

FINAL
FLORIN RESOURCE CONSERVATION DISTRICT
MUNICIPAL SERVICE REVIEW
(LAFC# 10-14 REV)

February 1, 2017

Sacramento Local Agency Formation Commission
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DISTRICT SUMMARY

The Florin Resource Conservation District (FRCD) has served Sacramento County for over 60 years. Originally, the district was formed to promote the efficient use of water, improved drainage, flood control and other land improvements. The district evolved over time along with changes that have occurred within the district boundaries. A mostly rural area has shifted to a combination of urban and rural land uses. The district's efforts and priorities have shifted as well, and in addition to resource conservation, one of its main responsibilities now includes providing potable water to portions of the City of Elk Grove (City), through the operation of the Elk Grove Water District (EGWD), which was acquired by FRCD in 1999. Because the FRCD has 2 distinct functions - resource conservation and water service - for the purposes of this report they will be described separately. It should also be noted that although the FRCD and EGWD are not separate districts, they do have different service boundaries and the EGWD service area falls within the boundary of the FRCD.

MUNICIPAL SERVICE REVIEW REQUIREMENTS

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

A Sphere of Influence is defined by Government Code 56076 as:

...a plan for the probable physical boundaries and service area of a local agency, as determined by the commission.

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

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

- 1) Growth and population projections for the affected area;
- 2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence;

- 3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence;
- 4) Financial ability of agencies to provide services;
- 5) Status of, and opportunities for, shared facilities;
- 6) Accountability for community service needs, including governmental structure and operational efficiencies; and
- 7) Any other information as requested by the Commission.

**FLORIN RESOURCE CONSERVATION DISTRICT /
ELK GROVE WATER DISTRICT
PROFILE**

Date: February 1, 2017

Agency Name: Florin Resource Conservation District (FRCD) & Elk Grove Water District (EGWD)

Address: 9257 Elk Grove Blvd., Elk Grove, CA 95624

Website: www.egwd.org

Telephone: (916) 685-3556 **FAX:** (916) 685-5376

Administrator Name: Mark J. Madison

Title: General Manager

Name of Contact: Jim Malberg

Contact's E-mail Address: jmalberg@egwd.org

Agency's Principal Act: Division 9 of the California Public Resources Code (FRCD)

Services Provided: The FRCD provides resource conservation services in part of the southern portion of Sacramento County and retail water service within a 13 square mile area of the city of Elk Grove. For purposes of customer relations, the water service function of the FRCD is called the Elk Grove Water District (EGWD). The EGWD is not a separate district, it is a department within the FRCD. It has approximately 12,370 service connections representing a current population of over 44,000 customers. The EGWD does not provide water service to any unincorporated areas. Because the FRCD has two distinct functions —resource conservation and water service—this Municipal Services Review describes the two services separately.

Latent Powers: None

Governing Body: 5 member, elected board of directors

Total Number of Employees: FRCD: 0 EGWD: 30

Represented 0 # Unrepresented 30 (EGWD)

Acreage/ sq. Miles within FRCD: 96,692.5 acres/151 sq. miles

Acreage/ sq. Miles EGWD: 8,009 acres/ 12.51 sq. miles

Total Population within FRCD: 280,014

Total Population within EGWD: Approximately 44,000

Total Registered Voters within FRCD: 140,985

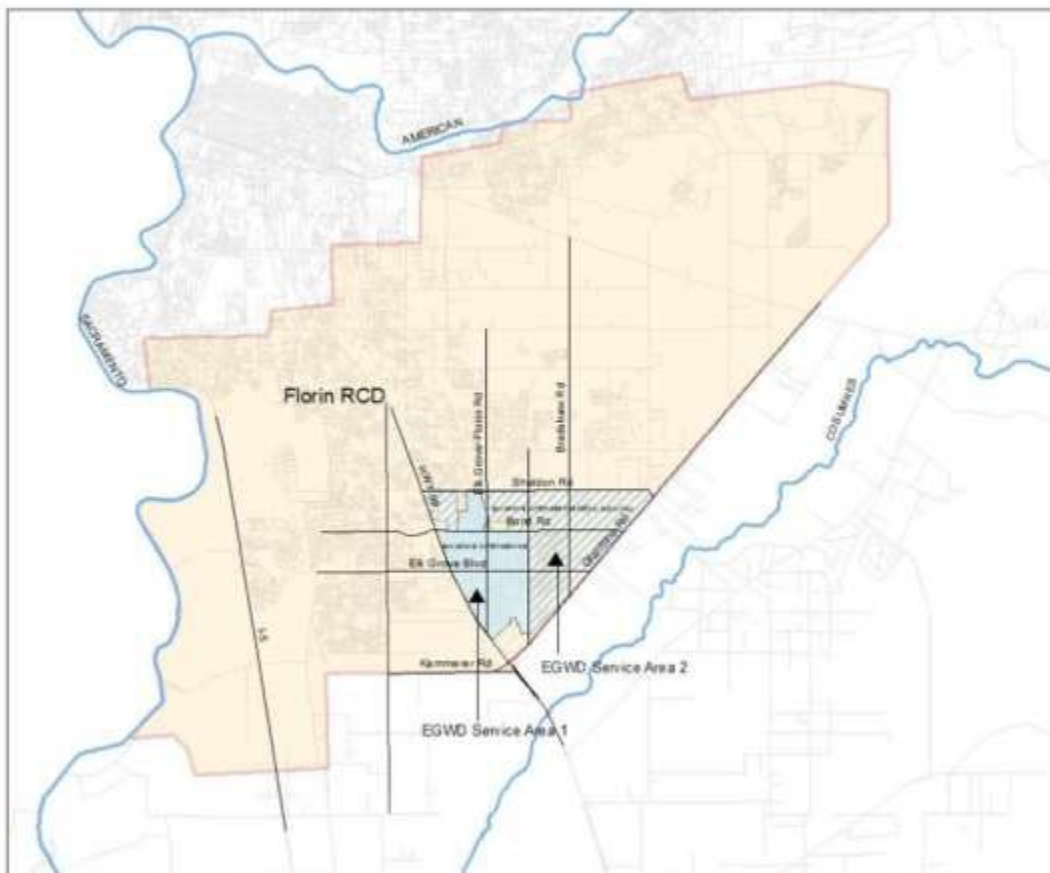
Total Registered Voters within EGWD: unknown

INTRODUCTION

Background Information

The FRCD is an independent special district. The Elk Grove Water District is the name used by the FRCD to describe its retail water function.

- **FRCD Mission:** The FRCD assists, manages, and/or produces beneficial resource conservation programs within the FRCD service area by building alliances, generating community interest and input, and organizing activities and projects.
- **EGWD Mission:** The EGWD is committed to supplying its customers with high quality, safe water along with outstanding customer service for current and future generations.
- **Setting:** The FRCD is located in the southern part of Sacramento County, generally located west of Grant Line Road and east of the Sacramento River. The water service is located entirely within the City of Elk Grove east of Highway 99.



History

The FRCD was formed in 1953 to provide resource conservation services in south Sacramento County. In 1998, the FRCD acquired the property known as the Susie Gaines Mitchell building located at 2450 Florin Road in the City of Sacramento, which was subsequently sold by the FRCD in October 2015. In 1999, the FRCD acquired the Elk Grove Water Works, a private California corporation, and began providing water service in a 13 square mile area in the City of Elk Grove.

Services Provided - FRCD

When the FRCD first organized, it was mainly involved in setting up drainage systems for large farms to preclude the danger of flooding from Morrison Creek. The FRCD has also been concerned with the groundwater overdraft in the area. Past programs have included wildlife preservation, habitat rehabilitation, creek restoration and tree planting projects. Because the FRCD receives no property tax and has no income other than grants to conduct resource conservation activities, work is performed only occasionally and voluntarily by EGWD staff and board members. When technical assistance is required that volunteers are unable to perform, interested parties are referred to the staff of the California Association of Resource Conservation Districts, located in Downtown Sacramento or to the local NRCS/USDA office.

Until February of 2014, the FRCD co-owned a property with the neighboring Sloughhouse RCD and the Lower Cosumnes RCD. Lease payments from this property were split evenly between the RCDs and, combined with occasional grant funding, these payments formed the entire annual budget for the FRCD's resource conservation function. There has been no source of revenue for conservation activities since the sale of the co-owned property.

The FRCD's 2012-2017 Strategic Plan (Appendix A) identifies the following potential activities:

- Cooperative programs with other RCDs and other organizations
- Ag waiver programs
- Greenprint
- Farm and Ranch Cleanup
- Pollinator Habitat
- Organic Farming Initiatives
- Groundwater Banking
- Invasive Species

The FRCD has for many years made environmental education its primary focus, sponsoring events such as Range Camp, the California Envirothon, CARCD's Speak Off and World Water Monitoring Day. Board directors and EGWD staff serve on the Elk Grove Unified School District's Service Learning Program Committee, to identify and promote activities that enhance and apply classroom curriculum to community service. The FRCD fosters relationships with other environmental groups, including the USDA/NRCS, Laguna Creek Watershed Council, the Stone Lakes National Wildlife Refuge and the Sacramento Tree Foundation.

The FRCD pays ten percent of the annual salary and benefits of the General Manager while the EGWD pays ninety percent. Any additional work is performed by the voluntary efforts of the EGWD board and staff, mostly on educational partnerships with the Elk Grove Unified School District. With appropriate funding, the FRCD would be able to provide more services traditionally associated with resource conservation districts. These tasks may include: soil conservation planning, erosion control, water development and distribution, improvement of land capabilities, wildlife habitat improvement, and demonstration projects in soil conservation.

Services Provided - EGWD

The EGWD provides potable water purveyor services to a current population of over 44,000 customers. Services include administration, customer service, operations and maintenance, planning and engineering services, plan review - including fire service coordination, construction management and inspection, and regulatory compliance for safe, reliable, and efficient delivery of water to our 12,370 service connections and 1,569 fire hydrants maintaining adequate fire flow throughout the service area.

Management and Staff Structure - FRCD

Management Structure - The governing body of the FRCD is a five member, elected Board of Directors (Board). The General Manager reports to and takes direction from the Board. The General Manager supervises the EGWD staff, the organization of which is discussed in the EGWD section.

Employment Structure - The FRCD has one employee, the General Manager.

Type and Purpose of contracts and consultants - The General Counsel, Auditor and IT functions are contracted positions. The District periodically contracts with specialized services such as employee training and weed abatement. Contracted positions are paid with the General Fund.

Awards and Recognition - In 2013, the District received the District Transparency Certificate of Excellence by the Special District Leadership Foundation (Appendix B).

Management and Staff Structure - EGWD

Management Structure - The governing body of the EGWD include the same five members that governs the FRCD. The General Manager reports to, and takes direction from the Board. The General Manager supervises the EGWD staff, the organization of which is further described below.

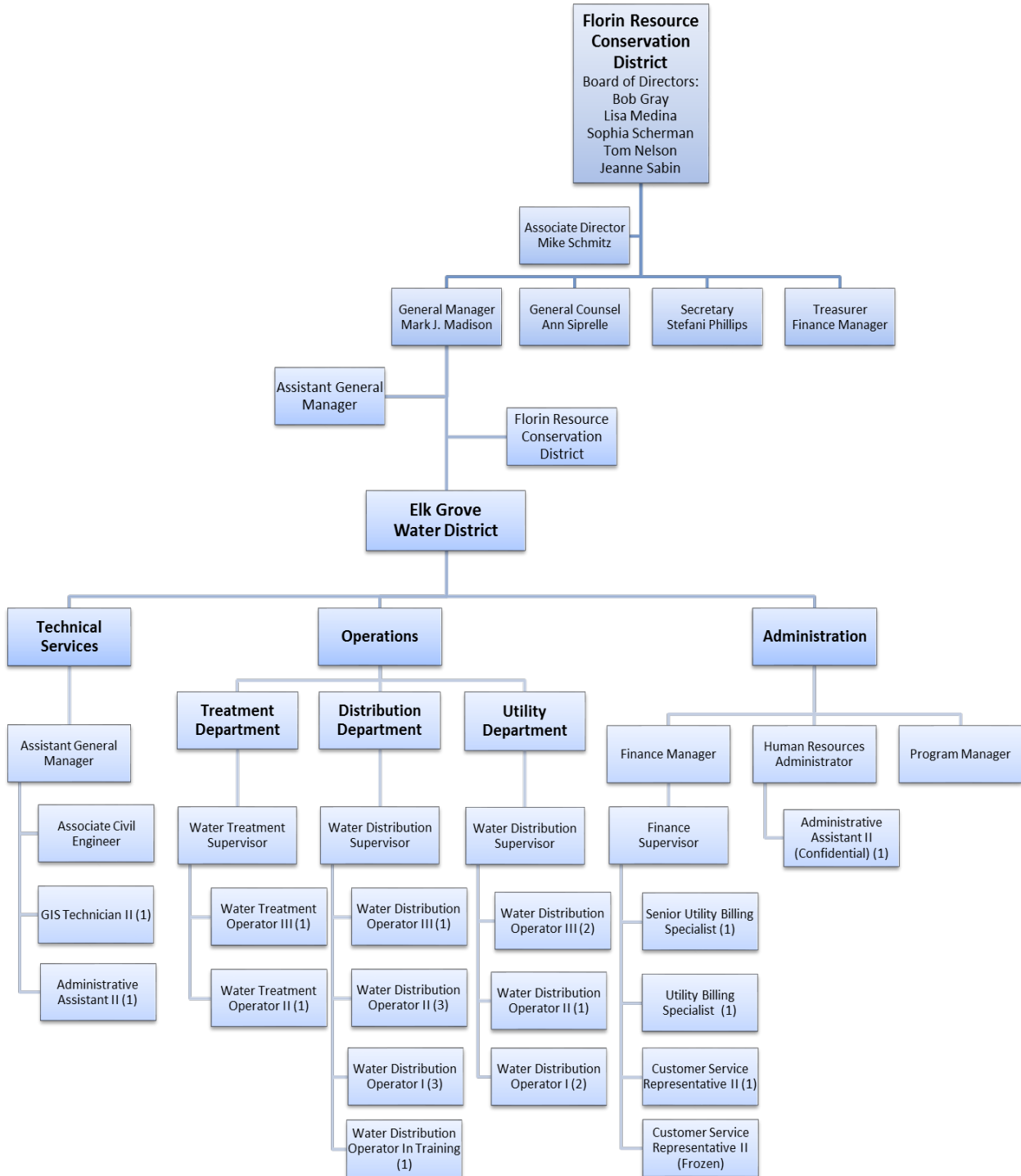
Employment Structure - EGWD employs approximately thirty full time positions, depending on staffing needs. The organization chart is shown on the next page.

Ongoing Training and Personnel Policies - Operational employees are required to complete all training and certification required for their classification. Monthly training is provided to all staff on subjects such as workforce safety and customer service. Employees are encouraged to further their education through a tuition reimbursement program offered by the district for those who successfully complete courses pertinent to their job function. An employee policy manual is typically reviewed and approved annually by the staff and Board.

Salaries and Pay Scales – Salary surveys are conducted periodically to ensure that salaries are commensurate with other comparable water agencies so as to be fair and competitive. The organization is a member of the CalPERS retirement system.

Organization Structure

The EGWD organization is very similar to other district water agencies in this area.



Municipal Service Review Information and Determinations

1. Growth and Population Projections - FRCD

The FRCD has a current service area of approximately 151 square miles. The FRCD has no plans to either reduce or expand its boundaries at this time. Most of the FRCD is comprised of urban areas, which is unusual for a RCD.

Growth and Population Projections - EGWD

EGWD is divided into two service areas. Service Area 1 receives water produced by EGWD and Service Area 2 receives treated water purchased under a long term contract from Sacramento County Water Agency (SCWA). Service Area 1 is fully developed, serving about 7,925 accounts and very little growth is predicted. Service Area 2 provides water to about 4,270 accounts and, as documented in the City of Elk Grove's 2003 General Plan, some additional development can be expected. In addition, there are approximately 175 fire service accounts within the two service areas. The 2003 General Plan quotes a projected City-wide growth of 9.6%, determined by the Sacramento Area Council of Governments. In July 2015 the City began the process of updating their General Plan with an anticipated completion date of June 2017.

To meet service demand in Fiscal Year (FY) 2016, EGWD produced over 1 billion gallons of water for its customers and purchased an additional 603 million gallons from SCWA under a long term agreement. Balancing expected growth with the full implementation of California SB x7-7 (a bill that mandates water conservation requirements), EGWD expects to produce or purchase 9,580 acre-feet/year by the year 2020.

DETERMINATION

1. Regarding growth in population expected for the District area:

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

water.

2. **Location and Characteristics of Any Disadvantaged Unincorporated Communities**

As shown on the map (appendix N) the FRCD contains Disadvantaged Communities (DAC) and Severely Disadvantaged Communities (SDAC) in the north and northwestern section of the District. The EGWD does not encompass any Disadvantaged Communities. Census geographies are shown that meet the DAC definition according the Department of Water Resources, Integrated Regional Water Management 2015 guidelines (i.e., only those with an annual median household income (MHI) that is less than 80 percent of the Statewide annual MHI (PRC Section 75005(g)). In addition, those census geographies having an annual MHI that is less than 60 percent of the statewide annual MHI are shown as Severely Disadvantaged Communities. The specific dataset used is from the US Census American Community Survey (ACS) 5-Year Data: 2010 – 2014 (with an MHI of \$61,489 and hence calculated DAC and SDAC thresholds of \$49,191 and \$36,893, respectively).

DETERMINATION

Regarding the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

The Commission determines that the Florin Resource Conservation District currently provides adequate services and facilities throughout its service area. Including to any identified Disadvantaged and Unincorporated Communities.

3. **Facilities and Programs**

A. **FRCD Facilities** - The FRCD has no administrative facility. All FRCD activities are housed at the EGWD administrative office and meetings are conducted on-site.

Present and Planned Capacity of Public Facilities N/A

Infrastructure Needs or Deficiencies/ Capital Improvement Program N/A

EGWD Facilities

Summary of Facilities All facilities are in Elk Grove.

Name	Location	Size (Acres)	Amenities/Special Features	Description
Railroad Water Treatment and Storage Facility, Maintenance and Operations Center	APN: 134-0050-080	1.26	Water treatment and storage facility	well, 4.0 mg storage capacity
EGWD Administration Office	APN: 127-0170-005	.58	Customer services	Administrative, customer services
Hampton Water Treatment Plant	APN: 134-710-039	.40	none	well and plant
School Street well	APN: 125-253-002	.075	pump house	well
Marval well	APN: 116-134-013	.075	pump house and chlorine shed	well
Polhemus well	APN: 125-0201-016	.075	none	well
Williamson well	APN: 125-410-061	.075	none	well
Dino well	APN: 134-0100-082	.075	none	well
Webb well	APN: 134-301-007	.09	none	well

Facilities Map Maps are included in the FY 2017-2021 Capital Improvement Program document (Appendix C).

Present and Planned Capacity of Public Facilities - EGWD

- **Current and projected service capacity**

In 1995, Elk Grove Water Works, a private entity, entered into an agreement with SCWA to purchase wholesale water for Service Area 2. This agreement was restated and amended in June, 2002, by the FRCD after it assumed ownership of Elk Grove Water Works, and renamed it the EGWD. The District purchases about 1,850 acre feet of water from SCWA annually. The term of the agreement is 50 years, no changes to this source of supply are anticipated.

The District’s wells serving Service Area 1 produce more than 3,350 acre feet annually. No additional water to support Service Area 1 production has been purchased from SCWA in the past five years.

Adequacy of services and facilities to serve current and future population

EGWD provides water to its customers in two service areas. Service Area 1 is supplied by pumped groundwater from water wells owned and operated by EGWD. Service Area 2 is supplied by water purchased from SCWA. Service Area 1 is mostly built out and EGWD has sufficient source capacity to serve this area now and into the future. Service Area 2 is not fully built out and a Water Agreement between SCWA and FRCD/EGWD established that new development would be supplied through the Zone 40 conjunctive use program. New development in Service Area 2 is required to pay the Zone 40 Development Fee for new building permits, and a monthly user fee for Zone 40 capital projects, to support the Zone 40 conjunctive use program. Zone 40's conjunctive use water supply is considered a reliable future source as demonstrated by the 2015 SCWA Urban Water Management Plan as well as the 2015 EGWD Urban Water Management Plan.

In 2014, new groundwater legislation was signed into law and is referred to as the Sustainable Groundwater Management Act (SGMA). SGMA generally requires the formation of groundwater sustainability agencies (GSA's) and also requires these GSA's to develop plans to achieve sustainability of their groundwater basins within 20 years.

The FRCD/EGWD is a member of the Sacramento Central Groundwater Authority (SCGA) which is planning to become the GSA for the groundwater basin within its service area. At present, the SCGA is preparing an Alternative Submittal to be submitted to the State which will comply with the legislative requirements of SGMA. The Alternative Submittal is built upon the previously prepared SCGA Groundwater Management Plan that clearly demonstrates that the local groundwater basin is in a sustainable condition for both present and future conditions.

Performance Measures used by the District to determine service adequacy

EGWD adheres to performance standards established by the American Water Works Association, the California Department of Public Health, the Association of California Water Agencies and other industry regulators. EGWD communicates its performance levels through the annual Consumer Confidence Report, periodic newsletters, and the District's website. Performance feedback is actively received via customer surveys, public forums, phone calls, letters, mail, email/web communication and at board meetings.

Infrastructure Needs or Deficiencies/ Capital Improvement Program

- **District’s Capital Improvement Program**
 The District’s Capital Improvement Program details improvement strategies for the years 2017-2021 and is included as Appendix C.
- **Deferred maintenance strategy**
 It is EGWD’s policy not to defer necessary maintenance and generally uses its operational crew to attend to three divisions of work: Distribution, Utility and Treatment.
- **Policies and practices for depreciation and replacement of infrastructure**
 Under the supervision of the Utility Supervisor, the Distribution staff maintains and repairs EGWD’s infrastructure. This includes major projects, such as the meter retrofit and water main replacement projects.
- **Financing new or upgraded infrastructure and deferred maintenance**
 The FRCD Board has a “pay as you go” strategy for infrastructure and maintenance, thereby avoiding additional debt. Refer to the attached Reserve Fund Policy for details regarding the funding of infrastructure and other projects.
- **Infrastructure deficiencies**
 EGWD has no permit or regulatory violations. Any infrastructure deficiencies are prioritized and addressed in the District’s Capital Improvement Program.
- **Evidence of compliance with applicable regulatory standards**
 EGWD is in compliance with all applicable regulatory standards. EGWD reports its water quality tests monthly to the California State Water Resources Control Board and provides an annual Consumer Confidence Report, as required, to all water customers within its service area. EGWD is an active member of the American Water Works Association, with staff participating on national committees to further develop industry standards and to incorporate those standards fully within the District.

B. Programs - FRCD

Name	Locations	Size	Description
Envirothon	varies	5-10 students	High school environmental competition
Elk Grove Greener Gardens DIY Expo and Garden Tour	Elk Grove	community wide	water efficient landscaping event

Programs – EGWD

Meter Retrofit Program - This state-mandated program is now complete, well in advance of the 2025 deadline. The District used a combination of grant funding and capital improvement funding for this project.

Urban Water Management Plan (UWMP) – Every five years, the District prepares an updated UWMP which includes water supply/demand projections and a water shortage contingency plan. The most recent version (2015) was adopted in June, 2016.

Capital Improvement Program – The District maintains a five-year Capital Improvement Program (CIP) in compliance with its 2012-2017 Strategic Plan. This CIP identifies various capital repairs and improvements needed over the upcoming five-year period to properly operate and maintain the District’s capital assets. All CIP projects are budgeted and scheduled to comply with the District’s pay-as-you-go financial strategy, maintaining adequate reserve coverage in compliance with all bond covenants. Examples of selected planned projects include the Hampton Water Treatment Plant Improvements, the Backyard Water Mains/Services Replacement Project, and replacement of numerous water mains.

Asset Management Program – The EGWD has developed and uses an asset management program (AMP) to assess and determine when capital assets should be replaced or rehabilitated. The AMP allows EGWD to perform long-range planning of capital projects to keep its assets in good condition and sustainably manage the water system.

Regional Water Management Planning – The EGWD is a member of the Regional Water Authority and participates in regional planning for greater Sacramento area. This includes participation in the Integrated Regional Water Management Plan, which coordinates the planning efforts of the local water agencies to ensure and enhance water supply to the region.

Sacramento Central Groundwater Authority – The EGWD is a member of the Sacramento Central Groundwater Authority (SCGA) which is advancing efforts to become the Groundwater Sustainability Agency in the SCGA service area. This effort is in compliance with the 2014 Sustainable Groundwater Management Act which is applicable to non-adjudicated groundwater basins within California and intended to achieve long- term sustainability of the groundwater basin in this area.

Division of Drinking Water Programs, State Water Resources Control Board - The District complies with all State Water Resources Control Board requirements for drinking water systems, including water quality sampling and monthly reporting and the annual

DETERMINATION

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

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

(4) Financial ability of FRCD to provide services.

Financial Information - FRCD

Budget - Until recently, the entire budget for the FRCD, aside from occasional grant funding, was the rental income for property jointly owned with two other RCDs. The maximum annual budget was \$6,000. For 2016-17, the FRCD budget is \$41,821 which includes a portion of the General Manager's salary and benefits as well as election costs in 2016. Other expenses to the FRCD budget include insurance premiums and minor incidental expenses, such as auditing services and bank charges.

Revenue - Until February 2014, the entire FRCD's annual budget, aside from occasional grant funding, was its share of rent paid on property co-owned with the Sloughouse RCD and the Lower Cosumnes RCD. This property, however, was sold in FY 2013-14 with the FRCD receiving \$82,983 of net sales proceeds. The FRCD has no assured source of revenue at this time.

Rates, Fees, Charges and Assessments - The FRCD does not presently charge rates or fees for any services.

Expenditures - Expenditures to the FY 2016-17 FRCD budget primarily include salaries and benefits along with election costs. The FRCD pays for ten percent (10%) and the EGWD pays ninety percent (90%) of the total election costs. At this time there are no identified reserves or revenue sources of the FRCD to pay election costs beyond the 2018 election.

Assets, Liabilities, Debt, Equity, and Reserves - The FRCD Comprehensive Annual Financial Report for the Years ended June 30, 2016 and 2015 (CAFR) is provided for reference as Appendix D.

- **Book Value of Assets.** The FRCD has approximately \$80,000 in reserves.

- **List of equipment, land, and other fixed assets.** None.
- **Summary of long term debt and liabilities.** None
- **Agency's bond rating and reason for rating.**
The FRCD has a bond rating of A-. The Standard and Poor's Ratings Services letter detailing the bond rating information is attached as Appendix E.
- **Policies and procedures for investment practices.**
The Investment Policy Guidelines of the FRCD are attached as Appendix F.
- **Policies and procedures for establishing and maintaining reserves/retained earnings.**
Dollar limit of reserves/retained earnings: N/A
Ratio of undesignated, contingency, and emergency reserves to annual gross revenue:
N/A

Summary of Revenue Sources - FRCD

Fiscal Year	2012/13	2013/14	2014/15	2015/16	Projected
Property Taxes					
Interest	17	50	110	93	75
Rental Income	9,533	5,467	2,533		
HPTR					
In-Lieu Fees					
State & Federal Grants					
Recreation Fees & Grants					
Miscellaneous	4,729	82,983	10,162	353	
Fund Balance Available					
Total	14,279	88,500	12,805	446	75

Summary of Expenditures -FRCD

Fiscal Year	2012/13	2013/14	2014/15	2015/16	Projected
Salaries & Wages					26,566
Services & Supplies	21,579	37,166	13,803	34,831	3,255
Long-Term Debt					

Capital Improvements ¹					
Equipment					
Election costs			8,044		12,000
Contingency					
Total	21,579	37,166	21,847	34,831	41,821

1. Identify Sources of Funding

Summary of Financial and Operational Information - FRCD

2015/16	
Population	280,014
Area Served	96,692.5 acres
Developed Real Estate	
Undeveloped Real Estate	
Service Standard Ratios ¹	N/A
Full Time Employees	0
Average Part-time Employees	0
Total Annual Budget	
Per Capita Spending	
Total Annual Administrative Costs	
% Annual Administrative Costs to Total	
Estimated Deferred Maintenance	N/A
Average Capital Improvements (5 Years)	N/A
Reserve Amount	
Operational Cost per Employee	N/A
Average Property Tax Rate	1%

Financial Information - EGWD

Budget - The EGWD Fiscal Year 2016-17 Budget is included in this report as Appendix G. The District was recently awarded the Certificate of Achievement for Excellence in Financial Reporting for the sixth consecutive year.

Revenue - See the attached budget for revenue information. The majority of revenue is obtained through collection of rates for water services provided.

Rates, Fees, Charges and Assessments - The District completed a comprehensive cost of service analysis and water rate study report in 2013. This report is attached at Appendix H.

Expenditures - The EGWD has established rates and fees sufficient to fund short and long-term operations, maintenance, and capital improvement costs. Several Certificates of Participation were issued to make major and necessary improvements after the District became a public agency in 1999 and the rates satisfy the repayment of these Certificates of Participation. The cost of service has been analyzed to establish rates justifiable for the services provided.

Assets, Liabilities, Debt, Equity, and Reserves

- **Book Value of Assets**

See the attached Comprehensive Annual Financial Report (CAFR) (Appendix D) for information on assets, liabilities, debt, equity and reserves. Capital Assets are detailed on page 41.

- **List of equipment, land, and other fixed assets**

Major assets are addressed in the FY 2016 – 17 Capital Improvement Program (Appendix C).

- **Summary of long term debt and liabilities**

The FRCD/EGWD last issued Water Revenue Refunding Bonds in June 2016. The attached Comprehensive Annual Financial Report contains further information regarding financing and debt on pages 42 and 43. Details of each debt are located on pages 44 through 49.

- **Agency's bond rating and reason for rating**

The District has a bond rating of A-. The Standard and Poor's Ratings Services letter detailing the bond rating information is attached as Appendix E.

- **Policies and procedures for investment practices**

Investment policy guidelines for the FRCD and the EGWD are attached as Appendix F.

- **Policies and procedures for establishing and maintaining reserves/retained earnings**

On August 22, 2012, the Board of Directors passed a resolution adopting a revised policy regarding reserve funds. A copy of the reserve policy is attached as Appendix I. Reserve monies are placed into one of six funds:

1. Operating Reserve Fund – target balance: 120 Days of Annual Operations and Maintenance Budget.
2. Capital Improvement Reserve Fund – target balance: Annual Capital Improvement Program Budget.
3. Capital Replacement Reserve Fund – target balance: Annual Capital Replacement Budget
4. Elections and Special Studies Reserve Fund – target balance: \$120,000.
5. Future Years Capital Improvement Reserve Fund – target balance: 75% of the balance of the

unrestricted reserves funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections Special Studies upon conclusion of the annual audit.

6. Future Years Capital Replacement Reserve Fund – target balance: 25% of the balance of the unrestricted reserves funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections Special Studies upon conclusion of the annual audit.

Summary of Revenue Sources - EGWD

The EGWD ten year financial summary is on page 81 of the CAFR in the statistical section entitled Pledged Revenue Coverage – Water Service Fund.

Fiscal Year	2012/13	2013/14	2014/15	2015/16	Projected
Property Taxes					
Interest	20,886	18,188	19,970	19,994	100,000
Rental Income	1,684	1,823			
HPTR					
In-Lieu Fees					
State & Federal Grants		100,000	28,500		
Recreation Fees & Grants					

Miscellaneous (Charges for Services)	14,312,791	13,435,194	13,185,838	13,475,325	13,745,658
Fund Balance Available					
Total	14,335,361	13,555,205	13,234,308	13,495,319	13,845,658

Summary of Expenditures - EGWD

Fiscal Year	2012/13	2013/14	2014/15	2015/16	Projected
Salaries & Wages	2,882,423	2,808,085	2,855,533	2,763,806	2,829,891
Services & Supplies	4,298,196	4,328,358	5,605,678	4,270,991	6,545,370
Long-Term Debt	3,833,665	4,709,651	3,290,466	3,655,240	3,197,888
Capital Improvements ¹	2,077,833	1,012,933	1,442,343	1,361,882	2,228,000
Equipment	7,386	85,493	50,214	96,603	120,000
Contingency					
Total	13,099,503	12,944,520	13,347,934	12,148,522	15,029,149

1. Pay-as-you-Go funding with Capital Reserve Funds

Summary of Financial and Operational Information - EGWD

2016/2017	
Population	44,000
Area Served	12,370
Developed Real Estate	N/A
Undeveloped Real Estate	N/A
Service Standard Ratios ¹	N/A
Full Time Employees	30
Average Part-time Employees	0

Total Annual Budget (\$)	13,726,243
Per Capita Spending	312
Total Annual Administrative Costs	3,349,605
% Annual Administrative Costs to Total	24%
Estimated Deferred Maintenance	None
Average Capital Improvements (5 Years)	1,846,600
Reserve Amount	11,295,771
Operational Cost per Employee	457,541
Average Property Tax Rate	N/A

1. For example, Park acres per 1000 residents

Financial Information - FRCD Office Building Enterprise Fund

On October 30, 2015 the District consummated the sales transaction of the Susie Gaines Mitchell Building with The Three Tower Corporation, Inc., and R. Scott Rasmussen, LLC. (the “Purchaser”) for a purchase price of \$9,900,000. In addition, the District assigned all rights, title and interest in and to the lease with the County of Sacramento to the Purchaser. The net sales proceeds were remitted to the Bond Trustee, Bank of New York, Mellon, for the payment of outstanding invoices and final disbursement to the Series 2003 Certificate holders.

On February 23, 2016 the Bank of New York Mellon Trust Company, N.A., issued a Notice of Distribution to Holders of Florin Resource Conservation District Certificates of Participation Subordinate Lien Current Interest Series 2003A and Subordinate Lien Capital Appreciation Series 2003B. The Notice provided the calculation and estimated date of final distribution to bondholders which took place on February 29, 2016.

As of the June 30, 2016 the FRCD Office Building Enterprise Fund had zero assets, liabilities and equity and has been closed.

DETERMINATION

Regarding the financial ability of FRCD to provide services.

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

5. Status of and Opportunities for Innovation and Shared Facilities - FRCD

- a. **Existing and/or potential shared facilities, infrastructure, and staff. Joint power agreements or other agreements for sharing resources with other agencies.**

The FRCD signed a cooperative working agreement with the Natural Resources Conservation Service, USDA and co-owned a property with two other RCD's until 2014.

- b. **Existing and/or potential joint use planning.** None.
- c. **Existing and/or potential duplication with existing or planned facilities or services with other agencies.** None.
- d. **Availability of any excess capacity to serve customers or other agencies.** None.
- e. **Economies of scale in shared purchasing power, and any other cost-sharing opportunities that can be implemented by joint use or sharing resources.**
None.
- f. **Duplication (overlap), or gaps in services or boundaries.** None.
- g. **Ongoing cost avoidance practices.** The FRCD has no active programs, so there are minimal costs. There has not been any contractual hiring for many years.
- h. **Opportunities to reduce overhead and operational costs.** Costs to the FRCD are primarily for legal advice and election costs and these costs are fixed. Funding for these costs comes from cash reserves from the rent revenues previously received from the tenant of the building co-owned with two other RCDs.
- i. **Opportunities to reduce duplication of infrastructure.** N/A
- j. **Areas outside agency boundary which could be efficiently served by existing or proposed agency facilities.** None.
- k. **Areas within agency boundary which could be more efficiently served by another agency.** None.
- l. **Compatibility of service plans with those of other local agencies.** All are compatible.

Status of and Opportunities for Innovation and Shared Facilities - EGWD

- a. **Existing and/or potential shared facilities, infrastructure, and staff. Joint power agreements or other agreements for sharing resources with other agencies.**

In 2005, EGWD reentered into an agreement with Sacramento County Water Agency, under which SCWA provides "...a permanent supply of wholesale treated groundwater and/or surface water..." SCWA and EGWD maintain several intertie points at which water can be transferred to the EGWD. SCWA entirely surrounds EGWD, and therefore there are no other neighboring water agencies to share additional resources. Note Omochumne-Hartnell WD abuts, but is groundwater recharge district without M&I water service authority.

EGWD maintains professional relationships with several organizations, including:

- The City of Elk Grove
- Cosumnes Community Services District
- The Water Forum
- Association of California Water Agencies
- American Water Works Association
- Regional Water Authority
- Sacramento Central Groundwater Authority
- California Association of Resource Conservation Districts
- California Special Districts Association
- California Urban Water Conservation Council

b. Existing and/or potential joint use planning.

EGWD works cooperatively with the Regional Water Authority, the Integrated Regional Water Management Plan and the Sacramento Central Groundwater Authority to identify and implement regionally beneficial projects and priorities.

c. Existing and/or potential duplication with existing or planned facilities or services with other agencies.

EGWD has not identified any existing or potential duplication with existing or planned facilities or services with other agencies.

d. Availability of any excess capacity to serve customers or other agencies.

EGWD maintains the required amount of water storage for fire suppression but does not produce an excess that could be made available to customers or other agencies. In the event of an emergency or during non-peak periods, EGWD can evaluate its water supply, and on a case-by-case basis may be able to provide water for a limited period of time to SCWA through one or more of its interties.

e. Economies of scale in shared purchasing power, and any other cost-sharing

opportunities that can be implemented by joint use or sharing resources.

Economies of scale have been observed primarily in water conservation programs. For example, membership in the Regional Water Authority enables EGWD to take advantage of reduced prices in bulk conservation items, such as showerheads for distribution, fliers and brochures and mass marketing programs including television announcements or radio time.

f. Duplication (overlap), or gaps in services or boundaries.

There is no duplication, gaps or overlap in services or boundaries. There are no opportunities to reduce infrastructure by eliminating duplication.

g. Ongoing cost avoidance practices.

The FRCD and the EGWD maintain and abide by numerous policies and practices to reduce costs and keep rates as low as possible. Specifically, there are two adopted policies which govern the purchase of goods and services (Appendix J), and the bidding of public works construction projects (Appendix K). These policies are compliant with public contract law and maintain competitive procedures to ensure that public funds are expended efficiently. The EGWD successfully obtained over \$330,000 in grant funding to assist in the installation of water meters. The EGWD completes most work using in-house personnel, however certain professional and construction services are occasionally competitively bid-out.

In 2011, the District adopted an Employee Cost Control Program (Appendix L) that includes many elements to control employee costs over the long-term. This program has been very successful and credited with helping to temper rate adjustments over the next five years. The District also completed a Source Capacity Improvement Program which saved several million dollars on replacement wells needed to improve water supply production. This Program eliminated the need for supplemental water that would have otherwise been purchased to supply our customers during peak summertime service demand periods.

h. Opportunities to reduce overhead and operational costs.

The FRCD/EGWD actively seeks cost reduction measures in all operational areas of the District. The District also continues to actively pursue all types of grant opportunities and this will be especially important to the FRCD, which has limited sources of revenue.

i. Opportunities to reduce duplication of infrastructure. None

j. Areas outside agency boundary which could be efficiently served by existing or proposed agency facilities. None

k. Areas within agency boundary which could be more efficiently served by another agency. None

l. Compatibility of service plans with those of other local agencies.

The EGWD service plan is compatible with the plans of other local agencies. Every year, EGWD works with the City of Elk Grove and the Cosumnes Community Services District to coordinate capital improvement projects. Examples of this cooperation include EGWD's relocation of a water line to accommodate the City's new pedestrian overpass project and collaborating on the installation of a new water main with the City's road maintenance program.

DETERMINATION

Regarding status of and opportunities for, shared facilities:

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

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

a. **Composition of the agency's governing board.**

- I. Number of Directors: 5
- II. Nature/Length of Terms: 4 year staggered terms.
- III. Is governing body landowner or population based? Landowner based.
- IV. Are Directors elected or appointed? Elected, although mid-term vacancies have been filled by appointment.
- V. Are elections or appointments at large or by district? At large.

EGWD is governed by the FRCD's elected at large and includes a five member Board of Directors. Board members serve staggered four year terms. In addition to the elected board, the FRCD/EGWD has two Associate Directors, who have no voting privileges, but volunteer their service to the FRCD/EGWD. According to Section 9314 of Division 9 of the Public Resources Code, the board can be appointed by the county's Board of Supervisors; however, for several years the FRCD has instead held elections for board seats.

To qualify as a director, candidates must be:

1. A registered voter, **and**
2. Reside within the district, **or**
3. Have two or more years' experience as an Associate Director, **or**
4. Be a designated agent of a resident landowner within the District.

At present, four of the five FRCD directors live within the FRCD boundaries and one has a designated agent. Three of the FRCD directors live within the EGWD boundaries.

b. **Compensation and benefits provided to the governing board, including any benefits that continue after term of service.**

The directors of the governing board do not receive any compensation or benefits for their service. Directors may be reimbursed for reasonable and necessary expenses incurred in attendance at meetings or otherwise engaged in the business of the district. (California Public Resource Code Section 9303).

c. **Governing board meeting locations and frequency**

The Board of Directors meets on the fourth Wednesday of every month. The December meeting may be combined with an annual meeting of neighboring RCDs.

d. **Rules, procedures, and programs for public notification of agency operations, meetings, programs, etc.**

- **Public participation encouragement**

The Board Secretary adheres to Brown Act requirements to ensure that ample public notice is provided for each meeting. Notice of all public meetings is advertised in the local newspaper (the Elk Grove Citizen), on the EGWD website (www.egwd.org), and an agenda posted both at the EGWD administrative office and at the meeting's site.

- **Public meetings accessibility**

Meetings are normally held at the EGWD Administrative Building, 9257 Elk Grove Blvd., Elk Grove. The building is compliant with the Americans with Disabilities Act (ADA) standards and all meetings are open to the public, unless previously noticed as a closed session. Meetings are usually held at 6:30 in the evening.

e. **Public education/outreach efforts, (i.e., newsletters, bill inserts, website, etc.)**

Public education and outreach efforts are organized both in-house and through EGWD's partnership with Regional Water Authority. In-house communications include regular updates to the EGWD website, a periodic newsletter (The Water Drop) and the annual Consumer Confidence Report. EGWD staff participates in two local festivals each year, the Elk Grove Western Festival and the Elk Grove Harvest Festival, during which the staff promotes water education and conservation awareness at the EGWD booth.

f. **Level of public participation, and ways that staff and Directors are accessible to the public.**

During a recent rate study, community participation was conducted through a Community Advisory Committee (CAC). This included a group of rate-paying citizens who assisted in determining the cost of service and required rates and charges. The final study submitted to the Board of Directors was endorsed by the CAC.

The Directors are available to the public by email and during public meetings. All public

meetings allow for the public to comment on items not on the agenda and to comment on each agenda item separately.

The Board may appoint up to five Associate Directors, who must be registered voters or landowners within the FRCD and demonstrate expertise in an area of interest to the Board. Associate Directors participate in meetings and on committees but do not vote.

Staff are available to the public during normal business hours. An emergency number is posted on the administrative office's front door, on the customer bills and on the website so that the public can reach staff at any time day or night. Some staff members have email addresses posted on the EGWD website and all staff members carry business cards to provide to customers.

g. **Public access to information and agency reports.**

Under the California Public Records Act, Government Code sections 6250-6276.48, the public may review or obtain copies of most EGWD records. EGWD/FRCD Policy No. 31 (Appendix M) details the public's ability to access information and agency reports. The public is invited to review all available information during regular business hours and staff will research and make available information that is not readily available upon request. A small fee may be charged to cover the cost of photocopying documents.

Agency reports are available by:

- Coming into the EGWD administration building,
- Email request to the FRCD Board or EGWD staff,
- Telephone request to the EGWD staff,
- Downloading a copy available on the Web site in an Adobe Acrobat (pdf) format

h. **Opportunities to eliminate service islands, peninsulas and other illogical service areas.**

The FRCD/EGWD has not identified any opportunities to eliminate service islands, peninsulas and other illogical service areas at this time.

DETERMINATION

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

7. **Issues, Concerns and Opportunities**

Issues or concerns related to operations (financial, managerial, legal, organizational, etc.)

- Compliance with Environmental Justice requirements
The FRCD is in complete compliance. EGWD's policy is to provide fair treatment and meaningful involvement of all people and a safe, healthful environment for both the public and employees.
- Compliance with regulatory reporting requirements
The FRCD is in complete compliance. EGWD strictly complies with all local, state and Federal regulatory and reporting requirements, including the annual Consumer Confidence Report.
- Compliance with regulatory agencies and public health and safety issues
The FRCD is in complete compliance. EGWD is in full compliance with its regulatory agencies and public health and safety issues. EGWD follows OSHA requirements for a safe workplace.

LAFCo Determination

The Commission determines that the District is managed effectively and efficiently

APPENDICES

**Please note: All Appendices may be reviewed @
<http://www.agendanet.saccounty.net/sirepub/mtgviewer.aspx?meetid=11989&doctype=AGENDA>**

- A. FRCD/EGWD 2012-2017 Strategic Plan
- B. District Transparency Certificate of Excellence
- C. FY 2017-2021 Capital Improvement Program
- D. FRCD Comprehensive Annual Financial Report for the Years ended June 30, 2016 and 2015
- E. Standard and Poor's Rating Services FRCD rating letter
- F. FRCD Investment Policy Guidelines FY 2016-17
- G. EGWD Fiscal Year 2016-17 Operating Budget
- H. EGWD 2013 Water Rate Study Report
- I. Resolution adopting EGWD Reserve and Capital Investment Policy
- J. FRCD Policy No. 3, Purchases of Goods and Services from Outside Vendor
- K. FRCD Policy No. 8, Bidding Policy and Procedures for Public Works Construction Contracts
- L. Resolution adopting policies concerning Employee Benefits and Work Schedules
- M. FRCD Policy No. 31, Public Record Act Requests
- N. Map of Disadvantaged Communities