

MUNICIPAL SERVICES

REVIEW for

# DEL PASO MANOR WATER DISTRICT

ADDENDUM – MAY 2024



# SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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## 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.

<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        |