



**RESOLUTION NO. 2019-71
RESOLUTION NO. PFA-03
ORDINANCE NO. 2019-03**

AGENDA

MISSION STATEMENT

"Our team is dedicated to protecting, enhancing, and developing our rich water resources to the highest beneficial use for Calaveras County, while maintaining cost-conscious, reliable service, and our quality of life, through responsible management."

Regular Board Meeting
Wednesday, October 23, 2019
1:00 p.m.

Calaveras County Water District
120 Toma Court, (PO Box 846)
San Andreas, California 95249

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Administration Office at 209-754-3028. Notification in advance of the meeting will enable CCWD to make reasonable arrangements to ensure accessibility to this meeting. Any documents that are made available to the Board before or at the meeting, not privileged or otherwise protected from disclosure, and related to agenda items, will be made available at CCWD for review by the public.

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. **ROLL CALL**

2. **PUBLIC COMMENT**

At this time, members of the public may address the Board on any non-agendized item. The public is encouraged to work through staff to place items on the agenda for Board consideration. No action can be taken on matters not listed on the agenda. Comments are limited to three minutes per person.

3. **CONSENT AGENDA**

The following items are expected to be routine / non-controversial. Items will be acted upon by the Board at one time without discussion. Any Board member may request that any item be removed for later discussion.

- 3a Accept the Report on the Monthly Investment Transactions for September, 2019
(Peter Martin, Interim Director of Administrative Services)

BOARD OF DIRECTORS

Russ Thomas, President Bertha Underhill, Vice President
Scott Ratterman, Director Cindy Secada, Director Jeff Davidson, Director

- 3b Approval of Board Meeting Schedule in November and December, 2019
(Michael Minkler, General Manager)
- 3c Acceptance and Transfer of Divisions 4 / Copperopolis Copper Hills Unit 2, Phase A, Water and Wastewater Service Facilities Improvements Project, CCWD #01264.
(Charles Palmer, District Engineer) **RES 2019-_____**

4. NEW BUSINESS

- 4a* Resolution of Appreciation for Christopher Zanardi for his 30 years of Service with CCWD
(Damon Wyckoff, Director of Operations) **RES 2019-_____**
- 4b Discussion/Direction Regarding USDA Rural Utilities Service Grant/Loan Award and Letter of Conditions for Proposed Districtwide Automatic Metering Project , CIP No. 11096
(Peter Martin, Manager of Water Resources)

5. OLD BUSINESS

- 5a Review of the District's Public Safety Power Shutoff Emergency Action Plan Implementation
(Damon Wyckoff, Director of Operations)

6. REPORTS

- 6a* General Manager Report

7.* BOARD REPORTS / INFORMATION / FUTURE AGENDA ITEMS

8. NEXT BOARD MEETINGS

- Wednesday, November 13, 2019, 9:00 a.m., Regular Board Meeting (*Please note new time*)
- Wednesday, November 27, 2019, 9:00 a.m., Regular Board Meeting (*Proposed cancellation*)

9. ADJOURNMENT

CALAVERAS COUNTY WATER DISTRICT

Board of Directors

District 1 Scott Ratterman
District 2 Cindy Secada
District 3 Bertha Underhill
District 4 Russ Thomas
District 5 Jeff Davidson

Financial Services

Umpqua Bank
US Bank
Wells Fargo Bank

CCWD Committees

*Engineering Committee
*Finance Committee
*Legal Affairs Committee
Executive Committee (*ad hoc*)

Joint Power Authorities

ACWA / JPIA
CCWD Public Financing Authority
Calaveras-Amador Mokelumne River Authority (CAMRA)
Calaveras Public Power Agency (CPPA)
Eastern San Joaquin Groundwater Authority
Tuolumne-Stanislaus Integrated Regional Water
Management Joint Powers Authority (T-Stan JPA)
Upper Mokelumne River Watershed Authority (UMRWA)

Other Regional Organizations of Note

Calaveras LAFCO
Calaveras County Parks and Recreation
Committee
Highway 4 Corridor Working Group
Mountain Counties Water Resources
Association (MCWRA)
Mokelumne River Association (MRA)
Tuolumne-Stanislaus Integrated Regional Water
Mgt. JPA Watershed Advisory Committee (WAC)
Eastern San Joaquin Groundwater Authority-Technical
Advisory Committee

Legal Counsel

Matthew Weber, Esq.
Downey Brand, LLP

Auditor

Richardson & Company, LLP

Membership**

Davidson / Thomas (alt. Secada)
Underhill / Secada (alt. Thomas)
Davidson / Thomas (alt. Ratterman)
Thomas / Underhill

Ratterman (alt. Michael Minkler)
All Board Members
Ratterman / Underhill (alt. Secada)
Peter Martin (alt. Michael Minkler)
Thomas
Secada (alt. Thomas)
Davidson (alt. Ratterman)

Ratterman / Thomas
Thomas (alt. Ratterman)

Thomas / Underhill
All Board Members

All Board Members
Peter Martin (alt. Metzger)

Peter Martin

* Standing committees, meetings of which require agendas & public notice 72 hours in advance of meeting.

** The 1st name listed is the committee chairperson.

Agenda Item

DATE: October 23, 2019

TO: Board of Directors

FROM: Peter Martin, Interim Director of Administrative Services

SUBJECT: Report on the Monthly Investment Transactions for September 2019

RECOMMENDED ACTION:

For information only.

SUMMARY:

Per the District's Investment Policy, Staff will report on a monthly basis the investment activity for the preceding month. During the month of September 2019, the following investment transactions occurred.

9/3/19	Interest received on the Wells Fargo Money Market Investment Account	32.13
9/25/19	Transfer from LAIF to the District's Operating Account	825,000.00
9/30/19	Interest Earned on the Umpqua Bank Money Market Investment Account	927.52

Staff monitors cash flow to ensure operational needs are met and excess funds are invested.

Attachment: Investment Activity Report for September 2019

**CALAVERAS COUNTY WATER DISTRICT
INVESTMENT ACTIVITY ENTRY
FOR THE MONTH ENDING SEPTEMBER 30, 2019**

INVESTMENT TRUSTEE/TYPE	MARKET VALUE	INVESTMENT COST			CPN RATE	INVESTMENT DATE	MATURITY DATE	CM INTEREST RECVD
		COST	Prem/(Disc)	PAR (PRINC)				
Lehman Bros Hldgs Inc 11/10/09 (IN DEFAULT)	19,807.50	743,331.99	(681,668.01)	1,425,000.00	3.950%	05/05/08	---	-
Wells Fargo Bank Certificate of Deposit	1,995,740.00	2,000,000.00	-	2,000,000.00	1.300%	07/22/16	07/22/21	-
Wells Fargo Money Market	22,129.12	22,129.12	-	22,129.12	0.010%	ongoing	n/a	32.13
Sub-totals Wells Fargo Bank	2,037,676.62	2,765,461.11	(681,668.01)	3,447,129.12				32.13
Umpqua Bank Money Market	2,565,662.49	2,565,662.49	-	2,565,662.49	0.440%	06/14/07	n/a	927.52
Local Agency Investment Fund	27,078,907.50	27,078,907.50	-	27,078,907.50	2.250%	ongoing	n/a	-
Totals	31,682,246.61	32,410,031.10	(681,668.01)	33,091,699.11				\$959.65

September Transactions:	Date	Amount
Interest received on the Wells Fargo Money Market Investment Account	9/3/2019	32.13
Transfer from LAIF to the District's Operating Account	9/25/2019	825,000.00
Interest received on the Umpqua Bank Money Market Investment Account	9/30/2019	927.52

Agenda Item

DATE: October 23, 2019

TO: Board of Directors

FROM: Michael Minkler, General Manager

SUBJECT: Cancellation of Board Meetings of November 27 and December 25, 2019

RECOMMENDED ACTION:

Motion: _____ / _____ by Minute Entry to approve cancellation of the Regular Board Meeting dates of November 27 and December 25, 2019.

SUMMARY:

Due to the holidays in November and December, staff proposes to cancel the second monthly Board Meeting dates in November and December (scheduled for November 27th and December 25th). If a matter arises, a second Board meeting can be scheduled as needed.

FINANCIAL CONSIDERATIONS:

Board meeting costs.

Agenda Item

DATE: October 23, 2019

TO: Michael Minkler, General Manager

FROM: Charles Palmer, District Engineer
Robert Creamer, Engineering Analyst

SUBJECT: Acceptance and Transfer of Divisions 4 / Copperopolis Copper Hills Unit 2, Phase A, Water and Wastewater Service Facilities Improvements Project, CCWD #01264.

RECOMMENDED ACTION:

Motion: _____ / _____ to adopt Resolution No. 2019-____ Authorizing Acceptance and Transfer of Copper Hills Unit 2, Phase A Water and Wastewater Service Facilities Improvements Project, CCWD #01264

SUMMARY:

A non-standard Water and Wastewater Services Facilities Agreement for Copper Hills Unit 2, Phase A, was entered into between CCWD and Copper Hills, LLC, on June 11, 2019. On September 26, 2019, CCWD completed its final inspection of Copper Hills Unit 2, Phase A, with no defects detected. Also, Copper Hills, LLC has submitted an applicable two (2) year guarantee bond for the project.

Staff recommends acceptance and transfer of the Copper Hills Unit 2, Phase A (Lots 78-103 and Lots 162-169) Water and Wastewater Service Facilities Improvements Project, CCWD #01264, and authorizing the Grant and Transfer along with a Certificate of Acceptance to be recorded with the Calaveras County Recorder.

FINANCIAL CONSIDERATIONS:

None

Attachments: Resolution No. 2019-____ - Authorizing Acceptance and Transfer of Copper Hills Unit 2, Phase A Water and Wastewater Service Facilities Improvements Project, CCWD #01264
Certificate of Acceptance
Grant and Transfer of Water and Sewer System Facilities and Public Utility Easements

RESOLUTION NO. 2019 – ____

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE CALAVERAS COUNTY WATER DISTRICT**

**AUTHORIZING ACCEPTANCE OF
TRANSFER OF WATER AND WASTEWATER SERVICE FACILITIES
FOR COPPER HILLS, UNIT 2, PHASE A, CCWD# 01264**

WHEREAS, the CALAVERAS COUNTY WATER DISTRICT entered into a non-standard Water and Wastewater Services Facilities Agreement for Copper Hills Unit 2, Phase A, on June 11, 2019 and

WHEREAS, the District completed its final inspection of Copper Hills Unit 2, Phase A, CCWD, #01264, on September 26, 2019 with no defects detected.

BE IT RESOLVED by the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT that the Water and Wastewater Facilities Agreement for Copper Hills, Unit 2, Phase A (consisting of Lots 78-103 and 162-169) in Copperopolis has been completed and constructed to the satisfaction of district standards and is hereby approved.

BE IT FURTHER RESOLVED, that the CALAVERAS COUNTY WATER DISTRICT's Clerk to the Board is hereby authorized and directed to record with the Calaveras County Recorder said Grant and Transfer of Water and Wastewater Service Facilities Agreement for Copper Hills, Unit 2, Phase A along with a signed Certificate of Acceptance by the District.

PASSED AND ADOPTED this 23rd day of October, 2019, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

CALAVERAS COUNTY WATER DISTRICT

Russ Thomas, President
Board of Directors

ATTEST:

Rebecca Hitchcock
Clerk to the Board

Recording Requested By and
When Recorded Return to:
CALAVERAS COUNTY WATER DISTRICT
PO BOX 846
SAN ANDREAS, CA 95249

CERTIFICATE OF ACCEPTANCE
CALAVERAS COUNTY WATER DISTRICT
FOR COPPER HILLS, UNIT 2, PHASE A

I, CHARLES PALMER, District Engineer of the CALAVERAS COUNTY WATER DISTRICT (CCWD), Calaveras County, California, hereby certify that the attached Grant and Transfer of Water & Wastewater System Facilities and Public Utilities Easements is hereby accepted by the undersigned on behalf of the CCWD pursuant to authority therefor by RESOLUTION NO. 2012-72 adopted by the Board of Directors September 26, 2012, and recorded September 27, 2012, in the Calaveras County Official Records, and that CCWD consents to recordation thereof in the office of the County Recorder of the County of Calaveras, California.

CALAVERAS COUNTY WATER DISTRICT

Charles Palmer, P.E.
District Engineer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF CALAVERAS)

SUBSCRIBED AND SWORN to before me on _____, by Charles Palmer, who proved to me on the basis of satisfactory evidence to be the person who appeared before me.

Rebecca Hitchcock, Notary Public
Commission Expires February 24, 2023

RECORDED AT REQUEST OF
AND RETURN TO:
CALAVERAS COUNTY WATER DISTRICT
PO BOX 846
SAN ANDREAS, CA 95249

GRANT AND TRANSFER OF WATER SYSTEM FACILITIES
and
PUBLIC UTILITY EASEMENTS

THE UNDERSIGNED, DAVID B. SANSON, hereby grant, convey, assign, and transfer to CALAVERAS COUNTY WATER DISTRICT (CCWD) and its Copper Cove / Water Improvement District No. 7 and Copper Cove/ Sewer Improvement District No. 8S, the following described water and wastewater facilities, and CCWD hereby accepts the same pursuant to the attached Certificate of Acceptance:

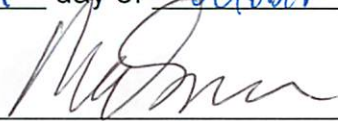
THE COMPLETE water distribution system and wastewater facilities as shown on the as-built construction plans on file with CCWD presently installed for the project known as Division 5 / Copper Cove /Copper Hills Unit 2 Phase A Subdivision, Lots 78-103 and Lots 162-169, TSTM 1993-535, including, without limitation, all pipeline, lateral pipelines, valves, pipe fittings and connections, fire hydrants, water services, backflow devices, cleanouts, wastewater services, laterals, street main, collector, and all other items too numerous to list being a part of said water and wastewater systems, together with public utility easements over and around the water improvements to allow CCWD to operate and maintain, as required, to repair and replace the water improvements. Said facilities are located in the Copper Hills Unit 2A subdivision, as shown in the final map recorded in Calaveras County, California on August 21, 2007, in Book 8 of Subdivision at page 45, Document No. 2007-14914. See Map "Attachment A" attached hereto and made a part hereof as referenced.

THE TOTAL VALUE of said water system improvements transferred this date is \$ 207,880 for the water system and

\$ 274,490 for the wastewater system.

THE UNDERSIGNED hereby warrant that they have a good and marketable title to the aforementioned items being transferred by this document and are free and clear of all liens and encumbrances and will defend at his/her/its/their sole cost and expense CCWD against any and all claims against the same.

IN WITNESS WHEREOF, the undersigned have executed this document on the 7th day of October, 2019.



David B. Sanson, President
Copper Hills, LLC.

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Contra Costa)

On 10/7/2019 before me, Jessica Moraes, Notary Public
(insert name and title of the officer)

personally appeared David B. Sanson,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)



Meridian Associates, Inc.
 1340 Treat Blvd., Suite 130
 Walnut Creek, CA 94597
 Phone: 925-932-4908
 Fax: 925-932-3519

Civil Engineers
 Land Planners
 Surveyors

ENGINEER'S PRELIMINARY COST ESTIMATE
 COPPER HILLS - UNIT NO 2
 In-tract (including relocated 8" sewer line)
 COPPEROPOLIS, CALAVERAS COUNTY, CA

Date: April 11, 2006
 File: 05-18-01\COPPER-HILLS-NO-1.dwg;CCWD
 By: DSK
 Rev: 1

Item	Description	Quantity	Unit	Unit Price	Amount
<u>IN-TRACT SANITARY SEWER</u>					
1	Manholes	13	EA	\$ 4,000.00	\$ 52,000.00
2	4" Laterals	55	EA	\$ 650.00	\$ 35,750.00
3	6" Sanitary Sewer Pipe	1,438	LF	\$ 40.00	\$ 57,440.00
4	Connection to existing	5	EA	\$ 500.00	\$ 2,500.00
Subtotal					\$ 147,690.00
<u>RELOCATED SANITARY SEWER - "A" & "B"</u>					
1	Manholes w/ lining	10	EA	\$ 5,500.00	\$ 55,000.00
2	4" Laterals	7	EA	\$ 650.00	\$ 4,550.00
3	8" Sanitary Sewer Pipe	1,037	LF	\$ 50.00	\$ 51,850.00
4	6" Sanitary Sewer Pipe	60	LF	\$ 40.00	\$ 2,400.00
5	Connection to existing	4	EA	\$ 1,500.00	\$ 6,000.00
6	Remove existing 6" SS	1	LS	\$ 2,000.00	\$ 2,000.00
7	Cap both ends and manhole and grout fill ex. 8"SS along Creek	1	LS	\$ 5,000.00	\$ 5,000.00
Subtotal					\$ 128,800.00
<u>WATER SUPPLY</u>					
1	8" PVC Water Line (including valves & appurtenances)	3,222	LF	\$ 40.00	\$ 128,880.00
2	Water Services	86	EA	\$ 500.00	\$ 43,000.00
3	Fire Hydrants	6	EA	\$ 5,200.00	\$ 31,200.00
4	Irrigation Service (estimate)	2	EA	\$ 750.00	\$ 1,500.00
5	Permanent Blow Off	1	EA	\$ 900.00	\$ 900.00
6	Air Release valve (ARV)	1	EA	\$ 1,200.00	\$ 1,200.00
7	Tie in to existing main on Copper Crest Dr.	1	EA	\$ 1,200.00	\$ 1,200.00
Subtotal					\$ 207,880.00
TOTAL CONSTRUCTION COST					\$ 482,370.00
10% CONTINGENCY					\$ 96,474.00
TOTAL CONSTRUCTION COST PLUS CONTINGENCY (to nearest \$1,000)					\$ 579,000

General Notes

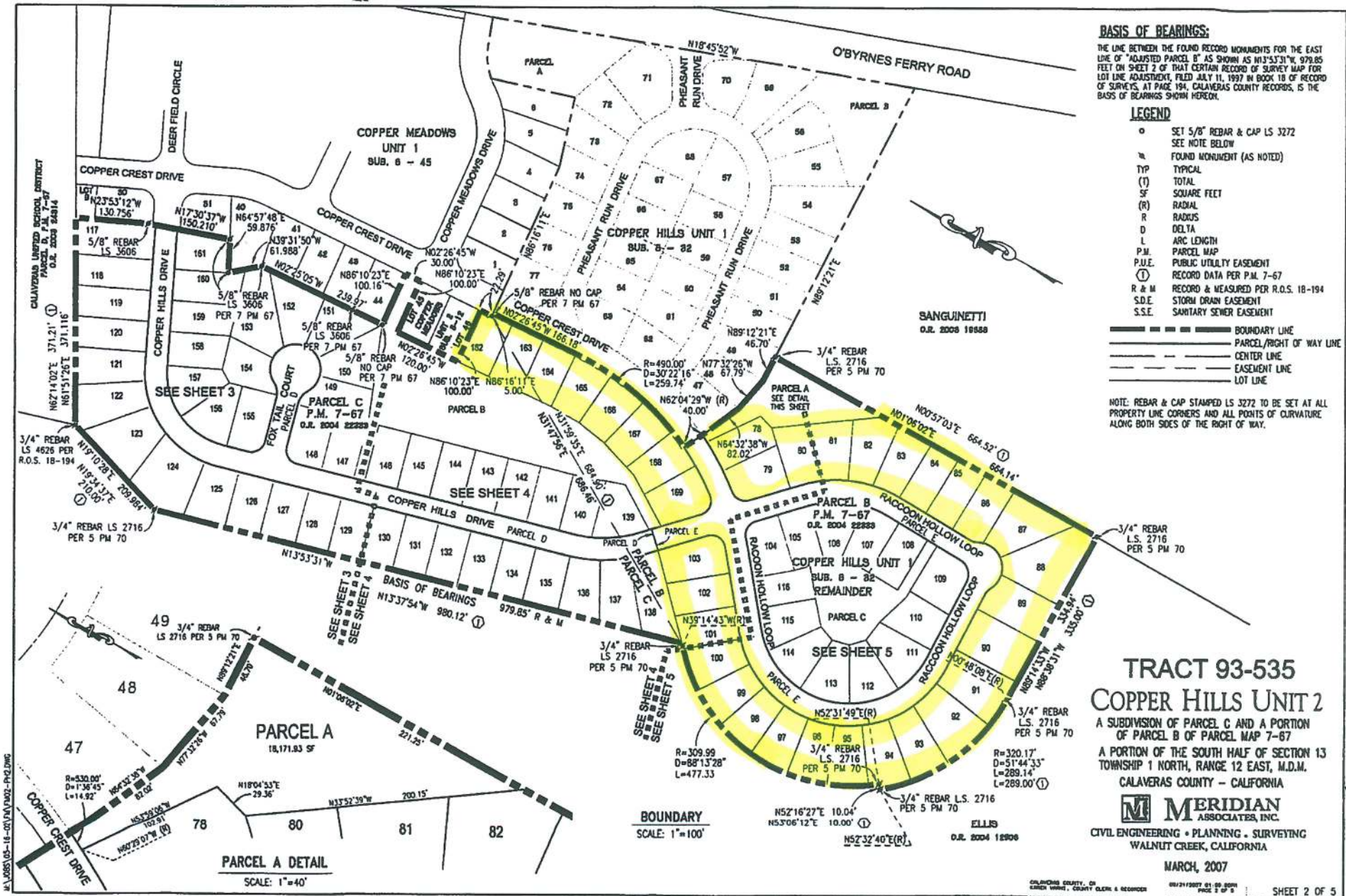
This estimate is based upon information available at this time and Meridian & Associates assumes no liability for changes in prices due to unforeseen conditions or changes required by governing agencies.

This estimate is subject to the following special notes:

- 1 This estimate is PRELIMINARY and is subject to change.
- 2 Unit prices contained in this estimate are the opinion of the project Civil Engineer. The owner is cautioned that final unit prices may vary greatly from those contained within this estimate.
- 3 The cost estimate detailed above is for CCWD only.

RECEIVED
 APR 14 2006
C.C.W.D.





BASIS OF BEARINGS:
 THE LINE BETWEEN THE FOUND RECORD MONUMENTS FOR THE EAST LINE OF "ADJUSTED PARCEL B" AS SHOWN AS N13°53'31"W, 979.85 FEET ON SHEET 2 OF THAT CERTAIN RECORD OF SURVEY MAP FOR LOT LINE ADJUSTMENT, FILED JULY 11, 1997 IN BOOK 18 OF RECORD OF SURVEYS, AT PAGE 194, CALAVERAS COUNTY RECORDS, IS THE BASIS OF BEARINGS SHOWN HEREON.

- LEGEND**
- SET 5/8" REBAR & CAP LS 3272
 - SEE NOTE BELOW
 - FOUND MONUMENT (AS NOTED)
 - TYP TYPICAL
 - (T) TOTAL
 - SF SQUARE FEET
 - (R) RADIAL
 - R RADIUS
 - D DELTA
 - L ARC LENGTH
 - P.M. PARCEL MAP
 - P.U.E. PUBLIC UTILITY EASEMENT
 - (1) RECORD DATA PER P.M. 7-67
 - R & M RECORD & MEASURED PER R.O.S. 18-194
 - S.D.E. STORM DRAIN EASEMENT
 - S.S.E. SANITARY SEWER EASEMENT

- BOUNDARY LINE
- PARCEL/RIGHT OF WAY LINE
- CENTER LINE
- EASEMENT LINE
- LOT LINE

NOTE: REBAR & CAP STAMPED LS 3272 TO BE SET AT ALL PROPERTY LINE CORNERS AND ALL POINTS OF CURVATURE ALONG BOTH SIDES OF THE RIGHT OF WAY.

**TRACT 93-535
 COPPER HILLS UNIT 2**
 A SUBDIVISION OF PARCEL C AND A PORTION
 OF PARCEL B OF PARCEL 7-67

A PORTION OF THE SOUTH HALF OF SECTION 13
 TOWNSHIP 1 NORTH, RANGE 12 EAST, M.D.M.,
 CALAVERAS COUNTY - CALIFORNIA

MERIDIAN ASSOCIATES, INC.
 CIVIL ENGINEERING • PLANNING • SURVEYING
 WALNUT CREEK, CALIFORNIA

MARCH, 2007

08/21/2007 01:50:00PM
 PAGE 3 OF 5
 2007 14014

SHEET 2 OF 5

ATTACHMENT 'A'

Book 8 Page 467A

Agenda Item

DATE: October 23, 2019

TO: Michael Minkler, General Manager

FROM: Peter Martin, Manager of Water Resources

SUBJECT: Discussion/Direction Regarding USDA Rural Utilities Service Grant/Loan Award and Letter of Conditions for Proposed Districtwide Automatic Metering Project , CIP No. 11096

RECOMMENDED ACTION:

Informational update only. No action requested at this time.

SUMMARY:

At the August 14, 2019 Calaveras County Water District Board of Directors meeting Charles Palmer, District Engineer, presented an informational item and received direction on staff efforts to apply for a \$6,000,000 total project grant and loan opportunity from the United States Department of Agriculture Rural Development Program (USDA RD). The proposed grant application was to advance the implementation of the District's planned Automatic Meter Reading/Advanced Metering Infrastructure (AMR/AMI) Project, Capital Improvement Project Number 11096. The Board also requested that staff bring back a more thorough analysis of the total project costs and benefits.

The District has evaluated opportunities for the integration of new meters equipped with AMR capabilities for more than 10 years. As a result, the Board has included projected cash flow in the Capital Improvement Program to support the implementation of a desired project. The implementation of an AMR project would provide significant benefit to the district in terms of cost savings realized, increased productivity, and ensure timely responsiveness to wide-ranging conservation policies soon to be mandated by the State of California as a result of the "Making Water Conservation a Way of Life" legislation passed in 2018 (SB 606 – Hertzberg and AB 1668 – Friedman).

The District proposes to replace all 13,000+ existing manual-read meters with AMR technology or radio read meters. The data collection will be by either drive-by readings in which the meter data can be collected by driving a vehicle past or in proximity to these meters to the point that data signals can be transmitted to a receiver in the vehicle. Also, the District will look at potential locations for incorporating fixed networks (AMI) in areas of higher customer density and locations that have good signal

propagation in order to perform meter reads from a fixed station (eliminating the need for the drive-by reads).

Project Costs

The AMR/AMI Project was incorporated District’s 5-year Capital Improvement Plan as project number 11096 during the Fiscal Year 2019-20 budget process. The project was listed as a total \$4,500,000 project, with a three-year projected schedule of cash flow of \$100,000 in year 1 (FY 19/20), and \$2,200,000 in both fiscal years 2 and 3 (FY’s 20/21 and 21/22). After some engineering evaluation and refinement with USDA RD staff, the proposed project is currently expected to cost a total \$6,000,000 and to be implemented over a period of three years for the retrofit of more than 13,000 AMR integrated meters districtwide. The following schedule is proposed for implementing the new meters:

Sequence	Timeframe
1 – Prepare Bid Documents, Publicly Bid & Award Contract	5-months
2 – Ebbetts Pass Meter Deployment	8-months
3 - Jenny Lind Meter Deployment	5-months
4 - Copper Cove Meter Deployment	4-months
5- West Point, Wallace & Sheep Ranch Meter Deployments	2-months
Total	24-months

Since the last update to the Board, USDA RD has extended a “Letter of Conditions” (attached) that established offered terms for the proposed \$6,000,000 project, which includes a \$1,000,000 dollar grant with a \$5,000,000 loan component at a maximum 2.75% interest and a 40-year payback timeframe. The Letter of Conditions also affirms that the funding has been obligated by USDA for a project by the District. The grant funds are conditioned on the District accepting the terms of the loan and the execution of interim financing during the construction period, before advertising for bids. The project must be completed within five years. Grant funds can be expended once the interim financing is secured.

For the 40-year \$5,000,000 loan component at a 2.75% interest rate, the projected payback of the new loan component at the completion of construction would be an annual payment of \$207,658 for the life of the loan (first year payment \$70,158 principal and \$137,500 interest). Notably, the Letter of Conditions states interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing (currently 2.375%). Should the interest rate be reduced, the payment will be recalculated to the lower amount, but will not exceed the original 2.75% offered. As there is no penalty for early payoff, staff has provided as an attachment amortization schedules for forecasted 20-year and 40-year payoff options for the project. The analysis shows the District could save over \$1,500,000 in cumulative interest by paying off the loan at an accelerated rate (20-years) while still freeing up funding from the R&R Fund to go toward short-term priority projects.

Project Benefits

The following is a summary of project benefits for the District that substantiates the immediate need for the implementation of a dDistrictwide project:

Safety – The physical risk associated with reading 6,000 – 7,000 meters each month would be significantly reduced as a result of the implementation of AMR. The job of a meter reader is one that is physically demanding and subject to elevated injury risk from exposure to the elements and terrain, entering and exiting vehicles in the road right-of-way, and sometimes requiring the encroachment onto private properties being confronted by potentially hostile persons or dangerous animals. AMR would allow a meter reader to remain inside the vehicle while collecting meter reads, and implementation districtwide could reduce the risk of worker compensation claims.

Productivity/Efficiency Gains – The physical reading of meters is time consuming and would be substantially reduced with the performance of meter reading by “drive by” or “fixed reads”. Time associated with exiting and entering vehicles to physically read meters would be significantly reduced and or mostly eliminated. Staff currently assigned to meter reading could be re-allocated to other district needs in the field or instituting more rigorous meter-reading efficiency testing, which will likely be mandated by the State in the next few years.

Although this is a rough estimate, it is possible that the District could reallocate or free up to one Full Time Employee’s (FTE) time spent meter reading to apply to other Operations Department needs. Currently, the two meter readers are spending three weeks a month (total of 240 hours) on meter reads. Manufacturers have told the district that efforts to complete one meter reading cycle could be reduced by two thirds, meaning the meter readers could be freed up an additional two weeks a month to work on valve exercising, meter testing, meter relocations, system flushing or other special projects. These are efforts that are not currently being prioritized due to efforts for manual meter reads.

Reduced “missed reads” due to snow – Historically, during above-normal precipitation years, meters in the upper elevations of the District’s service areas may not be read for up to 6-8 months at a time. This presents a difficulty for both staff trying to detect leaks and generate accurate bills, as well as customers who may have a leak and wouldn’t be aware due to no consumption data being available. AMR technology allows for meter reading in snow and provides improved customer service by billing in consistent intervals. Customers often get a large bill for water consumption due at the end of the cumulative missed read cycle, presenting unnecessary home budgeting challenges. These unexpected, large bills are the cause of many angry customer calls to Customer Service, which AMR would virtually eliminate. Customers also have historically received bills where there had been an existing leak for more than 6-8 months, which can result in very large leak adjustments (the District will reduce a customer’s large bill due to a leak once every five years) resulting in lost revenues for the District and a significant unanticipated bill for the customer.

Cycling out old meters – A quick inventory shows that over 10,000 of the District's meters were installed before 2010. Over 6,800 were installed before 2000, with many of our meters being more than 40 years old. That is well beyond the 20-year expected life of a residential meter. Further, the District bought over 2,600 meters that have 5-digit registers that were purchased before January 2000 included in the above 6,800. These meters turn back to 00,000 every 100,000 cubic feet and many of them have turned many times, which is beyond the manufactured expectations of those meters. The District also has many under- or non-registering meters throughout the District.

Lost revenues due to under- or non- registering meters – As a meter ages and begins to fail, it begins to allow more water to pass through it than what is recorded on the dial. Thus, a customer is paying for less water than they actually use. When a meter fails completely, it records 0 water usage, and the District can only bill for the bimonthly base rate, which can be a significant loss of revenue. While the Customer Service Department does flag meters with 0 water usage and sends out service requests to replace those meters, field crews currently have a large backlog of meters in need of replacement. Owing to the unusually spread-out geography of the District's infrastructure and lack of available resources, meter reading staff have not been able to audit/test the American Water Works Association's recommended standard of 5% of total meter inventory annually. Therefore, the problem continues to compound resulting in unknown amounts of lost revenue. As a general estimate, the total water consumption for all service areas from June 2018 to May 2019 was 135,636,676 cubic feet with annual consumptive revenues of approximately \$1.5 million. Assuming meters are under-registering by 5%-10%, a revenue loss of \$75,000-\$150,000 per year could be estimated. Likely, these under registering meters are contributing to districtwide reporting on system water losses, meaning the District is over estimating system losses. Replacing all meters with new meters, and freeing up meter readers to dedicate more time to meter testing/auditing could ensure that the District stays consistent with industry standards for instituting meter accuracy and reduce overall revenue losses.

Improved response to leak detection and billing – Freeing existing meter readers up from physical meter reading activities provides the opportunity to intermittently do a route-based reading cycle to pinpoint a leak mid-billing period. From a customer service perspective, there have been challenges with billing disputes and applying bill adjustments associated with customer-side leaks. An AMR integrated meter has the opportunity to internally store 3-6 months of meter data and record the data in increments of hours or minutes, depending on the application. The District expects to be able to pinpoint when a customer-side leak occurred within a 24-48 hour period based on the enhanced data collection capabilities, thereby reducing discrepancies on the timing of leaks over the two-month billing period. This will greatly improve customer service representatives' ability to help customers identify when leaks occurred, which will help them work with plumbers to locate the leak and repair it quickly. Additionally, water usage data can be made available to customers to encourage water use efficiency through third-party applications, such as WaterSmart and DropCounter.

Better data alignment for water loss accounting – The District has large production meters that measure water flowing out of treated plants to customers. These meters produce daily data points with verifiable accuracy. However, the District collects customer water usage data for Cycle 1 (Copper, Rancho Calaveras, West Point) and Cycle 2 (Ebbetts Pass and Sheep Ranch) every two months. Billing periods begin on the 16th of the month and end after two months on the 15th. The District’s existing meters do not have the ability to show when customers used water during the two-month period, so District staff have a very difficult time lining up customer water use with the water produced at treated water plants. These challenges result in poor data for the annual water audit, which is required by state law. The District’s score would be much higher if the production and consumptive data could be measured properly, rather than estimated. Additionally, if the District were able to better verify daily or monthly data at the end-user side, we would better be able to verify system losses. The District has finite resources when it comes to funding capital improvements. Collecting improved data would allow the District to more precisely select necessary capital improvements projects to reduce overall system losses.

Opportunity for switching to monthly billing cycles – While not necessary, the implementation of AMR/AMI would afford the District the opportunity to switch to monthly billing, which many customers have requested over the years. Monthly billing would benefit customers with more timely water usage information, which would be available on the billing Web portal. Additionally, low-income customers would have an easier time budgeting for smaller, monthly bills rather than larger, bimonthly bills. While the District does allow monthly automatic payment through our payment processor, Paymentus, very few customers take advantage of this billing option. As mentioned above, more precise customer end-user data would benefit operations as the District could more closely match production versus billed consumption to identify leaks and water loss in a more timely fashion.

Other Alternatives

District staff also evaluated estimated overall project costs if the District were to forego this loan and grant and incrementally replace meters throughout the District utilizing in-house labor and R&R funds. While this approach would save the District a significant amount of interest over the long term, staff feels it is important to recognize that the purchase and installation of the new meters would likely require a sustained commitment of staff time and financial resources over the next 10-plus years. This could create challenges given the District's current staffing levels and may cause delays in other high-priority R&R projects. If it takes a decade or more to incrementally replace all the antiquated meters, the prolonged deployment could cause the District to incur additional costs that may negate interest cost savings. By taking the USDA RD grant/loan and rolling out the meter replacements quickly over 2-3 years, the District will recognize immediate financial benefits, including the ability to access \$1,000,000 in grant funds that will lower the overall commitments of R&R revenues long-term. Furthermore, if the District implements the CIP adopted in 2019, cash-flow shortages can be anticipated for future projects. One clear benefit of committing to the low-interest loan and grant package is the added flexibility it provides the District in managing R&R

revenues over the short and long term by leveraging the attractive loan terms and preserving a higher balance in the R&R fund for other important infrastructure projects.

FINANCIAL CONSIDERATIONS:

As of September 16, 2019 USDA Rural Utilities Service has announced the award of a grant/loan and obligated federal funds to the District for its AMR project. However, the District is under no obligation to take formal action until the District enters into an interim financing agreement or solicits bids and awards a contract for the construction of the project. If the District ultimately approves a construction contract for the proposed project, annual payments would be transferred from the District's Renovation and Replacement Reserve Fund (R&R Fund) to pay for the loan according to the terms in the Letter of Conditions.

Attachments: *3-year schedule of cash flow table (FY 2019-2022) from FY 2019-20 budget*
 Amortized Loan Payment Table Options (40-year and 20-year)
 Letter of Conditions

Schedule of Cash Flow – Water Projects

Capital Improvement Program Schedule of Cash Flow - Water Projects FY 2019-20 thru FY 2021-2022

Project No	New Water Projects Project Description	Total Project Cost	Cash Flow			Funding FY 19-20				
			FY 19-20	FY 20-21	FY 21-22	Expansion Funds	Reserves	Capital R & R	Grants	AD / Other Outside
	Big Trees Pump Stations 1, 4 & 5 Replacement	200,000	-	-	200,000	-	-	-	-	-
	Hunters Raw Water Pumps Renovations	200,000	-	200,000	-	-	-	-	-	-
	West Point SCADA System Improvements	200,000	-	200,000	-	-	-	-	-	-
	Lake Tulloch Raw Water Pumps	125,000	-	-	125,000	-	-	-	-	-
	Reeds Turnpike Pump Station Replacement	350,000	-	-	350,000	-	-	-	-	-
	Copper Cove Tank B Pump Station Renovation	500,000	-	-	-	-	-	-	-	-
	White Pines Dam/Blanket Drain Rehab	200,000	-	200,000	-	-	-	-	-	-
	Total New Water Projects	\$ 2,275,000	\$ -	\$ 600,000	\$ 675,000	\$ -	\$ -	\$ -	\$ -	\$ -
Project No	Carryover Water Projects Project Description	Total Project Cost	Cash Flow			Funding FY 19-20				
			FY 19-20	FY 20-21	FY 21-22	Expansion Funds	Reserves	Capital R & R	Grants	AD / Other Outside
11079	Copper Cove Tank B / Repair & Paint	400,000	-	200,000	200,000	-	-	-	-	-
11080	Copper Cove Clearwell / Repair & Paint	450,000	-	250,000	200,000	-	-	-	-	-
11083J	Jenny Lind Clearwell #2 / Repair & Paint	200,000	183,888	-	-	-	-	183,888	-	-
11083L	Larkspur Tank / Repair & Paint	250,000	227,139	-	-	-	-	227,139	-	-
11083W	Wallace Tanks / Repair & Paint	350,000	343,926	-	-	-	-	343,926	-	-
	Ebbetts Pass Sawmill Tank / Repair & Paint	800,000	-	289,762	500,000	-	-	-	-	-
11084	Ebbetts Pass Techite Water Line Replacement	1,600,000	1,600,000	-	-	-	-	1,600,000	-	-
11085	Ebbetts Pass Reach 1 Water Line Replacement	7,400,000	5,000,000	2,400,000	-	35,000	-	4,965,000	-	-
11088	Jenny Lind Tank A-B Transmission Line	4,500,000	250,000	250,000	-	62,500	-	187,500	-	-
11092	Jenny Lind WTP PreTreatment Facility	4,000,000	500,000	-	-	-	-	125,000	375,000	-
11095	Ebbetts Pass Redwood Tanks HMGP	2,800,000	400,000	1,200,000	1,200,000	-	-	100,000	300,000	-
11096	AMR/AMI Radio Read Meter Program	4,500,000	100,000	2,200,000	2,200,000	-	-	100,000	-	-
11099	EP Meadowmont Pump Station / Rehab.	175,000	175,000	-	-	-	-	175,000	-	-
	Lake Tulloch Submerged Water Line Crossing	3,000,000	-	200,000	200,000	-	-	-	-	-
	White Pines Lake Restoration	200,000	100,000	100,000	-	-	-	100,000	-	-
	Wallace SCADA System Improvements	100,000	50,000	50,000	-	-	-	-	-	50,000
	West Point Backup Water Filter	3,400,000	200,000	200,000	-	-	-	200,000	-	-
	EP Hunters WTP Filter Rehab	400,000	400,000	-	-	-	-	400,000	-	-
	West Point SCADA Improvements	100,000	100,000	-	-	-	-	100,000	-	-
11066G	Jenny Lind (Kirby/Garner/Gabor) Service Lines	250,000	250,000	-	-	-	-	250,000	-	-
	Total Carryover Water Projects	\$ 34,875,000	\$ 9,879,953	\$ 7,339,762	\$ 4,500,000	\$ 97,500	\$ -	\$ 9,057,453	\$ 675,000	\$ 50,000
TOTAL WATER PROJECTS		\$ 37,150,000	\$ 9,879,953	\$ 7,939,762	\$ 5,175,000	\$ 97,500	\$ -	\$ 9,057,453	\$ 675,000	\$ 50,000

Schedule of Cash Flow – Sewer Projects

**Capital Improvement Program
Schedule of Cash Flow - Wastewater Projects
FY 2019-20 thru FY 2021-2022**

			Funding FY 19-20							
Project No	New Wastewater Projects Project Description	Total Project Cost	Cash Flow			Expansion Funds	Reserves	Capital R & R	Grants	AD / Other Outside
			FY 19-20	FY 20-21	FY 21-22					
	Vallecito/Douglas Flats Headworks Screen	250,000	250,000	-	-	-	-	250,000	-	-
	Total New Wastewater Projects	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ -
Project No	Carryover Wastewater Projects Project Description	Total Project Cost	Cash Flow			Expansion Funds	Reserves	Capital R & R	Grants	AD / Other Outside
			FY 19-20	FY 20-21	FY 21-22					
15076	CC Lift Station 6, 8 & Force Main Bypass	2,400,000	100,000	2,300,000	-	-	-	100,000	-	-
15080	CC Lift Station 15 & 18 Rehab/Replacement	3,200,000	200,000	3,000,000	-	-	-	200,000	-	-
15082	Vallecito Recycled Water Distribution Project	280,000	210,000	-	-	-	-	75,600	134,400	-
15087	Wallace Renovation/SCADA/PLC & Electrical	100,000	100,000	-	-	-	-	-	-	100,000
15091	West Point/Wilseyville Consolidation Project	4,750,000	-	-	-	-	-	-	-	-
	Arnold Secondary Clarifier	1,400,000	200,000	200,000	1,000,000	40,000	-	160,000	-	-
	Arnold Leach Field Improvements	600,000	50,000	50,000	500,000	10,000	-	40,000	-	-
	LC Biolac, Clarifier & UV Improvements	3,850,000	25,000	25,000	400,000	12,500	-	12,500	-	-
	CC Secondary, Tertiary & UV Improvements	13,000,000	25,000	25,000	550,000	12,500	-	12,500	-	-
	Huckleberry Lift Station Rehab	200,000	200,000	-	-	-	-	200,000	-	-
	Indian Rock East Sand Filter Rehab	150,000	150,000	-	-	-	-	150,000	-	-
	Southworth Collection System / I&I Mitigation	100,000	100,000	-	-	-	-	100,000	-	-
	Total Carryover Wastewater Projects	\$ 30,030,000	\$ 1,360,000	\$ 5,600,000	\$ 2,450,000	\$ 75,000	\$ -	\$ 1,050,600	\$134,400	\$ 100,000
TOTAL WASTEWATER PROJECTS		\$ 30,280,000	\$ 1,610,000	\$ 5,600,000	\$ 2,450,000	\$ 75,000	\$ -	\$ 1,300,600	\$ 134,400	\$ 100,000
TOTAL WATER & WASTEWATER PROJECTS		\$ 67,430,000	\$ 11,489,953	\$ 13,539,762	\$ 7,625,000					

40 - YEAR PAYBACK SCHEDULE ESTIMATE

LOAN DATA

Loan amount:	\$5,000,000.00
Annual interest rate:	2.75%
Term in years:	40
Payments per year:	1
First payment due:	6/15/2020

TABLE DATA

Table starts at date:	
or at payment number:	1

PERIODIC PAYMENT

Entered payment:	\$0.00	The table uses the calculated periodic payment amount, unless you enter a value for "Entered payment."
Calculated payment:	\$207,657.57	

CALCULATIONS

Use payment of:	\$207,657.57	Beginning balance at payment 1:	\$5,000,000.00
1st payment in table: 1		Cumulative interest prior to payment 1:	\$0.00

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	6/15/2020	5,000,000.00	137,500.00	70,157.57	4,929,842.43	137,500.00
2	6/15/2021	4,929,842.43	135,570.67	72,086.91	4,857,755.52	273,070.67
3	6/15/2022	4,857,755.52	133,588.28	74,069.29	4,783,686.23	406,658.94
4	6/15/2023	4,783,686.23	131,551.37	76,106.20	4,707,580.03	538,210.31
5	6/15/2024	4,707,580.03	129,458.45	78,199.12	4,629,380.91	667,668.77
6	6/15/2025	4,629,380.91	127,307.97	80,349.60	4,549,031.31	794,976.74
7	6/15/2026	4,549,031.31	125,098.36	82,559.21	4,466,472.10	920,075.10
8	6/15/2027	4,466,472.10	122,827.98	84,829.59	4,381,642.51	1,042,903.08
9	6/15/2028	4,381,642.51	120,495.17	87,162.40	4,294,480.11	1,163,398.25
10	6/15/2029	4,294,480.11	118,098.20	89,559.37	4,204,920.74	1,281,496.46
11	6/15/2030	4,204,920.74	115,635.32	92,022.25	4,112,898.49	1,397,131.78
12	6/15/2031	4,112,898.49	113,104.71	94,552.86	4,018,345.62	1,510,236.49
13	6/15/2032	4,018,345.62	110,504.50	97,153.07	3,921,192.56	1,620,740.99
14	6/15/2033	3,921,192.56	107,832.80	99,824.78	3,821,367.78	1,728,573.78
15	6/15/2034	3,821,367.78	105,087.61	102,569.96	3,718,797.82	1,833,661.40
16	6/15/2035	3,718,797.82	102,266.94	105,390.63	3,613,407.19	1,935,928.34
17	6/15/2036	3,613,407.19	99,368.70	108,288.87	3,505,118.32	2,035,297.04
18	6/15/2037	3,505,118.32	96,390.75	111,266.82	3,393,851.50	2,131,687.79
19	6/15/2038	3,393,851.50	93,330.92	114,326.66	3,279,524.84	2,225,018.71
20	6/15/2039	3,279,524.84	90,186.93	117,470.64	3,162,054.20	2,315,205.64
21	6/15/2040	3,162,054.20	86,956.49	120,701.08	3,041,353.12	2,402,162.13
22	6/15/2041	3,041,353.12	83,637.21	124,020.36	2,917,332.76	2,485,799.34
23	6/15/2042	2,917,332.76	80,226.65	127,430.92	2,789,901.84	2,566,025.99
24	6/15/2043	2,789,901.84	76,722.30	130,935.27	2,658,966.57	2,642,748.29
25	6/15/2044	2,658,966.57	73,121.58	134,535.99	2,524,430.58	2,715,869.87
26	6/15/2045	2,524,430.58	69,421.84	138,235.73	2,386,194.85	2,785,291.71
27	6/15/2046	2,386,194.85	65,620.36	142,037.21	2,244,157.63	2,850,912.07
28	6/15/2047	2,244,157.63	61,714.33	145,943.24	2,098,214.40	2,912,626.41
29	6/15/2048	2,098,214.40	57,700.90	149,956.68	1,948,257.72	2,970,327.30
30	6/15/2049	1,948,257.72	53,577.09	154,080.48	1,794,177.24	3,023,904.39
31	6/15/2050	1,794,177.24	49,339.87	158,317.70	1,635,859.54	3,073,244.26
32	6/15/2051	1,635,859.54	44,986.14	162,671.43	1,473,188.10	3,118,230.40
33	6/15/2052	1,473,188.10	40,512.67	167,144.90	1,306,043.21	3,158,743.07
34	6/15/2053	1,306,043.21	35,916.19	171,741.38	1,134,301.82	3,194,659.26
35	6/15/2054	1,134,301.82	31,193.30	176,464.27	957,837.55	3,225,852.56
36	6/15/2055	957,837.55	26,340.53	181,317.04	776,520.51	3,252,193.10
37	6/15/2056	776,520.51	21,354.31	186,303.26	590,217.25	3,273,547.41
38	6/15/2057	590,217.25	16,230.97	191,426.60	398,790.66	3,289,778.38
39	6/15/2058	398,790.66	10,966.74	196,690.83	202,099.83	3,300,745.13
40	6/15/2059	202,099.83	5,557.75	202,099.83	0.00	3,306,302.87



Rural Development

August 5, 2019

Modesto Field Office

3800 Cornucopia Way
Suite E
Modesto, CA
95358

Michael Minkler, General Manager
Calaveras County Water District
120 Toma Court
San Andreas, CA 95249-9658

Voice 209 287-3626
Fax 844-206-6987

SUBJECT: Recipient Name: CALAVERAS COUNTY WATER DISTRICT
Project Name: Radio- Read Meter Project
CFDA Number: 10.760 Water and Wastewater Disposal System for Rural Communities

Dear Mr. Minkler:

This letter establishes conditions which must be understood and agreed to by Calaveras County Water District (recipient), before further consideration may be given to the application. The application can be processed on the basis of a USDA Rural Development loan not to exceed **\$5,000,000** and grant not to exceed **\$1,000,000**. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development, both of which are referred to throughout this letter as the Agency. Any changes in project cost, source of funds, scope of project, or any other significant changes in the project or recipient must be reported to and concurred with by the Agency by written amendment to this letter. If significant changes are made without obtaining such concurrence, the Agency may discontinue processing of the application.

All conditions set forth under Sections I - III must be met prior to construction and no later than one year from the date of this letter. If the recipient has not met these conditions, the Agency reserves the right to discontinue the processing of the application.

If the recipient agrees to meet the conditions set forth in this letter and desire further consideration be given to the application, please complete and return the following forms within 10 days:

Form RD 1942-46, "Letter of Intent to Meet Conditions"
Form RD 1940-1, "Request for Obligation of Funds"

The loan and grant will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is signed by the approving official. Please be advised that this letter in itself does not constitute loan and/or grant approval, nor does it ensure that funds are or will be available for the project. After the recipient signs and returns the

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form to the Agency, the request will be processed and the loan and grant funds will be approved and obligated.

The loan and grant approval conditions are as follows:

SECTION I - PROJECT DETAIL

1. Project Description – Funds will be used to replace water connection meters with Radio-Read meters for all of the Calaveras County Water District service connections.

Facilities will be designed and constructed in accordance with sound engineering practices and must meet the requirements of Federal, State, and local agencies. The proposed facility design must be based on the Preliminary Engineering Report (PER) as concurred with by the Agency.

2. Project Budget – Funding from all sources has been budgeted for the estimated expenditures as follows:

<u>Project Costs:</u>	<u>Total Budgeted:</u>
Construction	\$ 1,600,000.00
Contingency 15%	\$ 500,000.00
Equipment (Water Meters and Related Equip.)	\$ 3,820,000.00
Legal Fees - Local Attorney	\$ 5,000.00
Legal Fees - Bond Counsel	\$ <u>75,000.00</u>
TOTAL	\$ 6,000,000.00
 <u>Project Funding</u>	
USDA Loan -	\$ 5,000,000.00
USDA Grant -	\$ <u>1,000,000.00</u>
TOTAL	\$ 6,000,000.00

This funding is offered based on the amounts stated above. Prior to loan closing, any increase in non-Agency funding will be applied first as a reduction to Agency grant funds, up to the total amount of the grant, and then as a reduction to Agency loan funds.

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary.

Agency funds will not be used to pre-finance funds committed to the project from other sources.

Obligated loan or grant funds not needed to complete the proposed project will be de-obligated prior to start of construction. Any reduction will be applied to grant funds first. An amended letter of conditions will be issued for any changes to the total project budget.

SECTION II – LOAN AND GRANT TERMS

1. Repayment – The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless the recipient requests otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount.

The loan will be scheduled for repayment over a period of 40 years. Payments will be annual principal installments and semi-annual interest installments, beginning year after closing date. For planning purposes, use a **2.750%** interest rate and an amortization factor of **41.54**, which provides for an annual payment of **\$207,700.00**. The precise payment amount will be based on the interest rate at which the loan is closed, and may be different than the one above.

The payment due date will be established as the day that the loan closes. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.

2 Security – The recipient is a legally organized County Water District under Sections 30000-33901 of the Water Code of the State of California. The loan will be secured by a Certificates of Participation with parity lien position in the amount of \$5,000,000. The Certificates of Participation will be fully registered as to both principal and interest in the name of the United States of America, Acting through the Rural Utilities Service.

If the loan will be on parity with other lender(s), the bond must specify that, in the event of default, each lender will be affected on a proportionate basis.

The Certificates of Participation and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular, there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983. The Certificates of Participation must be prepared in accordance with RUS Instruction 1780 Subpart D, and State law. The assistance and opinion of a recognized bond counsel must be obtained.

Additional security requirements are contained in RUS Bulletin 1780-12, “Water and Waste System Grant Agreement,” and RUS Bulletin 1780-27, “Loan Resolution” A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids.

Prior to loan closing, the following must be duly adopted and executed:

- a. RUS Bulletin 1780-27, Loan Resolution (Public Bodies)
- b. Certificates of Participations Resolution

c. RUS Bulletin 1780-12, "Water and Waste System Grant Agreement

The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

A draft of all security instruments must be reviewed and concurred with by the Agency prior to advertising for bids.

A Parity / Intercreditor Agreement will be required to be executed between the Agency and the Parity Lender prior to loan closing, and a draft concurred with by the Agency prior to advertising for bids.

3. Electronic Payments – Payments will be made on the day the recipient payment is due through an electronic preauthorized debit system. The recipient will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," for all new and existing indebtedness to the Agency prior to loan closing. It will allow for the recipient's payment to be electronically debited from the bank account on the day that the payment is due.

4. Construction Completion Timeframe - All projects must be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, the recipient must submit to the Agency a written request for extension of time with adequate justification of circumstances beyond the recipient's control. Requests for waivers beyond the initial extension will be submitted to the Assistant Administrator for concurrence decision.

5. Disbursement of Agency Funds - Agency funds will be disbursed into the recipient's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.

Any recipient contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless a written agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant Agreement must not be closed and funds must not be disbursed prior to loan funds except as specified in RUS Instruction 1780.45(d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

Grant funds are to be deposited in an interest-bearing account (exception provided below) in accordance with 2 CFR Part 200 and interest in excess of \$500 per year remitted to the Agency. The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing accounts, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.

- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.]

6. Reserves – Reserves must be properly budgeted to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs, and assist with debt service should the need arise. The following reserves are required to be established as a condition of this loan and must be shown separately and as restricted funds in the recipient’s financial statements and/or audits.

- a. **Debt Service Reserve** – As a part of this Agency loan proposal, the recipient must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of the proposed loan installment would equal **\$1,730.83** per month; this amount should be deposited monthly until a total of **\$207,700.00** has accumulated. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully-funded amount is reached.
- b. **Short-Lived Asset Reserve** – the recipient must establish a short-lived asset reserve fund. Based on the preliminary engineering report, the recipient must deposit at least **\$5,000.00** into the short-lived asset reserve and maintain for the life of the loan to pay for repairs and/or replacement of major system assets. It is the recipient responsibility to assess the facility’s short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs.

SECTION III – REQUIREMENTS PRIOR TO THE START OF CONSTRUCTION

1. Environmental Requirements – No Mitigation Requirements

The project as proposed has been evaluated to be consistent with the National Environmental Policy Act. The project met the criteria of a NEPA Categorical Exclusion with Environmental Report. Other Federal, State, tribal, and local laws, regulations and or permits may apply or be required. If the project or any project element deviates from or is modified from the originally-approved project, additional environmental review may be required.

2. Engineering Services – The recipient has been required to complete an Agreement for Engineering Services, which should consist of the Engineers Joint Contract Documents Committee (EJCDC) documents as indicated in RUS Bulletin 1780-26, “Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance,” or other

approved form of agreement. The Agency will provide concurrence prior to advertising for bids, and must approve any modifications to this agreement.

3. Contract Documents, Final Plans, and Specifications

- a. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- b. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.
- c. Implementation of American Iron and Steel (AIS) Requirements. “Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A - Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017) and subsequent statutes mandating domestic preference applies a new American Iron and Steel (AIS) requirement to obligations made after May 5th, 2017:
 - (1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater system unless all of the iron and steel products used in the project are produced in the United States.
 - (2) The term “iron and steel products” means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
 - (3) The requirement shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the “Secretary”) or the designee of the Secretary finds that:
 - (a) applying the requirement would be inconsistent with the public interest;
 - (b) iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
 - (c) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.”
 - (4) Owners are ultimately responsible for compliance with AIS requirements and will be responsible for the following:

- (a) **Signing** loan resolutions, grant agreements and letters of intent to meet conditions which include AIS language, accepting AIS requirements in those documents and in the letter of conditions.
 - (b) **Signing** change orders (i.e. C-941 of EJCDC) and partial payment estimates (i.e. C-620 of EJCDC) and thereby **acknowledging** responsibility for compliance with American and Iron Steel requirements.
 - (c) **Obtaining** the certification letters from the consulting engineer upon substantial completion of the project and **maintaining** this documentation for the life of the loan.
 - (d) Where the owner provides their own engineering and/or construction services, **providing** copies of engineers', contractors', and manufacturers' certification letters (*as applicable*) to the Agency to insert into the Agency file. All certification letters must be kept in the engineer's project file and on site during construction. For Owner Construction (Force Account), all clauses from Section 17 must be included in the Agreement for Engineering Services.
 - (e) Where the owner directly procures AIS products, **including** AIS clauses in the procurement contracts and **obtaining** manufacturers' certification letters and **providing** copies to consulting engineers and contractors.
- d. The following must be reviewed and approved by USDA Rural Development in the sequence indicated:
- i. Preliminary Engineering Report
 - ii. Agreement for Engineering Services
 - iii. Final Plans and Specifications for the project
 - iv. Bid Award Information.
 - v. Executed Contract Documents
- e. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

4. Legal Services – The recipient will be required to execute a legal services agreement with the following:

- i. Attorney
- ii. Bond Counsel

The agreement(s) should stipulate an hourly rate for the work, with a “not to exceed” amount for the services, including reimbursable expenses. RUS Bulletin 1780-7, “Legal Services Agreement,” or similar format may be used. The Agency will provide concurrence prior to advertising for bids. Any changes to the fees or services spelled out in the original agreement must be reflected in an amendment to the agreement and have prior Agency concurrence.

5. Property Rights - Prior to advertising for bids, the recipient and its legal counsel must furnish satisfactory evidence that recipient has or can obtain adequate continuous and valid control over the lands and rights-of-way needed for the project. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Such control over the lands and rights will be evidenced by the following:

- a. **Right-of-Way Map** – the project engineer will provide a map clearly showing the location of all lands and rights-of-way needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
- b. **Form RD 442-20, “Right-of-Way Easement”** – This form may be used to obtain any necessary easements for the proposed project.
- c. **Form RD 442-21, “Right-of-Way Certificate”** – The recipient will provide a certification on this form that all right-of-way requirements have been obtained for the proposed project.
- d. **Form RD 442-22, “Opinion of Counsel Relative to Rights-of-Way”** – The recipient’s attorney will provide a certification and legal opinion on this form addressing rights-of-way, easements, and title.

The approving official may waive title defects or restrictions, such as utility easements, that do not adversely affect the suitability, successful operation, security value, or transferability of the facility. Any such waivers must be provided by the approving official in writing prior to closing or the start of construction, whichever occurs first.

The recipient is responsible for the acquisition of all property rights necessary for the project and for determining that prices paid are reasonable and fair. The Agency may require an appraisal by an independent appraiser or Agency employee in order to validate the price to be paid.

6. System Policies, Procedures, Contracts, and Agreements – The facility must be operated on a sound business plan. The recipient must adopt policies, procedures, and/or ordinances outlining the conditions of service and use of the proposed system. Mandatory connection policies should be used where enforceable. The policies, procedures, and/or ordinances must contain an effective collection policy for accounts not paid in full within a specified number of days after the date of billing. They should include appropriate late fees, specified timeframes for disconnection of service, and reconnection fees. A draft of these policies, procedures, and/or ordinances must be submitted for Agency review and concurrence, along with the documents below, before closing instructions may be issued unless otherwise stated.

- 1. Parity/Intercreditor Agreement** – Projects with parity liens must have in place a written agreement between the parity lenders. The draft agreement must receive Agency concurrence prior to advertising for bids.

Fully executed copies of any policies, procedures, ordinances, contracts, or agreements must be submitted prior to loan closing.

7. Closing Instructions – The Agency will prepare closing instructions as soon as the requirements of the previous paragraphs are complete, as well as a draft of the security instrument(s). Closing instructions must be obtained prior to advertising for bids. All applicable bond closing documents must be submitted by the Bond Counsel, at least 90 days prior to the planned closing date.

8. Interim Financing – For all loans exceeding \$500,000, where loan funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period, such interim financing will be used to preclude the necessity for multiple advances of Agency loan funds. The recipient must provide the Agency with a copy of the interim loan financing agreement for review prior to advertising for bids. The Agency approving official may make an exception when interim financing is cost prohibitive or unavailable. Grant funds from the Agency will be disbursed by multiple advances through electronic transfer of funds after interim financing or Agency loan funds are expended, in accordance with RUS Instruction 1780.45.

9. Construction Account – The recipient must establish a construction account for all funds related to the project. Construction funds will be deposited with an acceptable financial institution or depository that meets the requirements of 31 CFR Part 202. A separate account will not be required for Federal funds and other funds; however, the recipient must be able to separately identify, report, and account for all Federal funds, including the receipt, obligation and expenditure of funds. Financial institutions or depositories accepting deposits of public funds and providing other financial agency services to the Federal Government are required to pledge adequate, acceptable securities as collateral, in accordance with 31 CFR Part 202. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the construction account at any one time. The recipient's financial institution can provide additional guidance on collateral pledge requirements.

- a. Electronic Funds Transfer: Agency funds will be disbursed into the recipient's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.

10. System Users – This letter of conditions is based upon the recipient's indication at application that there will be at least **12,567** residential users, **540** non-residential users, and **1** bulk / wholesale users on the existing system when construction is completed.

- a. Before the Agency can agree to the project being advertised for construction bids, the recipient must certify that the number of users indicated at application are currently using the system or signed up to use the system once it is operational.
- b. The USDA Rural Development will authenticate the number of new users for projects that will be secured by a pledge of user fees or revenues.
- d. The recipient's attorney will provide his/her opinion that rate increases required for this project have been adopted in accordance with Section 6 of Article XIID of the California

Constitution as well as other requirements of California law. The recipient will provide a copy of the Minutes from the public meeting. All voter approval requirements under state law must be obtained before the issuance of the USDA Offer to Purchase Bonds (or Certificates of Participation).

If the actual number of existing and/or proposed users that have signed up for service is less than the number indicated at the time of application, the recipient must provide the Agency with a written plan on how it will obtain the necessary revenue to adequately cash flow the expected operation, maintenance, debt service, and reserve requirements of the proposed project (e.g., increase user rates, sign up an adequate number of other users, reduce project scope, etc.). Similar action is required if there is cause to modify the anticipated flows or volumes presented following approval.

11. Other Funding – Prior to advertisement for construction bids, the recipient must provide:

- a. Evidence of applicant contributions; and
- b. Approval of other funding sources. This evidence should include a copy of the commitment letter. (If Applicable)

12. Proposed Operating Budget – The recipient must establish and/or maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance (O&M), debt service, and reserves. Prior to advertising for bids, the recipient must submit a proposed annual operating budget to the Agency which supports the operation, maintenance, debt service, and reserves, as well as the proposed rate schedule. The operating budget should be based on a typical year cash flow after completion of the construction phase and should be signed by the appropriate official of the organization. Form RD 442-7, “Operating Budget,” or similar format may be utilized for this purpose. It is expected that O&M will change over each successive year and user rates will need to be adjusted on a regular basis.

Technical assistance is available at no cost to help the recipient evaluate and complete a rate analysis on the system. This assistance is available free to the recipient organization. If interested, please contact our office for information.

13. Permits –The recipient, owner or responsible party will be required to obtain all applicable permits for the project, prior to advertising for bids. The consulting engineer must submit written evidence that all applicable permits required prior to construction have been obtained with submission to the Agency of the final plans, specifications, and bid documents.

14. Vulnerability Assessment/Emergency Response Plan (VA/ERP) – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The VA/ERP documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or

wildfires occur. The documents should be reviewed and updated every three years at a minimum.

For new systems, see Section V of this letter of conditions. For VA/ERP requirements throughout the life of the loan, see Section VII. Technical assistance at no cost is available in preparing these documents.

15. Bid Authorization - Once the final plans and specifications have been developed for the project, the Agency will authorize the recipient to advertise the project for construction bids. Such advertisement must be in accordance with applicable State statutes.

16. Bid Tabulation – Immediately after bid opening, the recipient must provide the Agency with the bid tabulation and the project engineer’s evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of Section III of this letter have been satisfied, the Agency will authorize the recipient to issue the Notice of Award.

- a. **Cost Overruns.** If bids are higher than expected, or if unexpected construction problems are encountered, the recipient must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds. Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.
- b. **Excess Funds.** If bids are lower than anticipated at time of obligation, excess funds must be de-obligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be de-obligated, with grant funds being de-obligated first. Excess funds do not include contingency funds as described in this letter.

17. Contract Review – The recipient’s attorney will certify that the executed contract documents, including performance and payment bonds, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61(b).

Once the attorney has certified that they are acceptable, the contract documents will be submitted to the Agency for its concurrence. The Notice to Proceed cannot be issued until the Agency has concurred with the construction contracts and the pre-construction conference has been held.

18. Final Rights-of-Way – If any of the rights-of-way forms listed previously in this letter contain exceptions that do not adversely affect the suitability, successful operation, security value, or transferability of the facility, the approving official must provide a written waiver prior to the issuance of the Notice to Proceed. For projects involving the acquisition of land, the recipient must provide evidence of clear title to the land prior to the issuance of the Notice to Proceed.

19. Insurance and Bonding Requirements - Prior to the start of construction or loan closing, whichever occurs first, the recipient must acquire and submit to the Agency proof of the types of insurance and bond coverage for the borrower shown below. The use of deductibles may be allowed, providing the recipient has the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that the recipient have the project engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is the recipient's responsibility and not that of the Agency to assure that adequate insurance and fidelity or employee dishonesty bond coverage is maintained.

- a. **General Liability Insurance** – Include vehicular coverage.
- b. **Workers' Compensation** – In accordance with appropriate State laws.
- c. **Fidelity Bond, Employee Dishonesty Bonds or Employee Dishonesty Insurance Policy** – Include coverage for all persons who have access to funds, including persons working under a contract or management agreement. Coverage may be provided either for all individual positions or persons, or through blanket coverage providing protection for all appropriate workers. During construction, each position should be bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The coverage may be increased during construction based on the anticipated monthly advances. After construction and throughout the life of the loan, the amount of coverage must be for at least the total annual debt service of all outstanding Agency loans. The Agency will be identified in the fidelity bond for receipt of notices. Form RD 440-24, "Position Fidelity Schedule Bond," or similar format may be used.
- d. **National Flood Insurance** - If the project involves acquisition or construction in designated special flood or mudslide prone areas, the recipient must purchase a flood insurance policy at the time of loan closing.
- e. **Real Property Insurance** – Fire and extended coverage will normally be maintained on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy when the Agency has a lien on the property. Prior to the acceptance of the facility from the contractor(s), the recipient must obtain real property insurance (fire and extended coverage) on all facilities identified above.

Insurance types described above are required to be continued throughout the life of the loan. See Section V.

20. Initial Compliance Review – The Agency will conduct an initial compliance review of the recipient prior to loan closing or start of construction, whichever occurs first, in accordance with 7 CFR 1901, Subpart E.

21. Other Requirements – All requirements contained in the Agency’s closing instructions, as well as any requirements of the recipient bond counsel and/or attorney, must be met prior to loan closing.

- a. **System for Award Management**. The recipient will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for Award Management (SAM) database. Renewal can be done on-line at: <http://sam.gov>. This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the “Help” section at <http://sam.gov>).

- b. **Litigation**. The recipient is required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to loan closing or start of construction, whichever occurs first. Additional documentation regarding the situation and litigation may be requested by the Agency.
- c. **Certified Operator**. Evidence must be provided that the system has or will have, as defined by applicable State or Federal requirements, a certified operator available prior to the system becoming operational, or that a suitable supervisory agreement with a certified operator is in effect.

SECTION IV – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION

1. Resident Inspector(s) – Full-time inspection is required unless the recipient requests an exception. Such requests must be made in writing and the Agency must concur with the request. Inspection services are to be provided by the consulting engineer unless other arrangements are requested in writing and concurred with by the Agency. A resume of qualifications of any resident inspector(s) will be submitted to the owner and Agency for review and concurrence prior to the pre-construction conference. The resident inspector(s) must attend the pre-construction conference.

2. Preconstruction Conference – A preconstruction conference will be held prior to the issuance of the Notice to Proceed. The consulting engineer will review the planned development with the Agency, owner, resident inspector, attorney, contractor, other funders, and other interested parties, and will provide minutes of this meeting to the owner and Agency.

3. Inspections - The Agency requires a pre-construction conference, pre-final and final inspections, and a warranty inspection. The project engineer will schedule a warranty inspection with the contractor and the Agency before the end of the one-year warranty period to address and/or resolve any warranty issues. The Agency will conduct an inspection with the recipient of the records management system at the same time, and will continue to inspect the facility and records system every three years for the life of the loan. See Section VII of this letter.

4. Change Orders – Prior Agency concurrence is required for all Change Orders.

5. Payments – Prior Agency concurrence is required for all Invoices and Partial Payment Estimates before Agency funds/interim lender's funds will be released. Requests for payment related to a contract or service agreement will be signed by the owner, project engineer, and contractor or service provider prior to Agency concurrence. Invoices not related to a construction contract or service agreement will include the owner's written concurrence.

6. Use of Remaining Funds – The recipient contribution and connection or tap fees will be the first funds expended in the project, followed by non-Agency sources of funds. Remaining funds may be considered in direct proportion to the amounts obtained from each source and handled as follows:

- a. Remaining funds may be used for eligible loan and grant purposes, provided the use will not result in major changes to the original scope of work and the purpose of the loan and grant remains the same.
- b. Grant funds not expended for authorized purposes will be cancelled (de-obligated) within 60 days of final completion of project. Prior to actual cancellation, the recipient, will be notified of the Agency's intent to cancel the remaining funds and given appropriate appeal rights.
- c. Loan funds, including interim financing funds, that are not needed will be cancelled (de-obligated) prior to loan closing.

7. Technical, Managerial and Financial Capacity - It is required that members of the Board of Directors, City Council members, trustees, commissioners and other governing members possess the necessary technical, managerial, and financial capacity skills to consistently comply with pertinent Federal and State laws and requirements. It is recommended members receive training within one year of appointment or election to the governing board, and a refresher training for all governing members on a routine basis. The content and amount of training should be tailored to the needs of the particular individual and the utility system. Technical assistance providers are available to provide this training for the recipient, often at no cost. Contact the Agency for information.

8. Reporting Requirements Related to Expenditure of Funds

- a. **Financial Audit**– An annual audit under the Single Audit Act is required if the recipient expends \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial

assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of the recipients fiscal year end.

If an audit is required, the recipient must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit to be completed, the time frame in which the audit will be completed, and how irregularities will be reported.

- b. **Federal funds over \$25,000. Reporting Subawards and Executive Compensation** – The recipient and its first-tier contractors are required by 2 CFR Part 170 to report disbursements to subrecipients in accordance with Appendix B of this letter and www.frs.gov. The local Agency processing office can provide more information.

SECTION V – SERVICING REQUIREMENTS DURING THE TERM OF THE LOAN

1. Prepayment and Extra Payments - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

2. Graduation - By accepting this loan, the recipient is also agreeing to refinance (graduate) the unpaid loan balance in whole, or in part, upon request of the Government. If at any time the Agency determines the recipient is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms, the recipient will be requested to refinance. The ability to refinance will be assessed every other year for those loans that are five years old or older.

3. Security/Operational Inspections – The Agency will inspect the facility and conduct a review of the recipient's operations and records management system and conflict of interest policy every three years for the life of the loan. The recipient must participate in these inspections and provide the required information.

4. Annual Financial Reporting/Audit Requirements – The recipient is required to submit an annual financial report at the end of each fiscal year. The annual report will be certified by the appropriate organization official, and will consist of financial information and a rate schedule. Financial statements must be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), and must include at a minimum a balance sheet and income and expense statement. The annual report will include separate reporting for each water and waste disposal facility, and itemize cash accounts by type (debt service, short-lived assets, etc.) under each facility. All records, books and supporting material are to be retained for three years after the issuance of the annual report. Technical assistance is available at no cost with preparing financial reports.

The type of financial information that must be submitted is specified below:

- a. **Audits** – An annual audit under the Single Audit Act is required if the recipient expends \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of the recipients fiscal year end.

If an audit is required, the recipient must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit or financial statements to be completed, the time frame in which the audit or financial statements will be completed, what type of reports will be generated from the services provided, and how irregularities will be reported.

- b. **Financial Statements** –For local governments and Indian tribes, an audit in accordance with State or local law or regulation or regulatory agency requirements must be submitted when the recipient expends less than \$750,000 in Federal financial assistance per fiscal year. These audits shall be submitted to USDA no later than 150 days after the end of the borrower’s fiscal year.
- c. **Annual Reports** - If the recipient is exempt from USDA audit requirements, the recipient may submit financial statements in lieu of an audit which will include at a minimum a balance sheet and an income and expense statement. The recipient may use Form RD 442-2, “Statement of Budget, Income and Equity,” and 442-3, “Balance Sheet,” or similar format to

provide the financial information. The financial statements must be signed by the appropriate borrower official and submitted within 60 days of the fiscal year end.

d. **Quarterly Reports** – Quarterly Income and Expense Statements will be required until the processing office waives this requirement. The recipient may use Form RD 442-2 or similar format to provide this information, and the reports are to be signed by the appropriate borrower official and submitted within 30 days of each quarter's end. The Agency will notify the recipient in writing when the quarterly reports are no longer required.

5. **Annual Budget and Projected Cash Flow** - Thirty days prior to the beginning of each fiscal year, the recipient will be required to submit an annual budget and projected cash flow to this office. With the submission of the annual budget, the recipient will be required to provide a current rate schedule, and a current listing of the Board or Council members and their terms. The budget must be signed by the appropriate borrower official. Form RD 442-2 or similar format may be used.

Technical assistance is available at no cost to help the recipient evaluate and complete a rate analysis on the system, as well as completing the annual budget. If the recipient is interested, please contact the local USDA Rural Development office for information.

6. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – The recipient will be required to submit a certification to the servicing office every three years that the VA/ERP is current and covers all sites related to the facility. The documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

7. **Insurance**. The recipient will be required to maintain insurance on the facility and employees as previously described in this letter for the life of the loan.

8. **Statutory and National Policy Requirements** – The recipient has received an award of Federal funding and is required to comply with U.S. statutory and public policy requirements, including but not limited to::

- a. **Section 504 of the Rehabilitation Act of 1973** – Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Agency financial assistance.
- b. **Civil Rights Act of 1964** – All recipients are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.

- c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications.
- d. **Age Discrimination Act of 1975** – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- e. **Limited English Proficiency (LEP) under Executive Order 13166** - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. The recipient must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information the recipient provides. These protections are pursuant to Executive Order 13166 entitled, “Improving Access to Services by Persons with Limited English Proficiency” and further affirmed in the USDA Departmental Regulation 4330-005, “Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.”

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. The recipient must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor the recipient’s compliance with these requirements during regular compliance reviews.

9. Compliance Reviews and Data Collection – The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter. If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that the recipient provides, the recipient must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

We look forward to working with the [name of recipient] to complete this project. Non-compliance with the conditions in this letter or requirements of the recipient security documents will be addressed under the provisions of 7 CFR 1782 and other applicable regulations, statutes, and policies.

If there are any questions, please contact Tonja Galentine at 209 287-3626 or by e-mail at Tonja.galentine@ca.usda.gov

Sincerely,

TONJA K GALENTINE
Community Program Specialist

Attachments

cc: Community Programs Director
Accountant
Attorney
Bond Counsel
Engineer

Agenda Item

DATE: October 23, 2019

TO: Michael Minkler, General Manager

FROM: Damon Wyckoff, Director of Operations

SUBJECT: Review of the District's Public Safety Power Shutoff Emergency Action Plan Implementation

RECOMMENDED ACTION:

Informational only

SUMMARY OF OPERATION:

On Monday, October 7th at approximately 1230, the Calaveras County Water District (The District) received word from Calaveras County OES that PG&E may implement PG&E Public Safety Power Shutdown (PSPS) at midnight Tuesday evening (Wednesday, October 9th). The District worked with The City of Angels Camp, Murphys Sanitary District, San Andreas Sanitary District, Blue Lake Springs Water Company, Calaveras Public Utility District, Valley Springs Public Utility District, and Union Public Utility District to issue a joint press release urging water conservation.

Tuesday October 8th, the District secured large fuel deliveries for the rest of the week and ensured all generators and portable fuel cells were full. The Collections Crew pumped down Septic Tank Effluent Pumping tanks (or STEP Systems) whose effluent must be pumped into the Collections System in order to avoid potential backups associated with power outages. Members of the Electrical and Collections Crews placed trailer mounted generators at Lift Stations 17 and 19 in Copperopolis. These lift stations do not have trailer mounted standby generators and have limited storage. Water Treatment Plant Operators extended plant run-times and topped off potable water storage tanks throughout the County to ensure adequate storage for the duration of PSPS implementation.

District Field staff was notified the District's PSPS Emergency Action Plan (EAP) would be initiated. The EAP delineates staff responsibilities (work efforts during PSPS, refueling of generators, the securing of additional material and equipment, etc.), provides contact information (for other Utilities, vendors, first responders, County staff, etc.) and detailed breakdowns of facilities (generator information, GPS coordinates, addresses, site assessments, etc.). The District issued a second press release Tuesday afternoon in which it reminded residents (not only District Customers with septic tanks and grinder

pumps, but community members County-wide) that own sewage grinder pump tanks that have very little to no storage, or STEP System owners whose septic pumps can't operate without power, to be extremely conservative with their water use to ensure sewage backups do not occur.

At approximately 0030, October 9, power to West Point and neighboring communities such as Wilseyville and Railroad Flat was shut-off. Automatic power transfers from PG&E to generator power occurred without incident at District facilities within this service area.

Approximately 1530 power was shut-off to the rest of Calaveras County. Members of multiple crews inspected facilities to ensure proper operations post PSPS implementation. Facilities in the Ebbett's Pass Service Area transferred to standby generator power without issue. Facilities in the Copperopolis Service Area encountered issues. The Automatic Transfer Switch for the generator at the Copper Cove Raw Water Pump Station (RWPS) failed to transfer. Electricians mobilized to the RWPS to troubleshoot and place the facility on generator power (work completed at 2130). Staff noticed the water pump on the generator at the Copper Cove WTP had a small leak, Operators monitored generator operation. Members of the Collections Crew inspected Lift Station generator operation and pumped down all lift stations in Copperopolis that do not have, and were not provided with, standby generator power to ensure adequate available storage throughout the night (completed at 1945). Standby generators at B-Tank Pump Station and the Copper Cove Maintenance Shop also encountered issues that had to be addressed by Mechanical and Electrical staff (fail to transfer and solenoid issues).

The water pump on the standby generator at the Copper Cove Water Treatment Plant failed at midnight October 10. The District does not own a trailer-mounted generator large enough to operate the Water Treatment Plant. The Water Treatment Plant was rendered inoperable. District Mechanical and Electrical staff worked to connect a small trailer mounted generator to the facility to continue to provide power to the Treatment Plant's Programmable Logic Controller (PLC). This device controls all aspect of the plant's operating program. District Electricians noted the PLC lost the Plant's program during the loss of power and re-loaded the operating program and replaced the PLC's battery once standby generator power was restored. At 0500 Mechanical staff removed the water pump from the from the Copper Cove WTP generator. At 0730 Mechanical staff began the search for a water pump, and no water pumps were available in the region. The District's Purchasing Agent drove the water pump to a vendor in Stockton in an attempt to have the water pump re-built. District staff worked to secure a trailer-mounted generator large enough to run the Copper Cove WTP. There were no 600kw generators available on the west coast. District Management staff reached out to PG&E and Cal OES through the County Emergency Operations Center (EOC) and requested assistance with a large, trailer-mounted standby generator to run the Copper Cove Water Treatment Plant. The District issued an additional press-release requesting even more conservation in the Copperopolis area. It was anticipated at this time (approx.

0800) the water system had approximately 24 hours of water supply available for the Community.

Meanwhile, while this work was occurring, generator re-fueling efforts began in earnest at 0600 in the District's affected Service areas. Field staff followed the EAP and fueled the smaller District Facilities while relying on vendors to fuel the District's large fuel storage tanks and generators. One vendor supplied a fuel truck to the District and parked it at the Copper Cove yard. This was a tremendous help in facilitating a speedy re-fueling effort in the service area.

- 0930 - The District received word that the water pump for the Copper Cove Standby Generator was irreparable. A water pump was ordered for the generator with overnight delivery. It was anticipated to arrive at 1100, October 11.
- 1210 - Calaveras County received the "all clear" from PG&E stating that the High Fire Danger event had passed. This determination then allowed PG&E staff to begin inspecting power lines in anticipation of power restoration.
- 1330 – District staff secured the use of a 400-kw trailer mounted generator from a local vendor. Although not big enough to run the entire Copper Cove WTP, it could work to operate portions of the facility if needed.
- 1430 – Power was restored to San Andreas, portions of Angels Camp, and portions of Murphys. The District received firm word from PG&E that power would not be restored to the Copperopolis area until October 11. PG&E also stated that they were working to facilitate the District's request of a 600-kw trailer-mounted standby generator.
- 1830 - The District received word from PG&E's sub-contractor that a 600-kw trailer-mounted generator would be onsite in Copperopolis within the hour and that electrical crews would be onsite shortly thereafter to wire and initiate the operation of the generator.
- 2300- The generator provided by PG&E was operational and the Copper Cove WTP was making water within the hour. At this point in time, the District was approximately 8 to 10 hours away from running out of water in the Copperopolis area. The additional request for conservation was a great help in ensuring an adequate supply for the community during this time.
- 0000 October 11 the generator at the RWPS failed – Operational, Electrical, and Mechanical staff troubleshot and determined the generator would over-heat with four pumps operating but would operate within temperature with 2 raw water pumps running.

- By 0300, the RWPS was back up in operation and the Copper Cove WTP was making water again.
- 0600 – The Generator re-fueling effort continued.
- 1200 – District Mechanical staff replaced the failed water pump in the Copper Cove WTP's standby generator.
- By 1630, with the exception of District facilities in West Point, PG&E power was restored to all District Facilities.
- 0600, October 12 – generator re-fueling efforts resumed in the West Point area.
- 1100 – PG&E's sub-contractor removed the 600-kw trailer mounted generator at the Copper Cove WTP and restored the facility back to PG&E power with onsite standby power generation.
- 1100 - RWPS was restored back to PG&E power and the Copper Cove Water Treatment System resumed operation under full PG&E power.
- 1240 – Power restored to the District's West Point facilities. All District Facilities restored and operating on PG&E power.

SUMMARY OF SUCCESSES:

- There were no water or wastewater service interruptions within District Service Areas during PSPS implementation. This fact alone provides the example that District work efforts associated with PSPS implementation were successful.
- The District did a good job of preparing for PSPS implementation.
- The Press and Public Notification efforts were extensive.
- All standby generators were topped off, STEP Septic Tanks were pumped down, potable water storage was increased, and vendors were secured to re-fuel generators ahead of the outage.
- The EAP was followed. The delineation of staff responsibilities within the EAP facilitated the smooth transition for staff from normal work efforts to those associated with implementation of the PSPS EAP. This fact helped to eliminate potential confusion associated with staff's response to PSPS implementation.
- Staff's response to equipment failures was un-paralleled. The District's Field staff worked tirelessly in all areas of responsibility to ensure the continued supply of potable water and that no wastewater was discharged for the duration of the

outage. This work included working long hours and beyond measure to repair failed generators in the Copperopolis Service Area, working extensively to secure back-up equipment from vendors, and quickly and decisively repairing process control and mechanical issues as they cropped up.

SUMMARY OF RECOMMENDED IMPROVEMENTS:

The District will be well-served to implement a “dry run” of PSPS semi-annually to understand weak points within the standby power generation systems and provide staff the opportunity to remediate those weak points prior to PSPS implementation.

Even though the District recently purchased 7 additional fuel storage tanks and is working to deploy them throughout the District, additional fuel storage is needed at the Copper Cove Warehouse to continue to ensure an adequate available supply to respond to PSPS Implementation.

The District’s standby generators are beginning to show their age. The District will be well served to work to aggressively replace aging generators to ensure a continued effective response to power failures. Parts for aging generators can be hard to come by, particularly in the midst of PSPS implementation. The District needs to stock more generator parts in anticipation of more frequent power outages.

The District needs to work to secure the potential use of large trailer mounted generators prior to PSPS implementation if possible. Although it is recognized as difficult to do so without paying a standby fee, the fact that a large trailer-mounted generator was not available for rent when the District’s Copper Cove WTP standby Generator failed put the community at risk of running out of water. The District must continue to look at ways of securing a large, backup trailer mounted generator to address this potential future issue.

The District benefitted from the fact that this PSPS occurred when very few key staff were off and/or out of the office. The District would do well to contemplate contingencies associated with PSPS implementation without the presence of key staff.

CONCLUSION:

Overall, The District’s response to the PG&E October 2019 PSPS implementation was a success. The District’s EAP was successfully implemented and work efforts took place as delineated within the action plan. Staff responded quickly and intensively to ensure uninterrupted water and wastewater service to the District’s rate payers and repair failed District equipment. As always, there are areas in need of improvement including the need for additional fuel storage and the need to streamline access to rental generators.

FINANCIAL CONSIDERATIONS:

The District's response to PG&E's PSPS implementation of October 9-12, 2019 is currently estimated at \$65,000. The District has submitted a request for reimbursement through Calaveras County and Cal OES and the California Disaster Assistance Act or CDAA.