from pet waste
- Pesticides and fertilizers
- Yard waste residues
- Automotive fluids and residues

Current Stormwater Regulations and Compliance

Existing Phase II MS4
Permit Compliance



City of Woodland

Storm Water Management Program



August 2004

For additional information:
300 First Street
Woodland, CA 95695
Phone: (530) 406-5110
www.cityofwoodland.org



Storm Water Management Program

Reduce discharge of pollutants to Maximum Extent Practicable (MEP)

“EPA has intentionally not provided a precise definition of MEP to allow maximum flexibility in MS4 permitting. The MS4s need the flexibility to optimize reductions in storm water pollutants on a location-by-location basis. [Factors considered may include]...conditions of receiving waters, specific local concerns, ...MS4 size, climate, implementation schedules, current ability to finance the program, beneficial use of receiving water, hydrology, geology, and capacity to perform operation and maintenance.”

- Preamble to the Federal Register

Storm Water Management Program

Best Management Practices (BMPs) in 6 program areas required by Clean Water Act:

- Public education and outreach
- Public involvement
- Illicit discharge detection and elimination
- Construction site runoff control
- Post-construction runoff control
- Municipal operations runoff control

Summary of 2011/12 compliance in Attachment 1 to tonight's Council Report

Public education



Artist Name: Dave Viola

Division: Northern Cali

Other Information: 12'5" x 24'6" Premiere Square

This design has been created by Clear Channel Outdoor.
Reproduction of this display in whole or in part, without permission, is prohibited.



Annual Hot Rod Reunion

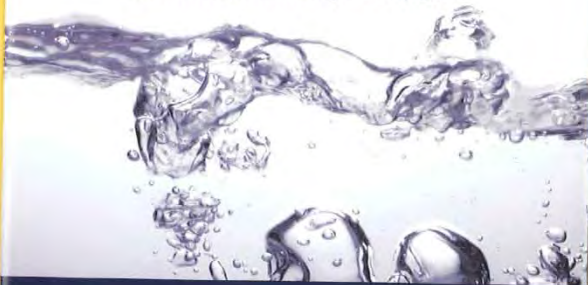
CITY OF WOODLAND



A HOME IMPROVEMENT
GUIDE
To Protecting Our
Waterways

Guía de mejora residencial para
proteger nuestros viaductos

Cemento, Pintura y Paisajismo



**Concrete, Paint
& Landscaping**

City of Woodland

**Storm Water
Pollution
Prevention
Guide**



Public participation

Stencils and spray paint offered to businesses for marking their drains



Illicit discharge elimination



Construction site runoff control



Starlyn Park

Post-construction runoff control



Municipal operations runoff control



4. Costs vs. Revenues

Storm Drain Fees

- Residential: \$0.48/month
- Commercial/industrial: \$3.77/acre
- Schools: \$2.96/acre
- Multifamily: \$0.48/month for up to 4 units + add'l \$0.27/month for each unit over 4
- *Total revenues from storm drain fees:*
 - *Approx. \$214,000*

Adoption of storm drain fees is constrained by Proposition 218

Proposition 218

- Property-related fees imposed by local governments must either be approved by 2/3 vote in general election or majority of property owners
- Sewer, water, and trash collection fees exempted – *but stormwater fees are not*

O&M Needs and Budget

- 3,000 hours (1.7 FTE) currently budgeted for storm drain O&M
- 6,000+ hours needed to accomplish current storm drain O&M activities
- 10,000 hours would be needed to be in compliance with current permit requirements
- (Does not include add'l equipment, materials, and capital improvements)

Budget vs. Revenues

\$526,000 budgeted for FY13

- \$214,000 collected in storm drain fees
- \$70,000 from other misc. funds

\$242,000 shortfall made up from General Fund

Approx. \$532,000 additional funding needed just to be in compliance with current permit requirements (does not include any additional equipment, materials, or capital improvements)

*Any Questions so far on
the Current State of our
Storm Drain System?*

5. The New Phase II MS4 Permit

The New Phase II MS4 Permit

*Third permit draft
Issued November 2012
Adoption scheduled for February 2013*

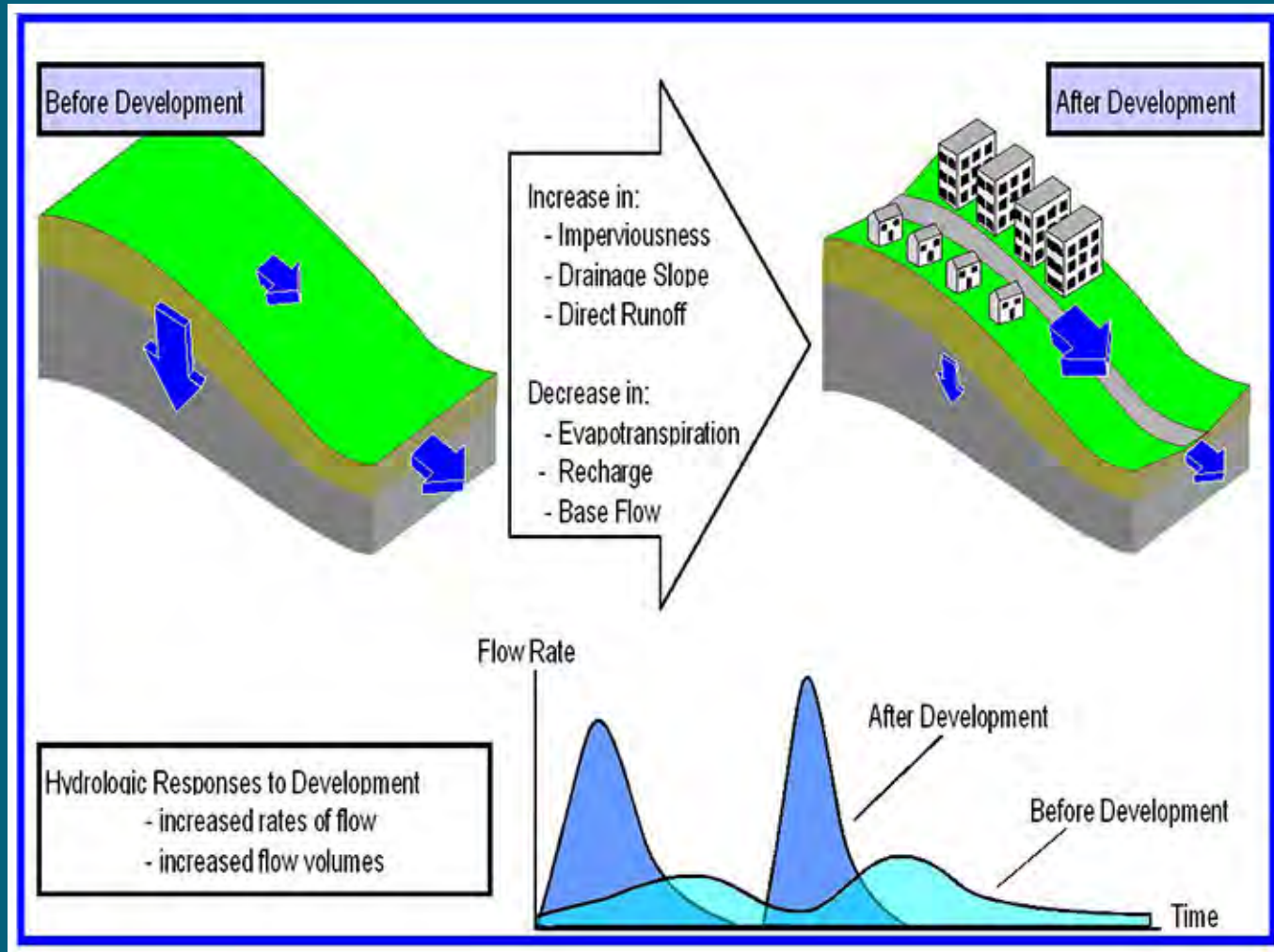
The New Phase II MS4 Permit

Changes in Regulatory Focus

Major Emphases

- Hydromodification – channel deterioration caused by changed volumes and timing of flows
- Low-impact development (LID) – use of site design to maintain pre-development runoff rates and volumes
- Monitoring and total maximum daily load (TMDL) compliance

Hydromodification



Low-Impact Development

Design techniques that infiltrate, filter, store, evaporate, and detain runoff:

- Bioretention areas/rain gardens
- Green roofs
- Permeable pavement
- Vegetated swales, buffers and strips

Low-Impact Development (cont.)

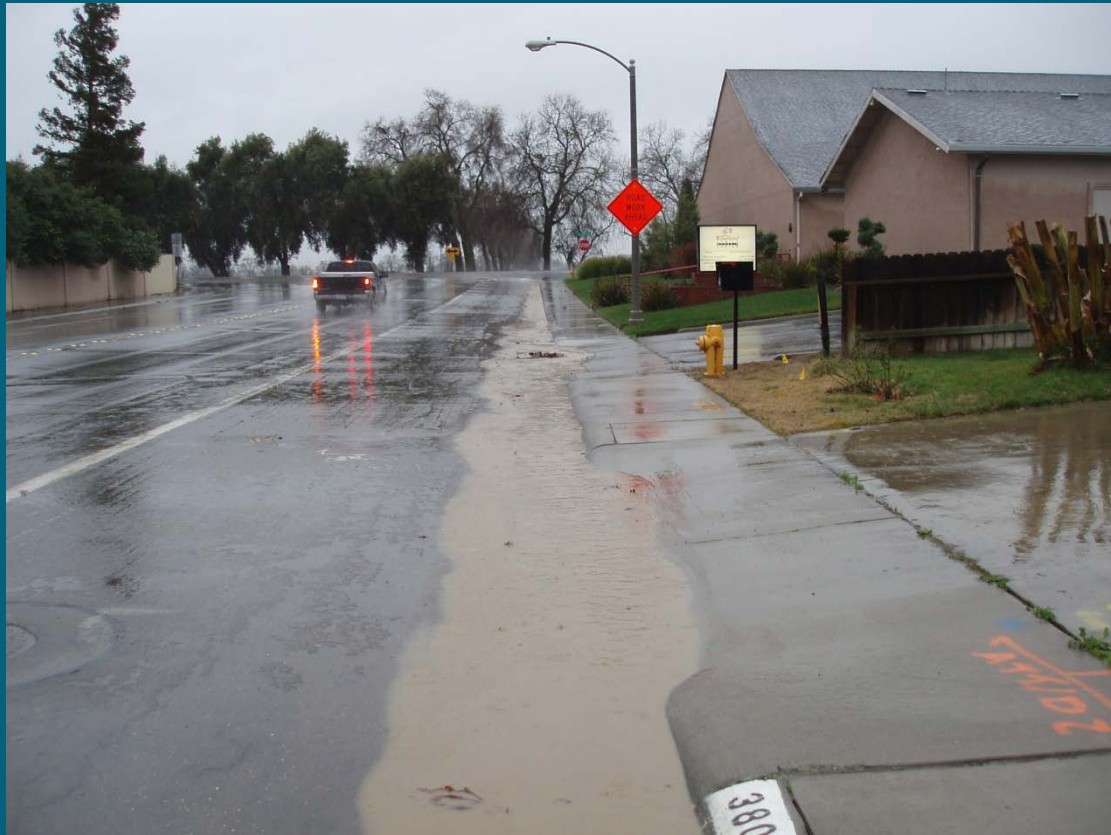
- Tree preservation
- Soil amendments
- Impervious surface reduction
- Retention ponds





Monitoring and TMDLs

- Woodland is listed as being subject to TMDLs for two chemicals that have been banned from non-agricultural use



The New Phase II MS4 Permit

Permit Revision Process

New Permit Development

- Due in 2008
- 3 drafts released to date, in 2011 and 2012
- 20-page permit replaced by 140+ pages
- Highly prescriptive, unrealistic, expensive
- Many legal issues re SWRCB processes, authority, unfunded mandates

Responses

- Outcry from permittees/business community
- CA Stormwater Quality Assoc. (CASQA) very active
- Statewide Stormwater Coalition formed by Roseville – 90+ members
- Legislator involvement
- Result: Many changes in 2nd and 3rd drafts, but not enough

The New Phase II MS4 Permit

Permit Highlights

Permit Highlights

- Elimination of dry-weather flows
- Prohibition on runoff from landscape watering
- Highly restrictive development requirements – LID to retain runoff onsite

Permit Highlights (cont.)

- Extensive mapping, documentation of procedures
- Extensive public education and outreach
One focus area: organized car washes
- Coordination/overhaul of codes and standards

Permit Highlights (cont.)

- WQ monitoring and TMDL compliance
- Program effectiveness assessment – detailed annual self-assessment based on numerous criteria, including the broad question:
 - *Are WQ standards being exceeded?*

The New Phase II MS4 Permit

Major Controversies and Concerns

Permittees' Concerns

- Receiving water limitations language and vulnerability to third-party lawsuits
- Cost of compliance
- Unfunded mandates
- Permit specificity vs. MEP standard

Permittees' Concerns (cont.)

- Legality of SWRCB incorporation of TMDLs
- Technical feasibility and justification for various requirements
- Uncertainties due to possible permit reopeners
- Uncertainties due to RWQCBs' discretion

The New Phase II MS4 Permit

**Estimated Costs
and Implementation Schedule**

New Costs of Permit Compliance

- Costs that we can estimate at this time (not additive):
 - Year 1 (2013/14) - \$68,000
 - Year 2 (2014/15) - \$267,000
 - Year 3 (2015/16) - \$526,000
 - Year 4 (2016/17) - \$100,000
 - Year 5 (2017/18) - \$119,000
- *Many requirements (e.g., frequency and complexity of WQ sampling and testing) cannot currently be estimated and are not included above*

New Costs of Permit Compliance (cont.)

- Est. new permit costs are *in addition* to \$532,000/yr to meet current requirements:
 - Year 1 - $\$68,000 + \$532,000 = \$600,000$
 - Year 2 - $\$267,000 + \$532,000 = \$799,000$
 - Year 3 - $\$526,000 + \$532,000 = \$1,058,000$
 - Year 4 - $\$100,000 + \$532,000 = \$632,000$
 - Year 5 - $\$119,000 + \$532,000 = \$651,000$

New Costs of Permit Compliance (cont.)

- Current shortfall in staff allocation equiv. to about 4 FTEs
- New permit requirements, as currently estimated, would require the equivalent of a minimum of 3 additional FTEs
- Total = estimated 7 NEW STAFF required
 - We currently have only 1.7 FTE, which includes supervision

6. Next Steps

Next Steps

- Monitor permit adoption
- Coordinate and continue advocacy with other jurisdictions, organizations, and legislators
- Conduct public education
- Review budget for opportunities to begin adding staff and adjusting staff roles and responsibilities

Next Steps (cont.)

- Work with Council through Infrastructure Subcommittee on Council's direction and timing for developing a Prop 218 process or some other method of achieving our goals
- Train all City departments
- Update engineering standards

7. Summary

Summary

- New requirements will be adopted early this year
- The permit will require significant additional revenue for compliance
- Stringent reporting requirements will highlight non-compliance
- Major impacts on public and development activities

Summary (cont.)

- Many Permit elements will end up in court
- Legislative relief and/or Prop 218 exemption a likely discussion over the next year... but, no guarantee of action
- Finally, decisive action needs to be taken now in order to be prepared

Questions?