



FAIR OAKS WATER DISTRICT SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

FINAL MUNICIPAL SERVICE REVIEW

MARCH 1, 2017



Sacramento Local Agency Formation Commission

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SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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MUNICIPAL SERVICE REVIEW WORKSHEET
AND QUESTIONNAIRE
DISTRICT PROFILE

Date: March 1, 2017

Agency Name: Fair Oaks Water District

Address: 10326 Fair Oaks Boulevard

Website: www.fowd.com

Telephone: (916) 967-5723 (FAX) (916) 967-0153

Administrator Name: Tom R. Gray

Title: General Manager

Name of Contact: Sandy Doyle

Contact's E-mail Address: sdoyle@fowd.com

Agency's Principle Act: Division 11, California Water Code

Services Provided: Municipal Water Supply

Latent Powers: None

Governing Body: Five Member Board of Directors

Total Number of Employees: 30

0 # Represented 30 # Unrepresented

Acreage/ sq. Miles within Agency: 6,240 Acres / 9.8 Square Miles

Total Population within Agency: 36,226

Total Registered Voters within Agency: Information not known by FOWD staff

INTRODUCTION

Background Information

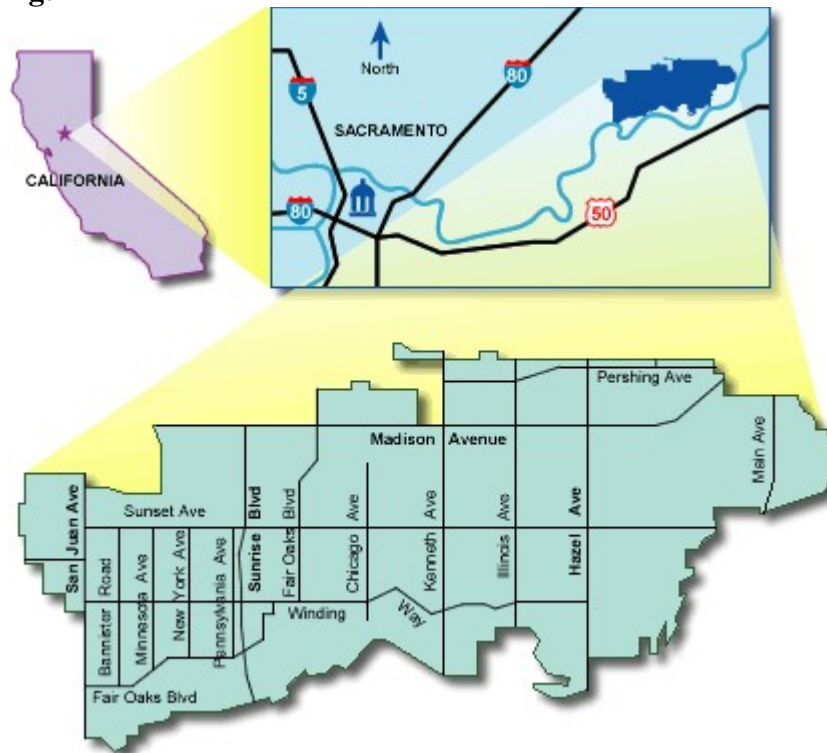
The Fair Oaks Water District is an Independent Special District.

- **Mission:**



“The mission of Fair Oaks Water District is to provide our community with an adequate and reliable supply of water, exceeding all drinking water standards, at the lowest reasonable cost.”

- **Setting:**



FOWD Boundary Map

History

Fair Oaks Water District will celebrate 100 years of service to the Fair Oaks community on March 26, 2017. On March 12, 1917, the community voted 184 to 16 to create the Fair Oaks Irrigation District to provide water supply to the local area. The Sacramento County Board of Supervisors certified the election two weeks later on March 26, 1917. Since its founding in 1917, the District has grown from delivering untreated surface water in large, horse-drawn tank wagons to supplying high quality drinking water through 180 miles of pipeline.

The District's original water supply was untreated surface water purchased from the North Fork Ditch Company to irrigate about 4,000 acres of vegetables and fruit and nut trees. To supplement its surface water supplies, the District drilled its first groundwater well in 1940, and a second one in 1943.

After the completion of Folsom Dam on the American River in 1954, the North Fork Ditch Company's water rights were purchased by the Fair Oaks Irrigation District, Citrus Heights Irrigation District and Orange Vale Water Company - these three Water Districts then created San Juan Suburban Water District (now called San Juan Water District) to handle wholesale water assets and operations - from which the District still purchases wholesale water.

By 1979, residential development in the community had replaced all of the significant agricultural land. In July of that year, the Board of Directors passed a resolution declaring that "irrigation district" no longer described the district's actual functions and changed the name to Fair Oaks Water District (FOWD).

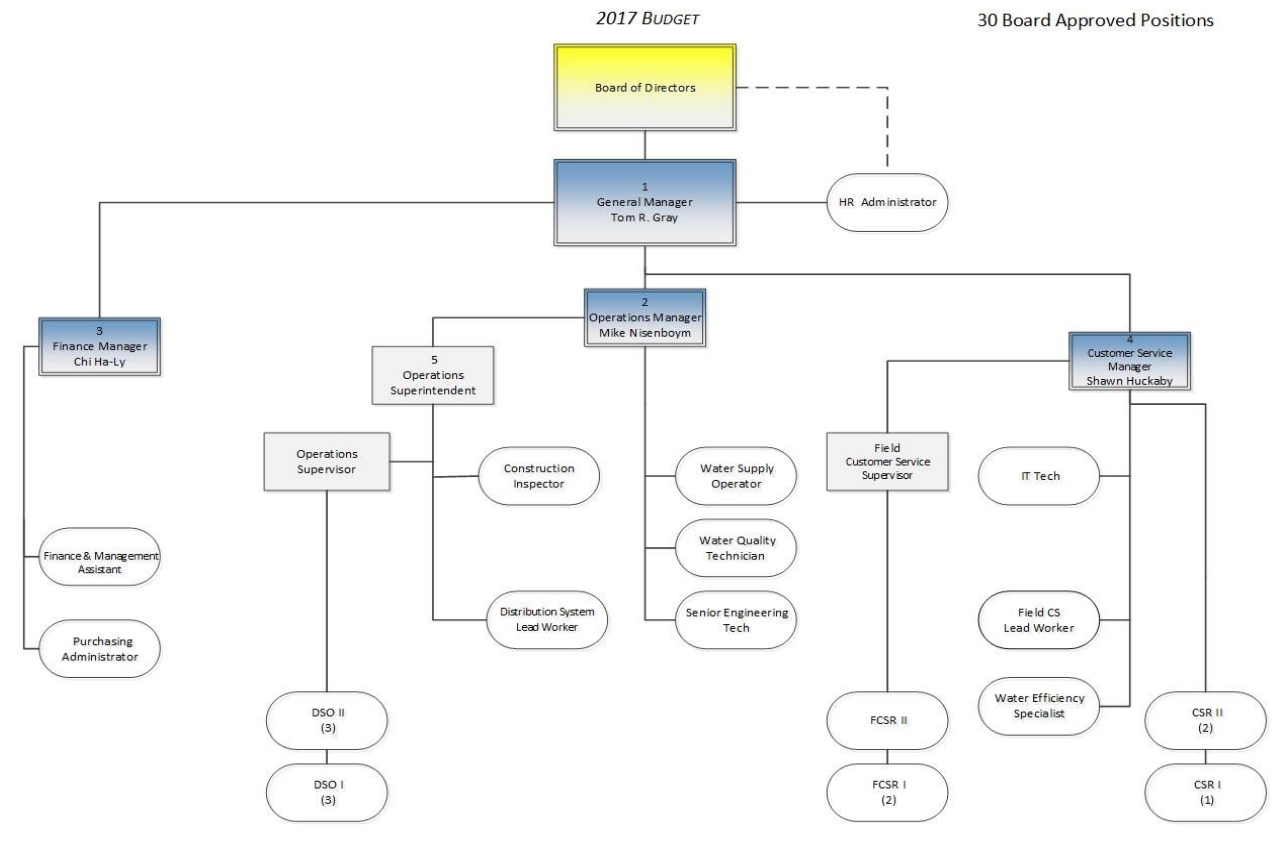
Today, FOWD stands as a committed and involved member of the community. While serving a population of approximately 36,300 people on approximately 6,270 acres, FOWD has essentially not increased rates for the past twelve years, while investing approximately 40 cents of every ratepayer dollar back into capital during the same time period - maintaining approximately 14,000 metered service connections, six groundwater wells, 180 miles of pipeline, a 3 million-gallon water storage tank and an in-house billing system – entering 2017 with zero debt and over 100% of annual revenue in reserve.

FOWD Then & Now		
	1917	2017
District acreage	3,500	6,272
Number of water accounts	315	14,000
Annual water rates	\$4.04	\$500

Services Provided

Management and Staffing Structure

Fair Oaks Water District Organization Chart



- The type and purpose of contracts and consultants.

FOWD contracts for technical and professional services to supplement in-house expertise. It is the intent of FOWD to have consistency in the selection of consultants and award of contracts. FOWD believes that this process results in:

1. Promoting long-term relationships between various consultants and the FOWD;
2. Assures that qualified consultants with proper experience are retained;
3. Will reduce overall costs; and
4. Providing consistent approaches and criteria for projects.

Typically FOWD will send written requests for proposal to at least three (3) consultants for a desired service. This request will generally define the scope of

work to be performed: including a problem description, work approach, and time of performance stipulations.

- Please feel free to mention any awards or recognition the agency has received.

Over the past ten years FOWD has received a variety of awards, but we are most proud of being consistently recognized for financial transparency. In 2016, the Fair Oaks Water District received a Certificate of Achievement for Excellence in Financial Reporting for the FIFTEENTH consecutive year.

The Certificate of Achievement for Excellence in Financial Reporting has been awarded to the Fair Oaks Water District by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The award winning CAFR has been judged by an impartial panel to meet the high standards of the GFOA program including demonstrating a spirit of full disclosure to clearly communicate the District's financial story. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting that GFOA awards and its attainment represents a significant accomplishment by the Fair Oaks Water District and its management.

The Fair Oaks Water District has been awarded the Certificate of Achievement for Excellence in Financial Reporting from GFOA every year that the current management team has been together. While acknowledging this achievement, FOWD Board President Dave Underwood stated that: *“This is another example of the professionalism, attention to detail, and integrity that the FOWD’s Executive Team and staff demonstrate on a regular basis. FOWD customers are in good hands being served water with transparency and frugality during times where such attributes are difficult to find. The Board is very proud of the Executive Team and staff that serve water to the people of FOWD.”*

The GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago and Washington D.C.

- Describe ongoing training and personnel policies.

FOWD believes that the power of the organization and its ability to meet its goals and objectives lies in its human resources. As such, FOWD is keenly aware of the necessity of supporting its employees in their professional development. To that end, the District has defined the following specific objectives:

1. Continue to promote education, formal, and informal training in matters of communication and public relations, finance, management, leadership, and information technology.
2. Continue the requirement that all water system operators be State Certified.

3. Continue to provide all employees with a respectful workplace, providing fair and reasonable compensation.

To meet the listed objectives FOWD has a written Employee Handbook that is consistently updated as needed and that was last completely reviewed and updated in 2012. The employee handbook includes a section on Educational Assistance that provides support to FOWD employees who wish to continue their training and education in order to secure increased responsibility and growth within their careers.

- Are salaries and pay scales comparable / competitive with regional and industry standards?

FOWD salaries and pay scales are comparable with regional and industry standards. In November 2016, Bryce Consulting completed a Total Compensation Study for FOWD. Based on the results of this study, the FOWD updated and approved a new FOWD salary schedule that was implemented on January 1, 2017.

FOWD policy calls for the maximum of the salary range for each Board approved position to be set at the current Total Compensation Study sample agency median plus 5%.

- Is organization structure similar with like service providers?

Overall, the FOWD organization structure is similar to other like service providers. The following are similarities and differences between the FOWD organization structure and our like service providers (San Juan Water District, Sacramento Suburban Water District, Carmichael Water District, and Citrus Heights Water District):

Similarities include that each has:

1. A governing elected Board of Directors
2. General Manager
3. Operations Department/Water Quality/Conservation
4. Customer Service
5. Finance
6. Information Technology
7. Crew Leader/Field Supervisor/Service Worker

Differences include:

1. FOWD does not have an assistant general manager
2. FOWD has a designated Human Resources professional
3. FOWD staff complete all billing functions in-house
4. FOWD staff complete all water conservation functions in-house
5. FOWD staff complete all public outreach functions in-house

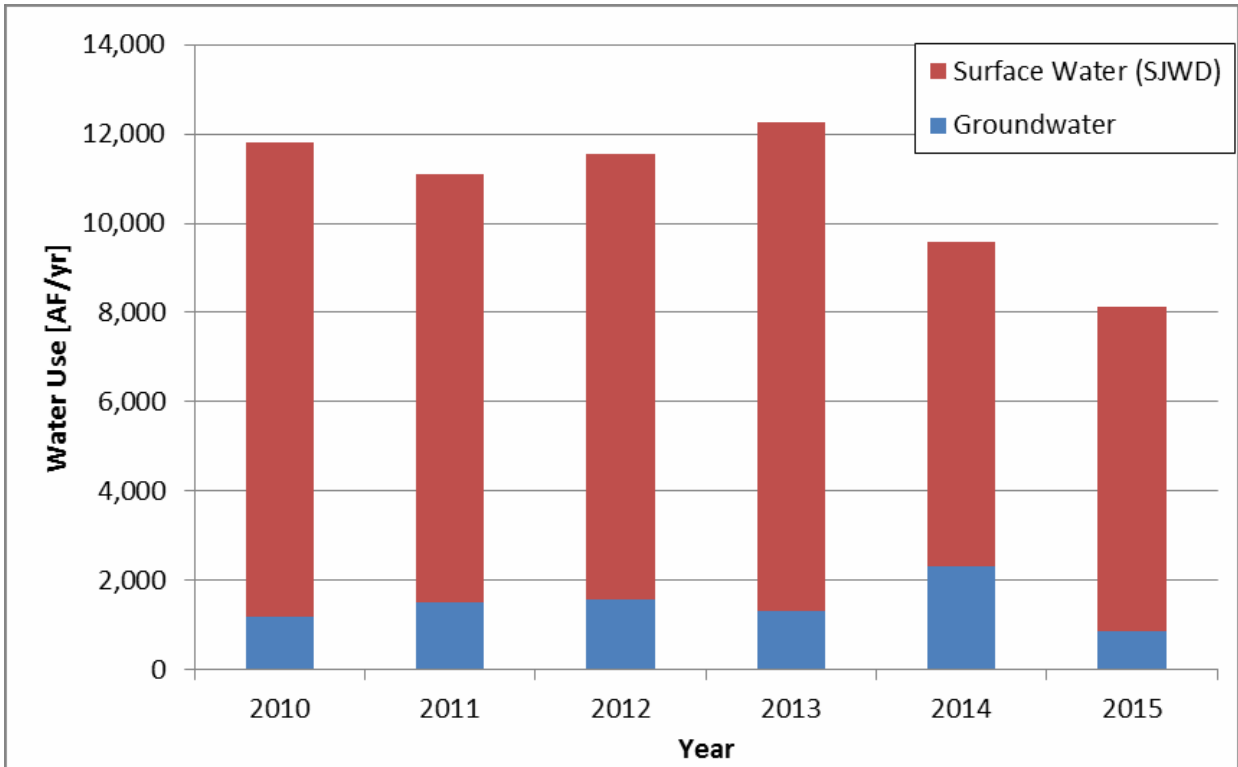
Municipal Service Review Information and Determinations

1. Growth and Population Projections (This provides the public with a “snapshot” of your community.)

Type of Information to be provided:

- What is the current level of demand for services?

FOWD Historical Customer Demand



- What is the projected demand for services?

FOWD Total water use projections out to 2035.

	2015	2020	2025	2030	2035	2040 <i>(opt)</i>
Potable and Raw Water <i>From Tables 4-1 and 4-2</i>	8,130	11,768	12,080	12,398	12,726	--
Recycled Water Demand <i>From Table 6-4</i>	0	0	0	0	0	--
TOTAL WATER DEMAND	8,130	11,768	12,080	12,398	12,726	--
NOTES: Units in acre-feet per year.						

- Please provide growth rate, population projections, and any other information relevant to planning for future growth or changing demographics.

The Fair Oaks Census Designated Place (CDP) makes up the most of the District’s service area and therefore was chosen as demographically representative of the District’s service area. According to 2010 U.S. Census Data, the median age of Fair Oaks residents is 44.7 years. Fair Oaks CDP has an average household size of 2.43 and a median household income of \$63,252.

The District’s service area is primarily characterized by residential land use with some commercial and institutional connections. Approximately 95% of the land area is classified as residential use. The overall density of residential development within the District is relatively low with many of the lot sizes ranging from 1.0 to 1.5 acres. Population growth within the District is expected to remain moderate and would primarily require the subdivision of these larger lots. As mentioned previously, the only area planned for new development is the Gum Ranch development. The Gum Ranch development includes an area north of Madison Avenue and east of Kenneth Way and was annexed into the District’s service area in 2007. It involves approximately 340 newly built and future single family dwellings.

FOWD Population - Current and Projected

Population Served	2015	2020	2025	2030	2035	2040(<i>opt</i>)
	35,114	37,659	38,587	39,537	40,510	--
NOTES: 2015 population based on DWR Population Tool. Projections beyond 2015 based on SACOG estimated growth rates (%’s) within the District service area.						

As of the end of 2016, the District serves 13,894 water connections. Of the 13,894 current connections:

1. 12,555 (90.4%) of the connections are single-family residential
2. 616 (4.5%) of the connections are multi-family residential
3. 308 (2.2%) of the connections are commercial
4. 0 (0%) of the connections are industrial
5. 102 (0.7%) of the connections are institutional
6. 225 (1.6%) of the connections are for irrigation
7. 88 (0.6%) of the connections are for fire protection

LAFCo MSR Determination

The Commission determines that the District is capable of continuing to provide water service and water conservation programs in the future. The District has adequate water supply to serve existing residents and the anticipated population growth within its service area. The District utilizes both groundwater and surface water to meet the demands of its customers. The service population demand is not expected to grow significantly. New growth will primarily result from reuse and infill development activity. Water pressure, water quality, and water quantity meet federal and state requirements for safe drinking water and fire suppression.

2. Facilities and Programs

A. Facilities

Summary of Facilities (Parks, Physical Plant): please attach Facilities Map.

Within the District, groundwater can be produced from 7 wells that vary in design capacity from 500 gallons per minute (gpm) to 2,700 gpm. The wells are located primarily in the central portion of the District's water system and are used to meet short-term water supply or maintain the District's water system pressure.

The table below lists the existing wells for the District. The District currently has a total design capacity of 14,517 acre-feet per year and a firm normal year design capacity of 10,162 acre-feet per year. The firm design capacity was determined by assuming that the largest production well is offline.

FOWD Existing District wells and well capacity

Well No	Well Name	Design Capacity (gpm)	Design Capacity (Acre-Ft)
6	New York	1,000	1,613
7	Casa Bella	700	1,129
8	Fair Oaks Park	500	807
9	Northridge	1,000	1,613
10	Town	2,700	4,355
11	Heather	2,000	3,226
12	Madison	1,100	1,774
Total Capacity		9,000	14,517
Total Firm Capacity ⁽¹⁾		6,300	10,162

Note:

1. Total Firm Capacity assumes the District's largest production well is offline.

FOWD also has one storage tank (Skyway Tank) located in the Upper Pressure Zone of the system. Skyway Tank is a 3 million gallon welded steel storage tank. It was constructed in 1991 along with a booster station in order to address a low pressure issue in the eastern part of the distribution system. Currently there are no other storage facilities within the District boundaries.

Present and Planned Capacity of Public Facilities

- What is the current and projected service capacity?

Please see prior response.

- What is the level of adequacy of services and facilities to serve current and future population?

Actual 2016 total FOWD customer water demand was 8,701 AF. The projected total FOWD customer water demand in 2035 is 12,726 AF.

Current water supply available to FOWD under normal operating conditions, when combining both surface water and groundwater, is 23,338 AF. Clearly FOWD currently has sufficient water supply to serve both existing customers and the future population of the FOWD service area at ultimate buildout.

- What Performance Measures are used by the District to determine service adequacy?

Three primary factors are used to determine service adequacy at FOWD: water quality, water supply, and customer service.

1. Monitoring and ensuring that FOWD has an adequate and reliable supply of water for all customers in our service area under all conditions: normal, dry year, and emergency.
2. Monitoring and ensuring that all water provided by FOWD to all customers in our service area meets all State and Federal drinking water standards.
3. Monitoring and ensuring that customer service provided by FOWD to all customers in our service area meets or exceeds all requirements set by the Board approved policies of the District.

Infrastructure Needs or Deficiencies/Capital Improvement Program

- Describe the District's Capital Improvement Program, as applicable.

Along with strategic and master planning, FOWD continually reviews capital improvements required to ensure that customers have adequate and reliable water supplies. Trained staff continues to ensure the water quality is safe and the water supply will meet present and future needs in an environmentally and economically responsible manner. FOWD consistently coordinates its long-term capital improvement planning for water shortage with SJWD, the Water Forum, and SGA.

The District's water demand within its service area is estimated to remain relatively constant; with a slight increase over the next 20 years due to minimal growth combined with water use efficiency measures. Given the projected

minimal growth in the future demand for service, FOWD’s capital improvement program focuses on the replacement and upgrade of exiting water system facilities. Over the past ten years FOWD has been meeting this goal by investing almost 40% of all revenue from our customers back into capital improvements.

- Describe deferred maintenance strategy.

FOWD does have water system infrastructure that has depreciated to a zero “book value,” but does not have any deferred maintenance that adversely impacts water quality, water supply, public safety, employee safety, or customer service. FOWD replaces all infrastructure required to ensure the mission of FOWD is accomplished and to ensure public and employee safety. Independent of capital improvement planning, FOWD completes all capital projects that are immediately needed; but may push out planned capital projects based on economic and risk analysis.

- Describe policies and practices for depreciation and replacement of infrastructure.

Capital assets are recorded at historical cost. Contributed assets are valued at estimated fair value on the date received. Depreciation is calculated using the straight line method over the following estimated useful lives:

Description Estimated Life:

Wells and pumps	10 - 40 years
Transmission and distribution system	10 - 40 years
Maintenance equipment	5 - 30 years
Trucks, trailers, and mobile equipment	5 - 10 years
Buildings	5 - 30 years
Office equipment and furnishings	3 - 5 years
Contributed distribution systems	40 years
Water tank and pumping stations	10 - 40 years

- How will new or upgraded infrastructure and deferred maintenance be financed?

It is current policy of FOWD to complete all capital improvements on a “pay-as-you-go” basis. Over the past ten years FOWD has been meeting this goal by investing almost 40% of all revenue from our customers back into capital improvements. In 2017 FOWD developed a budget to continue implementation of this policy without increasing rates for essentially 12th consecutive year.

- List infrastructure deficiencies, if any; indicate if deficiencies have resulted in permit or other regulatory violations; if necessary, explain how deficiencies will be addressed.

FOWD is proud to report that the FOWD water system has not received a permit or regulatory violation during the tenure of the current management team: the past twelve years.

- Provide evidence of compliance with applicable regulatory standards (for example, CA R-39-97 (Certified Playground Safety Standards) for Recreation and Parks Districts).

FOWD complies with all requirements for providing public water service within our service area and with all Federal and State requirements for operations as independent special district in California. The following is a brief example of regulatory compliance by FOWD:

1. California Department of Public Health Annual report
2. Annual Consumer Confidence Report
3. California State Water Resources Monthly Monitoring Report
4. The 2015 FOWD Urban Water Management Plan was prepared for the Fair Oaks Water District in compliance with Division 6, Part 2.6, of the California Water Code, Sections 10608 through 10657.
5. The FOWD water conservation program was developed to meet local, state, and federal guidelines such as those outlined by the: California Urban Water Conservation Council (CUWCC), Water Forum Agreement, and the U.S. Bureau Reclamation Central Valley Project Improvement Act.
6. California Government Code Section 26909 requires independent annual audits to be conducted for special districts. FOWD completes an independent financial audit every year that is released to the public.
7. The basic financial statements of FOWD are prepared in conformity with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB).
8. California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. The District complies with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements.
9. FOWD complies with the Public Employees' Pension Reform Act of 2013 (PEPRA).

B. Programs

Summary of Programs (Recreation, Education, Conservation, etc.)

NAME	LOCATION(S)	SIZE (# Participants)	DESCRIPTION
Water Meters	Entire Service Area	-	Maintain Meter Accuracy
Water Conservation	Entire Service Area	-	Ensure Water is used Efficiently
System Flushing	Entire Service Area	-	Ensure Water Quality
Valve Exercising	Entire Service Area	-	Verify System Operations
Water Quality Testing	Strategic Locations in Service area	-	Ensure Water Quality
Fire Flow Testing	Strategic Locations in Service area	-	Ensure Emergency Water Supply
Groundwater Management	Entire Service Area	-	Monitor GW Supply & Quality
Capital Improvement	Strategic Locations in Service area	-	Ensure Integrity of Water System
Public Outreach	Entire Service Area	-	Customer Information
Information Tech Audit	Administrative	-	Assessment of IT Efficiency & Vulnerability
Financial Audit	Administrative	-	Assessment of Financial Controls & Economic Stability

LAFCo Determination

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

The Commission determines that the Fair Oaks District currently provides adequate services and facilities throughout its service area. However, the District recognizes that continued water line replacement, water meters, and infrastructure replacement are required and necessary to sustain current levels of service and meet future demands. The District has established a rate structure and capital improvement program to facilitate a sustainable water system.

3. **Financial Information**

Budget

2017 Board approved budget submitted as an attachment as requested; available to the public at www.fowd.com.

Revenue

- Describe all revenue sources (i.e., property taxes, special taxes, service charges, fees, rentals, assessments, grants, etc.).

The District generally has the following revenue sources:

1. Water sales
2. Developer's fees (connection and service fees)
3. Grant funding
4. Interest revenue
5. Miscellaneous revenue

Rates, Fees, Charges, and Assessments

- Describe rate setting methodology.

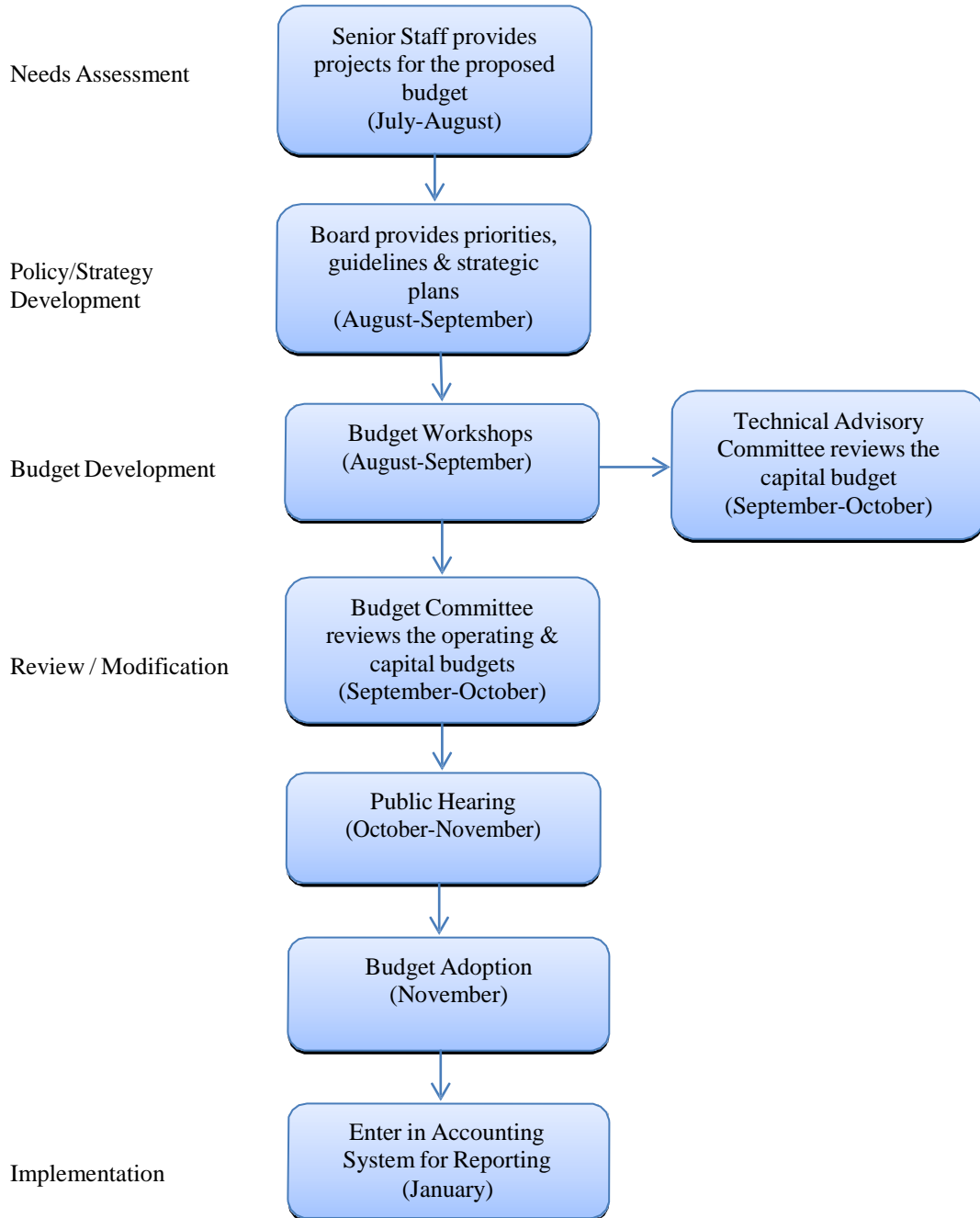
Budget planning begins annually at mid-calendar year, following completion of the audit for the fiscal year ending December 31, and a review of the first six months of actual revenues and expenses for the current fiscal year. In July, the District's senior staff provides updated information for the timing and costs of scheduled activities over the next year. The impact on operations of capital projects, legislation and economic factors are reviewed and communicated to the General Manager.

The budget is developed through several processes. The Board of Directors provides certain priorities and guidelines to the General Manager. The General Manager communicates these criteria to staff. The District's annual budget is then developed consistent with District's mission, goals, policies and water demands.

The financial model is updated to determine whether adequate funds exist to meet requirements; while maintaining Board approved reserves over the budget period. All unfunded needs will be documented, if any. The budget and forecast will be prepared by the staff and General Manager to ensure consistency with District policies. An Ad-hoc Budget Committee, comprised of two Board of Directors and staff, will then review the draft document and assist in preparing the final document for the public information sessions, public hearing, and Board adoption.

A discussion draft of the budget document will typically reviewed by the Board in August. Customers are notified at least 45 days in advance about any public hearing required if a rate increase is proposed. One or more public meetings usually occur in October, to allow extended discussion on major issues. The budget process culminates in its adoption at a public meeting normally scheduled in November.

General Budget Timeline



- Explain constraints associated with agency's ability to generate revenue. What options are available – special assessments / special taxes / increases in sales tax / impact fees / grants, etc.?

FOWD is a fee for service independent special district; therefore, most revenue is generated through water sales. FOWD is required to set rates for water sales in accordance with Proposition 218.

- Please provide a comparison of rates and charges with similar service providers (favorable or less so).

Having essentially not increased rates over the past twelve years, FOWD rates and charges are among the lowest in the Sacramento Region. In addition, FOWD was one of the only water agencies in the region that did not implement a drought charge during current (2014-2016) drought in California; while still meeting all State mandated water conservation requirements during the same 2014-2016 time period.

Expenditures

- Describe the agency's Service Levels compared to industry standards and measurements.

FOWD is in the unique position of having access to both high quality surface water and high quality groundwater in amounts required to meet dry year and emergency water demands; thereby, providing FOWD customers with 100% water supply redundancy under these conditions. The ability to provide this high level of service to FOWD customers is a result of good planning and implementation over a period of several years.

- Describe the Cost of Service compared to industry standards and measurements.

Entering into 2017 FOWD water rates were 36% below the regional average; with the FOWD Board approved budget for 2017 including no rate increase.

Assets, Liabilities, Debt, Equity, and Reserves

- Provide the Book Value of Assets.

FOWD net book value of capital assets as of December 31, 2015 was \$35,615,871; please see page 25 of the FOWD Comprehensive Annual

Financial Report for the year ended December 31, 2015 – a copy is provided as an attachment and also available at www.fowd.com.

- Provide a list of equipment, land, and other fixed assets.

Please see page 25 of the FOWD Comprehensive Annual Financial Report for the year ended December 31, 2015 – a copy is provided as an attachment and also available at www.fowd.com.

- Provide a summary of long term debt and liabilities.

Please see page 27 of the FOWD Comprehensive Annual Financial Report for the year ended December 31, 2015 – a copy is provided as an attachment and also available at www.fowd.com.

- Explain the agency's bond rating; discuss reason for rating. Discuss amount and use of existing debt. Describe proposed financing and debt requirements.

At the end of 2013, 2014, 2015 and 2016, FOWD has had no debt.

- Describe policies and procedures for investment practices

FOWD established an investment policy to provide a clear understanding of the objectives, policies and guidelines for the investment of District's idle or surplus funds. This policy is used to effectively manage the District's available cash and investment portfolio in conformity with the provisions of California Government Code Section 53600.

1. The General Manager or other persons designated by the Board shall invest idle funds not immediately needed by the District within the limitations of the California Government Code.
2. The primary goals, in priority order, of investment activities shall be safety and diversification, liquidity, and rate of return.
3. This policy is reviewed and updated annually by the Board of Directors.

- Describe policies and procedures for establishing and maintaining reserves/retained earnings.

- What is the dollar limit of reserves/retained earnings?
- What is the ratio of undesignated, contingency, and emergency reserves to annual gross revenue?

FOWD has established reserve funds to minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated District expenses. The adequacy of the target reserve year-end balance ranges

and/or annual contributions will be reviewed annually during the budgeting and rate setting process and may be revised as necessary. The following District reserve and fund categories are established:

1. Emergency Designation

The emergency designation was established to fund District fixed asset, operating, and maintenance expenses not currently budgeted. The designated fund balance target is approximate four months of annual operating costs. Annual contributions will be designated in the budget process to maintain four months of operating costs.

2. Connection Fee Reserve

The Connection Fee Reserve was established to segregate fees charged to new development and direct the money collected to capacity enhancement projects in compliance with AB1600. AB1600 does not designate a target reserve balance. Annual contributions will depend upon new construction within the District. Additionally, interest earnings will be imputed on this balance on a monthly basis, using the District's earnings rate on investments.

3. Certificate of Participation (COP) Reserve

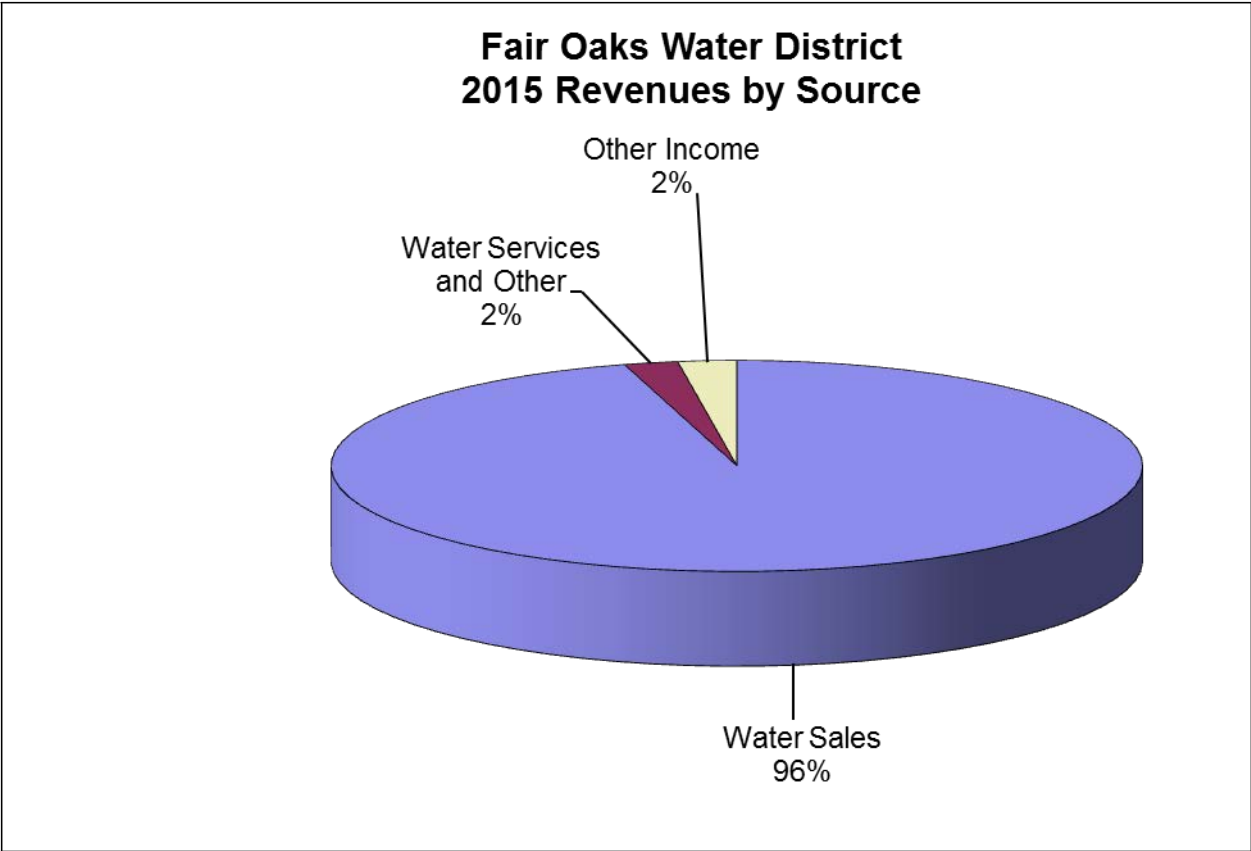
The Certificate of Participation (COP) Reserve was established to segregate certificate of participation (COP) reserves according to governing documents. The proceeds of a COP issue establish the maximum COP reserve available for use. COP reserve balances are created upon issuance of debt. These balances are used according to the COP's installment purchase agreement. Use of the COP reserves will be accounted for on a monthly basis, according to the COP's installment purchase agreement. Contributions will occur upon issuance of COP's. Additionally, interest earnings will be added to the balance on a monthly basis, using the District's earnings rate on investments.

Summary of Revenue Sources

Total revenue before capital contributions for FOWD was as follows for the past three years (with 2013 being a normal water year, therefore setting a baseline, and 2014-2015 being drought years):

- | | |
|---------|-------------|
| 1. 2013 | \$8,729,427 |
| 2. 2014 | \$8,100,882 |
| 3. 2015 | \$7,887,756 |

Source: page 8 of the FOWD Comprehensive Annual Financial Report for the year ended December 31, 2015



Summary of Expenses

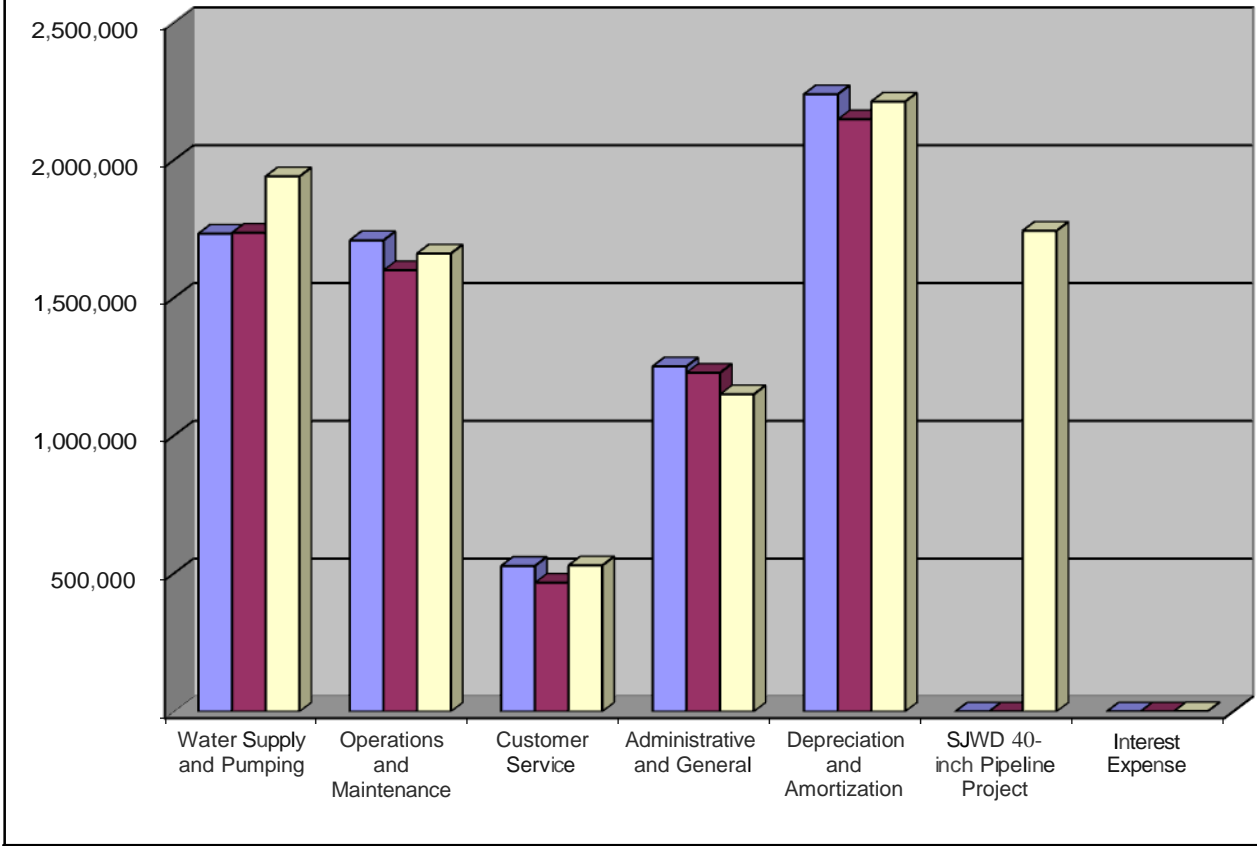
Total operating expenses for FOWD were as follows for the past three years (with 2013 being a normal water year, therefore setting a baseline, and 2014-2015 being drought years):

- 1. 2013 \$7,413,379
- 2. 2014 \$7,153,731
- 3. 2015 \$7,183,977

Source: page 8 of the FOWD Comprehensive Annual Financial Report for the year ended December 31, 2015

Fair Oaks Water District Comparative Expenses

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Summary of Financial and Operational Information

Item	Current FY
Population	36,226
Area Served	6,272 AC
Developed Real Estate	-
Undeveloped Real Estate	-
Service Standard Ratios ¹	-
Full Time Employees	30
Average Part-Time Employees	0
Total Annual Budget	\$11,502,400
Per Capita Spending	\$318
Total Annual Administrative Costs	\$1,477,536
% Annual Administrative Costs to Total	12.85
Estimated Deferred Maintenance	0
Average Capital Improvements (5 Years)	\$3,270,118
Reserve Amount	\$8,068,200
Operational Cost per Employee	na
Average Property Tax Rate	na

Source: FOWD Board Approved 2017 Budget

LAFCo Determination

Regarding the financial ability of FOWD to provide services.

The Commission determines that Fair Oaks Water District has sufficient rates to finance operations and maintenance costs, meet water quality standards, and capital improvements as set forth in the District Master Plan. The District complies with the requirements of Proposition 218 to establish rates.

4. **Status of and Opportunities for Innovation and Shared Facilities**

- a) Describe existing and/or potential shared facilities, infrastructure, and staff. Describe any joint power agreements or other agreements for sharing resources with other agencies.

FOWD is one of the 22 participating agencies with the Regional Water Authority (RWA). RWA coordinates on behalf of the 22 agencies to seek out grants and funds, education and training, conservation and other purchases. Along with other objectives, RWA is set up so that the agencies can share costs and not have to spend the same efforts or costs individually.

FOWD is part of the San Juan Family of agencies where water purchase rights are shared among the wholesale member agencies (WMA's) by contract. All transmission pipelines, surface water supply and related infrastructure owned by SJWD-Wholesale are shared among the WMA's.

FOWD is a member of the Association of California Water Agencies Joint Powers Insurance Authority, where money is pooled with other public water agencies to cover the general liability insurance.

FOWD has a Memorandum of Understanding with the Fair Oaks Recreation and Park District for sharing resources to provide positive service to community that we mutually serve.

FOWD has a Memorandum of Understanding with the Fair Oaks Cemetery District for sharing resources to provide positive service to community that we mutually serve.

FOWD has an agreement with the Fair Oaks Historic Society for their use of a District owned property for public benefit.

FOWD routinely partners with agencies on the funding of professional services that benefit to both agencies.

- b) Describe existing and/or potential joint use planning.

Given the constant economic pressures and the mission to provide the most cost effective service to the community, the FOWD is committed to identifying and promoting resource sharing opportunities. In so doing, the FOWD strives to balance cost savings, efficiency and customer benefit with minimal service disruption. As part of this goal, FOWD has defined the following specific objectives:

1. Continue to participate in RWA's collaborative conservation activities.
2. Continue to work with the San Juan Family of Water Agencies on mutually compatible activities and services, including grant applications.

3. Continue to work with the local community in areas that provide customer benefit.
4. Work with the regional water community on the development of regional water transfer opportunities and the development of a State recognized regional water bank.

- c) Describe existing and/or potential duplication with existing or planned facilities or services with other agencies.

FOWD is currently actively participating and funding two separate Water Reliability Studies; one lead by RWA and one lead by SJWD.

- d) Describe availability of any excess capacity to serve customers or other agencies.

FOWD has excess water supply that can be used by other agencies.

- e) Describe any economies of scale in shared purchasing power, and any other cost-sharing opportunities that can be implemented by joint use or sharing resources.

FOWD water supply can be depended upon by other agencies for dry year and emergency water supply; thereby, allowing the other agency to meet these needs without the capital investment required to do so independently.

- f) Describe any duplication (overlap), or gaps in services or boundaries.

The service boundaries of FOWD and SJWD overlap.

- g) Describe ongoing cost avoidance practices. (For example, if you hire contract vs. in-house employees, is the bidding process cost effective and efficient)?

1. Over the past ten years FOWD has reduced the number of employees from 40 to 30; while maintaining or increasing service provided to our customers.
2. FOWD essentially eliminated the use of public relation consultants; completing this work with FOWD staff.
3. FOWD eliminated the use of an outside vendor for billing; completing this work with FOWD staff.
4. FOWD dramatically reduced the cost of our water conservation program; completing a significant amount of the work with FOWD staff.
5. FOWD essentially eliminated the use of engineering consultants for pipeline design; completing this work with FOWD staff.
6. FOWD annually performs a detailed cost avoidance analysis as part of the budget process.

- h) Describe any opportunities to reduce overhead and operational costs.

FOWD consistently looks for ways to reduce costs and has been very effective in doing so; as is evident by FOWD essentially not increasing rates for the past twelve years.

In the near-term FOWD intends to analyze the use of our groundwater production facilities, relative to the cost of power, in an effort to find operational changes that would result in cost savings.

- i) Describe any opportunities to reduce duplication of infrastructure.

FOWD does not have any duplication of infrastructure with other agencies.

- j) Identify any areas outside agency boundary which could be efficiently served by existing or proposed agency facilities.

FOWD does not own or operate any facilities outside of the FOWD service area.

- k) Identify any areas within agency boundary which could be more efficiently served by another agency.

FOWD knows of no area within our service boundary that could be more efficiently served by others.

- l) Are your service plans compatible with those of other local agencies?

FOWD believes our service plans are compatible with the plans of other local agencies.

LAFCo Determination

Regarding status of and opportunities for, shared facilities:

The Commission determines that Fair Oaks Water District has mutual aid agreements with adjacent water service providers and participates in several Joint Power Agreements that facilitate cooperation and management of water resources including ground water.

5. **Accountability for Community Service Needs, including Governmental Structure and Operational Efficiencies**

a) Explain the composition of the agency's governing board.

- Number of Directors & Length of Terms

The District is governed by five board members. The board members are publicly elected to four-year staggered terms representing geographic divisions. The Board delegates day-to-day operations authority to an appointed General Manager and staff.

b) Explain compensation and benefits provided to the governing board, including any benefits that continue after term of service.

Each member of the Board of Directors is entitled to receive compensation in the amount of \$100.00 per day for each day's attendance at agenda meeting of the Board as defined in the Brown Act or at agenda meetings of other organizations where the Board sends or provides an official FOWD representative.

1. Compensation for meetings does not exceed a total of ten (10) days in any calendar month.
2. Compensation is limited to one meeting per day, regardless of the actual number of meetings attended on the particular day.

The Board of Directors receives no other benefits or additional compensation from the FOWD.

c) Where and how frequently does the governing board meet?

Regular FOWD Board meetings are scheduled for the second Monday of each month at 6:30 p.m. in the FOWD Administration Building, located at 10326 Fair Oaks Blvd., Fair Oaks, CA 95628. For more information on meeting times, agendas, and meeting minutes, please visit www.fowd.com.

d) Describe rules, procedures, and programs for public notification of agency operations, meetings, programs, etc.

The members of the FOWD Board of Directors, and persons elected but who have not yet assumed office as members of the Board, fully comply with the provisions of the State's open meeting law for public agencies (the Brown Act).

At least seventy-two (72) hours prior to the time of all regular meetings of the FOWD Board, an agenda is posted at the entrance to the FOWD Administration Building where it may be viewed by members of the public. The agenda for a special FOWD Board meeting is posted at least twenty-four (24) hours before the meeting in the same location. All FOWD meeting agendas are also posted on the District website at

www.fowd.com. In addition, FOWD actively maintains an email distribution list for all FOWD Board meeting agendas.

Information on FOWD operations and programs are primarily made available by posting on the District's website at www.fowd.com; the information is also routinely delivered via public speaking events and District publications.

- How is public participation encouraged?
 1. Public posting of Board meeting agendas
 2. Web posting of Board meeting agendas
 3. Periodic bill message reminders of regular Board meeting times
 4. Bill message notification of Board meetings of special interest
 5. Email distribution of Board meeting agendas
 6. Regular Board meeting times included in many FOWD documents and publication
 7. Staff notification of Board meetings to interested customers and members of the public

- Are meetings accessible to the public, i.e., evening meetings, adequate meeting space, etc.?

Most FOWD Board meetings are scheduled for 6:30 PM to allow for maximum public participation – avoiding conflicts with work or school commitments.

The posted maximum allowable occupancy of the FOWD Board Room is 161 people.

- e) Describe public education/outreach efforts, (i.e., newsletters, bill inserts, website, etc.)

Information on current and past FOWD activities is made available by posting on the Districts website at www.fowd.com.

In 2015, in response to the California Governors executive order on water conservation, FOWD staff hand delivered important FOWD water efficiency requirement information to over 13,000 FOWD customers in one work week.

Information on current FOWD activities is routinely delivered via public speaking events.

Information on current FOWD activities is routinely delivered via District publications: informational flyers, consumer confidence report, bill inserts, bill messages, annual budget, comprehensive annual financial report and others.

FOWD is an active member in the Fair Oaks Chamber of Commerce.

School tours of FOWD facilities for students, parents and teachers that include presentations by FOWD staff.

- f) Describe level of public participation, and ways that staff and Directors are accessible to the public.

The FOWD Board welcomes and encourages public participation in meetings, including a defined public comment period at the beginning of meetings and at the end of meetings; along with generally allowing reasonable public comment throughout meetings.

FOWD routinely attend community events providing information about the District and its programs.

FOWD hosts Sacramento County Supervisor Peters community meetings in the FOWD Board room and attends every meeting to address questions on water from the community.

FOWD management routinely address customer service issues “face to face”.

FOWD customers and members of the public are greeted by a member of the FOWD customer service staff when contacting the District by phone – “old school” customer service.

- g) Describe ability of public to access information and agency reports.

Significant FOWD information and reports are posted on the FOWD website at www.fowd.com; most documents requested from FOWD are available and can be printed from our website.

- h) Describe any opportunities to eliminate service islands, peninsulas and other illogical service areas.

FOWD recently addressed the potential annexation of the Gum Ranch Parcel and Northridge Country Club property – these two properties were the last significant potential annexations known to FOWD staff.

LAFCo Determination

The Commission determines that the District encourages public participation at its Board meetings and provides many different public education programs and outreach efforts to the community it serves. The District has a five-member Board. Directors are elected at large by the voters of the District.

6. Issues, Concerns and Opportunities

Please provide information regarding any issues or concerns related to operations (financial, managerial, legal, organizational, etc.)

- Compliance with Environmental Justice requirements.
- Compliance with regulatory reporting requirements.
- Compliance with regulatory agencies and public health and safety issues.

Emerging long-term water efficiency regulations and the proposed “California Water Fix” are concerns for the FOWD. FOWD planned and invested in a water system that provides a reliable water supply for the FOWD service area at ultimate buildout under all conditions: normal, dry-year and emergency. Future state requirements for water conservation and the regulations that may be included in the “California Water Fix” could place limits on the water FOWD makes available to FOWD customers even if we reliably have more water to serve.

LAFCo Determination

The Commission determines that the District is managed effectively and efficiently.

Attachments:

2017 Budget
2016 Comprehensive Annual Financial Report
2015 Urban Water Management Plan

Please note supporting documents may be reviewed @
<http://www.agendanet.sacounty.net/sirepub/mtgviewer.aspx?meetid=12040&doctype=AGENDA>