

FLORIN RESOURCE CONSERVATION DISTRICT MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

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Received @

LAFCo 10/21/20



Local Agency Formation Commission for the County of Sacramento

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Acronyms

AF	Acre Feet
AMP	Asset Management Program
AWWA	American Water Works Association
Board	Board of Directors
CAC	Community Advisory Committee
CAFR	Comprehensive Annual Financial Report
CalPERS	California Public Employees' Retirement System
CalWARN	California Water/Wastewater Agency Response Network
CCR	Consumer Confidence Report
CERBT	California Employer's Retiree Benefit Trust
CEQA	California Environment Quality Act
CIP	Capital Improvement Program
City	City of Elk Grove
CKH Act	Cortese-Knox-Hertzberg Local Government Reorganization Act
District	Florin Resource Conservation District/Elk Grove Water District
DUC	Disadvantaged Unincorporated Communities
EGWD	Elk Grove Water District
FRCD	Florin Resource Conservation District
FY	Fiscal Year
GASB	Governmental Accounting Standards Board
GC	Government Code
GFOA	Government Finance Officers Association
GM	General Manager
GPM	Gallons Per Minute
LAFCo	Local Agency Formation Commission
MSR	Municipal Services Review
OPEB	Other Postemployment Benefits
Plan	Public Agency-Cost Sharing Multiple-Employer Defined Benefit Pension Plan
PEPRA	California Employee's Pension Reform Act
RCD	Resource Conservation District
RWA	Regional Water Authority
SA	Service Area
SCGA	Sacramento Central Groundwater Authority
SCWA	Sacramento County Water Agency
SDLF	Special District Leadership Foundation
S&Ps	Standard and Poor's
SOI	Sphere of Influence
Subbasin	South American Groundwater Subbasin
UWMP	Urban Water Management Plan
Water Agreement	First Amended and Restated Water Agreement

1: EXECUTIVE SUMMARY

1.1 – Introduction

The Introduction section of this report describes the role of the Local Agency Formation Commission (LAFCo) and the purpose and uses of the Municipal Service Review (MSR). In general, the LAFCo must implement the Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH Act) requiring LAFCos, such as Sacramento LAFCo, to prepare MSR's for cities and special districts within their respective counties and to update them every five (5) years. The Introduction section also explains that MSR's are categorically exempt from the California Environmental Quality Act (CEQA).

1.2 – Agency Profile

The Agency Profile section of this report discusses the history, general information, and structure of the organization. A discussion is also presented of the agency's business practices, including procurement, training, personnel policies, salaries, and noteworthy awards and recognitions.

The Florin Resource Conservation District (FRCD) is an independent special district that operates the Elk Grove Water District (EGWD), which provides water purveyor services to a portion of the FRCD's service area within the City of Elk Grove. The EGWD is not a separate district, but rather a department of the FRCD. In 2018 the FRCD's Board of Directors (Board) determined that all activities of the FRCD must benefit, or otherwise serve, the EGWD rate payers. Collectively, the FRCD/EGWD is referred to in this report as District.

The District is, in general, medium in size having 30 employees and annual expenditures of approximately \$15 million. The District is governed by a five-member board of directors. The General Manager is responsible for leading three (3) main divisions and implementing policy as prescribed by the Board.

The District uses a variety of procurement methods, but conducts most work using in-house resources. Personnel are guided through detailed plans and policies and area compensated in a competitive manner relative to other water agencies. The District has also received numerous awards and recognitions and it is particularly noteworthy that the District has received a Certificate for Excellence in Financial Reporting for 11 consecutive years.

1.3 – Population Projections

The Population Projections section of this report discusses the historic, current, and projected populations within the agency. Currently the FRCD's population is 320,000 and the EGWD's

population is 46,227. Relative to the District, only the two (2) EGWD's service areas, Service Area (SA) 1 and SA 2 are used for these projections.

Relative to the EGWD, limited growth is expected to incur in SA 1, while modest growth can be expected in SA 2.

Water supplies are described for both service areas and water use is projected to remain fairly flat, at around 8,000 acre-feet/year, out to the year 2045.

1.4 – Disadvantaged Unincorporated Communities (DUC)

MSR's are required by law to address the needs and deficiencies of all DUC's within, or contiguous to, the agency's service area. A DUC is defined as an inhabited community (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

Although there is a DUC within the FRCD boundary, this is not applicable because the FRCD would not be able to perform activities within the DUC that provide a benefit, or otherwise serve, the ratepayers of the EGWD. Within the EGWD's service area, there are no DUC's and consequently no needs or deficiencies to be identified.

1.5 – Facilities and Programs

The Facilities and Programs section of the report provides specific detail on managed assets primarily from the standpoint of capacity and needs. Regulatory requirements and various programs are also addressed.

The District has a variety of assets which are managed through formal asset management and capital improvement programs. The District's current assets are capable of providing safe and sufficient water supply to both the existing population and future population through the year 2045.

The District complies with numerous regulatory requirements, notably those required to operate a water system as well as financial requirements to ensure that proper accounting methods are met. The District also has a number of programs, including the participation with other agencies in regional surface and groundwater management.

1.6 – Financial Information

The Financial Information section of the report provides detailed information on how revenues are generated, how expenditures are made, and generally how stable the agency is financially.

The District is presently very stable as the revenues have substantially exceeded expenditures in each of the last four (4) years, which has led to a positive change in net position each year. The excess revenues collected have been set aside into six (6) reserve funds, which will mainly be used to fund near and long-term capital needs within the District.

Two (2) principal liabilities, retirement benefits and other postemployment benefits (OPEB), are also discussed. The District is moderately well poised relative to current and future retirement obligations and very well poised in OPEB.

1.7 – Status and Opportunities for Innovation and Shared Facilities

This section of the report largely discusses ideas and relationships with other parties to maintain or enhance service, enjoy economies of scale, or avoid duplication of service or infrastructure.

The District maintains professional relations with many agencies and service organizations, which is of vital importance to its customers and the region. The District enjoys economies of scale, especially in the areas of water conservation and legislative advocacy.

The District has implemented numerous policies to reduce costs and also implemented an Employee Cost Control Program, which controls employee costs over the long-term. It is also worthy to note that in restructuring its debt, the District is saving \$194,000 per year and the term of the debt was reduced by 13 years.

1.8 – Accountability and Governance

The Accountability and Governance section discusses how the agency is governed and how the public may engage with the agency.

The District is governed by a five (5) member Board, all of whom are elected at large. Board meetings are generally conducted once a month and publicly noticed in accordance with the Brown Act. The Board may appoint up to five (5) Associate Directors to provide their knowledge, experience and input.

The public has numerous opportunities to engage and participation is encouraged. Citizen Advisory Committees have been periodically used and have been effective in providing oversight on water rate studies.

1.9 – Issues, Concerns, and Opportunities

This section of the report discusses issues or concerns related to operations, such as financial, managerial, legal, organizational, etc.

The District has discussed three (3) efforts that need to be maintained and these include:

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

2: INTRODUCTION

The fundamental role of a Local Agency Formation Commission (LAFCo) is to implement the Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH Act) of 2000 (Government Code (GC) §56000, et seq.), providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. The CKH Act requires all LAFCo's, including Sacramento LAFCo, to conduct a Municipal Service Review (MSR) prior to updating the spheres of influence (SOI) of the various cities and special districts in the County (GC §56430). CKH Act requires an MSR and SOI update every five (5) years.

Purpose of the Municipal Service Review

Municipal Service Reviews (MSRs) were added to LAFCo's mandate with the passage of the CKH Act. An MSR is a comprehensive study designed to better inform LAFCo, local agencies, and the community about the provision of municipal services. Service reviews capture and analyze information about the governance structures and efficiencies of service providers and identify opportunities for greater coordination and cooperation between providers. The MSR is a prerequisite to a SOI determination and may also lead a LAFCO to take other actions under its authority.

2.2 – LAFCO Determinations – Seven Elements

Pursuant to CKH Act (GC Section 56430), the LAFCo must make a determination for each of the following seven (7) elements:

- 1. Growth and population projections for the affected area.** This section reviews projected growth within the existing service boundaries of the district and analyzes the district's plans to accommodate future growth.
- 2. The location and characteristics of any disadvantaged unincorporated communities (DUC) within or contiguous to the sphere of influence.** This section discusses whether or not the agency serves a DUC including the identification of needs or deficiencies. A DUC is defined as one (1) with a median household income of 80% or less of the statewide median income.
- 3. Present and planned capacity of public facilities and adequacy of public services including infrastructure needs or deficiencies.** This section discusses the services provided including the quality and the ability of the district to provide those services, and it will include a discussion of capital improvement projects currently underway and projects planned for the future, where applicable.
- 4. Financial ability of agencies to provide services.** This section reviews the district's financial data and rate structure to determine its fiscal viability and ability to meet service demands. It also addresses funding for capital improvement projects.

5. **Status of and opportunities for shared facilities.** This section examines efficiencies in service delivery that has potential for sharing facilities with other agencies to reduce costs by avoiding duplication.
6. **Accountability for community service needs, including government structure and operational efficiencies.** This section examines the district’s current government structure and considers the overall managerial practices. It also examines how well the district makes its processes transparent to the public and encourages public participation.
7. **Any other matters related to effective or efficient service delivery, as required by commission policy.** This section includes a discussion of any Sacramento LAFCo policies that may affect the ability to provide efficient services.

This MSR provides Sacramento LAFCo with an informational document that makes determinations prescribed by the CKH Act. This MSR evaluates district structure and operation and discusses possible areas for improvement, coordination, or SOI changes as appropriate. The MSR’s purpose is to document and analyze Florin Resource Conservation District (FRCD) services and operations. Key sources for this study include agency-specific information gathered by reviewing strategic plans, general plans, websites, financial reports, agency audits, research, personal communication, and the MSR Guidelines published by the Governor’s Office of Planning and Research.

2.3 – Uses of the Municipal Service Review

The MSR is used to shed light on the operations of a local agency, identify agencies unable to perform their mandated services, or identify ways to provide more effective, efficient services. LAFCo, because of GC §56375, can act on recommendations found in the MSR, such as initiating studies for changes of organization, updating the SOI, or originating a change of organization.

Studies in anticipation of a change of organization are useful to identify potential issues that may arise during the process. Issues can range from legal barriers to fiscal constraints to concerns of residents and landowners. A study would allow more focused analysis and the opportunity to resolve issues or options before beginning the process.

The MSR also provides the necessary information to help LAFCo make decisions on a proposed SOI update. In evaluating the SOI, the MSR provides the information necessary to determine if the agency has the capability to serve a larger area. The MSR discusses the financial condition of the district, source of revenues, and projected expenses. It also includes a discussion of the projected infrastructure needs that would allow for expansion of those services. The MSR, however, does not address California Environmental Quality Act (CEQA) requirements for the SOI update. That requires a separate analysis.

Alternatively, the MSR can recommend changes of organization: consolidation, dissolution, merger, establishment of a subsidiary district, or new agency formation that may involve a

consolidation. Those actions may also require an environmental review, a property tax sharing agreement, and an election.

2.4 – California Environmental Quality Act

Public Resources Code §21000, et seq., also known as CEQA, requires public agencies to evaluate the potential environmental effects of their actions. This MSR is exempt from CEQA under Class 6 categorical exemption. CEQA Guidelines §15306 states that “Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource.”

3: AGENCY PROFILE

3.1 – History

FRCD has served Sacramento County for over 67 years. Originally, FRCD was formed in 1953 to promote the efficient use of water, improved drainage, flood control and other land improvements. FRCD 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. FRCD's efforts and priorities have shifted as well, and one (1) of its main responsibilities now is providing potable water to portions of the City of Elk Grove (City). This service is conducted through the operation of the Elk Grove Water District (EGWD), which was acquired by FRCD in 1999. EGWD is a department of the FRCD and provides potable water to an area of service within the FRCD.

EGWD provides water purveyor services including administration, customer service, operations and maintenance, planning and engineering services, plan review, construction management and inspection, and regulatory compliance for safe, reliable, and efficient delivery of water to its 12,645 service connections representing a current population of over 45,000 customers.

EGWD services its customers in two (2) service areas with Service Area (SA) 1 being served by treated groundwater and SA 2 served by treated water purchased from the Sacramento County Water Agency (SCWA).

On April 18, 2018, the FRCD Board of Directors (Board) adopted Resolution No. 04.18.18.01 to limit all future activities to “water related activities that benefit, or otherwise serve, the EGWD ratepayers”. This decision was made after years of deliberation, multiple public meetings, and in-depth engagement with legal counsel. The decision to limit FRCD activities to water related activities that benefit or serve EGWD ratepayers protects FRCD from financial uncertainty, maintains stability for EGWD employees and customers, and leaves FRCD boundary intact.

FRCD is an independent special district and the only resource conservation district in the state that primarily focuses on retail water service; and the EGWD is a district in name only, as it is an enterprise-funded department of FRCD. Collectively, the FRCD/EGWD is herein referred to as District.

The District's mission is to supply its customers with high quality, safe water along with outstanding customer service for current and future generations.

Exhibit 3-1: FRCD and EGWD Boundary Map

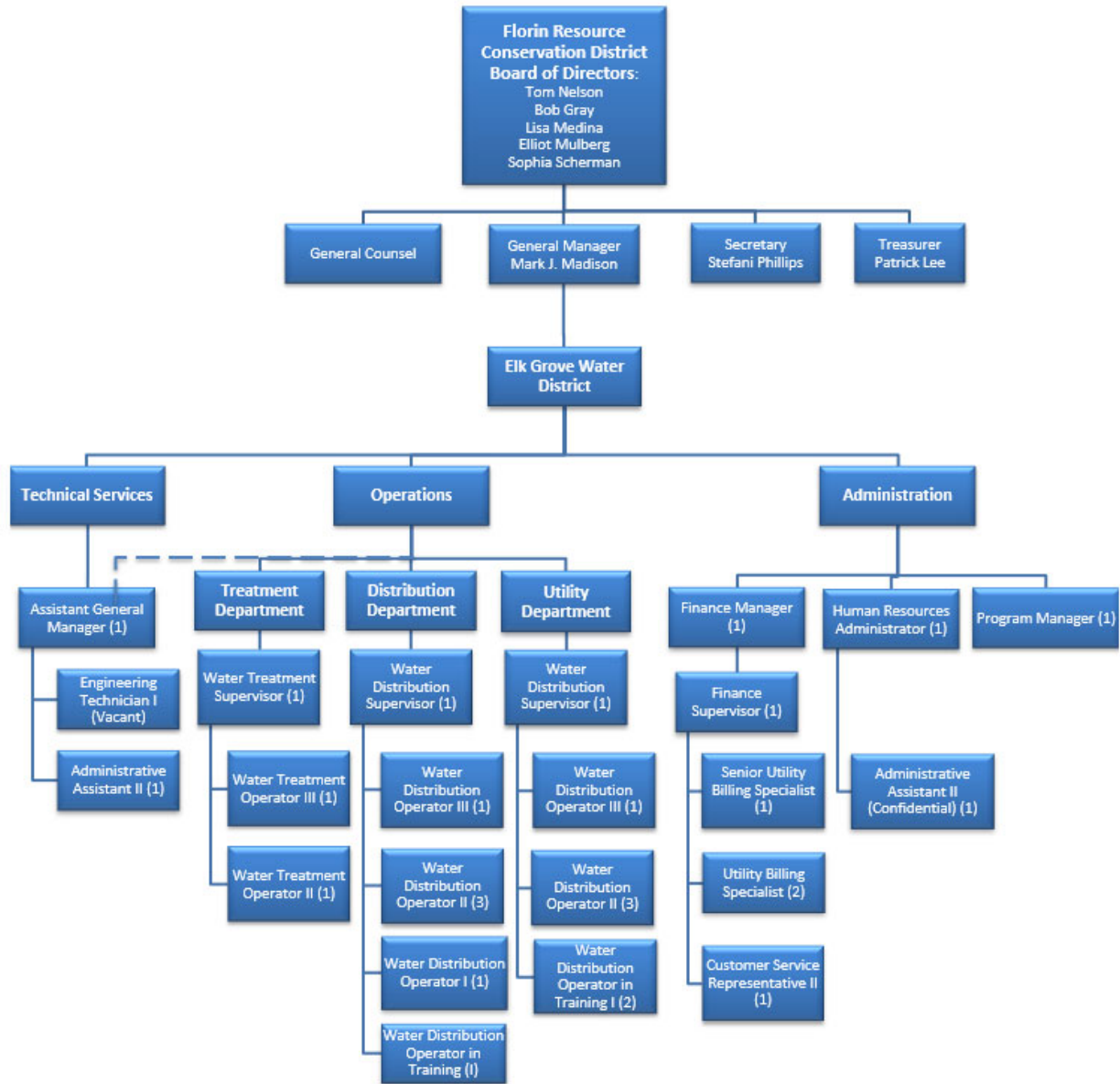


Table 3-1: General Information

1. General Information			
Agency	Florin Resource Conservation District (FRCD)/Elk Grove Water District (EGWD)		
Address	9257 Elk Grove Blvd., Elk Grove, CA 95624		
Principal Act	Division 9 of the California Public Resources Code		
Date Formed	FRCD: June 1953; EGWD: December 1999		
Population	FRCD: 292,832; EGWD: Approximately 45,000		
Services Provided	Resource Conservation and Municipal Water Supply		
Contact Person	Mark J. Madison, General Manager, 916-685-3556		
Website	www.egwd.org		
GOVERNANCE			
Board of Directors	5-member; elected board of directors		
Compensation	None		
Public Meetings	3 rd Tuesdays at 6:30 pm at 8820 Elk Grove Blvd., Elk Grove, CA 95624.		
OPERATIONS			
Number of Employees	FRCD: 0; EGWD: 30		
Current SA	151 square miles (13.1 square miles EGWD)		
Current Facilities	Seven (7) wells, two (2) treatment facilities, two (2) – 2mg storage tanks, 151 miles of water pipe ranging from 4 – 36 inches in diameter, one (1) Administration facility, and numerous remnant parcels of land.		
FISCAL TRENDS	FY 2018-19 Actual (\$)	FY 2019-20 Budget (\$)	FY 2020-21 Budget (\$)
Total Revenues	15,683,659	15,172,243	15,424,142
Total Expenditures	12,326,070	11,541,672	15,769,743
Infrastructure Investment	1,434,533	779,451	3,430,000
Debt Outstanding Principal *	44,145,000	42,075,000	39,910,000

3.2 - Management and Staffing Structure

Exhibit 3-2: District Organization Chart



3.2.1 - Management Structure

The Board appoints the General Manager (GM), General Counsel, Secretary and Treasurer. The GM is responsible for managing District operations and policy implementation as prescribed by the Board.

3.2.2 - Organization Structure

The District's organization structure is similar to other water agencies in the area. Similarities include having a governing elected Board, a GM, and Administration, Operations, and Technical Services divisions. All work at the District is divided between the three (3) divisions.

3.2.3 - Employment Structure

The District employs approximately 30 full time positions, depending on staffing needs.

3.3 – Business Practices

3.3.1 - Type and Purpose of contracts and consultants

The District contracts for technical and professional services to supplement in-house expertise. The selection process for these services is based on demonstrated competence, professional qualifications necessary for the satisfactory performance of the services required and price. Legal counsel, audit, and information technology functions are contracted positions. The District periodically contracts for specialized services such as financial and human resource consultation, engineering and other post-employment benefit (OPEB) valuation services. Contracted positions are paid within the District operational budget.

3.3.2 - Ongoing Training and Personnel Policies

The District's most vital resource are its employees. As identified in its 2020-2025 Strategic Plan, included as Appendix A, one (1) of the District's Strategic Goals is Employer of Choice. The District strives to continually attract and retain skilled employees by providing a driven, supportive and family-oriented work environment. To that end, the District has developed the following objectives:

1. Require Operations employees to complete all training and certifications required for their job classifications.
2. Provide monthly training to all staff on subjects such as workforce safety, communication, finance, leadership and customer service.
3. Provide a tuition reimbursement program. This program assists those employees who wish to continue their training and education in order to secure increased responsibility and growth within their careers.

An employee policy manual is provided to guide district employees, highlight areas of importance to facilitate efficient and economical service to the public and promote a fair and equitable system of personnel management. The manual may be revised and updated from time to time, as deemed necessary.

3.3.3 - Awards and Recognition

In 2019, the District received a Certificate of Achievement for Excellence in Financial Reporting for the 11th consecutive year.

The Certificate of Achievement for Excellence in Financial Reporting has been awarded to the District by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting that GFOA awards and its attainment represents a significant accomplishment by the District and its management.

In 2019, the District received the Distinguished Budget Presentation Award from the GFOA. The GFOA established this program to encourage and assist government agencies in the preparation of budget documents of the very highest quality. Organizations that achieve this award have met the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting.

In 2020, the District received the District Transparency Certificate of Excellence Award from the Special District Leadership Foundation (SDLF). The SDLF established this program in an effort to promote transparency in the operations and governance of special districts to the public. Earning this certificate demonstrates to constituents and stakeholders the District's commitment to engaging the public and creating a greater awareness of the District's activities and being open and accessible to them.

4: POPULATION PROJECTIONS (ELEMENT NO. 1)

4.1 – Florin Resource Conservation District Service Area

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. Using the most current American Community Survey 5-year data the estimated population within the FRCD boundary is 320,000. Much of the FRCD is built out and comprised of urban areas, which is unusual for resource conservation districts (RCD). Future growth could occur within the FRCD boundary due to the City’s growth in the southeast study area, the potential of Sacramento County’s Vineyard region and Rancho Cordova’s specific plans to develop 8,000+ residential dwellings.

4.2 – Elk Grove Water District Population

The EGWD has a current service area of approximately 13 miles located entirely within the City boundary. The population served by EGWD includes a mix of single and multi-family residential, commercial and industrial users and follows the same demographic trends as the City. The following historic and projected population figures represent estimated population within the EGWD service area boundary. These figures were obtained from the District’s 2015 Urban Water Management Plan, which is included as Appendix B.

Table 4-1: EGWD Historic and Projected Population

Historic and Projected Population	
Year	Population
2010	39,694
2015	42,867
2020	46,227
2025 (est.)	49,549
2030 (est.)	50,530
2035 (est.)	50,604
2040 (est.)	50,678
2045 (est.)	50,752

4.3 – Elk Grove Water District Service Areas

EGWD is divided into two (2) service areas. SA 1 is supplied with treated groundwater. SA 2 is supplied with treated surface water and groundwater purchased under a long-term contract from

SCWA. SA 1 is fully developed, serving about 8,105 accounts and very little growth is predicted. SA 2 provides water to about 4,540 accounts and encompasses the City’s Rural Area Community Plan and Eastern Elk Grove Community Plan. As documented in the City’s General Plan, some additional development can be expected in these areas.

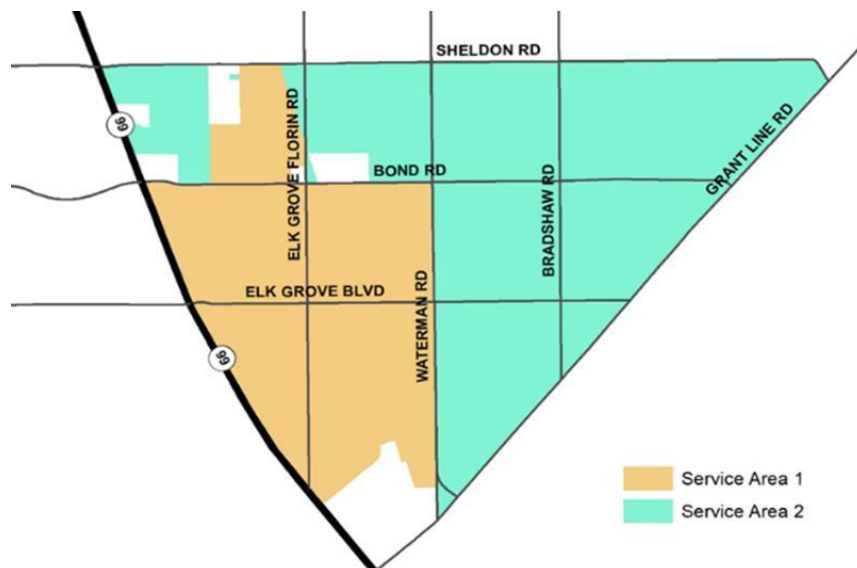
4.3.1 – Service Area 1

EGWD provides all of the water to customers in SA 1 from groundwater wells that it owns, operates and maintains. EGWD is located in the South American Groundwater Subbasin (Subbasin), which generally extends from the American River to the Cosumnes River. Although deemed to be a high-priority basin by the California Department of Water Resources, the Subbasin is not considered to be critically overdrafted. Due to the active planning by the Sacramento Central Groundwater Authority (SCGA), of which the District is a member, along with conjunctive use efforts by the Regional Water Authority (RWA) and many water agencies in the region, the groundwater subbasin is improving and is expected to remain stable in the future.

4.3.2 – Service Area 2

EGWD provides all the water in SA 2 using wholesale water purchased from the SCWA. This supply was established in 1995 through a Master Water Agreement which was later amended in 2002 and referred to as the First Amended and Restated Master Water Agreement (Water Agreement). This agreement has a term of 50 years. The agreement automatically extends for one (1) additional 50-year term unless the party desiring not to extend the Water Agreement provides five (5) years advanced written notice of that party’s intent not to extend the agreement. There are no limits on the quantity of water available under this contract nor are there exceptions for drought or other variability factors.

Exhibit 4-1: EGWD Service Areas



5: DISADVANTAGED UNINCORPORATED COMMUNITIES

(ELEMENT NO. 2)

As amended by Senate Bill 244 (Chapter 513, Statutes of 2011), GC §56430, made changes to the CKH Act related to “disadvantaged unincorporated communities.” GC §56033.5 defines a DUC as an inhabited community (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

When preparing municipal service reviews, Senate Bill 244 requires a LAFCo to provide written determinations with respect to the location and characteristics of any DUCs within or contiguous to the SOI. When reviewing and updating a special district SOI after July 1, 2012, determinations must include specified infrastructure needs and deficiencies, as well as probable needs for services in any DUC’s within or adjacent to the SOI. This would apply to the SOI of a special district that provides sewer, municipal and industrial water, or structural fire protection services or facilities.

Exhibit 5-1 depicts the identified DUC’s within and adjacent to the FRCD boundary, as well as their relative location to the EGWD service area. As can be seen, the FRCD does not provide sewer, municipal water, or structural fire protection services to any DUC’s within or adjacent to its service area but rather those services are provided as follows:

Sewer

Sacramento Area Sewer District
City of Sacramento

Municipal and Industrial Water

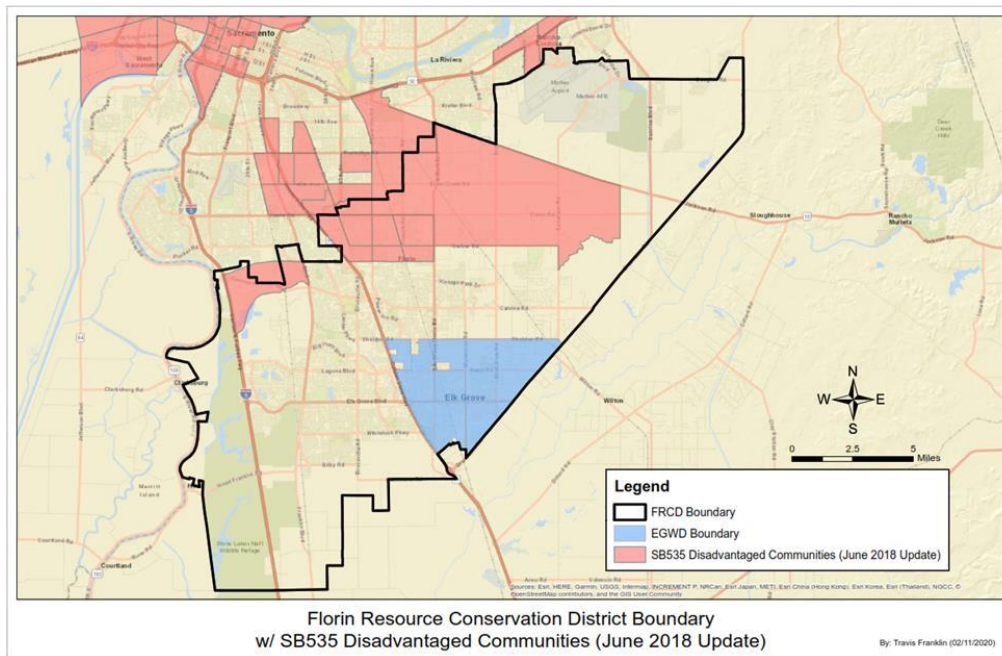
Sacramento County Water Agency
California American Water
City of Sacramento
Florin County Water District
Tokay Park Water Company

Structural Fire Protection

Sacramento Metropolitan Fire District
Pacific Fruitridge Fire Protection
City of Sacramento
Cosumnes Community Services District

There are no identified DUC’s within or adjacent to the EGWD service area. In addition, the identified DUC’s all currently receive municipal water service from various water purveyors within Sacramento County.

Exhibit 5-1: FRCD Disadvantaged Unincorporated Communities (DUC)s



LAFCo Determination

6: FACILITIES AND PROGRAMS

(ELEMENT NO. 3)

6.1 – District Facilities

Within EGWD, groundwater is supplied from seven (7) wells – four (4) deep wells that produce up to 1,700 gallons per minute (GPM) and three (3) shallow wells used to balance system demands. The District maintains two (2) water treatment facilities. The Railroad Water Treatment and Storage Facility provides four (4) million gallons of water storage, 10 booster pumps and water treatment that removes iron and manganese. The facility is equipped with a backup power supply generator to run the entire facility in the event of a power failure or emergency. This facility provides most of the water for SA 1. The Hampton Village Water Treatment Plant provides an additional 1,000 GPM of water to the District’s source capacity and improves the reliability of the water system by providing redundancy to the Railroad Water Treatment and Storage Facility.

The table below lists the existing wells, which currently has a total design capacity of 13,791 acre-feet (AF) per year.

Table 6-1: Existing Wells and Well Capacity

Well No.	Well Name	Design Capacity (GPM)	Design Capacity (acre feet)
1D	School	1,700	2,742
4D	Webb	1,700	2,742
8	Williamson	475	766
9	Polhemus	475	766
11D	Dino	1,700	2,742
13	Hampton	1,000	1,613
14D	Railroad	1,500	2,420
	Total Capacity	8,550	13,791

6.2 – Present and Planned Capacity of Public Facilities

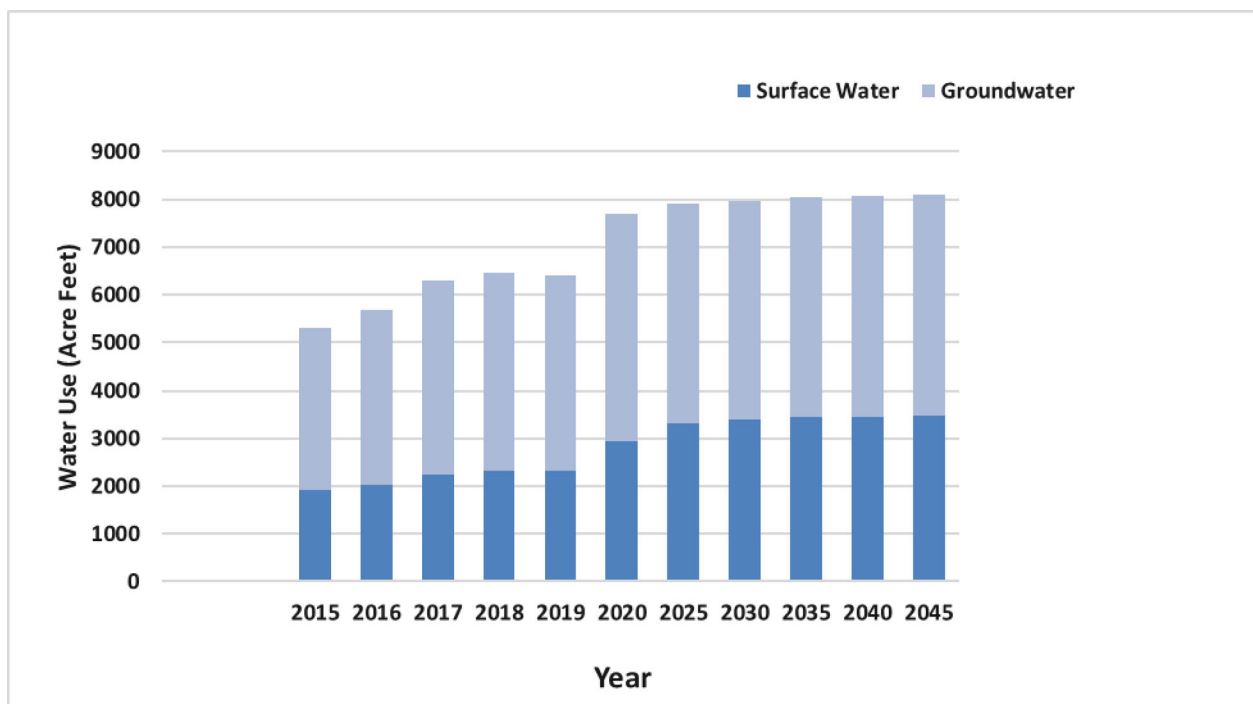
6.2.1 - Current and Projected Service Capacity

The existing agreement with SCWA to purchase wholesale water for SA 2 was amended in 2002. This amended agreement provides that SCWA will provide a permanent supply of wholesale treated water to EGWD for use within its service area. The contract has a 50-year term with an automatic renewal clause for another 50 years unless one (1) party provides a five-year notice of intent not to extend. EGWD’s supply from SCWA is reliable. As the Water Agreement confirms, EGWD will be supplied water for SA 2 by SCWA under all conditions. There are no limits on the quantity of water available under this contract, nor are there exceptions for drought or other forms of hydrological variability.

EGWD’s wells serving SA 1 produced more than 4,000AF in 2019. No additional water to support SA 1 production has been purchased from SCWA in the past five (5) years.

To meet service demand in 2019, the District produced over 4,000AF of water for its customers and purchased an additional 2,326AF from SCWA. Over the last four (4) years, the District produced between 3,400 to 4,131AF annually and purchased between 1,914 to 2,328AF annually from SCWA.

Table 6-2: District Total Water Use and Projections Through 2045



6.2.2 - Adequacy of Services and Facilities to Serve Current and Future Population

EGWD provides water to its customers in two (2) service areas. SA 1 is supplied by pumped groundwater from water wells owned and operated by the District. Actual 2019 customer water demand was 4,077AF. The projected demand for SA 1 in 2045 is 4,600AF. Current groundwater supply available to the District is 13,791AF annually. The District currently has sufficient water supply to serve both existing and future populations of SA 1.

SA 2 is supplied by water purchased from SCWA. SA 2 is not fully built out and a Water Agreement between SCWA and the District established that new development would be supplied through the Zone 40 conjunctive use program. New development in SA 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 Urban Water Management Plan (UWMP) of the SCWA and the District.

6.2.3 - Performance Measures Used by the District to Determine Service Adequacy

The following are performance measures used by the District to determine service adequacy:

1. The District monitors and ensures the water supply adheres to all state and federal drinking water standards.
2. The District provides an adequate and reliable supply of water for all customers in its service areas under all conditions: normal, dry year and emergency.
3. The District strives to provide exceptional customer service to all customers. Specific actions include communicating its performance levels through the annual Consumer Confidence Report (CCR), Public Health Goals triennial report, periodic newsletters, and District's website. Performance feedback is actively received via customer surveys, public forums, phone calls, letters, mail, email/web communications and at board meetings.

6.3 - Infrastructure Needs or Deficiencies/ Capital Improvement Program

6.3.1 - Capital Improvement Program (CIP)

The District's CIP details improvement strategies for the years 2020-2024 and is included as Appendix C.

6.3.2 - Deferred Maintenance Strategy

It is the District's policy not to defer necessary maintenance. The District generally uses its operational crews to attend to three (3) departments of work: Distribution, Utility and Treatment.

6.3.3 - Policies and Practices for Depreciation and Replacement of Infrastructure

It is the District’s policy to capitalize all capital assets with a useful life of more than one (1) year, and an original cost of \$5,000 or greater. Capital assets are recorded at historical cost if purchased or constructed. Donated or contributed assets are recorded at acquisition value at the date of donation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the various classes of assets as follows:

Buildings	40 years
Equipment	5 – 25 years
Improvements	10 – 15 years
Water treatment and distribution system	25 – 80 years

The Utility Department is responsible for replacing or rehabilitating much of the District’s infrastructure. This includes major capital improvement projects, such as water main replacement projects. Additionally, the District contracts with service companies or contractors who specialize in certain types of work, such as rehabilitating water wells or replacing well pumps.

6.3.4 - List Infrastructure Deficiencies, if any; Indicate if Deficiencies Have Resulted in Permit or Other Regulatory Violations; if necessary, Explain How Deficiencies Will Be Addressed.

The District has no permit or regulatory violations. Any infrastructure deficiencies are prioritized and addressed in the District’s CIP.

6.4 - Compliance with Applicable Regulatory Standards

The District complies with all federal and state regulatory requirements for providing public water service. In addition, the District complies with all requirements for operating as an independent special district in California. The following are several examples of regulatory compliance by the District:

- The District completes the following required regulatory reports: California Department of Public Health annual report, annual CCR and the California State Water Resources Monthly Monitoring Report.
- The 2015 UWMP was prepared for the District in compliance with Division 6, Part 2.6, of the California Water Code, Sections 10610 through 10657.
- California GC §26909 requires independent annual audits be conducted for special districts. The District completes an independent financial audit every year that is released to the public. The basic financial statements of the District are prepared in conformity with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB).

- California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California GC §53600. The District complies with the provisions of the California GC pertaining to the types of investments held, the institutions in which deposits were made and the security requirements.
- The District complies with the Public Employees' Pension Reform Act of 2013 (PEPRA).

6.5 - Programs

- 1. Urban Water Management Plan** – Every five (5) 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. The District is preparing to update the UWMP for 2020 as required by the California Water Code §10610 through §10657.
- 2. Capital Improvement Program** – The District maintains a five-year CIP in compliance with its 2020-2025 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 District's pay-as-you-go financing strategy, while maintaining adequate reserve coverage in compliance with all bond covenants. Examples of selected planned projects include water main replacement projects and an ongoing well rehabilitation program.
- 3. Strategic Plan** – Every five (5) years, the District prepares an updated Strategic Plan that sets forth a five-year vision and roadmap for the District. The Strategic Plan defines challenges and established measurable goals identified to meet the challenges and conform to the District's mission and values.
- 4. Annual Budget** – Annually the District establishes a budget that serves as a tool to guide decision making and monitoring financial performance by projecting annual revenues based on anticipated changes in customer demographics and water consumption patterns, offset by estimated expenditures based on estimated cost increases to operations.
- 5. Asset Management Program (AMP)** – The District has developed and uses an AMP to assess and determine when capital assets should be replaced or rehabilitated. The AMP allows the District to perform long-range planning of capital projects to keep its assets in good condition and sustainably manage the water system.
- 6. 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 Drinking Water CCR.

- 7. Other Programs** – The District performs the following additional programs to assist in providing a safe and reliable water supply: fire hydrant maintenance (135 per month), valve exercising (120 per month) and routine system flushing.

LAFCo Determination

7: FINANCIAL INFORMATION

(ELEMENT NO. 4)

7.1 - Budget

The District adopts an annual operating budget and CIP to ensure the adequacy of resources to meet District needs and to accomplish its mission. The budget process begins with the priorities and guidelines provided by the Board and then to the identification of strategic goals and objectives. The annual budget is then developed consistent with the District's mission, goals and objectives, policies and water demands. As required by certain debt covenants, the annual operating budget is evaluated to ensure that net revenues, as defined by the debt covenant, are equal to or exceed a minimum of 115 percent of the anticipated debt service for the budget year.

The preliminary budget is presented to the FRCD Finance Committee during a public meeting to solicit feedback and comments from the committee and the public. Once all feedback and comments received have been considered and incorporated as appropriate, the final budget is presented to the Board for adoption during a public meeting prior to each fiscal year end.

The District's Fiscal Year 2019-20 Budget is included in this report as Appendix D.

7.2 - Rates, Fees, Charges and Assessments

7.2.1 – Rate Setting Methodology

The 2018 Water Rate Study and associated rate ordinance set forth the incremental rate increases for years 2019 through 2023 and provides the District with a five-year plan for the stable funding of operations, capital projects and debt service. Through prudent financial management, cost control and the implementation of certain cost reduction programs, the District was able to defer rate increases for fiscal years 2019, 2020 and 2021. Rate increases are projected to increase by 3.0% per year beginning in fiscal year 2022.

The 2018 Water Rate Study is attached as Appendix E.

The District updated its Connection Fee Study in 2018, coinciding with the 2018 Water Rate Study. The Connection Fee Study establishes the fees necessary to recover the cost of public facilities in existence at the time the fee is imposed or for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged.

The 2018 Connection Fee Study is attached as Appendix F.

7.2.2 - Constraints Associated with Agency’s Ability to Generate Revenue.

The District is an independent special district that owns and operates a public water utility with most revenue generated through water sales. The District is required to set its water rates in accordance with Proposition 218.

7.2.3 - Financing New or Upgraded Infrastructure and Deferred Maintenance

The District has a pay-as-you-go strategy for infrastructure and maintenance, thereby avoiding additional debt. Refer to the Reserve Fund Policy, attached as Appendix G for details regarding the funding of infrastructure and other projects.

7.2.4 - Comparison of Rates and Charges with Similar Service Providers

District rates are among the highest rates within the Sacramento County area. In 2002, 2003 and 2005, the District issued Certificates of Participation for Capital Improvement. The proceeds have been used to make improvements to the water system including the construction of the Railroad Water Treatment Plant. As of June 30, 2019, the District’s total long-term debt is approximately \$42 million.

7.3 - Revenue

See the District’s CAFR, attached as Appendix H for revenue information.

The District receives no property tax revenues and all revenues are generated by the following: water service, connection/plan check fees, door hanger and shut off fees and other miscellaneous revenues.

Total revenues for the fiscal years ended June 30, 2019, 2018 and 2017 were as follows:

Fiscal Year	Water Sales	Total Revenues
2019	\$15,233,673	\$15,683,659
2018	\$15,343,124	\$15,428,018
2017	\$14,210,971	\$14,313,218

Source: Page 8 of the Florin Resource Conservation District Comprehensive Annual Financial Report for the year ended June 30, 2019 attached as Appendix H.

7.4 - Expenditures

The District has established rates and fees sufficient to fund short and long-term operations, maintenance, debt service and capital improvement costs. The cost of service has been analyzed to establish rates justifiable for the services provided.

7.4.1 - Service Levels Compared to Industry Standards and Measurements.

The American Water Works Association (AWWA) 2018 State of the Water Industry Report identified the top five (5) issues facing the water industry as: 1) renewal and replacement of aging infrastructure; 2) financing for capital improvements; 3) public understanding of the value of water systems and services; 4) long-term water supply availability; and 5) public understanding of the value of water. The District is proactively addressing these issues as follows:

1. Replacing aging infrastructure, such as old water mains each year.
2. Annually assessing the condition of all assets to determine when projects should be undertaken to replace aging assets.
3. Issuing newsletters to our customers describing the water system and the value of water and participating in large community events where our customers gather.
4. Preparing an UWMP every five (5) years that verifies the District's ability to meet long-term water demands.

The District has access to high quality surface and groundwater through both its agreement with SCWA and its seven (7) groundwater wells.

7.4.2 - The Cost of Service Compared to Industry Standards and Measurements.

District water rates are among the highest in the Sacramento County region. However, the Board approved budget for fiscal year 2020-21 contains no water rate increase.

7.5 - Assets, Liabilities, Debt, Equity, and Reserves

7.5.1 - Book Value of Assets

The District's net book value of capital assets as of June 30, 2019 was \$69,473,860. Refer to page 39 of the District's CAFR. This report is attached as Appendix H.

7.5.2 - List of Equipment, Land, and Other Fixed Assets

Refer to page 39 of the District's CAFR for the year ended June 30, 2019. This report is attached as Appendix H.

7.5.3 - Summary of Long-Term Debt and Liabilities

The District's long-term debt as of June 30, 2019 was \$41,717,845. Refer to pages 40 through 43 of the District's CAFR for the year ended June 30, 2019. This report is attached as Appendix H.

7.5.4 – Agency’s Bond Rating and Reason for Rating. Discuss Amount and Use of Existing Debt. Describe Proposed Financing and Debt Requirements.

In 2016, Standard and Poor’s (S&P) raised the District’s bond rating on its 2016 bonds from BBB+ to A. The bond rating on its 2014 bonds was also raised from BBB+ to A-. The outlook for the District according to S&P is stable. The S&P’s Ratings Services letter detailing the bond rating information is attached as Appendix I.

Total debt outstanding as of June 30, 2019 is approximately \$42 million. District debt consists of two (2) refunding bonds issued in 2014 and 2016; the proceeds of which were used to prepay the aggregate principal amounts of outstanding certificates of participation previously executed for water system improvements and the construction of the Railroad Water Treatment Plant.

The 2014 and 2016 bonds contain required coverage ratios wherein District net revenues, less the rate stabilization fund, are required to be at least 1.15 times the sum of the cash basis installment principal and interest payments on the outstanding bonds. As of June 30, 2019, the computed coverage ratio was 1.65.

7.5.5 - Policies and Procedures for Investment Practices

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds.

In accordance with California GC §53600 et. seq., the authority to invest public funds is expressly delegated to the Board for subsequent re-delegation to the Finance Manager/District Treasurer. Investments by the Finance Manager are limited to those instruments specifically described in the District’s investment policy. The Finance Manager submits monthly reports to the Board detailing all investment holdings. In order of importance, the following three (3) fundamental criteria are followed in the investment program: 1) safety of principal; 2) liquidity; and 3) return on investment.

The Investment Guideline Policy for the District is attached as Appendix J.

7.5.6 – Policies/Procedures for Establishing and Maintaining Reserves/Retained Earnings

It is the policy of the District that all funds held in reserve be designated to specific uses. The District holds cash reserves for special projects and operations. Such monies are not considered ‘surplus’ and shall not be made available for other uses without the express authorization of the Board. The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting and planning process and may be revised accordingly as necessary. The following District reserve fund categories are established:

- 1. Operating Reserve Fund** – Used to ensure cash resources are available to fund daily administration, operations and customer services. The target balance is 120 Days of the Annual Operations and Maintenance Budget.
- 2. Capital Improvement Reserve Fund** – Used to fund the new assets needed for the operations of the district that enhance or increase capacity. The target balance is equal to the annual CIP Budget.
- 3. Capital Replacement Reserve Fund** – Used to fund replacement of existing assets. Target Balance is equal to the annual Capital Replacement Budget.
- 4. Elections and Special Studies Reserve Fund** – Used to fund various special studies, as needs arise in the District such as election costs, Board expenses, etc. The target balance is equal to the amount as approved by the Board in the annual operating budget.
- 5. Future Years Capital Improvement Reserve Fund** – Used to fund the new assets needed for the operations of the district that enhance or increase capacity in future years not yet identified in the annual CIP. The target balance is 75% of the balance of the unrestricted net position not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections and Special Studies Reserve Fund upon conclusion of the annual audit.
- 6. Future Years Capital Replacement Reserve Fund** – Used to fund the replacement of existing assets in future years not yet identified in the annual CIP. The target balance is 25% of the balance of the unrestricted net position not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections and Special Studies Reserve Fund upon conclusion of the annual audit.

Reserve/retained earnings guidelines for the District are attached as Appendix K.

7.6 - Summary of Revenue Sources and Expenditures

Table 7-1: Summary of Revenue Sources and Expenditures

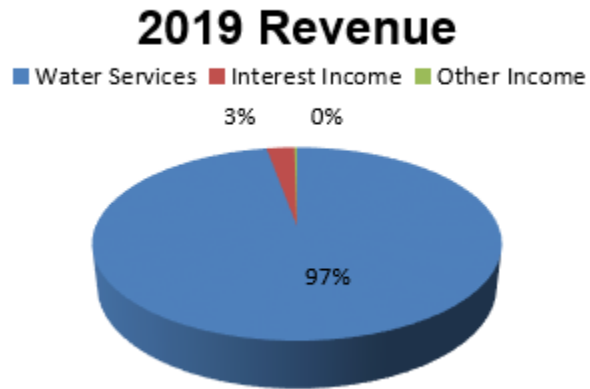
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
	Actual	Actual	Actual	Actual	Budgeted
Operating revenues	\$13,849,125	14,210,971	15,343,124	15,233,673	15,172,243
Non-operating revenues	4,797,600	102,247	84,894	449,986	100,000
Total Revenues	18,646,725	14,313,218	15,428,018	15,683,659	15,272,243
Operating expenses	8,999,245	9,885,522	10,982,070	10,651,362	9,879,933
Non-operating expenses	2,109,783	1,868,980	1,755,415	1,674,708	1,661,739
Total Expenses	11,109,028	11,754,502	12,737,485	12,326,070	11,541,672
Change in Net Position	\$7,537,697	2,558,716	2,690,533	3,357,589	3,730,571

7.6.1 - Revenues

FY 2019 revenues were as follows:

Water Services	\$15,233,673
Interest Income	411,525
Other Income	<u>38,461</u>
Total	\$15,683,659

Table 7-2: FY 2019-20 Revenues

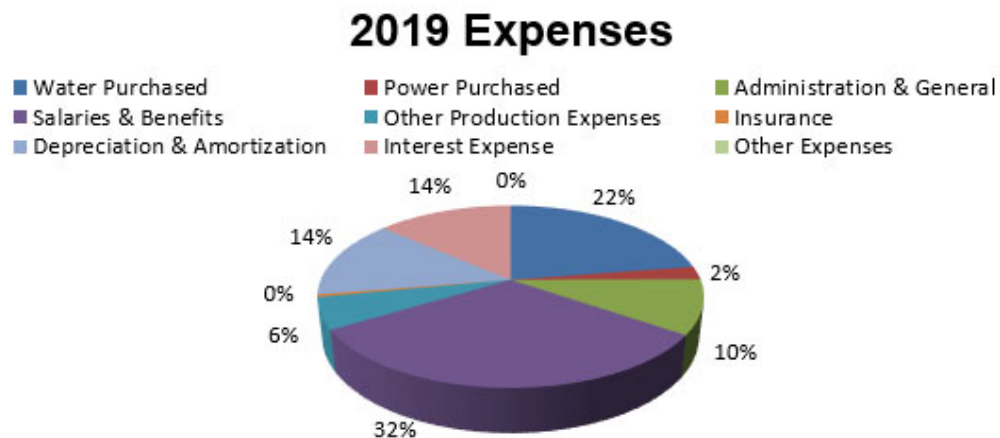


7.6.2 - Expenditures

FY 2019 expenditures were as follows:

Salaries & Benefits	\$3,920,469
Water Purchased	2,777,344
Power Purchased	287,602
Other Production Expenses	686,121
Administration & General	1,203,535
Insurance	54,500
Depreciation & Amortization	1,721,791
Interest Expense	<u>1,674,708</u>
Total	\$12,326,070

Table 7-3: FY 2019-20 Expenses



7.7 - Summary of Financial and Operational Information

Table 7-4: Summary of Financial and Operational Information

2019/2020	
Population	44,965
Water Service Connections	12,370 homes and businesses
Full Time Employees	30
Average Part-time Employees	0
Total Annual Budget	11,541,672
Per Capita Spending	257
Total Annual Administrative Costs	3,147,378
% Annual Administrative Costs to Total	27%
Estimated Deferred Maintenance	none
Average Capital Improvements (5 Years)	1,517,800
Reserve Amount	16,082,657 (a)
Operational Cost per Employee	384,722

(a) As of June 30, 2019

Source: Board approved FY 2019-20 Budget

7.8 – Salaries and Pay Scales

Salary surveys are conducted periodically to ensure that salary pay scales are fair and competitive with other water agencies. The organization is a member of the California Public Employees' Retirement System (CalPERS) retirement system.

7.9 – Retirement Benefits

The District is a participant in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one (1) rate plan in the miscellaneous or safety risk pools. The District sponsors two (2) miscellaneous rate plans where all qualified permanent and probationary employees are eligible to participate in. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one (1) year of full-time employment. Classic members with five (5) years of total service are eligible to retire at age 55 with statutorily reduced benefits. PEPRAs members with five (5) years of total service are eligible to retire at age 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one (1) of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

7.10 – Other Postemployment Benefits

The District has established an OPEB Plan and participates in an agent multiple-employer defined benefit retiree healthcare plan. CalPERS invests the plan's assets as part of the California Employer's Retiree Benefit Trust (CERBT). The OPEB provides employees who retire directly from the District, at a minimum age of 55 and with a minimum of 15 years of continuous service with the District, a lifetime cash subsidy for monthly medical, dental and vision insurance premiums for each eligible employee and spouse or registered domestic partner retiring within 120 days of separation from the District. Benefits from the District continue to the surviving spouses upon death of the retiree. Annually, the District budgets an amount equal to the actuarially determined contribution as calculated by the District's Actuary. The amount, as calculated by the District's Actuary, includes an estimate of the pay-as-you-go medical premiums that the District is paying for current retirees, as well as an amount to be paid into the CERBT to fund medical premiums for future retirees.

LAFCo Determination

8: STATUS AND OPPORTUNITIES FOR INNOVATION AND SHARED FACILITIES

(ELEMENT NO. 5)

8.1 - Existing and/or Potential Shared Facilities, Infrastructure, and Staff.

The District 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

The District is one (1) of 21 participating agencies in the RWA. RWA is a joint powers authority that combines the existing efforts of its participating agencies and creates a unified approach to regional water issues. RWA's various programs include legislative advocacy, water efficiency, integrated regional water management, regional water reliability and drought contingency planning and seeking grant funding.

The District is also a member of the SCGA. SCGA is a joint powers authority comprised of 16 members including both public and private agencies within the Sacramento County area. SCGA was established to assist in maintaining the long-term sustainable groundwater yield of the Subbasin; managing the use of groundwater in the Subbasin; and coordinating efforts among those entities represented on the governing body of the joint powers authority to devise and implement strategies to safeguard groundwater quality.

In 2014, the Sustainable Groundwater Management Act was adopted imposing new requirements on many groundwater basins in California. SCGA is within the Subbasin, which is subject to these new requirements. SCGA is presently working as one (1) of five (5) Groundwater Sustainability Agencies within the Subbasin to prepare a Groundwater Sustainability Plan to ensure the long-term health of the Subbasin.

The District is a participant in the California Water/Wastewater Agency Response Network (CalWARN) program. The District is a signatory to the mutual assistance agreement, which provides assistance during an emergency to both public and private water and wastewater utilities in the form of personnel, equipment, and supplies from outside the area of impact. Through the Mutual Aid and Assistance Program members coordinate response activities and share resources during emergencies.

8.2 - Any Joint Power Agreements or Other Agreements for Sharing Resources with Other Agencies.

In 2002, the District reentered into an agreement with SCWA, under which SCWA provides “...a permanent supply of wholesale treated groundwater and/or surface water...” SCWA and the District maintain several intertie points where water can be transferred to the District.

SCWA entirely surrounds the District, and therefore there are no other neighboring water agencies to share additional resources.

8.3 - Existing and/or Potential Joint Use Planning.

The District works cooperatively with the RWA and the SCGA to identify and implement regionally beneficial projects and priorities.

8.4 - Existing and/or Potential Duplication with Existing or Planned Facilities or Services with Other Agencies.

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

8.5 - Availability of Any Excess Capacity to Serve Customers or Other Agencies.

The District 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, the District 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 and/or other water agencies through one (1) or more of its interties.

8.6 - 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 RWA enables the District 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. In addition, as a member of the CALWARN program, the District has the ability to share resources or obtain resources from other water agencies during an emergency or natural disaster.

8.7 - 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.

8.8 - Ongoing Cost Avoidance Practices.

The District maintains and abides by numerous policies and practices to reduce costs and keep rates as low as possible. Specifically, there are four (4) adopted policies which govern the purchase of goods and general services (Appendix L), professional services (Appendix M), public works construction contracts (Appendix N) and the acquisition of real property (Appendix O). These maintain competitive procedures to ensure that public funds are expended efficiently.

In 2011, the District adopted an Employee Cost Control Program, attached as Appendix P, that includes many elements to control employee costs over the long-term. This program has been very successful and credited with helping to temper the need for rate adjustments.

The District restructured approximately \$32.3 million of outstanding bonded indebtedness in December 2014 and \$16.4 million in June 2016 to provide an average annual savings of \$194,000 over the remaining term of the debt. It should be noted that the District contributed \$1.5 million of reserve funds in order to reduce the remaining term of the debt by 13 years and maintain annual debt service savings on the refinanced bonds.

8.9 - Opportunities to Reduce Overhead and Operational Costs.

The District actively seeks cost reduction measures in all operational areas of the District. This is evident by the fact that water rates were not increased in fiscal years 2018 or 2019. The District also continues to actively pursue all types of grant opportunities.

8.10 - Opportunities to Reduce Duplication of Infrastructure.

The District does not have any duplication of infrastructure with other agencies.

8.11 - Areas within Agency Boundaries Which Could be More Efficiently Served by Another Agency.

The District knows of no area with our service boundary that could be more efficiently served by others.

8.12 - Service Plans Compatible with Those of Other Local Agencies.

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

LAFCo Determination

9: ACCOUNTABILITY AND GOVERNANCE

(ELEMENT NO. 6)

9.1 - Composition of the Agency’s Governing Board

In accordance with the RCD Principal Act, the District is governed by five (5) board members who are elected at large and serve staggered four-year terms.

9.2 – Associate Directors

The Board may appoint up to five (5) Associate Directors as required by Division 9 of the California Public Resources Code. Associates are appointed to two-year terms and serve to advise and make recommendations to the Board. Associate Directors must possess expertise in areas of interest related to District operations including, but not limited to: finance; government accounting; agricultural practices; public relations; outreach and education; engineering; geochemistry; natural resources conservation and management; water resources; water service delivery; land use; real estate; and local government policy and procedures.

9.3 - Compensation and Benefits Provided to the Governing Board, Including Any Benefits that Continue After Term of Service

Board members receive no compensation or benefits for their service. Board members may be reimbursed for reasonable and necessary expenses incurred in attendance at meetings or otherwise engaged in the business of the District, as stated in California Public Resource Code, Section 9303.

9.4 - Governing Board Meetings, Locations and Schedules

Regular Board meetings are scheduled for the 3rd Tuesday of every month at 6:30 PM in the Cosumnes Community Services District Board Room, located at 8820 Elk Grove Blvd., Elk Grove, CA 95624. For more information on meeting times, agendas and meeting minutes, please visit www.egwd.org.

9.5 - Rules, Procedures, and Programs for Public Notification of Agency Operations, Meetings, Programs, etc.

Board members comply with all provisions of the state’s open meeting law for public agencies, the Brown Act. At least 72 hours prior to the board meeting, notice of the public meeting is

advertised in the local newspaper (the Elk Grove Citizen); the complete board packet is posted on the District website (www.egwd.org), and an agenda is posted both at the Administrative Building and at the meeting's site. The agenda for a special Board meeting is posted at least 24 hours before the meeting in the same locations.

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

9.6 - Public Participation

Board meeting agendas are posted on the District website and publicly posted at the Administrative Building, 9257 Elk Grove Blvd., Elk Grove and at the meeting site, Cosumnes Community Services District Board Room, 8820 Elk Grove Blvd., Elk Grove. Regular Board meeting times and location are included in many District documents and publications. In addition, staff and Board members notify interested community members of upcoming Board meetings.

9.7 - Meeting Accessibility to the Public

Most Board meetings begin at 6:30 PM to avoid conflicts with work, school or other commitments, which allows for maximum public participation.

9.8 - Public Education and Outreach Efforts

Public education and outreach efforts are organized both in-house and through the District's partnership with RWA. In-house communications include regular updates to the District website, a periodic newsletter (The Water Drop), issuance of bill inserts, and the annual CCR. Staff participates in two (2) local festivals each year, the Elk Grove Western Festival and the Elk Grove Giant Pumpkin Festival, during which the staff promotes water education and conservation awareness at the District booth. In addition, the District plans to create a Facebook page this year that will be used to broadcast important district information.

The District is an active participant in the Elk Grove Chamber of Commerce.

9.9 - Level of Public Participation, and Ways That Staff and Directors are Accessible to the Public

The Board may appoint up to five (5) Associate Directors to provide their knowledge, experience and input. The Associate Directors must be registered voters or landowners within FRCD

boundary and demonstrate expertise in an area of interest to the Board. Associate Directors participate in meetings and on committees, but do not vote.

The District periodically uses Community Advisory Committees (CAC) to encourage community participation on items of significance to the community. For example, a CAC was formed during the last water rate study. This included a group of rate-paying citizens who assisted in determining the cost of service and required rates and charges. The final water rate study submitted to the Board was endorsed by the CAC.

Board members are available to the public by email and during public meetings. The Board welcomes and encourages public participation in meetings, including a defined public comment period at the beginning of each meeting for the public to comment on items not on the agenda. The Board also allows public comment on each agenda item separately.

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

Staff attend community events and provide information about the District and its programs.

9.10 - Ability of Public to Access Information and Agency Reports.

Under the California Public Records Act, GC §6250-6276.48, the public may review or obtain copies of most the District's records. The District's California Public Records Act Request Policy (Appendix Q), 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:

1. Coming into the Administration Building,
2. Email request to the Board or staff,
3. Telephone request to the staff,
4. Downloading a copy available on the Web site in an Adobe Acrobat (pdf) format

9.11 - Opportunities to Eliminate Service Islands, Peninsulas and Other Illogical Service Areas.

The District does not have service islands, peninsulas and other illogical service areas at this time

LAFCo Determination

10: LAFCO POLICIES AFFECTING SERVICE DELIVERY

(ELEMENT NO. 7)

In accordance with GC §56430(a)(7), an MSR must also address “Any other matter related to effective or efficient service delivery, as required by commission policy”.

Sacramento LAFCo’s Policy, Standards, and Procedures Manual provides General Policies, General Standards, and Specific Standards By Type Of Action. The policies are designed to prescribe LAFCo’s submittal and determination procedures when considering applications and proposals, such as annexations and SOI adjustments.

The District is not proposing any changes to either the FRCD, or the EGWD, boundaries and thus these policies have no affect on the delivery of services at this time.

LAFCo Determination

11: ISSUES, CONCERNS, AND OPPORTUNITIES

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

- 1. Compliance with Environmental Justice Requirements** – The District is in complete compliance. The District’s policy is to provide fair treatment and meaningful involvement of all people and a safe, healthful environment for both the public and employees.
- 2. Compliance with Regulatory Reporting Requirements** – The District strictly complies with all local, state and federal regulatory and reporting requirements, including extensive water quality monitoring and the annual CCR.
- 3. Compliance with Regulatory Agencies and Public Health and Safety Issues** – The District is in full compliance with its regulatory agencies and public health and safety issues. The District follows Occupational Safety and Health Administration requirements for a safe workplace.

Potential emerging concerns include the State Water Board’s development of water loss performance standards for urban retail water suppliers. These standards potentially will include compliance with individual volumetric standards based on an economic model for leak detection and repair actions. Compliance is currently scheduled to begin in January of 2028.

LAFCo Determination

12: APPENDICES

- A. FRCD/EGWD 2020-2025 Strategic Plan
- B. 2015 Urban Water Management Plan
- C. FY 2020-2024 Capital Improvement Program
- D. EGWD Fiscal Year 2019-20 Operating Budget
- E. EGWD 2018 Water Rate Study Report
- F. EGWD 2018 Connection Fee Study
- G. Reserve and Capital Investment Policy
- H. FRCD Comprehensive Annual Financial Report for the Year ended June 30, 2019
- I. Standard and Poor's Rating Services FRCD rating letter
- J. FRCD Investment Policy Guideline FY 2020-21
- K. Resolution adopting EGWD Reserve and Capital Investment Policy
- L. Purchase of Goods and Services from Outside Vendors Policy
- M. Professional and Consultant Services Agreements Policy
- N. Public Works Construction Contracts Policy
- O. Acquisition of Real Property Policy
- P. Resolution adopting policies concerning Employee Benefits and Work Schedules
- Q. California Public Records Act Request Policy