

# Joint Powers Agency Service Review for the



WOODLAND-DAVIS  
Clean Water Agency

LAFCo No. 23-02



Adopted July 27, 2023



Joint Powers Agency Service Review for the Woodland-Davis Clean Water Agency (LAFCo No. 23-02)

**SUBJECT AGENCY:**

Woodland-Davis Clean Water Agency  
Regional Water Treatment Facility Office  
855 County Road 102  
Woodland, CA 95776  
[www.wdcwa.com](http://www.wdcwa.com)

Board Members:

Josh Chapman, Chair (Davis City Council)  
Tom Stallard, Vice-Chair (Woodland City Council)  
Bapu Vaitla, Director (Davis City Council)  
Rich Lansburgh, Director (Woodland City Council)  
Camille Kirk\*, Director (UC Davis)  
Angel Barajas\*, Director (Yolo County)  
*\*Participating Agency, Non-Voting Member*

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**CONDUCTED BY:**

Yolo Local Agency Formation Commission  
625 Court Street, Suite 107  
Woodland, CA 95695  
(530) 666-8048  
[www.yololafco.org](http://www.yololafco.org)

Commissioners:

Olin Woods, Chair, Public Member  
Gary Sandy, Vice Chair, County Member  
Norma Alcala, City Member  
Bill Biasi, City Member  
Lucas Frerichs, County Member

Commission Alternates:

Richard DeLiberty, Public Member  
Angel Barajas, County Member  
Gloria Partida, City Member

Staff:

Christine Crawford, Executive Officer  
Terri Tuck, Admin Specialist/Commission Clerk  
Eric May, Counsel

## 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>.

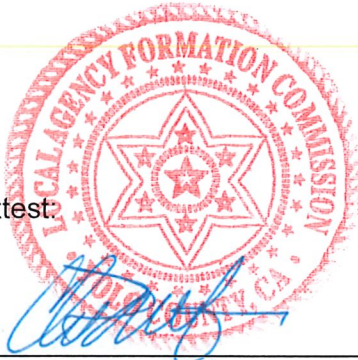
**PASSED AND ADOPTED** by the Yolo Local Agency Formation Commission, State of California, this 27<sup>th</sup> day of July 2023, by the following vote:

Ayes: *Alcala, Biasi, Woods*  
Noes: *None*  
Abstentions: *None*  
Absent: *Freerichs, Sandy*



\_\_\_\_\_  
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

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**BACKGROUND**

**ROLE AND RESPONSIBILITY OF LAFCO**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (“CKH Act”) (California Government Code §§56000 et seq.), is LAFCo’s governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs) for periodic 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 (§56301). CKH Act Section 56301 further establishes that “one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute, but are meant to address the “probable physical boundaries and service area of a local agency” (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo’s SOI determinations.

**PURPOSE OF A JPA SERVICE REVIEW**

LAFCo has broad discretion in conducting informational studies, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. In 2017, the cities and the County requested LAFCo apply its MSR process to some of the local joint power authorities/agencies (JPAs) in order to provide additional oversight<sup>1</sup>. The intent of the JPA Services Review is to provide a comprehensive inventory and analysis of the services provided by local JPAs, service areas, and evaluation of the finances, structure and operation of the local agency and discuss possible areas for improvement and coordination. From the state required MSR determinations, the following determinations remain relevant to the comprehensive inventory and analysis of local JPAs:

1. Growth and population projections for the service area;
2. Present and planned capacity of any public facilities, adequacy of services, and infrastructure needs or deficiencies;
3. Financial ability of agencies to provide services;
4. Status of, and opportunities for, shared services and facilities; and
5. Accountability for community service needs, including governmental structure and operational efficiencies.

The JPA Service Review is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document. This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency.

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<sup>1</sup> Yolo Local Government Transparency and Accountability Program adopted by the cities and County Oct/Nov 2017

## AGENCY PROFILE

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 primary goals of the surface water project include:

- Provide a new water supply to help meet existing and future needs
- Improve drinking water quality
- Improve the quality of treated wastewater

### Project Detail

The project includes a jointly owned and operated intake on the Sacramento River (WDCWA in partnership with Reclamation District 2035), a raw water pipeline connecting the intake to a regional water treatment facility, and separate pipelines delivering treated water to Woodland, Davis, and UC Davis. Woodland and Davis each made improvements to their own water supply infrastructure, including distribution pipelines, water storage tanks and booster pump stations. Construction of the project facilities, including the regional water treatment facility began April 2014.

The project diverts up to 45,000 acre-feet of water per year from the Sacramento River under WDCWA's SWRCB water right. Water rights were granted in March 2011 and are subject to conditions imposed by the State. Water diversions are limited during summer and other dry periods. A more senior water right for 10,000 acre-feet was purchased from the Conaway Preservation Group (a majority landowner of Reclamation District 2035) to provide summer water supply. 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 will rely on its Aquifer Storage Recovery (ASR) wells to meet peak demand and continue to maintain groundwater wells as a backup supply.

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 is funded through customer water rates. Actions to reduce Project cost impacts to customers, included:

- Secured state and federal funding to reduce projected rate increases.
- Partnering with Reclamation District 2035 to jointly finance, construct, own, and operate the water intake facility.
- Awarding a Design-Build-Operate (DBO) service contract for the construction of project facilities. The Agency selected CH2M Hill, a highly qualified contractor, to design, build, operate and maintain the water treatment facility. This resulted in lower construction costs and reduced fixed costs for operations for up to 15 years.
- Appropriately sizing the water treatment facility based on detailed studies of current and future anticipated demand for water.

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.



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Agency Staff

The Cities of Davis and Woodland charge the WDCWA for administrative services provided throughout the year for use of administrative staff, accounting systems, and other administrative services provided to the Agency. 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 also contracts for a part-time Board Secretary. The Agency has a significant contractual agreement with CH2M Hill for operation of the Water Supply Project.

**MUNICIPAL SERVICE REVIEW**

**POTENTIALLY SIGNIFICANT MSR DETERMINATIONS**

The MSR determinations checked below are potentially significant, as indicated by answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a MSR update is not warranted.

- |  |   |
|--|---|
| <input type="checkbox"/> Growth and Population                                   | <input type="checkbox"/> Shared Services  |
| <input type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input checked="" type="checkbox"/> Accountability, Structure, and Efficiencies |
| <input checked="" type="checkbox"/> Financial Ability                            | <input type="checkbox"/> Status of Previous MSR Recommendations                 |

**LAFCO MUNICIPAL SERVICE REVIEW:**

- On the basis of this initial evaluation, the required determinations are not significant, and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).
- The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

1. Growth and Population	Significant Issue	Potentially Significant	No Issue
Growth and population projections for the affected area.			
a) <i>Will development and/or population projections over the next 5-10 years impact the subject agency's service needs and demands?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Do changes in demand suggest a change in services?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

According to the State Department of Finance population projections<sup>2</sup>, the City of Davis population decreased from 66,687 as of January 1, 2021 to 64,869 in 2022, a decrease of -2.7%. The City of Woodland population is estimated to have also declined from 60,999 as of January 1, 2021 to 60,137 in 2022, a

<sup>2</sup> State of California Department of Finance Population Estimates for Cities, Counties, and the State – January 1, 2021 and 2022

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decrease of -1.4%. However, projections suggest the population countywide will go up 8% by 2030 and 19% in 2040<sup>3</sup>.

**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.

**Recommendation(s):**

None.

**2. Capacity and Adequacy of Public Facilities and Services**

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

	<b>Significant Issue</b>	<b>Potentially Significant</b>	<b>No Issue</b>
a) <i>Are there any deficiencies in the <b>infrastructure, equipment, and capacity of agency facilities</b> to meet <u>existing</u> service needs for which the agency does not have a plan in place to resolve (including deficiencies created by new state regulations)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Are there any issues regarding the agency’s capacity and ability to meet the service demand of reasonably foreseeable <u>future</u> needs?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) <i>Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) <i>Is the agency needing to consider climate adaptation in its assessment of infrastructure/service needs?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

WDCWA’s infrastructure is relatively new considering its lifespan with construction being completed in 2016. Approximately 5.1 miles of pipeline transport "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 is conveyed via pipeline 7.8 miles to Davis, and up to 1.4 miles to Woodland. Additional information regarding project construction can be found on WDCWA’s website here: <https://www.wdcwa.com/project-history>

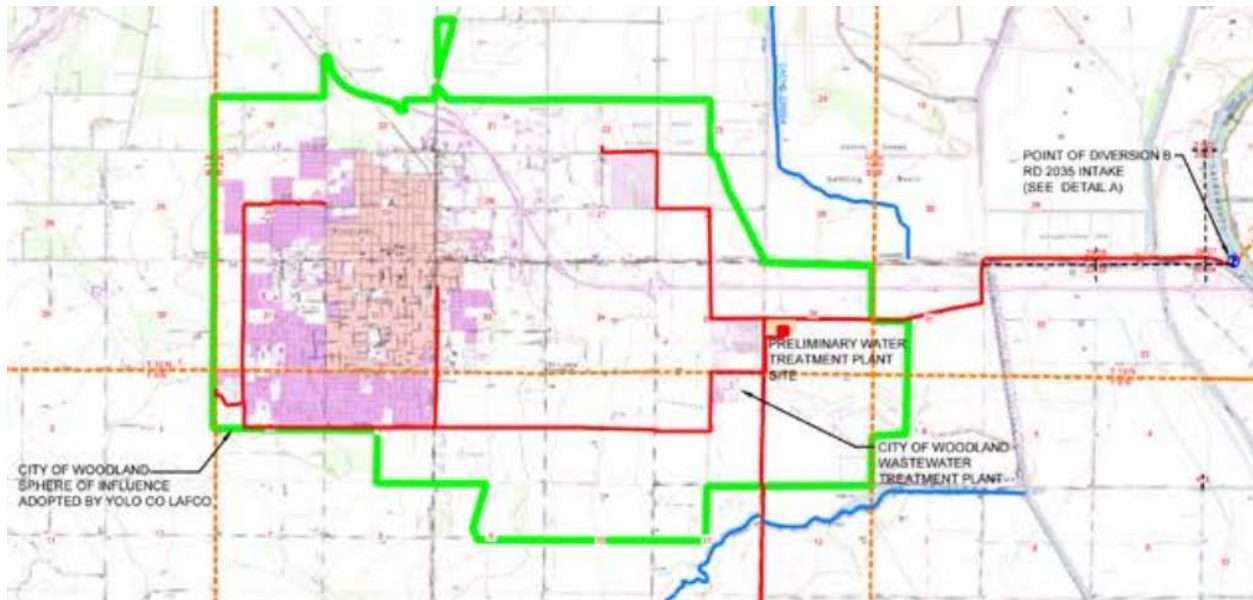
Upon completion of the project, the Agency conveyed the infrastructure roughly within the cities to each city, whereby they would be responsible for the ownership, operation, maintenance, repair, replacement, modification, and improvement going forward. The WDCWA owns the infrastructure generally in the unincorporated areas, and there is a defined point where infrastructure and water ownership transfers to

<sup>3</sup> Report P-2A: Total Estimated and Projected Population for California and Counties: July 1, 2010 to 2060. Projections Prepared by Demographic Research Unit, California Department of Finance, July 2021.

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the cities. The Agency has no obligation to operate, maintain, repair, replace, modify, or improve any member individually owned project facilities.

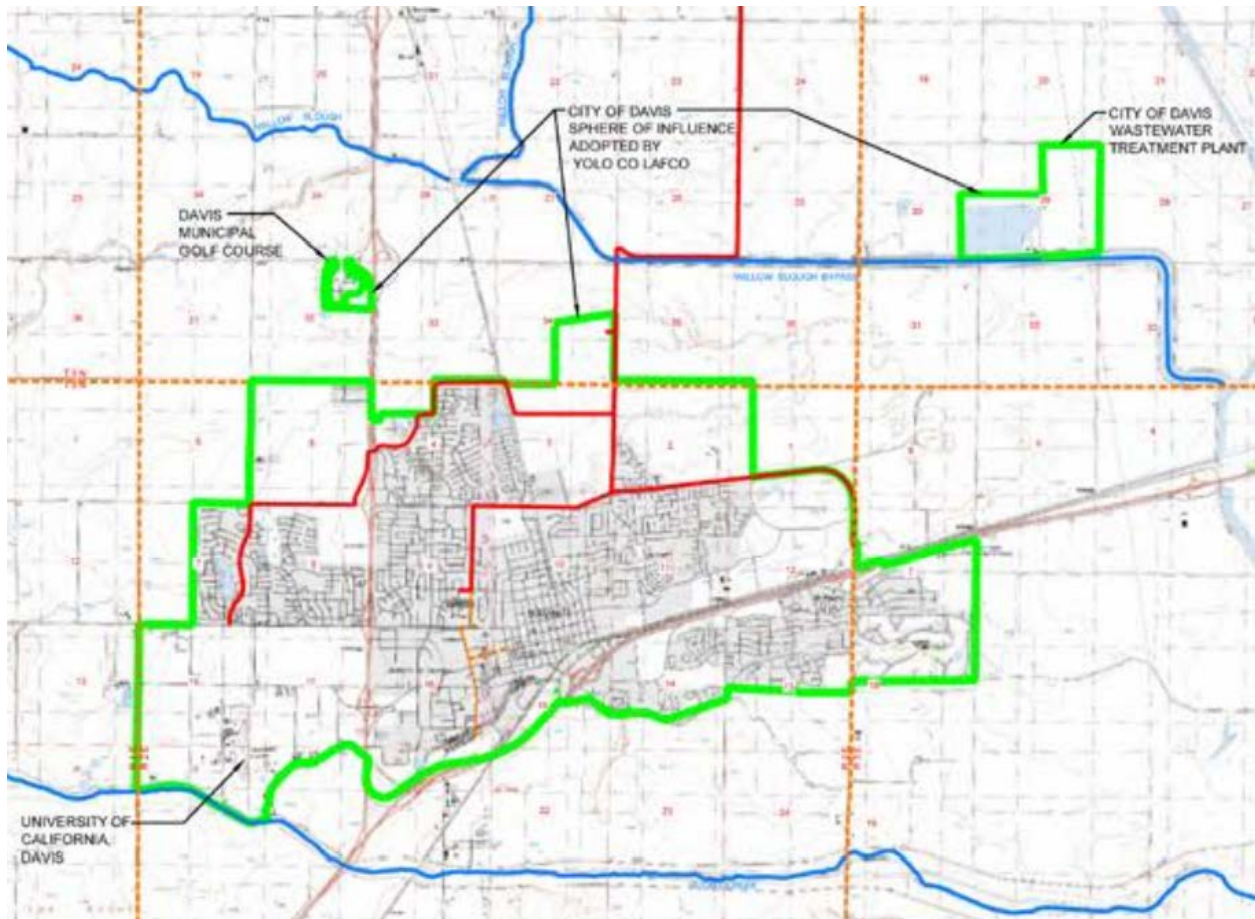
### Woodland Area WDCWA Infrastructure



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 create more system resiliency. 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.

State law regarding service needs or deficiencies for disadvantaged unincorporated communities related to water are not applicable to JPAs. Regardless, disadvantaged unincorporated communities contiguous to the cities of Woodland and Davis have been connected to city water service. WDCWA was formed and the project implemented to create additional water supplies for resiliency to adapt to climate changes.

Davis Area WDCWA Infrastructure



**Capacity and Adequacy MSR 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.

**Recommendation(s):**

None.



**YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY**

**4. Financial Ability**

Financial ability of agencies to provide services.

	Significant Issue	Potentially Significant	No Issue
a) <i>Is the subject agency in a stable financial position, i.e. does the 5-year trend analysis indicate any issues?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) <i>Is the organization's revenue sufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion? Is the fee inconsistent with the schedules of similar local agencies</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) <i>Does the subject agency have a capital improvement plan (CIP)? Has the agency identified and quantified what the possible significant risks and costs of infrastructure or equipment failure? Does the agency have a reserve policy to fund it?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) <i>Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear debt management policy, if applicable?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) <i>Can the subject agency improve its use of generally accepted accounting principles including: summaries of all fund balances, summaries of revenues and expenditures, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)? Does the agency have accounting and/or financial policies that guide the agency in how financial transactions are recorded and presented?</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
g) <i>Does the agency staff need to review financial data on a regular basis and are discrepancies identified, investigated and corrective action taken in a timely manner? The review may include reconciliations of various accounts, comparing budgets-to-actual, analyzing budget variances, comparing revenue and expense balances to the prior year, etc. If the agency uses Yolo County's financial system and the County Treasury, does the agency review monthly the transactions in the County system to transactions the agency submitted to the County for processing?</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) <i>Does the agency board need to receive regular financial reports (quarterly or mid-year at a minimum) that provide a clear and complete picture of the agency's assets and liabilities, fully disclosing both positive and negative financial information to the public and financial institutions?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

The 5-year financial trend for the total of all these funds is shown below<sup>4</sup>. The audits prepared for the WDCWA through 2020 do not include a Statement of Revenues, Expenditures, and Changes in Fund Balance (only net position) which is not typical, and therefore, the fund balance information is sourced instead from each year's 4<sup>th</sup> Quarter Financial Report. However, these are unaudited numbers and there's

<sup>4</sup> WDCWA 4<sup>th</sup> Quarter Financial Reports for the years ended 2018-2022

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a discrepancy between the reported yearend balance for FYs 2019/20 and opening balance for FY 2020/21 as highlighted below that needs to be resolved.

**WOODLAND-DAVIS CLEAN WATER AGENCY JPA  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**

	2018	2019	2020	2021	2022
<b>Revenue</b>					
City of Davis	\$ 5,924,596	\$ 7,442,824	\$ 7,228,082	\$ 6,889,240	\$ 6,908,401
City of Woodland	4,758,706	10,003,745	10,408,430	9,818,917	10,315,791
UC Davis	243,919	387,490	439,772	414,800	389,246
Interest Earnings	70,796	121,253	205,647	-	-
Other	-	633,357	325,890	154,156	909,783
<b>Total revenue</b>	<b>\$10,998,017</b>	<b>\$18,588,669</b>	<b>\$18,607,821</b>	<b>\$17,277,113</b>	<b>\$18,523,221</b>
<b>Expenditures</b>					
Administration/Contract Services	\$ 882,380	\$ 534,736	\$ 568,305	\$ 504,073	\$ 629,860
Operations and Maintenance	6,085,802	5,970,240	6,894,801	6,042,421	6,429,866
Capital Project Costs	366,496	913,690	-	-	-
Debt Service	8,104,630	9,991,788	10,656,968	10,656,969	10,656,969
<b>Subtotal Expenditures</b>	<b>\$15,439,308</b>	<b>\$17,410,454</b>	<b>\$18,120,074</b>	<b>\$17,203,463</b>	<b>\$17,716,694</b>
Capital Project Reimbursement	(3,671,281)	1,648,367	-	-	-
<b>Total Disbursements/Commitments</b>	<b>\$11,768,027</b>	<b>\$19,058,821</b>	<b>\$18,120,074</b>	<b>\$17,203,463</b>	<b>\$17,716,694</b>
<b>Net income (loss)</b>	<b>\$ (770,010)</b>	<b>\$ (470,152)</b>	<b>\$ 487,747</b>	<b>\$ 73,650</b>	<b>\$ 806,527</b>
<b>Fund Balance</b>					
Beginning fund balances	11,409,496	10,639,486	10,169,344	8,454,267	8,527,917
Ending fund balances	<b>\$10,639,486</b>	<b>\$10,169,334</b>	<b>\$10,657,091</b>	<b>\$ 8,527,917</b>	<b>\$ 9,334,444</b>
<b>Change in total Fund Balances</b>					
Amount Increase (Decrease)	\$ (770,010)	\$ (470,152)	\$ 487,747	\$ 73,650	\$ 806,527
% Increase (Decrease)	-6.75%	-4.42%	4.80%	0.87%	9.46%
<b>Debt</b>					
Payments as % of total expenditures	55%	63%	59%	62%	60%

Financial Position and Ability to Provide/Maintain Services

The 5-year trend indicates that WDCWA is in a relatively stable financial position. Its fund balance has decreased 12% over the last five years, however, this could be due to the FY 2020/21 discrepancy in the opening balance being reported \$2.2 million lower than the previous closing balance that has yet to be resolved. In addition, the Agency did lower the reserve amount, which was maintained at a higher-level during construction, since ongoing operations costs and revenues are consistent. Revenues have

increased over the last five years and are keeping pace with expenditures for the last three FYs (since project construction was completed).

Agency revenues are entirely derived from contributions from member agencies. To support Agency operations, maintenance and debt obligations, the cities of Woodland and Davis have adopted respective multi-year water rate ordinances consistent with the public approval process required by Proposition 218. Therefore, WDCWA's revenue sources are reliable.

Capital costs of the Agency, as defined by the JPA Agreement, include costs of construction, financing, acquiring, planning, designing, environmental documentation and permitting, and the funding of a reasonable construction reserve. As defined in the JPA Agreement, all project facilities, other than any "individually-owned project facilities" as specified in the JPA Agreement, shall be owned by and held in the name of the Agency for the benefit of project participants. Upon completion of construction of any individually owned project facility, the Agency will convey all of its right, title and interest in the completed individually owned project facility to the Member Cities, whereby the Member Cities would be responsible for the ownership, operation, maintenance, repair, replacement, modification and improvement. The Agency has no obligation to operate, maintain, repair, replace, modify or improve any individually owned project facilities.

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 most significant expenses in order of magnitude include debt service (60% of total expenses in FY 2022), operations and maintenance (36% of total expenses in FY 2022), and administration/contract services (4% of total expenses in FY 2022).

In September 2015, the Agency established a Contingency Reserve Fund which can be used to pay for (among other things) project capital improvements, repairs and replacements to the extent not covered under the Service Contract or Repair and Replacement Account. The balance in the Contingency Reserve Fund, as of June 30, 2020, was \$1,532,370.

WDCWA does not have a formal CIP at this time, however, WDCWA does occasionally have projects that are considered CIPs. Most such "projects" are rather minor repairs or design/construction component changes to improve operations. Since the Agency's infrastructure is new, it will likely need a formal CIP in future when larger repairs/replacements become necessary.

#### Agency Debt

The development and construction of the Project was completed within the budget of \$204.5 million, exclusive of \$67.0 million for local facilities constructed and funded directly by the cities of Woodland and Davis. UC Davis funded an additional \$7.7 million for campus-serving facilities. The bulk of the project was financed through a combined \$206.8 million in low-interest State Revolving Fund loans secured by the cities of Davis and Woodland, to be re-paid through water rate revenues collected from water customers. The City of Davis holds WDCWA funds.

Per WDCWA's latest audit in 2020, it carries a significant amount of debt (\$218 million) with total assets valued at \$239 million. Debt payments are roughly 60% of total expenditures. Its current debt service payments extend until 2047. Its revenue sources are stable from water rates paid to the cities, which are contributed to the WDCWA.

#### Accounting Practices

WDCWA uses generally accepted accounting principles including summaries of revenues and expenditures and general status of reserves. Its Board received quarterly financial reports; however, quarterly reports could be improved by detailing the balances of all fund balances, including the Contingency Reserve Fund established in 2015.

WDCWA funds were originally held at the City of Davis but have transferred and are now held by the City of Woodland. Staff may need to review financial data on a regular basis for discrepancies to be identified,

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investigated and corrective action taken. LAFCo staff notified WDCWA on March 21, 2023, regarding a significant discrepancy in the closing June 30, 2020 and opening July 1, 2020 balance and it has not been resolved yet.

**Financial Ability MSR 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.

**5. Shared Services and Facilities**

Status of, and opportunities for, shared facilities.

	<b>Significant Issue</b>	<b>Potentially Significant</b>	<b>No Issue</b>
a) <i>Are there any opportunities for the organization to share services or facilities with neighboring, overlapping, or other organizations that are not currently being utilized?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

None.

**Shared Services MSR 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.

**Recommendation(s):**

None.



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**6. Accountability, Structure, and Efficiencies**

Accountability for community service needs, including governmental structure and operational efficiencies.

	Significant Issue	Potentially Significant	No Issue
a) <i>Are there any recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results <u>not</u> reviewed in an open meeting?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) <i>Is the agency insured or in a risk management pool to manage potential liabilities?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) <i>Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) <i>Are there any issues with staff capacity and/or turnover? Is there a lack of staff member training regarding the organization's program requirements and financial management?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) <i>Does the agency have adequate policies (as applicable) relating to personnel/payroll, general and administrative, board member and meetings, and segregating financial and accounting duties among staff and/or board to minimize risk of error or misconduct (see suggested policies list)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) <i>Does the organization need to improve its public transparency via a website (see <a href="https://www.yololaftco.org/yolo-local-government-website-transparency-scorecards">https://www.yololaftco.org/yolo-local-government-website-transparency-scorecards</a>)?</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Discussion:**

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 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.

WDCWA is audited on an annual basis and posts audits and budget information on its website. It has not had an audit performed since 2020, but auditors are now in place to perform all audits after fiscal year 2019/20 was completed and get caught up.

The Agency is a member of the Yolo County Public Agency Risk Management Insurance Authority which provides annual coverage for general liability and automobile liability. The excess coverage for both general liability and automobile liability insurance is \$40,000,000 with a deductible of \$5,000. The Agency has not had any settlements in excess of the coverage in the last three years.

The JPA agreement provides for bylaws regarding board meetings and members. Other policies are covered by the cities of Woodland and Davis in particular as managing/holding the agency finances.

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WDCWA received a 65% score in the most recent 2022 Yolo Local Government Website Transparency Scorecard<sup>5</sup>.

**Accountability, Structure, and Efficiencies MSR 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>.

**7. Status of Previous MSR Recommendations**

Any other matter related to effective or efficient service delivery, as required by commission policy.

	<b>Significant Issue</b>	<b>Potentially Significant</b>	<b>No Issue</b>
a) <i>Are there any recommendations from the agency’s previous MSR that have not been implemented?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

None.

**Status of Previous MSR Recommendations Determination:**

This is the first JPA Service Review conducted on WCDWA. Therefore, there are no previous recommendations to provide status on.

**Recommendation(s):**

None.

<sup>5</sup> <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>