



Sacramento
LAFCo

Open House with Del Paso Manor Water District Voters and Landowners

July 16, 2024

AGENDA

Open House 6:00-7:30 pm

- ▶ Remarks by Supervisor/Commissioner Rich Desmond
- ▶ Presentation by LAFCo Executive Officer José C. Henríquez
 - ▶ What is LAFCo
 - ▶ Recent DPMWD History
 - ▶ Factors that led to Commission Action
 - ▶ Next Steps
- ▶ Presentation by Sacramento Metropolitan Fire District
 - ▶ Economic Development Officer Jeff Frye
 - ▶ Fire Marshal Barbie Law
 - ▶ PIO/Battalion Chief Parker Wilbourne
- ▶ Q&A

This meeting is informational only, no actions will be taken tonight

WHAT IS LAFCO?

"We are not on anyone's radar until they need us or don't like what we're doing."

▶ Kathleen Rollings-McDonald

Former Executive Officer, San Bernardino LAFCO

Fontana News Herald, September 27, 2013

LAFCO BACKGROUND

- ▶ Created in 1963 by the State Legislature to regulate the boundaries of local public agencies, with notable exceptions
- ▶ Charged with implementing State mandates while taking local conditions into account
- ▶ Mission:
 - ▶ Preservation of open space and agricultural resources
 - ▶ Discourage sprawl
 - ▶ Promote orderly growth and development
 - ▶ **Ensure the efficient extension and provision of public services**

LAFCO BACKGROUND

- ▶ Composition*:
 - ▶ Two representatives from the County Board of Supervisors
 - ▶ Two representatives from the city councils
 - ▶ Two representatives from the governing boards of the special districts
 - ▶ A member representing the public at large
 - ▶ An alternate for each of the four categories

* (The composition of other LAFCOs may vary)

LAFCO BACKGROUND

LAFCO is a hybrid entity: A State agency with local representation operating independent of State government

LAFCO POWERS

- ▶ Review, Approve, Disapprove Boundary Changes (GC §56375)
 - ▶ Annexations, formations, incorporations, consolidations & dissolutions of local governments and out of agency service agreements
 - ▶ Add or activate powers of an agency
 - ▶ Make determinations
 - ▶ Modify and add conditions
- ▶ Conduct Studies
 - ▶ Review of proposals
 - ▶ Service studies and planning studies
- ▶ Set Spheres of Influence

BACKGROUND

- ▶ The Del Paso Manor Water District supplies water to 1,864 residential and 111 commercial connections within its service area.
- ▶ The estimated 2020 population of the District is 4,854 with an estimated medium household income of \$86,262 (2024 statewide MHI is \$84,907).
- ▶ The District has eight wells (3 “primary”) and utilizes groundwater as its source.
- ▶ DPMWD has ~21 miles of water lines. The overwhelming majority of those water lines (~20 miles) are 70+ years old and should be replaced within the next 20 years.

BACKGROUND

- ▶ Sacramento LAFCo performed a municipal service review in 2005, with the report's findings keeping the District in “status quo” condition:
 - ▶ Found that the District was operating as well as it could, given its limitations (small staff, small revenue base, etc.).
 - ▶ Did not recommend any changes in boundaries, finding that a consolidation “would not result in any cost savings to the ratepayers because the District has very low overhead costs.”
 - ▶ The report went on to say that “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.”

BACKGROUND

- ▶ Around 2017/18, LAFCo wanted to initiate another review of DPMWD but was met with hostility, obfuscation and outright refusal to cooperate by the District Board and its staff.
- ▶ “(DPMWD) will be your biggest challenge in the next few years”

BACKGROUND

- ▶ In January 2021, the Sacramento County Grand Jury investigated DPMWD.
- ▶ Three members of the Del Paso Manor WD Board resigned within a 4-day span in September 2021, after the investigation concluded but before the report was released.
- ▶ The Grand Jury report was released on November 5, 2021, titled, “DEL PASO MANOR WATER DISTRICT FLOODED WITH PUBLIC SAFETY DANGERS”.

BACKGROUND

- ▶ The report was critical of Del Paso Manor WD, noting its operational and governing issues, including
 - ▶ Turnover of staff and directors;
 - ▶ Infrastructure deficiencies, including failure to replace old equipment; and
 - ▶ Lack of governing policies, issues with transparency and that “the DPMWD's Board of Directors has been reckless and irresponsible in its administration of the District's responsibilities to residents and ratepayers.”

BACKGROUND

- ▶ The Sacramento County Grand Jury recommended that LAFCo initiate a municipal service review (MSR) on Del Paso Manor WD “to review the Water District's governance structures and efficiencies”
- ▶ On December 7, 2022, Sacramento LAFCo adopted a MSR report for the DPMWD (LAFCo Project #2022-01).
- ▶ 2022 MSR Determinations
 - MSR assessed the present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

MUNICIPAL SERVICE REVIEWS

2021 MSR and 2024 Addendum

2022 Municipal Service Review

- ▶ Water source: eight (8) groundwater wells (3 wells listed as primary, 3 offline, 2 are active but have complications)
- ▶ Total firm capacity: 3,723 gpm (currently 2,682 gpm per District documents)
- ▶ 20.7 miles of pipeline
- ▶ 1,798 residential connections and 100 commercial connections
- ▶ Demand of approx. 941 acre feet per year
 - ▶ Without meters it is hard to assess how much is utilized by customers
- ▶ No water storage

2022 Municipal Service Review

- ▶ Aging infrastructure with limited capital improvements in the past five years
- ▶ System needs included:
 - ▶ Filtration and/or treatment for groundwater contaminants
 - ▶ Repairs and upgrades at 5 of the Districts wells
 - ▶ Replacement of water mains less than 4 inches
 - ▶ Replacement of steel pipelines
 - ▶ Relocation of backyard water mains
 - ▶ Additional fire hydrants
- ▶ Approx \$9.2 million in short term capital projects



2022 Municipal Service Review

- ▶ Incomplete financial records for 5-year review period
- ▶ Lack of investment in infrastructure
- ▶ Increase of net position for 3 of 5 years reviewed
- ▶ Budgeted for substantial loss in FY2022-23



2022 Municipal Service Review

- ▶ Active conversations with Sacramento Suburban Water District regarding consolidation
- ▶ Assessment of need for Proposition 218 process to raise water rates (approved by District voters in the Fall of 2023)
- ▶ Searching for grant opportunities to assist with infrastructure repairs
- ▶ LAFCo should revisit the District within 3 years



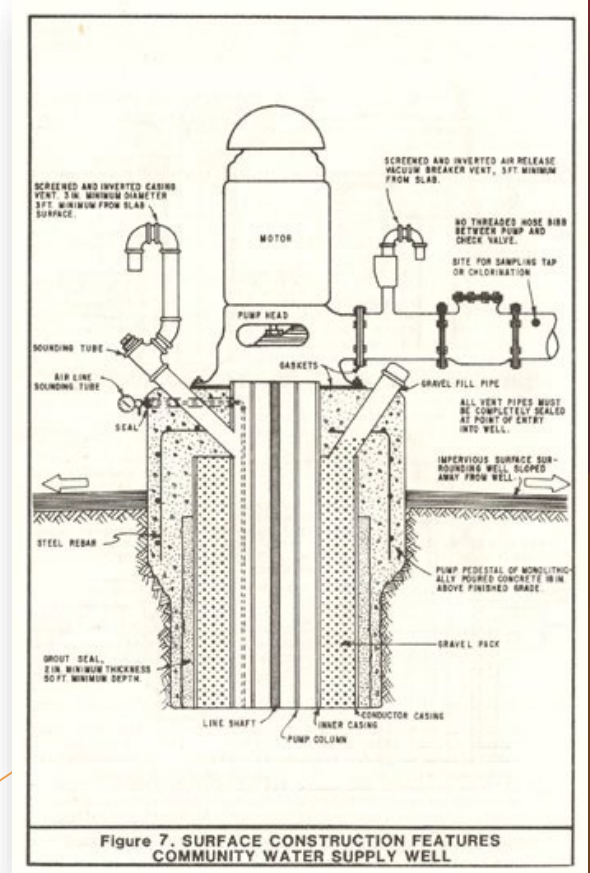
DISCUSSIONS WITH SSWD

- ▶ DPMWD began coordinating with SSWD in 2020 to discuss combining the two entities into one district, but the communication was paused by DPMWD.
- ▶ Since 2021, LAFCo staff has worked with DPMWD to discuss a strategy to remedy the chronic deficiencies of the District.
- ▶ On June 30, 2022, the Directors of DPMWD authorized the initiation of a merger discussion with SSWD.
- ▶ At their October 2023 meeting, DPMWD pulled out of their discussions with SSWD.



2024 MSR Addendum

- ▶ Water source: three (3) groundwater wells
 - ▶ Well No. 2 was removed from service and capped.
 - ▶ Well No. 3 is contaminated with 1,2,3 TCP.
 - ▶ Well No. 4 had complete motor failure in January 2024.
 - ▶ Well No. 7 does not meet current OSHA regulations and is at risk of contamination from Bridgestone plume.
 - ▶ Well No. 8 is contaminated with PCE.
- ▶ Capacity has been reduced to 3,060 gpm (Well 4 is operational again, though there are other problems).
- ▶ System continues to experience water main leaks.



2024 MSR Addendum

- ▶ Changes to regulations will require additional capital improvements
 - ▶ All connections will need to be metered by 2032
 - ▶ Will need to provide enough source capacity for fire flows
 - ▶ Current shortage of 3,570 gpm
- ▶ Unable to obtain grant funding for infrastructure projects
- ▶ Successfully implemented new water rates through Prop 218 process (more on this a little later)
- ▶ Based on additional infrastructure needs, District will need to continue raising rates which increases the burden on ratepayers

2024 MSR Addendum

- ▶ Increased rates are only enough to cover assessed projects totaling \$9.23 million
 - ▶ LAFCo estimates approximately \$52 million is needed
- ▶ District could pursue a bond measure or loan to fund Prop 218 projects but both options would include substantial interest
- ▶ Rates would ultimately have to be increased far above what other nearby water providers charge
- ▶ Consolidation would make the District eligible for up to \$111 million in State grants and principal forgiveness funding

2024 MSR Addendum

- ▶ District continues to see high turnover of staff
 - ▶ Five general managers since 2020
 - ▶ No longer has agreement with SSWD for on-call staffing (new agreement adopted 7/10/24)
- ▶ Trouble retaining active board members
 - ▶ More than half of the Board resigned in September 2021, followed by another director in 2022/23
 - ▶ Board President resigned in February 2024
- ▶ High staff or director turnover can be an indicator of instability



2024 MSR Addendum Conclusions

- ▶ Due to the age of the District's infrastructure and lack of routine maintenance for several years the District is no longer a viable independent service provider in the long term.
- ▶ Maintaining the District as a stand-alone entity would impose an unnecessary and avoidable financial burden on rate payers.
- ▶ Consolidation with another service provider would make the District eligible for substantial funding, improve water services, and provide for more reliable and sustainable management of the system.

CHRONIC DEFICIENCIES

2022 MSR and 2024 Addendum

CHRONIC DEFICIENCIES

**Del Paso Manor Water District Groundwater
Source Condition Assessment**

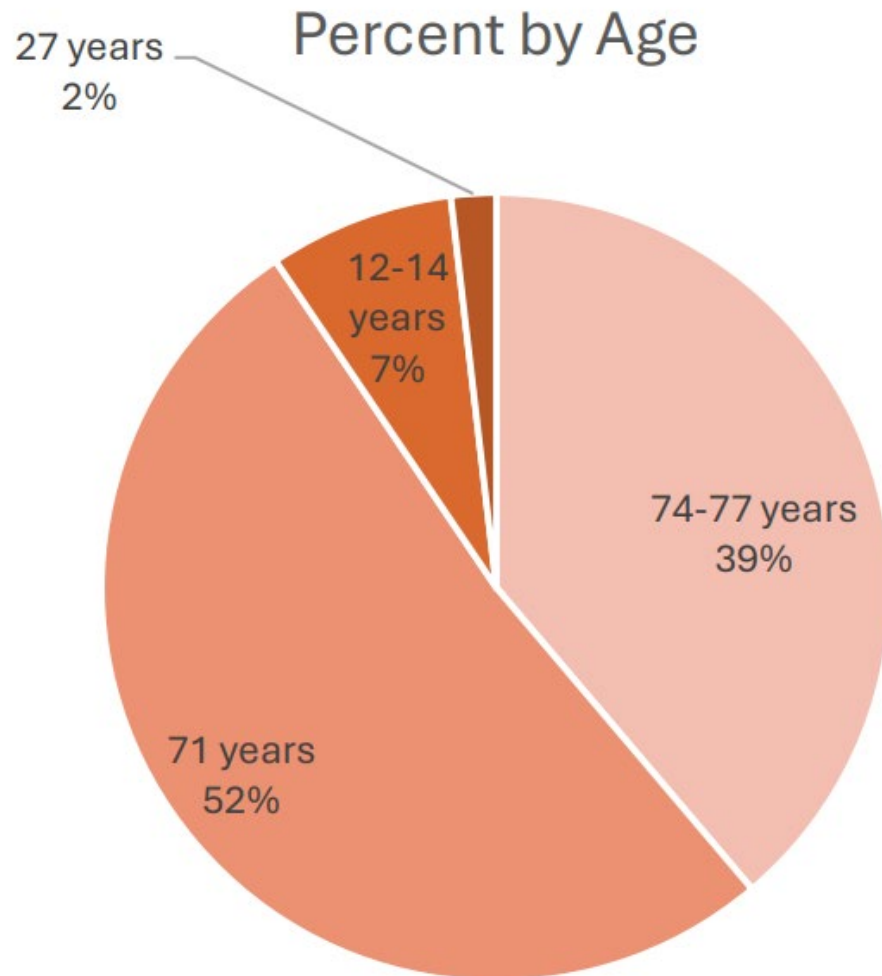
Sources	Status	Permit	Capacity	Age	Comments
Well 2	Offline		0	76	Rehab has been stopped until the project has been reevaluated. The pressure tank has been removed and the well has been capped.
Well 3	Offline	Standby	0	75	The permitted Use is Standby: 1,2,3 TCP MCL Exceeded. The well can be rehabbed with filters that the District cannot afford. NOW OFF-NOT USED into system for 7 years. The pressure tank has been drained.
Well 4	Online	Active	457	73	The concrete pad and pressure tank mounts are cracked and need to be fixed. Instead of fixing the concrete it would be advisable to install a VFD. Currently the well is only operated in either on or off.
Well 5	Online	Active	450	69	The well was built with a short pedestal which is 5" tall; this should be raised during the next well rehabilitation to meet Water Well Standards. There is a pressure tank and is only operated with on/off controls.
Well 6B	Online	Active	100-1,100	10	Primary well with a standby generator. Used during low winter demands (down to 100 gpm). It has Aqua Sierra controls for SCADA.
Well 7	Online	Active	675	68	The well is currently in an OSHA confined space and is only operated during emergencies with limited run time due to chlorine storage onsite.
Well 8	Offline	Standby	0	47	Permitted Use is Standby: PCE MCL Exceeded NOW OFF-NOT USED into system for at least 5 years. Can be rehabbed with filters that District cannot afford.
Well 9	Online	Active	200-1500	13	Primary well. There is a new Generator in process with an estimate of October to November for installation. Tesco controls are used for SCADA.

INABILITY TO MEET FIRE FLOW:

There is a current fire flow shortage of 3,070 gal/min.

By January 1, 2032, the District will need to have the capacity to meet fire flow and Maximum Day Demand (MDD) flow demands from within their own system.

CHRONIC DEFICIENCIES



Age of the pipes

“The average life expectancy of cement asbestos pipe is 50-70 years (Safe Drinking Water Foundation, 2024). Currently we have 15.6 miles of cement asbestos pipe that is past the average life expectancy of this material. There is 4.5 miles of steel pipe that is past its life expectancy as well.”

MSR ADDENDUM

- ▶ The November 2022 adopted MSR details several deficiencies of the District's infrastructure and financial concerns but does not discuss the deficiencies in the water flow.
- ▶ The Municipal Services Review for Del Paso Manor Water District Addendum - April 2024 (MSR Addendum) sets forth the updated information and determinations required for a municipal services review as well as certain findings and determinations regarding the chronic service deficiencies of the District.

FINANCES

2022 MSR and 2024 Addendum

DISTRICT NEEDS

- ▶ Approximately 20 miles of pipe needs to be replaced sooner versus later
 - ▶ System has above normal number of leaks; District mitigates it by throttling the pressure (which impacts fire flows)
 - ▶ As lines are replaced, it creates additional stress on the existing, older lines
- ▶ Well equipment and/or well casings are operating beyond past their useful life
- ▶ LAFCo estimates costs are approximately \$52 million, based on SSWD's costs of \$2.63 million a mile

SCHEDULED AND FORECASTED MANDATES

- ▶ Scheduled mandates the District will have to prepare
 - ▶ Water meters by 2032
 - ▶ Independent fire flow by 2032
- ▶ Forecasted mandates
 - ▶ PFAS remediation
 - ▶ Federal EPA “Water System Restructuring Plan”

COST OF INFRASTRUCTURE

2023 PROP 218 VOTE

The rate study used to justify increasing the water rates categorized the list of capital projects that necessary for the effective functioning of the District's water facilities and the Board of Directors prioritized approximately \$9 million in capital infrastructure repairs and replacements.



FINANCING OPTIONS

A bond for \$9M that will cost \$18M to pay back with interest; or

A loan for \$9M that will cost \$12M to pay back with interest.

APPROVED RATES - SEPTEMBER 2023

Single Family O&M Rate, \$ per Month	Current	11/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027
0 - 5,000 sq. ft. lot	\$26.90	\$41.70	\$43.78	\$45.97	\$48.27	\$50.68
5,001 - 8,000 sq. ft. lot	\$35.20	\$54.56	\$57.29	\$60.15	\$63.16	\$66.32
8,001 - 11,000 sq. ft. lot	\$41.40	\$64.17	\$67.38	\$70.75	\$74.28	\$78.00
11,001 - 14,000 sq. ft. lot	\$47.60	\$73.78	\$77.47	\$81.34	\$85.41	\$89.68
14,001 - 17,000 sq. ft. lot	\$53.80	\$83.39	\$87.56	\$91.94	\$96.53	\$101.36
17,001 - 20,000 sq. ft. lot	\$60.05	\$93.08	\$97.73	\$102.62	\$107.75	\$113.14
Over 20,000 sq. ft. lot	\$60.05	\$93.08	\$97.73	\$102.62	\$107.75	\$113.14
Per 1k sq. ft. of lot above 20k	\$2.07	\$3.21	\$3.37	\$3.54	\$3.71	\$3.90
Duplex/Multi-Family O&M Rate, \$ per Month						
				7/1/2025	7/1/2026	7/1/2027
5,001 - 8,000 sq. ft. lot	\$56.90	\$88.20	\$92.60	\$97.23	\$102.10	\$107.20
8,001 - 11,000 sq. ft. lot	\$63.15	\$97.88	\$102.78	\$107.92	\$113.31	\$118.98
11,001 - 14,000 sq. ft. lot	\$69.35	\$107.49	\$112.87	\$118.51	\$124.44	\$130.66
Capital Improvement Plan Charge (CIP Charge)						
	Current	11/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027
Residential, up to 1"	\$23.05	\$23.05	\$44.17	\$44.17	\$44.17	\$44.17
Residential, 1.25"	\$28.81	\$34.58	\$66.26	\$66.26	\$66.26	\$66.26
Residential, 1.5"	\$34.58	\$46.10	\$88.35	\$88.35	\$88.35	\$88.35
Residential, 2"	\$46.10	\$73.76	\$141.36	\$141.36	\$141.36	\$141.36
Duplex	\$46.10	\$46.10	\$88.35	\$88.35	\$88.35	\$88.35
Residential over 1" (per 1")	\$23.05	\$23.05	\$44.17	\$44.17	\$44.17	\$44.17
Additional Connection, per 1"	\$23.05	\$23.05	\$44.17	\$44.17	\$44.17	\$44.17

\$64.01

\$89.14

\$132.58

COMPARABLE WATER RATES

Residential Flat Rates:

DPMWD Rate	DPMWD	SSWD	\$ Difference	% Difference
0 ft to 5000 ft RES	\$ 66.83	\$ 62.48	\$ -4.36	\$ -6.5%
5001 ft to 8000 ft RES	77.61	67.82	-9.80	-12.6%
8001 ft to 11,000 ft RES	87.22	75.83	-11.40	-13.1%
11,001 ft to 14,000 ft RES	96.83	83.84	-13.00	-13.4%
14,001 ft to 17,000 ft RES	106.44	91.85	-14.60	-13.7%
17,001 ft to 20,000 ft RES	116.13	99.86	-16.28	-14.0%

The residential flat SSWD amounts include the \$2.67 per 1000 square foot charge base

At the 7/10/24 joint meeting, it was stated the average SSWD bill is \$64-65



AVAILABLE FUNDING FROM THE STATE

- ▶ Funds from Propositions 1 and 64 are available from State Water Resources Control Board if the District consolidates with another water agency.
- ▶ The area is eligible for grant/principal forgiveness (PF) funding.
- ▶ For non-disadvantaged communities with less than 150% of the statewide MHI, water systems that consolidate with other systems are eligible for:
 - ▶ up to \$20 million per project
 - ▶ a consolidation incentive that could be up to \$5K per connection, up to \$500,000

LAFCO's NOTICE OF INTENT TO DISSOLVE

LAFCO INITIATED DISSOLUTION OF DPMWD

REMEDIATION PERIOD

- ▶ On May 1, LAFCo adopted the Resolution of Intent to Dissolve DPMWD
- ▶ Government Code 56375.1 states that the Commission may adopt a resolution of intent to initiate dissolution based on chronic service provision deficiencies and provide a 12-month minimum remediation period to afford time to address the specified deficiencies.
- ▶ The Addendum to the MSR sets forth the changed circumstances and revises the remediation period to be twelve months from this approval by the Commission for a period through May 2025.

REMEDIATION PERIOD

- ▶ If at the end of the remediation period the Commission finds the District has adequately addressed the deficiencies, the Commission shall rescind the notice of intent to initiate dissolution and no further action is required.

REMEDIATION PERIOD

- ▶ Del Paso Manor WD will provide a status report to the Commission on how it is addressing the specified deficiencies in November 2024
- ▶ At a publicly noticed May 2025 meeting, the Commission will consider either rescinding Resolution LAFC 2024-06 or proceed with dissolving DPMWD
- ▶ None of these actions preclude DPMWD from pursuing consolidation or reorganization with Sacramento Suburban Water District and applying to LAFCo on their own prior to May 2025

BOTTOM LINE

- ▶ Del Paso Manor WD has little in the way of a capital improvement program, infrastructure replacement program and the previous Boards have shirked preventative maintenance for decades. Eighty-four percent (84%) of the water system is past its life expectancy.
- ▶ Three of the current Board members and four of the 6 DPMWD Board members who have served since July 2021 inherited the current situation.
- ▶ The last three DPMWD general managers and maintenance staff have sounded the alarm for years that the current condition of the infrastructure is not sustainable.
- ▶ They and staff have done their best to address the DPMWD governing and operational issues, but time and finances have run out.

BOTTOM LINE

- ▶ The current Prop 218 process only finances at least a quarter of the District's needs. The water rates will have to be at least 4 times the 2027 water rates in order to fully finance all of the needed replacements and repairs.
- ▶ No one should expect a community of ~4,800 people with a medium household income of \$86,262 to be able to support water rates that are 4 times what your neighbors in the surrounding water district pay.
- ▶ No one is guaranteeing that DPMWD will receive all of the grant money the community is eligible for, but not consolidating guarantees that the community **will not** get any of this funding.

BOTTOM LINE

- ▶ The delay in the replacement of your water lines will not just affect your water. It means your lines will continue to leak, affecting water pressure.
- ▶ Throttling the water pressure to minimize leaks affects fire flows. Having inadequate fire flows affects your home insurance and likely the resale value of your house.
- ▶ Water bills that are unusually higher than your neighbors will also impact the value of your property.