YCFC&WCD
BOARD OF DIRECTORS

March 14, 2023

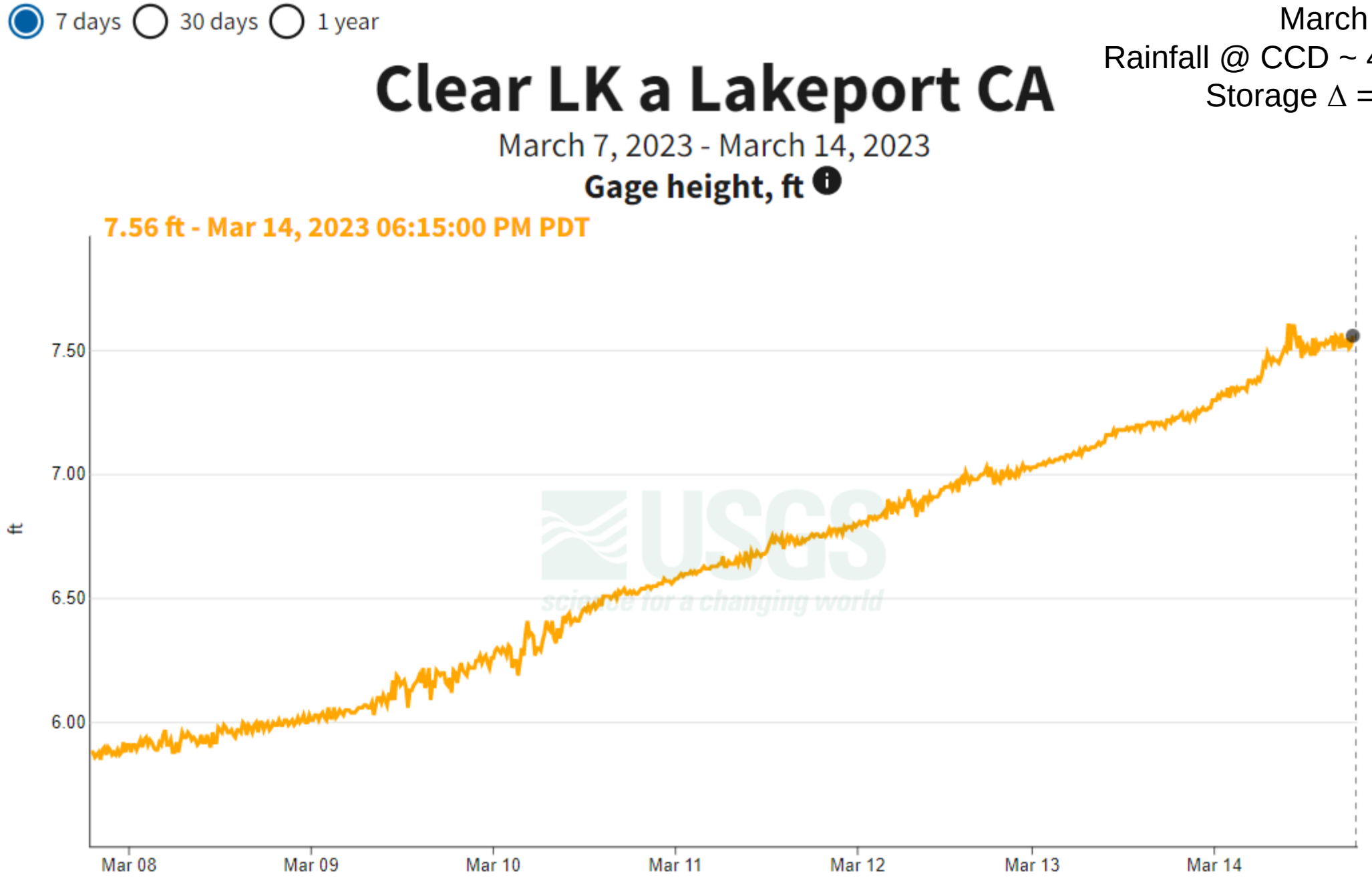
YOLO COUNTY
FLOOD CONTROL &
WATER CONSERVATION
DISTRICT

Agenda Item #1

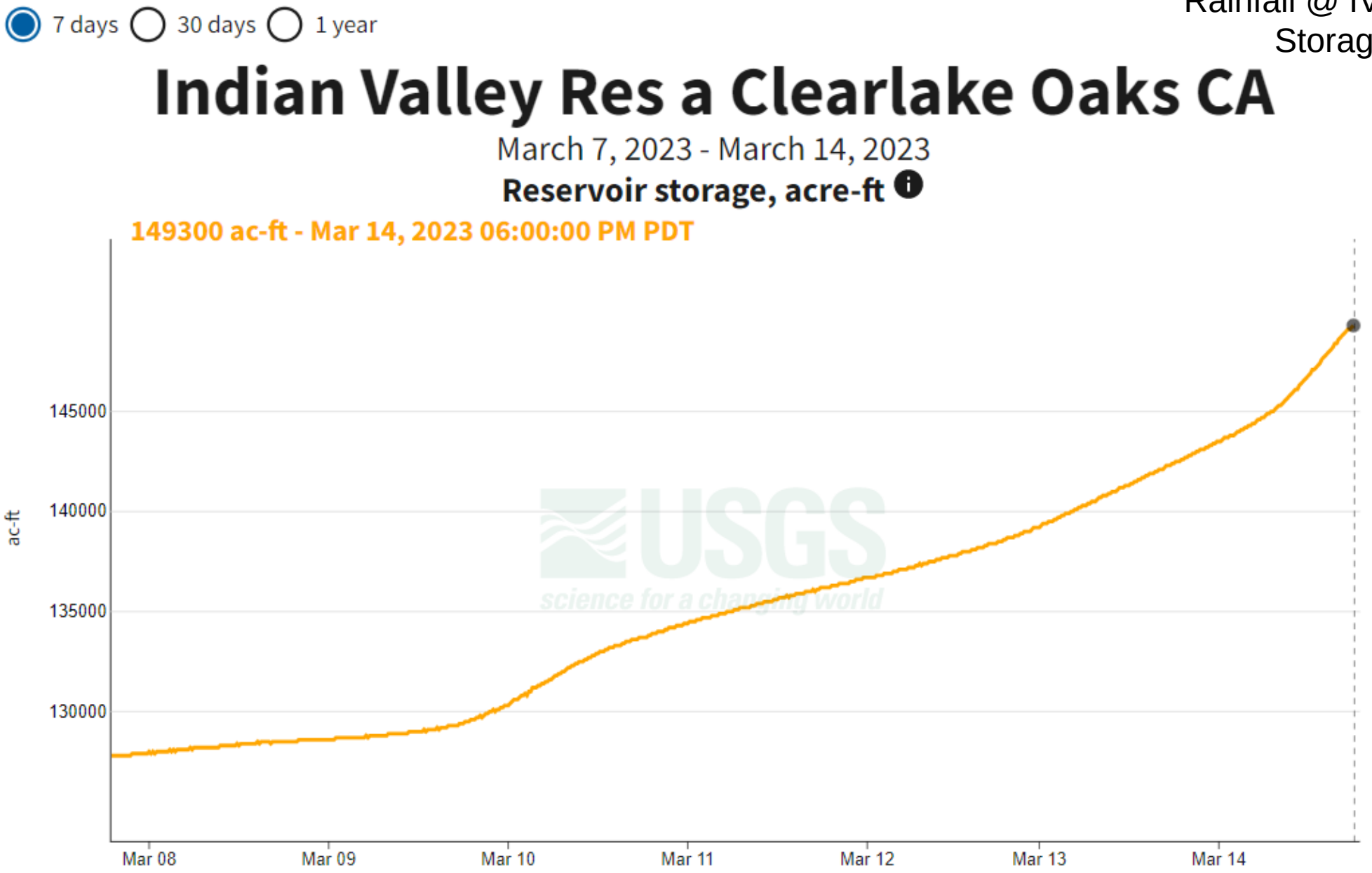
Open Forum

Guest introductions, unscheduled appearances and opportunity for public comment on non-agenda items

March 8-14, 2023
Rainfall @ CCD ~ 4.48 inches
Storage Δ = 71,823 AF



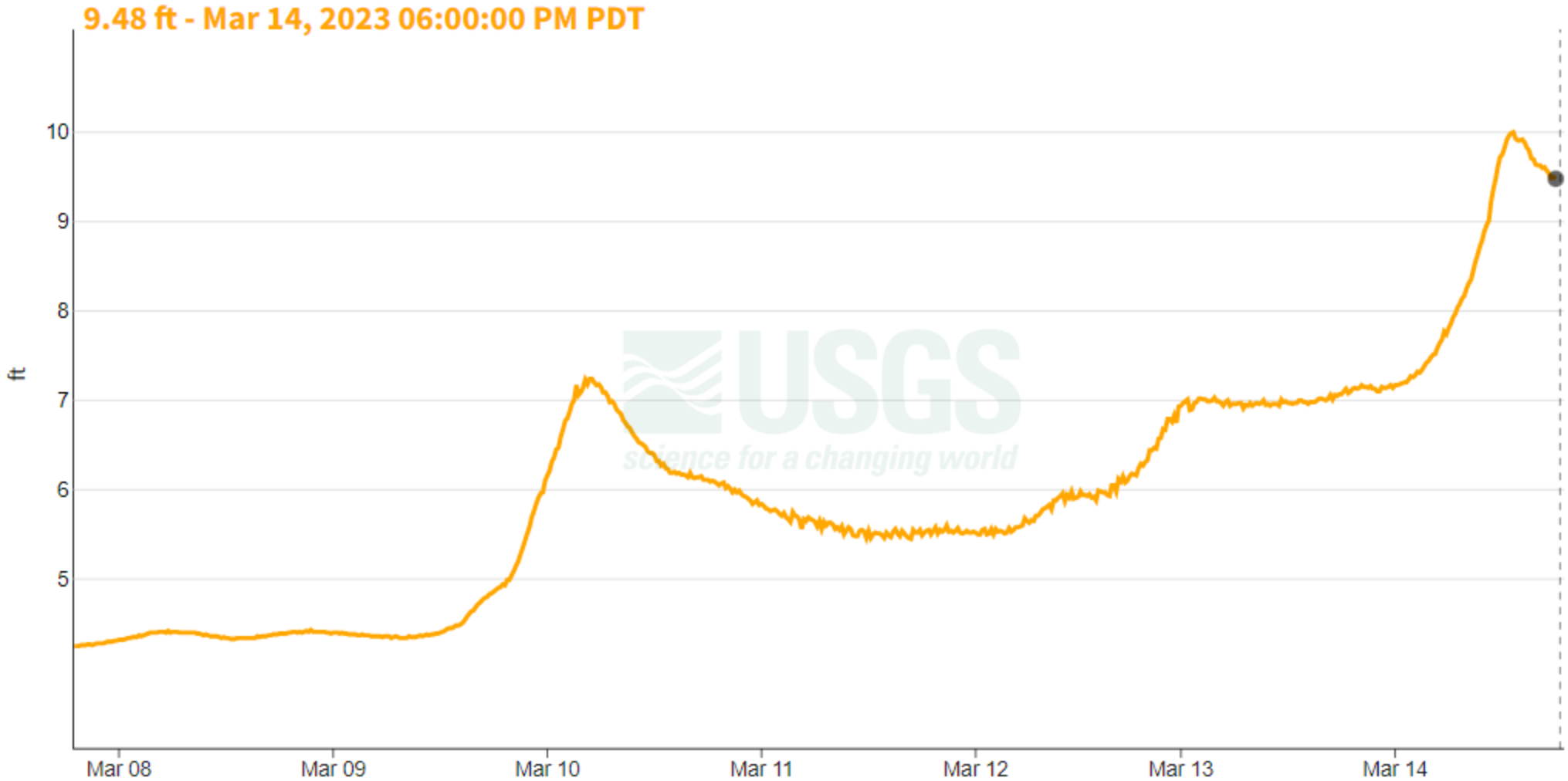
March 8-14, 2023
Rainfall @ IVR ~ 4.20 inches
Storage Δ = 21,300 AF



NF Cache C a Hough Spring NR Clearlake Oaks CA

March 7, 2023 - March 14, 2023

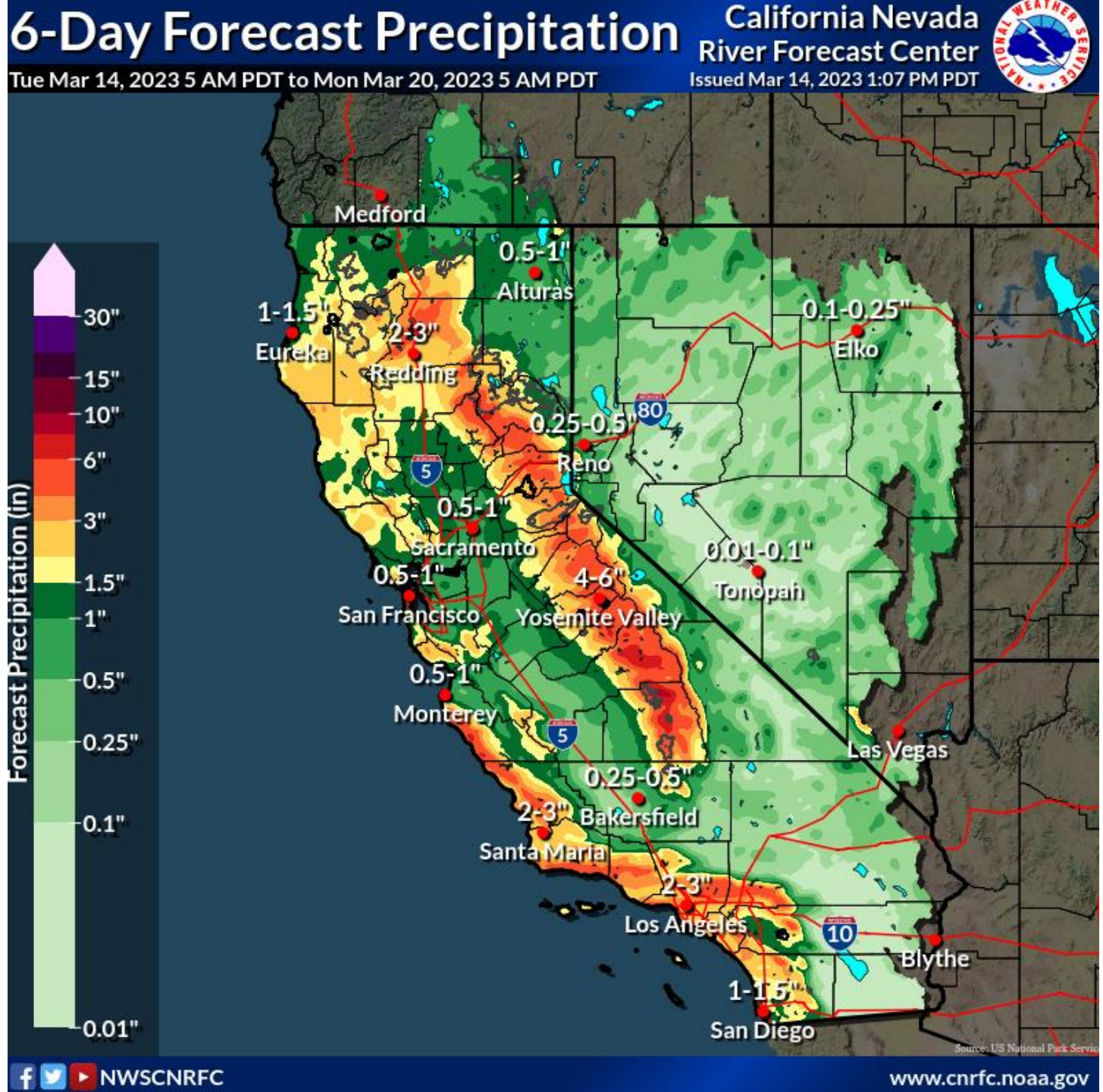
Gage height, ft



Preliminary Irrigation Season 2023 Update
(as of 3/14/23)

- Total Water in Storage: 249,300 AF
- Full Allocation Supply: 225,000 AF
- Minimum Pool Requirement in IVR: 20,000 AF

Total Water Available for 2023 Irrigation Season = 229,300 AF


6-Day Forecast Precipitation
Tue Mar 14, 2023 5 AM PDT to Mon Mar 20, 2023 5 AM PDT
California Nevada
River Forecast Center
Issued Mar 14, 2023 1:07 PM PDT
Forecast Precipitation (in)
30"
15"
10"
6"
3"
1.5"
1"
0.5"
0.25"
0.1"
0.01"
Medford
0.5-1"
Alturas
1-1.5"
2-3"
Eureka
Redding
0.1-0.25"
Elko
80
0.25-0.5"
Reno
5
0.5-1"
Sacramento
0.01-0.1"
Tonopah
0.5-1"
4-6"
San Francisco
Yosemite Valley
0.5-1"
Monterey
5
Las Vegas
0.25-0.5"
2-3"
Bakersfield
Santa Maria
2-3"
Los Angeles
10
Blythe
1-1.5"
San Diego
Source: US National Park Service
NWSCNRFC
www.cnrfc.noaa.gov

Agenda Item #2

Consideration: Accept and Approve the Preliminary Cost-of-Service Study and Set Public Hearing for Adopting Water Rates

LWA LARSEN WURZEL & Associates, Inc.

Agricultural Water Rate Update

YCFC&WCD
Board of Directors

March 14, 2023

Purpose

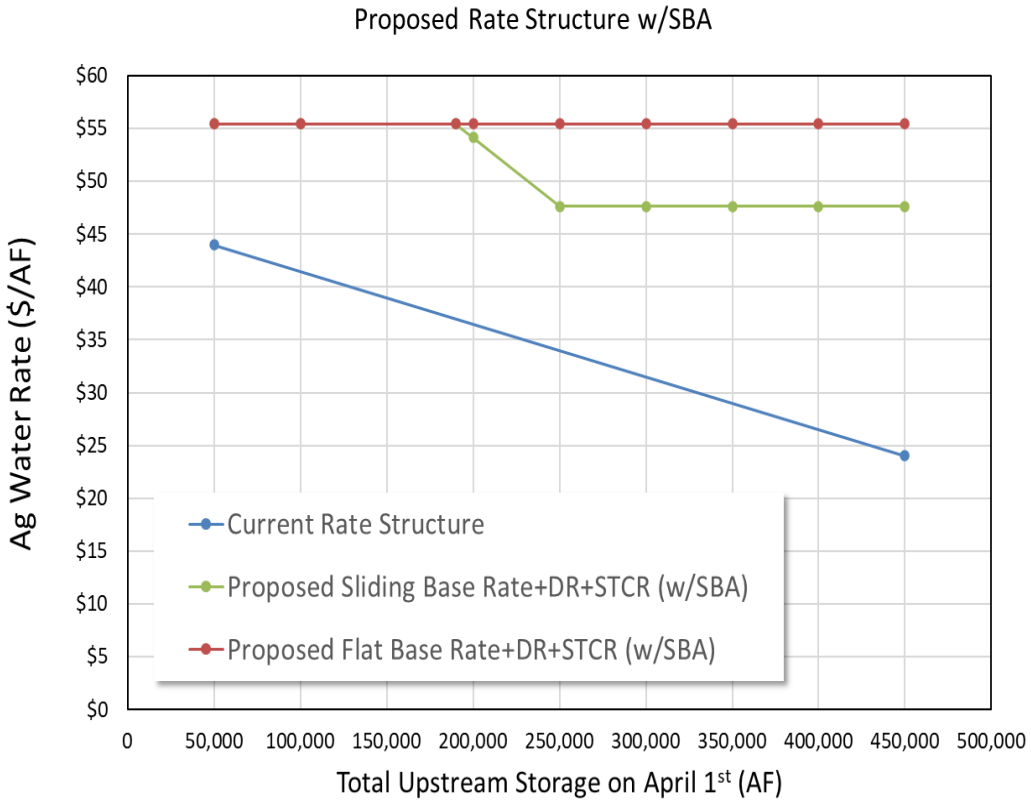
- Present rate structure found in the Cost-of-Service Study
- Request Board to direct staff/consultant team to send out rate notices
- Request Board setting a public hearing date/time regarding rate changes

Discussion Outline

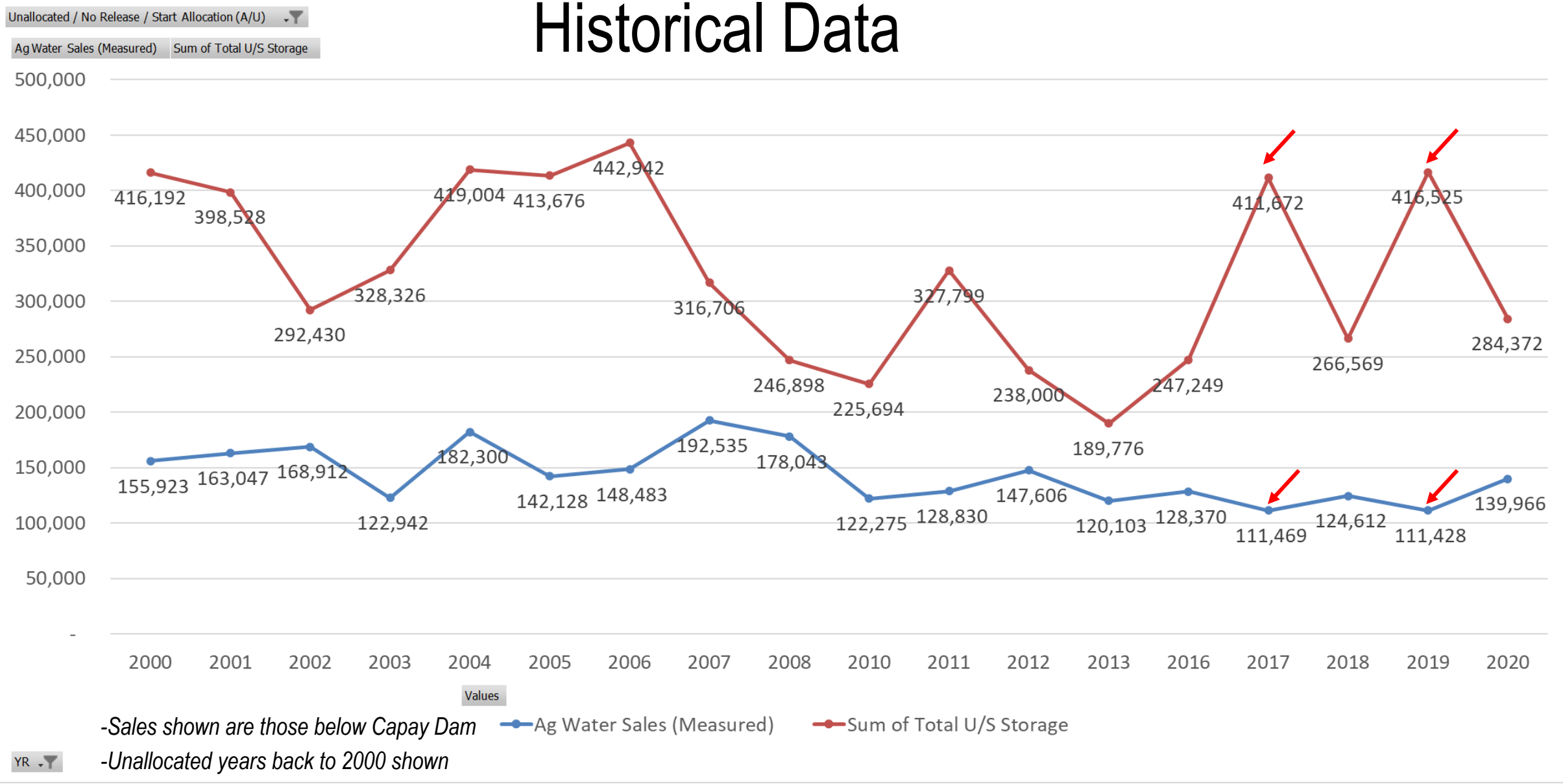
- Reviewed rate options and preliminary rates during March 7th Board meeting
- Follow-up on information discussed during prior Board meeting and summarize changes incorporated into the cost-of-service study
- Summary of proposed rate and its components
- Staff/consultant team recommendations / Next Steps

Prior Presentation Follow-up

- Flat rate presents more advantages to current rate structure or the modified sliding scale by
  - Protecting against downside risk (i.e., low sales); more predictability in revenue given fluctuation in sales amounts.
  - Eliminate constraint around upstream storage rate setting which is not a great predictor of annual sales and has resulted in revenue shortfalls
  - Board can contribute excess revenues toward drought reserve each year
  - Board can set rates lower in any given year during budget setting process
- Consider historical sales: pricing incentive with sliding scale; sales history vs. total upstream storage; upstream storage frequency
- Consider longer duration for the short-term cap recovery charge



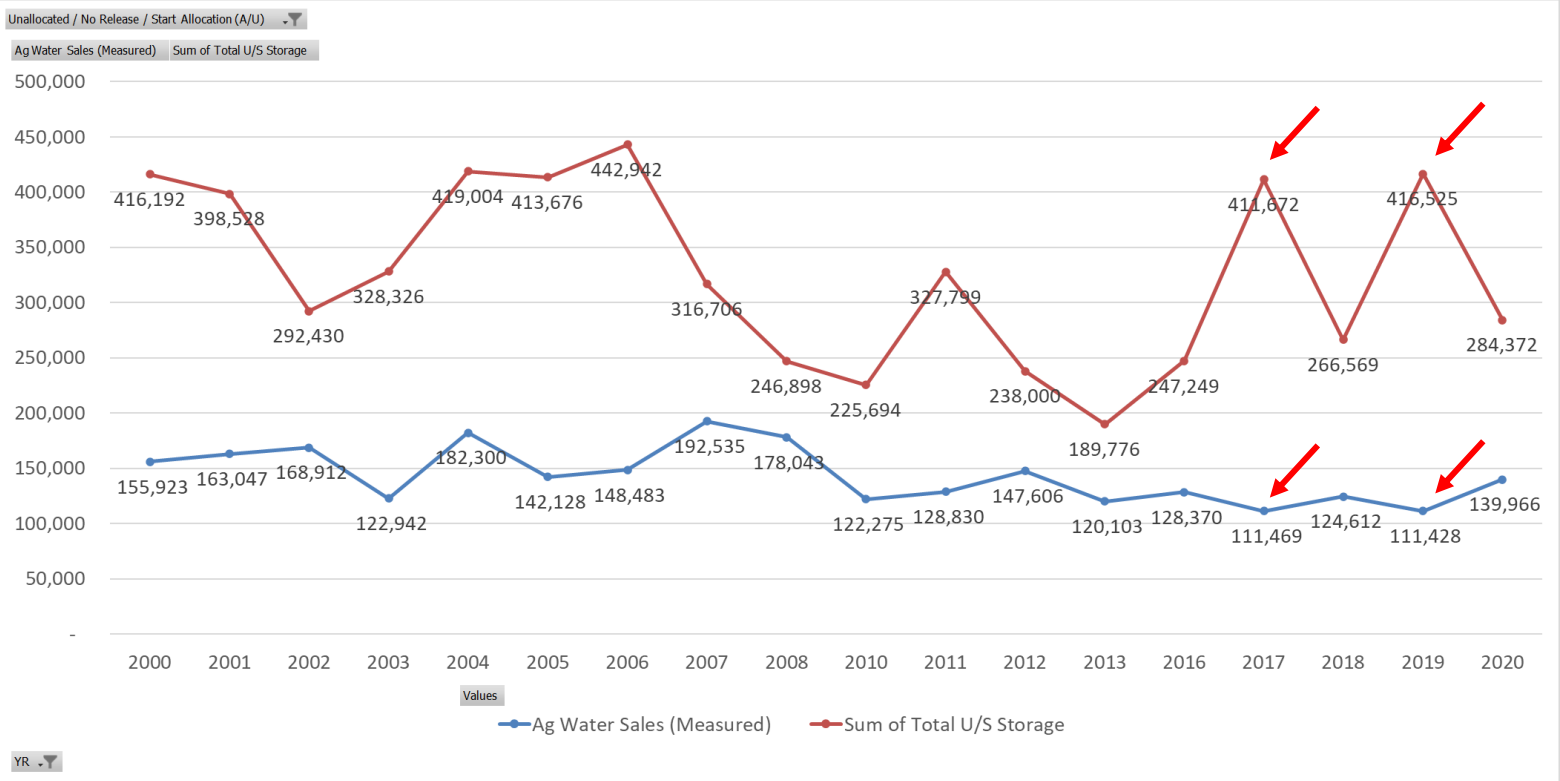
Historical Data



-Sales shown are those below Capay Dam

-Unallocated years back to 2000 shown

Historical Data

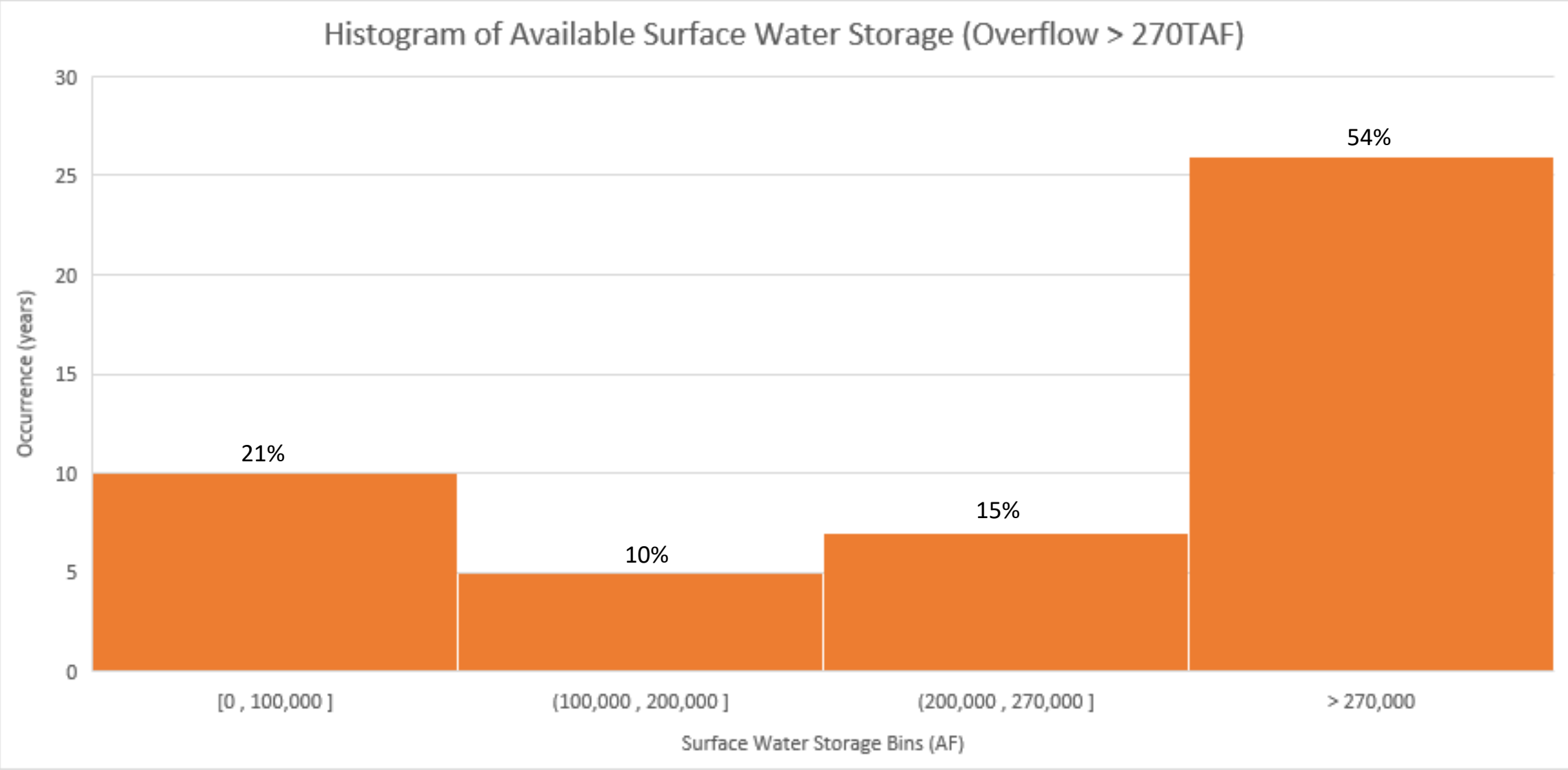


-Sales shown are those below Capay Dam

-Unallocated years back to 2000 shown

- Sliding scale of any kind links rates to upstream storage, but not great predictor for sales
- Low confidence in higher sales assumptions as total sales have decreased over time
- Pricing incentive/Price elasticity difficult to decipher but not a factor at these levels
  - Recent data shows low sales at low prices (2017/2019); higher sales at higher prices
  - Basin saturation levels likely play a role in sales. i.e. when basin is more saturated, less water may need to purchased, which is coincident with more TUS.
- Grower feedback suggests surface water is much cheaper than groundwater extraction due to energy costs.

Historical Data



Proposed Rate Structure Components

- Flat rate structure is proposed
- Establish **base rate** to cover net direct expenses in all non-allocated years at minimal expected sales of 110k AF
- Build sufficient **drought reserves** to cover two years of net direct expenses during allocated/no sales years
- Eliminate recent accrued cash deficit of $1.0M from prior insufficient revenues through a **short-term capital recovery** charge

Expenditure Summary

	FY 23/24*
Agricultural Water Operations	$2.316M
Agricultural Water G&A Allocation	$1.887M
Agricultural Water Capital Improvement	$1.715M
Total Direct Expenses	**$5.918M**

	FY 23/24*
Total Direct Expenses	($5.918M)
Tax Apportionment Revenue	$1.027M
Special Benefit Assessment Revenue	$0.952M
Net Direct Expenses	**($3.939M)**

*Estimated and subject to change as District budget is established

Total Direct Expense – 5-yr Projection

FY 23/24*	FY 24/25	FY 25/26	FY 26/27	FY 27/28
$5.92M	**$6.09M**	**$6.28M**	**$6.47M**	**$6.66M**

Net Expense – 5-yr Projection

FY 23/24*	FY 24/25	FY 25/26	FY 26/27	FY 27/28
$3.94M	**$4.10M**	**$4.27M**	**$4.44M**	**$4.61M**

Rate Summary

Flow of Funds - Ag Water	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
Ag Water Operating Expenses	$ (5,918,323)	$ (6,095,873)	$ (6,278,749)	$ (6,467,111)	$ (6,661,125)
Ag Water Special Benefit Assessment [1]	$ 952,135	$ 980,699	$ 1,010,120	$ 1,040,424	$ 1,071,636
Total Non-Operating Rev Avail to Offset Ag Water Expenses - from Table 5	$ 1,026,775	$ 1,015,243	$ 1,003,042	$ 990,147	$ 976,529
Net Ag Water Expense	**$ (3,939,413)**	**$ (4,099,931)**	**$ (4,265,587)**	**$ (4,436,541)**	**$ (4,612,959)**
Assumed Annual Water Sales (AF) [2]	110,000	110,000	110,000	110,000	110,000
Base Water Rate (per AF)	$ 35.8	$ 37.3	$ 38.8	$ 40.3	$ 41.9
Base Water Rate, averaged (per AF) [3]	**$ 39.0**				
Drought Reserve					
Drought Reserve Expense [4]	$ (1,575,765)	$ (1,639,972)	$ (1,706,235)	$ (1,774,616)	$ (1,845,184)
Drought Reserve Rate (per AF)	$ (14.3)	$ (14.9)	$ (15.5)	$ (16.1)	$ (16.8)
Drought Reserve Rate, averaged (per AF) [3]	**$ 15.5**				
Short-Term Capital Recovery Charge					
STCR Expense [5]	$ (200,000)	$ (200,000)	$ (200,000)	$ (200,000)	$ (200,000)
STCR Expense Rate (per AF)	$ (1.8)	$ (1.8)	$ (1.8)	$ (1.8)	$ (1.8)
STCR Rate, averaged (per AF) [3]	**$ 1.8**				
Total Water Rate (per AF) [3]	**$ 56.30**				

[1] Special Benefit Assessment revenues is for capital improvements as adopted by the Board of Directors at the March 7, 2023 Meeting.

[2] Based on minimum quantity of water sold in unallocated years: 110,000 AF.

[3] To avoid rates changing each year, assume a rate change in year 1 only based on a five-year average; base rate rounded up to nearest dollar.

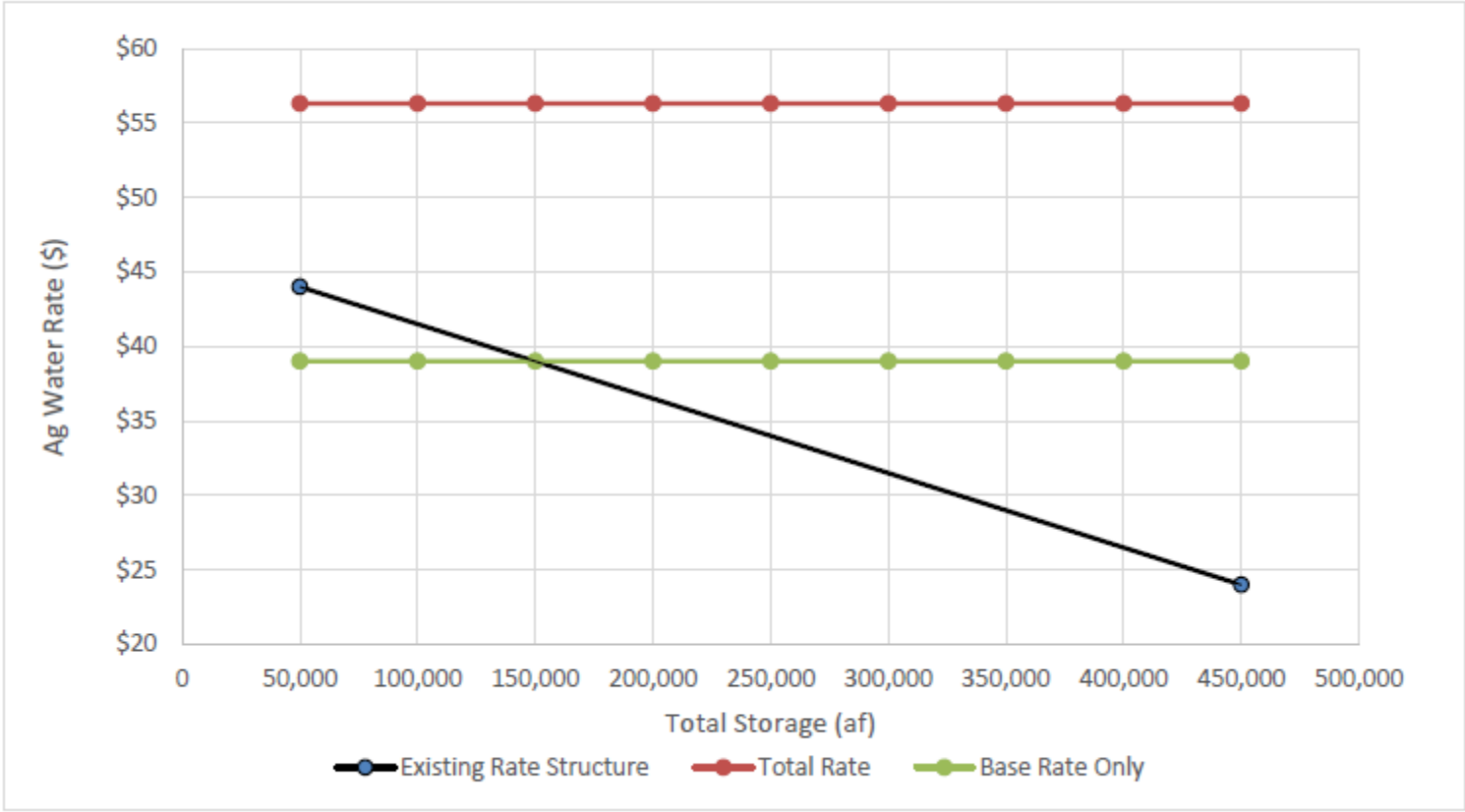
[4] Drought Reserve Expense based on collecting revenue to cover two years of net ag water expenses; collected over an assumed 5-years of unallocated sales (i.e. for FY23/24 $4Mx2/5 years); Expenses reserved in each year increases per escalation assumptions.

[5] Short term capital recovery charge is based on the Districts current cash balance of ($1.0M) based on estimated FY22/23 year end cash less loan debt, with recovery through rate revenue over five years (i.e. $1.0M/5 years)

- Differences from prior presentation:
  - Rate averaged over 5-years per notation in prior presentation
  - STCR Fund assumes recovery of $1M over 5-years

Rate Summary

Chart 2: Agricultural Water Rates vs. Total Upstream Storage



Next Steps

- Prop 218 water rate fee protest process/timeline

- 3/14/2023
- Pre-Approval of proposed rates
- Initiate protest period
- Set Public Hearing date

- Mail notices to customers on 3/15/2023
- Duration: 45 calendar days, minimum
- Consider Drought Reserve Policy

- Target: 5/2/23
- Public hearing
- Tally protests
- Adopt Water Rates

Discussion / Questions

Agenda Item #2

Consideration: Accept and Approve the Preliminary Cost-of-Service Study and Set Public Hearing for Adopting Water Rates

Agenda Item #3

Adjourn