

# Rate Study for the Ditch Maintenance Fee

Dixon Resource Conservation District

Landowner Informational Meeting

March 28, 2016

DIXON



**RESOURCE**  
CONSERVATION DISTRICT





# Outline

- Proposed Drainage Fee “Ditch Maintenance Fee”
- Purpose and History of the Ditch Fee
- Process and Timing
  - CA Proposition 218 Process
  - Timeline and Next Steps
- Drainage Fee Rate Study
  - Prior Period: FYs 2011 – 2015
  - Current Year: FY 2016
  - Planning Period: FYs 2017 – 2021
  - Cost Allocation Review



# Proposed Drainage Fee

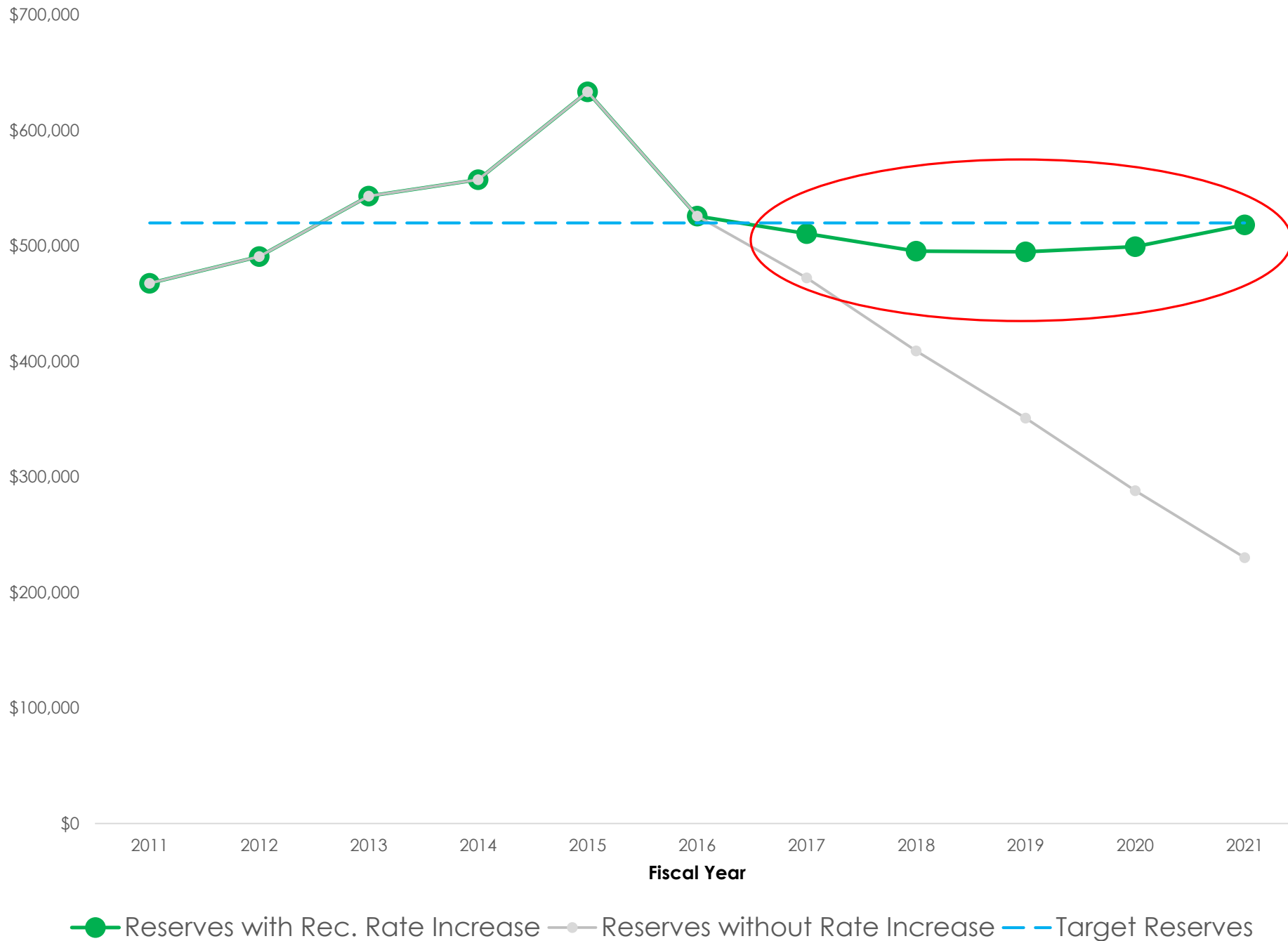
## “How much is it going to cost?”

	Current	Recommended Rate					
	Fee	2017	2018	2019	2020	2021	
Drainage Fee (\$/Ac)	\$2.00	\$3.00	\$3.25	\$3.50	\$3.75	\$4.00	\$3.50 (average fee)
	% Change	50.0%	8.3%	7.7%	7.1%	6.7%	16.0% (average annual increase)

- Why is A Fee Increase Needed?
  - Increase cost to comply with regulatory and environmental cost.
  - Increase cost for contracted services (ditch maintenance).
  - Increase staffing levels to address the new and complex compliance issues.



# Operating Reserve Balance with and without Drainage Fee Increase







# Nature and Level of Service

- 1952 Landowners formed the District in response to regional flooding.
- The drainage system was constructed to replace the natural drainage features that had been or were being changed due to land leveling and irrigation.
- The system is designed to provide drainage not “flood protection” for between a 5 year (~3.12” in 24 hours) and a 10 year storm (~3.70” in 24 hours).
- The District is responsible for maintaining the existing 70.5 miles of ditches, which includes spraying, excavation and repair of existing culverts.
- The District provides drainage service to 32,266 acres of rural lands and to the City of Dixon.
- The City of Dixon fee is set at 4 times the Ditch Maintenance Fee.



# Dixon RCD Drainage Ditch System



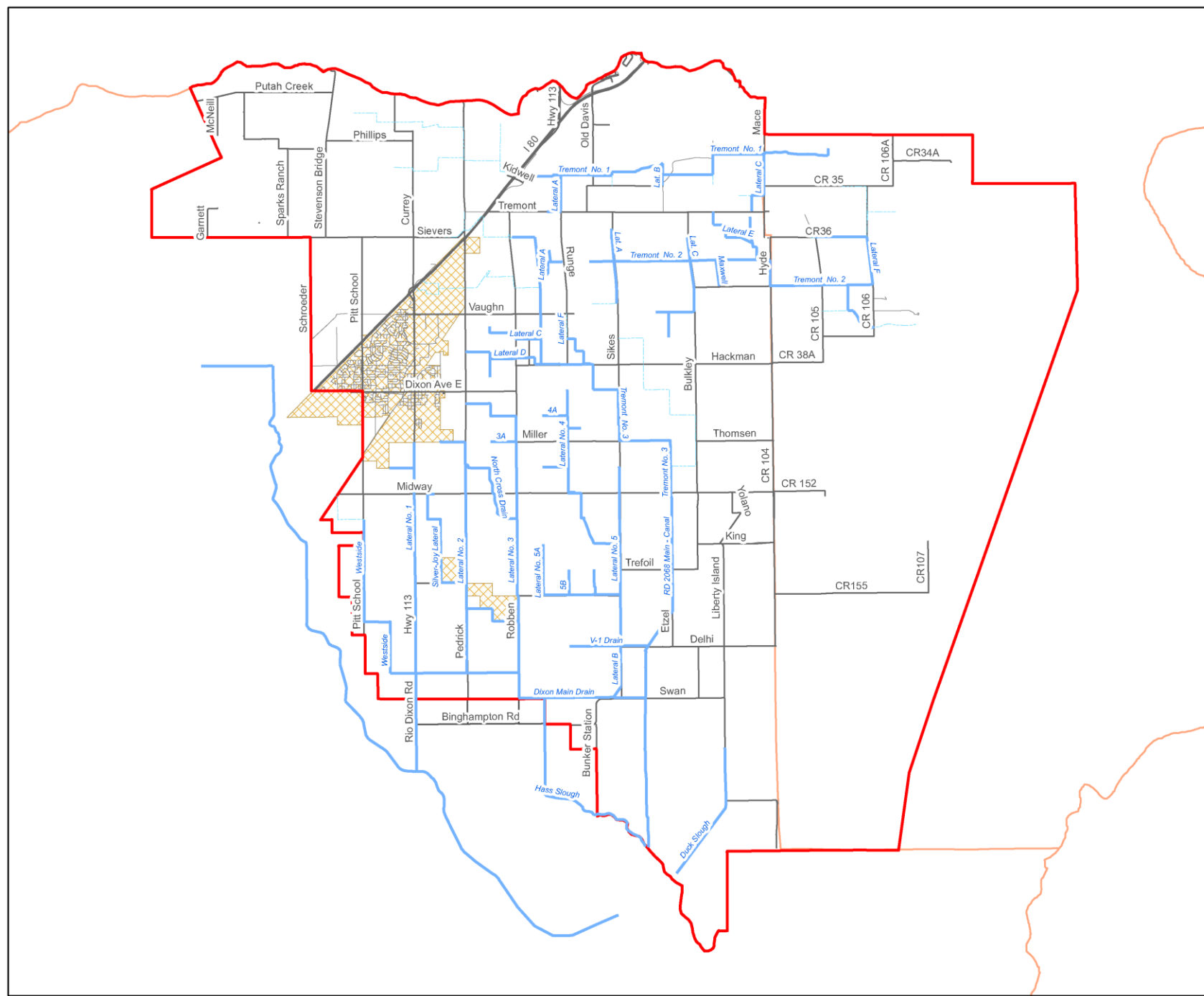
0 0.5 1 2 3 4 Miles

## Legend

- Roads
- County Boundaries
- City of Dixon Boundary
- Dixon RCD Outer Legal Boundary
- Drainage Ditches
  - Ditch - Private
  - Ditch - Public

Creation Date: Dec 14  
Created by: DRCD

Notes:  
- DRCD Outer Legal Boundary was verified with the  
1972 Solano tax map and 1962 recorded boundary.





# Dixon Ditch Maintenance Fees



0 0.5 1 2 3 4 Miles

## Legend

- Roads
- DRCD Ditch Maintenance Fees
- DRCD Members w/ Outside Ditch Drainage Fees
- DRCD Members w/ Alternative Agreements
- Maine Prairie
- Reclamation District 2068
- Dixon RCD Outer Legal Boundary
- County Boundaries
- City of Dixon Boundary
- NE Ag Industrial Area

Creation Date: 20 Dec 13  
Created by: DRCD  
Parcel Layers: 2012

## Notes:

- DRCD Outer Legal Boundary was verified with the 1972 Solano tax map and 1962 recorded boundary.
- Maine Prairie territory is from the Solano HCP database.
- Reclamation District 2068 territory was employee verified.

DIXON

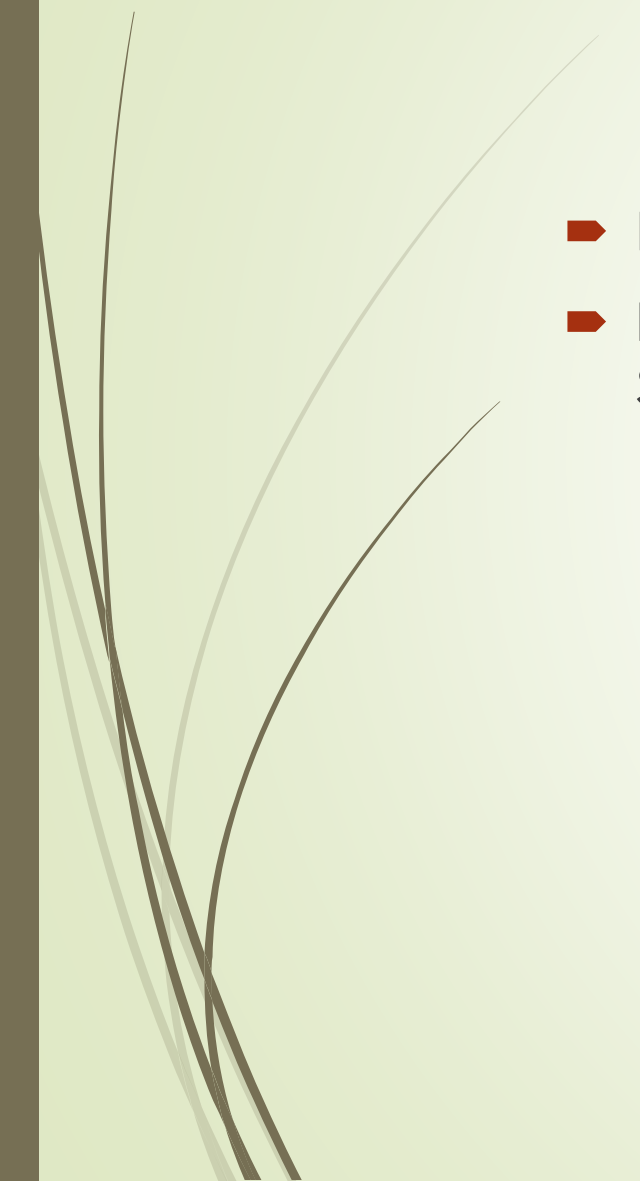


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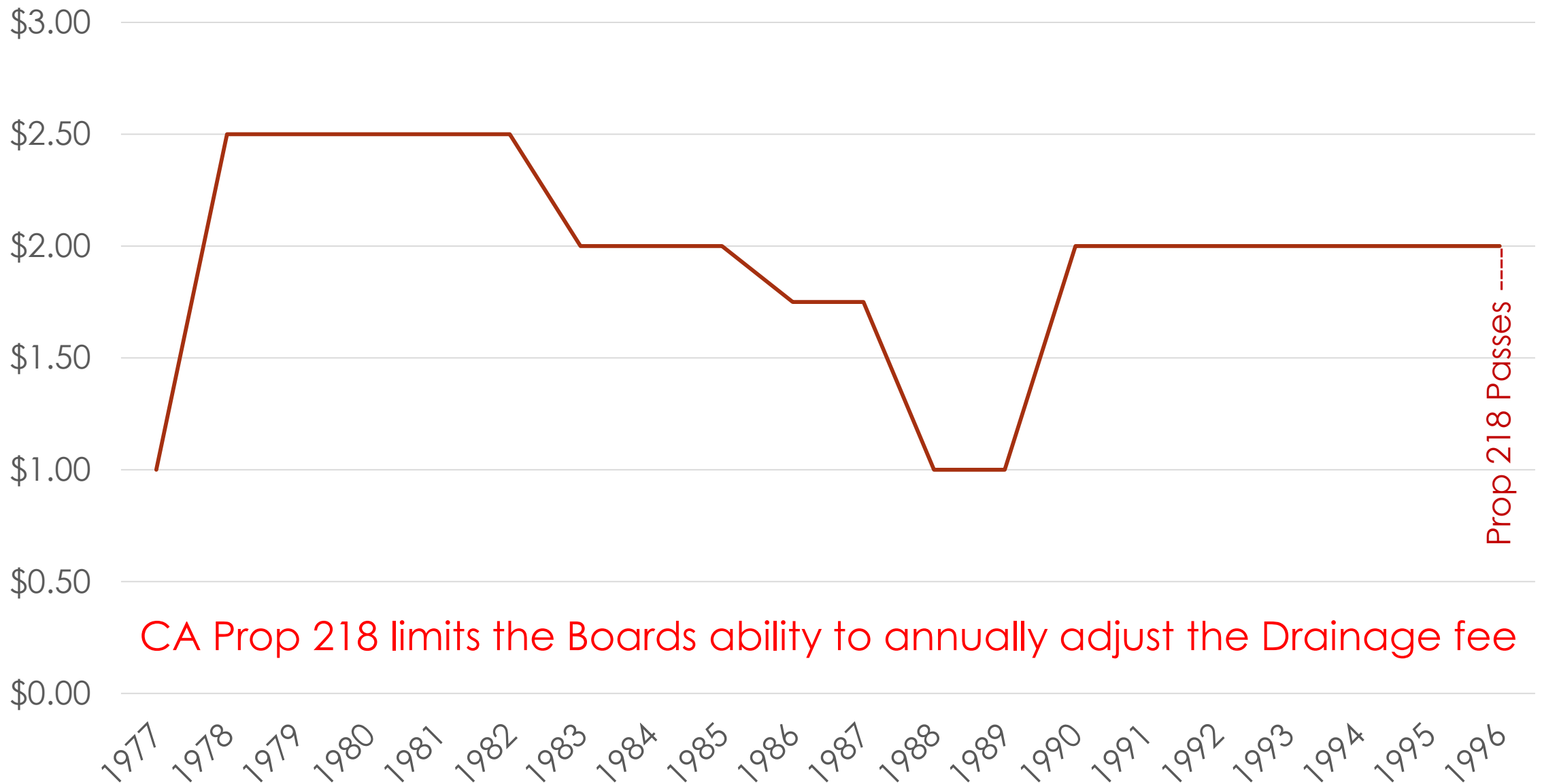


# Ditch Fee History

- Rate was last increased in 1990 (from \$1/ac to \$2/ac).
  - From 1976 – 1996, the ditch fee was set annually and ranged from \$1/ac to \$2.50/ac, with an average fee of \$1.95/ac.
- 



## Ditch Fee Prior to CA Prop 218







# Process and Timing of Fee Increases

## “It is Complicated?”

- As the individual projects were constructed during the 1950's and 1960's, every landowner signed a mutual agreement authorizing the project and agreeing to pay an annual per acre assessment in order to carry out ditch maintenance.
- Under the California Constitution (Proposition 218), the ditch maintenance fee is considered “property-related fee” given the nature of the drainage service and its relationship to a parcel.
- The Ditch Maintenance Fee is specifically consider a “stormwater service fee”
  - a more complicated fee increase process when compared to water, wastewater and solid waste disposal.






# Wait – “Why is the RCDs Coalition Fee Different?”

- The Dixon / Solano RCD Water Quality Coalition fee or the “membership fee” represents the owners of irrigated lands obligation to get a permit from the State of California.
- The irrigated land owners are required to either get a permit from the State or to voluntarily join a coalition in order to comply with the Terms and Conditions of the State’s Irrigated Lands Regulatory Program, a “Group Permit”.
- Permit fees are not subject to the same rules as a “property-related fee”.
- The Dixon and Solano RCD Boards of Directors, in collaboration with the Advisory Committee and the Sacramento Water Quality Coalition establish that annual budget and membership fee.





# Process & Timing – Preparation, Protest, Public Hearing and Election

- The first step is to complete a rate study that identifies past, present and future expense and revenue trends.
- The rate study must justify the need for a fee increase and show potential financial impacts to the landowners.
  - This rate study considers expenses for the past 5 years, the current budget and projections for the next 5 years (11 year window)
  - A Fiscal year (FY) is July 1, to June 30.
    - The current FY is 2016: July 1, 2015 – June 30, 2016
- The public process starts tonight with this informational meeting explaining the analysis and results of the rate study.
- April 13, 2016 **Board Meeting** – approve rate study.





# Next Steps: Public Hearing

- ▶ April 24, 2016 **Mail Notice of Public Hearing** to the property owners – Begins 45 day notice period
  - ▶ Total Parcels = 378 in service area, majority protests = 190 protest
- ▶ June 8, 2016 **Board Meeting and Public Hearing**
  - ▶ If 190 or more written protests are received, then the rate adoption process ends. The Board may initiate a new rate setting process or continue at the old rate.
  - ▶ If 189 or fewer written protests are received, then the Board may proceed to the election. The election can be conducted not less than 45 days after the majority protest hearing.





# Next Steps: Election

- ▶ June 25, 2016 **Mail Election Ballot to property owners**
  - ▶ 206 property owners / voters in service area
- ▶ August 10, 2016 **Board Meeting and certify election results**
  - ▶ If the majority of the votes cast by landowners are for the fee increase, then the Board may implement the new voter approved fee increase.
  - ▶ If the majority of the votes cast are in opposition to the fee increase, then the Board may not implement the fee increase and the process would end. The Board may initiate a new rate setting process or continue at the old rate.
- ▶ December 1, 2016 Mail Ditch Maintenance Fee Invoices





# Rate Study

## “Nuts and Bolts”

- District financial structure
  - Government services
    - Ditch operations
      - Partially funded through ditch maintenance fees
    - District operations (e.g. other issues groundwater, development, habitat development, board activities, etc.)
      - primarily funded through property tax revenues
  - Professional services
    - Irrigated Lands Regulatory Program
    - Dixon Regional Watershed Joint Powers Authority
  - Reserve funds



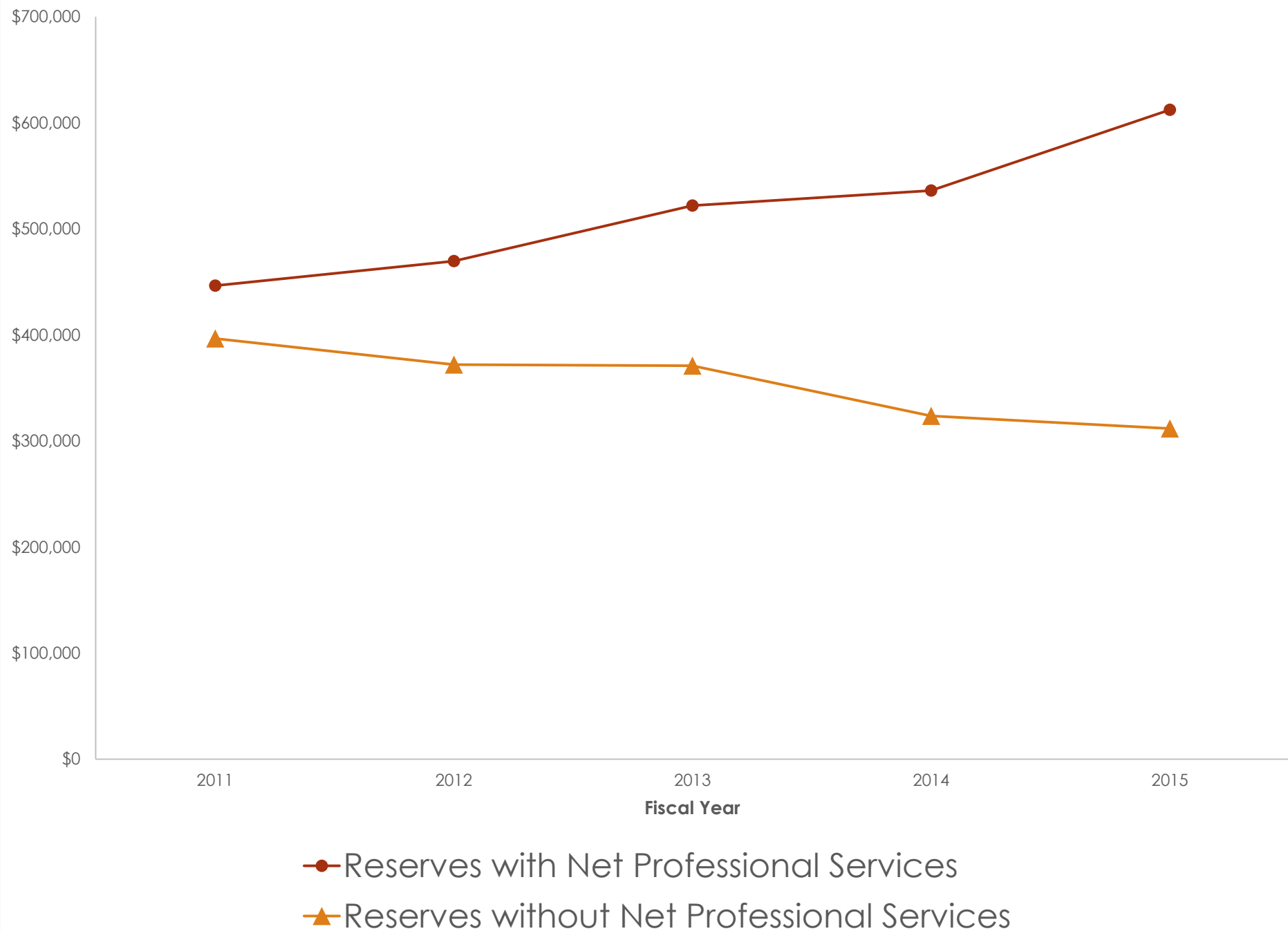


# Review of Prior Period FYs 2011 – 2015

- Improving Financial Position
  - In 2002, the District began to provide Professional Services to other Agencies and Projects that increased the District Cash Reserves and provided a base of more experienced Staff.
- During the Planning Period, the Net Revenues from the Professional Services allowed the District to maintain the existing Drainage Fee despite increasing costs for:
  - Environmental Compliance
  - Regulatory Compliance
  - Contractors to perform annual maintenance activities
- The District used Net Revenues to invest in infrastructure and drainage planning.



# Prior Period Reserve Fund Balance







# Review of Prior Period FYs 2011 – 2015 Average Budget

- Government services: \$252,735
  - Ditch operations: \$124,232
    - Direct Ditch Maintenance Cost: \$82,842
  - District operations: \$107,003
  - Capital Improvements: \$21,500
- Professional services: \$112,704
  - Average Net Revenues: \$60,000

Combined Budget Average: \$365,439






# Direct Ditch Maintenance Costs

- *Original design engineers estimated annual maintenance costs to be \$100/mile in 1952 or ~\$0.25/ac*
  - *Equivalent to \$934/mile in 2016 Dollars*
    - *using the Bay Area Consumer Price Index to adjust for inflation*
  - *Equates to ~\$2/ac in the 1952 environmental and regulatory compliance atmosphere*
    - *i.e. no prevailing wage regulations and maintenance permitting required*
    - *Engineering estimate is only for on the ground work*
      - *not for planning, bidding, permitting, monitoring, etc*
    - *The 2016 (current year) ground maintenance is ~\$3.07/ac*
    - *The 2017 ground maintenance budget is ~\$2.72/ac*





# Changes from the Prior Period to the Current Year (FY 2016)

## ■ Highlights

- Office space was historically provided by the Natural Resources Conservation Service (USDA-NRCS)
  - Rent is a new overhead cost
- Yolo Bypass Wildlife Area Lease Management Services provided the largest contribution to the Net Professional Services Revenue (87.9%)
  - Program ended February 28, 2015.
- Completed 2 capital improvement projects and above average ditch maintenance activities





# Fiscal Year 2016 Financial Position

- \$633,519 Fund Balance – Available Cash 6/30/2015, per Audit
  - \$606,234 Cash Held At the Solano County Treasury
  - \$27,285 Cash Held At First Northern Bank





# Fiscal Year 2016 Budget

- Government Services 2016 Budget: \$330,403
  - Ditch Operations: \$156,126
    - Direct Ditch Maintenance Cost: \$98,985
  - District Operations: \$143,817
  - Capital Improvements: \$30,250
- Professional Services 2016 Budget: \$217,935
  - Average Net Revenues: \$20,648

Combined 2016 Budget \$548,338





# Projected Financial Position & FY 2016 District Investments

- \$525,864 Projected Fund Balance – Available Cash 6/30/2016
  - \$107,655 Decrease in Fund Balance
  - Investments in District Assets and Rent
  - Significant 2016 Budget Expenditures:
    - \$35,576 Additional Cost of Excavation Above Long-Term Average
    - \$21,280 Ditch Improvements Above Long-Term Average
    - \$18,000 Drainage Planning – Engineering
    - \$15,484 Office Lease
    - \$4,750 Building Improvements





# How are the Reserves Allocated?

- Reserve Allocations for FYs 2016 - 2021: \$520,000
  - Minimum Fund Balance \$200,000 – 50% of Annual Budget
    - \$120,000 General and Imprest Cash Reserves
    - \$80,000 Fund Balance Available – non allocated cash
  - Cash Flow Requirements – Goal 50% of Annual Budget
  - Each year expenses exceeded revenue from July 1<sup>st</sup> - Dec. 31<sup>st</sup>
    - \$131,500 Average Cash Need
    - \$234,300 Greatest Cash Need
    - \$98,700 Least Cash Need



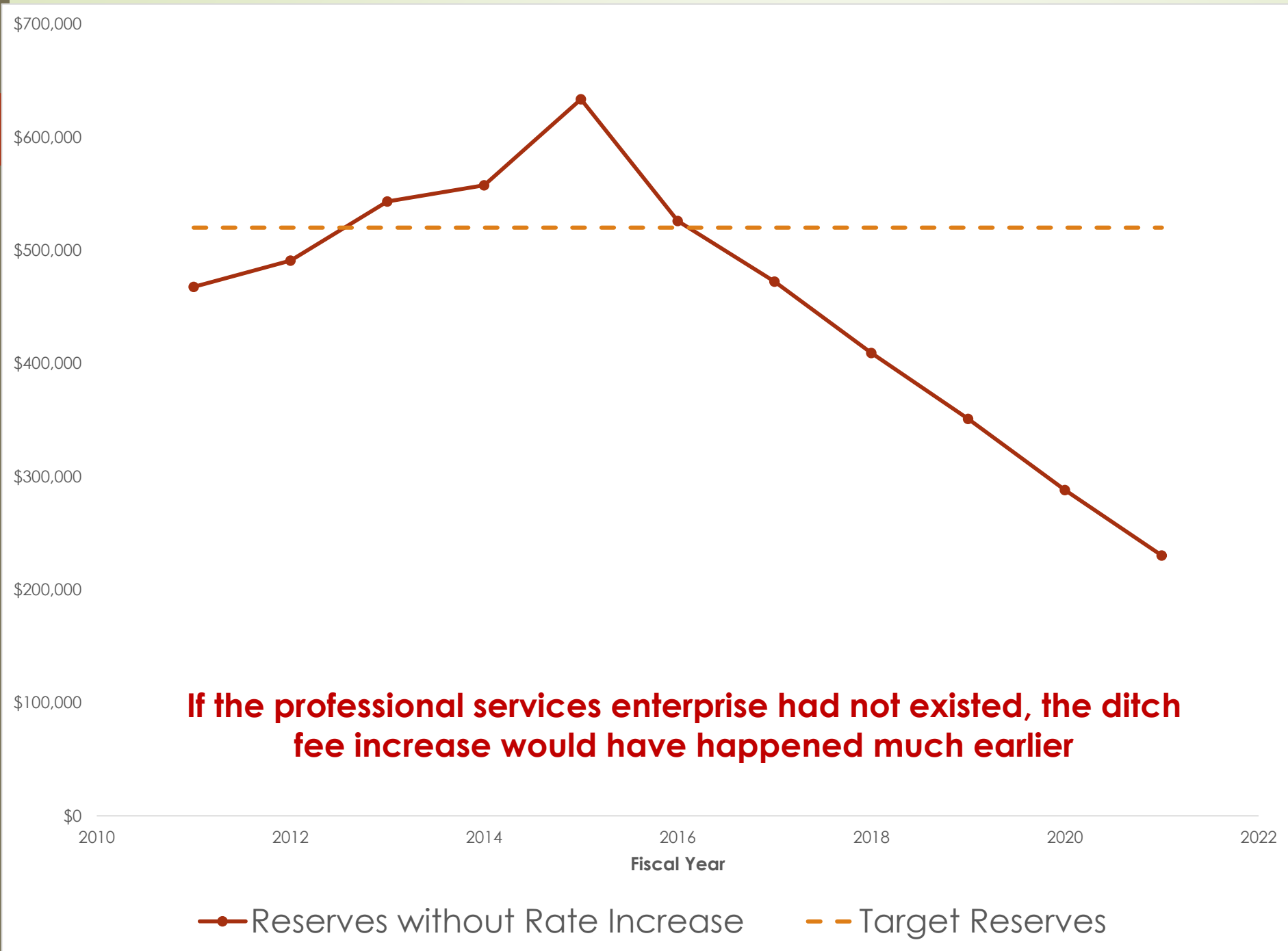


# How are the Reserves Allocated?

- Reserve Allocations for FYs 2016 - 2021: \$520,000 (continued)
  - Target Balance \$320,000 – Fund held for Planned Improvements and Emergencies
    - \$100,000 Future Equipment Acquisition
      - Computers, Office, Ditch Maintenance Equipment and Vehicle
    - \$20,000 Regional Collaboration
      - Review and analyze projects that could impact the District
    - \$200,000 Future Capital Improvements
      - 97.5% of Identified Projects and flood repair cost estimates (if the projects are completed in 2016 dollars without partner assistance)



# Operating Reserve Balance without Drainage Fee Increase







# Planning Period 2017 – 2021

## 2017 Budget

- Government services: \$256,661
  - Ditch operations: \$149,722
    - Direct Ditch Maintenance Cost: \$88,055
  - District operations: \$94,439
  - Capital Improvements: \$12,500
- Professional services: \$153,071
  - Average Net Revenues: \$15,000

Combined 2017 Budget: \$409,732





# Planning Period 2017 – 2021

- Government Services Budget 2017 – 2021
  - \$256,661 Budget Expenses (FY 2017)
    - 1.6% More than the Prior Period Average Budget Expenses of \$252,735
    - 21.4% More than the Prior Period Average Actual Expenses of \$211,420
    - 22.3% less than 2016 Budget Expenses of \$330,403
  - Budget Range for the Planning Period: \$203,361 to \$343,734





# Cost of Service Analysis



- Uniform per acre drainage allocation method
  - Original design method
    - Objective was to reduce winter flooding on agricultural lands
  - Assumes all parcels drain uniformly
    - 0.02 cubic feet per second (CFS) or 11 cfs per square mile
- Runoff load allocation method
  - determines volume of runoff per parcel based on land use and proportions fees accordingly
  - Used 4 land use classes for the analysis
    - Agricultural
    - Agricultural – Residential
    - Institutional
    - Commercial - Industrial



# Comparison between billing methods

Drainage Discharge Class	Net Revenue Requirements 2017						Share + / - for Load	Share + / - for \$
	Area Share	Uniform / Ac Rate	Revenue By Class	Load Share	Runoff Load /Ac Rate	Revenue By Class Adj for Runoff Load		
Agricultural - Residential	0.9%	\$3.46	\$1,001	0.8%	\$3.20	\$926	-0.1%	-\$76
Commercial - Industrial	0.3%	\$3.46	\$381	0.7%	\$6.67	\$734	0.3%	\$353
Agricultural	97.9%	\$3.46	\$109,405	98.0%	\$3.47	\$109,584	0.2%	\$179
Institutional	0.9%	\$3.46	\$991	0.5%	\$1.87	\$534	-0.4%	-\$456
<b>Total</b>	<b>100.0%</b>		<b>\$111,778</b>	<b>100.0%</b>		<b>\$111,778</b>		





# Billing method chosen

- There is a difference in cost to the different land use classes using the runoff load coefficient methods
- The Board chose to keep using the uniform per acre billing method
  - Cost of implementing the new method would outweigh the savings to any land use class and raise the drainage fees for everyone
- The Board will continue to monitor land use changes to decide when/if a different billing method should be chosen



# Proposed Drainage Fee options

- Recommended: provides the most flexibility and gradually increases the rate

	Current	Recommended Rate						
	Fee	2017	2018	2019	2020	2021		
Drainage Fee (\$/Ac)	\$2.00	\$3.00	\$3.25	\$3.50	\$3.75	\$4.00	\$3.50	(average fee)
	% Change	50.0%	8.3%	7.7%	7.1%	6.7%	16.0%	(average annual increase)

- Front Load Alternative: most closely aligns costs and revenues

	Current	Alternative Rate						
	Fee	2017	2018	2019	2020	2021		
Drainage Fee (\$/Ac)	\$2.00	\$3.00	\$3.65	\$3.65	\$3.65	\$3.75	\$3.54	(average fee)
	% Change	50.0%	21.7%	0.0%	0.0%	2.7%	14.9%	(average annual increase)

- Inflation Adjusted 1990 – 2015: \$3.85 or \$4.05 based on the Western States and the Bay Area Consumer Price Indexes





# Questions?

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