



SACRAMENTO LOCAL AGENCY FORMATION COMMISSION  
1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458 • Fax (916) 874-2939  
[www.saclafco.org](http://www.saclafco.org)

## **AGENDA**

WEDNESDAY, MAY 1, 2024 AT 5:30 PM  
700 H STREET, BOARD CHAMBERS  
SACRAMENTO, CA 95814

### **COMMISSIONERS:**

Chair: Rich Desmond  
Vice-Chair: Lisa Kaplan  
Lindsey Carter  
Sue Frost  
Gay Jones  
Chris Little  
Iva Walton

### **ALTERNATE COMMISSIONERS:**

Pat Hume  
Katie Valenzuela  
Charlea Moore  
Pat Hume  
Charlea Moore  
Timothy Murphy  
Jay Vandenburg

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## **PUBLIC ACCESS AND PUBLIC COMMENT INSTRUCTIONS**

### **PUBLIC COMMENT PROCEDURES**

The Sacramento Local Agency Formation Commission fosters public engagement during the meeting and encourages public participation, civility and use of courteous language. The Commission does not condone the use of profanity, vulgar language, gestures or other inappropriate behavior including personal attacks or threats directed towards any meeting participant.

Seating is limited and available on a first-come, first-served basis.

#### Speaker time limits

In the interest of facilitating the conduct LAFCo's business, members of the public (speakers) who wish to address the Commission during the meeting will have specific time limits as enumerated below. Consent matters are acted upon as one unit, while Public Hearings and separate matters are acted upon individually. Matters not on the posted agenda will be discussed in accordance with the order of the agenda. Speakers should not expect Commissioners to comment on or respond to comments directly during the meeting. The Commission may request LAFCo staff to follow up with a speaker or provide additional information after the meeting or at a later date.

The Chair may increase or decrease the time allocation. Each speaker shall limit remarks to the specified time allotment as follows:

- Speakers will have 2-minutes total for a single and/or multiple consent item(s)
- Speakers will have 2-minutes total for each hearing item
- Speakers will have 2-minutes total for each separate item
- Speakers will have 2-minutes total for any matter not on the posted agenda

When the Chair opens public comment for an agenda/off agenda item, members of the public have the option of making a comment as follows:

#### In-Person public comment

Speakers will be required to complete and submit a speaker request form to Clerk staff. Each individual will be invited to the podium to make a comment.

#### Written public comment

Members of the public may send a written comment which is distributed to Commissioners and filed in the record. Contact information is optional and should include the meeting date and agenda/off agenda item number to be sent as follows:

- Send an email comment to [boardclerk@saccounty.gov](mailto:boardclerk@saccounty.gov). Include meeting date and agenda item number or off-agenda item. Contact information is optional.
- Mail a comment to 1112 I Street, Suite 100, Sacramento, CA 95814. Include meeting date and agenda item number or off-agenda item.

### **VIEW MEETING**

The meeting is videotaped and cablecast live on Metrocable 14 on the Comcast, Consolidated Communications and AT&T U-Verse Systems. It is closed captioned and webcast live at <http://metro14live.saccounty.gov>. There will be a rebroadcast of this meeting later in the week.

### **MEETING MATERIALS**

Pursuant to Government Code Section 54957.5, LAFCo office at the agenda and associated materials are available for review online at <http://www.agendanet.saccounty.net/LAFCo> or at [www.saclafco.org/Meetings](http://www.saclafco.org/Meetings). Some documents may not be posted on-line because of size or format (maps, site plans, renderings). Contact the LAFCo Office at **(916) 874-6458** or at [CommissionClerk@saclafco.org](mailto:CommissionClerk@saclafco.org) to obtain copies of any documents not available online.

Public records related to a meeting agenda item that are distributed less than 72 hours before this meeting are available for public inspection during normal business hours at 1112 I Street, Suite 100 Sacramento, CA 95814 and will be made available to the public on the LAFCo website at [www.saclafco.org](http://www.saclafco.org).

### **AMERICANS WITH DISABILITIES ACCOMMODATIONS**

In compliance with the Americans with Disabilities Act, persons needing a disability-related modification or accommodation, including auxiliary aids or services, to participate in this meeting, may contact the Clerk of the Board's Office at (916) 874-5411 (voice) and CA Relay Services 711 or email [BoardClerk@saccounty.gov](mailto:BoardClerk@saccounty.gov) at least 48 hours prior to the meeting.

### **CAMPAIGN CONTRIBUTIONS**

State law requires that a participant in a Commission proceeding who has a financial interest in a decision and who has made a campaign contribution of more than \$250 to any Commissioner in the past year must disclose the contribution. Contributions are also regulated for a year following any Commission decision. Participants include the applicant

or contractor, an agent of the applicant or contractor, or any financially interested participant who actively supports or opposes the matter. Commissioners may be prohibited from participating in such proceedings. If you are affected, please notify the Commission staff before the hearing.

**VOTING:**

A quorum consists of four members of the Commission. No action or recommendation of the Commission is valid unless a majority (4 votes) of the entire membership of the Commission concurs therein.

**\*Please Note** – AGENDA is subject to change up to 72 hours prior to meeting

**I. CALL TO ORDER AND PLEDGE OF ALLEGIANCE TO THE FLAG**

**II. ROLL CALL**

**III. PUBLIC FORUM/PUBLIC COMMENT**

1. The public is encouraged to address the Commission concerning any matter not on the Agenda. Public comments are limited to three minutes. The Commission is prohibited from discussing or taking any action on any item not appearing on the posted Agenda

**IV. CONSENT CALENDAR**

2. Approve the Meeting Action Summary for April 3, 2024
3. Receive Claims Dated March 12, 2024 through April 10, 2024
4. Review of Monthly Budget Reports

**V. PUBLIC HEARING ITEMS**

5. Public Hearing to Consider and Adopt CEQA Statutory Exemption §15061(b)(3) and
  - a. Adopt the Addendum to the Municipal Service Review for Del Paso Manor Water District (LAFCo Project #2022-01); and
  - b. Approve a Resolution of Intent to Initiate Dissolution of Del Paso Manor Water District (LAFCo Project #2024-01)

**VI. BUSINESS ITEMS**

6. CALAFCO Requests Letters of Support on its Omnibus Bill

**VII. QUESTIONS/ANNOUNCEMENTS**

7. Executive Officer/Commission Counsel
  - a. ASTRO Sheet
  - b. Correspondence
    - i. Investment Policy of the Pooled Investment Fund
9. Commission Chair/Commissioners

**VIII. ADJOURN THE MEETING**



**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

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**SUMMARY OF RULES AND PROCEDURES**

**AGENDA ITEMS:** The Commission may reschedule items on the agenda. The Commission will generally hear uncontested matters first, followed by discussions of contested matters, and staff announcements in that order. Anyone who wishes to address the Commission should obtain a form from either the Commission Clerk or from the table located near the entrance of the hearing chamber.

**CONDUCT OF HEARINGS:** A contested matter is usually heard as follows: (1) discussion of the staff report and the environmental document; (2) testimony of proponent; (3) testimony of opponent; (4) Public Testimony (5) rebuttal by proponent; (6) provision of additional clarification by staff as required; (7) close of the public hearing; (8) Commission discussion and Commission vote.

**STAFF REPORTS:** Staff Reports are available on line at [www.SacLAFCo.org](http://www.SacLAFCo.org) or upon request at **(916)874-6458**.

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

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## MINUTES FOR THE MEETING OF WEDNESDAY, APRIL 3, 2024

**DATE:** APRIL 3, 2024

**TO:** Rich Desmond, Chair, and  
 Members of the Sacramento Local Agency Formation Commission

**FROM:** Lorice Washington, Clerk of the Commission

The Sacramento Local Agency Formation Commission met at the Board of Supervisors Chambers located on 700 H Street, Sacramento on April 3, 2024, at 5:30 p.m. This regular Commission meeting was live streamed from Sacramento, California.

### PRESENT

**Commissioners:**

Iva Walton  
 Rich Desmond (Chair)  
 Sue Frost  
 Gay Jones  
 Lindsey Carter – arrived at 5:43 p.m.  
 Chris Little

**Staff:**

José Henríquez, Executive Officer  
 Lorice Washington, Clerk of the Commission  
 DeeAnne Gillick, Commission Counsel  
 Desirae Fox, Policy Analyst  
 Kristi Grabow, Policy Analyst

### ABSENT

Lisa Kaplan (Vice-Chair)

### I. CALL TO ORDER AND PLEDGE OF ALLEGIANCE TO THE FLAG

### II. ROLL CALL

### III. PUBLIC FORUM/PUBLIC COMMENT

The public is encouraged to address the Commission concerning any matter not on the Agenda. Public comments are limited to three minutes. The Commission is prohibited from discussing or taking any action on any item not appearing on the posted Agenda

1. The Public Is Encouraged To Address The Commission Concerning Any Matter Not On The Agenda. Public Comments Are Limited To Three Minutes. The Commission Is Prohibited From Discussing Or Taking Any Action On Any Item Not Appearing On The Posted Agenda

No public comments were made.

#### **IV. CONSENT CALENDAR**

##### 2. Approve The Meeting Action Summary For March 6, 2024

Motion: Approved the consent items 2 through 4 as recommended.

Moved: Commissioner Jones

Second: Commissioner Frost

Ayes: Walton, Desmond, Frost, Jones, Little

Noes: 0

Absent: Carter, Kaplan

Abstain

Recuse:

Passed: 5 - 0 - 2

##### 3. Receive Claims Dated February 16, 2024 Through March 11, 2024

Motion: Approved the consent items 2 through 4 as recommended.

Moved: Commissioner Jones

Second: Commissioner Frost

Ayes: Walton, Desmond, Frost, Jones, Little

Noes: 0

Absent: Carter, Kaplan

Abstain

Recuse:

Passed: 5 - 0 - 2

##### 4. Review Of Monthly Budget Reports

Motion: Approved the consent items 2 through 4 as recommended.

Moved: Commissioner Jones

Second: Commissioner Frost

Ayes: Walton, Desmond, Frost, Jones, Little

Noes: 0

Absent: Carter, Kaplan

Abstain

Recuse:

Passed: 5 - 0 - 2

**V. PUBLIC HEARING ITEMS**

5. Public Hearing to Consider And Adopt CEQA Statutory Exemption §15061(b)(3) And The Draft Municipal Service Review And Sphere Of Influence Study For Carmichael Water District (LAFCo Project #2023-07)

Motion: Opened the public hearing. Adopted Resolution Nos. L AFC-2024-03 and L AFC-2024-04 and directed staff to complete the necessary filings and transmittals. Commissioner Carter arrived at 5:43 p.m. Presentation was made by Planwest Partners Inc., Consultant Krystle Hearney.

Moved: Commissioner Frost

Second: Commissioner Jones

Ayes: Walton, Desmond, Frost, Jones, Carter, Little

Noes: 0

Absent: Kaplan

Abstain

Recuse:

Passed: 6 - 0 - 1

6. Public Hearing to Consider And Approve The Final Budget For Fiscal Year 2024-25

Motion: Approved the Proposed Budget for Fiscal Year 2024-25. Opened the public hearing. Adopted Resolution No. L AFC-2024-05 and directed staff to transmit the Final Budget as specified in Government Code 56381. Presentation was made by Executive Director Jose Henriquez.

Moved: Commissioner Carter

Second: Commissioner Little

Ayes: Walton, Desmond, Frost, Jones, Carter, Little

Noes: 0

Absent: Kaplan

Abstain

Recuse:

Passed: 6 - 0 - 1

7. Approve Non-Substantive Legal Updates, Edits And Corrections To The Commission's Policies, Standards And Procedures For LAFCo

Motion: Approved the non-substantive legal updates, edits and corrections to the Policies, Standards and Procedures with appendix H and directed staff to review appendixes E, I, J, and L and return with any recommended updates or amendments. Approved change on page 42 section 6A to strike out 6A from the policy.

Moved: Commissioner Desmond

Second: Commissioner Walton

Ayes: Walton, Desmond, Frost, Jones, Carter, Little

Noes: 0

Absent: Kaplan

Abstain

Recuse:

Passed: 6 - 0 - 1

**VI. QUESTIONS/ANNOUNCEMENTS**

- Executive Officer/Commission Counsel
- Commission Chair/Commissioners

County Council DeeAnne Gillick stated Sacramento is ahead of it's time with updates than they have been in awhile. Executive Director Jose Henriquez thanked staff for working on the updates and announced that the next meeting May 1, is very important and asked commissioners to let him know if they are unable to attend.

**VII. ADJOURN THE MEETING**

6:19 p.m.

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION  
CLAIMS\***

<u>Date</u> <u>Submitted</u> <u>to Auditor</u>	<u>Vendor</u>	<u>Amount</u>
3/22/2024	Sloan Sakai	\$ 7,590.00
3/22/2024	Toshiba	\$ 377.40
3/22/2024	Toshiba	\$ 358.52
3/26/2024	Henríquez - Tech & Auto	\$ 350.00
3/26/2024	Grabow - Staff Reimbursements	\$ 32.86
3/26/2024	Pitney Bowes	\$ 88.20
3/26/2024	SDRMA - April Lease	\$ 5,445.23
3/29/2024	Fox - Travel Reimbursement	\$ 8.00
4/3/2024	Environmental Plan Partners	\$ 17,592.00
4/3/2024	James Marta & Company	\$ 5,000.00
4/3/2024	Henríquez - Staff Reimbursements	\$ 220.00
4/10/2024	Alhambra Water	\$ 14.72
4/10/2024	Grabow - Staff Reimbursements	\$ 21.20
4/10/2024	Pitney Bowes	\$ 138.98
	<b>TOTAL</b>	<b>\$ 37,237.11</b>

**APPROVED:**

5/1/2024



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***AGENDA OF MAY 1, 2024***

***REGULAR MEETING***

**TO: Rich Desmond, Chair, and  
Members of the Sacramento Local Agency Formation Commission**

**FROM: José C. Henríquez, Executive Officer**

**AGENDA  
ITEM IV-4: Review of Monthly Budget Reports**

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**RECOMMENDATION**

Staff recommends that the Commission receive and file the attached budget status reports.

**REASON FOR RECOMMENDED ACTION AND BACKGROUND**

The attached reports summarize the revenue, expenditures and trial balances from Period 9 to current. Please note there are no significant variances in the report at this time.

Also attached to this report is the February 2022 staff memo that provided additional explanation on how to read these reports. One other item for clarity that was not covered in the February 2022 report is that the Commission stipends are paid out of the “Salaries and Employees” category of the budget and LAFCo staff salaries and benefits are paid out of the “Other Professional Services” (GL 20259100) line item. This arrangement is made that way because of the nature of LAFCo staff. Technically, your Executive Officer and Policy Analysts are County of Sacramento employees who are assigned to LAFCo. The County initially pays the Salaries & Benefits and LAFCo reimburses the County. Commissioners are not County employees, so it is LAFCo that pays the stipend directly and is responsible for issuing the W2s annually.

**Attachments**

Attachment A: Budget Status Report – FY2023-24 Period 9

Attachment B: February 2022 Staff Memo

Library : ZSP County of Sacramento Reports  
Report group: ZSCB Trial Balance Summary by BA  
Report name : ZFP4816B Sum Trial Bal. by BA

Data selected by: 1043437  
Data selected on: 04/10/2024 15:44:42

Fiscal year : 2024  
Period : 9 March  
Business Area: 067A LOCAL AGENCY FORMATI



Client: 020 Business Area: 067A LOCAL AGENCY FORMATI  
Report: ZFP4816B Period: 9 (March ) Fiscal Year: 2024

Balance Sheet Item	Beginning Balance	Period Debits	Period Credits	Ending Balance
* Cash in Treasury	1,681,098.14		50,915.76-	1,630,182.38
* Imprest Cash				
* Accrued Interest Receivabl				
* Inventory				
* Due from Other Funds Year				
* Accounts Receivable Year E				
** Total Assets	1,681,098.14		50,915.76-	1,630,182.38
* Sales Tax Due				
* Warrants Payable	27,304.09-	51,366.91	40,540.45-	16,477.63-
* Deposit Stale Warrants	3,725.73-		2,080.00-	5,805.73-
* Claims Payable	3,476.81-	39,466.29	36,077.68-	88.20-
* Due to Others				
* Suspense Clearing				
* Payroll Clearing				
** Total Liabilities	34,506.63-	90,833.20	78,698.13-	22,371.56-
* Reserve Fund Balance	220,933.00-			220,933.00-
* Fund Balance	632,160.10-			632,160.10-
* Revenues and Other Financi	925,488.19-			925,488.19-
* Expenditures/Expenses	238,198.78	38,780.69		276,979.47
* Estimated Revenue	969,657.00			969,657.00
* Appropriations	1,075,866.00-			1,075,866.00-
* Start of System Clearing				
** Total Equity and Other Acc	1,646,591.51-	38,780.69		1,607,810.82-
*** Total Liabilities & Equity	1,681,098.14-	129,613.89	78,698.13-	1,630,182.38-

Vendor Activity by Business Area  
Business Area: 067A

Date: 04/10/2024  
Time: 15:42:11  
Period: 009  
Year: 2024

Vendor One	Vendor Name	BA	Per	Doc.no.	Pstg date	Reference	Check	Fund Center	Trans. currency	Status
36759	SLOAN SAKAI YEUNG & WONG LLP	067A	009	1907181285	03/25/2024	54404		4544540	7,590.00- USD	closed
36759	SLOAN SAKAI YEUNG & WONG LLP	067A	009	2029487190	03/26/2024		1103832723		7,590.00 USD	closed
37780	DS SERVICES OF AMERICA INC	067A	009	1907173031	03/12/2024	4831121030124		4544540	14.72- USD	closed
37780	DS SERVICES OF AMERICA INC	067A	009	2029469463	03/14/2024		1103828299		14.72 USD	closed
59469	SPECIAL DISTRICT RISK MGMT AUTHORITY	067A	009	1907182666	03/27/2024	202404		4544540	5,445.23- USD	closed
59469	SPECIAL DISTRICT RISK MGMT AUTHORITY	067A	009	2029493262	03/28/2024		1103834383		5,445.23 USD	closed
64858	TOSHIBA AMERICA BUSINESS SOLUTIONS	067A	009	1907181280	03/25/2024	5994603		4544540	358.52- USD	closed
64858	TOSHIBA AMERICA BUSINESS SOLUTIONS	067A	009	1907181284	03/25/2024	5979752		4544540	377.40- USD	closed
64858	TOSHIBA AMERICA BUSINESS SOLUTIONS	067A	009	2029490578	03/28/2024				735.92 USD	closed
71112	CARLSON BARBEE & GIBSON INC	067A	009	1907170369	03/07/2024	127490		4544540	4,755.50- USD	closed
71112	CARLSON BARBEE & GIBSON INC	067A	009	2029463333	03/12/2024		1103827410		4,755.50 USD	closed
75572	THE PITNEY BOWES INC	067A	009	1907182885	03/27/2024	3106569817		4544540	88.20- USD	closed
76946	LAW OFFICE OF DANIEL P DOPORTO	067A	009	1907166885	03/04/2024	1970		4544540	17,190.00- USD	closed
76946	LAW OFFICE OF DANIEL P DOPORTO	067A	009	2029449845	03/05/2024		1103824479		20,655.00 USD	closed
928904	Kristina Grabow	067A	009	2029446589	03/04/2024				11.81 USD	closed
928904	Kristina Grabow	067A	009	1907182882	03/27/2024	STAFFREIMBURSMNT		4544540	32.86- USD	closed
928904	Kristina Grabow	067A	009	2029493012	03/29/2024				32.86 USD	closed
933711	Jose C Henriquez	067A	009	1907170361	03/07/2024	572294		4544540	220.00- USD	closed
933711	Jose C Henriquez	067A	009	1907170363	03/07/2024	2113		4544540	5.25- USD	closed
933711	Jose C Henriquez	067A	009	2029461440	03/12/2024				225.25 USD	closed
Sum of Business Area 067A									3,388.61 USD	*

Vendor Activity by Business Area

Business Area: \*

Page: 2

Date: 04/10/2024

Time: 15:42:11

Period: \*

Year: \*

Vendor	Vendor Name	BA	Per	Doc.no.	Pstg date	Reference	Check	Fund Center	Trans. currency	Status	
One Time	Vendor										
Overall total									3,388.61	USD	**

Fiscal Year	2024	
From period	1	
To period	9	
Fund/Group	067A	LOCAL AGENCY FORMATION COMMISSION
Funds Center/Group	4544540	LAFCO DISTRICT
Budget Version	0	

Commitment Item	Budget	Actual-GL	Actual-CO	Actual Total	Encumbrance	Pending	Available	%Consumed
10112400 COMMITTEE MEMBER	8,000.00	500.00		500.00			7,500.00	6.25
10122000 OASDHI	1,000.00	38.25		38.25			961.75	3.83
* 10 - SALARIES AND EMPLOYEE	9,000.00	538.25		538.25			8,461.75	5.98
20200500 ADVERTISING	1,000.00	1,340.00		1,340.00	1,541.87		1,881.87-	288.19
20202200 BOOKS/PER SUP	1,000.00	291.55		291.55			708.45	29.16
20202900 BUS/CONFERENCE E	11,000.00	7,164.30		7,164.30			3,835.70	65.13
20203900 EMP TRANSPORTATI	440.00	880.78		880.78			440.78-	200.18
20205100 INS LIABILITY		8,005.86		8,005.86			8,005.86-	
20205200 INS PREMIUM	9,000.00						9,000.00	
20206100 MEMBERSHIP DUES	25,000.00	1,715.00		1,715.00			23,285.00	6.86
20207600 OFFICE SUPPLIES	8,000.00	3,131.06		3,131.06			4,868.94	39.14
20208100 POSTAL SVC		31.77		31.77			31.77-	
20219100 ELECTRICITY		350.00		350.00			350.00-	
20222700 CELLPHONE/PAGER	900.00	257.91		257.91			642.09	28.66
20227500 RENT/LEASE EQ	10,000.00	2,169.37		2,169.37			7,830.63	21.69
20253100 LEGAL SVC	112,000.00	70,435.38		70,435.38			41,564.62	62.89
20259100 OTHER PROF SVC	748,000.00	119,771.41		119,771.41			628,228.59	16.01
20271100 DTECH LABOR	18,000.00	6,374.90		6,374.90	4,637.10		6,988.00	61.18
20271600 WAN Charges	6,000.00	4,668.00		4,668.00			1,332.00	77.80
20281000 CW IT SERVICES	1,500.00	1,034.00		1,034.00			466.00	68.93
20281101 DTECH FEE	800.00						800.00	
20281200 DATA PROCESSING		196.83		196.83			196.83-	
20281202 SOFTWARE		998.26		998.26			998.26-	
20292100 GS PRINTING SVC	500.00	83.62		83.62			416.38	16.72
20292300 MESSENGER SVCS -	5,456.00	3,992.40		3,992.40			1,463.60	73.17
20294300 LEASE PROP - ACP	65,000.00	41,619.05		41,619.05			23,380.95	64.03
20296200 GS PARKING CHGS		43.75		43.75			43.75-	
20298702 CIRCUIT CHRGS -	400.00	255.44		255.44			144.56	63.86
20298703 LND LN CHARGES -	3,000.00	1,630.58		1,630.58			1,369.42	54.35
* 20 - SERVICES AND SUPPLIES	1,026,996.00	276,441.22		276,441.22	6,178.97		744,375.81	27.52
79790100 CONTINGENCY APPR	39,870.00						39,870.00	
* 79 - Appropriation for Con	39,870.00						39,870.00	
** Expenditure accounts	1,075,866.00	276,979.47		276,979.47	6,178.97		792,707.56	26.32
94941000 INTEREST INCOME	5,000.00-	11,673.00-		11,673.00-			6,673.00	233.46
94941100 CONTRIBUTIONS	769,657.00-	210.00-		210.00-			769,447.00-	0.03
* 94 - REVENUE FROM USE OF M	774,657.00-	11,883.00-		11,883.00-			762,774.00-	1.53
97979000 MISC OTHER	195,000.00-	892,553.19-		892,553.19-			697,553.19	457.72
97979032 SETTLEMENT AGREE		21,052.00-		21,052.00-			21,052.00	
* 97 - MISCELLANEOUS REVENUE	195,000.00-	913,605.19-		913,605.19-			718,605.19	468.52
** REVENUE ACCOUNTS	969,657.00-	925,488.19-		925,488.19-			44,168.81-	95.44
*** Total	106,209.00	648,508.72-		648,508.72-	6,178.97		748,538.75	604.78-

Date	Year	Per	Document #	G/L Acct	BA	Cost Ctr	Amount	Text
03/04/2024	2024	009	2029446589	101100	067A		11.81-	
03/12/2024	2024	009	2029461440	101100	067A		225.25-	
03/28/2024	2024	009	2029490578	101100	067A		735.92-	
03/29/2024	2024	009	2029493012	101100	067A		32.86-	
Total Account Number 101100 CASH IN TREASURY - ACH							1,005.84-	
03/04/2024	2024	009	2029450518	101500	067A		10,022.39-	
03/04/2024	2024	009	2029450520	101500	067A		5,445.23-	
03/05/2024	2024	009	2029453552	101500	067A		6,299.35-	
03/08/2024	2024	009	2029461768	101500	067A		14.72-	
03/12/2024	2024	009	2029466849	101500	067A		20,655.00-	
03/18/2024	2024	009	2029476723	101500	067A		4,755.50-	
03/26/2024	2024	009	2029491126	101500	067A		14.72-	
Total Account Number 101500 PAID WARRANTS RECONCILIATION (IN							47,206.91-	
03/26/2024	2024	009	111174495	109000	067A		504.84-	
03/27/2024	2024	009	111176738	109000	067A		29.23-	
03/27/2024	2024	009	111176743	109000	067A		210.26-	
03/28/2024	2024	009	111176897	109000	067A		5.25-	
03/28/2024	2024	009	111176935	109000	067A		635.00-	
03/28/2024	2024	009	111176938	109000	067A		622.00-	
03/29/2024	2024	009	111177961	109000	067A		465.78-	
03/31/2024	2024	009	111180012	109000	067A		123.00-	
03/29/2024	2024	009	400046945	109000	067A		107.65-	
Total Account Number 109000 CASH IN TREAS-SPL							2,703.01-	
03/15/2024	2024	009	111165472	5100000	067A		2,080.00	Warrant 1103482100 — FI Doc 1906633988
03/15/2024	2024	009	111165515	5100000	067A		2,080.00-	Clr Stale Dated Warrants 08/2021 JV# 111165472
03/15/2024	2024	009	111165515	5100000	067A		2,080.00	
03/05/2024	2024	009	2029449845	5100000	067A		20,655.00-	
03/04/2024	2024	009	2029450518	5100000	067A		10,022.39	
03/04/2024	2024	009	2029450520	5100000	067A		5,445.23	
03/05/2024	2024	009	2029453552	5100000	067A		6,299.35	
03/08/2024	2024	009	2029461768	5100000	067A		14.72	
03/12/2024	2024	009	2029463333	5100000	067A		4,755.50-	
03/12/2024	2024	009	2029466849	5100000	067A		20,655.00	
03/14/2024	2024	009	2029469463	5100000	067A		14.72-	
03/18/2024	2024	009	2029476723	5100000	067A		4,755.50	
03/26/2024	2024	009	2029487190	5100000	067A		7,590.00-	
03/26/2024	2024	009	2029491126	5100000	067A		14.72	
03/28/2024	2024	009	2029493262	5100000	067A		5,445.23-	
Total Account Number 5100000 WARRANTS PAYABLE							10,826.46	
03/15/2024	2024	009	111165472	5109888	067A		2,080.00-	Warrant 1103482100 — FI Doc 1906633988
Total Account Number 5109888 OVER 2-1/2 YEARS STALE DATED WAR							2,080.00-	
03/04/2024	2024	009	1907166885	5150000	067A		17,190.00-	*ATCH LAFCO 9168746458 3/31/24 INVOICE 1970
03/07/2024	2024	009	1907170361	5150000	067A		220.00-	*LAFCO 916-874-6458 Office Supplies
03/07/2024	2024	009	1907170363	5150000	067A		5.25-	*LAFCO 916-874-6458 Employee Transportation
03/07/2024	2024	009	1907170369	5150000	067A		4,755.50-	*LAFCO 916-874-6458 Other Professional SVCS
03/12/2024	2024	009	1907173031	5150000	067A		14.72-	*ATCH LAFCO 9168746558 3/1/24 INV 4831121 030124
03/25/2024	2024	009	1907181280	5150000	067A		358.52-	*LAFCO 9168746458 INV 5994603(MAR09)
03/25/2024	2024	009	1907181284	5150000	067A		377.40-	*LAFCO 9168746458 INV 5979752 (2/9/24)
03/25/2024	2024	009	1907181285	5150000	067A		7,590.00-	*LAFCO 9168746458 54404 FEB.29

Date	Year	Per	Document #	G/L	Acct	BA	Cost	Ctr	Amount	Text
03/27/2024	2024	009	1907182666	5150000	067A				5,445.23	*ATCH LAFCO 9168746458 2024 OFFICE LEASE (APRIL)
03/27/2024	2024	009	1907182882	5150000	067A				32.86	*LAFCO 9168746458 STAFF REIMBURSEMENTS
03/27/2024	2024	009	1907182885	5150000	067A				88.20	*ATCH LAFCO POSTAGE METER LEASE INV 3106569817
03/04/2024	2024	009	2029446589	5150000	067A				11.81	
03/05/2024	2024	009	2029449845	5150000	067A				20,655.00	
03/12/2024	2024	009	2029461440	5150000	067A				225.25	
03/12/2024	2024	009	2029463333	5150000	067A				4,755.50	
03/14/2024	2024	009	2029469463	5150000	067A				14.72	
03/26/2024	2024	009	2029487190	5150000	067A				7,590.00	
03/28/2024	2024	009	2029490578	5150000	067A				735.92	
03/29/2024	2024	009	2029493012	5150000	067A				32.86	
03/28/2024	2024	009	2029493262	5150000	067A				5,445.23	
<b>Total Account Number 5150000 CLAIMS PAYABLE</b>									<b>3,388.61</b>	
03/29/2024	2024	009	400046945	10112400	067A	4544540000			100.00	
<b>Total Account Number 10112400 SALARIES &amp; WAGES - COMMISSION &amp;</b>									<b>100.00</b>	
03/29/2024	2024	009	400046945	10122000	067A	4544540000			7.65	
<b>Total Account Number 10122000 OASDHI - EMPLOYER COST</b>									<b>7.65</b>	
03/07/2024	2024	009	1907170363	20203900	067A	4544540000			5.25	Employee Transportation
<b>Total Account Number 20203900 EMPLOYEE TRANSPORTATION</b>									<b>5.25</b>	
03/07/2024	2024	009	1907170361	20207600	067A	4544540000			220.00	Office Supplies
03/12/2024	2024	009	1907173031	20207600	067A	4544540000			14.72	Office Supplies
03/25/2024	2024	009	1907181280	20207600	067A	4544540000			358.52	Rent/lease equipment
03/25/2024	2024	009	1907181284	20207600	067A	4544540000			377.40	Rent/lease equipment
03/27/2024	2024	009	1907182882	20207600	067A	4544540000			8.39	Office Supplies
03/27/2024	2024	009	1907182882	20207600	067A	4544540000			24.47	Office Supplies
03/27/2024	2024	009	1907182885	20207600	067A	4544540000			88.20	Rent/Lease Equipment
<b>Total Account Number 20207600 OFFICE SUPPLIES</b>									<b>1,091.70</b>	
03/27/2024	2024	009	111176738	20222700	067A	4544540000			29.23	March 2024 Cell Phone Charges
<b>Total Account Number 20222700 CELLPHONE/PAGER</b>									<b>29.23</b>	
03/04/2024	2024	009	1907166885	20253100	067A	4544540000			17,190.00	Legal Services
03/25/2024	2024	009	1907181285	20253100	067A	4544540000			7,590.00	Legal Services
<b>Total Account Number 20253100 LEGAL SERVICES</b>									<b>24,780.00</b>	
03/07/2024	2024	009	1907170369	20259100	067A	4544540000			4,755.50	Other Professional Svcs
<b>Total Account Number 20259100 OTHER PROFESSIONAL SERVICES</b>									<b>4,755.50</b>	
03/28/2024	2024	009	111176938	20271100	067A	4544540000			622.00	Sharepoint Allocation 03/2024
03/31/2024	2024	009	111180012	20271100	067A	4544540000			123.00	
<b>Total Account Number 20271100 DTECH LABOR</b>									<b>745.00</b>	
03/28/2024	2024	009	111176935	20271600	067A	4544540000			119.00	Cyber Security Allocation 03/2024
03/28/2024	2024	009	111176935	20271600	067A	4544540000			401.00	WAN Allocation 03/2024
<b>Total Account Number 20271600 WAN Charges</b>									<b>520.00</b>	

Date	Year	Per	Document #	G/L Acct	BA	Cost Ctr	Amount	Text
03/28/2024	2024	009	111176935	20281000	067A	4544540000	115.00	Countywide Allocation 03/2024
Total Account Number 20281000				COUNTYWIDE IT SERVICES			115.00	
03/26/2024	2024	009	111174495	20281202	067A	4544540000	504.84	M365 G5 Subscription Q3
Total Account Number 20281202				SOFTWARE			504.84	
03/29/2024	2024	009	111177961	20292300	067A	4544540000	465.78	Per. 9 - Messenger Services
Total Account Number 20292300				MESSENGER SERVICES - ALLOCATED C			465.78	
03/27/2024	2024	009	1907182666	20294300	067A	4544540000	5,445.23	Leased Property
Total Account Number 20294300				LEASE PROPERTY - ALLOCATED COST			5,445.23	
03/28/2024	2024	009	111176897	20296200	067A	4544540000	5.25	QR BILLING Mar-2024 LAFCO
Total Account Number 20296200				GS PARKING CHARGES			5.25	
03/27/2024	2024	009	111176743	20298702	067A	4544540000	29.39	March 2024 Circuit Charges
Total Account Number 20298702				CIRCUIT CHARGES - ALLOCATED COST			29.39	
03/27/2024	2024	009	111176743	20298703	067A	4544540000	180.87	March 2024 Land Line Charges
Total Account Number 20298703				LAND LINE CHARGES - ALLOCATED CO			180.87	

Date	Year	Per	Document #	G/L Acct	BA	Cost Ctr	Amount	Text
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Fields of selection screen	
Fiscal Year	<input checked="" type="checkbox"/> 2024
Business Area	<input checked="" type="checkbox"/> 067A
G/L Account	<input type="checkbox"/>
Period	<input checked="" type="checkbox"/> 009
Sort and Print By G/L	<input checked="" type="checkbox"/> X





SACRAMENTO LOCAL AGENCY FORMATION COMMISSION  
1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458  
[www.saclafco.org](http://www.saclafco.org)

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## ***AGENDA OF FEBRUARY 2, 2022***

### ***REGULAR MEETING***

**TO: Gay Jones, Chair, and  
Members of the Sacramento Local Agency Formation Commission**

**FROM: José C. Henríquez, Executive Officer and  
Diane Thorpe, Clerk of the Commission**

**AGENDA  
ITEM IV-5: Review of Monthly Budget Report**

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#### **RECOMMENDATION**

Staff recommends that the Commission:

1. Receive and file the attached budget status reports; and
2. Review the enclosed explanation on the types of charges that typically are billed in the budget.

#### **REASON FOR RECOMMENDED ACTION**

The attached reports summarize the revenue, expenditures and trial balances from December 1, 2021 to current. The Commission reviews these reports at every meeting. LAFCo uses the County for accounts payable services, but the COMPASS system reports are not the most user friendly. The information contained in this memo should help the Commission understand these reports a little better so that it can monitor the agency's expenses more effectively.

#### **BACKGROUND**

As the governing board to LAFCo, the Commission has a fiduciary duty to the public to ensure that the agency is in a sound financial state and that the public's money is spent in a manner consistent with LAFCo's mission. At every meeting staff provides the Commission with two separate reports that affect the agency's finances. The first is a list of claims processed by LAFCo (for example, Item IV-4 of the February Agenda) and the amounts paid out.

The second is a monthly budget report, enclosed with this report. As noted above, LAFCo uses the County of Sacramento for its account payable services and the County uses the

COMPASS system to process claims. The attached pages from the COMPASS system are actually four separate reports received by LAFCo's staff. While staff is exploring ways to make the budget report more user friendly (without manually replicating the report), the goal of this staff memo is to provide some context and explanation to assist the Commission and the public with reading these reports.

*The Yellow Report*

LAFCo's account number in COMPASS (067A)

Period within fiscal year. Here it denotes period 5 of 12, reflecting activity in November

Client: 020 Business Area: 067A LOCAL AGENCY FORMATI  
Report: ZFP4816B Period: 5 (November) Fiscal Year: 2022

Balance Sheet Item	Beginning Balance	Period Debits	Period Credits	Ending Balance
* Cash in Treasury	1,186,874.47	8,896.00	20,647.04-	1,175,123.43
* Imprest Cash				
* Accrued Interest Receivabl				
* Inventory				
* Due from Other Funds Year				
* Accounts Receivable Year E				
<b>** Total Assets</b>	<b>1,186,874.47</b>	<b>8,896.00</b>	<b>20,647.04-</b>	<b>1,175,123.43</b>
* Sales Tax Due				
* Warrants Payable	3,095.84-	18,989.40	34,811.09-	18,917.53-
* Deposit Stale Warrants	3,725.73-			3,725.73-
* Claims Payable	15,067.21-	34,811.09	20,844.24-	1,100.36-
* Due to Others				
* PAYROLL TAXES N BENEFITS				
* Suspense Clearing				
* Payroll Clearing				
<b>** Total Liabilities</b>	<b>21,888.78-</b>	<b>53,800.49</b>	<b>55,655.33-</b>	<b>23,743.62-</b>
* Reserve Fund Balance	220,933.00-			220,933.00-
* Fund Balance	397,522.15-			397,522.15-
* Revenues and Other Financi	561,484.00-		8,896.00-	570,380.00-
* Expenditures/Expenses	102,081.46	22,501.88		124,583.34
* Estimated Revenue	926,000.00			926,000.00
* Appropriations	1,013,128.00-			1,013,128.00-
* Start of System Clearing				
<b>** Total Equity and Other Acc</b>	<b>1,164,985.69-</b>	<b>22,501.88</b>	<b>8,896.00-</b>	<b>1,151,379.81-</b>
<b>*** Total Liabilities &amp; Equity</b>	<b>1,186,874.47-</b>	<b>76,302.37</b>	<b>64,551.33-</b>	<b>1,175,123.43-</b>

This report aggregates activity (deposits and withdrawals) at the summary level for LAFCo. The usefulness of the Yellow Report are the last two rows, denoting equity and liabilities. These two numbers should be roughly in balance.

*The Vendor Payment Activity Report*

Vendor Activity by Business Area										
Business Area: 067A										
Page: 1										
Date: 12/03/2021										
Time: 09:59:09										
Period: 005										
Year: 2022										
Vendor	Vendor Name	BA	Per	Doc.no.	Pstg date	Reference	Check	Fund Center	Trans. currency	Status
1630	DAILY JOURNAL CORP			2028115788	11/02/2021		1103509449		111.15 USD	closed
1630	DAILY JOURNAL CORP	067A	005	1906688711	11/29/2021	A3528747		4544540	26.95- USD	closed
1630	DAILY JOURNAL CORP	067A	005	2028157651	11/30/2021		1103518369		26.95 USD	closed
		067A	005							

This report lists the number of claims processed and paid by the County. The process is that LAFCo receives a claim. It is processed by LAFCo (reviewed and approved by the EO, entered into a claim form by the Clerk) and submitted to the County for payment. The County then enters the claim into COMPASS, processes the payment and mails out

a check or submits the payment electronically. Ideally, the payments shown in this report matches the list provided to you in the list of claims submitted for your review. Unfortunately this report and the list of claims may not always match because sometimes there is a lag in posting the payment, a claim is lost or not processed by the County due to deadlines.

Please note that some activities may have two line items. In the example above, The Daily Journal has two transactions. The first document (1906688711) was the original invoice where the expenditure for GL 20200500 (advertising) hit. The second document (2028157651) was created in COMPASS when the check was issued to the Daily Recorder to pay for the services they provided to LAFCO.

**The Budget Actuals Report**

Commitment Item	Budget	Actual-GL	Actual-CO	Actual Total	Encumbrance	Pending	Available	% Consumed
1011000 REGULAR EMPLOYEE	9,000.00						9,000.00	
10112400 COMMITTEE MEMBER		-640.00		-640.00			640.00	
10122000 OASDHI		-48.96		-48.96			48.96	
* 10 - SALARIES AND EMPLOYEE	9,000.00	-688.96		-688.96			9,688.96	-7.66
20200500 ADVERTISING	5,875.00	173.35		173.35			5,701.65	2.95
20202200 BOOKS/PER SUP	2,888.00	202.03		202.03			2,685.97	7.00
20202900 BUS/CONFERENCE E	16,940.00	2,116.00		2,116.00			14,824.00	12.49
20203500 ED/TRAINING SVC	4,851.00						4,851.00	

This may end up being the most useful report for monitoring the overall spending activity relative to the budget. This report breaks down activity by “general ledger” (GL) amounts. The green/teal column (titled, “Commitment Item”) has the GL number and description of expenses under that GL. The “Budget” column contains your allocation per year, in this case, FY2021-22 budget. The “Actual GL” (or “Actual Total”) column contains the activity from July 1 to the date of this report. Subtract the “Actual” column from “Budget” column and you get the amounts in the “Available” column. This “Available” column will tell you whether LAFCo is under or over budget for this GL in the budget. Lastly, the “% Consumed” column indicates the percent of the GL that has been used up as of the date of the report. For example, only 2.95% of the “Advertising” budget had been consumed at the time this report was generated.

For further clarity, it is recommended that Commissioners couple this report with Attachment C, which contains a listing of vendors who have been paid out of each GL. Attachment C is not an exhaustive list, but it is illustrative of the type of vendors who get paid out of each GL.

*The Split Ledger Line Item Report*

Report: ZF_SL_SPEC_DIST UserID: 1041185 System: PRD/020	Split Ledger Line Item Report 067A LOCAL AGENCY FORMAT Period: 005 Fiscal Year: 2022	Date: 12/03/2021 Time: 09:58:50 Page: 3
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Date	Year	Per	Document #	G/L Acct	BA	Cost Ctr	Amount	Text
11/09/2021	2022	005	110467274	20271600	067A	4544540000	454.00	WAN Allocation 11/2021
Total Account Number 20271600							WAN Charges	554.00
11/08/2021	2022	005	110466327	20281000	067A	4544540000	134.00	Countywide Allocation 11/2021
Total Account Number 20281000							COUNTYWIDE IT SERVICES	134.00

The Split Ledger Report shows the activities of each account within the budget period. This report provides the detail transactions for each account. For example, in Period 5, GL account 5100000 Warrant Payable has a total amount of \$15,821.69. This report informs you of the detailed transactions that made up that total amount in Period 5.

There is one more thing that the Split Ledger Line Item Reports shows. A “split” on a general ledger means that more than one account on either the debit or credit side of a transaction has been impacted by a payment or deposit. There are some charges the County of Sacramento bills directly against the agency without submitting a claim to LAFCo. These are charges the County makes as a whole and then proportionally splits it among the agencies that receive such services. An example would be “SharePoint” charges. SharePoint is an online storage service that is available to agencies and employees. The County contracts for those services and then bill the member agencies for the amount of storage that they use on the cloud. Because there is no claim associated with it, you will not see these in the list of claims. This report will allow the Commission to track those expenses. Other examples of split claims include employee payroll, IT labor charges and leased IT equipment. These charges are automatically deducted from LAFCo’s account.

Attachments

- Attachment A: Budget Status Report – December 2021 (not included)
- Attachment B: Budget Status Report – January 2022 (not included)
- Attachment C: List of Vendors Associated with General Ledger Line Items (not included)



***AGENDA OF MAY 1, 2024***

***REGULAR MEETING***

**TO: Rich Desmond, Chair, and  
Members of the Sacramento Local Agency Formation Commission**

**FROM: José C. Henríquez, Executive Officer**

**AGENDA ITEM V-5: Public Hearing to Consider and Adopt CEQA Statutory Exemption §15061(b)(3) and**  
**a) Adopt The Addendum To The Municipal Service Review For Del Paso Manor Water District (LAFCo Project #2022-01); And**  
**b) Approve A Resolution Of Intent To Initiate Dissolution Of Del Paso Manor Water District (LAFCo Project #2024-01)**

**RECOMMENDATION**

Staff recommends that the Commission adopt Resolution LAFCo 2024-06 which:

1. Adopts CEQA Statutory Exemption §15061(b)(3) for the following two actions
2. Adopts the Addendum to the Municipal Service Review for Del Paso Manor Water District (LAFCo Project #2022-01); and
3. Serves as a Resolution of Intent to Initiate Dissolution of Del Paso Manor Water District. This resolution gives Del Paso Manor WD a 12-month remediation period during which the district may take steps to remedy the specified deficiencies. At the end of that 12-month period, the Commission may either approve the dissolution of the Del Paso Manor Water District in May 2025 or rescind the Resolution of Intent to Initiate Dissolution and no further action will be taken.

**REASON FOR RECOMMENDED ACTION**

Staff's recommendation to initiate dissolution of the Del Paso Manor Water District (District or DPMWD) is based on a preponderance of evidence that the District's service is not meeting industry standards or government regulations and is based on the 2021 Grand Jury report, the adopted LAFCo Municipal Service Review (MSR), including the recommended MSR Addendum, and independent studies and information provided by the District related to the current infrastructure. This recommendation is based on the further determination that the District's board is not actively engaged in efforts to remediate the documented service deficiencies.

## **BACKGROUND**

The Del Paso Manor Water District supplies water to 1,864 residential and 111 commercial connections within its service area. The District has seven wells and utilizes groundwater as its source. In addition, it has 21 miles of water lines, with only one mile of those miles being new. The age of the water infrastructure is past its useful life. The overwhelming majority of those water lines are 60-70 years old and should be replaced within the next 20 years.

### **Municipal Service Review**

In January 2021, the Sacramento County Grand Jury conducted an investigation of DPMWD that culminated in a report released on November 5, 2021. The report concluded that there were “serious concerns with the DPMWD’s operational safety and management practices” that were supported by a series of findings. The report recommended that the Commission complete a Municipal Service Review (MSR) of the District.

On December 7, 2022, Sacramento LAFCo adopted a MSR report for the DPMWD (LAFCo Project #2022-01). The MSR highlighted that some of the past agendas and minutes did not provide adequate information that was compliant with the Brown Act requirements. However, it was noted that the District was actively working to increase transparency by providing more detailed agendas, complete minutes, and recordings of meetings. The District since has resolved the majority of the governance issues identified in the Grand Jury report. As such, the aforementioned deficiency has been addressed and is no longer of concern.

In addition, the 2022 MSR assessed the present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies and made the following determinations on page 26:

- Since the District does not have water storage, current regulations require that there be enough capacity to provide for maximum daily demand and maximum fire flow demand. Currently, the District does not meet this requirement. However, once the emergency interties with Sacramento Suburban Water District (SSWD) are upgraded, even at 1/3 of their rated capacity and coupled with District Wells, fire flows should be met. It is anticipated that the Fire Department will again conduct tests to confirm this.
- The District’s system is aging, and several miles of water mains need to be replaced. Most notably, there is approximately 3,000 feet of mains that need to be upgraded to a minimum of 4” diameter, and approximately 2.9 miles of steel pipe that are prone to rapid erosion and leaks.
- There are known and unknown groundwater contamination sites surrounding the District. This contamination is currently affecting two of the district’s wells. The District is looking into potential carbon filtration to bring these wells back online. The MSR recommends that the district stay up to date on groundwater contamination in the area and investigate the possibility of additional well filtration systems to ensure adequate water quality for customers.



The 2022 MSR also evaluated the financial ability of agencies to provide services and made the following determinations:

- While the District has seen a net increase over the past three fiscal years reviewed, during that time little funding was provided for system repairs and replacements. As of March 2022, it was estimated that the district needs approximately \$52 million for well rehabilitation and water main replacements.
- Based on the amount of system repairs that are needed, the District currently does not have enough revenues to support their capital improvement program. However, the District has started a Proposition 218 process that, if successful, will provide additional funding to support capital improvements.
- Additional funding from grants and state loan programs will likely be needed to complete system improvements and help prevent major water main breaks or other system failures.

Related to the status of and opportunities for shared facilities the 2022 MSR included the following relevant determinations:

- DPWD has three interties with Sacramento Suburban Water District (SSWD) that are in the process of being upgraded to allow automatic connection when water pressure drops substantially. These interties will provide the necessary capacity to meet fire flow requirements for DPMWD.
- DPMWD and SSWD are currently holding 2X2 meetings to assess the potential for reorganization into a single District. This may provide several benefits to the DPMWD such as additional staff to support day to day operations, larger customer based for recruiting Board members, and increased source capacity. The Districts are encouraged to continue these discussions and keep LAFCO informed.

#### Conversation with Sacramento Suburban Water District (SSWD)

DPMWD began coordinating with Sacramento Suburban Water District (SSWD) in 2020 to discuss combining the two entities into one district, but the communication was paused by DPMWD. The talks resumed in 2021 soon after the aforementioned Grand Jury Report was released.

On June 30, 2022, the Directors of DPMWD authorized the initiation of a merger discussion with SSWD. On July 1, 2022, SSWD received a letter from DPMWD recommending that the SSWD Board of Directors approve and assemble a 2x2 Committee to discuss a potential merger between the two agencies. On July 18, 2022, SSWD's Board of Directors agreed to pursue merger discussions with DPMWD. Both districts appointed Board members to participate in the 2x2 Committee meetings. Directors Bob Wichert and Jay Boatwright were appointed to represent SSWD and Directors Ryan Saunders and Carl Dolk were appointed to represent DPMWD.

DPMWD began coordinating with SSWD to discuss the feasibility of combining the two districts into one district. The two districts held seven different meetings and continued coordination to consider the combination of SSWD and DPMWD. During the 2x2

meetings, the districts reviewed the integrity of the two districts' infrastructure, water rates, operations, and the current fiscal standing. The two districts last coordinated on May 22, 2023, at a joint board meeting.

At their October 2023 meeting, DPMWD pulled out of their discussions with SSWD, and instead provided direction to fund infrastructure improvements through an increase in water rates through Proposition 218, which was approved by DPMWD by resolution on September 18, 2023.

## **DEL PASO MANOR WATER DISTRICT CURRENT CONDITIONS**

### **MSR Addendum Overview**

Due to the changed circumstances and additional information and service problems, LAFCo staff initiated an update to the 2022 MSR. The Municipal Services Review for Del Paso Manor Water District Addendum – April 2024 (MSR Addendum) sets forth the updated information and determinations required for a municipal services review as well as certain findings and determinations regarding the chronic service deficiencies of the District.

The MSR Addendum provides updated and additional information regarding the District consistent with the requirements of Government Code section 56430 related to municipal service reviews and Government Code section 56375.1 related to the Commissions initiating dissolution of the District. According to the MSR Addendum the District owns and operates eight wells. The table below provides a summary of the groundwater wells. Original Well No. 1 was destroyed and replaced by Well No. 9 and original Well No. 6 was also destroyed and replaced by Well No. 6B. It is important to note that at the time the 2022 MSR was being prepared, there was contamination in Well No. 8 and Well No. 3 is only permitted for standby use, up to 15 days a year, due to 1,2,3 Trichloropropane (TPC) that exceeds allowable levels for regular use. These conditions have not changed. The 2022 MSR indicated that SSWD, Golden State Water Company, California American Water, City of Sacramento, and Sacramento County Water Agency were regional water purveyors who are alternate service providers.

### **DPMWD Independent Study – Well Conditions**

The District has eight wells available to provide water to its rate payers. Currently there are three operational wells, with only two of the wells, Wells #5 and Well #9, available and online for immediate use. The following table, Table 2 from the MSR Addendum, identifies the current state of the DPMWD Groundwater Wells.



**Table 2. DPMWD Groundwater Wells**

Well No.	Year Built	Age in Years	Active Pumping Capacity	Well Status/ Comments
2	1948	76	--	Removed from service and capped.
3	1949	75	--	Permitted Use is Standby: 1,2,3 TCP MCL Exceeded.
4	1951	73	--	Complete motor failure in January 2024.
5	1955	69	460 gpm	Online.
6B	2014	10	1,100 gpm	Primary well with standby generator. Used during low winter demands (down to 100 gpm).
7	1956	68	--	At risk of contamination from Bridgestone plume. Unable to operate under OSHA regulations for confined spaces.
8	1977	47	--	PCE detected. Well offline. Expected complete loss.
9	2011	13	1,500 gpm	Primary well.

**DPMWD Independent Study - Fire Flow**

As set forth in the MSR Addendum, the District has a current capacity shortage for fire flow needs. Prior to the failure of Well 4 and based on the current infrastructure, there is a current fire flow shortage of 3,070 gal./min. Although the District has an existing intertie agreement with SSWD, by January 1, 2032, the District will need to have the capacity to meet fire flow and Maximum Day Demand (MDD) flow demands from within their own system, that is 6,630 gal./min. Currently the District can only legally produce 3,560 gal./min if Well 4 is repaired and becomes operational. If the contaminated wells were operating into the system, it would provide the District 5,240 gal./min. Even with all the District’s wells, the District can still not meet the requirements of Sacramento County to produce MDD and fire flows. The inability for the District to meet fire flows on its own and over reliance on interties to achieve it demonstrate not only a substantial deficiency but also a risk to public health and safety.

**Infrastructure Needs**

The 2022 MSR noted infrastructure needs and the needed repairs and replacement of existing pipelines and water distribution mains. These needs continue, and in addition, the MSR Addendum discusses the continued system leaks and infrastructure improvements and repair needs.

By January 1, 2032, the District will also need to install water meters for each service connection. The District currently manually checks production ground water levels but does not have an automated system for the older wells.

**COST OF INFRASTRUCTURE**

In 2021, it was estimated that to replace the 20 or so miles of water lines within DPMWD that were not new was approximately \$2 million a mile. Since the end of the pandemic, the cost of materials has increased significantly. Nevertheless, for discussion purposes, this memo will use the \$2 million estimate to calculate that the total cost of replacing all

of the water lines within the District will be at least an estimated \$40 million. This estimate does not include the necessary equipment replacement and repair for the wells, the drilling of new wells or include the cost of installing meters as mandated by the State.

### *The 2023 Prop 218 Vote*

The District was successful in garnering support from its customers for a Proposition 218 vote to raise their rates. The rate study used to justify increasing the water rates categorized the list of capital projects that necessary for the effective functioning of the District's water facilities and the Board of Directors prioritized approximately \$9 million in capital infrastructure repairs and replacements. While the ratepayers supported the increase in rates, ultimately the amount of funding to be collected by the increased rate payments within the next 5 years is now less than a quarter of what is needed.

Near the end of 2023, the Board of Directors heard from several financing consultants about the options available to the District. The two most promising options were:

- A bond for \$9M that will cost \$18M to pay back with interest; or
- A loan for \$9M that will cost \$12M to pay back with interest.

For the District to self-finance a portion of the necessary repairs and infrastructure replacements will ultimately mean that the ratepayers will end up paying at least twice as much monthly for their water as other water districts in the county. Given the size, the demographics of the District's residents and the infrastructure needs, rates would have to increase considerably and indefinitely at rates that are unsustainable for the District to remain independent.

### *Available Funding from the State*

According to the State Water Resources Control Board, Del Paso Manor WD is considered non-disadvantaged, but since the median household income (MHI) for the District is less than 150% of the statewide MHI (\$126,146), the area is eligible for grant/principal forgiveness (PF) funding. For non-disadvantaged communities with less than 150% of the statewide MHI, water systems that consolidate with other systems are eligible for up to \$60,000 per connection in grant funds, and this can potentially be raised to \$80,000 per connection with approval for good cause.

Due to this State Water Resources Control Board grant program funding, the District is eligible for at least \$111 million in State grants/PF funding if the District consolidates with another water agency, something the District was considering as recently as the summer of 2023. To qualify for the State funding, an engineering report and a consolidation feasibility study would have to be undertaken, and the State has indicated it can provide funding, wither fully or partially, for those two necessary reports to support a State-funded consolidation.

The availability of these funds, in addition to the chronic service issues and the new developments that add a substantial risk to the community, necessitated moving the MSR review up from the original 3 years.

## **LAFCO INITIATED DISSOLUTION**

### **Resolution of Intent to Initiate Dissolution**

There are several procedures set forth in Cortese-Knox-Hertzberg Act (CKH) for the Commission to initiate a dissolution of a special district by resolution of application pursuant to Government Code sections 56375(a)(2)(B), 56375.1, or 56879. Effective January 1, 2023, a new provision of CKH allows for the Commission to consider the initiation of dissolution of a district based in part on the determinations of MSRs. It is recommended that the Commission initiate dissolution proceedings pursuant to 56375.1 based on the MSR determinations, including the determinations set forth in the MSR Addendum. The MSR Addendum has been prepared in compliance with the requirements of 56375.1.

Based upon the aforementioned information, LAFCo has determined that the most logical path forward is for the Commission to implement a LAFCo initiated dissolution pursuant Government Code 56375.1 and protest thresholds under Government Code 57093.

### **Municipal Services Review Addendum – Chronic Service Deficiencies**

Pursuant to Government Code 56375.1, a Commission may initiate a proposal for the dissolution of a district that is subject to a 25% protest threshold if at a public hearing the Commission approves, adopts, or accepts a MSR study prepared pursuant to Government Code 56430. Said study must demonstrate that there is a preponderance of evidence, that the district has one or more documented chronic service provision deficiencies that substantially deviate from industry or trade association standards or other government regulations and its board or management is not actively engaged in efforts to remediate the documented service deficiencies.

The November 2022 adopted MSR details several deficiencies of the District's infrastructure and financial concerns but does not discuss the deficiencies in the water flow. A study produced by the District in October of 2023 demonstrates the District is not meeting the fire flow requirements of Sacramento Metro Fire District. In addition, circumstances have changed since the November 2022 MSR was approved. In order to support the recommended Resolution of Intention to Dissolve the District, an updated Addendum to the District's MSR is presented for approval by the Commission which provides further information and determinations regarding the District's current state of chronic service provision deficiencies and that the District is not actively engaged in efforts to remediate the documented deficiencies.

Below is a summary of the deficiencies identified in Addendum to MSR

- There is estimated to be approximately 3,000 linear feet of pipeline that is less than three-inch diameter which does not meet current regulations for water distribution mains (Title 22 of the California Code of Regulations) which specifies that water mains must be at least four inches in diameter.
- DPMWD has documented numerous system leaks both in water mains and on the customer side of connections. The District stated a dramatic decrease in total leaks by lowering operating pressure and coordinating well operation to prevent pressure

spikes. Since the District neglected to invest in regular repair and maintenance of these facilities, several wells are currently offline.

- Since December 2022, additional wells have gone offline or are no longer useable due to contamination or OSHA regulations. There are known and unknown groundwater contamination sites surrounding the District. This contamination is currently affecting two of the District's wells. The District is looking into potential carbon filtration in order to bring these wells back online.
- In January 2024, the motor for Well #4 failed completely and now requires replacement. According to the District's 2009 Master Plan prepared by Kennedy Jenks, the pump for Well #4 was running above its service capacity since 1999.
- DPMWD does meet regulations pertaining to source capacity including California Code of Regulations Title 22, Section 64554(c) which requires that groundwater systems be able to meet their Maximum Daily Demand (MDD) with their highest-capacity source offline, and Section 64554(a) which requires that systems with 1,000 or more service connections be able to meet four hours of peak hourly demand with source capacity, storage capacity, and/or emergency source connections. Currently, with Well #9 offline, DPMWD can only produce 2,060 gpm, which is less than their MDD of 3,130 gpm.
- DPMWD is responsible for providing fire flows of 3,500 gal/min for the AT&T commercial building in addition to the District's regular MDD. Based on the District's current infrastructure, prior to the failure of Well #4, and legal production rate of 3,560 gpm, there is a shortage of 3,070 gal/min. Even if the District were to utilize all of its currently connected wells, there would not be enough water to meet Sacramento County fire flow standards. Additionally, the District would have to utilize contaminated water which may result in additional customer noticing.
- Currently, the District was able to meet fire flow requirements by relying on the interties with SSWD. California Water Code Section 10609.62 now requires a small water supplier to have source system capacity, treatment system capacity if necessary, and distribution system capacity to meet fire flow requirements by January 1, 2032.
- In order to increase water capacity for the District, existing wells would have to be refurbished or new wells would have to be drilled. As of October 2023, it was estimated that refurbishment of Well #2 would cost approximately \$837,000
- As of March 2022, it was estimated that the District needs approximately \$52 million for well rehabilitation and water main replacements not including the cost of meter installation and self-reliance for fire flows, as required by regulations.
- Meter replacement for the District is estimated at \$5 - \$6 million. The cost for increasing source capacity to meet fire flows is currently unknown but likely to cost several million dollars.

- DPMWD has been unsuccessful at obtaining grant funding to support infrastructure improvements. Based on the District's lack of consistent governance and management, and the level of neglect that has been exhibited over the last two decades, it is unlikely that they will be successful in obtaining grant funding in the future.
- While the District was able to successfully complete a Proposition 218 process in 2023, the rate increases only cover the cost of four capital improvement projects totaling \$9.23 million. A \$9 million bond measure could be utilized that would eventually cost \$18 million to pay back with interest, or a \$9 million loan that would cost \$12 million to pay back with interest.
- The resulting rate increases from the Proposition 218 process will increase residential rates by approximately 22% from November 2023 to July 2027.
- Due to the small size of the District and limited customer base, rates would have to be increased substantially above those of surrounding water providers in order to cover the costs of repair and maintenance for District infrastructure. This would place an unnecessary and avoidable burden on rate payers within DPMWD.

### Remediation

For projects subject to dissolution, Government Code 56375.1 states that the Commission may adopt a resolution of intent to initiate dissolution based on chronic service provision deficiencies and provide a 12-month minimum remediation period to afford time to rectify the specified deficiencies. The Commission can also specify a date upon which the District shall provide a mid-point report on such remediation efforts.

The recent November 2022 MSR states that based on the current status of the District, an abbreviated MSR will be conducted in three years that focuses on system repairs and upgrades, financial status, and governance standing; giving the District a 36-month remediation period. The remediation period began in December 2022; this means the remediation period would end in December 2025. However, due to changed circumstances, and continued and additional service deficiencies staff directed an MSR Addendum be prepared to document the current service deficiencies and to allow for immediate action by the Commission to initiate dissolution and address the ongoing, serious chronic service deficiencies. The Addendum to the MSR sets forth the changed circumstances and revises the remediation period to be twelve months from this approval by the Commission for a period through May 2025. Upon the conclusion of the 12-month remediation period, the Commission shall take one of the following actions:

- **Rescission.** If the Commission finds the district has adequately remedied the deficiencies, the Commission shall rescind the notice of intent to initiate dissolution and no further action is required.
- **Dissolution.** If the Commission finds that the district has failed to remedy the deficiencies, the Commission may adopt a resolution to dissolve the district if the Commission also determines that the public service costs of the dissolution are likely

to be less than or substantially similar to the costs of alternative means of providing the service.

## **CONCLUSION**

The District did make progress on addressing almost all of the governance concerns the Grand Jury had identified in the report. In addition, the Directors who have served on the DPMWD Board since 2021 should be proud that they have set the District on a more stable course even though some decisions were difficult. The successful Proposition 218 election paves the way towards beginning to fund necessary infrastructure maintenance, repair and installation. However, the number of infrastructure issues the District has, the significant issues with the groundwater wells and maintaining an adequate water supply and system capacity, the cost to address these necessary repairs and improvements, and the unsustainability of simply raising water rates to fund the necessary repair and replacement make the District's challenges daunting. As the 2022 MSR noted and reiterated in the MSR Addendum, the District is not viable as a stand-alone entity in the long term. With this in mind, now that the Proposition 218 rate increase is in place, the best course of action for the Board is to explore how to fund infrastructure repairs and replacement while protecting their ratepayers. Given the amount of money the State is willing to invest in the District should it consolidate, it is not an encouraging sign that the Board walked away from talks with SSWD.

LAFCo staff has worked with DPMWD to discuss a strategy to remedy the chronic deficiencies of the District. The Grand Jury Report, LAFCo's 2022 MSR, the MSR Addendum, and DPMWD independent studies demonstrate that the water infrastructure and the fire flow does not satisfy industry standards and California regulations. Since the District had been in discussions with SSWD, and those discussions were generally positive, LAFCo staff had hopes that DPMWD would work towards a mutually beneficial arrangement on its own. As noted earlier, the District's Board in October 2023 directed the discussions with SSWD to end. In LAFCo staff's opinion, this is a grave disservice to the District's customers given the numerous infrastructure challenges, the inadequate reliable water supply, and its finances are insufficient to make the District a stable standalone entity in the long run. As such, staff is recommending the Commission approve the MSR Addendum and the determinations and findings set forth in the MSR Addendum and adopt a resolution of intent to initiate dissolution of Del Paso Manor Water District. Attachment B of the staff memo provides an overview of the LAFCo process, including the protest thresholds that would if the Commission takes future action to dissolve the District following the 12-month remediation period.

At the DPMWD Board of Directors special meeting, held on April 16, 2024, LAFCo staff presented to the DPMWD Board on this item and what the Commission will consider at the May meeting. Near the conclusion of the special meeting, the DPMWD Board voted 3-1 to reinstate the discussions with SSWD about a possible joining of the two Districts.

## **CEQA**

If the Commission approves staff's recommendation, it will approve the MSR Addendum and adopt a Resolution of Intent to Initiate Dissolution of the Del Paso Manor Water District. The Executive Officer is directed to file a Notice of Exemption based on the exemptions set forth in Sections 15306 due to information collection, and 15061(b)(3) the



common sense exemption. There will need to be a CEQA analysis with the dissolution action at the end of the remediation period should the Commission move forward with that option.

**ATTACHMENTS**

ATTACHMENT A	Municipal Service Review – Addendum
ATTACHMENT B	LAFCo’s ability to initiate dissolution subject to SB 938
ATTACHMENT C	Analysis of Statutory Considerations
ATTACHMENT D	Resolution LAFC-2024-06
ATTACHMENT E	CEQA – Draft Notice of Exemption

MUNICIPAL SERVICES  
REVIEW for

**DEL PASO MANOR  
WATER DISTRICT**

ADDENDUM – APRIL 2024





## SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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### PREPARED BY

## TABLE OF CONTENTS

<b>1.0</b>	<b>Introduction .....</b>	<b>1</b>
1.1	Role and Authority of LAFCo .....	1
1.2	Purpose of MSR Addendum.....	2
1.3	Environmental Review .....	2
<b>2.0</b>	<b>Municipal Services .....</b>	<b>4</b>
2.1	Agency Overview .....	4
2.2	Water Services .....	4
<b>3.0</b>	<b>Governance and Finance .....</b>	<b>7</b>
3.1	Board of Directors.....	7
3.2	Financial Overview.....	7
<b>4.0</b>	<b>Del Paso Manor MSR Determinations 2024.....</b>	<b>10</b>

### List of Tables

Table 1: Contact Information .....	4
Table 2: DPMWD Groundwater Wells.....	6
Table 6: Audit Summary.....	8
Table 7: Total Net Position Summary .....	<b>Error! Bookmark not defined.</b>

### List of Figures

No table of figures entries found.

### List of Appendices

Appendix A – Current DPMWD Rate Structure

## 1.0 INTRODUCTION

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### 1.1 Role and Authority of LAFCo

Local Agency Formation Commissions (LAFCos) are independent regulatory commissions established by the State legislature in 1963 to encourage the orderly growth and development of local governmental agencies including cities and special districts. Today, there is a LAFCo in each of California's 58 counties. Sacramento LAFCo is a seven-member commission comprised of two members of the Sacramento County Board of Supervisors, two City Council members (of which one seat is designated for the City of Sacramento), two Special District representatives, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category.

LAFCo is responsible for implementing the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act") (California Government Code Section 56000 et seq.) for purposes of facilitating changes in local governmental structure and boundaries that fosters orderly growth and development, promotes the efficient delivery of services, and encourages the preservation of open space and agricultural lands. Some of LAFCo's duties include regulating jurisdictional boundary changes and the extension of municipal services. This includes city and special district annexations, incorporations/formations, consolidations, and other changes of organization. To help facilitate this role, LAFCo is also responsible for developing Municipal Service Reviews (MSRs) and Sphere of Influence (SOI) Updates.

Under the CKH Act, LAFCos are given a number of powers in order to conduct business and provide for the effective and efficient delivery of services. Specifically, under Government Code Section 56375(a)(2), LAFCo may initiate proposals by resolution of application for any of the following:

- (A) The consolidation of a district, as defined in Section 56036.
- (B) The dissolution of a district.
- (C) A merger.
- (D) The establishment of a subsidiary district.
- (E) The formation of a new district or districts.
- (F) The reorganization that includes any of the changes specified in (A) through (E).
- (G) The dissolution of an inactive district pursuant to Section 56879.
- (H) The dissolution of a district pursuant to Section 56375.1.

Further, under Section 56375.1(a)(1), the commission may initiate a proposal for dissolution of a district if at a public hearing for which notice has been published and posted, the commission approves, adopts, or accepts a study prepared pursuant to Section 56430 that includes a finding, based on a preponderance of the evidence, that one or more of the following conditions is met:

- (A) The district has one or more documented chronic service provision deficiencies that substantially deviate from industry or trade association standards or other government regulations and its board or management is not actively engaged in efforts to remediate the documented service deficiencies.
- (B) The district spent public funds in an unlawful or reckless manner inconsistent with the principal act or other statute governing the district and has not taken any action to prevent similar future spending.

- (C) The district has shown willful neglect by failing to consistently adhere to the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) and other public disclosure laws to which the agency is subject.
- (D) The district has failed to meet the minimum number of times required in its principal act in the prior calendar year and has taken no action to remediate the failures to ensure future meetings are conducted on a timely basis.
- (E) The district has consistently failed to perform timely audits in the prior three years, or failed to meet minimum financial requirements under Section 26909 over the prior five years as an alternative to performing an audit.
- (F) The district's recent annual audits show chronic issues with the district's fiscal controls and the district has taken no action to remediate the issues.

Further, Section 56375.1(a)(2) states: (A) At a public hearing for which notice has been published and posted, the commission adopts a resolution of intent to initiate dissolution based on one or more of the required findings in paragraph (1). The resolution shall provide a remediation period of not less than 12 months during which the district may take steps to remedy the specified deficiencies and also specify a date upon which the district shall provide the commission a mid-point report on such remediation efforts at a regularly scheduled commission meeting. (B) At the conclusion of the remediation period, at a public hearing for which notice has been published and posted, the commission shall take one of the following actions: (i) If the commission finds the district has adequately remedied the deficiencies, the commission shall rescind the notice of intent to initiate dissolution and no further action is required. (ii) If the commission finds that the district has failed to remedy the deficiencies, the commission may adopt a resolution to dissolve the district making the determinations in paragraph (1) and in subdivision (b) of Section 56881.

## 1.2 Purpose of MSR Addendum

A Municipal Service Review (MSR) was conducted in 2022 for the Del Paso Manor Water District (DPMWD or District) and adopted on December 7, 2022 in order to comply with a recommendation received as part of a Sacramento County Grand Jury investigation. The 2022 MSR documented a number of issues and concerns about the provision of water services and governance of the District including deferred maintenance and repair of infrastructure, lack of adequate funding to support the provision of services, and governance deficiencies. At the time, the District was working on these issues with the hope of improving water services and overall governance.

Since adoption of the 2022 MSR, additional information has been provided to LAFCo indicating that DPMWD has one or more documented chronic service provision deficiencies and is not actively engaged in efforts to remediate those deficiencies. This MSR Addendum is intended to further document District services, including any ongoing deficiencies, and make the required statement of determinations and findings under LAFCo law.

## 1.3 Environmental Review

The California Environmental Quality Act (CEQA, Public Resources Code §21000 et seq.) requires public agencies to evaluate the potential environmental effects of their actions. Municipal service reviews are intended to support sphere of influence updates, including the creation and amendment of SOI boundaries, as well as other government reorganization proposals. Such activities could influence future growth patterns, and, as such, are considered discretionary projects under CEQA. LAFCo has the principal responsibility for carrying out and approving this service review and, therefore, the principal responsibility for preparing CEQA documents as lead agency.

This service review addendum and determinations qualify for a statutory exemption as outlined in Public Resources Code §15061(b)(3). These activities are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This MSR Addendum has no possibility of causing a significant effect on the environment. Any future projects that make use of this service review and the information contained herein will be subject to separate environmental review under CEQA.

## 2.0 MUNICIPAL SERVICES

### 2.1 Agency Overview

The Del Paso Manor Water District (DPMWD or District) provides water services to the community of Arden/Arcade located in the area generally bounded by Marconi Avenue, Cottage Way, Eastern Avenue, and Watt Avenue. Del Paso Manor is largely a residential area but also includes Country Club Plaza and other shopping centers on its western edge in addition to AT&T corporate offices located on Kings Way. Most homes in the area were constructed in the early 1950s, which led to the establishment of DPMWD in 1956.

**Table 1: Contact Information**

<b>Primary Contact</b>	Adam Coyan, General Manager
<b>E-mail</b>	<a href="mailto:generalmanager@delpasomanorwd.org">generalmanager@delpasomanorwd.org</a>
<b>Address</b>	1817 Maryal Drive, Suite 200, Sacramento, CA 95864
<b>Phone</b>	(916) 487-8534
<b>Website</b>	<a href="http://www.delpasomanorwd.org">www.delpasomanorwd.org</a>

### 2.2 Water Services

The District obtains water from the Sacramento County North American Groundwater Subbasin (5-21.64). Within the District there are currently 1,798 residential and 100 commercial connections<sup>1</sup>. There are no District storage facilities and the District does not treat groundwater that is pumped from the active wells. A small amount of chlorine is added to the system as a disinfectant and to prevent any potential contamination from transportation through the system.

#### Infrastructure

The water source and distribution infrastructure for DPMWD was constructed in the early 1950's. As such, much of the original infrastructure is at the end of or past its useful life. The 2022 MSR noted several ongoing service deficiencies including the following (please refer to the 2022 MSR – Section 3.1, pages 15-16):

- There is estimated to be approximately 3,000 linear feet of pipeline that is less than three-inch diameter which does not meet current regulations for water distribution mains (Title 22 of the California Code of Regulations) which specifies that water mains must be at least four inches in diameter<sup>2</sup>.
- DPMWD has documented numerous system leaks both in water mains and on the customer side of connections. However, the District stated a dramatic decrease in total leaks by lowering operating pressure and coordinating well operation to prevent pressure spikes<sup>3</sup>.
- DPMWD remains largely unmetered since there are under 3,000 connections and is considered a small water supplier. Commercial and multi-family residential connections are metered while single-family residential services remain unmetered. Since the connections are not metered it is impossible

<sup>1</sup> HydroScience, TM - Section 1.2: Water Demands and Planning Criteria. May 26, 2021.

<sup>2</sup> HydroScience TM – Section 5.1: Water Main and Hydrant Existing Condition and Capacities. May 26, 2021.

<sup>3</sup> DPMWD, General Manager, Personal Communication – Email. October 13, 2022.

to know whether there are leaks in the distribution mains and how much water is lost during transmission.

- Based on the District's firm yield and maximum daily demand and fire flow requirements, there is a water supply shortage of approximately 1,821 gallons per minute (gpm)<sup>4</sup>.
- Many of the District's wells were constructed in the 1940's and 1950's. As such, the system components are at or have exceeded their useful life and are at risk of failing.

Since December 2022, DPMWD has continued to experience system leaks including water main leaks. While regulating pressure may temporarily reduce stress on aging pipelines and reduce the number of leaks in the system, it is not a long term solution. The District will need to invest in substantial pipeline replacement projects to bring the system into good working order. Of particular concern is the area around Del Paso Manor Park which is reported to have 5.25 miles of steel pipeline which is at a high risk for corrosion, leaks, and failure<sup>5</sup>. At roughly \$2 million per mile for replacement, this would cost the District over \$10 million.

SB 552 passed on September 23, 2021 made several changes to requirements for small water suppliers as part of drought planning for small water suppliers and rural communities. The law now requires that small water suppliers, like DPMWD, install meters on all of their connections by 2032. It is currently estimated at \$5 - \$6 million for the District. This will be an added cost that was not accounted for in the 2022 MSR and adds additional financial burden to the District and its ratepayers. Alternatively, the District could choose to adopt and implement an Urban Water Management Plan (UWMP) per Water Code Section 10609.63.

Since December 2022, additional wells have gone offline or are no longer useable due to contamination or OSHA regulations (see Table 2). In January 2024, the motor for Well #4 failed completely and now requires replacement<sup>6</sup>. According to the District's 2009 Master Plan prepared by Kennedy Jenks, the pump for Well #4 was running above its service capacity since 1999<sup>7</sup>. This means that the pump has been running above its capacity for almost 25 years. This type of use puts added stress on the motor and shortens its overall useful life which ultimately led to its failure.

DPMWD also must meet regulations pertaining to source capacity including California Code of Regulations Title 22, Section 64554(c) which requires that groundwater systems be able to meet their MDD with their highest-capacity source offline, and Section 64554(a) which requires that systems with 1,000 or more service connections be able to meet four hours of peak hourly demand with source capacity, storage capacity, and/or emergency source connections. Currently, with Well #9 offline, DPMWD can only produce 2,060 gpm which is less than their MDD. Additionally, the peak hourly demand for the District is 4,700 gpm without fire flows. The District is unable to meet this demand with their source capacity and do not have any water storage<sup>8</sup>.

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<sup>4</sup> HydroScience TM – Section 4.1: Groundwater Supply. May 26, 2021.

<sup>5</sup> Forsgren Associates Inc, Technical Memorandum, Distribution System Risk Assessment – Indirect Method, Pipe Damage Score – Area 1. November 30, 2022. The area around Del Paso Manor Park and Elementary School is demarked as Area 1 for the purposes of the technical memo.

<sup>6</sup> DPMWD, General Manager, Personal Communication. January 23, 2024.

<sup>7</sup> Kennedy Jenks, Del Paso Manor Water District Master Plan. Section 6.3.4 Well No. 4 (pg. 37). July 24, 2009.

<sup>8</sup> DPMWD, Special Board Meeting Item 8.A – Sacramento LAFCo Formal Public Hearing Notice. April 16, 2024.

Table 2: DPMWD Groundwater Wells<sup>9</sup>

Well No.	Year Built	Age in Years	Active Pumping Capacity	Well Status/ Comments
2	1948	76	--	Removed from service and capped.
3	1949	75	--	Permitted Use is Standby: 1,2,3 TCP MCL Exceeded.
4	1951	73	--	Complete motor failure in January 2024.
5	1955	69	460 gpm	Online.
6B	2014	10	1,100 gpm	Primary well with standby generator. Used during low winter demands (down to 100 gpm).
7	1956	68	--	At risk of contamination from Bridgestone plume. Unable to operate under OSHA regulations for confined spaces.
8	1977	47	--	PCE detected. Well offline. Expected complete loss.
9	2011	13	1,500 gpm	Primary well.

### Fire Flows

DPMWD is responsible for providing fire flows of 3,500 gal/min for the AT&T commercial building in addition to the District’s regular Maximum Daily Demand (MDD) of 3,130 gpm<sup>10</sup>. Based on the District’s current infrastructure, prior to the failure of Well #4, and legal production rate of 3,560 gpm, there is a shortage of 3,070 gal/min. Even if the District were to utilize all of its currently connected wells, there would not be enough water to meet Sacramento County fire flow standards. Additionally, the District would have to utilize contaminated water which may result in additional customer noticing. This is a continuing deficiency for DPMWD as noted by the 2022 MSR and special studies prepared for the District.

The previously adopted MSR stated that the District was able to meet fire flow requirements by relying on the interties with SSWD. However, SB 552 passed on September 23, 2021 made several changes to requirements for small water suppliers to reduce risks of inadequate water supply during water shortage events. California Water Code Section 10609.62 now requires a small water supplier to have source system capacity, treatment system capacity if necessary, and distribution system capacity to meet fire flow requirements by January 1, 2032. This means that the water system needs to be self-reliant for fire flows. As such, DPMWD will no longer be able to use additional water from SSWD to meet its fire flow requirements. As noted above, the District could alternatively implement an UWMP.

In order to increase water capacity for the District, existing wells would have to be refurbished or new wells would have to be drilled. As of October 2023, it was estimated that refurbishment of Well #2 would cost approximately \$837,000<sup>11</sup>. This work may allow the well to produce up to 600 gpm but would not increase

<sup>9</sup> HydroScience, Technical Memorandum (TM) for Del Paso Manor Water District – Table 4-1: Groundwater Supply and Active Pumping Capacity. May 26, 2021. Updated based on additional information from General Manager in March 2024.

<sup>10</sup> DPMWD, Board Meeting Agenda Item No. 8.F Staff Report, October 2, 2023.

<sup>11</sup> DPMWD, Board Meeting Agenda Item No. 8.F Staff Report, October 2, 2023.



the original capacity of the well. Even with this work, the District would still be short roughly 2,400 gpm for fire flows.

## 3.0 GOVERNANCE AND FINANCE

### 3.1 Board of Directors

The Board of Directors adopted Resolution 23-1002-2 at the October 2, 2023 Board meeting to change the day and time of the regular Board meetings. Regular Board meetings are now held the first Tuesday of the month, beginning at 6:00pm at 1817 Maryal Drive, Suite 300, Sacramento, CA. Should a regular meeting fall on a holiday, that meeting would be held on the Tuesday immediately following the Monday holiday. The current roster of elected Board Members is provided in Table 3. There is one vacant position due to former Board President Ryan Saunders’ resignation in February 2024.

**Table 3: DPMWD Board of Directors April 2024**

Board Member	Title	Term
Carl Dolk	Vice President	2022-2024
Robert J Matteoli	Director	2020-2024
David Ross	Director	2022-2026
Gwynne Pratt	Director	2022-2026
VACANT	Director	2022-2026

Over the last several years there has been a frequent turnover of the Board Members and staff. According to the 2021 Grand Jury report, over half of the Board resigned in September 2021. Prior to that there was one Board Member that resigned in November 2017. Additionally, the District has seen five General Managers in the span of four years with the prior General Manager leaving in February 2023<sup>12,13</sup>. Inconsistent leadership within a district can lead to uninformed decision making, duplication of efforts when new staff comes on, and inefficient use of district funds. A high turnover of management personnel can also be an indicator of poor governance as employees may leave if they feel the governing body is making poor decisions relating to district infrastructure, finances, and/or communication.

### 3.2 Financial Overview

DPMWD has continued to adopt annual budgets and provide for regular audits of District finances. Table 4 below has been updated to include the most recent audit available on the District’s website. In FY 2021-22, DPMWD saw a net gain of \$235,556 which is less than the previous year. This is due to a small decrease in water revenues and an increase in distribution, administrative, and depreciation costs. The District’s overall net position also increased by \$222,603 from FY 2020-21 to FY 2021-22.

<sup>12</sup> Sacramento County Grand Jury, Del Paso Manor Water District Flooded with Public Safety Dangers. November 5, 2021.

<sup>13</sup> DPMWD, Regular Meeting Minutes for February 21, 2023 – Items 12.A and 12.B.

Table 4: Audit Summary

Category	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
<i>Operating Revenue</i>						
Water Sales	\$1,389,987	\$1,403,722	\$2,090,168	\$2,019,838	\$2,025,800	\$2,010,070
Other Revenue	\$0	\$0	\$0	\$131	\$13,374	\$14,165
<b>Total Operating Revenue</b>	<b>\$1,389,987</b>	<b>\$1,403,722</b>	<b>\$2,090,168</b>	<b>\$2,019,969</b>	<b>\$2,039,174</b>	<b>\$2,024,235</b>
<i>Operating Expenses</i>						
Source of Supply	\$103,605	\$101,814	\$0	\$0	\$0	\$0
Water Treatment	\$5,250	\$4,488	\$0	\$0	\$0	\$0
Transmission and Distribution	\$297,616	\$306,820	\$265,398	\$360,646	\$297,845	\$310,472
Administration and General	\$589,925	\$669,346	\$651,676	\$636,620	\$657,392	\$963,263
Depreciation	\$219,899	\$214,429	\$212,081	\$211,550	\$200,526	\$217,217
Pumping	\$0	\$0	\$111,090	\$76,051	\$103,935	\$97,823
Water Purchases	\$0	\$0	\$5,738	\$5,942	\$6,168	\$6,371
Pension Expense Adjustment	\$0	\$0	\$43,582	\$98,044	\$63,418	\$18,877
Other Post-Employment Benefits	\$0	\$0	\$24,016	\$101,824	\$21,849	\$27,078
<b>Total Operating Expenses</b>	<b>\$1,216,259</b>	<b>\$1,296,897</b>	<b>\$1,313,581</b>	<b>\$1,490,677</b>	<b>\$1,351,133</b>	<b>\$1,641,101</b>
<i>Nonoperating Revenue (Expenses)</i>						
Interest Income	\$4,762	\$9,693	\$16,410	\$24,122	\$11,624	\$8,656
Gain on Sale of Assets	\$1,111	\$0	\$4,946	\$0	\$0	\$0
Interest Expense	(\$266,713)	(\$263,038)	(\$286,640)	(\$280,418)	(\$176,583)	(\$173,134)
Debt Issuance Costs	\$0	\$0	\$0	(\$91,500)	\$0	\$0
Donated Capital	\$0	\$0	\$0	\$0	\$0	\$16,900
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(\$260,840)</b>	<b>(\$253,345)</b>	<b>(\$265,284)</b>	<b>(\$347,796)</b>	<b>(\$164,959)</b>	<b>(\$147,578)</b>
<b>Net Gain/(Loss)</b>	<b>(\$87,148)</b>	<b>(\$146,520)</b>	<b>\$511,303</b>	<b>\$181,496</b>	<b>\$523,082</b>	<b>\$235,556</b>

### Rate Structure

DPMWD successfully conducted a Proposition 218 process in 2023 and implemented a new rate structure (Appendix A). However, the increase in rates will likely not provide sufficient income to fund necessary capital improvement projects. The rate study assumed a \$9.23 debt service in FY23-24 to fund urgent CIP needs. However, by FY2027-28, capital expenditures were estimated to only be \$270,000 per year<sup>14</sup>. Based on the documented needs of the District, this would be insufficient to implement a long-term CIP list and bring District infrastructure into good working order.

### Capital Improvement Funding

Based on prioritized CIP projects provided by Forsgren Associates and potential ratepayer affordability, the DPMWD Board approved a list of priority CIP projects totaling \$9.23 million. These projects were used as the basis for the 2023 rate study and were anticipated to be funded with ratepayer revenue over a five-year period. These projects include:

<sup>14</sup> Bartel Wells Associates, DPMWD Water Rate Study Draft Report. August 8, 2023.

- Well 7 Rehabilitation \$2,986,200
- Well 4 Rehabilitation \$958,000
- Hydraulic Model \$40,000
- 2D-3 Pipeline Replacement \$5,250,000

Since the District has so far been unsuccessful at obtaining grant funding to support capital improvement projects, two funding options have been presented to the Board for consideration in November 2023. A \$9 million bond measure could be utilized that would eventually cost \$18 million to pay back with interest, or a \$9 million loan that would cost \$12 million to pay back with interest. The District Board is considering pursuing the loan option but if DPMWD consolidates with another District, the potential grant funding for consolidation would not be allowed to cover the prior loan amount which would have to be paid back separately over time<sup>15</sup>.

The resulting rate increases from the Proposition 218 process will increase residential rates by approximately 22% from November 2023 to July 2027. However, these rates do not account for the additional infrastructure needs of the Districts including the meter and fire flow requirements set by SB 552. As of December 2022, there was an estimated cost of \$5 - \$6 million to install residential meters for DPMWD<sup>16</sup>. The cost to bring the District into compliance with fire flow requirements is unknown but could potentially cost millions of dollars in new or refurbished wells and pipeline replacements.

Due to the small size of the District and limited customer base, rates would have to be increased substantially above those of surrounding water providers in order to cover the costs of repair and maintenance for District infrastructure. This would place an unnecessary and avoidable burden on rate payers within DPMWD.

However, if DPMWD consolidates with another water service provider, they would be eligible for \$111 million in State grants and principal forgiveness funding. Additionally, the State would provide funding for an engineering report and consolidation feasibility study. As such, it is recommend that DPMWD pursue consolidation with an adjacent water service provider in order to obtain the necessary funding to repair water infrastructure and reduce the cost burden of ratepayers.

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<sup>15</sup> DPMWD, General Manager Personal Communication. April 8, 2024. Email.

<sup>16</sup> SSWD-DPMWD, 2x2 Committee Meeting, Agenda Item 5 Staff Report: Combination Benefits – Rates, Costs, Operations. December 6, 2022.

## 4.0 DEL PASO MANOR MSR DETERMINATIONS 2024

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As set forth in Section 56430(a) of the CKH Act- In order to prepare and to update the SOI in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed and shall prepare a written statement of its determinations. The previously adopted 2022 determinations have been updated, as provided below, to reflect new information and regulations.

### **(1) Growth and population projections for the affected area**

- a) The 2020 population of DPMWD was estimated to be 4,854 based on decennial census data. As the District is substantially built-out, the population is not anticipated to increase substantially over the next five to ten years.

### **(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence**

- a) The Arden-Arcade CDP, which encompasses the District, can be considered a DUC with a reported 2020 MHI of \$78,672 which is 67% of the statewide MHI. Areas surrounding the District are adequately provided water service by SSWD and are unlikely to request service from DPMWD.
- b) Based on available block group income data for DPMWD, the MHI is estimate to be \$81,437 which is 103% of the statewide MHI. As such, the District does not qualify as a DUC.

### **(3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies**

- a) The Average Day Demand is calculated at 698 gpm or 1.0 MGD and the Maximum Day Demand (MDD) has been calculated to be 1,396 gpm. Using the District's current capacity of 3,060 gpm,<sup>17</sup> it can be estimated that the District is utilizing roughly 46% of its capacity during maximum daily demand.
- b) Since the District does not have water storage, State and County regulations require that there be enough capacity to provide for maximum daily demand and maximum fire flow demand which for DPMWD equals 6,630 gpm. As such, the District has a shortage of 3,070 gpm once Well #4 is repaired and an existing shortage of 3,570 gpm while Well #4 is out of service.
- c) The District's system is aging and several miles of water mains need to be replaced. Most notably, there is approximately 3,000 feet of mains that need to be upgraded to a minimum of 4" diameter, and approximately 2.9 miles of steel pipe that are prone to rapid erosion and leaks. Additionally, well infrastructure has been declining over the last two decades. Since the District neglected to invest in regular repair and maintenance of these facilities, several wells are currently offline. This neglect also resulted in the failure of the pump for Well #4 which had been running above capacity for almost 25 years.
- d) There are known and unknown groundwater contamination sites surrounding the District. This contamination is currently affecting two of the District's wells. The District is looking into potential

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<sup>17</sup> The 2022 MSR noted that the District's overall capacity was 3,773 gpm. The capacity has decreased due to the failure of Well #4 and the inability to use other wells due to contamination or OSHA constraints. This is explained in Section 2.2 on page 8, paragraph 3 of this Addendum. Table 2 provides a summary of the current capacity which is 3,060 gpm.

carbon filtration in order to bring these wells back online. However, rehabilitation of these wells will come at a great cost to ratepayers and may not provide enough source capacity to meet current State and County regulations.

**(4) Financing ability of agencies to provide services**

- a) The District currently adopts an annual budget and conducts annual audits in accordance with water district law.
- b) Over the last four fiscal years reviewed (FY2018-19 to FY 2020-21) the District saw a net gain of \$181,000 to \$523,000. Additionally, the District's overall net position increased \$222,603 from FY 2020-21 to FY 2021-22.
- c) While the District has seen a net increase over the last three fiscal years reviewed, during that time little funding was provided for system repairs and replacements. As of March 2022, it was estimated that the District needs approximately \$52 million for well rehabilitation and water main replacements. Since then, new regulations requiring meter installation and self-reliance for fire flows have been signed into law. Meter replacement for the District is estimated at \$5 - \$6 million and increased source capacity for fire flows is currently unknown but likely to cost several million dollars.
- d) Based on the amount of system repairs that are needed, the District currently does not have enough revenues to support a capital improvement program that will bring District infrastructure into good working order and meet current State and County regulations. While the District was able to successfully complete a Proposition 218 process in 2023, the rate increases only cover the cost of four capital improvement projects totaling \$9.23 million.
- e) DPMWD has been unsuccessful at obtaining grant funding to support infrastructure improvements. Based on the District's lack of consistent governance and management, and the level of neglect that has been exhibited over the last two decades, it is unlikely that they will be successful in obtaining grant funding in the future.
- f) Based on the available evidence, the District does not have the financial ability to provide adequate services to customers. The amount of rate increase that would be required to cover infrastructure needs would create an unnecessary and avoidable burden on rate payers.

**(5) Status of and, opportunities for, shared facilities**

- a) DPMWD has three interties with SSWD that have been upgraded to allow automatic connection when water pressure drops substantially.
- b) DPMWD and SSWD were previously holding 2x2 meetings to assess the potential for reorganization into a single District. However, the Board of Directors for DPMWD voted to end discussions with SSWD in order to pursue a Proposition 218 process and remain an independent district with hyperlocal governance.

**(6) Accountability for community service needs, including governmental structure and operational efficiencies**

- a) The District Board now participates regularly in ethics training (AB1234) and sexual harassment prevention training (AB1825). The Board has also participated in Brown Act training to help ensure transparency and accessibility while conducting District business.

- b) The District maintains a website in compliance with SB 929. This includes access to District budgets and audits, contact information, and Board meeting information, agendas, and minutes.
- c) The District previously responded to the Grand Jury Report and has taken steps to correct identified deficiencies and implement recommendations regarding transparency and governance.
- d) There has been a high turnover rate for the Board of Directors and upper management in the last several years with half of the Board resigning in September 2021, and the recent resignation of the Board President in February 2024. Additionally, the District has had five General Managers in the last four years. This has created instability for the District and is an indicator of poor governance.

**(7) Any other matter related to effective or efficient service delivery**

- a) Based on the documented ongoing deficiencies with the District including significant capacity and infrastructure needs, inability to finance services, and lack of sound governance, DPMWD's has chronic service deficiencies that substantially deviate from applicable government regulations and community standards for water districts providing residential and commercial water service within Sacramento County. Although the District's Board and upper management successfully advanced a Proposition 218 rate increase in 2023, there remains no viable plans or efforts to address the significant documented service deficiencies or to remedy all of the chronic infrastructure needs. As such, it is recommended that the District be dissolved and a successor agency be named to take over the provision of water services in the area.

## APPENDIX A

# DEL PASO MANOR WATER DISTRICT CURRENT RATES AND FEES

**Water Rate Charges Approved 09/18/2023 (Effective 11/01/2023):**

<b>Single Family O&amp;M Rate, \$ per Month</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
0 - 5,000 sq. ft. lot	\$26.90	\$41.70	\$43.78	\$45.97	\$48.27	\$50.68
5,001 - 8,000 sq. ft. lot	\$35.20	\$54.56	\$57.29	\$60.15	\$63.16	\$66.32
8,001 - 11,000 sq. ft. lot	\$41.40	\$64.17	\$67.38	\$70.75	\$74.28	\$78.00
11,001 - 14,000 sq. ft. lot	\$47.60	\$73.78	\$77.47	\$81.34	\$85.41	\$89.68
14,001 - 17,000 sq. ft. lot	\$53.80	\$83.39	\$87.56	\$91.94	\$96.53	\$101.36
17,001 - 20,000 sq. ft. lot	\$60.05	\$93.08	\$97.73	\$102.62	\$107.75	\$113.14
Over 20,000 sq. ft. lot	\$60.05	\$93.08	\$97.73	\$102.62	\$107.75	\$113.14
Per 1k sq. ft. of lot above 20k	\$2.07	\$3.21	\$3.37	\$3.54	\$3.71	\$3.90

<b>Duplex/Multi-Family O&amp;M Rate, \$ per Month</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
5,001 - 8,000 sq. ft. lot	\$56.90	\$88.20	\$92.60	\$97.23	\$102.10	\$107.20
8,001 - 11,000 sq. ft. lot	\$63.15	\$97.88	\$102.78	\$107.92	\$113.31	\$118.98
11,001 - 14,000 sq. ft. lot	\$69.35	\$107.49	\$112.87	\$118.51	\$124.44	\$130.66

<b>Capital Improvement Plan Charge (CIP Charge)</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
Residential, up to 1"	\$23.05	\$23.05	\$44.17	\$44.17	\$44.17	\$44.17
Residential, 1.25"	\$28.81	\$34.58	\$66.26	\$66.26	\$66.26	\$66.26
Residential, 1.5"	\$34.58	\$46.10	\$88.35	\$88.35	\$88.35	\$88.35
Residential, 2"	\$46.10	\$73.76	\$141.36	\$141.36	\$141.36	\$141.36
Duplex	\$46.10	\$46.10	\$88.35	\$88.35	\$88.35	\$88.35
Residential over 1" (per 1")	\$23.05	\$23.05	\$44.17	\$44.17	\$44.17	\$44.17
Additional Connection. per 1"	\$23.05	\$23.05	\$44.17	\$44.17	\$44.17	\$44.17

**Table 2. Proposed Commercial Service (Monthly Charges):**

<b>Flat Rate Commercial, \$ per Month</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
3/4" - 5/8"	\$45.50	\$70.53	\$74.05	\$77.75	\$81.64	\$85.72
1"	\$62.85	\$97.42	\$102.29	\$107.40	\$112.77	\$118.41
1 1/2"	\$90.90	\$140.90	\$147.94	\$155.34	\$163.10	\$171.26
2"	\$184.00	\$285.20	\$299.46	\$314.43	\$330.15	\$346.66

<b>Volumetric Rate, \$ per CCF</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
\$ per 100 cubic ft	\$1.39	\$2.15	\$2.26	\$2.38	\$2.49	\$2.62

<b>Meter Readiness-to-Service Charge, \$ per Month</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
5/8"	\$15.10	\$23.41	\$24.58	\$25.80	\$27.09	\$28.45
1"	\$37.80	\$58.59	\$61.52	\$64.60	\$67.83	\$71.22
1 1/2"	\$75.60	\$117.18	\$123.04	\$129.19	\$135.65	\$142.43
2"	\$120.95	\$187.47	\$196.85	\$206.69	\$217.02	\$227.87
3"	\$226.80	\$351.54	\$369.12	\$387.57	\$406.95	\$427.30
4"	\$378.00	\$585.90	\$615.20	\$645.95	\$678.25	\$712.17
6"	\$756.00	\$1,171.80	\$1,230.39	\$1,291.91	\$1,356.50	\$1,424.33
8"	\$1,209.60	\$1,874.88	\$1,968.62	\$2,067.06	\$2,170.41	\$2,278.93
10"	\$1,738.80	\$2,695.14	\$2,829.90	\$2,971.39	\$3,119.96	\$3,275.96

<b>Capital Improvement Plan Charge (CIP Charge)</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
Commercial up to 1"	\$23.05	\$23.05	\$44.17	\$44.17	\$44.17	\$44.17
Commercial 1 1/2"	\$46.10	\$46.10	\$88.35	\$88.35	\$88.35	\$88.35
Commercial 2"	\$73.75	\$73.75	\$141.34	\$141.34	\$141.34	\$141.34
Commercial 3"	\$138.30	\$138.30	\$265.05	\$265.05	\$265.05	\$265.05
Commercial 4"	\$230.50	\$230.50	\$441.75	\$441.75	\$441.75	\$441.75
Commercial 6"	\$461.00	\$461.00	\$883.50	\$883.50	\$883.50	\$883.50

<b>Temporary Construction Water, \$ per CCF</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
\$ per 100 cubic ft	\$1.43	\$2.15	\$2.26	\$2.38	\$2.49	\$2.62

<b>Fire Sprinkler Readiness Rate, \$ per Month</b>	<b>Current</b>	<b>11/1/2023</b>	<b>7/1/2024</b>	<b>7/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>
4"	\$75.60	\$117.18	\$123.04	\$129.19	\$135.65	\$142.43
6"	\$151.20	\$234.36	\$246.08	\$258.38	\$271.30	\$284.87
8"	\$241.90	\$374.95	\$393.69	\$413.38	\$434.05	\$455.75
10"	\$347.75	\$539.01	\$565.96	\$594.26	\$623.97	\$655.17



### COMPARISON OF PATHS FOR LAFCO TO INITIATE DISSOLUTION

	LAFCo Initiated Dissolution SB 938	LAFCo Initiated Dissolution (traditional statutes)					
<b>Qualifier for Initiation</b>	LAFCo Initiate dissolution if the Commission can demonstrate that the district has one or more documented chronic service provision deficiencies that substantially deviate from industry or trade association standards or other government regulations and its board or management is not actively engaged in efforts to remediate the documented service deficiencies. 56375.1(a)(1)	LAFCo initiates dissolution subject to 56375(a)(2)(B)					
<b>Resolution of Application</b>	Commission adopts resolution to initiate dissolution	Commission adopts resolution to dissolve					
<b>Study Required</b>	Requires approval at noticed hearing of study pursuant to 56430 (MSR) with above findings based on preponderance of the evidence of the chronic service provision deficiencies and that the district is not actively engaged in efforts to remediate the documented service deficiencies.	Requires initiation to be consistent with recommendation or conclusion of a study pursuant to 56378 (Commission study of existing services), 56425 (SOI review), or 56430 (MSR). 56375(a)(3)					
<b>Remediation Period</b>	<table border="1" style="width: 100%;"> <tr> <td colspan="2">Remediation Period <i>12 months afforded by statute</i></td> </tr> <tr> <td rowspan="2">Deficiency Remedied?</td> <td>Yes Dissolution Rescinded</td> </tr> <tr> <td>No Hearing conducted to consider dissolution</td> </tr> </table>	Remediation Period <i>12 months afforded by statute</i>		Deficiency Remedied?	Yes Dissolution Rescinded	No Hearing conducted to consider dissolution	No Remediation Period
Remediation Period <i>12 months afforded by statute</i>							
Deficiency Remedied?	Yes Dissolution Rescinded						
	No Hearing conducted to consider dissolution						
<b>Hearing to Dissolve</b>	LAFCo Hearing (21-day advanced notice required)	LAFCo Hearing (21-day advanced notice required)					
<b>Required Dissolution Findings</b>	<p>Requires renewed 56375.1(a)(1) determination of chronic service deficiencies.</p> <p>Requires determination that (1) public service costs of dissolution are likely to be less than or substantially similar to the costs of alternative means of providing the service 56375.1(a)(2)(B)(ii),</p>	Requires determination that (1) public service costs of dissolution are likely to be less than or substantially similar to the costs of alternative means of providing the service; and (2) the dissolution promotes public success and accountability for community services needs and financial resources. 56375(a)(3), 56881(b)					
<b>Protest Hearing</b>	Conducting Authority – 25% protest threshold	Conducting Authority – 10% protest threshold					
	57077.6(a)	57077.6(b)					

	<p>For any proposal that was initiated by the commission pursuant to Section 56375.1, the commission shall forward the change of organization or reorganization for confirmation by the voters if the commission finds written protests have been submitted that meet the applicable protest thresholds set forth in Section 57092.</p>	<p>For any proposal that was initiated by the commission pursuant to subparagraphs (A) through (G), inclusive, of paragraph (2) of subdivision (a) of Section 56375, the commission shall forward the change of organization or reorganization for confirmation by the voters if the commission finds written protests have been submitted that meet the applicable protest thresholds set forth in Section 57094.</p>
	<p>(a) In the case of inhabited territory, protests have been signed by either of the following:</p> <p>(1) At least 25 percent of the number of landowners within the affected territory who own at least 25 percent of the assessed value of land within the affected territory.</p> <p>(2) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, the affected territory.</p> <p>(b) In the case of a landowner-voter district, that the territory is uninhabited and that protests have been signed by at least 25 percent of the number of landowners within the affected territory owning at least 25 percent of the assessed value of land within the affected territory. Section 57092</p>	<p>(a) In the case of inhabited territory, protests have been signed by either of the following:</p> <p>(1) At least 10 percent of the number of landowners within the affected territory who own at least 10 percent of the assessed value of land within the affected territory. If the number of landowners is less than 300, the protests shall be by at least 25 percent of landowners owning at least 25 percent of the assessed value of land within the affected territory.</p> <p>(2) At least 10 percent of the voters entitled to vote as a result of residing within, or owning land within, the affected territory. If less than 300 voters then 25 percent of voters entitled to vote</p> <p>(b) In the case of a landowner-voter district, that the territory is uninhabited and that protests have been signed by at least 10 percent of the number of landowners within the affected territory owning at least 10 percent of the assessed value of land within the affected territory. If the number of landowners is less than 300, the protests shall be 25% of the landowners entitled to vote. Section 57092</p>

ATTACHMENT C

DPMWD - LAFCo Initiated Dissolution  
LAFCo Project No.: 2024-01  
May 1, 2024

**ANALYSIS OF STATUTORY CONSIDERATIONS**

At a public hearing for which notice has been published and posted, the commission approves, adopts, or accepts a study prepared pursuant to Section 56430 that includes a finding, based on a preponderance of the evidence, that one or more of the following conditions is met: **[\$56375.1(A)]** A commission may initiate a proposal for the dissolution of a district that is eligible for the protest threshold under Section 57093 if both of the following conditions are satisfied: . A definition of the metrics used to evaluate the factors is described below.

<b>FACTOR</b>	<b>CONSISTENCY</b>
<p>The district has one or more documented chronic service provision deficiencies that substantially deviate from industry or trade association standards or other government regulations and its board or management is not actively engaged in efforts to remediate the documented service deficiencies. <b>[\$56375.1(A)]</b></p>	<p><b>The 2022 MSR together with the MSR Addendum demonstrate that the district is deviating from industry standards and California regulations. This is also supported by other studies. The Board’s method of remediating the documented deficiencies has not adequately resolved the deficits.</b></p>
<p>The district spent public funds in an unlawful or reckless manner inconsistent with the principal act or other statute governing the district and has not taken any action to prevent similar future spending. <b>[\$56375.1(B)]</b></p>	<p><b>District is in good standing.</b></p>
<p>The district has shown willful neglect by failing to consistently adhere to the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) and other public disclosure laws to which the agency is subject. <b>[\$56375.1(C)]</b></p>	<p><b>District is in good standing</b></p>
<p>The district has failed to meet the minimum number of times required in its principal act in the prior calendar year and has taken no action to remediate the failures to ensure future meetings are conducted on a timely basis. <b>[\$56375.1(D)]</b></p>	<p><b>District is in good standing.</b></p>
<p>The district has consistently failed to perform timely audits in the prior three years, or failed to meet minimum financial</p>	<p><b>District is in good standing.</b></p>

ATTACHMENT C

DPMWD - LAFCo Initiated Dissolution

LAFCo Project No.: 2024-01

May 1, 2024

<p>requirements under Section 26909 over the prior five years as an alternative to performing an audit. <b>[\$56375.1(E)]</b></p>	
<p>The district's recent annual audits show chronic issues with the district's fiscal controls and the district has taken no action to remediate the issues. <b>[\$56375.1(F)]</b></p>	<p><b>District is in good standing.</b></p>
<p>At a public hearing for which notice has been published and posted, the commission adopts a resolution of intent to initiate dissolution based on one or more of the required findings in paragraph (1). The resolution shall provide a <b>[\$56375.1(2)(A)]</b></p>	<p><b>Commission Action Required</b></p>



## RESOLUTION NO. LAFC 2024-06

### THE SACRAMENTO LOCAL AGENCY FORMATION COMMISSION RESOLUTION OF INTENT TO INITIATE THE DISSOLUTION OF THE DEL PASO MANOR WATER DISTRICT (LAFC PROJECT #2024-01)

**WHEREAS**, the Sacramento Local Agency Formation Commission (the "Commission") is responsible for regulating boundary changes affecting cities and special districts pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("Act"); and

**WHEREAS**, Del Paso Manor Water District ("Del Paso Manor WD," "DPMWD" or "District") is a single-purpose special district, formed in 1956 pursuant to the County Water District Law (Wat. Code §§ 30,000 et seq.) to provide municipal water services to the community located in the greater Arden/Arcade area, generally bounded by Marconi Avenue, Cottage Way, Eastern Avenue, and Watt Avenue; and

**WHEREAS**, Del Paso Manor WD's service area is largely residential, but it also includes the commercial areas of Country Club Plaza and other shopping centers. DPMWD encompasses 672 acres or 1,790 parcels; and,

**WHEREAS**, in January 2021, the Sacramento County Grand Jury conducted an investigation of Del Paso Manor Water District that culminated in a report released on November 5, 2021; and

**WHEREAS**, the report concluded that there were "serious concerns with the DPMWD's operational safety and management practices" that were supported by a series of findings. The report indicated that a Municipal Service Review should be conducted for the District; and

**WHEREAS**, the Sacramento Grand Jury encouraged the Commission to review DPMWD's governance, finances and its ability to provide services; and

**WHEREAS**, on December 7, 2022, Sacramento LAFCo adopted a municipal service review (MSR) report for the DPMWD which included identifying certain public infrastructure and facility needs and deficiencies; and

**WHEREAS**, the adopted 2022 MSR states that "an abbreviated MSR will be conducted in three years that focuses on system repairs and upgrades, financial status, and governance standing;" and

**WHEREAS**, that abbreviated MSR would take place on or around December 2025; and

**WHEREAS**, on June 30, 2022, the Directors of DPMWD authorized the initiation of a merger discussion with the adjacent Sacramento Suburban Water District. ("SSWD"). On July 1, 2022, SSWD received a letter from DPMWD recommending that the SSWD Board of Directors approve and assemble a 2x2 Committee to discuss a potential merger between the two agencies; and

**WHEREAS**, the 2022 MSR encouraged the District to continue its discussions with SSWD and keep LAFCO informed; and

**WHEREAS**, the LAFCo staff has worked with DPMWD to discuss a strategy to remedy the chronic deficiencies of the District; and

**WHEREAS**, at a District Board meeting held on October 2, 2023, DPMWD pulled out of their discussions with SSWD, and instead chose to fund infrastructure improvements through an increase in water rates through Proposition 218; and

**WHEREAS**, on September 18, 2023 DPMWD adopted a resolution to increase water rates consistent with Proposition 218 to raise funds for \$9 million in capital infrastructure repairs and replacements over a five-year period; and

**WHEREAS**, the DPMWD Board of Directors thereafter received financial consultation for two options available to the District to immediately finance a portion of the necessary infrastructure and facility needs which include a bond for \$9 million that will cost \$18 million to pay back with interest; or a loan for \$4 million that will cost \$9 million to pay back with interest; and

**WHEREAS**, it is estimated that the District's infrastructure needs in order to address existing service and infrastructure deficiencies and to meet California regulatory requirements is estimated to be at least between \$40-52 million, far exceed the amount of money that the District can currently finance independently; and

**WHEREAS**, DPMWD and its ratepayers are in an untenable financial position if Del Paso Manor WD were to finance all of its infrastructure needs and deficiencies on its own; and

**WHEREAS**, according to the State Water Resources Control Board indicated that the District is eligible for approximately \$111 million in State grants and Principal Forgiveness funding should DPMWD consolidate with another water agency; and

**WHEREAS**, pursuant to Government Code 56375.1, a Commission may initiate a proposal for the dissolution of a district if at a public hearing the

Commission approves, adopts, or accepts a study prepared pursuant to Government Code 56430; and

**WHEREAS,** study must demonstrate that there is a preponderance of evidence, that the district has one or more documented chronic service provision deficiencies that substantially deviate from industry or trade association standards or other government regulations and its board or management is not actively engaged in efforts to remediate the documented service deficiencies; and

**WHEREAS,** the Commission evaluated updated and new information from the District and prepared an update to the District's 2022 MSR to reflect changed circumstances and increasing and ongoing deficiencies with service provided by the District;

**WHEREAS,** as set forth in the updated MSR the existing chronic service issues include the following:

- There is estimated to be approximately 3,000 linear feet of pipeline that is less than three-inch diameter which does not meet current regulations for water distribution mains (Title 22 of the California Code of Regulations) which specifies that water mains must be at least four inches in diameter;
- DPMWD has documented numerous system leaks both in water mains and on the customer side of connections. The District stated a dramatic decrease in total leaks by lowering operating pressure and coordinating well operation to prevent pressure spikes. Since the District neglected to invest in regular repair and maintenance of these facilities, several wells are currently offline;
- Since December 2022, additional wells have gone offline or are no longer useable due to contamination or OSHA regulations. There are known and unknown groundwater contamination sites surrounding the District. This contamination is currently affecting two of the District's wells. The District is looking into potential carbon filtration in order to bring these wells back online;
- In January 2024, the motor for Well #4 failed completely and now requires replacement. According to the District's 2009 Master Plan prepared by Kennedy Jenks, the pump for Well #4 was running above its service capacity since 1999;
- DPMWD does meet regulations pertaining to source capacity including California Code of Regulations Title 22, Section 64554(c) which requires that groundwater systems be able to meet their Maximum Daily Demand (MDD) with their highest-capacity source offline, and Section 64554(a) which requires that systems with 1,000 or more service connections be able to meet four hours of peak hourly demand with source capacity,



storage capacity, and/or emergency source connections. Currently, with Well #9 offline, DPMWD can only produce 2,060 gpm, which is less than their MDD of 3,130 gpm;

- DPMWD is responsible for providing fire flows of 3,500 gal/min for the AT&T commercial building in addition to the District's regular MDD. Based on the District's current infrastructure, prior to the failure of Well #4, and legal production rate of 3,560 gpm, there is a shortage of 3,070 gal/min. Even if the District were to utilize all of its currently connected wells, there would not be enough water to meet Sacramento County fire flow standards. Additionally, the District would have to utilize contaminated water which may result in additional customer noticing;
- Currently, the District was able to meet fire flow requirements by relying on the interties with SSWD. California Water Code Section 10609.62 now requires a small water supplier to have source system capacity, treatment system capacity if necessary, and distribution system capacity to meet fire flow requirements by January 1, 2032;
- In order to increase water capacity for the District, existing wells would have to be refurbished or new wells would have to be drilled. As of October 2023, it was estimated that refurbishment of Well #2 would cost approximately \$837,000;
- As of March 2022, it was estimated that the District needs approximately \$52 million for well rehabilitation and water main replacements not including the cost of meter installation and self-reliance for fire flows, as required by regulations;
- Meter replacement for the District is estimated at \$5 - \$6 million. The cost for increasing source capacity to meet fire flows is currently unknown but likely to cost several million dollars;
- DPMWD has been unsuccessful at obtaining grant funding to support infrastructure improvements. Based on the District's lack of consistent governance and management, and the level of neglect that has been exhibited over the last two decades, it is unlikely that they will be successful in obtaining grant funding in the future;
- While the District was able to successfully complete a Proposition 218 process in 2023, the rate increases only cover the cost of four capital improvement projects totaling \$9.23 million. A \$9 million bond measure could be utilized that would eventually cost \$18 million to pay back with interest, or a \$9 million loan that would cost \$12 million to pay back with interest;
- The resulting rate increases from the Proposition 218 process will increase residential rates by approximately 22% from November 2023 to July 2027; and



- Due to the small size of the District and limited customer base, rates would have to be increased substantially above those of surrounding water providers in order to cover the costs of repair and maintenance for District infrastructure. This would place an unnecessary and avoidable burden on rate payers within DPMWD;

**WHEREAS**, the Commission pursuant to Government Code Section 56375.1 may initiate the dissolution of Del Paso Manor Water District; and

**WHEREAS**, if dissolution is recommended by the Commission, Government Code 56375.1 provides that the Commission adopt a resolution to initiate dissolution with a remediation period of at least 12 months to afford time for the District to address the specified deficiencies; and

**WHEREAS**, the Executive Officer reviewed the MSR Addendum or the Resolution of Intent to Initiate Dissolution pursuant to the California Environmental Quality Act (CEQA), and recommended that the project is exempt from CEQA under §15061(b)(3) because it is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA, and, based thereon, the Executive Officer prepared a Notice of Exemption; and

**WHEREAS**, the Executive Officer set a public hearing for May 1, 2024 for consideration of the approval of an updated MSR and a resolution of intent to initiate dissolution of the Del Paso Manor Water District and caused notice thereof to be posted, published and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and

**WHEREAS**, on May 1, 2024 the municipal services review update came on regularly for hearing before LAFCO, at the time and place specified in the Notice; and

**WHEREAS**, at said hearing, LAFCo reviewed and considered the DPMWD MSR, and the Executive Officer's Report and Recommendations; each of the policies, priorities and factors set forth in Government Code Sections 56375.1 and 56430 et seq.; LAFCo's Policies, Standards and Procedures, starting with Policy V; and all other matters presented as prescribed by law; and

**WHEREAS**, the Executive Officer's report and recommendations on the proposal have been presented to the Commission in the manner provided by law; and

**WHEREAS**, at that time, an opportunity was given to all interested persons, organizations, and agencies to present oral or written testimony and other information concerning the proposal and all related matters; and

**WHEREAS**, the Commission received, heard, discussed, and considered all oral and written testimony related to the sphere update, including but not limited to protests and objections, the Executive Officer's report and recommendation, the environmental document and determinations and the service review; and

**WHEREAS**, if the Commission finds the District has adequately remedied the deficiencies, by May 1, 2025 the Commission shall rescind the notice of intent to initiate dissolution and no further action is required.

**NOW, THEREFORE, IT IS HEREBY RESOLVED AND ORDERED** by the Sacramento Local Agency Formation Commission does hereby find and resolve as follows:

1. The foregoing recitals are true and correct.
2. The Commission considered the Del Paso Manor Water District 2022 Municipal Service Review, the Del Paso Manor Water District Municipal Service Review Addendum April 2024 ("MSR Addendum"), the Executive Officer's Report and all referenced findings and determinations and hereby adopts such finding and determinations included in the Del Paso Manor Water District Municipal Service Review Addendum April 2024, the Executive Officer's Report and referenced attachments.
3. The Commission finds that the written determinations within the Del Paso Manor Water District Municipal Service Review Addendum April 2024 ("MSR Addendum") are complete and satisfactory and supported by substantial evidence, and hereby makes the determinations as set forth in the MSR Addendum and adopts and approves the MSR Addendum.
4. The Commission is in compliance with Government Code Section 56375.1, which allows the Commission to initiate dissolution.
5. The Commission considered all factors required by law under Government Code sections 56375.1, and all written and oral evidence presented to the Commission, and hereby adopts a Resolution of Intent to Initiate Dissolution of the District based on the following findings, which are consistent with Government Code 56375.1(a)(1)(A), that there is a preponderance of the evidence, that the District has one or more documented chronic service provision deficiencies that substantially deviate from industry or trade association standards or other government regulations and its board or management is not actively engaged in efforts to remediate the documented service deficiencies including the following:

- There is estimated to be approximately 3,000 linear feet of pipeline that is less than three-inch diameter which does not meet current regulations for water distribution mains (Title 22 of the California Code of Regulations) which specifies that water mains must be at least four inches in diameter.
- DPMWD has documented numerous system leaks both in water mains and on the customer side of connections. The District stated a dramatic decrease in total leaks by lowering operating pressure and coordinating well operation to prevent pressure spikes. Since the District neglected to invest in regular repair and maintenance of these facilities, several wells are currently offline.
- Since December 2022, additional wells have gone offline or are no longer useable due to contamination or OSHA regulations. There are known and unknown groundwater contamination sites surrounding the District. This contamination is currently affecting two of the District's wells. The District is looking into potential carbon filtration in order to bring these wells back online.
- In January 2024, the motor for Well #4 failed completely and now requires replacement. According to the District's 2009 Master Plan prepared by Kennedy Jenks, the pump for Well #4 was running above its service capacity since 1999.
- DPMWD does meet regulations pertaining to source capacity including California Code of Regulations Title 22, Section 64554(c) which requires that groundwater systems be able to meet their Maximum Daily Demand (MDD) with their highest-capacity source offline, and Section 64554(a) which requires that systems with 1,000 or more service connections be able to meet four hours of peak hourly demand with source capacity, storage capacity, and/or emergency source connections. Currently, with Well #9 offline, DPMWD can only produce 2,060 gpm, which is less than their MDD of 3,130 gpm.
- DPMWD is responsible for providing fire flows of 3,500 gal/min for the AT&T commercial building in addition to the District's regular MDD. Based on the District's current infrastructure, prior to the failure of Well #4, and legal production rate of 3,560 gpm, there is a shortage of 3,070 gal/min. Even if the District were to utilize all of its currently connected wells, there would not be enough water to meet Sacramento County fire flow standards. Additionally, the District would have to utilize contaminated water which may result in additional customer noticing.
- Currently, the District was able to meet fire flow requirements by relying on the interties with SSWD. California Water Code Section 10609.62 now requires a small water supplier to have source system capacity,

treatment system capacity if necessary, and distribution system capacity to meet fire flow requirements by January 1, 2032.

- In order to increase water capacity for the District, existing wells would have to be refurbished or new wells would have to be drilled. As of October 2023, it was estimated that refurbishment of Well #2 would cost approximately \$837,000
- As of March 2022, it was estimated that the District needs approximately \$52 million for well rehabilitation and water main replacements not including the cost of meter installation and self-reliance for fire flows, as required by regulations.
- Meter replacement for the District is estimated at \$5 - \$6 million. The cost for increasing source capacity to meet fire flows is currently unknown but likely to cost several million dollars.
- DPMWD has been unsuccessful at obtaining grant funding to support infrastructure improvements. Based on the District's lack of consistent governance and management, and the level of neglect that has been exhibited over the last two decades, it is unlikely that they will be successful in obtaining grant funding in the future.
- While the District was able to successfully complete a Proposition 218 process in 2023, the rate increases only cover the cost of four capital improvement projects totaling \$9.23 million. A \$9 million bond measure could be utilized that would eventually cost \$18 million to pay back with interest, or a \$9 million loan that would cost \$12 million to pay back with interest.
- The resulting rate increases from the Proposition 218 process will increase residential rates by approximately 22% from November 2023 to July 2027.
- Due to the small size of the District and limited customer base, rates would have to be increased substantially above those of surrounding water providers in order to cover the costs of repair and maintenance for District infrastructure. This would place an unnecessary and avoidable burden on rate payers within DPMWD. There is estimated to be approximately 3,000 linear feet of pipeline that is less than three-inch diameter which does not meet current regulations for water distribution mains (Title 22 of the California Code of Regulations) which specifies that water mains must be at least four inches in diameter.
- DPMWD has documented numerous system leaks both in water mains and on the customer side of connections. The District stated a dramatic decrease in total leaks by lowering operating pressure and coordinating well operation to prevent pressure spikes. Since the District neglected

to invest in regular repair and maintenance of these facilities, several wells are currently offline.

- Since December 2022, additional wells have gone offline or are no longer useable due to contamination or OSHA regulations. There are known and unknown groundwater contamination sites surrounding the District. This contamination is currently affecting two of the District's wells. The District is looking into potential carbon filtration in order to bring these wells back online.
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- As of March 2022, it was estimated that the District needs approximately \$52 million for well rehabilitation and water main replacements not

including the cost of meter installation and self-reliance for fire flows, as required by regulations.

- Meter replacement for the District is estimated at \$5 - \$6 million. The cost for increasing source capacity to meet fire flows is currently unknown but likely to cost several million dollars.
  - DPMWD has been unsuccessful at obtaining grant funding to support infrastructure improvements. Based on the District's lack of consistent governance and management, and the level of neglect that has been exhibited over the last two decades, it is unlikely that they will be successful in obtaining grant funding in the future.
  - While the District was able to successfully complete a Proposition 218 process in 2023, the rate increases only cover the cost of four capital improvement projects totaling \$9.23 million. A \$9 million bond measure could be utilized that would eventually cost \$18 million to pay back with interest, or a \$9 million loan that would cost \$12 million to pay back with interest.
  - The resulting rate increases from the Proposition 218 process will increase residential rates by approximately 22% from November 2023 to July 2027.
  - Due to the small size of the District and limited customer base, rates would have to be increased substantially above those of surrounding water providers in order to cover the costs of repair and maintenance for District infrastructure. This would place an unnecessary and avoidable burden on rate payers within DPMWD. The Commission provides a remediation period of not less than 12 months during which Del Paso Manor WD may take steps to remedy the specified deficiencies.
6. The Executive Officer is directed to file a Notice of Exemption under §15061(b)(3) in compliance with the California Environmental Quality Act and local ordinances implementing the same.
  7. Del Paso Manor WD shall provide the Commission a mid-point report by November 1, 2024 on such remediation efforts by the District which report may thereafter be considered at a regularly scheduled Commission meeting.
  8. At the conclusion of the 12-month remediation period, the Commission will consider at a noticed public hearing whether the District has remedied the identified deficiencies and whether the District shall be dissolved in accordance with Government Code Section 56375.1. If the Commission finds the District has adequately remedied the deficiencies, the



Commission shall rescind the notice of intent to initiate dissolution and no further action is required.

- 9. The Executive Officer is hereby directed to take all further actions required by law and necessary to implement the intent of this resolution including filing a Notice of Exemption consistent with the California Environmental Quality Act.

**BE IT FURTHER RESOLVED** that Resolution No. **LAFC 2024-06** was adopted by the **SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**, on the 1<sup>st</sup> Day of May, by the following vote, to wit:

	Motion	2nd	Aye	No	Absent	Abstain
<b>Lindsey</b>			_____	_____	_____	_____
<b>Sue Frost</b>			_____	_____	_____	_____
<b>Gay Jones</b>			_____	_____	_____	_____
<b>Lisa Kaplan</b>			_____	_____	_____	_____
<b>Chris Little</b>			_____	_____	_____	_____
<b>Iva Walton</b>			_____	_____	_____	_____
<b>Rich</b>			_____	_____	_____	_____

Commission Vote Tally Aye \_\_\_\_\_ No \_\_\_\_\_ Absent \_\_\_\_\_ Abstain \_\_\_\_\_  
 Passed Yes \_\_\_\_\_ No \_\_\_\_\_

**By:** \_\_\_\_\_  
**Rich Desmond, Chair**  
**SACRAMENTO LOCAL AGENCY FORMATION**  
**COMMISSION**

**ATTEST:** \_\_\_\_\_  
**Lorice Washington, Clerk of the Commission**  
**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**



## Notice of Exemption

**To:**  Office of Planning and Research  
1400 Tenth Street, Room 121  
Sacramento, CA 95814  
 County Clerk  
County of Sacramento

**From:** Sacramento LAFCo  
1112 I Street, Suite 100  
Sacramento, CA 95814

### Project Title:

**Addendum for the Municipal Service Review for the Del Paso Manor Water District (LAFCO Project #2022-01) and the Resolution of Intent to Initiate Dissolution (LAFCO Project #2024-01)**

**Project Location – Specific:** Within the Arden Arcade Area, District is north of Rockwood Drive and bounded by Marconi, Watt and Eastern Avenues.

**Project Location – City:** N/A **County:** Sacramento

### Description of Nature, Purpose, and Beneficiaries of Project:

Addendum to the Municipal Service Review for the Del Paso Manor Water District to update the infrastructure deficiencies and financial challenges and for the adoption of a Resolution of Intent to Initiate Dissolution of Del Paso Manor Water District.

**Lead Agency Approving Project:** Sacramento LAFCo

### Exempt Status: (check one)

- Ministerial (Sec. 21080(b)(1); 15268);  
 Declared Emergency (Sec 21080(b)(3); 15269(a));  
 Emergency Project (Sec 21080(b)(4); 15269(b)(c));  
 Categorical Exemption. State type and section number: 15319  
 Statutory Exemptions. State code number: 15061(b)3

**Reasons why project is exempt:** This study is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

**Lead Agency Contact Person:** José C. Henríquez **Phone:** 916-874-6458

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_ **Title:** Env. Coordinator

Signed by Lead Agency

Date received for filing at OPR: NA





*Sacramento*  
LAFCo

Item V-5 - Public Hearing to Consider and Adopt CEQA  
Statutory Exemption §15061(b)(3) and

- a) Adopt the Addendum to the Municipal Service Review for  
Del Paso Manor Water District (LAFCo Project #2022-01);  
and
- b) Approve a Resolution of Intent to Initiate Dissolution of Del  
Paso Manor Water District (LAFCo Project #2024-01)

May 1, 2024

# BACKGROUND

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- ◆ The Del Paso Manor Water District supplies water to 1,864 residential and 111 commercial connections within its service area.
- ◆ The estimated 2020 population of the District is 4,854 with an estimated medium household income of \$86,262.
- ◆ The District has seven wells and utilizes groundwater as its source.
- ◆ DPMWD has 21 miles of water lines. The overwhelming majority of those water lines are 60-70 years old and should be replaced within the next 20 years.

# BACKGROUND

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- ◆ In January 2021, the Sacramento County Grand Jury investigated of DPMWD that culminated in a report released on November 5, 2021.
- ◆ On December 7, 2022, Sacramento LAFCo adopted a MSR report for the DPMWD (LAFCo Project #2022-01).
- ◆ 2022 MSR Determinations
  - MSR assessed the present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

# DISCUSSIONS WITH SSWD

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- ◆ DPMWD began coordinating with SSWD in 2020 to discuss combining the two entities into one district, but the communication was paused by DPMWD.
- ◆ On June 30, 2022, the Directors of DPMWD authorized the initiation of a merger discussion with SSWD.
- ◆ At their October 2023 meeting, DPMWD pulled out of their discussions with SSWD.

# MUNICIPAL SERVICE REVIEWS

LAFCO INITIATED DISSOLUTION OF DPMWD

# 2022 MUNICIPAL SERVICE REVIEW

- Water source: eight (8) groundwater wells
- Total firm capacity: 3,723 gpm
- 20.7 miles of pipeline
- 1,798 residential connections and 100 commercial connections
- Demand of approx. 941 acre feet per year
  - Without meters it is hard to assess how much is utilized by customers
- No water storage

# 2022 MUNICIPAL SERVICE REVIEW

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



# 2022 MUNICIPAL SERVICE REVIEW

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





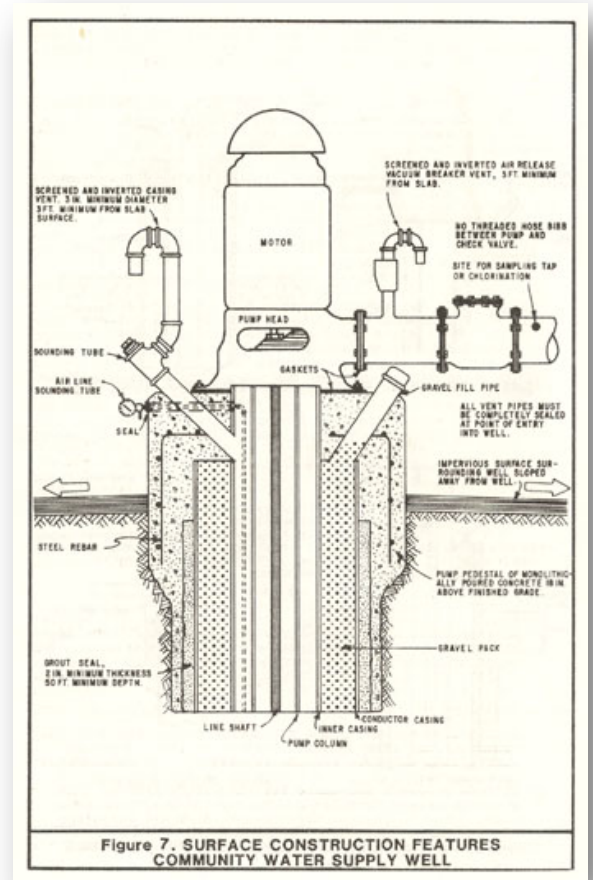
# 2022 MUNICIPAL SERVICE REVIEW

- Active conversations with Sacramento Suburban Water District regarding consolidation
- Assessment of need for Proposition 218 process to raise water rates
- Searching for grant opportunities to assist with infrastructure repairs



# 2024 MSR ADDENDUM

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



# 2024 MSR ADDENDUM

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

# 2024 MSR ADDENDUM

- Increased rates are only enough to cover assessed projects totaling \$9.23 million
  - Does not provide for long term CIP program
- District could pursue a bond measure or loan to fund Prop 218 projects but both options would include substantial interest
- Rates would ultimately have to be increased far above what other nearby water providers charge
- Consolidation would make the District eligible for up to \$111 million in State grants and principal forgiveness funding

# 2024 MSR ADDENDUM

- District continues to see high turnover of staff
  - Five general managers in past four years
  - No longer has agreement with SSWD for on-call staffing
- Trouble retaining active board members
  - Half of the Board resigned in September 2021
  - Board President resigned in February 2024
- High turnover can be an indicator of instability



# 2024 MSR ADDENDUM CONCLUSIONS

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

# CHRONIC DEFICIENCIES

LAFCO INITIATED DISSOLUTION OF DPMWD

# CHRONIC DEFICIENCIES

## EXISTING WELL CONDITIONS:

Well No.	Year Built	Age in Years	Active Pumping Capacity	Well Status/ Comments
2	1948	76	--	Removed from service and capped.
3	1949	75	--	Permitted Use is Standby: 1,2,3 TCP MCL Exceeded.
4	1951	73	--	Complete motor failure in January 2024.
5	1955	69	460 gpm	Online.
6B	2014	10	1,100 gpm	Primary well with standby generator. Used during low winter demands (down to 100 gpm).
7	1956	68	--	At risk of contamination from Bridgestone plume. Unable to operate under OSHA regulations for confined spaces.
8	1977	47	--	PCE detected. Well offline. Expected complete loss.
9	2011	13	1,500 gpm	Primary well.

## INABILITY TO MEET FIRE FLOW:

Prior to the failure of Well 4 and based on the current infrastructure, there is a current fire flow shortage of 3,070 gal/min.

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



# MSR ADDENDUM

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

# FINANCES

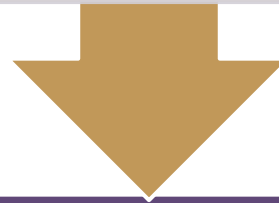
LAFCO INITIATED DISSOLUTION OF DPMWD

# COST OF INFRASTRUCTURE

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## 2023 PROP 218 VOTE

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



## FINANCING OPTIONS

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

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

# AVAILABLE FUNDING FROM THE STATE

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- ◆ Available from State Water Resources Control Board if the District consolidates with another water agency.
- ◆ The area is eligible for grant/principal forgiveness (PF) funding.
- ◆ For non-disadvantaged communities with less than 150% of the statewide MHI, water systems that consolidate with other systems are eligible for up to \$60,000 per connection in grant funds, and this can potentially be raised to \$80,000 per connection with approval for good cause.

# LAFCO INITIATED DISSOLUTION PROCESS

LAFCO INITIATED DISSOLUTION OF DPMWD

# DISSOLUTIONS SUBJECT TO CKH

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- ◆ Since 2021, LAFCo staff has worked with DPMWD to discuss a strategy to remedy the chronic deficiencies of the District.
- ◆ Effective January 1, 2023, a new provision of CKH allows for the Commission to consider the initiation of dissolution of a district based in part on the determinations of MSR.
- ◆ Pursuant to Government Code 56375.1, a Commission may initiate a proposal for the dissolution of a district that is subject to a 25% protest threshold if at a public hearing the Commission approves, adopts, or accepts a MSR study prepared pursuant to Government Code 56430.

# REMEDIATION PERIOD

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- ◆ For projects subject to dissolution, Government Code 56375.1 states that the Commission may adopt a resolution of intent to initiate dissolution based on chronic service provision deficiencies and provide a 12-month minimum remediation period to afford time to rectify the specified deficiencies.
- ◆ The Addendum to the MSR sets forth the changed circumstances and revises the remediation period to be twelve months from this approval by the Commission for a period through May 2025.
- ◆ If the Commission finds the district has adequately remedied the deficiencies, the Commission shall rescind the notice of intent to initiate dissolution and no further action is required.

# REMEDIATION PERIOD

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- ◆ Del Paso Manor WD will provide a status report to the Commission on how it is addressing the specified deficiencies six (6) months from now
- ◆ At a publicly noticed May 2025 meeting, the Commission will consider either rescinding Resolution LAFC 2024-06 or proceed with dissolving DPMWD
- ◆ None of these actions preclude DPMWD from pursuing consolidation or reorganization with Sacramento Suburban Water District and applying to LAFCo on their own prior to May 2025



# RECOMMENDATIONS

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Staff recommends that the Commission adopt Resolution LAFC 2024-06 which:

1. Adopts CEQA Statutory Exemption §15061(b)(3) for the following two actions
2. Adopts the Addendum to the Municipal Service Review for Del Paso Manor Water District (LAFCo Project #2022-01); and
3. Serves as a Resolution of Intent to Initiate Dissolution of Del Paso Manor Water District. This resolution gives Del Paso Manor WD a 12-month remediation period during which the district may take steps to remedy the specified deficiencies. At the end of that 12-month period, the Commission may either approve the dissolution of the Del Paso Manor Water District in May 2025 or rescind the Resolution of Intent to Initiate Dissolution and no further action will be taken.



# Del Paso Manor Water District

Spring 2024



## Sacramento LAFCo

## Information about Sacramento LAFCo and our role with Del Paso Manor Water District

Local Agency Formation Commissions (LAFCos) are independent regulatory commissions established by the State legislature in 1963 to encourage the orderly growth and development of local governmental agencies including cities and special districts.

The Del Paso Manor Water District (DPMWD) supplies water to residential and commercial connections. The District has seven wells and utilizes groundwater as its source. In addition, it has 21 miles of water lines, with only one mile of those miles being new. The age of the pipes infrastructure is past its useful life. The overwhelming majority of those water lines are 60-70 years old and should be replaced within the next 20 years.

In 2021, the Sacramento County Grand Jury conducted an investigation of DPMWD that

culminated in a report released in November 2021.

The report concluded that there were “serious concerns with the DPMWD’s operational safety and management practices” that were supported by a series of findings.

LAFCo approved a Municipal Service Review that provided information on the well status. The District conducted two additional independent studies with results of the District’s wells and fire flow provided in the key point section of this memo.

Due to the numerous infrastructure challenges and the financial status of the DPMWD, LAFCo is utilizing Government Code 56375.1 to initiate dissolution of the district. This will be to ensure adequate water service can be provided to the District’s customers and community members.

### KEY POINTS

#### WELLS

The district has two wells that are offline and locked out of the system due to contamination. Although they are considered for use under emergency conditions for fire flows, these wells could not be turned on and operated under emergency conditions in a timely fashion.

#### FIRE FLOW

Even with all the district’s wells, the District cannot meet the requirements to produce Maximum Day Demand (MDD) and fire flows. The inability to meet fire flows on its own and relies on interties to achieve it demonstrate not only a substantial deficiency but also a risk to public health and safety and fire flows.

#### PROP 218

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

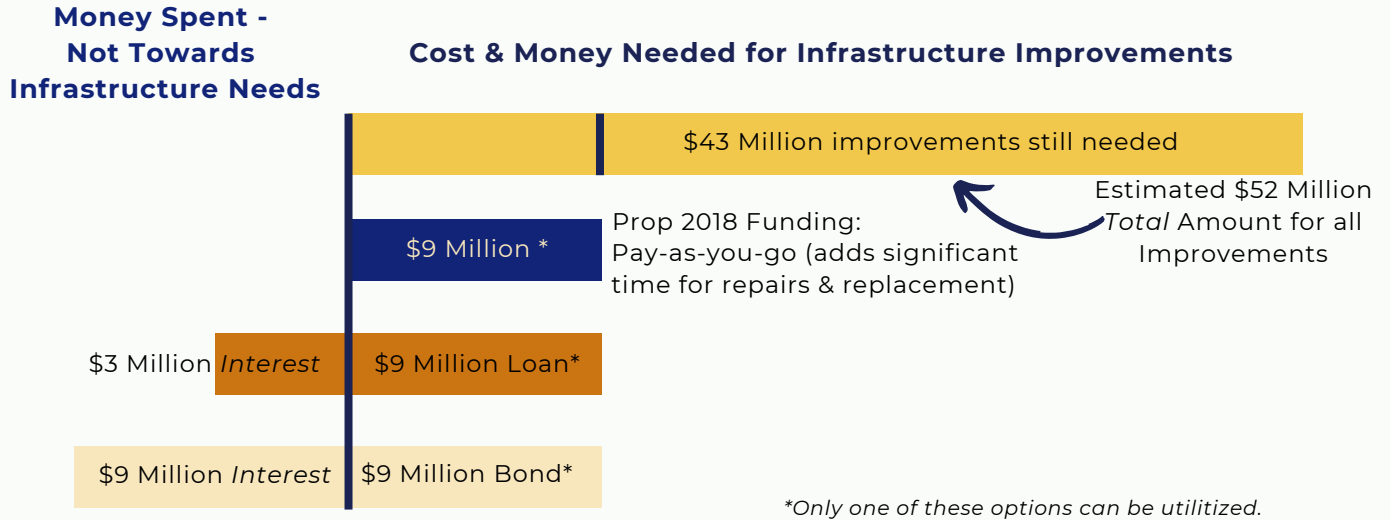
While the ratepayers supported the increase in rates, ultimately the amount of funding now available is less than a quarter of what is needed and the cost of service will increase based on the need for improvements.



Photo of District Map

## Financial Situation:

The graphic below is to help identify the District's financial situation and show that the funding available will not be enough to cover the critical infrastructure cost that is needed.



## Actions for Consideration:

LAFCo is present the following table to help identify actions that need to be considered with the options available to the District.

	Keep DPMWD	Agency Merger
Goal 1 Meet Clean Water Demand	<b>75% of DPMWD's wells are not fully operational;</b> drinking water is supplied almost entirely by just <b>two wells.</b>	DPMWD is surrounded by <b>Sacramento Suburban Water District (SSWD) and Golden State Water Company,</b> allowing for more flexibility.
Goal 2 Fix Critical Infrastructure	<b>20 miles of leaking pipes</b> are past their useful life. The District will need to find a way to fund meters and meet fire flows to comply with State mandates.	<b>\$111 million dollars is available from the State for a limited time, should DPMWD consolidate with another public water agency.</b> If merged now, rates will likely not be raised.
Goal 3 Keep Rates Low	Rates went up in 2023, but DPMWD <b>still cannot afford</b> to run their operations. Additional, Proposition 218 elections may be needed to raise the necessary revenue to replace the aging equipment and meet future regulatory demands	



## *AGENDA OF MAY 1, 2024*

### *REGULAR MEETING*

**TO: Rich Desmond, Chair, and  
 Members of the Sacramento Local Agency Formation Commission**

**FROM: José C. Henríquez, Executive Officer**

**AGENDA CALAFCO Requests Letters of Support on its Omnibus Bill  
 ITEM VI-6:**

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#### **RECOMMENDATION**

Staff recommends that the Commission consider and adopt a “support” position on its Omnibus Bill, Assembly Bill 3277 (Committee on Local Government), have the Chair sign the letter on Attachment A and direct staff to submit the letter to the applicable parties.

#### **REASON FOR RECOMMENDED ACTION AND BACKGROUND**

CALAFCO and the Assembly Committee on Local Government regularly co-sponsor the annual Omnibus Bill to propose technical and non-substantive amendments to the Cortese-Knox-Hertzberg Act. The 2024 Omnibus Bill initially included five proposed amendments to the CKH Act to clarify LAFCO processes and authority, but ultimately one was chosen.

This year’s bill will only include proposed language that would clarify the tax exchange process for special district boundary changes explicitly when subject agencies waive the exchange of property tax revenue. Government Code Section 56810 provides the process and authority for LAFCO to determine the amount of property tax revenue to be exchanged by an affected local agency involving the formation of a new special district. However, current law is unclear on guidelines for agencies seeking or not seeking a share of the ad valorem property taxes.

The proposed change under the Omnibus Bill would add language maintaining the authority and requirement for a LAFCO to determine the property tax revenues to be exchanged for an affected agency in applications involving the formation of a special district whereby the affected agency is seeking a share of the 1% ad valorem property taxes, while excluding this requirement for a LAFCO if the applicant has indicated that the agency will not seek a share of the 1% ad valorem property taxes. The bill’s language is included in Attachment A.

AB 3277 represents a long overdue change in the LAFCo process. There is no need to go through a property tax exchange if the new district is not counting on property taxes in its revenue portfolio. In fact, staff would argue that a property tax bypass should be provided for all changes of organization or reorganizations in the cases where the affected agencies do not need property taxes. Such a change is viewed as controversial in some corners, so a smaller change must be taken. But because this bill eliminates a potentially unnecessary step during the formation process, CALAFCO requests a support position on the bill.

Attachments

Attachment A: Assembly Bill 3277

Attachment B: Draft Letter of Support



**AB-3277 Local agency formation commission: districts: property tax.** (2023-2024)

SHARE THIS:  

Date Published: 02/27/2024 09:00 PM

CALIFORNIA LEGISLATURE— 2023–2024 REGULAR SESSION

**ASSEMBLY BILL**

**NO. 3277**

**Introduced by Committee on Local Government**

**February 27, 2024**

An act to amend Section 56810 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 3277, as introduced, Committee on Local Government. Local agency formation commission: districts: property tax.

Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, establishes the sole and exclusive authority and procedures for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts. Existing law requires proceedings for the formation of a district to be conducted as authorized by the principal act of the proposed district, and authorizes the local agency formation commission in each county to serve as the conducting authority, as specified. Existing law requires a commission to determine the amount of property tax revenue to be exchanged by an affected local agency, as specified, if the proposal includes the formation of a district, as defined.

This bill would, instead, require a commission to determine the amount of property tax revenue to be exchanged by an affected local agency if the proposal includes the formation of a district and the applicant is seeking a share of the 1% ad valorem property taxes. By adding to the duties of a local agency formation commission, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Section 56810 of the Government Code is amended to read:

**56810.** (a) (1) If the proposal includes the incorporation of a city, as defined in Section 56043, the commission shall determine the amount of property tax revenue to be exchanged by the affected local agency pursuant to this section and Section 56815.



- (2) If the proposal includes the formation of a district, as defined in Section 2215 of the Revenue and Taxation Code, *and if the applicant is seeking a share of the 1 percent ad valorem property taxes*, the commission shall determine the amount of property tax to be exchanged by the affected local agency pursuant to this section.
- (b) The commission shall notify the county auditor of the proposal and the services which the new jurisdiction proposes to assume within the area, and identify for the auditor the existing service providers within the area subject to the proposal.
- (c) If the proposal would not transfer all of an affected agency's service responsibilities to the proposed city or district, the commission and the county auditor shall do all of the following:
- (1) The county auditor shall determine the proportion that the amount of property tax revenue derived by each affected local agency pursuant to subdivision (b) of Section 93 of the Revenue and Taxation Code bears to the total amount of revenue from all sources, available for general purposes, received by each affected local agency in the prior fiscal year. For purposes of making this determination and the determination required by paragraph (3), "total amount of revenue from all sources available for general purposes" means the total amount of revenue which an affected local agency may use on a discretionary basis for any purpose and does not include any of the following:
    - (A) Revenue which, by statute, is required to be used for a specific purpose.
    - (B) Revenue from fees, charges, or assessments which are levied to specifically offset the cost of particular services and do not exceed the cost reasonably borne in providing these services.
    - (C) Revenue received from the federal government which is required to be used for a specific purpose.
  - (2) The commission shall determine, based on information submitted by each affected local agency, an amount equal to the total net cost to each affected local agency during the prior fiscal year of providing those services which the new jurisdiction will assume within the area subject to the proposal. For purposes of this paragraph, "total net cost" means the total direct and indirect costs that were funded by general purpose revenues of the affected local agency and excludes any portion of the total cost that was funded by any revenues of that agency that are specified in subparagraphs (A), (B), and (C) of paragraph (1).
  - (3) The commission shall multiply the amount determined pursuant to paragraph (2) for each affected local agency by the corresponding proportion determined pursuant to paragraph (1) to derive the amount of property tax revenue used to provide services by each affected local agency during the prior fiscal year within the area subject to the proposal. The county auditor shall adjust the amount described in the previous sentence by the annual tax increment according to the procedures set forth in Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, to the fiscal year in which the new city or district receives its initial allocation of property taxes.
  - (4) For purposes of this subdivision, in any county in which, prior to the adoption of Article XIII A of the California Constitution, and continuing thereafter, a separate fund or funds were established consisting of revenues derived from the unincorporated area of the county and from which fund or funds services rendered in the unincorporated area have been paid, the amount of property tax revenues derived pursuant to paragraph (3), may, at the discretion of the commission, be transferred to the proposed city over a period not to exceed 12 fiscal years following its incorporation. In determining whether the transfer of the amount of property tax revenues determined pursuant to paragraph (3) shall occur entirely within the fiscal year immediately following the incorporation of the proposed city or shall be phased in over a period not to exceed 12 full fiscal years following the incorporation, the commission shall consider each of the following:
    - (A) The total amount of revenue from all sources available to the proposed city.
    - (B) The fiscal impact of the proposed transfer on the transferring agency.
    - (C) Any other relevant facts which interested parties to the exchange may present to the commission in written form.
- The decision of the commission shall be supported by written findings setting forth the basis for its decision.
- (d) If the proposal would transfer all of an affected agency's service responsibilities to the proposed city or district, the commission shall request the auditor to determine the property tax revenue generated for the affected service providers by tax rate area, or portion thereof, and transmit that information to the commission.
- (e) The executive officer shall notify the auditor of the amount determined pursuant to paragraph (3) of subdivision (c) or subdivision (d), as the case may be, and, where applicable, the period of time within which and the procedure by which the transfer of property tax revenues will be effected pursuant to paragraph (4) of subdivision (c), at the time the executive officer records a certificate of completion pursuant to Section 57203 for any proposal described in subdivision (a), and the auditor shall transfer that amount to the new jurisdiction.

(f) The amendments to this section enacted during the 1985–86 Regular Session of the Legislature shall apply to any proposal described in subdivision (a) for which a certificate of completion is recorded with the county recorder on or after January 1, 1987.

(g) For purposes of this section, “prior fiscal year” means the most recent fiscal year for which data on actual direct and indirect costs and revenues needed to perform the calculations required by this section are available preceding the issuance of the certificate of filing.

(h) An action brought by a city or district to contest any determinations of the county auditor or the commission with regard to the amount of property tax revenue to be exchanged by the affected local agency pursuant to this section shall be commenced within three years of the effective date of the city’s incorporation or the district’s formation. These actions may be brought by any city that incorporated or by any district that formed on or after January 1, 1986.

(i) This section applies to any city that incorporated or district that formed on or after January 1, 1986.

(j) The calculations and procedures specified in this section shall be made prior to and shall be incorporated into the calculations specified in Section 56815.

**SEC. 2.** If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.





May 1, 2024

Honorable Juan Carrillo, Chair  
Assembly Local Government Committee  
1020 N St.  
Rm. 157  
Sacramento, CA 95814

RE: Support of AB 3277, Local agency formation commission: districts: property tax

Dear Senator Carillo,

The Sacramento Local Agency Formation Commission (LAFCo) is pleased to **Support Assembly Bill 3277**, sponsored by the California Association of Local Agency Formation Commissions (CALAFCO), which makes a clarifying change to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the Act).

Under existing statute, a commission must perform a financial analysis of ad valorem property taxes when a proposal is received that includes the incorporation of a city and the formation of a district. The only purpose of the analysis is to determine how best to apportion the property taxes between the agencies. However, occasionally, an application is received in which the district waives any portion of the ad valorem taxes. In those situations, no analysis is needed for the process, yet it remains required by statute.

This bill will add language that clarifies that the performance of the financial analysis in that situation only needs to be performed in those instances where a portion of the ad valorem property taxes is being sought.

By making this minor change, **AB 3277** will apply this time-consuming process only to those applications that require it. An argument can be made that the Legislature should consider making this modification for all changes of organization or reorganizations as not all special districts include or require property taxes in their revenue portfolio. Nevertheless, Sacramento LAFCo **Supports AB 3277**.

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#### Commissioners

*Sue Frost, Rich Desmond, County Members* ■ *Patrick Hume, Alternate*  
*Iva Walton, Lisa Kaplan, City Members* ■ *Jay Vandenburg, Katie Valenzuela, Alternates*  
*Chris Little, Public Member* ■ *Timothy Murphy, Alternate*  
*Lindsey Carter, Gay Jones, Special District Members* ■ *Charlea Moore, Alternate*

#### Staff

*José C. Henriquez, Executive Officer* ■ *Desirae Fox, Kristi Grabow, Policy Analysts*  
*Nancy Miller, DeeAnne Gillick, Commission Counsel*

Please do not hesitate to reach out with questions or concerns about our position.

Yours sincerely,

Rich Desmond, Chair  
Sacramento Local Agency Formation Commission

cc: Members and Consultants, Assembly Local Government Committee  
William Weber, Consultant, Assembly Republican Caucus  
René LaRoche, Executive Director, CALAFCO

DRAFT

7

# A.S.T.R.O. Sheet

Prepared for LAFCo Commission Meeting - 5/1/2024

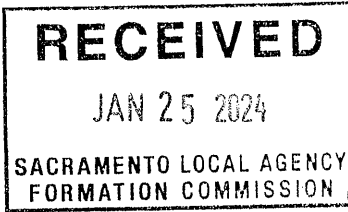
...	APP NO.	APPLICATION	STAFF	STATUS	TIME	REPORT AND OVERVIEW
MSR-SOI	<a href="#">2023-07</a>	MSR: Carmichael Water District	Consultant	Active	Marginal	Consultant prepared MSR-SOI for the 3/6/2024 agenda.
MSR	<a href="#">2023-03</a>	MSR: ASI Focused MSR (City of Sac/SacSewer/Regional San)	Consultant	Active	Time Consuming	LAFCO is finalizing their review.
MSR	<a href="#">2022-01</a>	MSR: Del Paso Manor Water District	Consultant	Active	Marginal	The MSR was amended to support the DPMWD LAFCo initiated dissolution. The item is being presented to the Commission on 5/1/24 and the SOI amendment will be presented in the future.
Re-Org	<a href="#">M2023-05</a>	Reclamation District 554 would like to request the detachment of the land	Fox	Anticipated	Marginal	Staff has coordinated with the district, and has sent letters to the property owners detailing the potential detachment.
Dissolution	2024-01	LAFCo Initited Dissolution of DPMWD	Fox	Anticipated	Time Consuming	Staff is presenting the DPMWD dissolution to the Commission on 5/1/24.
MSR	<a href="#">2023-04</a>	MSR: Orangevale Recreation and Park	Fox	Active	Standard	MSR being drafted by LAFCO.
MSR	<a href="#">2023-01</a>	MSR: Southgate Parks and Rec	Fox	Active	Marginal	Staff received the full submittal on 3/29/2024
Re-Org	<a href="#">07-2021</a>	Airports South Industrial	Fox	Anticipated	Time Consuming	Staff is awaiting on the submittal of the LAFCo proejct.
Annex	<a href="#">M2023-09</a>	Omochumne Hartnell Water District	Grabow	Anticipated	Marginal	Met with General Manager on December 13, 2023 to discuss general request. No application material provided.
Annex	<a href="#">M2023-07</a>	Elk Grove Annexations	Grabow	Anticipated	Marginal	Met with potential developer on the LAFCo process on November 15, 2023 and staff provided SOIA conditions of approval for their review.
MSR	<a href="#">2023-08</a>	Fair Oaks Recreation and Park	Grabow	Anticipated	Standard	Staff held a virtual kick-off meeting on January 22, 2024 to discuss the MSR process and timing.
Annex	<a href="#">2022-05</a>	SacSewer-Regional San Annexation of Hood Franklin	Grabow	Hold/Pending	Time Consuming	Applicant provided a draft PFS to EO and EO is providing comments. Expected application from SacSewer in the Spring.
Annex	<a href="#">M2023-08</a>	AKT Development for Senior Living	LAFCo - Unassigned	Anticipated	Marginal	Staff has met with the development team and the City of Folsom to prepare for a potential submittal to produce a mixed use senior living developent in Sacramento County and El Dorado County.
Re-ORg	<a href="#">M2022-11</a>	Del Paso Regional Park Detachment	LAFCO - Unassigned	Anticipated	Time Consuming	No material provided. Resolution signed by the County Board of Supervisors to have the City of Sacramento begin discussion with the County.
Annex	<a href="#">M2022-08</a>	Annexation of Delta Islands into Delta Fire District	LAFCO - Unassigned	Anticipated	Marginal	No application material provided.
Re-Org	<a href="#">M2022-05</a>	Annexations for northwest area in city of Citrus Heights	LAFCO - Unassigned	Anticipated	Marginal	No application material provided. Meeting with RSG about conducting the feasibility of the annexation.
Re-Org	<a href="#">M2022-01</a>	Re-organizaition for the City of Rancho Cordova for right-of-way on White Rock Road	LAFCO - Unassigned	Anticipated	Marginal	No application material provided.
MSR	<a href="#">M2023-02</a>	MSR: N. Highlands Rec and Park	Unassigned	Anticipated	Marginal	LAFCO has met with a director about a potential MSR.
MSR	<a href="#">M2022-15</a>	City of Rancho Cordova MSR	Unassigned	Anticipated	Marginal	No application material provided.



**Department of Finance**

Chad Rinde

Director



**County of Sacramento**

**Divisions**

- Auditor-Controller
- Consolidated Utilities Billing & Service
- Investments
- Revenue Recovery
- Tax Collection & Licensing
- Treasury

January 24, 2024

To: Board Chair, Pooled Investment Fund Participant Agency

Subject: **CALENDAR YEAR 2024 INVESTMENT POLICY FOR THE POOLED INVESTMENT FUND**

Since 1987, the Director of Finance has submitted a statement of investment policy to the Sacramento County Board of Supervisors for consideration and adoption. The Board of Supervisors approved the enclosed calendar year 2024 investment policy on December 5, 2023.

The 2024 investment policy raises the maximum maturity for negotiable certificates of deposit that may be purchased to 270 days from 180 days.

I recommend that the legislative body of your agency receive and file the enclosed Sacramento County Annual Investment Policy of the Pooled Investment Fund — Calendar Year 2024 at its next regular meeting. Your action to receive and file the policy constitutes consideration at a public meeting as recommended by Government Code section 53646(a)(2). The investment policy is also available on the Department of Finance – Investment Division webpage at <https://finance.sacounty.gov/investments>.

The following investment-related reports are also publicly available on the Investment Division webpage listed above:

- Pooled Investment Fund Monthly Review
- Quarterly Pooled Investment Fund Report
- Non-Pooled Investment Funds Portfolio Report

If you have any questions about the investment policy or management of the Pooled Investment Fund portfolio, please call me at (916) 874-6744 or Chief Investment Officer Bernard Santo Domingo at (916) 874-7320.

Sincerely,

**Chad Rinde**  
Director of Finance

Enclosure



# **SACRAMENTO COUNTY**

## **Annual Investment Policy of the Pooled Investment Fund**

### **CALENDAR YEAR 2024**

*Approved by the  
Sacramento County Board of Supervisors*

**December 5, 2023  
Resolution No. 2023-0979**

# Table of Contents

I.	Authority .....	1
II.	Policy Statement .....	1
III.	Standard of Care .....	1
IV.	Investment Objectives .....	1
	A. Safety of Principal .....	1
	B. Liquidity .....	2
	C. Public Trust .....	2
	D. Maximum Rate of Return .....	2
V.	Pooled Investment Fund Investors .....	2
VI.	Implementation .....	2
VII.	Internal Controls .....	3
VIII.	Sacramento County Treasury Oversight Committee .....	3
IX.	Investment Parameters .....	4
	A. Investable Funds .....	4
	B. Authorized Investments .....	4
	C. Prohibited Investments .....	5
	D. Credit Requirements .....	5
	E. Maximum Maturities .....	6
	F. Maximum Concentrations .....	7
	G. Repurchase Agreements .....	7
	H. Community Reinvestment Act Program .....	8
	I. Criteria and Qualifications of Brokers/Dealers and Direct Issuers .....	8
	J. Investment Guidelines, Management Style and Strategy .....	9
	K. Approved Lists .....	9
	L. Calculation of Yield and Costs .....	9
X.	Reviewing, Monitoring and Reporting of the Portfolio .....	10
XI.	Withdrawal Requests for Pooled Fund Investors .....	10
XII.	Limits on Honoraria, Gifts, and Gratuities .....	10
XIII.	Terms and Conditions for Outside Investors .....	11
	Comparison and Interpretation of Credit Ratings .....	12

**SACRAMENTO COUNTY**  
**Annual Investment Policy**  
**of the Pooled Investment Fund**  
**CALENDAR YEAR 2024**

**I. Authority**

Under the Sacramento County Charter, the Board of Supervisors established the position of Director of Finance and by ordinance will annually review and renew the Director of Finance's authority to invest and reinvest all the funds in the County Treasury.

**II. Policy Statement**

This Investment Policy (Policy) establishes cash management and investment guidelines for the Director of Finance, who is responsible for the stewardship of the Sacramento County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be judged by the standards of the Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to the Policy.

**III. Standard of Care**

The Director of Finance is the Trustee of the Pooled Investment Fund and therefore, a fiduciary subject to the prudent investor standard. The Director of Finance, employees involved in the investment process, and members of the Sacramento County Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activities that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California state law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Director of Finance shall act with care, skill, prudence, and diligence to meet the aims of the investment objectives listed in Section IV, Investment Objectives.

**IV. Investment Objectives**

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

**A. Safety of Principal**

The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.



**B. Liquidity**

As a second objective, the Pooled Investment Fund should remain sufficiently flexible to enable the Director of Finance to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

**C. Public Trust**

In managing the Pooled Investment Fund, the Director of Finance and the authorized investment traders should avoid any transactions that might impair public confidence in Sacramento County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

**D. Maximum Rate of Return**

As the fourth objective, the Pooled Investment Fund should be designed to attain a market average rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein. For comparative purposes, the State of California Local Agency Investment Fund (LAIF) will be used as a performance benchmark. The Pooled Investment Fund quarterly performance benchmark target has been set at or above LAIF's yield. This benchmark was chosen because LAIF's portfolio structure is similar to the Pooled Investment Fund.

**V. Pooled Investment Fund Investors**

The Pooled Investment Fund investors are comprised of Sacramento County, school and community college districts, districts directed by the Board of Supervisors, and independent special districts and joint powers authorities whose treasurer is the Director of Finance. Any local agencies not included in this category are subject to California Government Code section 53684 and are referred to as outside investors.

**VI. Implementation**

In order to provide direction to those responsible for management of the Pooled Investment Fund, the Director of Finance has established this Policy and will provide it to the Oversight Committee and render it to legislative bodies of local agencies that participate in the Pooled Investment Fund. In accordance with California Government Code section 53646, et seq., the Board of Supervisors shall review and approve this Policy annually at a public meeting.

This Policy provides a detailed description of investment parameters used to implement the investment process and includes the following: investable funds; authorized instruments; prohibited investments; credit requirements; maximum maturities and concentrations; repurchase agreements; Community Reinvestment Act Program; criteria and qualifications of broker/dealers and direct issuers; investment guidelines, management style and strategy; Approved Lists; and calculation of yield and costs.

## **VII. Internal Controls**

The Director of Finance shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. To assist in implementation and internal controls, the Director of Finance has established an Investment Group and a Review Group.

The Investment Group, which is comprised of the Director of Finance and his/her designees, is responsible for maintenance of the investment guidelines and Approved Lists. These guidelines and lists can be altered daily, if needed, to adjust to the ever-changing financial markets. The guidelines can be more conservative or match the policy language. In no case can the guidelines override the Policy.

The Review Group, which is comprised of the Director of Finance and his/her designees, is responsible for the monthly review and appraisal of all the investments purchased by the Director of Finance and staff. This review includes bond proceeds, which are invested separately from the Pooled Investment Fund and are not governed by this Policy.

The Director of Finance shall establish a process for daily, monthly, quarterly, and annual review and monitoring of the Pooled Investment Fund activity. The following articles, in order of supremacy, govern the Pooled Investment Fund:

1. California Government Code
2. Annual Investment Policy
3. Current Investment Guidelines
4. Approved Lists (see page 9, Section IX.K)

The Director of Finance shall review the daily investment activity and corresponding bank balances.

Monthly, the Review Group shall review all investment activity and its compliance to the corresponding governing articles and investment objectives.

All securities purchased, with the exception of bank deposits, money market mutual funds, and LAIF, shall be delivered to the independent third-party custodian selected by the Director of Finance. This includes all collateral for repurchase agreements. All trades, where applicable, will be executed by delivery versus payment by the designated third-party custodian.

## **VIII. Sacramento County Treasury Oversight Committee**

In accordance with California Government Code section 27130 et seq., the Board of Supervisors, in consultation with the Director of Finance, has created the Sacramento County Treasury Oversight Committee (Oversight Committee). Annually, the Oversight Committee shall cause an audit to be conducted on the Pooled Investment Fund. The meetings of the Oversight Committee shall be open to the public and subject to the Ralph M. Brown Act.

A member of the Oversight Committee may not be employed by an entity that has contributed to the campaign of a candidate for the office of local treasurer, or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the Oversight Committee. A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the Sacramento County Board of Supervisors or governing board of any local agency that has deposited funds in the county treasury while a member of the Oversight Committee. Finally, a member may not secure employment with, or be employed by bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the Oversight Committee or for one year after leaving the committee.

The Oversight Committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the Department of Finance treasury and investment operations.

## **IX. Investment Parameters**

### **A. Investable Funds**

Total Investable Funds (TIF) for purposes of this Policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Included in TIF are funds of outside investors, if applicable, for which the Director of Finance provides investment services. Excluded from TIF are all funds held in separate portfolios.

The Cash Flow Horizon is the period in which the Pooled Investment Fund cash flow can be reasonably forecasted. This Policy establishes the Cash Flow Horizon to be one (1) year.

Once the Director of Finance has deemed that the cash flow forecast can be met, the Director of Finance may invest funds in securities with maturities beyond one year. These securities will be referred to as the Core Portfolio.

### **B. Authorized Investments**

Authorized investments shall match the general categories established by the California Government Code sections 53601 et seq. and 53635 et seq. Authorized investments shall include, in accordance with California Government Code section 16429.1, investments into LAIF. Authorization for specific instruments within these general categories, as well as narrower portfolio concentration and maturity limits, will be established and maintained by the Investment Group as part of the Investment Guidelines. As the California Government Code is amended, this Policy shall likewise become amended.

**C. Prohibited Investments**

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity except for securities issued by, or backed by, the United States government during a period of negative market interest rates. Prohibited investments shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

All legal investments issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars, or snuff or for smoking in pipes. The tobacco-related issuers restricted from any investment are any component companies in the Dow Jones U.S. Tobacco Index or the NYSE Arca Tobacco Index.

**D. Credit Requirements**

Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's, and, if available, F1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's, A2 by Moody's, and, if available, A by Fitch. There are no credit requirements for Registered State Warrants. All other municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIG1 by Moody's, and, if available, F1 by Fitch.

**Community Reinvestment Act Program Credit Requirements**

Maximum Amount	Minimum Requirements
Up to the FDIC- or NCUSIF-insured limit for the term of the deposit	<b><u>Banks</u></b> — FDIC Insurance Coverage
	<b><u>Credit Unions</u></b> — NCUSIF Insurance Coverage  <i>Credit unions are limited to a maximum deposit of the NCUSIF-insured limit since they are not rated by nationally recognized rating agencies and are not required to provide collateral on public deposits.</i>
Over the FDIC- or NCUSIF-insured limit	<p>(Any 2 of 3 ratings)</p> <p>S&amp;P:           A-2  Moody's:       P-2  Fitch:           F-2           <b>OR</b></p> <p>Through a private sector entity that assists in the placement of deposits to achieve FDIC insurance coverage of the full deposit and accrued interest.</p> <p>Collateral is required</p>

Eligible banks must have Community Reinvestment Act performance ratings of “satisfactory” or “outstanding” from their federal regulator. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must either have a letter of credit issued by the Federal Home Loan Bank of San Francisco or place securities worth between 110% and 150% of the value of the deposit with the Federal Reserve Bank of San Francisco, the Home Loan Bank of San Francisco, or a trust bank.

Since credit unions do not have Community Reinvestment Act performance ratings, they must demonstrate a commitment to community reinvestment lending and charitable activities comparable to what is required of banks.

All commercial paper and medium-term note issues must be issued by corporations operating within the United States and having total assets in excess of one billion dollars (\$1,000,000,000).

The Investment Group may raise these credit standards as part of the Investment Guidelines and Approved Lists. Appendix A provides a Comparison and Interpretation of Credit Ratings by Standard & Poor’s, Moody’s, and Fitch.

**E. Maximum Maturities**

Due to the nature of the invested funds, no investment with limited market liquidity should be used. Appropriate amounts of highly-liquid investments, such as U.S. Treasury and Agency obligations, should be maintained to accommodate unforeseen withdrawals.

The maximum maturity, determined as the term from the date of ownership to the date of maturity, for each investment shall be established as follows:

U.S. Treasury and Agency Obligations .....	5 years
Washington Supranational Obligations <sup>1</sup> .....	5 years
Municipal Notes .....	5 years
Registered State Warrants.....	5 years
Bankers Acceptances .....	180 days
Commercial Paper .....	270 days
Negotiable Certificates of Deposit.....	270 days
CRA Bank Deposit/Certificates of Deposit .....	1 year
Repurchase Agreements .....	1 year
Reverse Repurchase Agreements .....	92 days
Medium-Term Corporate Notes.....	180 days
Collateralized Mortgage Obligations .....	180 days

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<sup>1</sup>The International Bank for Reconstruction and Development, International Finance Corporation, and Inter-American Development Bank.

The Investment Group may reduce these maturity limits to a shorter term as part of the Investment Guidelines and the Approved Lists.

The ultimate maximum maturity of any investment shall be five (5) years. The dollar-weighted average maturity of all securities shall be equal to or less than three (3) years.

**F. Maximum Concentrations**

No more than 80% of the portfolio may be invested in issues other than U.S. Treasury and Agency obligations. The maximum allowable percentage for each type of security is set forth as follows:

U.S. Treasury and Agency Obligations.....	100%
Municipal Notes.....	80%
Registered State Warrants .....	80%
Bankers Acceptances.....	40%
Commercial Paper .....	40%
Washington Supranational Obligations.....	30%
Negotiable Certificates of Deposit and CRA Deposit/Certificates of Deposit .	30%
Repurchase Agreements.....	30%
Reverse Repurchase Agreements .....	20%
Medium-Term Corporate Notes .....	30%
Money Market Mutual Funds.....	20%
Collateralized Mortgage Obligations.....	20%
Local Agency Investment Fund (LAIF) .....	(per State limit)

The Investment Group may reduce these concentrations as part of the Investment Guidelines and the Approved Lists.

Excluding U.S. Treasury and Agency obligations, no more than 10% of the portfolio, may be invested in securities of a single issuer including its related entities.

Where a percentage limitation is established above, for the purpose of determining investment compliance, that maximum percentage will be applied on the date of purchase.

**G. Repurchase Agreements**

Under California Government Code section 53601, paragraph (j) and section 53635, the Director of Finance may enter into Repurchase Agreements and Reverse Repurchase Agreements. The maximum maturity of a Repurchase Agreement shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement. The reverse repurchase agreement must be "matched to maturity" and meet all other requirements in the code.



All repurchase agreements must have an executed Sacramento County Master Repurchase Agreement on file with both the Director of Finance and the Broker/Dealer. Repurchase Agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasury and Agency obligations with a market value of 102% for collateral marked to market daily; or (2) money market instruments on the Approved Lists of the County that meet the qualifications of the Policy, with a market value of 102%. Since the market value of the underlying securities is subject to daily market fluctuations, investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Use of mortgage-backed securities for collateral is not permitted. Strictly for purposes of investing the daily excess bank balance, the collateral provided by the Sacramento County's depository bank can be U.S. Treasury and Agency obligations valued at 110%, or mortgage-backed securities valued at 150%.

**H. Community Reinvestment Act Program**

The Director of Finance has allocated within the Pooled Investment Fund, a maximum of \$90 million for the Community Reinvestment Act Program to encourage community investment by financial institutions, which includes community banks and credit unions, and to acknowledge and reward local financial institutions that support the community's financial needs. The Director of Finance may increase this amount, as appropriate, while staying within the investment policy objectives and maximum maturity and concentration limits. The eligible banks and savings banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. The minimum credit requirements are located on page 5 of Section IX.D.

**I. Criteria and Qualifications of Brokers/Dealers and Direct Issuers**

All transactions initiated on behalf of the Pooled Investment Fund and Sacramento County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York or direct issuers that directly issue their own securities that have been placed on the Approved List of brokers/dealers and direct issuers. Further, these firms must have an investment grade rating from at least two national rating services, if available.

Brokers/Dealers and direct issuers that have exceeded the political contribution limits, as contained in Rule G-37 of the Municipal Securities Rulemaking Board, within the preceding four-year period to the Director of Finance, any member of the Board of Supervisors, or any candidate for the Board of Supervisors, are prohibited from the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must

acknowledge receipt of such materials to qualify for the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer authorized to do business with Sacramento County shall, at least annually, supply the Director of Finance with audited financial statements.

**J. Investment Guidelines, Management Style and Strategy**

The Investment Group shall issue and maintain Investment Guidelines specifying authorized investments, credit requirements, permitted transactions, and issue maturity and concentration limits consistent with this Policy.

The Investment Group shall also issue a statement describing the investment management style and current strategy for the entire investment program. The management style and strategy can be changed to accommodate shifts in the financial markets, but at all times they must be consistent with this Policy and its objectives.

**K. Approved Lists**

The Investment Group, named by the Director of Finance, shall issue and maintain various Approved Lists. These lists are:

1. Approved Domestic Banks for all legal investments.
2. Approved Foreign Banks for all legal investments.
3. Approved Commercial Paper and Medium Term Note Issuers.
4. Approved Money Market Mutual Funds.
5. Approved Firms for Purchase or Sale of Securities (Brokers/Dealers and Direct Issuers).
6. Approved Banks / Credit Unions for the Community Reinvestment Act Program.

**L. Calculation of Yield and Costs**

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets; managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated by specific cost accounting projects and charged to the Pooled Investment Fund on a quarterly basis throughout the fiscal year.

The Department of Finance will allocate the net interest earnings of the Pooled Investment Fund quarterly. The net interest earnings are allocated based upon the average daily cash balance of each Pooled Investment Fund participant.



**Reviewing, Monitoring and Reporting of the Portfolio**

The Review Group will prepare and present to the Director of Finance at least monthly a comprehensive review and evaluation of the transactions, positions, performance of the Pooled Investment Fund and compliance to the California Government Code, Policy, and Investment Guidelines.

Quarterly, the Director of Finance will provide to the Board of Supervisors, the Oversight Committee, and to any local agency participant that requests a copy, a detailed report on the Pooled Investment Fund. The report will also be posted on the Department of Finance website. Pursuant to California Government Code section 53646, the report will list the type of investments, name of issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value, and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

**XI. Withdrawal Requests for Pooled Fund Investors**

The Director of Finance will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Director of Finance at a one dollar net asset value. Any requests to withdraw funds for purposes other than immediate cash flow needs, such as for external investing, are subject to the consent of the Director of Finance. In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made in writing to the Director of Finance. When evaluating a request to withdraw funds, the Director of Finance will take into account the effect of a withdrawal on the stability and predictability of the Pooled Investment Fund and the interests of other depositors. Any withdrawal for such purposes will be at the market value of the Pooled Investment Fund on the date of the withdrawal.

**XII. Limits on Honoraria, Gifts, and Gratuities**

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities from any single source in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation is \$590 for the period January 1, 2023, to December 31, 2024. Any violation must be reported to the State Fair Political Practices Commission.

**XIII. Terms and Conditions for Outside Investors**

Outside investors may invest in the Pooled Investment Fund through California Government Code Section 53684. Their deposits are subject to the consent of the Director of Finance. The legislative body of the local agency must approve the Sacramento County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. Any withdrawal of these deposits must be made in writing 30 days in advance and will be paid based upon the market value of the Pooled Investment Fund. If the Director of Finance considers it appropriate, the deposits may be returned at any time to the local agency.

## Appendix A

### Comparison and Interpretation of Credit Ratings

<b>Long Term Debt &amp; Individual Bank Ratings</b>			
<b>Rating Interpretation</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
<i>Best-quality grade</i>	Aaa	AAA	AAA
<i>High-quality grade</i>	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
<i>Upper Medium Grade</i>	A1	A+	A+
	A2	A	A
	A3	A-	A-
<i>Medium Grade</i>	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
<i>Speculative Grade</i>	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
<i>Low Grade</i>	B1	B+	B+
	B2	B	B
	B3	B-	B-
<i>Poor Grade to Default</i>	Caa	CCC+	CCC
<i>In Poor Standing</i>	-	CCC	-
	-	CCC-	-
<i>Highly Speculative Default</i>	Ca	CC	CC
	C	-	-
<i>Default</i>	-	-	DDD
	-	-	DD
	-	D	D

<b>Short Term / Municipal Note Investment Grade Ratings</b>			
<b>Rating Interpretation</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
<i>Superior Capacity</i>	MIG-1	SP-1+/SP-1	F1+/F1
<i>Strong Capacity</i>	MIG-2	SP-2	F2
<i>Acceptable Capacity</i>	MIG-3	SP-3	F3

## Appendix A

<b>Short Term / Commercial Paper Investment Grade Ratings</b>			
<b>Rating Interpretation</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
<i>Superior Capacity</i>	P-1	A-1+/A-1	F1+/F1
<i>Strong Capacity</i>	P-2	A-2	F2
<i>Acceptable Capacity</i>	P-3	A-3	F3