

*Agenda Item No. 6*

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

**1112 I Street, Suite #100  
Sacramento, California 95814  
(916) 874-6458**

**February 2, 2011**

**TO:** Sacramento Local Agency Formation Commission

**FROM:** Peter Brundage, Executive Officer

**RE:** **Rio Linda/Elverta Community Water District – Draft  
Municipal Service Review – Report Back (LAFC 07-10)**

**RECOMMENDATIONS:**

1. This report summarizes the actions, developments, and events related to the Rio Linda Elverta Community Water District that have occurred since December 1, 2010.
2. Direct staff to encourage Rio Linda Elverta Community Water District to seek interim managerial and financial services from Sacramento Suburban Water District or an independent consultant with similar experience. It is recommended that the interim period run until RLECWD can demonstrate it has the ability to meet the Compliance Orders issued by the California Department of Public Health and has stabilized its overall managerial and financial operations.
3. Direct staff to continue to monitor RLECWD progress in meeting the California Department of Public Health Compliance Orders and provide a status report to the Commission on March 2, 2011.

## **DISCUSSION**

1. RLECWD has initiated the Prop 218 process and completed a rate study. A Public Hearing is scheduled for Monday, March 7, 2011, at 7:00 pm. (Copy attached).
2. RLECWD is currently conducting candidate recruitment for a permanent General Manager. (District legal counsel is currently acting as the Interim General Manager).
3. The California Department of Public Health remains "cautiously optimistic" in the progress that RLECWD is making.
4. RLECWD is attempting to obtain a bridge loan to commence construction on Well No. 15 in order to keep on schedule. Staff has no further information on this matter.

## **Reorganization Options**

Staff has contacted both the County of Sacramento Department of Water Resources and Sacramento Suburban Water District (SSWD) to assess interest in preparing a Reorganization Plan in the event of a Reorganization/Consolidation. The County of Sacramento Department of Water Resources is not interested in preparing a service plan. The County Department of Water Resources cites the following factors:

- Cost of study;
- Limited staff resources;
- Risk related to the many uncertainties;
- Proximity to the Rio Linda Elverta service area; and
- It would be more appropriate for an adjacent water purveyor to provide service, specifically SSWD, because they already have an interconnection with RLECWD.

SSWD indicated that they could prepare a plan for services but they also indicated they would not fund the study. Staff has discussed the type of information that would be required with Rob Roscoe, General Manager of SSWD. They have indicated that the study could at a minimum cost \$40,000 to \$50,000. This is a very rough estimate. SSWD has indicated that they need sufficient information to determine that their current ratepayers would not subsidize the cost of providing service to RLECWD.

The following concerns have been raised by SSWD:

- Audited Financial Statements have not been prepared for Fiscal Year 2010;
- RLECWD is not able to accurately determine how much it owes vendors and creditors;
- It is not possible to determine the cost of deferred maintenance or the actual condition of the water system and the infrastructure;
- Status of labor and personnel issues are not known; and
- The cost of pending and potential litigation is not known.

Accurate information does not appear to be available from the RLECWD. The information that has been provided by RLECWD cannot be validated or verified. In my opinion, it is not possible to obtain that information without having direct access and actually operating the water system, i.e. a third party would need to assume responsibility of the system in order to accurately determine, assess, and evaluate the deficiencies.

Consequently, it appears to be very problematic to accurately assess the magnitude of the issues that may exist and accurately determine the amount of the financial liabilities. Therefore, it will likely be extremely difficult and costly to reorganize the RLECWD with another public agency because of the extent of these unknowns.

Finally, at this time, there does not appear to be a public agency which is willing or interested in annexing RLECWD without sufficient and satisfactory due diligence in order to determine the base line needs.

The Commission cannot impose Reorganization without a willing and capable agency.

#### **Possible Scenarios**

1. RLECWD could enter into voluntary receivership and let an independent third party evaluate and analyze the financial and operational condition of RLECWD;
2. RLECWD may be forced into an involuntary receivership if creditors initiate bankruptcy proceedings; or
3. RLECWD could enter into an interim agreement for management and financial services with an independent third party or SSWD. SSWD has

indicated that they would be willing to assist RLECWD on a contractual basis to provide interim management and financial services until the District can demonstrate its ability to meet CDPH Compliance Orders and has demonstrated both operational and financial stability.

## **SUMMARY OF EVENTS**

On November 18, 2010, staff sent a letter to Sacramento County Department of Water Resources and Sacramento Suburban Water District respectfully asking each agency if they would be interested in preparing a service plan for Commission consideration to reorganize Rio Linda Elverta Community Water District. (Letter attached).

During the early part of December, I also suggested that RLECWD contact the Sacramento Regional Human Rights and Fair Housing Commission for assistance in mediating and arbitrating employee/employer labor relation issues.

On December 15, 2010, staff met with the County of Sacramento Department of Water Resources to discuss LAFCo's November 18, 2010 letter, requesting whether or not the County would be interested in preparing a service plan in the event the Commission decided that Rio Linda Elverta Community Water District should be reorganized.

The County of Sacramento Department of Water Resources has indicated that they are not interested in providing service to the Rio Linda Elverta Community. (See letter dated January 4, 2011 attached).

On December 22, 2010, I received a response from SSWD regarding my November 18, 2010 letter. SSWD agreed to respond to LAFCo request to provide a service plan subject to the following principles:

- SSWD rate payers will not be responsible for the costs of resolving the current management issues related to RLECWD;
- All costs associated with the formulation of a service plan will be recovered from a funding source other than from SSWD;
- Reorganization would be contingent on the Mission Statement, the Values, and Goals and Principles set forth in the SSWD Strategic Plan; and
- Reorganization would be subject to SSWD Rules and Regulations Governing Water Service.

On January 5, 2011, LAFCo staff met with Rob Roscoe, General Manager, Sacramento Suburban Water District (SSWD) to further discuss SSWD interest

in preparing a service plan in the event of reorganization. The discussion was primarily related to how the service plan could be funded and what information would be needed to complete the service plan. Based on discussions with Mr. Roscoe, I came to the conclusion that the information needed to prepare the service plan is not readily available and it would be extremely difficult and costly to obtain the necessary information.

On January 19, 2011, I met with Courtney Caron, Board President and Frank Caron, Board Member of the Rio Linda Elverta Community Water District (RLECWD). The RLECWD is in the process of soliciting candidates for a permanent General Manager. It is not clear how long the selection and hiring process may take.

During the meeting I offered to provide whatever assistance I could. Based on our discussion, I also suggested that I would talk to Sacramento County Department of Water Resources and the Sacramento Suburban Water District regarding the following two options:

First, I suggested it may be beneficial if the County staff, Sacramento Suburban Water District staff, and perhaps other public water districts assist RLECWD to screen applicants and perhaps sit on the interview panel to provide insight to help them select their General Manager.

Second, I suggested that I would contact both Sacramento County and SSWD to determine if either agency would be interested in providing interim management and financial services to RLECWD until the new General Manager was hired. RLECWD would be required to reimburse the agency for any expenses incurred during this interim agreement.

In my opinion, such an agreement would allow RLECWD time to do a thorough candidate search and selection process. It would also allow a third party with technical and management expertise to assess the immediate and short term priorities and needs of the RLECWD District. This assessment would be immensely valuable in providing an operational and financial plan based on experience and standards that have already been established by agencies with demonstrated abilities.

I have discussed this issue with the County of Sacramento. At this time, the County is not interested in entering into an interim agreement. However, both the County and SSWD are willing to participate and assist RLECWD with the selection process for a new permanent General Manager. It may also be possible to request assistance from other water districts to help screen applicants and/or participate on an interview panel.

On January 24, 2011, I attended the Sacramento Suburban Water District (SSWD) Board Meeting to determine their level of interest in providing *interim*

management and financial services to assist Rio Linda Elverta Community Water District.

The SSWD Board agreed that they would consider providing interim assistance under a contractual basis provided SSWD would be reimbursed for all services performed during the term of the contract.

LAFCo staff remain concerned about current status of affairs and the long term viability of RLECWD. I believe that contractual assistance from SSWD could be very beneficial and would demonstrate a strong commitment. Such action is crucial until the District can demonstrate the ability to comply with the CDPH Compliance Orders. As precedent, several years ago when Northridge and Arcade Water Districts consolidated, SSWD benefited from an interim General Manager during its transition period.

I believe that SSWD has the managerial, technical, and financial expertise to assist RLECWD Board in a very positive and professional manner.

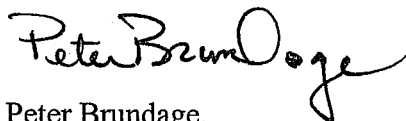
Finally, both the SSWD General Manager and the Board of Directors have stated that they are not interested in reorganizing or consolidating but are interested in the stability of water providers within Sacramento County, especially neighboring water purveyors. However, Sacramento LAFCo must continue to evaluate the long term sustainability and viability of the RLECWD and its ability to satisfy the CDPH Compliance Orders.

On January 26, 2011, I sent a letter to RLECWD advising them that SSWD would be willing to provide interim assistance if requested by RLECWD provided they are reimbursed for all services provided.

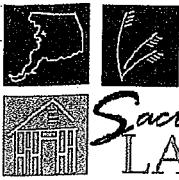
On January 27, 2011, I received a response from Courtney Caron indicating she was interested in having the County and SSWD participate in screening applicants for their General Manager position. She also indicated she would call Rob Roscoe, General Manager, SSWD, to talk to him about obtaining contact information for consultants who would be qualified to act as an Interim General Manager.

Respectfully Submitted;

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**



Peter Brundage,  
Executive Officer



## SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458 • Fax (916) 874-2939

[www.saclafco.org](http://www.saclafco.org)

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November 18, 2010

Steven C. Szalay  
Interim County Executive  
County of Sacramento  
700 H Street Suite 7650  
Sacramento, CA 95814

Dear Steve:

The Sacramento Local Agency Formation Commission has conducted a Municipal Service Review (MSR) of the Rio Linda Elverta Community Water District (RLECWD). The MSR identified a number of unresolved organizational, governance, financial, and operational issues.

In addition, the RLECWD is currently subject to two Compliance Orders issued by the California Department of Public Health (CDPH) related to several issues. Primarily, RLECWD does not have sufficient water production capacity. The insufficient water supplies during periods of peak demand have impacted both water pressure and water quality provided to their customers. The CDPH has estimated that the RLECWD will need to construct three wells to resolve the water supply deficiencies. Also, RLECWD has not maintained adequate reporting as required by the CDPH and has not adequately maintained backflow and cross-connection requirements established by the CDPH. Consequently, all of these deficiencies may potentially result in adverse public health and safety issues for the community. In addition, the lack of adequate water production capacity impacts fire protection for residents within the RLECWD.

Based on these factors the Commission established several benchmarks to monitor RLECWD during the next several months. In addition, the Commission directed me to evaluate the possible Reorganization (dissolution and annexation) of RLECWD with another public water service provider.

Pursuant to Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Sacramento Local Agency Formation Commission has the authority to initiate a Reorganization proposal to dissolve an Independent Special District and annex it to another District, agency, or service provider. On November 3, 2010, the Sacramento Local Agency Formation Commission directed me to contact potential public water providers (primarily Sacramento Suburban Water District and Sacramento County Water Agency) to determine if they would be interested in submitting a plan for service to annex and provide water service to the customers of the Rio Linda Elverta Community Water District (RLECWD).

Based on the Commission direction, I would like to collaborate with your agency to determine if you would consider annexing RLECWD and develop a proposed service and finance plan to serve the Rio Linda Elverta Community for Commission consideration in the event it becomes necessary for the Commission to initiate a reorganization of the RLECWD.

At this time, Sacramento LAFCo does not have funding to reimburse your agency for the cost to prepare and develop a service plan. In the event your agency is willing to consider annexation and cannot fund a service plan; a funding strategy would have to be developed and approved by the Commission. Also, it may be possible to develop a funding strategy in which LAFCo, the County of Sacramento, and Sacramento Suburban Water District contribute to a joint study that satisfies the Cortese-Knox-Hertzberg requirements set forth below or seek other funding and grant opportunities. Also, it is my understanding that Sacramento County Zone 13 may have some funds available for water planning purposes.

I have also requested that the RLECWD provide a 5-year business plan that includes a pro-forma financial analysis for both capital improvements; operations and maintenance activities; together with estimated rates that demonstrate that RLEWD can provide an adequate and sustainable level of service.

The following information may assist your agency in estimating the cost to prepare the requested service plan, though much of the information may very likely already be available. Based on Cortese-Knox-Hertzberg Statues the service plan should include the following requirements:

1. An enumeration and description of the services to be extended to the affected territory;
2. The level and range of those services;
3. An indication of when those services can be extended;
4. An indication of any improvement or upgrading of water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization is completed;
5. Information with respect to how those services will be financed and proposed rate structure;
6. The agencies ability to provide water service to the proposed service area;



7. The agencies ability to meet State standards for water quality, water pressure; provide adequate pressure for fire protection to the proposed service area; and
8. Any other proposed terms and conditions that need to be considered by the Commission in its deliberations.

In addition, the proposed reorganization plan will need to address the following issues:

- Employees
- Labor Issues
- Retirement Systems
- Elected Board representation for the Rio Linda Elverta Community

For your information, if LAFCo approves a reorganization and dissolution of the RLECD, this proposal is subject to protest proceedings. No election is required unless ten percent of the registered voters living within the affected territory submit a petition opposing the Reorganization. If a valid protest petition is submitted, an election would be required with a simple majority vote needed to defeat the election. In this situation the affected territory would be the service area of the newly formed district, in other words it would include the entire territory of both service providers.

If there is not adequate protest or if an election is not successful, all assets, liabilities, and service responsibilities would be transferred to the successor District.

I look forward to your assistance and collaboration in assisting the current and future rate payers of the Rio Linda Elverta Community Water District.

Please call me if you have any other questions.

Sincerely,

Peter Brundage  
Executive Officer

LAFCo Commissioners  
Nancy Miller  
Board of Supervisors  
Nav Gill  
Robert Ryan  
Keith DeVore  
Sacramento Suburban Water District  
Sacramento Grand Jury





## SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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November 18, 2010

Robert Roscoe  
General Manager  
Sacramento Suburban Water District  
3701 Marconi Ave. Ste 100  
Sacramento, CA 95821-5303

Dear Rob:

The Sacramento Local Agency Formation Commission has conducted a Municipal Service Review (MSR) of the Rio Linda Elverta Community Water District (RLECWD). The MSR identified a number of unresolved organizational, governance, financial, and operational issues.

In addition, the RLECWD is currently subject to two Compliance Orders issued by the California Department of Public Health (CDPH) related to several issues. Primarily, RLECWD does not have sufficient water production capacity. The insufficient water supplies during periods of peak demand have impacted both water pressure and water quality provided to their customers. The CDPH has estimated that the RLECWD will need to construct three wells to resolve the water supply deficiencies. Also, RLECWD has not maintained adequate reporting as required by the CDPH and has not adequately maintained backflow and cross-connection requirements established by the CDPH. Consequently, all of these deficiencies may potentially result in adverse public health and safety issues for the community. In addition, the lack of adequate water production capacity impacts fire protection for residents within the RLECWD.

Based on these factors the Commission established several benchmarks to monitor RLECWD during the next several months. In addition, the Commission directed me to evaluate the possible Reorganization (dissolution and annexation) of RLECWD with another public water service provider.

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Based on the Commission direction, I would like to collaborate with your agency to determine if you would consider annexing RLECWD and develop a proposed service and finance plan to serve the Rio Linda Elverta Community for Commission consideration in the event it becomes necessary for the Commission to initiate a reorganization of the RLECWD.

At this time, Sacramento LAFCo does not have funding to reimburse your agency for the cost to prepare and develop a service plan. In the event your agency is willing to consider annexation and cannot fund a service plan; a funding strategy would have to be developed and approved by the Commission. Also, it may be possible to develop a funding strategy in which LAFCo, the County of Sacramento, and Sacramento Suburban Water District contribute to a joint study that satisfies the Cortese-Knox-Hertzberg requirements set forth below or seek other funding and grant opportunities. Also, it is my understanding that Sacramento County Zone 13 may have some funds available for water planning purposes.

I have also requested that the RLECWD provide a 5-year business plan that includes a pro-forma financial analysis for both capital improvements; operations and maintenance activities; together with estimated rates that demonstrate that RLEWD can provide an adequate and sustainable level of service.

The following information may assist your agency in estimating the cost to prepare the requested service plan, though much of the information may very likely already be available. Based on Cortese-Knox-Hertzberg Statues the service plan should include the following requirements:

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In addition, the proposed reorganization plan will need to address the following issues:

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- Labor Issues
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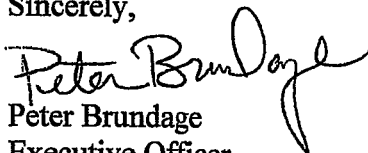
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I look forward to your assistance and collaboration in assisting the current and future rate payers of the Rio Linda Elverta Community Water District.

Please call me if you have any other questions.

Sincerely,



Peter Brundage  
Executive Officer

LAFCo Commissioners  
Nancy Miller  
Board of Supervisors  
Nav Gill  
Keith DeVore  
Sacramento Grand Jury





December 22, 2010

Mr. Peter Brundage  
Sacramento Local Agency Formation Commission  
1112 I Street, Suite 100  
Sacramento, CA 95814

Re: Rio Linda Elverta Community Water District – Reorganization

Dear Mr. Brundage:

This letter is in response to your letter dated November 18, 2010 in which you requested collaboration with Sacramento Suburban Water District (SSWD) regarding the possible reorganization of the Rio Linda Elverta Community Water District (RLECWD). The SSWD Board of Directors considered this matter at its Regular Board meeting of December 20, 2010 and the following represents the District's position in response to your request.

In the furtherance of public health and safety, SSWD is willing and able to provide assistance to RLECWD during its efforts to respond to the LAFCo requirements as outlined in your letter. Details of the District's assistance would have to be identified in an agreement for consideration and approval at a future SSWD Board meeting. Further, SSWD is willing to consider other involvement in the reorganization of RLECWD under the following principles:

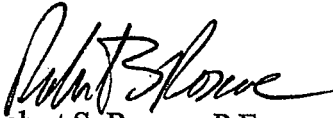
- SSWD rate payers will not be responsible for the costs of resolving the current management issues related to the RLECWD.
- All costs associated with the formulation of a service and finance plan will be recovered from a funding source other than from this District.
- Reorganization of RLECWD that involves SSWD would be contingent on the Mission Statement, the Values, and Goals and Principles as stated in the SSWD Strategic Plan.
- Reorganization would be subject to the SSWD Rules and Regulations Governing Water Service and the District's Standards and Specifications.

The staff at SSWD estimates that the cost of preparing a service plan that would meet the statutes of the Cortese-Knox-Hertzberg law might conservatively cost on the order of \$40,000 to \$60,000 in addition to the large amount of in-house staff time needed to work on such a plan. Further, the Board of SSWD believes that preparing a service plan might be premature unless it was clear that LAFCo was approving a reorganization and dissolution of RLECWD. Both the Board of Directors of SSWD and the staff of the District hope that RLECWD's efforts are successful in

correcting present system deficiencies, meeting the state compliance orders and complying with the LAFCo directives with which it currently must contend.

We remain open to any and all alternatives and suggest we meet again to further such discussions.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert S. Roscoe". The signature is fluid and cursive, with the first name "Robert" and last name "Roscoe" clearly distinguishable.

Robert S. Roscoe, P.E.  
General Manager



Department of Water Resources  
H. E. Niederberger, Jr., Interim  
Director



Including service to the Cities of  
Elk Grove and Rancho Cordova

SACRAMENTO COUNTY  
**WATER AGENCY**

January 4, 2011

**RECEIVED**

**JAN 05 2011**

SACRAMENTO LOCAL AGENCY  
FORMATION COMMISSION

Peter Brundage, Executive Officer  
Sacramento Local Agency Formation Commission  
1112 I Street, Suite 100  
Sacramento, CA 95814

Dear Mr. Brundage:

Thank you and Mr. Lockhart for taking the time to speak with Sacramento County Water Agency (SCWA) staff this week about the ongoing issues associated with the Rio Linda Water District. We appreciate and support your desire to find a solution to these issues in order to ensure a safe drinking water supply for the residents within this area.

Although I am supportive of your efforts, I don't believe that the best service solution for this area is SCWA. As you know, the Rio Linda Water District is north of the nearest SCWA service area, and if it were served by SCWA, this area would be disconnected from the remainder of our system. Having some experience with operating "island" service areas, we know that this creates logistical problems for ongoing maintenance and operation of the system. It is far less cost-effective from an operations perspective to operate an island water system. In addition, SCWA has no direct interties to the Rio Linda system. It may make more sense to pursue opportunities with the adjacent water purveyors who have existing interties – either California American Water Company or Sacramento Suburban Water District.

Again, I appreciate your time and hope that a viable solution is forthcoming. Please let me know if you have any further questions or if I or my staff can assist you any further.

Sincerely,

H.E. Niederberger, Jr., P.E.

Interim Director

Sacramento County Water Agency

cc: Supervisor Susan Peters – Sacramento County  
Kerry Schmitz, Dave Underwood – SCWA  
Rob Roscoe – Sacramento Suburban Water District  
Andrew Soule – California American Water Company

*"Managing Tomorrow's Water Today"*

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## **Agenda Item: 2**

### **Minutes**

Sacramento Suburban Water District  
**Regular Board Meeting**  
Monday, November 15, 2010

#### **Call to Order**

President Fellenz called the meeting to order at 6:31 p.m.

#### **Roll Call**

Directors Present: Ken Decio, Thomas Fellenz, Frederick Gayle, Stephen Hanson and Neil Schild.

Directors Absent: None.

Staff Present: General Manager Roscoe, Dan Bills, Ed Formosa, Jan Gentry, Dave Jones, Warren Jung, Annette O'Leary, John Valdes, Dan York, Lynne Yost.

Public Present: William Eubanks and Avery Wiseman.

#### **Announcements**

The following items were announced:

- Preliminary election results are in Item 23.
- ACWA's Water for Tomorrow fall edition arrived today. Copies are on the dais and available for the public.
- SSWD Financing Corporation annual Board meeting is scheduled for 6:00 pm on Monday, January 24, 2011.

#### **Public Comment**

William Eubanks stated that he met with Dan Bills recently to discuss the budget. He finds the vacation and sick leave buyout confusing.

#### **Consent Items**

1. Minutes of the October 18, 2010 Regular Board Meeting
2. Resolution No. 10-31 Authorizing Investment of Monies in the Local Agency Investment Fund
3. Resolution No. 10-32 Supporting ACWA Policy Principles on Implementation of State and Federal Endangered Species Act

4. Notice of Intent to Adopt an Initial Study/Negative Declaration for the Roseview Park and Coyle Avenue Well Projects Within the Unincorporated Area of Sacramento County, California

MSC<sup>1</sup> (Decio/Gayle) that the Board of Directors approve Consent Items 1, 2, 3 and 4, by unanimous vote.

#### **Items for Discussion and Action**

5. **Status Report on Sacramento LAFCo Actions Related to Rio Linda/Elverta Community Water District**

General Manager Roscoe presented the staff report. Rio Linda/Elverta Community Water District (RLECWD) has compliance issues with an enforcement order from the Department of Public Health (DPH) and is in jeopardy of losing a low-interest loan to fund three new production wells if they do not raise rates in the immediate future. On April 5, 2010 the Sacramento County Grand Jury issued a report titled "Rio Linda/Elverta Community Water District - A Saga of Mismanagement and Water Problems." The RLECWD has had significant turnover in board members in the past several years and, more recently, has hired and fired numerous general managers and general counsels.

The Sacramento County Local Agency Commission (LAFCo) met on November 3, 2010 to consider action including potential dissolution of RLECWD. At that meeting LAFCo made several strong recommendations to the Board of Directors of RLECWD. In addition RLECWD was directed to provide a plan to LAFCo by February 1, 2011 detailing the path to compliance with the State Department of Public Health orders, including a five year operational and financing plan for ongoing operations. LAFCo further directed the LAFCo Executive Officer to initiate a reorganization study for RLECWD.

The District has a one-year "Interim System Support Agreement" with RLECWD, which expires on March 31, 2011. The water supplied is to maintain RLECWD pressures and is available only when the water is surplus to SSWD's needs. Before renewing the contract, Director Hanson urges the Board to consider what is an "emergency" as related to supplying water to RLECWD. He has concerns with this contract.

General Manager Roscoe introduced Peter Brundage, Executive Officer, and Don Lockhart, Assistant Executive Officer, from Sacramento Local Agency Formation Commission (LAFCo).

Mr. Brundage made a presentation which included:

- An overview of LAFCo.
- The municipal services review was received from RLECWD.

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<sup>1</sup>Motion, Second, Carried.

- RLECWD issues include the two DPH compliance orders, the three wells to be constructed, the \$7.5 million necessary for well construction, high general manager turnover and low employee morale.
- RLECWD is in a financially weak position. Water rates need to be raised before the low interest loan would be considered by the State.
- The State extended completion of new well construction until June 2011.
- The Prop 218 process has been initiated.
- Mr. Brundage urges SSWD to consider continuing the interconnection that is scheduled to expire in March 2011.
- The State can start the receivership process. Sacramento County Water Agency (SCWA) and SSWD are options for the RLECWD reorganization. If RLECWD does not perform, LAFCo wishes to have submitted plans for a reorganization from one or more providers.
- Three newly elected RLECWD board members will be sworn in soon.

Discussion ensued and included:

- If there is a reorganization, what happens to the employees and the labor agreement?
- Why should SSWD spend money on a proposal that could cost \$50,000 or more. Who will fund the study? LAFCo does not have much money.
- There are potential regional and long-term benefits with a reorganization.
- If SSWD or SCWA is not interested in the reorganization, Cal-Am may be approached. Cal-Am is not included now as it is not a special district or a local government.
- Can the RLECWD general manager contract with the 18 month buyout be nullified? Attorney costs are a concern.
- RLECWD ratepayers would have the burden of the rates.
- Would County Zone 13 moneys be available for the reorganization study? Mr. Brundage will look into that possibility and ask the County.
- Are the insurance rates for fire protection affected? School districts would be concerned with increased fire insurance rates.

General Manager Roscoe stated that much more information is needed. Both boards should want to consolidate for the process to go well. To save resources, complete one study, not a separate SSWD and SCWA study. Give RLECWD's elected board an opportunity to resolve their problems. SSWD is waiting to receive a letter from LAFCo.

#### 6. **Proposition 84 Implementation Grant Application**

General Manager Roscoe presented the staff report. The Regional Water Authority (RWA) is preparing to apply for a Proposition 84 Implementation Grant (Prop 84) with the Department of Water Resources (DWR). RWA has selected a group of 40 projects from the Integrated Water Regional Master Plan (IWRMP) for the region for review and selection. The District has a strong application. Rob Swartz has been successful in the past with grant applications. This application can be useful in for future grant applications. SSWD's cost is about \$35,000 to apply. The total grant is \$60 million and SSWD's share would be \$1 million.

William Eubanks asked how installing booster pumps with this grant money benefits the District.

General Manager Roscoe stated that some of the grant funds would be used for a well in the north service area. This has opportunity for SSWD to sell water and potential for groundwater substitution water transfers.

MSC (Gayle/Decio) that the Board of Directors ratify the General Manager's decision to participate in the Proposition 84 grant application and authorize the General Manager to execute the RWA Project Agreement following approval by District Counsel, by unanimous vote.

7. **RWA Public Relations Efforts on Delta Issues**

General Manager Roscoe presented the staff report. The Regional Water Authority (RWA) Government Affairs Committee has recommended hiring a consulting public relations firm to assist with public outreach on statewide water issues. The basic Sacramento-area messaging is not being heard at the state capitol where significant water issues of great impact to the Sacramento region are expected to be legislated in the coming 2-year term.

The initial effort was preliminarily estimated to cost in the vicinity of \$100,000 and may include a public polling element. The RWA Government Affairs Committee expects to interview public relations firms, identify a scope of services and fee, and complete the standard RWA cost sharing agreements with member agencies prior to the end of the calendar year.

Discussion ensued and included:

- There is a significant amount of lobbying efforts already by ACWA and the Sacramento Area Water Alliance.
- The District's cost should not exceed \$20,000.

MSC (Decio/Hanson) that the Board of Directors authorize the General Manager to execute a standard "Below the Green Line" cost sharing agreement with RWA to participate in a regional public relations effort, by unanimous vote.

8. **ACWA Health Benefits Authority Board of Directors Election**

The District received a ballot for the Board of Directors election from the Association of California Water Agencies (ACWA) Health Benefits Authority (HBA). The six openings on the HBA Board of Directors are geographically based: three in the north region and three in the south region. Ballots must be received by November 23, 2010.

MSC (Schild/Decio) that the Board of Directors designate the General Manager as the District's Agency Representative and direct the General Manager not to vote, by unanimous vote.

9. **Financial Plan, Water Revenue, and Facility Development Charge (FDC) Study**  
General Manager Roscoe presented the staff report. The District entered into an agreement with The Reed Group, Inc. to perform a Financial Plan, Water Revenue, and Facility Development Charge (FDC) Study. The FDC study was completed in March 2010 and accepted by the Board. The Reed Group next prepared a five year Financial Plan (Plan) for the District and based on the results of the Plan, four water revenue scenarios were prepared and reviewed by the Board.

Separate from the District water revenue selection, the Reed Group was also contracted to provide the Board with alternative rate structures, most of which would be designed to encourage water conservation. In September these issues were discussed with the Finance and Audit Committee. The Committee recommended such matters come before the full Board.

Discussion ensued and included:

- Identify revenue needs and consider changes to the rate structure.
- How much revenue is generated by fixed and variable rates.
- Options include keeping the rate structure the same, adding a third tier, and change the balance of fixed to variable rates.
- This should be deferred to a later meeting after the new directors are seated on the Board.

General Manager Roscoe stated that this item will not be brought to the December meeting. The new directors will need time to be briefed on the District issues and activities.

MSC (Hanson/Decio) that the Board of Directors table Item 9 to a future Board meeting, by unanimous vote.

10. **McClellan Business Park Claim**  
Staff discussed this claim with Cece Wuchter, Senior Claims Examiner for Joint Powers Insurance Authority (JPIA), the District's insurance carrier. Ms. Wuchter recommended rejection of the subject claim. It is necessary for the Board of Directors to reject this claim prior to submitting to JPIA for processing.

MSC (Gayle/Hanson) that the Board of Directors reject McClellan Business Park claim, in the amount of \$86,714.66, for loss project costs related to a sewer replacement project from a contractor inadvertently hitting an unmarked District water main, by unanimous vote.

## **Information Items**

### **11. District Activity Reports**

#### **a. *Water Operations and Exception Report***

A written report was provided and briefly reviewed by General Manager Roscoe.

- b. *Customer Service Report*  
A written report was provided.
- c. *Water Conservation and Regional Water Efficiency Program Report*  
A written report was provided.
- d. *Community Outreach Report*  
A written report was provided.

12. **Financial Report**

Dan Bills briefly reviewed the written reports, including the income statement and balance sheet. Capital assets went up \$16 million and that correlates to the capital facilities charge on the customers' bill.

- a. *Financial Statements – October 2010*  
A written report was provided.
- b. *Investments Outstanding and Activity – October 2010*  
A written report was provided.
- c. *Cash Expenditures – October 2010*  
A written report was provided.
- d. *Credit Card Expenditures – October 2010*  
A written report was provided.
- e. *Directors Compensation and Expense Accounting – through October 2010*  
A written report was provided.
- f. *Hedging Report – Yield to Rates – December 2004 through October 2010*  
A written report was provided and briefly reviewed by Mr. Bills.
- g. *Market Report Yields – October 2005 through September 2010*  
A written report was provided.
- h. *Information Required by Bond Agreement*  
A written report was provided and briefly reviewed by Mr. Bills.

Avery Wiseman stated he met with General Manager Roscoe and Mr. Bills recently. The District is accumulating reserves and he encourages the Board to think about a rate decrease. He believes the capital improvement program is too aggressive and should be reduced.

13. **Upcoming Policy Review – Public Works Contracting Policy (PL - Eng 002)**  
A written report was provided.



14. **Upcoming Policy Review – Electronic Mail, Internet and Computer Use Policy (PL - IT 005)**  
A written report was provided. Legal counsel reviewed the policy and more research may be required to include social media. This policy may not be on the December agenda.
15. **Facility Consolidation and Potential Acquisition of Property at 4325 Auburn Blvd**  
A written report was provided. This topic will be brought back to the Board after the new Board is seated.
16. **2011 Employee Benefits Renewal Analysis**  
A written report was provided. The benefits analysis reviewed and compared standard levels of coverage, e.g. cleanings, fillings, x-rays.
17. **Antelope Garden Report**  
A written report was provided. This will not necessarily be an annual report.
18. **Verner Well N36 Pumping Station Labor Compliance**  
A written report was provided.
19. **Melrose/Channing Well #27 Waste Water Drain Project**  
A written report was provided.
20. **Biannual Groundwater Elevations Report**  
A written report was provided.
21. **Draft North Service Area Fluoridation Engineering Study**  
A written report was provided and briefly reviewed by General Manager Roscoe. Reasons to fluoridate in the north service area (NSA) are different from the reasons the District fluoridated in the south service area. There are other entities that use the pipeline in the north. The District needs to consider buffering capabilities, or adding caustic soda, in addition to fluoride to the water. The District would need to hire at least two operators if the NSA was fluoridated. General Manager Roscoe is not recommending to fluoridate the NSA at this time. All fluoride costs have escalated significantly in the last few years.
22. **El Dorado Water & Power Authority Supplemental Water Rights Transfer Project**  
A written report was provided and briefly reviewed by General Manager Roscoe. Bartkiewicz Kronick and Shanahan are tracking this project for the District. The impacts need to be more fully identified.
23. **Preliminary Elections Results**  
A written report was provided and briefly reviewed by General Manager Roscoe. The updated numbers for Divisions 3 and 4 from the Voter Registration & Elections division did not change the results. The proposed city of Arden Arcade was defeated.

24. **Current Delta Related Matters**

A written report was provided and briefly reviewed by General Manager Roscoe.

25. **Amicus Curiae Letter in Support of Yorba Linda Water District's Petition for Review**

A written report was provided and briefly reviewed by General Manager Roscoe. This suit has a large potential to greatly impact water providers. Some areas of SSWD have no pipes or hydrants. ACWA/JPIA is Yorba Linda Water District's insurance agent.

26. **Legislative Update**

A written report was provided.

27. **Miscellaneous District Issues – General Manger's Report**

A written report was provided and briefly reviewed by General Manager Roscoe. The District is meeting with SMUD and the County in the near future to discuss fees.

**General Counsel's Report**

A confidential written report was provided to the Directors.

**Committee Reports**

28. a. *Facilities and Operations Committee*  
No report.
- b. *Finance and Audit Committee*  
No report.
- c. *Ad Hoc Conjunctive Use Planning Committee*  
No report.

**Director's Reports (Per AB 1234, Directors will report on their meeting activities)**

29. a. *Regional Water Authority*  
An agenda from the November 4, 2010 meeting was provided. Director Schild provided an oral report.
- Regional Water Authority Executive Committee*  
An agenda from the October 27, 2010 meeting was provided. General Manager Roscoe provided an oral report.
- b. *Sacramento Groundwater Authority*  
No report.
- c. *Water Forum Successor Effort*  
No report.
- d. *San Juan Water District Executive Committee*

No report.

e. *Other Reports*

Director Schild reported on the Sacramento Regional Water Issues Tour he attended on October 28, 2010.

Director Fellenz reported on a meeting with Supervisor Susan Peters he attended with General Manager Roscoe and Ed Formosa on November 2, 2010. He thanked Directors Decio and Hanson for their public service.

Director Hanson thanked General Manager Roscoe, Ed Formosa, Jan Gentry and all staff for all their help.

William Eubanks thanked Directors Decio and Hanson for their service and efforts they put in for the District.

**Miscellaneous Correspondence and General Information**

30. Certain correspondence received by the District was provided.

31. General information related to District business was provided.

**Director's Comments/Staff Statements and Requests**

None.

**Closed Session**

None.

**Adjournment**

President Fellenz adjourned the meeting at 9:09 p.m.

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Robert S. Roscoe  
General Manager/Secretary





## **Agenda Item: 4**

**Date:** January 19, 2011

**Subject:** Sacramento LAFCo Status Report on Rio Linda/Elverta Community Water District

**Staff Contact:** Ed Formosa, Assistant General Manager

### **Recommended Board Action:**

Direct staff as deemed appropriate.

### **Discussion:**

Since the report to the Board at the last meeting, operational, management and governance conditions in the Rio Linda Elverta Community Water District (RLECWD) have seen little improvement. Little progress has been made towards meeting the two compliance orders from the State Department of Public Health (DPH). In addition, LAFCo staff has expressed concerns regarding compliance with several directives from Sacramento Local Agency Formation Commission (LAFCo) regarding the management of the District. At the direction of the Commission, LAFCo staff has been directed to evaluate the possible reorganization (dissolution and annexation) of RLECWD with either the County of Sacramento or SSWD. In response to the letter received from LAFCo on November 19, 2010, staff has sent a return letter, as directed by the SSWD Board, supporting the efforts of the RLECWD Board in resolving its issues and providing a list of principles with which SSWD would follow in further discussions with LAFCo regarding any consideration of a merger or annexation. Those principles are as follows:

- Current SSWD rate payers will not be responsible for the costs of resolving the current management issues related to the RLECWD.
- All costs associated to the formulation of a service and finance plan will be recovered from RLECWD up front and not as a reimbursement to SSWD or be provided from some other funding source.
- Annexation consideration will be contingent on the Mission Statement, the Values, and Goals and Principles as stated in the SSWD Strategic Plan.
- Annexation would be subject to the SSWD Rules and Regulations Governing Water Service and the District's Standards and Specifications.

On January 5, 2011, senior management staff of SSWD met with Peter Brundage, Executive Officer of LAFCo, to discuss the District's return letter. As a result of that discussion, Mr. Brundage requested the opportunity to speak to the Board of Directors of SSWD at its next

available Board meeting to provide an update. It is anticipated that he will be in attendance and make a presentation on this topic at the January 24<sup>th</sup> meeting.

A merger of the RLECWD with SSWD would present many challenges and opportunities to SSWD. The principle issue which RLECWD faces today is the lack of water production capacity. The State has directed RLECWD to add three new production wells to provide adequate peak hour capacity to its system as well as some degree of redundancy. As discussed, the issue with which the RLECWD Board has struggled to address is the ability for the rate payers to absorb the cost of these improvements. While the solution to the capacity problem is fairly strait forward, the funding problem is less easy to address. Further, relief from current compliance orders would hinge on RLECWD's ability to acquire a low interest loan provided by the State through the State Revolving Fund Loan Program. The approval of the loan by the State would require that RLECWD demonstrate the ability to repay the loan.

In the long term, SSWD District staff feels that there may be potential benefit to the current ratepayers of SSWD if a merger were to occur which could only be determined through a study of the benefits and liabilities of such a reorganization. Some of the potential benefits include the reduction in the number of public water agencies north of the American River which would improve the regions position in trying to address statewide water issues. The annexation of the RLECWD would allow the expansion of the conjunctive use of the area's water supply by expanding the place of use of the current surface water supply contract with PCWA and enhance District efforts to manage the groundwater aquifer. Currently, several planned urban development areas are located within the RLECWD service area. Consolidation would provide opportunity to have the development community fund major infrastructure improvements to expand the use of surface treated water in this area. It would be expected that a merger would redistribute both SSWD's and RLECWD's overhead costs which would allow savings to be redirected towards capital improvement needs.

Conversely, in the short term, there could be risks to SSWD by merging with the RLECWD. Little is known by SSWD staff of all the potential issues which have arisen over the last several years. It has been reported that RLECWD is involved in unresolved labor negotiations and disputes, that they have numerous outstanding bills, and that several other lawsuits may be pending. The political atmosphere in RLECWD has been volatile. All these unknown liabilities and risks concern the SSWD staff. However, a study could provide a clear picture of those risks which could then be weighed against the possible benefits and allow a good decision to be made on behalf of the District ratepayers and the public in general.

#### **Fiscal Impact:**

The principles as outlined were intended to make the study and action of annexation of the RLECWD a neutral action. Staff estimates that a reconnaissance level study intended to identify major issues would cost about \$40,000 to \$50,000. It may be worth participating with some of the study cost as an investment in possible future benefits to SSWD.

**Strategic Plan Alignment:**

Leadership – 5.C. Participate in regional water management partnerships. The District may choose to cooperate with a local county agency to assist in addressing problems which affect a neighboring agency.

Leadership – 5.D. Interact with the community in a positive and progressive manner for the mutual benefit of the area. Assisting the county and state in addressing the problems existing within the RLECWD would help the residence of the Rio Linda/Elverta Community.







## SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458 • Fax (916) 874-2939

[www.saclafco.org](http://www.saclafco.org)

DATE: January 24, 2011

TO: Robert Roscoe, General Manager  
Sacramento Suburban Water District

FROM: Peter Brundage, Executive Officer  
Sacramento Local Agency Formation Commission

RE: **Request for Consideration to Provide Interim Management and Financial Services to the Rio Linda Elverta Community Water District**

### **DISCUSSION:**

On January 19, 2011, I met with Courtney Caron, Board President and Frank Caron, Board Member of the Rio Linda Elverta Community Water District (RLECWD). The RLECWD is in the process of soliciting candidates for a permanent General Manager. It is not clear how long the selection and hiring process may take.

During the meeting I offered to provide whatever assistance I could. Based on our discussion, I also suggested that I would talk to Sacramento County Department of Water Resources and the Sacramento Suburban Water District regarding the following two options.

First, it may be beneficial if the County staff, Sacramento Suburban Water District staff, and perhaps other public water districts assist RLECWD to screen applicants and perhaps sit on the interview panel to provide insight to help them select their General Manager.

Second, I suggested that I would contact both Sacramento County and SSWD to determine if either agency would be interested in providing interim management and financial services to RLECWD until the new General Manager was hired. RLECWD would be required to reimburse the agency for any expenses incurred during this interim agreement.

In my opinion, such an agreement would allow RLECWD time to do a thorough selection process and would also allow a third party with technical and management expertise to assess the immediate and short term priorities and needs of the RLECWD District.

I have discussed this issue with the County of Sacramento. At this time, the County is not interested in entering into an interim agreement. However, the County is willing to



participate and assist RLECWD with the selection process for a new permanent General Manager.

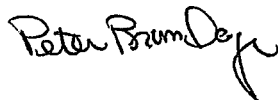
I am also respectfully requesting that SSWD Board of Directors consider authorizing your General Manager to enter into an agreement with RLECWD to provide interim management and financial services and assistance in the event that RLECWD considers this option. The request from RLECWD is completely voluntary and would have to be initiated by the RLECWD Board to either LAFCo or SSWD. LAFCo cannot require RLECWD to enter into any agreements.

I am trying to give the RLECWD Board an option which would provide them the opportunity and time to make a well thought out and planned selection to hire their General Manager. It may also provide them with good information so they can develop and implement a plan for services, stabilize operations, and provide RLECWD assistance in developing a long term sustainable solution.

Thank you for your consideration, I look forward to discussing this matter with your Board and would appreciate any other suggestions or ideas you may have regarding this matter.

Sincerely,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION



Peter Brundage,  
Executive Officer

cc: Courtney Caron, Board President  
Ravi Mehta, General Manager  
Kim Wilhelm, CDPH  
Nancy Miller  
Sacramento Grand Jury



## SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458 • Fax (916) 874-2939

[www.saclafco.org](http://www.saclafco.org)

DATE: January 26, 2011

Honorable Courtney Caron, President  
Rio Linda Elverta Community Water District  
730 L Street  
PO Box 400  
Rio Linda, CA 95673

**RE: Opportunity for Interim Management and Financial Services Contract for  
the Rio Linda Elverta Community Water District**

On January 24, 2011, I attended the Sacramento Suburban Water District (SSWD) Board Meeting to determine their level of interest in providing interim management and financial services to assist Rio Linda Elverta Community Water District.

The SSWD Board agreed that they would consider providing assistance under a contractual basis provided SSWD will be reimbursed for all services performed during the term of the contract. You may also want to contact your water association for assistance or advice. They may have names of people who may also provide temporary services.

In addition, I have also spoken with the County of Sacramento Department of Water Resources to see if they would be interested. County staff has declined because they do not currently have adequate staff to support such an effort.

Also, both Sacramento County Department of Water Resources and SSWD are willing to assist RLECWD in screening applications and/or participating on an interview panel in selecting a permanent General Manager for RLECWD. If you prefer, I could contact other water districts to see they are interested in assisting with the interview process.

Sacramento LAFCo remains concerned about current status of affairs and the long term viability of RLECWD. I believe that contractual assistance from SSWD could be very beneficial and would demonstrate a strong commitment. Such action is crucial until the District can demonstrate the ability to comply with the CDPH Compliance Orders. As precedent, several years ago when Northridge and Arcade Water Districts consolidated, SSWD benefited from an interim General Manager during its transition period. SSWD has the managerial, technical, and financial expertise to assist RLECWD Board in a very professional manner.

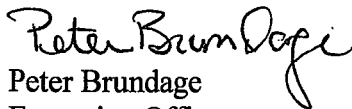
Finally, both the SSWD General Manager and the Board of Directors have stated that they are not interested in reorganizing or consolidating but are interested in the stability of water providers within Sacramento County, especially neighboring water purveyors.

However, Sacramento LAFCo must continue to evaluate the long term sustainability and viability of the RLECWD and its ability to satisfy the CDPH Compliance Orders.

Thank you for your consideration. If you wish to proceed with this approach, please contact me or Robert Roscoe, General Manager of Sacramento Suburban Water District (916-972-7171).

I may be reached at (916) 875-5935 if you have any additional questions.

Sincerely,

  
Peter Brundage

Executive Officer

cc: RLECWD Board of Directors  
Ravi Mehta, General Manager  
Rob Roscoe, Sacramento Suburban Water District  
Kim Wilhelm, CDPH  
Nancy Miller  
Phil Serna, Supervisor  
Sacramento Grand Jury



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**From:** Courtney J Caron [mailto:courtney.caron@sbcglobal.net]  
**Sent:** Thursday, January 27, 2011 7:17 PM  
**To:** Brundage, Peter  
**Subject:** Re:

Hi Peter!

I am going to reach out to Rob right now. I was told that Rob met with Jim Carson to discuss another issue and mentioned that Jim would

be a good candidate for the interim manager. I am a little surprised to hear that since Ravi seemed to push he was a real conflict of interest.

I am not surprised that the information provided to us was incorrect. Rob also mentioned a person name Wayne.

I will get more information and get the change on the agenda for February 28, 2011.

I am also going to contact the persons you suggested to get sites for the job postings. I will also take SSWD and Sac County up on the interview panel for the GM position.

Thank you so much.

I will keep you informed of everything.

Courtney Caron

--- On Wed, 1/26/11, Brundage, Peter <BrundageP@saccounty.net> wrote:

From: Brundage, Peter <BrundageP@saccounty.net>

Subject:

To: courtney.caron@sbcglobal.net

Cc: "Ravi Mehta" <rmehta@capitol-advocates.com>, "Nancy Miller" <miller@motlaw.com>,

"Robert Roscoe" <RRoscoe@sswd.org>, "Wilhelm, Kim (CDPH-PS-DDWEM)"

<Kim.Wilhelm@cdph.ca.gov>, "Serna, Phil" <SernaP@saccounty.net>, "Lockhart, Don"

<Don.Lockhart@SacLAFCo.org>

Date: Wednesday, January 26, 2011, 4:09 PM

Courtney,

Here is the letter. Let me know if you have any questions.

Thanks

Peter

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**Brundage. Peter**

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**From:** Courtney J Caron [courtney.caron@sbcglobal.net]  
**Sent:** Thursday, January 27, 2011 7:29 PM  
**To:** Brundage. Peter  
**Subject:** Fw: RLECWD Interim GM

--- On Thu, 1/27/11, Courtney J Caron <courtney.caron@sbcglobal.net> wrote:

From: Courtney J Caron <courtney.caron@sbcglobal.net>  
Subject: RLECWD Interim GM  
To: RRoscoe@sswd.org  
Cc: BrundageP@saccounty.ne  
Date: Thursday, January 27, 2011, 7:27 PM

Hello Mr. Roscoe,

I spoke with Peter and he suggested I contact you in order to get some suggestions regarding persons who may be able to serve as the interim GM for Rio Linda as we search for a qualified General Manager.

I understand that you spoke with Jim Carson today about the possibility of him stepping in. A few weeks back, we brought up this very suggestion. We were informed by general counsel that there would be a conflict of interest if one of our contractors was brought in as an interim. I really did not understand the argument being made. I would like to revisit this option and am curious if you also feel there would be any conflict of interest based on your experience?

I understand you also had another suggestion of a person to contact. Please let me know the name of that person as well!

In the next few weeks, as we receive resumes, I would like to reach out and form an interview board to review the resumes and interview the first round of applicants. Peter mentioned that you may have a person or two willing to sit on this committee?

I sincerely appreciate your willingness to assist us. I look forward to hearing from you.

Courtney Caron  
RLECWD Board President





# Water Rate Study Summary

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Rio Linda/Elverta CWD

January 17, 2011





# Water Rate Analysis – Key Issues

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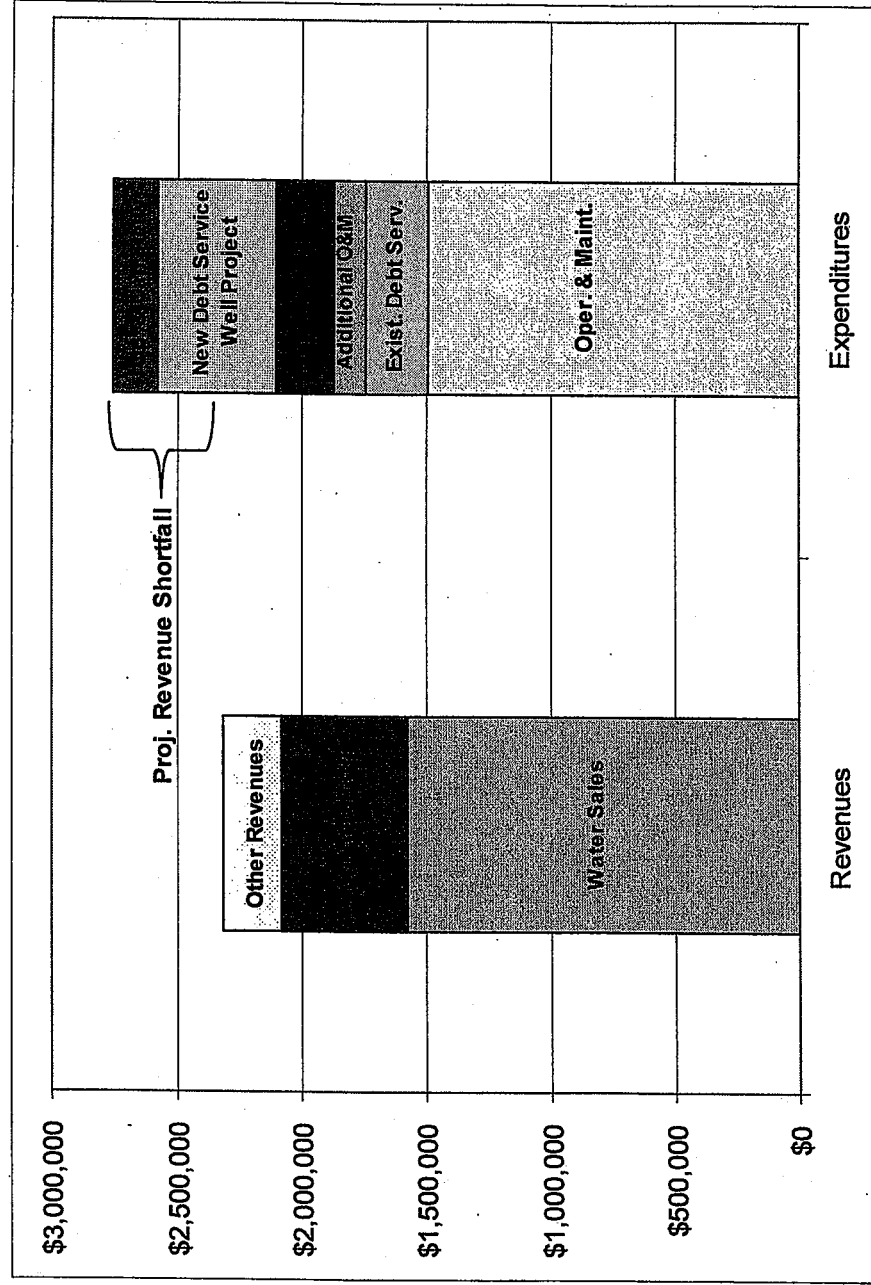
- Funding of Well Projects to meet State mandate to improve water supply volume and provide adequate fire flows
- Provide for sufficient revenues to fund additional costs
  - New Debt Service from Well Project
  - Additional Operating and Maintenance Costs
  - On-going Operating Reserves, Capital Reserves and Debt Service Coverage

# Water Study Assumptions

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- Rate Structure based on Existing Water Rate Structure
- Water Rate Calculations based on
  - Cost of Service Analysis – Spreading costs based on assumptions regarding use for various customer categories
  - Compliance with Proposition 218 – Calculated rates meet the requirements for Prop. 218

# Comparison of Projected Revenues and Expenses – Base Year



# Additional Annual Expenses – Base Year

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## Existing Expenses

O&M	\$1,489,475
Debt Service, Other Non-Op.	\$251,163
<b>Subtotal Existing</b>	<b>\$1,740,638</b>

## Projected New Expenses

New Debt Service - Well Project	\$482,000
Additional O&M	\$127,596
Capital Repair & Replacement	\$233,483
Capital & Operating Reserve	\$174,096
<b>Subtotal Existing</b>	<b>\$1,017,175</b>

## **TOTAL EXPENSES**

**\$2,757,813**

# Calculated Water Rates

		Base/Fixed Monthly Charge[1]						
		Current Monthly						
Accounts	Water Rate	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
5/8"	3680	\$14.50	\$23.40	\$24.08	\$24.90	\$25.74	\$26.61	\$27.52
3/4"	26	\$17.40	\$28.06	\$28.88	\$29.85	\$30.86	\$31.91	\$33.00
1"	695	\$26.10	\$42.04	\$43.26	\$44.72	\$46.23	\$47.81	\$49.44
1-1/2"	22	\$50.75	\$81.64	\$84.02	\$86.86	\$89.79	\$92.85	\$96.02
2"	22	\$81.20	\$130.56	\$134.37	\$138.90	\$143.60	\$148.48	\$153.55
3"	9	\$152.25	\$244.70	\$251.85	\$260.35	\$269.15	\$278.30	\$287.80
4"	4	\$253.75	\$407.76	\$419.67	\$433.84	\$448.50	\$463.76	\$479.59
*****Projected [2]*****								
Commodity (Flow) Rate per 100 cubic feet [3]								
Tier 1		\$0.43	\$0.54	\$0.56	\$0.58	\$0.60	\$0.62	\$0.64
Tier 2		\$0.54	\$0.68	\$0.70	\$0.73	\$0.75	\$0.78	\$0.80
Tier 3		\$0.68	\$0.86	\$0.88	\$0.91	\$0.94	\$0.98	\$1.01

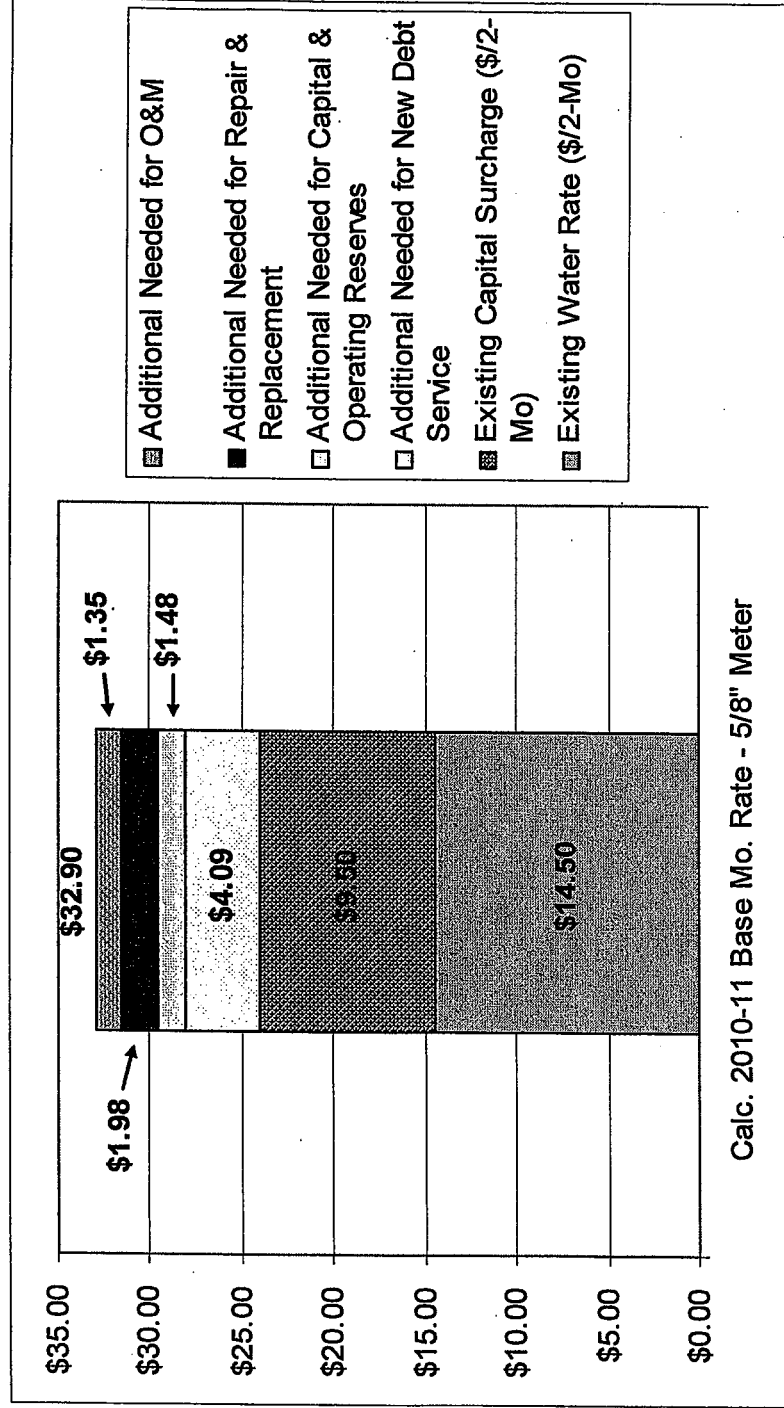
[1] The rates shown are on a monthly basis, however the District bills on a bi-monthly basis. Rates shown exclude Capital Surcharge, but it is assumed that this surcharge will continue to be collected.

[2] The rates for 2011-12 onward largely reflect inflation adjustments.

[3] The commodity or flow rate is per 100 cubic feet and is for usage over 600 cubic feet (bi-monthly) per the following tiers:

	Tier 1	Tier 2	Tier 3
5/8"	601-2600	2601-15600	15,601+ cubic feet
3/4" - 1 1/2"	601-5800	5801-44800	44801+ cubic feet
2" - 4"	601-55200	55201-286000	286001+ cubic feet

# Fixed Water Rate Components – 2010/11









**Garonow Consulting**  
ECONOMICS & PUBLIC FINANCE

## **DRAFT WATER RATE STUDY**

*Prepared for*  
**Rio Linda/Elverta Community Water District**

**January 13, 2011**

*Prepared by:*  
**G Aronow Consulting**  
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# Rio Linda/Elverta CWD Water Rate Study – DRAFT

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## **Appendices**

- Appendix A 2010-11 Budget Detail and Customer, Capacity, and Commodity Cost Allocation  
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## Section 1

# Introduction and Summary of Findings

## 1.1 BACKGROUND

The Rio Linda/Elverta Community Water District (RLECWD and/or District) is an independent special water district that was formed in 1948 to serve the more densely developed areas within the community of Rio Linda and was later expanded to serve the Elverta area. The District currently serves treated water to approximately 4,458 customers, of which, approximately 96 percent are residential and 4 percent are non-residential customers.

The District is located north of the City of Sacramento in northwestern Sacramento County and coincides with the Sacramento-Placer county line on its north side. The area within the District's boundary consists of approximately 11,415 acres (17.8 square miles). The District shares boundaries with California American Water Company Franchise Area, California American Water Company Antelope service area, Sacramento Suburban Water District's North Highlands service area, McClellan Air Force Base, the City of Sacramento, and Natomas Central Mutual Water Company.

The District is currently under a state mandate (Compliance Order 01-09-07-CO-004) issued by the California Department of Public Health (CDPH) to bring the water supply volume up to state standards and provide for adequate fire flows. The District is planning to move forward with a \$7.5 million capital improvement project for three wells, No. 15, 16, and 17. The funding of the project will come from the CDPH Safe Drinking Water State Revolving Fund (SRF) program, pending demonstration that the District has the ability to repay the loan over the 20 year term. This study calculates water rate increases necessary to provide the ability to repay the loan and provide continued operation and maintenance of the water system. If the District does not increase rates, they will not qualify for the loan and will not be able to move forward with the required well projects.

## 1.2 PURPOSE OF THE REPORT

The purpose of the report is to provide an explanation and justification of the calculated water rates for the District. Rates have been calculated for the fiscal years 2010-11 through 2015-16. The rates have been calculated in accordance with the requirements of XIII D et. seq. of the California Constitution, commonly known as Proposition 218, which mandates that the fee or charge imposed is commensurate with the benefit received by those paying the fee.

### 1.3 SUMMARY OF FINDINGS

Current water rates are insufficient to fund the on-going expenses and the additional debt service for the \$7.5 million loan the District needs to fund the well improvements for water capacity and reliability. On-going expenses include operations and maintenance costs, capital costs, and repair and replacement of facilities or depreciation. Therefore, the District needs to raise its monthly service charge (which is billed on a bi-monthly basis). Figure 1 summarizes the projected revenues in comparison to projected expenditures.

Figure 1  
FY 10-11 Budgeted Revenues vs. Projected Expenditures

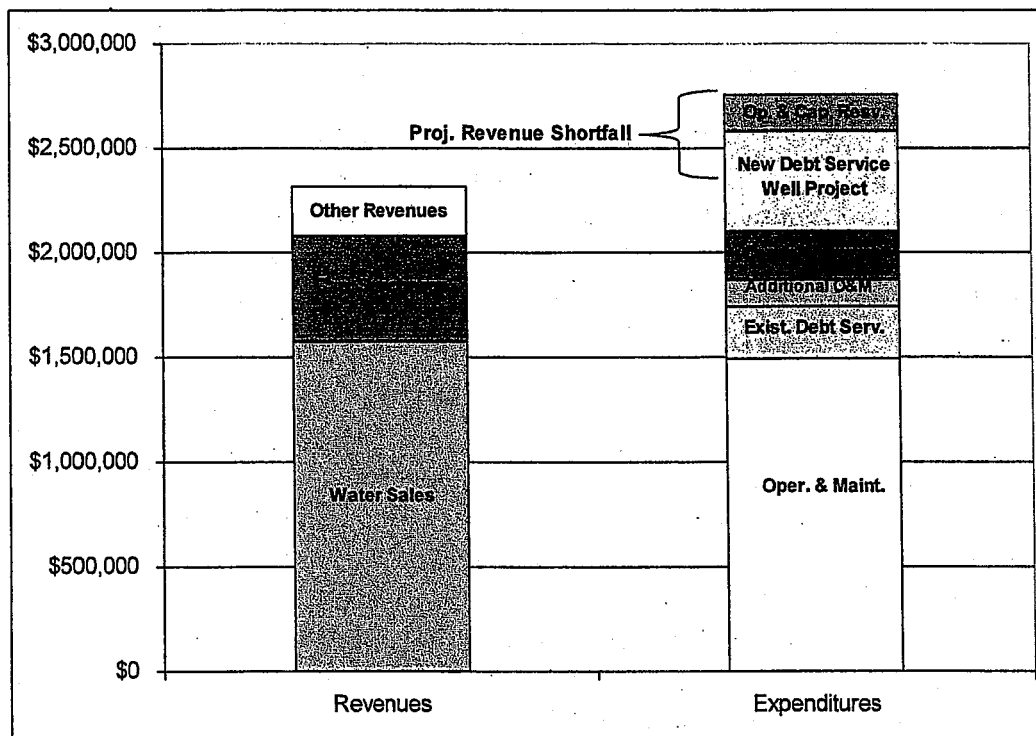


Table 1 shows the calculated water rates for 2010-11 through 2015-16.

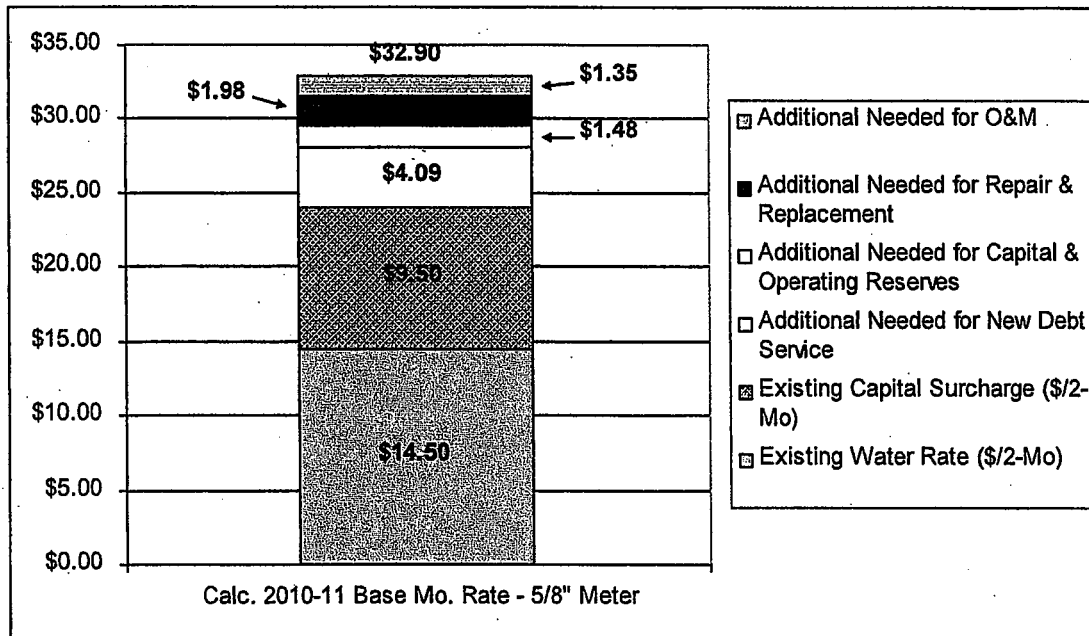
- ❑ **2010-11 Calculated Monthly Water Rate:** The FY 10-11 monthly water rate as calculated reflects the full debt service from the well capital project in addition to budgeted operation and maintenance costs of the District. Other costs related to the project are also included, such as additional O&M costs and the annual capital reserve as required by the CDPH.

Additional costs also include an operating reserve allowance of \$150,000 annually that will allow the District to build up an operating fund balance of approximately 4 months of operating expenses over time. This will allow the District to maintain adequate cash flow in times of unexpected expenses, major repairs, etc. The FY 10-11 expenses also include approximately \$233,000 for annual repair and replacement of facilities (based on FY2007-08 annual depreciation amount).



Figure 2 shows the estimated dollar increments that comprise the calculated FY 10-11 monthly water rate, including the Capital Surcharge.

Figure 2  
FY 10-11 Calculated Monthly Base Water Rate and Cap. Surcharge



- **2011-12 and Future Years Calculated Monthly Rate:** Monthly water rates have also been calculated for Fiscal Years 2011-12 through 2015-16. Projected rate increases for these years largely correspond to annual cost or inflation adjustments. By allowing for cost or inflationary adjustments over the 5 to 6 year time frame, it will allow the District to slowly increase rates over time and avoid large rate adjustments in future years.
- **Basis for Cost Allocation and Rate Calculation:** The focus of the rate study analysis is to allocate the expenses of the District to all customers in a manner that is equitable and reflects the relative estimated impact each customer has on the water system. In doing so, this ensures that the calculated rates are compliant with Proposition 218 requirements. Section 4 of this report discusses the rate methodology in greater detail.

## 1.4 ORGANIZATION OF THE REPORT

This report is divided into five sections. Following this introduction, Section 2 provides an overview of the District's water system and the current customer base. Section 3 details the projected annual revenue requirements in a five-year financial plan, which serves as the basis for

the rate calculations. Section 4 provides the rate analysis and rate calculations for the District. Section 5 includes the findings and recommendations of the analysis.

Appendix A provides the budget detail for 2010-11. Appendix B includes additional supporting documentation.

Table 1  
Summary of Current and Calculated Water Rates

		Base/Fixed Monthly Charge[1]						
		Current Monthly Water Rate	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Accounts						*****Projected [2]*****		
5/8"	3680	\$14.50	\$23.40	\$24.08	\$24.90	\$25.74	\$26.61	\$27.52
3/4"	26	\$17.40	\$28.06	\$28.88	\$29.85	\$30.86	\$31.91	\$33.00
1"	695	\$26.10	\$42.04	\$43.26	\$44.72	\$46.23	\$47.81	\$49.44
1-1/2"	22	\$50.75	\$81.64	\$84.02	\$86.86	\$89.79	\$92.85	\$96.02
2"	22	\$81.20	\$130.56	\$134.37	\$138.90	\$143.60	\$148.48	\$153.55
3"	9	\$152.25	\$244.70	\$251.85	\$260.35	\$269.15	\$278.30	\$287.80
4"	4	\$253.75	\$407.76	\$419.67	\$433.84	\$448.50	\$463.76	\$479.59
Commodity (Flow) Rate per 100 cubic feet [3]								
Tier 1		\$0.43	\$0.54	\$0.56	\$0.58	\$0.60	\$0.62	\$0.64
Tier 2		\$0.54	\$0.68	\$0.70	\$0.73	\$0.75	\$0.78	\$0.80
Tier 3		\$0.68	\$0.86	\$0.88	\$0.91	\$0.94	\$0.98	\$1.01

[1] The rates shown are on a monthly basis, however the District bills on a bi-monthly basis. Rates shown exclude Capital Surcharge, but it is assumed that this surcharge will continue to be collected.

[2] The rates for 2011-12 onward largely reflect inflation adjustments.

[3] The commodity or flow rate is per 100 cubic feet and is for usage over 600 cubic feet (bi-monthly) per the following tiers:

	Tier 1	Tier 2	Tier 3	
5/8"	601-2600	2601-15600	15,601+	cubic feet
3/4" - 1 1/2"	601-5800	5801-44800	44801+	cubic feet
2" - 4"	601-55200	55201-286000	286001+	cubic feet



## Section 2

# Water System and Customer Summary

This section provides a brief description of the District's water system and an overview of the District's customer base and current billing structure.

## 2.1 WATER SYSTEM INFRASTRUCTURE

Existing population projections within the District were obtained from the Sacramento Area Council of Governments (SACOG) 1999 Projections (adopted March 1999). The existing population in the year 2000 was estimated at 16,300 and the year 2010 was estimated at 19,300. The District does not serve all current residents. The population currently served by the District is estimated at 13,386 and includes 4,458 active service connections. The remaining population within the District is served by private individual wells.

The District relies on groundwater from under its service area as its primary source of water supply. The District has installed 11 municipal wells between 1957 and 1993. Many of the wells are over 20 years old. The newest well was constructed in 1993. Three wells (No. 2A, 10, and 12) currently have backup power, one well in each power grid. Nine wells currently have disinfection treatment. The District maintains one emergency service intertie with Sacramento Suburban Water District (SSWD). The district has a single 100,000 gallon above ground storage tank to help maintain pressures for a limited area around the tank. Additionally, the District currently has three permanent backup generators throughout their system for emergencies.

The District has a total of 11 municipal wells that if operable could potentially provide a total sustainable pumping capacity of approximately 7,400 gallons per minute (gpm) (see Table 1). However, since 1993 the District has lost a portion of its total capacity due to problems at three wells. In 1999 the pumping capacity of Well No. 2A was diminished by sanding problems. Then in 2006 Well No. 3 and Well No. 5 were removed from service because of arsenic levels that exceeded the new lower Federal Standard for arsenic in public water systems. In 2007 the District took steps to restore some of its lost pumping capacity by refurbishing Well No. 12, which was determined to be under performing due to deposits build-up along the casing of the well. In consideration of the changes between 1993 and 2007 to the District's distribution system, the current total sustainable pumping capacity is estimated to be 5,800 gpm. The total sustainable pumping capacity is based on SMUD tests performed in 2003 and more recent pump tests performed by the District in 2008.

During the summer of 2007 the District received complaints of low-pressure, especially within the District's service area east of Dry Creek (District Eastside). In response to these complaints the District performed pressure readings during September 2007 and observed readings below 20 pounds per square inch (psi) - the minimum safe pressure mandated by CDPH - at selected locations within the District Eastside. These low-pressure observations triggered CDPH to issue its Order mandating the District resolve these low-pressure problems and ensure its pumping

capacity meets CDPH minimum capacity requirements (Compliance Order 01-09-07-CO-004 issued November 19, 2007).

In response to the compliance order 01-09-07-CO-004 Directive 6 the District submitted a study titled "Evaluation of Source Capacity and Compliance Plan". This plan proposed three new wells in the Rio Linda area to provide additional source capacity to the system. The new wells were to be designated Well No. 14, 15 and 16. Based on water quality testing of Well No. 14 that site was determined to no longer be viable due to the arsenic levels. The District has decided to move forward with three wells to be designated Well No. 15, 16 and 17. The District has been issued an updated compliance order 01-09-09-CO-004 (issued December 28, 2009) which updates the timeline and requirements for the District to come into compliance.

For more information please refer to the California Department of Public Health State Revolving Fund Applicant Engineering Report dated May 2010 prepared by Domenichelli & Associates.

## **2.2 CUSTOMER SUMMARY AND RATE STRUCTURE**

The District's current water rate structure includes a fixed charge and a commodity rate per hundred cubic feet. While the fixed charge is charged to each water meter and varies with meter size, the commodity rate is applied to a customer's water usage. The current District bi-monthly water rates for various meter sizes are shown in Table 2.

A typical single family user has a 5/8 inch meter and pays a base fixed charge of \$14.50 per unit per month. In addition there is a \$9.50/month capital program surcharge that is intended to fund the existing loan and repair and replacement of capital facilities. There is also a flow charge for any water use above 600 cubic feet bi-monthly. There are three tiers and the amount of water in each tier varies by meter size as shown in Table 2.

Customers with greater water demands need larger meters. Larger meters are more expensive to maintain and replace and so are typically charged a higher monthly service charge, as is the case with the District.

There are additional charges for standby fire flow and backflow prevention. These charges are shown in Table 2. This study/analysis does not calculate revised rates for those charges.

Table 2  
Current Water Rates and Charges

Meter Size	Bi-Monthly		Monthly	
	Service Charge	Capital Imp. Surcharge	Service Charge	Capital Imp. Surcharge
Total	Total		Total	Total
5/8"	\$29.00	\$19.00	\$48.00	\$9.50
3/4"	\$34.80	\$19.00	\$53.80	\$9.50
1"	\$52.20	\$19.00	\$71.20	\$9.50
1-1/2"	\$101.50	\$19.00	\$120.50	\$9.50
2"	\$162.40	\$19.00	\$181.40	\$9.50
3"	\$304.50	\$19.00	\$323.50	\$9.50
4"	\$507.50	\$19.00	\$526.50	\$9.50

PLUS Commodity/Flow Charge for any usage over 600 cu.ft. for bi-monthly period

	Tier 1	Tier 2	Tier 3
Rate per 100	\$0.43	\$0.54	\$0.68
5/8"	601-2600	2601-15600	15,601+
3/4" - 1 1/2"	601-5800	5801-44800	44801+
2" - 4"	601-55200	55201-286000	286001+

Additional Charges:

Standby Fire Protection

SVC Code	Bi-Monthly Charge
FP4 = 4"	\$40.00
FP6 = 6"	\$60.00
FP8 = 8"	\$80.00
FP12 = 12"	\$120.00
FP14 = 14"	\$140.00

Backflow Prevention Valve

\$10.00 Bi- Monthly

Table 3 shows the summary of water use for the twelve month period between October 2009 and September 2010. Table 4 shows the number of accounts by the various meter sizes. The majority of customers have a 5/8" meter.

**Table 3**  
**Water Use for Oct. 2009 thru Sep. 2010**

Meter Size	Water Use - Cubic Feet						Total
	Residential	Apartment	Commercial	Landscape	Institutional	Industrial	
5/8"	68,882,648		1,053,300		154,100		<b>70,090,048</b>
3/4"	969,400		58,000	9,600	29,100		<b>1,066,100</b>
1"	20,087,800	637,500	1,345,200	478,900	655,100	43,900	<b>23,248,400</b>
1-1/2"	248,000		119,500	166,000	168,900		<b>702,400</b>
2"	138,000		1,566,000	260,000	1,195,300		<b>3,159,300</b>
3"	182,200	772,600			670,200	302,300	<b>1,927,300</b>
4"					3,405,400		<b>3,405,400</b>
<b>Total</b>	<b>90,508,048</b>	<b>1,410,100</b>	<b>4,142,000</b>	<b>914,500</b>	<b>6,278,100</b>	<b>346,200</b>	<b>103,598,948</b>

**Table 4**  
**Customers/Accounts by Meter Size**

Meter Size	Residential	Apartment	Commercial	Landscape	Institutional	Industrial	Total
5/8"	3,615		60		5		<b>3,680</b>
3/4"	24		1		1		<b>26</b>
1"	625	9	38	7	14	2	<b>695</b>
1-1/2"	13		3	3	3		<b>22</b>
2"	2		11	2	7		<b>22</b>
3"		3	1		3	2	<b>9</b>
4"					4		<b>4</b>
<b>Total</b>	<b>4,279</b>	<b>12</b>	<b>114</b>	<b>12</b>	<b>37</b>	<b>4</b>	<b>4,458</b>

Note:

Customer count as of November 2010.



## Revenue Requirements and Financial Plan

A review of the District's revenue requirements is a key first step in the rate analysis process. The review involves an analysis of current and historical operating revenues and expenses. This section of the report also provides a discussion of projected revenues and expenses.

### 3.1 HISTORICAL REVENUE AND EXPENSES

Table 5 provides a summary of the District's historical and budgeted revenues and expenses. Operating revenues include water sales, installation fees, account service charges and other miscellaneous revenues. Non-operating revenues include capital surcharge revenue, property tax revenue and interest income. On average, the District's revenues have increased by approximately 1.5 percent over the past four years largely as a result of the addition of the capital surcharge revenue.

Operating expenses include operation and maintenance (O&M) costs and depreciation. Non-operating expenses include the debt service on the current loan.

### 3.2 PROJECTED EXPENSES

The projected annual revenue requirements and corresponding rate calculations are directly related to the projected expenses of the District. Table 6 shows the projected expenses for fiscal years 2010-11 through 2015-16. The cost adjustment factors are standardized at 3% for all expenses, excluding the personnel services, which are assumed to increase at 5% per year. In general, cost adjustment factors vary by public agency but do tend to fall in the range of 2.5 to 7.0 percent based on G Aronow Consulting's experience with other utility rate studies.

The projected expenses are broken out into two categories:

- **Existing Expenses:** The existing expenses are based on the FY 10-11 budget. The FY 10-11 budget is summarized in Table 6 and a more detailed budget is included in Appendix A. The existing expenses were budgeted at \$1.75 million.

**Table 5**  
**Comparison of Historical and Budgeted Revenues and Expenses**

	Fiscal Year Ended June 30					% Change 2007-2011
	Actuals [1]		Estimated [2]	Budgeted		
	2007	2008	2009	2010 [3]	2011	
<b>Operating Revenue</b>						
Water Sales	\$1,529,039	\$1,540,790	\$1,558,705	\$1,538,000	\$1,570,000	0.66%
Installation Fees	\$53,214	\$17,010	\$1,785	\$1,300	\$2,500	(53.44%)
Account Service Charges	\$82,128	\$85,954	\$113,507	\$102,500	\$105,500	6.46%
Miscellaneous	\$52,452	\$28,357	\$818	\$1,000	\$5,000	(44.43%)
<b>Total Operating Revenues</b>	<b>\$1,716,833</b>	<b>\$1,672,111</b>	<b>\$1,674,815</b>	<b>\$1,642,800</b>	<b>\$1,683,000</b>	<b>(0.50%)</b>
<b>Non-Operating Revenue</b>						
Capital Program Surcharge					\$469,200	
Interest	\$94,811	\$59,114	\$7,549	\$7,000	\$1,000	(67.95%)
Property Taxes	\$78,360	\$82,376	\$80,447	\$40,000	\$40,000	(15.47%)
Development Fees	\$180,935	\$160,605	\$0	\$0	\$0	(100.00%)
Rental Income [4]	\$46,363	\$48,675	\$49,627	\$48,000	\$48,000	0.87%
Miscellaneous			\$2,274	\$3,000	\$5,000	
<b>Total Non-Operating Revenues</b>	<b>\$400,469</b>	<b>\$350,770</b>	<b>\$137,623</b>	<b>\$95,000</b>	<b>\$558,200</b>	<b>8.66%</b>
<b>Total Revenues</b>	<b>\$2,117,302</b>	<b>\$2,022,881</b>	<b>\$1,814,712</b>	<b>\$1,740,800</b>	<b>\$2,246,200</b>	<b>1.49%</b>
<b>Operating Expenses</b>						
Personnel Services	\$865,735	\$923,311	\$982,034	\$772,806	\$735,900	(3.98%)
Professional Services	\$112,918	\$64,418				
Contractual Services	\$231,787	\$112,855	\$162,986	\$144,236	\$92,100	(20.61%)
Field Operations						
Transmission and Distribution	\$77,869	\$371,803	\$141,284	\$91,375	\$160,000	19.73%
Treatment	\$15,424	\$10,497	\$11,254	\$10,500	\$34,000	21.85%
Pumping	\$182,582	\$208,528	\$170,040	\$183,700	\$235,500	6.57%
Transportation	\$19,133	\$27,990	\$16,613	\$13,500	\$11,000	(12.92%)
Small Tools and Shop Supplies	\$6,128	\$14,414	\$2,965	\$3,000	\$4,300	(8.48%)
Depreciation and Amortization	\$292,858	\$233,483				(100.00%)
Administrative Expenses	\$105,769	\$134,006	\$167,577	\$172,265	\$156,675	10.32%
Fixed Asset Field			\$553	\$30,000	\$60,000	
<b>Total Operating Expenses</b>	<b>\$1,910,203</b>	<b>\$2,101,305</b>	<b>\$1,655,306</b>	<b>\$1,421,382</b>	<b>\$1,489,475</b>	<b>(6.03%)</b>
<b>Non-Operating Expenses</b>						
Debt Service	\$125,041	\$247,000	\$241,538	\$243,763	\$243,763	
Non-Operating Expenses			\$6,851	\$0	\$1,000	
Building & Site Improvements					\$6,400	
Reserve Fund					\$11,462	
<b>Total Non-Operating Expenses</b>	<b>\$125,041</b>	<b>\$247,000</b>	<b>\$248,389</b>	<b>\$243,763</b>	<b>\$262,625</b>	<b>20.38%</b>
<b>Total Expenses</b>	<b>\$2,035,244</b>	<b>\$2,348,305</b>	<b>\$1,903,695</b>	<b>\$1,665,145</b>	<b>\$1,752,100</b>	<b>(3.68%)</b>
<b>Net Revenue/(Loss)</b>	<b>\$82,058</b>	<b>(\$325,424)</b>	<b>(\$88,983)</b>	<b>\$75,655</b>	<b>\$494,100</b>	

[1] Audited

[2] Unaudited, estimated per Karen Bartholomew.

[3] Per Karen Bartholomew.

[4] Net of expenses for FY2006-07 and FY2007-08.

**Table 6**  
**Projected Expenses**

	2010-11 Budget	Cost Adj. Factors		Projected					
		10/11	After 10/11	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Existing Expenses</b>									
<b>Operating Expenses</b>									
Salaries & Benefits	\$589,400	0%	5.0%	\$589,400	\$618,870	\$649,814	\$682,304	\$716,419	\$752,240
Officers Fees & Professional Services	\$146,500	0%	3.0%	\$250,000	\$257,500	\$265,225	\$273,182	\$281,377	\$289,819
Contractual Services Agreements	\$92,100	0%	3.0%	\$92,100	\$94,863	\$97,709	\$100,640	\$103,659	\$106,769
Field Operations	\$526,850	0%	3.0%	\$526,850	\$542,656	\$558,935	\$575,703	\$592,974	\$610,764
Office Operation Expense	\$134,625	0%	3.0%	\$134,625	\$138,664	\$142,824	\$147,108	\$151,522	\$156,067
Subtotal Operating Expenses	\$1,489,475			\$1,592,975	\$1,652,552	\$1,714,506	\$1,778,938	\$1,845,952	\$1,915,659
<b>Non-Operating Expenses</b>									
Non-Operating Expenses	\$1,000	0%	0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Building & Site Improvements	\$6,400	0%	0%	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400
General Reserve	\$11,462					****included in Operating Reserve****			
Existing Debt Service	\$243,763			\$243,763	\$243,763	\$243,763	\$243,763	\$243,763	\$243,763
Subtotal Non-Op Expense	\$262,625			\$251,163	\$251,163	\$251,163	\$251,163	\$251,163	\$251,163
Subtotal Existing Expenses	\$1,752,100			\$1,844,138	\$1,903,715	\$1,965,669	\$2,030,101	\$2,097,115	\$2,166,822
<b>Projected New Expenses</b>									
New Debt Service [2]	\$0	0%	0%	\$482,000	\$482,000	\$482,000	\$482,000	\$482,000	\$482,000
Additional O&M for New Project [1]	\$0			\$55,200	\$55,200	\$57,100	\$58,800	\$60,682	\$62,502
New Project Capital Reserve Fund	\$0	0%	0%	\$24,096	\$24,096	\$24,096	\$24,096	\$24,096	\$24,096
Subtotal				\$561,296	\$561,296	\$563,196	\$564,896	\$566,778	\$568,598
Repair and Replacement/Depreciation [3]	\$0	0%	3%	\$233,483	\$233,483	\$240,487	\$247,702	\$255,133	\$262,787
Operating Reserve	\$0	0%	0%	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Subtotal Projected New Expenses	\$0			\$944,779	\$944,779	\$953,683	\$962,598	\$971,911	\$981,385
Total Expenses	\$1,752,100			\$2,788,917	\$2,848,494	\$2,919,353	\$2,992,699	\$3,069,026	\$3,148,207
Percent Increase				59.2%	2.1%	2.5%	2.5%	2.6%	2.6%

\*proj\_costs\*

[1] From 5-Year Budget Projection (Small Community Water System) prepared by William M. Cardenas 7/9/2010, see Appendix B.

[2] See CDPH Notice of Acceptance of Application (NOAA), included in Appendix B.

[3] The amount of Repair and Replacement shown is based on the Simplified Capital Improvement Plan (CIP) prepared by William M. Cardenas 7/9/10, see Appendix B.

- ❑ **New or Additional Expenses:** The projected expenses also include additional costs anticipated by the District. They are as follows:
- **New Project Debt Service:** This includes the estimated debt service to fund the Well No. 15, 16, and 17 capital improvement project. The project is needed to improve the District's water supply volume so that it will comply with State permit requirements and to improve fire flow reliability. The estimated project cost is \$7.5 million. The CDPH has agreed to finance the project at very favorable terms through the Safe Drinking SRF program. The estimated debt service for this loan, which would be repaid over 20 years, is estimated at \$482,000 annually by CDPH. See Appendix B for the NOAA letter from the CDPH discussing the terms of the loan.
  - **Additional O&M for the Well Project:** The Well Improvement project will create three new wells the District will need to operate and maintain. The estimated annual cost for the new O&M is approximately \$55,200. This estimated cost was taken from the "Five Year Budget Projection" prepared by William M. Cardenas and dated July, 9, 2010 and is included in Appendix B.

- *Additional O&M for Professional Services:* The FY 10-11 budget projection reflects approximately \$103,000 in additional costs. The District's mid-year budget projection reflected \$227,750 in estimated expenses for this category. Therefore, this budget line item was revised upward to \$250,000.
- *New Project Capital Reserve:* The expenses also include the new project capital reserve of \$24,096 as required by the CDPH. The District will need to set this money aside annually for 10 years. This reserve will need to be retained through the 20-year loan period. See the NOAA included in Appendix B.
- *Repair & Replacement/Depreciation:* Funding for repair and replacement of capital facilities is an important part of the overall financial health of the District. Monies set-aside for annual depreciation are intended to be used for capital facility repair and replacement, so they are treated as one and the same for purposes of this analysis. In the "Simplified Capital Improvement Plan" prepared by William M. Cardenas dated July 9, 2010, there was an estimated \$4.4 million in existing capital improvements that will need to be repaired or replaced over time (see Appendix B). Based on the average useful life of the facilities, it was estimated that the District should set aside approximately \$159,024 annually. Note: This was based on the installed cost of the facilities and not the expected cost of the facilities when the District goes to repair or replace these facilities in the future.

The repair and replacement of the new Well Project would add another \$332,000 that should be set aside annually over the next 25 years.

For purposes of this analysis, the assumed repair and replacement expense was set to correspond to estimated depreciation of \$233,483 per the FY 2007-08 Audited Financial Statement. This amount is escalated annually by 3% after Fiscal Year 2011-12.

- *Operating Reserve:* The projected expenses also include a more significant allocation of funds to operating reserve. The operating reserve (which will be reflected by net revenues) will allow the District to generate sufficient debt service coverage (at least 1.2 times) to meet the terms required by CDPH for the loan as well as build-up an operating reserve over time. The operating fund reserve will allow the District to better manage cash flow requirements and provide funding for unexpected expenses, such as unexpected major repair of facilities.

### 3.3 PROJECTED REVENUE REQUIREMENT

Table 7 shows the projected revenue requirement from water sales for the same fiscal years as the projected expenses. The revenue requirement adjusts projected expenses for other non-water

sales related revenues (other revenue sources), such as the Capital Program Surcharge. The annual revenue requirement in FY 2010-11 is approximately \$2.04 million and is projected to increase to \$2.40 million by FY 2015-16.

**Table 7**  
**Revenue Requirement Allocated to Water Sales**

		Costs Allocated to Water Sales (User Charges) for Fiscal Years:					
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenue Requirements</b>							
<b>Existing Expenses</b>							
O&M Expense	A	\$1,592,975	\$1,652,552	\$1,714,506	\$1,778,938	\$1,845,952	\$1,915,659
Non-Operating Expense	B	\$251,163	\$251,163	\$251,163	\$251,163	\$251,163	\$251,163
<b>Projected New Expenses</b>							
New Debt Service		\$482,000	\$482,000	\$482,000	\$482,000	\$482,000	\$482,000
Additional O&M for New Project		\$55,200	\$55,200	\$57,100	\$58,800	\$60,682	\$62,502
Repair and Replacement/Depreciation	C	\$233,483	\$233,483	\$240,487	\$247,702	\$255,133	\$262,787
Operating Reserve	D	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
New Project Capital Reserve Fund	E	\$24,096	\$24,096	\$24,096	\$24,096	\$24,096	\$24,096
<b>Subtotal</b>		<b>\$2,788,917</b>	<b>\$2,848,494</b>	<b>\$2,919,353</b>	<b>\$2,992,699</b>	<b>\$3,069,026</b>	<b>\$3,148,207</b>
<b>Less Revenues Met from Other Sources</b>							
Surcharge Capital Program [1]		(\$508,212)	(\$508,212)	(\$508,212)	(\$508,212)	(\$508,212)	(\$508,212)
Other Water Service Charges		(\$34,000)	(\$34,000)	(\$34,000)	(\$34,000)	(\$34,000)	(\$34,000)
Account Service Charges		(\$105,500)	(\$105,500)	(\$105,500)	(\$105,500)	(\$105,500)	(\$105,500)
Water Service Fees		(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Misc. Revenues		(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
Non-Operating Revenues		(\$94,000)	(\$94,000)	(\$94,000)	(\$94,000)	(\$94,000)	(\$94,000)
<b>Subtotal</b>	F	<b>(\$749,212)</b>	<b>(\$749,212)</b>	<b>(\$749,212)</b>	<b>(\$749,212)</b>	<b>(\$749,212)</b>	<b>(\$749,212)</b>
<b>Rev. Req. Allocated to Water Sales</b>	<b>G=A+B+C+D+E+F</b>	<b>\$2,039,705</b>	<b>\$2,099,282</b>	<b>\$2,170,141</b>	<b>\$2,243,487</b>	<b>\$2,319,814</b>	<b>\$2,398,995</b>
<b>Percent Increase</b>			<b>2.9%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.4%</b>

[1] Assumes \$19 times 4,458 accounts, times 6 billing periods.

### 3.4 FIVE-YEAR FINANCIAL PLAN

Table 8 shows the five-year financial plan assuming a rate increase in 2010-11. It is assumed that if revised rates are adopted for 2010-11 they most likely would not go into effect before March 2011. Therefore, the net revenues are projected to be negative in 2010-11 as shown in Table 8, since there won't be a full year of revenue collection of the revised rates. By FY 2011-12 net revenues are projected to be positive.

The existing revenue from water sales (per the FY2010-11 budget) is shown and then the additional revenue required (based on Table 7) that is needed for each subsequent fiscal year. Or, in other words, for fiscal years 2011-12 through 2015-16 the Total Revenues from Rates corresponds to the Revenue Requirement Allocated to Water Sales in Table 7.

Annual net revenues for FY 2011-12 through 2015-16 are projected at \$150,000. These funds will allow the District to build-up an operating fund balance over time. The operating fund balance projected in FY 2015-16 is \$619,151, representing approximately 3.9 months of operating expenses.

**Table 8**  
**Operating Financial Plan**

	Budgeted 2010-11	Inflation Assump.		Projected					
		10/11	After 11/12	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenues</b>									
Current Water Sales	\$1,536,000			\$1,536,000	\$1,536,000	\$1,536,000	\$1,536,000	\$1,536,000	\$1,536,000
Additional Revenue Required:									
Year	Effective Months								
2010-11	4			\$167,902	\$503,705	\$503,705	\$503,705	\$503,705	\$503,705
2011-12	12				\$59,577	\$59,577	\$59,577	\$59,577	\$59,577
2012-13	12					\$70,858	\$70,858	\$70,858	\$70,858
2013-14	12						\$73,346	\$73,346	\$73,346
2014-15	12							\$76,327	\$76,327
2015-16	12								\$79,181
Total Revenues from Rates				\$1,703,902	\$2,099,282	\$2,170,141	\$2,243,487	\$2,319,814	\$2,398,995
Other Revenues									
Backflow Charge	\$26,000			\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000
Fire Protection/Hydrant Meter	\$8,000			\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Account Service Charges	\$105,500			\$105,500	\$105,500	\$105,500	\$105,500	\$105,500	\$105,500
Other Water Service Fees	\$2,500			\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Misc Revenues	\$5,000			\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Non-Operating Revenues	\$94,000			\$94,000	\$94,000	\$94,000	\$94,000	\$94,000	\$94,000
Subtotal Other Revenues	\$241,000			\$241,000	\$241,000	\$241,000	\$241,000	\$241,000	\$241,000
Subtotal Revenues before Surcharge	\$1,777,000			\$1,944,902	\$2,340,282	\$2,411,141	\$2,484,487	\$2,560,814	\$2,639,995
Surcharge Capital Program	\$469,200			\$508,212	\$508,212	\$508,212	\$508,212	\$508,212	\$508,212
Total Revenues	\$2,246,200			\$2,453,114	\$2,848,494	\$2,919,353	\$2,992,699	\$3,069,026	\$3,148,207
<b>Existing Expenses</b>									
<b>Operating Expenses</b>									
Salaries & Benefits	\$589,400	0%	5.0%	\$589,400	\$618,870	\$649,814	\$682,304	\$716,419	\$752,240
Officers Fees & Professional Services	\$146,500	0%	3.0%	\$250,000	\$257,500	\$265,225	\$273,182	\$281,377	\$289,819
Contractual Services Agreements	\$92,100	0%	3.0%	\$92,100	\$94,863	\$97,709	\$100,640	\$103,659	\$106,769
Field Operations	\$526,850	0%	3.0%	\$526,850	\$542,656	\$558,935	\$575,703	\$592,974	\$610,764
Office Operation Expense	\$134,625	0%	3.0%	\$134,625	\$138,664	\$142,824	\$147,108	\$151,522	\$156,067
Subtotal Operating Expenses	\$1,489,475			\$1,592,975	\$1,652,552	\$1,714,506	\$1,778,938	\$1,845,952	\$1,915,659
<b>Non-Operating Expenses</b>									
Non-Operating Expenses	\$1,000	0%	0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Building & Site Improvements	\$6,400	0%	0%	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400
General Reserve	\$11,462					****included in net revenue****			
Existing Debt Service	\$243,763	0%	0%	\$243,763	\$243,763	\$243,763	\$243,763	\$243,763	\$243,763
Subtotal Non-Op Expense	\$262,625			\$251,163	\$251,163	\$251,163	\$251,163	\$251,163	\$251,163
Subtotal Existing Expenses	\$1,752,100			\$1,844,138	\$1,903,715	\$1,965,669	\$2,030,101	\$2,097,115	\$2,166,822
<b>Projected New Expenses</b>									
New Debt Service [1]	\$0			\$482,000	\$482,000	\$482,000	\$482,000	\$482,000	\$482,000
Additional O&M for New Project	\$0			\$55,200	\$55,200	\$57,100	\$58,800	\$60,682	\$62,502
New Project Capital Reserve [1]				\$24,096	\$24,096	\$24,096	\$24,096	\$24,096	\$24,096
Capital Repair and Replacement/Depreciation [2]	\$0	0%	3%	\$233,483	\$233,483	\$240,487	\$247,702	\$255,133	\$262,787
Subtotal New Expenses				\$794,779	\$794,779	\$803,683	\$812,598	\$821,911	\$831,385
Total Expenses	\$1,752,100			\$2,638,917	\$2,698,494	\$2,769,353	\$2,842,699	\$2,919,026	\$2,998,207
Net Revenues	\$494,100			(\$185,803)	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Net Rev. Before D/S and Depreciation	\$494,100			\$797,539	\$1,133,342	\$1,140,346	\$1,147,561	\$1,154,992	\$1,162,646
Debt Service Coverage				1.10	1.56	1.57	1.58	1.59	1.60
<b>Operating Fund</b>									
Beginning Balance [3]	\$54,954			\$54,954	(\$130,849)	\$19,151	\$169,151	\$319,151	\$469,151
Net Revenues	\$494,100			(\$185,803)	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Ending Balance	\$549,054			(\$130,849)	\$19,151	\$169,151	\$319,151	\$469,151	\$619,151
Target Ending Balance [4]	\$496,492			\$796,488	\$826,276	\$857,253	\$889,469	\$922,976	\$957,829

[1] Per the November 20, 2010 NOAA letter from the Ca. Department of Public Health, see Appendix B.

[2] Amount shown reflects FY2007-08 depreciation.

[3] Beginning balance for 2010-11 (June 30, 2010) is per Karen Bartholomew and is un-audited.

[4] Target ending balance represents 6 months of operating expenses.

### 3.5 FIVE-YEAR CIP CASH FLOW PROJECTION

Table 9 shows the cash flow projection for the capital improvement fund. This cash flow projection shows a transfer in of the annual Repair and Replacement/Depreciation expense included in the projected expenses and as shown in Table 8 above. Expenses include the estimated annual repair and replacement charges as estimated in the "Simplified Capital Improvement Plan" included in Appendix B. In actuality these expenses will most likely vary on a year by year basis. After accounting for these expenses, it is estimated that the CIP fund would have approximately \$480,700 as an ending balance in FY 2015-16. The actual ending balance will ultimately depend on the actual capital expenses incurred each fiscal year.

Table 9  
CIP Cash Flow Projection

	Projected					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Beginning Balance [1]</b>	<b>\$33,946</b>	<b>\$108,406</b>	<b>\$182,866</b>	<b>\$257,326</b>	<b>\$331,786</b>	<b>\$406,246</b>
<b><u>Revenues</u></b>						
Transfer In - Rep. & Rep./Depreciation	\$233,483	\$233,483	\$233,483	\$233,483	\$233,483	\$233,483
<b>Subtotal Revenues</b>	<b>\$233,483</b>	<b>\$233,483</b>	<b>\$233,483</b>	<b>\$233,483</b>	<b>\$233,483</b>	<b>\$233,483</b>
<b><u>Expenses</u></b>						
Estimated Annual Repair & Replacement [2]	\$159,023	\$159,023	\$159,023	\$159,023	\$159,023	\$159,023
Other	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Expenses</b>	<b>\$159,023</b>	<b>\$159,023</b>	<b>\$159,023</b>	<b>\$159,023</b>	<b>\$159,023</b>	<b>\$159,023</b>
<b>Ending Balance</b>	<b>\$108,406</b>	<b>\$182,866</b>	<b>\$257,326</b>	<b>\$331,786</b>	<b>\$406,246</b>	<b>\$480,706</b>

[1] Beginning balance for 2010-11 (June 30, 2010) is per Karen Bartholomew and is un-audited.

[2] See "Simplified Capital Improvement Plan (CIP)" dated 7/1/2010 and included in Appendix B.





## Water Rate Analysis

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This section of the report describes the development of water rate calculations for the District. The District's user classifications as described in Section 2 of this report and the revenue requirements reviewed and finalized through the operating cash flow analysis discussed in Section 3 of the report provide the basis for performing the cost of service analysis and rate calculations.

### 4.1 COST OF SERVICE ANALYSIS

Cost allocation is the method by which the annual water rate revenue requirement is recovered from each customer class based on the cost of providing water service. The total revenue requirements, net of revenue credits from other sources, shown in Table 7, is by definition the cost of providing service. These costs must then be allocated to each customer class.

G Aronow Consulting has allocated costs (the revenue requirement to be recovered through water rates) into three cost categories as follows:

- **Customer Costs (fixed).** These costs generally include meter reading, billing, and customer service and are considered fixed costs that tend to vary with number of customers served. Customer costs are allocated to customers based on the number of accounts.
- **Capacity Costs (fixed).** Capacity costs are also considered fixed costs, but rather than vary based on the number of customers, tend to vary based on the capacity of the water system. Customers that place greater demand on the water system should pay a proportionally higher cost of service. In general, the demand that each customer could potentially place on the water system is reflected by the size and hydraulic capacity of the water meter. Capacity costs include costs associated with the water system's capacity including fixed water system O&M and repair and replacement. These costs are allocated to customers based on the number of equivalent meters, determined by the relative hydraulic capacity of the meter size relative to a 5/8" meter. For this analysis, the District's existing billing rate structure, with some assumptions, was used as the basis for determining the equivalent meter capacity factors as shown in Table 10.
- **Commodity Costs (variable).** Commodity costs are costs that are assumed to vary with the amount of actual water consumption. Based on the District's cost categories it would appear that the pumping and treatment costs would fall into the Commodity cost group. However, not all costs in the treatment category are likely variable and for purposes of this analysis, these cost categories were split between the Capacity and Commodity group by 60 percent and 40 percent, respectively. This means that it is assumed that approximately 40 percent of the costs are variable in these cost categories.

In addition a portion of the Salaries and Benefits cost was also allocated to the Commodity Group for purposes of this analysis.

Table 10  
**Equivalent Meter Capacity Factors**

Meter Size	Existing Mo. Base Rate	Assumed Allocation to [1]:		Equivalent Cap. Meter Ratio
		Customer	Capacity	
5/8"	\$14.50	\$8.56	\$5.95	1.00
3/4"	\$17.40	\$8.56	\$8.85	1.49
1"	\$26.10	\$8.56	\$17.55	2.95
1-1/2"	\$50.75	\$8.56	\$42.20	7.10
2"	\$81.20	\$8.56	\$72.65	12.22
3"	\$152.25	\$8.56	\$143.70	24.17
4"	\$253.75	\$8.56	\$245.20	41.24

[1] Assumes the following:                      59% Customer  
   41% Capacity

Appendix A shows how each line item of the District's FY 2010-11 budget was allocated to each of these three categories. Overall it is estimated that the fixed charges (customer and capacity) equating to approximately 73 percent of costs and the variable (commodity) charges equate to approximately 27 percent of costs.

Table 11 shows the revenue requirement and the allocation of costs to each of the cost categories.

Table 11  
**Cost Allocation Categories**

		Costs Allocated to Water Sales (User Charges) for Fiscal Years:					
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Requirement Allocated to Water Sales	A (From Table 7)	\$2,039,705	\$2,099,282	\$2,170,141	\$2,243,487	\$2,319,814	\$2,398,995
Allocation of Costs to:							
Customer	36% [1]	\$740,825	\$762,463	\$788,199	\$814,839	\$842,561	\$871,319
Capacity	37% [1]	\$753,826	\$775,844	\$802,032	\$829,139	\$857,347	\$886,611
Commodity	27% [1]	\$545,054	\$560,975	\$579,910	\$599,509	\$619,906	\$641,065

Notes:

[1] See Appendix A.

Once the overall annual revenue requirement is allocated to the three cost categories, the water rates can be calculated. Table 12 shows each of the Customer, Capacity and Commodity components of the revenue requirement and the corresponding rate calculation.

The Customer cost is divided by the total number of accounts to determine the monthly user rates for the Customer category. The rate is therefore uniform across the meter categories, reflecting the equal distribution among customer accounts for these services.

**Table 12**  
**Calculation of Customer, Capacity, and Commodity Charges**

				2010-11		2011-12	
Number of Accts/Meters		Number of Equiv. Mtrs	Capacity Factor [2]	Customer	Capacity	Customer	Capacity
Customer and Capacity Cost Allocation (Fixed) [1]							
5/8"	3,680	3,680.00	1.00	\$740,825	\$753,826	\$762,463	\$775,844
3/4"	26	38.68	1.49	\$13.85	\$9.55	\$14.25	\$9.83
1"	695	2,051.10	2.95	\$13.85	\$28.19	\$14.25	\$14.62
1-1/2"	22	156.15	7.10	\$13.85	\$67.79	\$14.25	\$29.01
2"	22	268.83	12.22	\$13.85	\$116.71	\$14.25	\$69.77
3"	9	217.54	24.17	\$13.85	\$230.85	\$14.25	\$120.12
4"	4	164.98	41.24	\$13.85	\$393.92	\$14.25	\$237.60
Total	4,458	6,577.27					\$405.42
				Commodity		Commodity	
Commodity Cost Allocation (Variable) [1]				\$545,054		\$560,975	
Total Annual Use		103,598,948	cubic feet				
Est. Flow over Base Allocation [3]		87,834,200	cubic feet				
Weighted Flow [4]		100,338,198	cubic feet				
Ratio				\$0.54	per hcf	\$0.56	per hcf
Tier 1		1.00		\$0.68	per hcf	\$0.70	per hcf
Tier 2		1.26		\$0.86	per hcf	\$0.88	per hcf
Tier 3		1.58					

**Notes:**

- [1] See Table 11.  
 [2] Based on standard flow rates per meter size.  
 [3] Based on water meter data provided by the District. See Table 13.  
 [4] See Table 14.

**Table 11**  
**Calculation of Customer, Capacity, and Commodity Charges (continued)**

	2012-13			2013-14			2014-15			2015-16		
	Customer	Capacity	Total	Customer	Capacity	Total	Customer	Capacity	Total	Customer	Capacity	Total
5/8"	\$788,199	\$802,032		\$814,839	\$829,139		\$842,561	\$857,347		\$871,319	\$886,611	
3/4"	\$14.73	\$10.16	\$24.90	\$15.23	\$10.51	\$25.74	\$15.75	\$10.86	\$26.61	\$16.29	\$11.23	\$27.52
1"	\$14.73	\$15.12	\$29.85	\$15.23	\$15.63	\$30.86	\$15.75	\$16.16	\$31.91	\$16.29	\$16.71	\$33.00
1-1/2"	\$14.73	\$29.99	\$44.72	\$15.23	\$31.00	\$46.23	\$15.75	\$32.06	\$47.81	\$16.29	\$33.15	\$49.44
2"	\$14.73	\$72.12	\$86.86	\$15.23	\$74.56	\$89.79	\$15.75	\$77.10	\$92.85	\$16.29	\$79.73	\$96.02
3"	\$14.73	\$124.17	\$138.90	\$15.23	\$128.37	\$143.60	\$15.75	\$132.73	\$148.48	\$16.29	\$137.27	\$153.55
4"	\$14.73	\$245.61	\$260.35	\$15.23	\$253.92	\$269.15	\$15.75	\$262.55	\$278.30	\$16.29	\$271.52	\$287.80
Total	\$14.73	\$419.11	\$433.84	\$15.23	\$433.27	\$448.50	\$15.75	\$448.01	\$463.76	\$16.29	\$463.30	\$479.59
Commodity			Commodity			Commodity			Commodity			
\$579,910			\$599,509			\$619,906			\$641,065			
	\$0.58	per hcf		\$0.60	per hcf		\$0.62	per hcf		\$0.64	per hcf	
	\$0.73	per hcf		\$0.75	per hcf		\$0.78	per hcf		\$0.80	per hcf	
	\$0.91	per hcf		\$0.94	per hcf		\$0.98	per hcf		\$1.01	per hcf	

The Capacity charges are determined by computing the rate for one equivalent dwelling unit (EDU), which in this case is assumed to be a 5/8" meter. The Capacity cost is divided by the total number of equivalent meters. For FY 2010-11, the Capacity rate per EDU is \$9.55. This Capacity charge is then multiplied by the Capacity Factor for each meter size.

The Commodity charges are computed on a per hundred cubic foot basis and reflect the flow charges based on use for each billing period. The Commodity charge is determined by dividing the allocated cost by the weighted value of the estimated water sold above the base usage. Table 13 shows the total water usage, the billed water usage, and the distribution of the billed water usage by tiers. Table 14 shows the calculation of the weighted value of the estimated water sold above the base usage. To determine the commodity charge for the Tier 1 group, the allocated cost is divided by the weighted billed water use. The Tier 2 and Tier 3 groups are determined by multiplying the Tier 1 charge by the Tier ratio, which is based on the existing billing structure.

**Table 13**  
**Total and Billed Water Use, Including Tiers – Oct. 2009-Sep. 2010**

	Total Usage	Total Usage Billed	Base Usage	Tier 1	Tier 2	Tier 3
11/20/2009	16,127,111	13,769,200	2,357,911	8,358,800	5,328,100	82,300
1/20/2010	8,523,919	6,059,700	2,464,219	4,723,900	1,335,800	-
3/20/2010	8,454,500	5,175,200	3,279,300	3,858,700	1,300,200	16,300
5/20/2010	9,993,300	7,490,900	2,502,400	4,511,200	1,849,300	-
7/20/2010	27,722,700	25,116,700	2,606,000	10,753,600	13,694,100	669,000
9/20/2010	32,837,800	30,222,500	2,615,300	11,088,100	17,622,900	1,511,500
<b>Total</b>	<b>103,659,330</b>	<b>87,834,200</b>	<b>15,825,130</b>	<b>43,294,300</b>	<b>41,130,400</b>	<b>2,279,100</b>
<b>Percent of Total Usage</b>		<b>85%</b>	<b>15%</b>			
<b>Percent of Total Tiered Usage</b>				<b>49%</b>	<b>47%</b>	<b>3%</b>

Source: RLECWD

**Table 14**  
**Calculated Weighted Billed Water Use**

	Distribution	Ratio [1]	Weighting Factor	Weighted Billed Water Use
	See Table 11			cubic feet
Est. Flow over Base Allocation				87,834,200
Tier 1	49%	1.00	0.493	43,294,300
Tier 2	47%	1.26	0.588	51,652,130
Tier 3	4%	1.58	0.061	5,391,767
<b>Total</b>	<b>100%</b>			<b>100,338,198</b>

[1] Based on existing tiered billing rate structure.

The Customer and Capacity charge combined comprise the fixed base charge per month. The Commodity charge represents the flow charge per hundred cubic feet above the base allocations for the bi-monthly billing period.

## Section 5

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# Findings and Recommendations

Through this rate analysis it was determined that current water rates are insufficient to fund the on-going expenses and the additional debt service that will be required to pay for the Well No. 15, 16, 17 capital project. The well project is necessary to address state mandates to improve the water quality of the District and to provide for adequate fire flows.

In addition, the District will greatly benefit from additional operating reserves and monies to be set aside for repair and replacement of capital facilities.

Therefore, it is recommended that the District increase water rate user charges to provide adequate revenues in the future. The recommended rates are shown in Table 1-1 and are projected through fiscal year 2015-16.





Appendix A

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**2010-11 Budget Data and Customer, Capacity, and  
Commodity Allocations**



**Appendix A**  
**2010-11 Adopted Budget Detail and Cost Allocation**

	Adopted Budget 2010-11	Cost Allocation		
		Fixed		Variable
		Customer	Capacity	Commodity
<b>Revenues</b>				
Surcharge Capital Program	\$469,200.00			
Operating Revenues				
Water Service Rates				
Basic Service Charge	\$946,000.00			
Usage Charge	\$590,000.00			
Backflow Charge	\$26,000.00			
Fire Protection/Hydrant Meter	\$8,000.00			
Bad Debt/Recovery	\$0.00			
<b>Total Water Service Rates</b>	<b>\$1,570,000.00</b>			
Account Service Charges				
Service App/New Location Fee	\$20,000.00			
Late Payment Fee	\$30,000.00			
Disconnect Tag Fee/NSF Fees	\$42,000.00			
Termination/Reconnection	\$10,000.00			
Other Account Service Charges	\$3,500.00			
<b>Total Account Service Charges</b>	<b>\$105,500.00</b>			
Other Water Service Charges				
Service Install/Modification	\$0.00			
Plan Check/Inspections/Fire Flow	\$1,500.00			
Field Serv/Sys Damage/T&M/RMR	\$1,000.00			
<b>Total Other Water Service Fees</b>	<b>\$2,500.00</b>			
Misc. Revenue	\$5,000.00			
Non-Operating Revenues				
Tower Leases	\$48,000.00			
Earnings on Monies	\$1,000.00			
Property Tax Revenue	\$40,000.00			
Capacity Fees	\$0.00			
Miscellaneous Non-Operating	\$5,000.00			
<b>Total Non-Operating Revenues</b>	<b>\$94,000.00</b>			
<b>Grand Total Income</b>	<b>\$2,246,200.00</b>			
<b>Expenses</b>				
Total Officers Fees	\$146,500.00	\$146,500.00		
Salaries and Benefits	\$589,400.00	\$235,760.00	\$235,760.00	\$117,880.00
Contractual Services/Agreements				
Contractual Services/Agreements	\$15,000.00	\$7,500.00	\$7,500.00	
Memberships	\$34,800.00	\$17,400.00	\$17,400.00	
Governmental Fees/Liens	\$4,000.00	\$2,000.00	\$2,000.00	
Insurance	\$28,500.00	\$14,750.00	\$14,750.00	
Conservation	\$8,800.00	\$4,400.00	\$4,400.00	
<b>Subtotal Contractual Serv/Agreement</b>	<b>\$92,100.00</b>	<b>\$46,050.00</b>	<b>\$46,050.00</b>	<b>\$0.00</b>
Field Operations				
Transportation	\$11,000.00		\$6,600.00	\$4,400.00
Transmission & Distribution	\$160,000.00		\$96,000.00	\$64,000.00
Treatment/Chemicals & Supplies	\$15,000.00		\$9,000.00	\$6,000.00
Laboratory Services	\$19,000.00		\$11,400.00	\$7,600.00
Permits & Certification & Inspection	\$20,000.00		\$12,000.00	\$8,000.00
Field Communications	\$2,050.00		\$1,230.00	\$820.00
Pumping	\$235,500.00			\$235,500.00
Other	\$4,300.00		\$4,300.00	
Fixed Asset Field	\$60,000.00		\$36,000.00	\$24,000.00
<b>Subtotal Field Operations</b>	<b>\$526,850.00</b>	<b>\$0.00</b>	<b>\$176,530.00</b>	<b>\$350,320.00</b>
Office Operation Expense	\$134,625.00	\$67,312.50	\$67,312.50	
Non-Operating Expenses				
Non-Operating Expenses	\$1,000.00	\$1,000.00		
Debt Service	\$243,763.00	\$121,881.50	\$121,881.50	
Building & Site Improvements	\$6,400.00	\$6,400.00		
Reserve Fund	\$11,462.00	\$11,462.00		
<b>Total Expenses</b>	<b>\$1,752,100.00</b>	<b>\$636,366.00</b>	<b>\$647,534.00</b>	<b>\$468,200.00</b>
<b>Percent Distribution of Expenses</b>		<b>36%</b>	<b>37%</b>	<b>27%</b>
<b>Net Income</b>	<b>\$494,100.00</b>			
<b>Reimbursement from State Loan</b>	<b>\$420,000.00</b>			



**Rio Linda/Elverta Community Water District  
Mid Year Estimated Budget  
2010-2011 Fiscal Year**

**Revenue/Expense Report**

	Adopted Budget 2010-2011	Mid-Year Forecast 2010-2011
<b>SURCHARGE CAPITAL PROGRAM</b>	<u>489,200</u>	<u>662,400</u>
<b>OPERATING REVENUES</b>		
<b>Water Service Rates</b>		
Basic Service Charge	946,000	986,000
Usage Charge	590,000	590,000
Backflow Charge	26,000	26,000
Fire Protection/Hydrant Meter	8,000	8,000
Bad Debt Recovery/Write offs	0	0
<b>Total Water Service Rates</b>	<u>1,570,000</u>	<u>1,610,000</u>
<b>Account Service Charges</b>		
Service App/New Location Fee	20,000	20,000
Late Payment Fee	30,000	30,000
Disconnect Tag Fee/NSF Fees	42,000	42,000
Termination/Reconnection	10,000	10,000
Other Account Service Charges	3,500	3,500
<b>Total Account Service Charges</b>	<u>105,500</u>	<u>105,500</u>
<b>Other Water Service Fees</b>		
* Service Install/Modification	0	0
Plan Check/Inspections/FireFlow	1,500	1,500
Field Serv/Sys Damage/T&M/RMR	1,000	1,000
<b>Total Other Water Service Fees</b>	<u>2,500</u>	<u>2,500</u>
<b>Grant</b>	0	0
<b>Miscellaneous Revenue</b>	5,000	5,000
<b>Total OPERATING REVENUES</b>	<u>2,152,200</u>	<u>2,385,400</u>
<b>NON-OPERATING REVENUES</b>		
Tower Leases	48,000	48,000
Earnings on Monies	1,000	1,000
Property Tax Revenue	40,000	40,000
* Capacity Fees	0	0
Miscellaneous Non-Operating	5,000	5,000
<b>Total NON-OPERATING REVENUES</b>	<u>94,000</u>	<u>94,000</u>
<b>Reimbursement From State Loan</b>		<u>420,000</u>
<b>GRAND TOTAL INCOME</b>	<u>2,246,200</u>	<u>2,479,400</u>



**Rio Linda/Elverta Community Water District  
Mid Year Estimated Budget  
2010-2011 Fiscal Year**

	Adopted Budget 2010-2011	Mid-Year Forecast 2010-2011
<b>General Counsel Fees</b>	60,000	150,000
<b>Special Counsel-Labor Attorney</b>	50,000	25,000
<b>Auditor's Fee</b>	17,500	33,750
<b>Board Meeting Fees</b>	18,000	18,000
<b>Board Training Expense</b>	1,000	1,000
<b>Total Officers Fees</b>	<u>146,500</u>	<u>227,750</u>

**WAGES & BENEFITS**

**Salary**

<b>Interim General Managers Contract</b>	76,800	87,510
<b>Interim Asst General Managers Contract</b>	54,600	54,600
<b>Regular Pay</b>	250,000	250,000
<b>Extra-Help Contract</b>	5,000	5,000
<b>Standby Pay</b>	14,000	14,000
<b>Overtime Pay</b>	10,000	10,000
<b>Total Salary</b>	<u>410,400</u>	<u>421,110</u>

**Benefits & Expenses**

<b>Workers Comp Premium (Quarterly)</b>	18,000	18,000
<b>FICA/Medicare</b>	28,500	29,500
<b>PERS Retirement-Payments were Pending</b>	35,000	35,000
<b>Group Insurance</b>	58,200	58,200
<b>Retirees Insurance</b>	23,000	23,000
<b>Uniforms</b>	4,000	4,000
<b>Training</b>	2,000	2,000
<b>Meetings &amp; Conferences</b>	300	300
<b>Unemployment Insurance</b>	9,000	9,000
<b>Total Benefits &amp; Expenses</b>	<u>179,000</u>	<u>179,000</u>

**Total Wages & Benefits & Expenses**

<u>735,900</u>	<u>827,860</u>
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**Rio Linda/Elverta Community Water District  
Mid Year Estimated Budget  
2010-2011 Fiscal Year**

	Adopted Budget 2010-2011	Mid-Year Forecast 2010-2011
<b>Contractual Services/Agreements</b>		
Special Projects-Task Orders	5,000	5,000
Settlements-Dillon/Others-Legal	0	0
Engineering Services-Special	0	0
Elections (Paid Once)	10,000	10,000
<b>Total Contractual Services/Agreements</b>	<b>15,000</b>	<b>15,000</b>
<b>Memberships : (Most Paid Once a Year)</b>		
Sacramento Ground Water Authority	21,000	21,000
Regional Water Authority	5,000	5,000
Association of California Water Agency	6,000	6,000
Rio Linda Chamber of Commerce	0	0
AWWA	0	0
California Special District Association	2,300	2,300
Membership-Other	500	500
<b>Total Memberships</b>	<b>34,800</b>	<b>34,800</b>
<b>Governmental Fees/Lien Fees</b>	<b>4,000</b>	<b>4,000</b>
<b>Total Governmental / Lien Fees</b>	<b>4,000</b>	<b>4,000</b>
<b>Insurance:</b>		
Liability/Vehicle Policy (Paid Once a Yr)	26,000	26,000
Property Policy (Paid Once a Yr)	3,500	3,500
<b>Total Insurance</b>	<b>29,500</b>	<b>29,500</b>
<b>Conservation:</b>		
Toilet Replacement Program-Replacement Cl	1,000	1,000
Regional Conservation Program	3,500	3,500
Washing Machine Rebates	300	300
Education Supplies	3,000	3,000
Contract Services	500	500
Community Outreach	500	500
<b>Total Conservation</b>	<b>8,800</b>	<b>8,800</b>
<b>Total Contractual Services/Agreements</b>	<b>92,100</b>	<b>92,100</b>



**Rio Linda/Elverta Community Water District  
Mid Year Estimated Budget  
2010-2011 Fiscal Year**

	Adopted Budget 2010-2011	Mid-Year Forecast 2010-2011
<b>Field Operation Expenses</b>		
<b>Transportation:</b>		
Fuel	7,000	7,000
Maintenance	4,000	4,000
Vehicle Allowance	0	0
<b>Total Transportation</b>	<u>11,000</u>	<u>11,000</u>
<b>Transmission &amp; Distribution:</b>		
Water Purchase-Summer Shortage (4 mo)	3,000	3,000
Service Connections	5,000	5,000
Mains/Hydrants/USA	2,500	2,500
Tanks	1,000	1,000
Hydrant Meters	500	500
Emergency Repairs & Maintenance	88,000	88,000
Contract Repairs	60,000	60,000
<b>Total Transmission &amp; Distribution</b>	<u>160,000</u>	<u>160,000</u>
<b>Treatment:</b>		
Chemicals & Supplies	15,000	15,000
<b>Total Treatment</b>	<u>15,000</u>	<u>15,000</u>
<b>Laboratory Services:</b>		
Coliform Tests	3,000	3,000
Physical/Chemical Tests	16,000	16,000
<b>Total Laboratory</b>	<u>19,000</u>	<u>19,000</u>
<b>Permits &amp; Certifications &amp; Inspections</b>	<u>20,000</u>	<u>20,000</u>
<b>Total Permits &amp; Certification &amp; Inspections</b>	20,000	20,000
<b>Field Communications:</b>		
Cellular Phones	2,000	2,000
Pagers	50	50
<b>Total Field Communications</b>	<u>2,050</u>	<u>2,050</u>
<b>Pumping:</b>		
Pumps	15,000	15,000
Electricity (Summer Heavier Use)	215,000	215,000
Gas/Diesel for Well Sites	1,000	1,000
Telemetry Lines	4,500	4,500
<b>Total Pumping</b>	<u>235,500</u>	<u>235,500</u>
<b>Construction Equipment Maint.</b>	1,000	1,000
<b>Small Tools &amp; Shop Supplies</b>	1,000	1,000
<b>Safety Equipment</b>	2,000	2,000
<b>Cross-Connection Testing</b>	300	300
<b>Total Other</b>	<u>4,300</u>	<u>4,300</u>
<b>Fixed Assets Field:</b>		
Utility Truck	0	0
Radio Read Meters (Budgeted as Spent)	60,000	60,000
<b>Total Fixed Assets Field</b>	<u>60,000</u>	<u>60,000</u>
<b>Total Field Operation Expenses</b>	<u>526,850</u>	<u>526,850</u>



**Rio Linda/Elverta Community Water District  
Mid Year Estimated Budget  
2010-2011 Fiscal Year**

	Adopted Budget 2010-2011	Mid-Year Forecast 2010-2011
<b>Office Operation Expenses</b>		
<b>Subscriptions/Licensing/Regular Telephone:</b>		
Computer Supplies-Software	8,500	8,500
ISP/Web-site/IT Maintenance	2,500	2,500
Metroscan	1,625	1,625
Miscellaneous	200	200
Regular Phones Service	6,000	6,000
<b>Total Subscriptions/Licensing/Phones</b>	<u>18,825</u>	<u>18,825</u>
<b>Banking Fees:</b>		
Bank Charges	4,500	4,500
Payroll Services*	4,000	4,000
ATM/Credit Card Service/Direct	4,300	4,300
<b>Total Banking Fees</b>	<u>12,800</u>	<u>12,800</u>
<b>Printing:</b>		
Printing Other	1,000	1,000
Bill Stock/Window/Return Envelopes	1,500	1,500
<b>Total Printing</b>	<u>2,500</u>	<u>2,500</u>
<b>Postage/Inserter Replacement</b>	0	12,400
Postage - Office	2,000	2,000
Postage - Bulk	0	18,000
Office Supplies	10,000	9,000
<b>Total Office Other</b>	<u>12,000</u>	<u>41,400</u>
<b>Office Equipment Maintenance:</b>		
Billing Software Maintenance (Once Yr)	2,600	2,600
Computer System Maintenance	5,000	5,000
Inserter Maintenance	0	0
Photocopy Maintenance (Once Yr)	2,000	2,000
Contract Billing	20,000	20,000
<b>Total Office Equipment Maintenance</b>	<u>29,600</u>	<u>29,600</u>
<b>Publishing</b>		
Legal Advertising	1,500	1,500
Newsletter	1,000	1,000
<b>Total Publishing</b>	<u>2,500</u>	<u>2,500</u>
<b>Building</b>		
Utilities	7,300	7,300
Janitorial	2,100	2,100
Maintenance/Repairs	7,000	7,000
Security	2,000	2,000
<b>Total Building</b>	<u>18,400</u>	<u>18,400</u>
<b>Fixed Assets Office:</b>		
Accounting System Upgrade	10,000	10,000
Security - Well Sites	10,000	10,000
Other - Misc	10,000	10,000
Computer System Improvements	8,000	8,000
<b>Total Fixed Assets Office</b>	<u>38,000</u>	<u>38,000</u>
<b>TOTAL OFFICE OPERATION EXPENSES</b>	<u>134,625</u> A	<u>164,025</u>
<b>Total OPERATING EXPENSES</b>	<u>1,489,475</u>	<u>1,610,835</u>



**Rio Linda/Elverta Community Water District  
Mid Year Estimated Budget  
2010-2011 Fiscal Year**

	Adopted Budget 2010-2011	Mid-Year Forecast 2010-2011
<b>NONOPERATING EXPENSES</b>		
Non-Operating Expense	1,000	1,000
Debt Service:		
Bond Administration (Once Yearly)	1,800	1,800
Revenue Bond 2003-Interest (Twice Yr)	156,963	156,963
Revenue Bond 2003-Principle (Once Yr)	85,000	85,000
Total Debt Service	<u>243,763</u>	<u>243,763</u>
Building & Site Improvements:		
Fixed Asset-Container	0	0
SCADA Improvements	6,400	6,400
Reserve Fund		
Emergency Reserve	<u>11,462</u>	<u>11,462</u>
<b>TOTAL NONOPERATING EXPENSES</b>	<u>262,625</u>	<u>262,625</u>
 <b>GRAND TOTAL EXPENSES</b>	 <u>1,752,100</u>	 <u>1,873,460</u>
 <b>SUMMARY</b>		
Grand Total Income	2,246,200	2,479,400
Less: Surcharge Capital Program	(469,200)	(662,400)
<b>GRAND TOTAL REVENUE</b>	<u>1,777,000</u>	<u>1,817,000</u>
 <b>TOTAL TO RESERVE</b>		
Grand Total Income	2,246,200	2,479,400
Less: Operating Expenses	(1,489,475)	(1,610,835)
Non - Operating Expenses	<u>(262,625)</u>	<u>(262,625)</u>
 <b>TOTAL TO RESERVE</b>	 <u>494,100</u>	 <u>605,940</u>
 <b>*** Capital Improvement Plan For Surcharge Funded</b>		
Well #15	2,500,000	2,500,000
Well #16	2,500,000	2,500,000
Well #17	2,500,000	2,500,000
<b>Total Capital Improvement</b>	<u>7,500,000</u>	<u>7,500,000</u>

\*\*\* Note: Subject to approval from State Loan or Private Funding

\* Adjustment to current year in anticipated reduction to MWH Invoice and CDM Invoice

\*\* Moved from Engineering to off-set CDM Invoice





Appendix B

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## **Additional Supporting Documentation**



Table B-1  
Detailed Water Usage Information  
Provided by RLECWD

11/20/2009				1/20/2010				3/20/2010				5/20/2010				7/20/2010				9/20/2010				11/20/2009 - 09/20/2010 Totals				
Meter Size	No. of	Cust Type	Cubic Usage	Meter Size	No. of	Cust Type	Cubic Usage	Meter Size	No. of	Cust Type	Cubic Usage	Meter Size	No. of	Cust Type	Cubic Usage	Meter Size	No. of	Cust Type	Cubic Usage	Meter Size	No. of	Cust Type	Cubic Usage	Meter Size	No. of	Cust Type	Cubic Usage	Total Usage
5/8"	3579	Residential	10,742,011.00	5/8"	3580	Residential	6,187,619.00	5/8"	3583	Residential	7,050,400.00	5/8"	3594	Residential	17,818,000.00	5/8"	3615	Residential	20,926,000.00	5/8"	3615	Residential	20,926,000.00	5/8"	Residential	68,882,648.00		
Commercial	60	Commercial	194,100.00	Commercial	59	Commercial	130,400.00	Commercial	60	Commercial	134,100.00	Commercial	59	Commercial	195,100.00	Commercial	60	Commercial	238,400.00	Commercial	60	Commercial	238,400.00	Commercial	60	Commercial	1,031,300.00	
Institutional	5	Institutional	31,500.00	Institutional	5	Institutional	24,100.00	Institutional	5	Institutional	17,800.00	Institutional	5	Institutional	31,500.00	Institutional	5	Institutional	29,200.00	Institutional	5	Institutional	29,200.00	Institutional	5	Institutional	151,100.00	
	3644		10,967,611.00		3644		6,352,919.00		3648		7,292,300.00		3658		18,044,600.00		3680		21,213,600.00		3680		21,213,600.00			70,990,048.00		
3/4"	24	Residential	136,300.00	3/4"	24	Residential	87,800.00	3/4"	24	Residential	48,300.00	3/4"	24	Residential	83,700.00	3/4"	24	Residential	329,200.00	3/4"	24	Residential	329,200.00	3/4"	24	Residential	969,400.00	
Commercial	1	Commercial	7,500.00	Commercial	1	Commercial	1,900.00	Commercial	1	Commercial	1,300.00	Commercial	1	Commercial	2,600.00	Commercial	1	Commercial	15,700.00	Commercial	1	Commercial	15,700.00	Commercial	1	Commercial	56,000.00	
Landscaping	1	Landscaping	9,600.00	Landscaping	1	Landscaping	4,200.00	Landscaping	1	Landscaping	5,900.00	Landscaping	1	Landscaping	4,500.00	Landscaping	1	Landscaping	6,400.00	Landscaping	1	Landscaping	6,400.00	Landscaping	1	Landscaping	9,600.00	
Institutional	27	Institutional	157,800.00	Institutional	26	Institutional	93,900.00	Institutional	26	Institutional	55,500.00	Institutional	26	Institutional	90,800.00	Institutional	26	Institutional	351,300.00	Institutional	26	Institutional	351,300.00	Institutional	26	Institutional	1,065,000.00	
1"	626	Residential	2,864,800.00	1"	627	Residential	1,263,700.00	1"	625	Residential	1,503,800.00	1"	626	Residential	6,017,300.00	1"	625	Residential	7,119,300.00	1"	625	Residential	7,119,300.00	1"	625	Residential	20,087,800.00	
Commercial	39	Commercial	2,500.00	Commercial	38	Commercial	155,300.00	Commercial	39	Commercial	135,800.00	Commercial	38	Commercial	296,600.00	Commercial	38	Commercial	376,500.00	Commercial	38	Commercial	376,500.00	Commercial	38	Commercial	1,342,200.00	
Industrial	2	Industrial	5,900.00	Industrial	2	Industrial	2,700.00	Industrial	2	Industrial	4,700.00	Industrial	2	Industrial	14,300.00	Industrial	2	Industrial	10,000.00	Industrial	2	Industrial	10,000.00	Industrial	2	Industrial	43,900.00	
Apartment	9	Apartment	89,100.00	Apartment	9	Apartment	76,000.00	Apartment	9	Apartment	87,400.00	Apartment	9	Apartment	90,200.00	Apartment	9	Apartment	119,600.00	Apartment	9	Apartment	119,600.00	Apartment	9	Apartment	478,900.00	
Landscaping	7	Landscaping	126,400.00	Landscaping	7	Landscaping	22,600.00	Landscaping	7	Landscaping	45,500.00	Landscaping	7	Landscaping	129,800.00	Landscaping	7	Landscaping	125,200.00	Landscaping	7	Landscaping	125,200.00	Landscaping	7	Landscaping	478,900.00	
Institutional	14	Institutional	134,200.00	Institutional	14	Institutional	68,000.00	Institutional	14	Institutional	40,800.00	Institutional	14	Institutional	158,500.00	Institutional	14	Institutional	301,100.00	Institutional	14	Institutional	301,100.00	Institutional	14	Institutional	655,100.00	
	697		3,467,100.00		697		1,603,300.00		696		1,880,800.00		696		6,756,000.00		695		8,007,300.00		695		8,007,300.00			23,288,400.00		
1-1/2"	11	Residential	35,100.00	1-1/2"	12	Residential	14,500.00	1-1/2"	13	Residential	31,900.00	1-1/2"	13	Residential	57,100.00	1-1/2"	13	Residential	93,600.00	1-1/2"	13	Residential	93,600.00	1-1/2"	13	Residential	248,000.00	
Commercial	3	Commercial	24,200.00	Commercial	3	Commercial	14,500.00	Commercial	3	Commercial	12,400.00	Commercial	3	Commercial	29,300.00	Commercial	3	Commercial	27,500.00	Commercial	3	Commercial	27,500.00	Commercial	3	Commercial	119,500.00	
Landscaping	3	Landscaping	44,800.00	Landscaping	3	Landscaping	4,900.00	Landscaping	3	Landscaping	1,800.00	Landscaping	3	Landscaping	47,100.00	Landscaping	3	Landscaping	67,400.00	Landscaping	3	Landscaping	67,400.00	Landscaping	3	Landscaping	166,000.00	
Institutional	20	Institutional	157,400.00	Institutional	21	Institutional	42,200.00	Institutional	22	Institutional	40,800.00	Institutional	22	Institutional	158,500.00	Institutional	22	Institutional	243,100.00	Institutional	22	Institutional	243,100.00	Institutional	22	Institutional	702,400.00	
2"	2	Residential	22,000.00	2"	2	Residential	4,700.00	2"	2	Residential	9,000.00	2"	2	Residential	49,000.00	2"	2	Residential	47,300.00	2"	2	Residential	47,300.00	2"	2	Residential	138,000.00	
Commercial	11	Commercial	288,000.00	Commercial	11	Commercial	216,400.00	Commercial	11	Commercial	252,300.00	Commercial	11	Commercial	287,400.00	Commercial	11	Commercial	299,300.00	Commercial	11	Commercial	299,300.00	Commercial	11	Commercial	1,566,000.00	
Landscaping	7	Landscaping	30,600.00	Landscaping	7	Landscaping	12,800.00	Landscaping	7	Landscaping	9,800.00	Landscaping	7	Landscaping	87,400.00	Landscaping	7	Landscaping	101,800.00	Landscaping	7	Landscaping	101,800.00	Landscaping	7	Landscaping	360,000.00	
Institutional	22	Institutional	201,900.00	Institutional	22	Institutional	37,000.00	Institutional	22	Institutional	98,700.00	Institutional	22	Institutional	330,800.00	Institutional	22	Institutional	497,100.00	Institutional	22	Institutional	497,100.00	Institutional	22	Institutional	1,195,300.00	
			512,500.00				290,900.00				307,900.00				744,600.00				945,500.00				945,500.00			3,159,300.00		
3"	1	Commercial	35,100.00	3"	1	Commercial	10,100.00	3"	1	Commercial	2,400.00	3"	1	Commercial	11,600.00	3"	1	Commercial	69,000.00	3"	1	Commercial	69,000.00	3"	1	Commercial	182,200.00	
Industrial	2	Industrial	21,000.00	Industrial	2	Industrial	39,100.00	Industrial	2	Industrial	26,300.00	Industrial	2	Industrial	83,900.00	Industrial	2	Industrial	85,000.00	Industrial	2	Industrial	85,000.00	Industrial	2	Industrial	302,300.00	
Apartment	3	Apartment	175,600.00	Apartment	3	Apartment	39,700.00	Apartment	3	Apartment	61,200.00	Apartment	3	Apartment	68,100.00	Apartment	3	Apartment	244,900.00	Apartment	3	Apartment	244,900.00	Apartment	3	Apartment	772,000.00	
Institutional	8	Institutional	305,300.00	Institutional	8	Institutional	126,100.00	Institutional	8	Institutional	90,100.00	Institutional	8	Institutional	92,600.00	Institutional	8	Institutional	634,900.00	Institutional	9	Institutional	634,900.00	Institutional	9	Institutional	1,927,200.00	
			560,600.00				56,100.00				39,200.00				174,100.00				1,426,800.00				1,426,800.00			3,405,400.00		
4"	5	Institutional	560,600.00	Institutional	5	Institutional	56,100.00	Institutional	5	Institutional	39,200.00	Institutional	5	Institutional	174,100.00	Institutional	5	Institutional	1,426,800.00	Institutional	4	Institutional	1,426,800.00	Institutional	4	Institutional	3,405,400.00	
			560,600.00				56,100.00				39,200.00				174,100.00				1,426,600.00				1,426,600.00			3,405,400.00		
	4423		16,121,311.00		4424		8,445,818.00		4427		9,990,600.00		4437		27,700,500.00		4458		32,832,500.00		4458		32,832,500.00			103,598,948.00	Total Usage	





State of California—Health and Human Services Agency  
California Department of Public Health



ARNOLD SCHWARZENEGGER  
Governor

November 23, 2010

Joseph Sherrill, General Manager  
Rio Linda/Elverta Community Water District  
P.O. Box 400  
Rio Linda, CA 95673

Dear Mr. Sherrill:

**SAFE DRINKING WATER STATE REVOLVING FUND PROJECT FUNDING FOR  
RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT, PROJECT NO. 3410018-001**

Your application for funding under the Safe Drinking Water State Revolving Fund (SDWSRF) has been reviewed by the California Department of Public Health (CDPH). We have determined that project number 3410018-001, as proposed by the Rio Linda/Elverta Community Water District (Rio Linda/Elverta CWD), is eligible for a construction loan in the amount of \$7,499,045. The proposed funding is provided in part from a Federal Capitalization Grant for Drinking Water State Revolving Fund (California) CFDA number 66.468.

This letter serves as our Notice of Acceptance of Application (NOAA). Subject to availability, funds in the amount of \$7,499,045 have been reserved for this project provided the terms and conditions as set forth herein are met.

The funding agreement, when issued and executed, will provide for the Loan to be repaid over 20 years at a 2.5707 percent interest rate. Your semiannual payments will be approximately \$240,958.64 and will normally begin after project completion. An accumulation of approximately \$24,095.86 semiannually during the first 10 years of the loan repayment period is required in order to establish a loan repayment reserve fund equal to two semiannual payments.

Funding is contingent upon your timely compliance with all terms and conditions of this NOAA, including those set forth in the "Rio Linda/Elverta Community Water District, Project No. 3410018-001 SAFE DRINKING WATER STATE REVOLVING FUND

NOTICE OF ACCEPTANCE OF APPLICATION TERMS AND CONDITIONS" (Terms and Conditions) are attached hereto and incorporated herein by this reference.



Compliance shall be determined at the sole discretion of CDPH or its authorized representative.

**This NOAA is not an authorization to begin construction. Unless prior written approval from CDPH is received, initiation of construction of this project prior to the execution of a funding agreement may result in this project being ineligible for financing from the SDWSRF. In particular, please note commencement of any project construction activity prior to completion of all environmental reviews including applicable federal environmental requirements, may result in the project being ineligible, the withdrawal of this NOAA, and bypass of the project for funding. Therefore, if you plan to start construction prior to execution of a SDWSRF funding agreement for the project, you should immediately contact your CDPH District Office.**

In order to maintain the reservation of funds in the SDWSRF account for your project, Rio Linda/Elverta CWD must sign the Terms and Conditions at the space provided and return it within 60 days of receipt. **We have provided two originals. Please sign and return one full document including this cover letter along with a completed and signed Water Measurement Law Self Certification (copy enclosed) to:**

California Department of Public Health  
Division of Drinking Water and  
Environmental Management  
Safe Drinking Water State Revolving Fund Program  
Attention: Annette Dobie  
Financing Section  
1616 Capitol Avenue, MS 7418  
Post Office Box 997377  
Sacramento, California 95899-7377

Your signature will indicate your acceptance of the terms and conditions and your intention to proceed with the project, but does not constitute any obligation on your part to enter into the funding agreement. **Failure to sign and return the Terms and Conditions within the time period will result in the withdrawal of this NOAA and the bypassing of your project.**





CDPH commends Rio Linda/Elverta CWD for taking steps to enhance the provision and protection of the drinking water supplied to your consumers. If you have any questions regarding this NOAA, please contact either CDPH's Sacramento District Office at (916) 449-5600 or Joshua Ziese at (916) 445-5284, or by e-mail at [Joshua.Ziese@cdph.ca.gov](mailto:Joshua.Ziese@cdph.ca.gov).

Sincerely,



Gary H. Yamamoto, P.E., Chief  
Division of Drinking Water  
and Environmental Management

Enclosures

cc: (See Attached list.)



# RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT



P.O. BOX 400 • 730 L STREET  
RIO LINDA, CALIFORNIA 95673  
Phone: (916) 991-1000 • Fax: (916) 991-6616

## Effective January 1, 2011 - Service Charges / per Ordinance 2009-02

Water Service – Fees for water service from the District Water System shall be as indicated below based upon meter size servicing the premises and includes 600 cu.ft. of water:

<u>Meter Size</u>	<u>Bi-Monthly</u>	<u>*Capital</u>	
	<u>Service Charge</u>	<u>Improvement</u>	<u>Total</u>
		<u>Surcharge</u>	<u>Bi-Monthly</u>
5/8"	\$29.00	\$19.00	\$48.00
3/4"	\$34.80	\$19.00	\$53.80
1"	\$52.20	\$19.00	\$71.20
1-1/2"	\$101.50	\$19.00	\$120.50
2"	\$162.40	\$19.00	\$181.40
3"	\$304.50	\$19.00	\$323.50
4"	\$507.50	\$19.00	\$526.50

\*California Department of Public Health Compliance Order No. 01-09-07-CO-004

Plus any usage over 600 cu.ft., charges per 100 cubic feet or portion thereof as follows:

<u>Meter Size</u>	<u>Cubic Feet Used</u>		
<u>Rate Per 100</u>	\$0.43	\$0.54	\$0.68
	Tier 1	Tier 2	Tier 3
5/8"	601 – 2,600	2,601 – 15,600	15,601 +
	Tier 1	Tier 2	Tier 3
3/4" – 1-1/2"	601 – 5,800	5,801 – 44,800	44,801 +
	Tier 1	Tier 2	Tier 3
2" – 4"	601 – 55,200	55,201 – 286,000	286,001 +

One (1) Cubic Feet water = 7.48 gallons, i.e. gallons / .748 = total cu.ft.

The bi-monthly service charge for **Standby Fire Protection Services** shall be \$10.00 per inch diameter for the service pipe. Every two (2) months.

<u>SVC Code</u>	<u>Charge</u>
FP4 = 4"	\$ 40.00
FP6 = 6"	\$ 60.00
FP8 = 8"	\$ 80.00
F12 = 12"	\$120.00
F14 = 14"	\$140.00

The bi-monthly service charge for a **Backflow Prevention Valve** is \$10.00, applicable to accounts with an existing well on the property.



# FIVE YEAR BUDGET PROJECTION (Small Community Water System)

INSTRUCTIONS: Yellow-shaded cells are for data entry, all other cells are locked except line item descriptions which can be changed if needed. Years 2 through 5 will be compounded automatically by the inflation factor in Cell G6.

System Name:

Rio Linda/Elverta Community Water District

Inflation Factor (%):

3.2

System ID Number:

3410018

LINE	EXPENSES AND SOURCE OF FUNDS	2010	2011	2012	2013	2014
1	OPERATIONS AND MAINTENANCE (O&M) EXPENSES					
2	Salaries and Benefits	589,400.00	608,260.80	627,725.15	647,812.35	668,542.35
3	Contract Operation and Maintenance	15,000.00	15,480.00	15,975.36	16,486.57	17,014.14
4	Power and Other Utilities	233,400.00	240,868.80	248,576.60	256,531.05	264,740.05
5	Fees Regulatory	14,500.00	14,964.00	15,442.85	15,937.02	16,447.00
6	Treatment Chemicals	15,000.00	15,480.00	15,975.36	16,486.57	17,014.14
7	Coliform Monitoring	3,000.00	3,096.00	3,195.07	3,297.31	3,402.83
8	Chemical Monitoring	16,000.00	16,512.00	17,040.38	17,585.68	18,148.42
9	Transportation	17,000.00	17,544.00	18,105.41	18,684.78	19,282.69
10	Materials, Supplies, and Parts	110,000.00	113,520.00	117,152.64	120,901.52	124,770.37
11	Office Supplies	17,000.00	17,544.00	18,105.41	18,684.78	19,282.69
12	Miscellaneous	73,587.50	75,942.30	78,372.45	80,880.37	83,468.54
13	Additional O&M for New Project	0.00	55,200.00	57,100.00	58,800.00	60,681.60
14	Total O&M Expenses:	1,103,887.50	1,194,411.90	1,232,766.68	1,272,088.01	1,312,794.83
16	GENERAL AND ADMINISTRATIVE EXPENSES					
17	Engineering and Professional Services	231,800.00	239,217.60	246,872.56	254,772.49	262,925.20
18	Depreciation and Amortization	23,500.00	24,252.00	25,028.06	25,828.96	26,655.49
19	Insurance	29,500.00	30,444.00	31,418.21	32,423.59	33,461.15
20	Existing Contribution to CIP (From CIP J48)	0.00	159,023.81	159,023.81	159,023.81	159,023.81
21	O&M Reserve	0.00	0.00	0.00	0.00	0.00
22	Other Reserves	0.00	0.00	0.00	0.00	0.00
23	Miscellaneous	67,800.00	69,969.60	72,208.63	74,519.30	76,903.92
24	** New Funding Project Costs	60,000.00	80,000.00	85,000.00	95,000.00	110,000.00
25	Additional New Project Contribution to CIP (From CIP J59)	0.00	0.00	0.00	332,000.00	332,000.00
26	** Debt Service	243,800.00	243,800.00	243,800.00	243,800.00	243,800.00
27	Total General and Administrative Expenses:	815,423.81	846,707.01	863,351.27	1,217,368.15	1,244,769.57
28	TOTAL EXPENSES (Line 14+ Line 27):	1,919,311.31	2,041,118.91	2,096,117.95	2,489,456.17	2,557,564.40
30	REVENUES RECEIVED					
31	Cash Revenues (Water Rates)	1,642,800.00	1,900,000.00	2,500,000.00	2,900,000.00	3,100,000.00
32	** Depreciation Reserves	314,500.00	318,000.00	316,500.00	312,000.00	306,000.00
33	** Fees and Services	98,000.00	98,000.00	103,000.00	103,000.00	103,000.00
34	Hookup Charges	0.00	35,000.00	60,000.00	88,000.00	85,000.00
35	** Withdrawal from CIP or Other Reserves	0.00	0.00	0.00	0.00	0.00
36	** Other Fund Sources: Interest, Etc.	470,832.00	526,224.00	526,224.00	526,224.00	526,224.00
37	** Grants	0.00	35,000.00	25,000.00	10,000.00	10,000.00
38	** SRF Loan	166,000.00	1,660,000.00	1,660,000.00	1,660,000.00	1,660,000.00
39	** Business Loans	0.00	0.00	0.00	0.00	0.00
40	TOTAL REVENUE (Lines 31 through 39):	4,186,132.00	4,572,224.00	5,190,724.00	5,599,224.00	5,790,224.00
41	NET LOSS OR GAIN:	2,266,820.69	2,531,105.09	3,094,606.05	3,109,767.83	3,232,659.60

Date: 7-9-2010

Report Prepared by (Name and Title): WILLIAM M. CANOVARAS CM

(\*\* Inflation factor not applied to future year projections)

Number of Customers: 4616  
Average Monthly Revenue Needed Per Customer: 33.57  
(total expenses + # of customers \* 12)



# SIMPLIFIED CAPITAL IMPROVEMENT PLAN (CIP)

Date: 7/1/2010

System ID No.: 3410018

System Name: Rio Linda/Elverta Community Water District

Service Connections: 4616

\*Enter information only in YELLOW shaded cells

QTY	COMPONENT	UNIT COST	INSTALLED COST	AVG LIFE, YEARS	ANNUAL RESERVE	MONTHLY RESERVE	MONTHLY RESERVE PER CUSTOMER
	Drilled Well, 18", steel casing	Depth:	0	25	0.00	0.00	0.00
	Drilled Well, 18", steel casing	Depth:	0	25	0.00	0.00	0.00
	Drilled Well, 18", steel casing	Depth:	0	25	0.00	0.00	0.00
1	Wellhead Electrical Controls		30000	25	1200.00	100.00	0.02
	Vehicle Turbine Pump, 300 HP		0	7	0.00	0.00	0.00
	Submersible Pump, 300 HP		0	7	0.00	0.00	0.00
1	Submersible Pump Motor, 25 HP		13000	7	1857.14	154.76	0.03
	Booster Pump Station, 25 HP, complete		0	5	0.00	0.00	0.00
	Booster Pump Station Electrical Controls		0	5	0.00	0.00	0.00
	Pressure Tank	Gallons:	0.0	10	0.00	0.00	0.00
	Pressure Tank	Gallons:	0.0	10	0.00	0.00	0.00
	Storage Tank, Plastic	Gallons:	0.0	10	0.00	0.00	0.00
	Storage Tank, Redwood	Gallons:	0.0	40	0.00	0.00	0.00
	Storage Tank, Redwood	Gallons:	0.0	40	0.00	0.00	0.00
1	Storage Tank, Steel	Gallons: 800,000	2.8	50	44800.00	3733.33	0.81
	Storage Tank, Steel	Gallons:	0.0	50	0.00	0.00	0.00
	Storage Tank, Steel	Gallons:	0.0	50	0.00	0.00	0.00
	Storage Tank, Concrete	Gallons:	0.0	80	0.00	0.00	0.00
1	Surveillance Equipment		600000	10	60000.00	5000.00	1.08
	Master Meter, 3"		0	10	0.00	0.00	0.00
	Master Meter, 4"		0	10	0.00	0.00	0.00
1	Hypochlorinator w/ Tank & Pump, Complete		12000	10	1200.00	100.00	0.02
	Pipe w/ sand bedding, 4" (Enter linear feet for quantity)		0	50	0.00	0.00	0.00
	Pipe w/ sand bedding, 6" (Enter linear feet for quantity)		0	50	0.00	0.00	0.00
750	Pipe w/ sand bedding, 8" (Enter linear feet for quantity)	85	63750	50	1275.00	106.25	0.02
1250	Pipe w/ sand bedding, 10" (Enter linear feet for quantity)	95	118750	50	2375.00	197.92	0.04
900	Pipe w/ sand bedding, 12" (Enter linear feet for quantity)	110	99000	50	1980.00	165.00	0.04
1	Pressure Regulating Valve	15000	15000	20	750.00	62.50	0.01
3	Dry Barrel Hydrant, 2-1/2"	2500	7500	20	375.00	31.25	0.01
36	Customer Meter w/ Box & Shutoff, Complete	1250	45000	20	2250.00	187.50	0.04
	Distribution Valve, 4"	350	0	10	0.00	0.00	0.00
	Distribution Valve, 6"	450	0	10	0.00	0.00	0.00
12	Distribution Valve, 8"	600	7200	20	360.00	30.00	0.01
10	Distribution Valve, 10"	850	8500	20	425.00	35.42	0.01
6	Distribution Valve, 12"	950	5700	20	285.00	23.75	0.01
2200	Radio Read Meters	500	1100000	30	36666.67	3055.56	0.66
1	Radio Read Antenna	25000	25000	40	625.00	52.08	0.01
1	SCADA Improvements	26000	26000	10	2600.00	216.67	0.05
	<b>SUBTOTAL Existing CIP Costs</b>		<b>\$4,416,400.00</b>			<b>\$13,251.98</b>	<b>\$2.87</b>
	<b>NEW Project CIP Costs</b>						
1	Well #15	2,900,000	2900000	25	116000.00	9666.67	2.09
1	Well #16	2,800,000	2800000	25	112000.00	9333.33	2.02
1	Well #17	2,600,000	2600000	25	104000.00	8666.67	1.88
		0	0	1	0.00	0.00	0.00
		0	0	1	0.00	0.00	0.00
		0	0	1	0.00	0.00	0.00
		0	0	1	0.00	0.00	0.00
		0	0	1	0.00	0.00	0.00
	<b>SUBTOTAL New Project CIP Costs</b>		<b>\$8,300,000.00</b>		<b>\$332,000.00</b>	<b>\$27,666.67</b>	<b>\$5.99</b>
	<b>TOTAL Existing and New Project CIP:</b>		<b>\$12,716,400.00</b>		<b>\$491,023.81</b>	<b>\$40,918.65</b>	<b>\$8.86</b>

Report Prepared by (Title):

WILLIAM M. CARDENAS G.M. Williams

Date: 7-9-2010

NOTE: Installed costs are averages and include all materials and contracted labor and equipment.

NOTES:

