



Board Agenda Item 6

DATE: January 24, 2023

TO: Board of Supervisors

SUBMITTED BY: Nathan Magsig, Supervisor, District Five

SUBJECT: Request for Direction on Potential Loan to Water Works District 18

RECOMMENDED ACTION(S):

Consider and provide direction to staff concerning a potential loan to Water Works District 18 pursuant to Government Code sec. 23010 and Water Code secs. 55503-55503.6.

The item before your Board is to receive direction on the use of County Counsel and other staff to negotiate a loan agreement with Water Works District 18 (WWD 18) pursuant to the provisions in Government Code Section 23010 and Water Code Sections 55503 - 55503.6. WWD 18 has made the request to the County for financial assistance to enable the District to draw down funds from a State grant for certain capital improvements in District facilities. In addition, the request will fund the appropriate rate studies to support rates charged to District residents that are sufficient to continue operations of the District and pay back the loan to the County. Under Government Code Section 23010 and Water Code Sections 55503 - 55503.6 a county may make a loan to a water works district in an amount of up to 85% of the annual revenue of the district in the fiscal year in which the loan is received. The statutes place certain requirements for such loans including that the District pay interest on the loan. This item pertains to a location in District 5.

ALTERNATIVE ACTION(S):

If the recommended action is not approved, County staff will not negotiate a loan agreement with WWD 18 to fund capital improvements in District facilities or conduct an appropriate rate study to continue operations of the District.

FISCAL IMPACT:

There is a potential increase in Net County Cost associated with the recommended action; however, a funding source has not been determined at this time. If your Board approves the recommended action, staff will return with the necessary fiscal information. Additionally, Government Code Section 23010 and Water Code Sections 5550 - 55503.6 outlines requirements stipulating interest upon repayment. County Counsel will be responsible for negotiating these terms.

DISCUSSION:

WWD18 is an independent special district that is governed by a five-member board of directors that are appointed by your Board. They are regulated by the permits issued by the State. The District board, which consists of appointed individuals representing the WWD18 Friant and Mirabella, are responsible to oversee WWD18's services. The Board members are accountable to their constituents (the registered voters who live within their jurisdictional boundaries).

The WWD18 Friant system serves a population of approximately 772 residents, through a public system that consists of 241 residential connections and 8 commercial connections (water system no. CA101005). Friant received Millerton Lake Surface Water.

The WWD18 Mirabella has its own water distribution system that relies solely on groundwater. There are three active wells, No. 1, 3, and 7. The WWD Mirabella serves a population of approximately 137 residents, through 49 residential connections, and 2 commercial connections (water system no. CA101062).

Over time, the ability to develop and conserve water supplies for irrigation, domestic, industrial, and fire protection services has been drastically impaired by excessive drought and inflation which has depleted the District's resources. In October 2022 a water well collapsed prompting WWD18 to seek two separate funding grants from the Department of Water Resources (DWR) to establish a subdivision water line to supply it with treated surface water and another to provide trucked water to the holding tank at the subdivision until the water line is completed.

Additionally, WWD18 contacted the Office of Emergency Services (OES) to request they provide the water trucking service until DWR reaches a decision on the applications. Both the State Department of Public Health and the State Water Resources Control Board informed WWD18 that the water transport operation can only be funded or provided by OES or DWR.

Because of unexpected costs that are usually a function of State imposed mandates (and the more than 30% rate increases from PG&E), the Waterworks District is quickly approaching insolvency.

The work required to finalize an acceptable loan agreement between the District and the County will require a substantial commitment of time on the part of County Counsel's Office and the Auditor-Controller/Treasurer-Tax Collector. This work will include gathering necessary financial information from the District and negotiating terms in a loan agreement that will be brought back to your Board for final approval.

CAO ANALYST:

Samantha Buck