

DEL PASO MANOR WATER DISTRICT
MUNICIPAL SERVICE REVIEW AND
SPHERE OF INFLUENCE UPDATE

March 3, 2005

Sacramento Local Agency Formation Commission
1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458
FAX (916) 874-2939

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

COMMISSIONERS

Robert King Fong, City of Sacramento, Chair
Christopher Tooker, Public Member, Vice Chair
Illa Collin, County Member
Elliot Mulberg, Special District Member
Susan Peters, County Member
Charles Rose, Special District Member
Sophia Scherman, City Member

ALTERNATE COMMISSIONERS

John W. Jachens, Public Member
Steve Miklos, City Member
Gay Jones, Special District Member
Kevin McCarty, City of Sacramento Member
Roberta MacGlashan, County Member

STAFF

Peter Brundage, Executive Officer
Donald J. Lockhart, Assistant Executive Officer
Nancy Miller, Commission Counsel
Marilyn Ann Flemmer, Commission Clerk

2/25/05

EXECUTIVE SUMMARY

RECOMMENDATION

I recommend that the Sacramento Local Agency Formation Commission adopt the following findings and determinations:

1. The Del Paso Manor Water District provides efficient, comprehensive water services to the residents and visitors of the District and does so in a highly professional and cost-effective manner.
2. The Del Paso Manor Water District collaborates with surrounding water agencies and other local jurisdictions to coordinate water saving programs.
3. Del Paso Manor Water District involvement with local, state and federal agencies to maintain excellent water service provision benefits not only the residents served by the District, but also nearby areas.
4. The Del Paso Manor Water Sphere of Influence shall remain coterminous with District boundaries.
5. Municipal Service Review Determinations:
 - a. Regarding infrastructure needs or deficiencies, the Commission determines that the District currently has no immediate unmet infrastructure needs or existing deficiencies at the current levels of coverage and service response. Del Paso Manor Water District is an effective water district as it relates to water service provision, maintenance and improvement of infrastructure.
 - b. Regarding growth and population projections for the affected area, the Commission determines the District is capable of providing service based on growth and population projections; the District is built out and significant growth within District boundaries is not expected to occur.
 - c. Regarding financing constraints and opportunities, the Commission determines that the District has no serious financing constraints at this time. The District has the ability to raise rates in accordance with Proposition 13 and Proposition 218.

- d. Regarding cost avoidance opportunities, the Commission determines that the District uses its best efforts to take advantage of all reasonable cost avoidance opportunities.
- e. Regarding opportunities for rate restructuring, the Commission determines that the District's fees and rates provide financing that is reasonable for providing water services, maintaining wells and related pipelines.
- f. Regarding opportunities for shared facilities, the Commission determines that the District has interconnections with other water providers and continually reviews new opportunities to do so.
- g. Regarding government structure options, including advantages and disadvantages of consolidation or reorganization of service providers, the Commission determines that the District currently provides services to a very specific small geographic area. While there appears to be considerable merit to the concept of consolidation of water services, the Del Paso Manor Water District is operated in an efficient manner.

It is likely that reorganization/ consolidation of a relatively small district would not result in any cost savings to the ratepayers of the District because the District has very low overhead costs. In fact, it is likely that rates would increase because it is more expensive to provide surface water. In the future, reorganization/ consolidations of small districts may be appropriate, though not necessarily cost-effective, for ratepayers of smaller districts. The need to consolidate may be driven by water quality issues, i.e., contamination of groundwater, requirement to treat water, the continued overdraft of the Groundwater Basin.

However, the Del Paso Manor Water District should participate to help protect the North Area Groundwater Basin. There are primarily two ways to accomplish this goal.

1. Conservation efforts and the installation of water meters;
2. The purchase of surface water to provide conjunctive use of both surface water and groundwater.

Both of these efforts have costs as well as impacts to ratepayers but these efforts are part of a regional effort to help promote a sustainable water supply for the North Area Groundwater Basin. These efforts can be accomplished without the formal reorganization/ consolidation of districts.

- h. Regarding evaluation of management efficiencies, the Commission determines the District operates with a high degree of efficiency and professional cooperation with other agencies as well as the public.

- i. Regarding local accountability and governance, the Commission determines that the District's Board of Directors represents an adequate level of special district accountability and governance within its service territory.

Introduction

The Cortese-Knox-Hertzberg Local Government Reorganization (CKH) Act of 2000 requires that each Local Agency Formation Commission (LAFCo) prepare Municipal Service Reviews and update Spheres of Influence for all cities and independent special districts within its jurisdiction.

A Sphere of Influence is defined by Government Code 56425 as:

A plan for the probable physical boundary and service area of a local agency or municipality.

A Municipal Service Review is defined by Government Code Section 56430 as:

A means of identifying and evaluating public services.

A Municipal Service Review may be conducted prior to, or in conjunction with, the update of a Sphere of Influence.

SPHERE OF INFLUENCE

Purpose

In order to carry out its purposes and responsibilities for planning and shaping logical and orderly development as well as the coordination of local governmental agencies so as to most advantageously provide for the present and future needs of the County and its communities, the Sacramento Local Agency Formation Commission must develop and determine the Sphere of Influence of each local governmental agency within the County.

Requirements

When adopting, amending or updating a Sphere of Influence, the Commission shall, according to Government Code, do all of the following:

- (1) Require districts to file written statements specifying the functions or classes of services provided.
- (2) Establish the nature, location and extent of any functions or classes of services provided by the districts.

In determining the Sphere of Influence of each local agency, the Commission shall consider and prepare determinations with respect to each of the following:

- (1) The present and planned land uses in the area, including agricultural and open space lands.
- (2) The present and probable need for public facilities and services in the area.
- (3) The present capacity of public facilities and adequacy of public services that the agency provides, or is authorized to provide.
- (4) The existence of any social or economic communities of interest in the area if the Commission determines they are relevant.

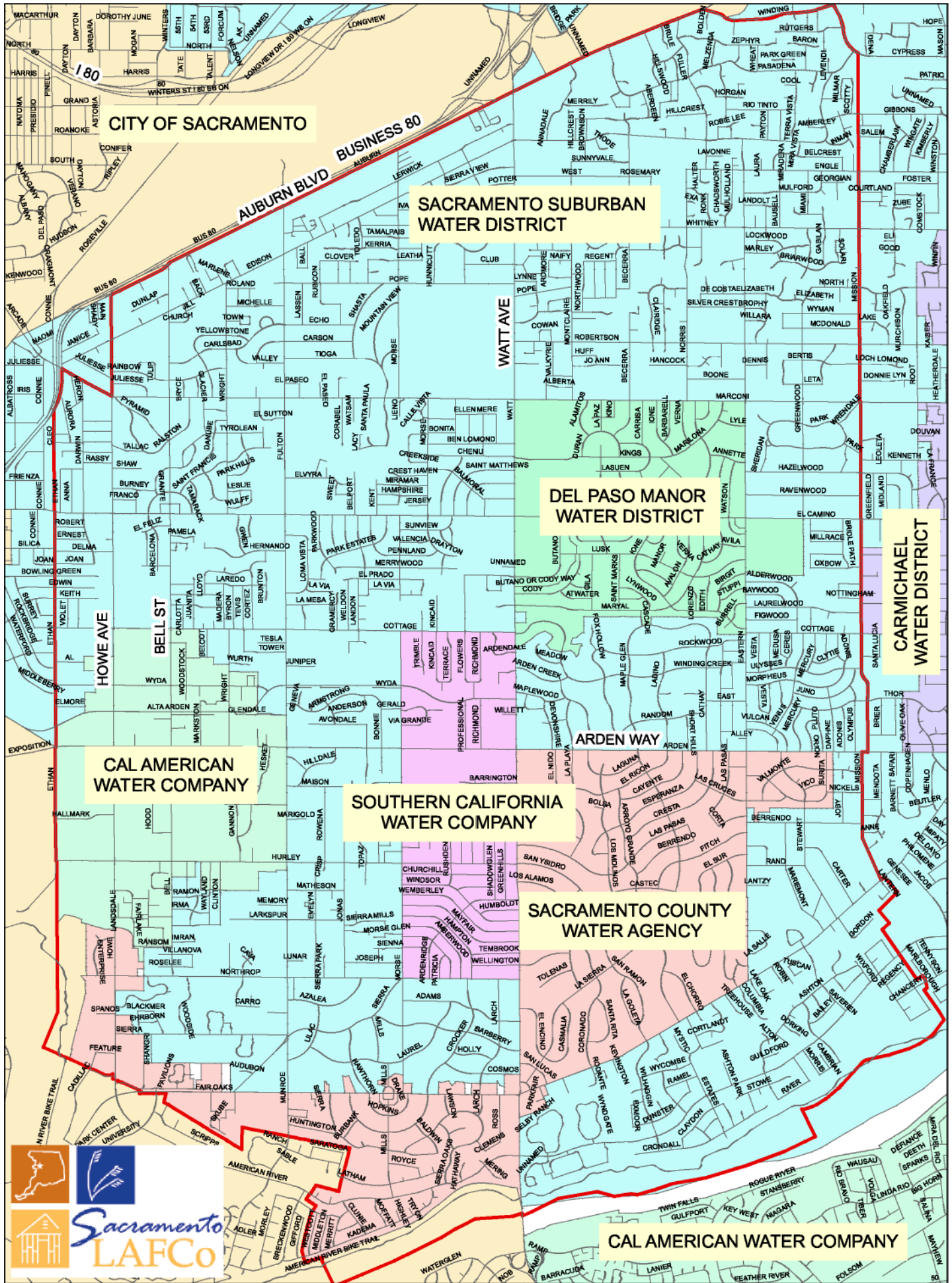
MUNICIPAL SERVICE REVIEW

Requirements

The Commission shall include a written statement of its determinations with respect to each of the following:

- (1) Infrastructure needs or deficiencies.
- (2) Growth and population projections for the affected area.
- (3) Financing constraints and opportunities.
- (4) Cost avoidance opportunities.
- (5) Opportunities for rate restructuring.
- (6) Opportunities for shared facilities.
- (7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service provision.
- (8) Evaluation of management efficiencies.
- (9) Local accountability and governance.

ARDEN ARCADE WATER DISTRICTS



DISTRICT SUMMARY PROFILE

District: **DEL PASO MANOR WATER DISTRICT**
Location: 4268 Lusk Drive
Sacramento, California 95864

Telephone: (916) 487-0419
FAX: (916) 487-8534
e-mail Address: rogernelson@sbcglobal.net

Administrator: Roger Nelson, General Manager
Contact: Debra Sedwick, Office Manager

Staffing: 3 Full Time Employees
2-3 Part Time Employees

Service Provided: Water

Service Area: 1.2 Square Miles

Sphere of Influence: Coterminous with Current District Boundary.

Population: 4,458

Registered Voters: 2,353

Date of Formation: 1956

Enabling Act: County Water District Law
Water Code 30,000-33,901

Governing Body: Five Member Elected Board of Directors

Total Budget: \$516,806 FY 2004 - 2005

Latent Powers: Fire Protection, Parks and Recreation and Sewers.

Primary Revenue Source: Fees for Service

Water Source: Eight Wells.

Water Demand: 2,460 Acre Feet
Contractual right to surface water from City of Sacramento;
presently not using city water.

Background Information

The Del Paso Manor Water District was established in 1956 for the purpose of providing domestic water to a portion of unincorporated residents. This is an independent special district that serves approximately 1.2 square miles.

District Service Area

The Del Paso Manor Water District contains approximately 640 acres and is entirely surrounded by Sacramento Suburban Water District, formerly Arcade Water District. Del Paso Manor Water District is located in the Arden area, generally bounded by Marconi Avenue on the north, Eastern Avenue on the east, Maryal Drive/ Ione Street/ Winding Creek Road on the south, and Watt Avenue on the west.

The District service area is primarily residential and is nearly one hundred percent developed. The area was built out during the 1950's and 60's. No new significant growth is anticipated in the District's service territory. The District serves approximately 4,458 residents and has about 1,800 connections.

Other Service Providers

Land Use:	Sacramento County Board of Supervisors Arden-Arcade Community Planning Advisory Council
Fire Protection:	Sacramento Metropolitan Fire District
Parks and Recreation:	Mission Oaks Park and Recreation District
Cemetery:	Fair Oaks Cemetery District
Solid Waste:	County of Sacramento
Sewer:	Sacramento Regional County Sanitation District County Sanitation District No. 1
Roads/Storm Drainage:	County of Sacramento
Public Transit:	Sacramento Regional Transit District
Mosquito:	Sacramento-Yolo Mosquito & Vector Control District
Police:	Sacramento County Sheriff's Department
Library:	Sacramento Public Library Authority

DISTRICT OPERATIONS & SERVICES

Overview

Del Paso Manor Water District operates and maintains eight wells and related water transmission and distribution systems. In addition, the District has a contractual right to a maximum of 2,460 acre-feet of surface water per year from the City of Sacramento.

The water supply system and facilities are forty to fifty years old. Generally, the infrastructure is in good condition. The annual consumption level for the District is 482,000,000 gallons per year. The water pressure is 50 psi. The District states it has the ability to meet peak demands.

Administration and operation of the District is accomplished by a staff of three full-time employees and part-time help. Large maintenance and construction projects are carried out by contracts with private construction companies.

Water Demand

The annual water demand is approximately 1.35 mgd. Currently, the District can supply all water demand from its wells. During peak demand periods, only three out of eight wells are needed. This leaves five wells available to meet fire suppression demand.

Water Supply

Del Paso Water District relies solely on ground water. The District is currently able to meet daily and annual demand for water from its eight wells. Well depths average 500 feet deep.

Conjunctive use (use of both surface water and ground water) is not in operation at this time. The District has the potential to exercise its water rights with the City of Sacramento when the Fairbairn Treatment Plant and the "Arcade" (Sacramento Suburban Water District) Pipeline expansions are complete.

In addition, the District will need to construct two metering and pressure regulating stations plus some distribution pipeline. The estimated costs of these facilities range between \$150,000 to \$200,000. The importance of conjunctive use is that it will reduce the use of groundwater, reducing negative impacts on the aquifer so that it can recharge.

Water Rates

**ARTICLE 9.
RATES AND CHARGES¹**

900. Rate Schedule. Rates and charges for water service are hereby established as follows:

A. Residential (single family):

<u>Lot Area</u> (Square feet)	<u>Monthly Rate</u>
0 - 5,000	\$ 9.75
5,001 - 8,000	12.75
8,001 - 11,000	15.00
11,001 - 14,000	17.25
14,000 - 17,000	19.50
17,000 - 20,000	21.75
Over 20,000	\$21.75 plus 0.75 per 1,000 sq. ft. over 20,000 sq. ft

B. Residential (multi-resident premises, e.g., duplexes and apartments):

Multi-resident Premises shall be billed at the flat charge per dwelling unit (\$7.85) plus \$0.75 per sq. ft. of property.

C. Commercial Metered Service:

Metered water shall be delivered at a rate of \$0.49 per 100 cu. ft. plus the appropriate Readiness to Serve Charge.

Readiness to Serve Charges:

<u>Meter Size</u>	<u>Monthly Rate</u>
¾" x 5/8"	\$ 10.80
1"	15.00
1 ½"	21.70
2"	43.90
3"	81.60
4"	132.90
6"	228.70

¹ Effective September 1, 2004. Resolution No. 040802, Revising Water Rate Ordinance No. 3, An Ordinance Establishing Rates, Rules and Regulations for Water Service, dated May 7, 1956. [District rates were last amended on July 1, 2002.]

D. Commercial Flat Rate Service:

<u>Service Size</u>	<u>Monthly Charge</u>
3/4" x 5/8"	\$ 16.45
1"	22.70
1 1/2"	32.85
2"	66.55

E. Water Service Outside District Boundaries:

The charge for water service (including Private Fire Protection Service: outside the boundaries of the District shall be twenty percent higher than the rate for similar service within the District's boundaries.

F. Service and Other Charges:

1. The fee for the District to locate a Service Connection:

(a) Service line location (1) with a minimum notice of two full working days, and (2) with the work to be accomplished between 8:00 a.m. and 4:00 p.m. on a regular workday, shall be at no charge.

(b) Service line location (1) with less than the required minimum notice, but (2) with the work to be accomplished between 8:00 a.m. and 4:00 p.m. on a regular work day, shall at the rate of \$90.00 per hour per person, with a minimum charge of \$45.00.

(c) Service line location with the work to be accomplished between 4:00 p.m. and 8:00 a.m. or on a Saturday, Sunday, or District holiday, at the rate of \$85.00 per person with a minimum charge of \$90.00.

2. District labor shall be charged at the rate of \$90.00 per person per hour per person.

3. District equipment (backhoe/loader) shall be charged at the rate of \$150.00 per hour (with operator).

4. The inspection fee (section 353) shall be \$90.00 per hour per person, with a minimum charge of \$90.00.

5. The service restoration fee (sections 412 and 1201) shall be \$45.00. The minimum meter instillation fee (section 500) shall be \$745.00.

6. The enforcement action service charge (section 412) shall be \$45.00.

7. The penalty under citation for violating the water conservation regulations (section 414) shall be equal to the amount of the monthly water charge to the premises for which the violation occurred for the month in which the violation occurred, or \$65.00, whichever is greater.
8. The deposit for testing a meter (section 505) shall be \$65.00 for up to a one-inch meter, and \$125.00 for any meter greater than one-inch.
9. The monthly rate for Private Fire Protection Service (section 704) shall be:

<u>Meter Size</u>	<u>Monthly Rate</u>
4"	\$29.65
6"	44.35
8"	59.35
10"	74.40

10. The charge for Temporary Water Service (section 505) supplied through a fire hydrant (section 801) shall be, at the option of the District, (a) at the rate of \$0.75 per 100 cubic feet, with a minimum charge of \$12.35, and (b) a flat rate of \$45.00 for a Temporary Water Service permit, which shall be in effect for a maximum of one year. There shall also be a charge of \$90.00 per meter for installing and removing a temporary meter to a hydrant, and a \$45.00 charge for each additional move of a meter from one hydrant to another. A refundable deposit of \$625.00 for the meter shall also be charged.
11. The charge for a returned check (section 1104) shall be \$30.00.
12. The charge for failing to provide the District actual notice of a change in ownership (section 1206) shall be \$45.00.

G. Revision of Fees and Charges:

Any charge of fee provided for in this Ordinance is subject to revision at any time by resolution of the Board of Directors.

Water Quality

New mandates for improved water quality may impact treatment costs. To date, the District currently meets state and federal drinking water standards. With the assistance of the California Rural Water Association, the District has completed and submitted a Drinking Water Source Assessment and Protection [DWSAP] Report for its Board of Directors, United States Environmental Protection Agency and the California Department of Health Services.

Infrastructure

Production (Wells)

Wells are monitored and maintained. Regular motor, pump and well overhaul costs are under \$25,000 annually and the regular maintenance program is provided for in the annual budget. Wells are tested by Sacramento Municipal Utility District annually for both motor condition and pump efficiency. Maintenance needs are performed as needed. Three of the eight wells are equipped with an alternate power source. These three wells have a combined production capacity of 2,500 gpm, which is adequate to meet average service demands.

Distribution System (Pipes)

The Del Paso Manor Water District has 1,782 connections. Of the approximately 120,000 feet of distribution main, the District owns and maintains approximately 21,800 feet of steel water mains. Approximately 3,250 feet is two inch galvanized steel, which serves approximately 60 homes; the remainder is four to eight inch welded steel, which serves approximately 300 homes.

The welded steel pipe has held up well. These water mains were installed between 1948 and 1953. Eventual replacement will be required at some point. It is likely new lines will be relocated into the street. Leaks are repaired as necessary and portions of the steel main are replaced as required. Approximately 4,000 feet of the steel mains have been mortar lined. The District states it has no deferred maintenance. System upgrades are made during maintenance work to improve system reliability.

Meters

The District does not currently meter residential customers. As a signatory to the Water Forum Process, the District has committed to an on-going program that will complete and implement a residential meter retrofit by year 2030. Commercial accounts are metered.

The current cost of meter retrofit is estimated to be \$500 to \$800 per meter, for a total cost in Del Paso Manor Water District between \$150,000 and \$240,000. The estimated cost to replace the distribution lines would be approximately \$1,620,000.

Interconnections

The District has three interconnections with adjacent water purveyors that allow either utility to share water during emergencies.

Budget

The operating budget for 2004-2005 was \$518,806. The District has retained earnings of \$848,211 of which the District has a cash reserve of \$659,646. Net assets have a book value of \$309,492.

Conservation Efforts

The District has had an active conservation program since the mid 1970's. The District has supported regional and statewide conservation programs. As a signatory to the Water Forum Process, the District is committed to conservation BMP's that include public and school outreach programs. It has an active patrol program during the summer months to educate customers on wise water use practices. The District participates in local homeowners' association fairs and meetings and local school fairs to promote water conservation. The District also provides its customers with climate appropriate landscape design, plants and irrigation information as well as sends out pre-season and post-season reminders with their bills.

Water Planning

The Del Paso Manor Water District is a member and participant of the Water Forum Successor Effort. The District also participates in the Sacramento Groundwater Authority and Regional Water Authority for future water planning.

REGIONAL WATER SUPPLY AND DEMAND

North Area Ground Water Basin

The area lying north of the America River obtains groundwater from the North Area Ground Water Basin. There are several water purveyors that utilize this basin. The water purveyors include Sacramento Suburban Water District, Arden Park Water District, Rio Linda/Elverta Water District, Citrus Heights Water District, City of Folsom, City of Sacramento, Fair Oaks Water District, San Juan Water District, California American Water Company, Natomas Central Mutual Water Company, Orangevale Water Company, and Southern California Water Company.

Each of the water purveyors utilizes groundwater as a source of water. In addition, many of the water purveyors also have access to surface water supply. The overall goal of the Sacramento Groundwater Authority is to achieve a conjunctive use ratio of 60 percent Surface Water to 40 percent Groundwater. Currently, the Del Paso Manor Water District does not meet this goal because it relies solely on groundwater.

Ground Water Levels

The groundwater depth has been measured over the last 60 years. In 1946 the depth of the groundwater was about 18 feet below the surface. In 1997, the depth was about 88 feet below the surface.

The groundwater basin has declined by about 70 feet during the last 60 years. This decline is greater than 1 foot per year.

Annual Ground Water Extraction

In 1969, the demand for groundwater was about 12,000 acre feet. In 2001, the demand was between 97,000 and 115,000 acre feet. The demand varies from year to year but has steadily increased since 1969. This increase is about 8 percent per year, or 800 percent over 30 years.

Surface Water Supply

Surface water provides about 150,000 - 160,000 acre feet for the area served by the North Ground Water Basin.

Total Water Supply: North Area Ground Basin

	<u>Acre Feet</u>	<u>Percent</u>
Groundwater	115,000	42%
Surface water	<u>160,000</u>	<u>58%</u>
Total	275,000	100%

The North Area groundwater basin is close to achieving the 60/40 ratio.

Groundwater Contamination/Water Quality Issues

The groundwater in the North Area Ground Water Basin is not yet significantly impacted by groundwater contamination. However, there are several potential contamination sources: McClellan Business Park, leaking underground fuel tanks, Aerojet plume, Roseville rail yards, and naturally occurring arsenic.

Water Forum Agreement

Principals:

Provide a reliable and safe water supply for the region's economic health and planned development through to the year 2030; and

Preserve the fishery, wild life, recreational, and aesthetic values of the Lower American River.

1. **Whereas**, a reliable water supply is needed by current and future residents, businesses and agriculture; and
2. **Whereas**, the Lower American River is recognized as an important natural resource which should be protected and preserved for future generations by all Water Forum stakeholders; and
3. **Whereas**, the Sacramento region has groundwater contamination in some areas and groundwater decline in other parts of the region, both of which could have an impact on future water supply; and
4. **Whereas**, water purveyors and others have for years sought to develop additional safe, reliable water supplies with little success; and
5. **Whereas**, the environmental community and others in the region have for years sought to restore the fishery, wildlife, recreational and aesthetic values of the Lower American River; and
6. **Whereas**, all signatories now recognize the potential benefits of mutually supporting each other's goals and working together, as well as the collective risk of pursuing independent objectives; and
7. **Whereas**, within the framework of an interest-based negotiation process which cannot provide exactly equivalent benefits for all but in most cases does make it possible for stakeholders to get what they really need in a Water Forum Agreement; and
8. **Whereas**, the City of Sacramento and the County of Sacramento have prepared and certified an Environmental Impact Report analyzing the impacts of the Water Forum Agreement;

Now, Therefore Be It Resolved That:

1. All signatories to the Memorandum of Understanding agree that participation in the Water Forum Agreement is in the best interest of water consumers and the region as a whole. Participation in the Water Forum Agreement is the most economically feasible method of ensuring that water demands of the future will be met. Furthermore, provisions for groundwater management, conjunctive use, conservation programs, improved pattern of fishery flow releases, Lower American River habitat management, and a reliable dry year supply are in the public interest and represent reasonable and beneficial use of the water resource.
2. All signatories will endorse and, where indicated, participate in implementing the attached Water Forum Agreement, including the seven linked elements;

Increased Surfaced Water Diversions
Actions to Meet Customer's Needs While Reducing Diversion Impacts in
Drier Years
Support for an Improved Pattern of Fishery Flow Releases from Folsom
Reservoir
Lower American River Habitat Management Element
Water Conservation
Groundwater Management
Water forum Successor Effort

9. All signatories will endorse and where appropriate, implement the water conservation element.
10. All signatories will endorse, and where appropriate, participate in the Groundwater Management Element.
11. All signatories agree that any solution that provides for our future needs will have costs. New diversion, treatment and distribution facilities, wells, conservation programs, required environmental mitigations and continuation of the Water Forum will be needed to ensure successful implementation of the Water Forum Agreement.

Del Paso Manor Water District is a signatory to the Water Forum Agreement. (See attached specific Agreement for Del Paso Manor Water District.)

POLICY ISSUE

Conjunctive Use and Water Meters

Del Paso Manor Water District is a signatory to the Water Forum Agreement. As a result, the District has agreed in principal that it should install water meters (conservation element for the WFA) and that it should also use surface water to minimize the use of ground in accordance with the policies and principle of the Water Forum Agreement. However, to date, the Del Paso Manor Water District has not pursued to implement either of these programs.

Note: Del Paso Manor Water District is installing meter setter assemblies (all of the recognized hardware except the meter) at 3% to 5% of their flat rate accounts per year; however, no water meters have been installed on residential customers. The District meter plan calls for all connections to be metered by 2030. (See District Letter dated January 6, 2005). Also the Del Paso Manor Water District has adopted Board Resolutions, indicating intent to utilize surface water. The District's goal is to achieve a conjunctive use ration of 60% to 40% (60% being surface water). Note: The Del Paso Manor Water District is not required to install meters until it begins using surface water.

Issues and Concerns

Raised by Sacramento Suburban Water District

On December 10, 2004, the Sacramento Suburban Water District submitted a letter to LAFCO, addressing the Del Paso Manor Water District Municipal Service Review. This letter contained the following issues: water rights, water supply, distribution pipe lines, meters, water planning, and district consolidation, (note: a copy of the Sacramento Suburban Water District and response from Del Paso Manor Water District dated January 6, 2005 is attached).

Summary of Comments and Concerns

Raised by Sacramento Suburban Water District

The core issues raised by Sacramento Suburban Water District relate to long term reliable water supplies, water quality, protection of groundwater basin, emergency water and other similar regional water concerns.

Sacramento Suburban Water District believes there could be many benefits to reorganization/ consolidation. Reorganization/ consolidation is not necessarily required to achieve equality in groundwater stabilization efforts or participation in the development of regional infrastructure required to achieve this effort.

Analysis

Utilization of surface water is complicated because each water purveyor of surface water has specific areas or places of use where surface water must be used, i.e., it cannot be sold or used in areas located outside the place of use boundary. Reorganization/ consolidation of water districts will not resolve this issue. However, reorganization/ consolidation would allow the "equitable" distribution of costs associated with providing surface water.

Water rates between water districts vary significantly depending on a water district's efforts to utilize surface water and install water meters to promote conservation efforts. It appears that smaller water districts have been slower to participate in either of these programs because they are not required to participate until they utilize surface water. Thus, the smaller water districts do not contribute, or bear their fair share, to achieve the regional objective of reducing reliance on groundwater.

The development of the Regional Water Management Plan has been spearheaded by the Water Forum Successor Effort, the Sacramento Groundwater Authority and the Regional Water Authority. However, participation in the Plan by water districts appears to be voluntary; there is no regulatory enforcement agency that can enforce compliance with regional water management plans.

Costs to Provide Surface Water

Districts that do not participate in the development of surface water and/or water meters avoid costs that would impact rates. Thus, they are acting in the best interest of their customers provided the districts have an adequate supply of water.

Estimated Cost of Surface Water to Ratepayers

Rate increases for surface water use are related to increased cost for the purchase of surface water, the treatment of surface water, the transmission of surface water, etc. Basically, there are significant infrastructure costs, as well as increased operation and maintenance costs, to a water district that utilizes surface water.

Del Paso Manor Water District and Sacramento Suburban Water District have provided similar estimates of the potential impacts to rates. These are only estimates but they provide a range in order to develop a sense of the potential impact to Del Paso Manor Water District rate payers. [Estimates given per customer.]

	<u>Monthly Rate Increase</u>	<u>Annual Rate Increase</u>
Sacramento Suburban Water District	\$8 - \$10 ²	\$98 - \$118
Del Paso Manor Water District	\$6 ³	\$75

Del Paso Manor Water District has several options to obtain surface water. Each option has a cost and must be evaluated. Del Paso Manor Water District could:

1. Build a treatment plant and transmission line, as well as other infrastructure to utilize 2,640 acre feet of surface water.
2. Purchase capacity in the City of Sacramento water system provided it could be delivered, or wheeled, through Sacramento Suburban Water District transmission lines.
3. Purchase treated surface water wholesale from Sacramento Suburban Water District.

Over the next several months, Del Paso Manor Water District and Sacramento Suburban Water District have agreed to develop a Memorandum of Understanding. The MOU would outline more specifically the contractual arrangements and the planning design and construction needed for Del Paso Manor Water District to move toward a conjunctive use water supply system and identify the cost impacts to rate payers. Note: Both Districts have previously agreed to cooperate on principles related to the use of surface water. The purpose of the MOU is to reaffirm these principles and develop a more specific plan to implement the necessary changes.

² Does not include cost of fluoridation or inter-tie connections.

³ Does not include wheeling charge through Sacramento Suburban Water District transmission line.

Floridation Issue

Currently, Del Paso Manor Water District does not floridate its water supply. Each water district independently determines whether or not to floridate. There has been a great amount of debate on this issue and it can be a very emotional issue, i.e., the community may strongly support or oppose fluoridation. This issue may complicate a district's decision to provide surface water since most surface water is floridated. It can be very expensive to remove floride from treated water if the community opposes fluoridation. This factor will be carefully considered in Del Paso Manor Water District's decision whether or not to utilize surface water.

MUNICIPAL SERVICE REVIEW

I. INFRASTRUCTURE, FACILITIES/ GROWTH AND POPULATION PROJECTIONS.

The Del Paso Manor Water District should not experience any significant new growth because there is not any significant undeveloped territory within the District. The District has sufficient capacity to meet its current and projected demand. The District maintains both wells and pipelines on an ongoing basis and has not deferred maintenance work. Eventually, transmission and distribution lines will need to be replaced. The Del Paso Manor Water District replaces a section of pipe after there has been three leaks in any given section. Also, the District attempts to maintain a constant pressure in pipe infrastructure to minimize rapid pressure changes that cause stress to pipes.

II. EVALUATION OF MANAGEMENT EFFICIENCIES.

The District does not have extensive overhead because of its small and efficient size. The employees, including the General Manager, perform many different duties. The District has developed training programs and employees maintain required certification.

III. FINANCING CONSTRAINTS AND OPPORTUNITIES/ OPPORTUNITIES FOR RATE RESTRUCTURING.

The District relies solely on user fees for service to cover the expenses of District operation. A significant portion of the budget is for labor to operate the system. The District has no outstanding debt; no outstanding bonds. Rates and fees were last adjusted on September 1, 2004. Compared to surrounding water districts, the Del Paso Manor Water District rates are relatively low.

IV. OPPORTUNITIES FOR SHARED FACILITIES/ COST AVOIDANCE OPPORTUNITIES.

The Del Paso Manor Water District participates with the Water Forum Successor Effort, the Sacramento Groundwater Authority, and the Regional Water Authority. The District has also entered into mutual aid agreements with Sacramento Suburban Water District and Carmichael Water District. The District has excess production capacity to meet demand during emergencies. This excess capacity can be used by adjacent water districts during emergencies.

V. GOVERNMENT STRUCTURE OPTIONS/ ACCOUNTABILITY AND GOVERNANCE.

The Board of Directors consists of five members which reside within the boundaries of the Del Paso Manor Water District. The Directors are elected at large and serve four-year terms. The District holds one Board meeting per month and encourages public participation. In addition, the District works with local homeowner associations on water conservation programs. Since the District is small, the District has a unique and extremely close relationship with its customers. The District, along with other water agencies, was recently investigated by the Sacramento County Grand Jury. Their report indicated no negative issues.

VI. REORGANIZATION/ CONSOLIDATION

At this time, it does not appear that reorganization/ consolidation would provide any cost savings to Del Paso Manor Water District because it has very low overhead and administrative expenditures. In fact, Del Paso Manor Water District rates would likely increase. However, in the future, it may be appropriate for districts to explore this option if water quality and contamination issues become a significant regional water issue. Also, it is important that reorganization/ consolidation be in the best interest of the rate payers of each district. This is difficult when rates are significantly different between districts proposing reorganization. Nonetheless, Del Paso Manor Water District should participate to help protect the North Area Groundwater Basin by promoting conservation efforts, including the installation of water meters and utilize surface water to promote conjunctive use of water resources to minimize the overdraft of the aquifer.

Both of these efforts have costs as well as impacts to Del Paso Manor Water District rate payers. However, the efforts to promote a long term sustainable water supply can be accomplished without the formal reorganization/ consolidation of districts.

SPHERE OF INFLUENCE UPDATE

Staff recommends no change in the Sphere of Influence for the Del Paso Manor Water District. The Sphere of Influence should remain coterminous with the Del Paso Manor Water District boundary.

PB:Maf

Attachments: MSR Questionnaire
District Mission Statement
Organization Chart
Budget

(Del Paso Manor MSR)