

***MUNICIPAL SERVICE REVIEW AND
SPHERE OF INFLUENCE UPDATE FOR THE:***



WESTERN HILLS WATER DISTRICT

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STANISLAUS

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Municipal Service Review and Sphere of Influence Update For the Western Hills Water District

Introduction

The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 Act (CKH Act) requires the Local Agency Formation Commission (LAFCO) update the Spheres of Influence (SOI) for all applicable jurisdictions in the County. A Sphere of Influence is defined by Government Code §56076 as "...a plan for the probable physical boundary and service area of a local agency, as determined by the commission." The Act further requires that a Municipal Service Review (MSR) be conducted prior to or, in conjunction with, the update of a Sphere of Influence (SOI).

The legislative authority for conducting Service Reviews is provided in Government Code Section 56430 of the CKH Act. The Act states, that "in order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area..." A Service Review must have written determinations that address the following factors:

Service Review Factors to be Addressed

1. Growth and population projections for the affected area
2. The location and characteristics of any disadvantaged, unincorporated communities within or contiguous to the sphere of influence
3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services
5. Status of, and opportunities for, shared facilities
6. Accountability for community service needs, including governmental structure and operational efficiencies
7. Any other matter related to effective or efficient service delivery, as required by commission policy

State Guidelines and Commission policies encourage cooperation among a variety of stakeholders involved in the preparation of a Service Review. This Service Review will analyze the existing and future services for the Western Hills Water District (WHWD). The Service Review will also provide a basis for the District and LAFCO to evaluate, and, if appropriate, make changes to the District's Sphere of Influence.

Sphere of Influence Update Process

A special district is a government agency that is required to have an adopted and updated Sphere of Influence. Section 56425(g) of the CKH Act calls for Spheres of Influence to be reviewed and updated every five years, as necessary. Stanislaus LAFCO processes the Service Review and Sphere of Influence Updates concurrently to ensure efficient use of resources. For rural special districts, which do not have the typical municipal level services to review, this Service Review will be used to determine what type of services the district is expected to provide and the extent to which they are actually able to do so. The Sphere of Influence will delineate the service capability and expansion capacity of the agency, if applicable.

Service Review – Western Hills Water District

Authority

The Western Hills Water District (WHWD) was organized under the California Water Code, Division 13, §34000-38501. The District is considered to be a “landowner-voter district”, as the board members are elected by landowners within the District’s boundaries.

Background

Special districts are local governments that are separate from cities and counties, yet provide public services such as fire protection, sewer, water, and street lighting. In California, there are over 3,300 special districts with a great diversity of purposes, governance structures, and financing mechanisms. Some districts are responsible for one type of specific duty, while other districts provide multiple public services, as is the case of the WHWD.

Purpose

Water districts are formed for purposes such as to: produce, store and distribute water for irrigation, domestic, industrial and municipal uses; drain and reclaim lands; collect, treat and dispose of sewage, waste and storm water; generate hydroelectric power; allocate water to crops and acreage; and protect groundwater from contamination.

Governance

A five member Board of Directors governs the District. Meetings are held on the second Wednesday of each month at 4:00 p.m. at 9521 Morton Davis Drive, Patterson, CA.

Formation

The WHWD was formed on June 8, 1992.

Location and Size

The District is located in the western foothills of the unincorporated area of Stanislaus County, west of Interstate 5, and approximately 5 miles southwest of the City of Patterson. The WHWD encompasses approximately 5,070 acres and serves an estimated population of 846.

The District serves an area that is unincorporated and has two designations in the Stanislaus County General Plan - Agriculture, and Specific Plan (for the Diablo Grande project area). The Diablo Grande project area includes residential, commercial, open space, and recreational areas.

Characteristics

The United States Census Bureau identifies Diablo Grande as a Census Designated Place (CDP). A CDP provides statistical information for settled concentrations of population that are not incorporated. According to the 2009-2013 American Community Survey 5-Year Estimates, the annual median household income within the Diablo Grande CDP is \$95,461.00. This amount exceeds 80 percent of the statewide level. Therefore, Diablo Grande does not meet the definition of a Disadvantaged Unincorporated Community as defined in Section 56033.5 of the CKH Act.

Sphere of Influence

The District's Sphere of Influence is coterminous with its current boundaries. No amendments to the District's boundaries or sphere of influence are being proposed with this Municipal Service Review and Sphere of Influence Update.

Personnel

WHWD currently has six full time and two part time employees. Staff consists of a General Manager, a Water Treatment Plant Operator, a Utility Field Coordinator, a Field Operator, an Office Assistant / Field Assistant, a Water Lab Assistant, and two General Field Maintenance Workers.

Services

The District is authorized to provide the functions or classes of services (e.g. water, sewer, and storm drainage) as identified in this report. Due to recent changes in the CKH Act, the District would have to seek LAFCO approval to exercise other latent powers not currently provided.

The District currently serves Diablo Grande's two existing golf courses, a winery, a clubhouse/restaurant, and residences, accounting for a total of 482 water and 439 sewer connections.

Water

Water for the WHWD is delivered from the California Aqueduct via a metered turnout located near the corner of Lower Oak Flat Road and Interstate 5. The current delivery system consists of 4 pumping stations, a water treatment plant, a surface water reservoir (1 million gallons) and approximately 22 miles of water treated waterlines and 7 miles of raw water pipelines.

In June 2000, WHWD purchased up to 8,000 acre-feet per year supply of water from the Kern County Water Agency (KCWA). This water purchase was approved by the KCWA, the WHWD, and the State Department of Water Resources.

In 2010, the WHWD negotiated a water banking agreement with four member districts of the Kern County Water Agency and the Dudley Ridge Water District (collectively known as the "Westside Districts"). The agreement allows the WHWD to transfer excess KCWA-contracted water to the Westside Districts. In return, the Westside Districts agree to credit Western Hills Water District with 500 acre feet of water in a virtual water "bank account" in any year in which the Westside Districts receives at least 500 acre feet from WHWD. "Banked" water is not physically stored for future use; rather it is credited via an accounting system to be used for drought and other emergency situations. However, the water comes at a very high price. From 2010 to 2013, WHWD banked 2,000 acre feet of water.

In 2013, WHWD received notice from the California Department of Water Resources (CDWR) that the KCWA-contracted water allocation would be restricted to just 35% of the 8,000 acre feet already purchased by WHWD. By the end of 2013, the allocation for 2014 was reduced to 5% of the 8,000 acre feet. On January 31, 2014, following two years of little rain, the CDWR announced a zero percent (0%) allocation of water to all State Water Project contractors, including KCWA. However, as a result of its water banking agreement with the Westside Districts, WHWD can purchase water from the water bank to meet the minimum water needs of

the Diablo Grande community during this time of severe drought. The initial term of the banking agreement is from 2010 to 2019.

With the ongoing drought in California, issues related to water supply and delivery will continue until the State experiences relief through sufficient rainfall levels. At this time, WHWD and other water districts throughout the state must plan accordingly and prioritize their usage.

WWHD is currently under a Compliance Order from the State Water Resource Control Board for violation of Section 64533(a) of the California Code of Regulations, Stage 2 Disinfection Byproducts Rule Total Trihalomethanes (TTHM) Maximum Contamination Levels. WHWD is currently developing an action/remediation plan for this order.

Wastewater

The District determined that conveying the wastewater for treatment at the City of Patterson's facility, rather than treating it at smaller on-site facilities as originally planned, would result in more efficient provision of service, consolidation of sewer treatment in one location, and reduction in the likelihood of spills or other treatment difficulties.

In 2002, the WHWD and the City of Patterson entered into and approved a Memorandum of Understanding, wherein the City agreed to treat up to 750,000 gallons per day of wastewater from Diablo Grande and the District agreed to construct a sewer line from Diablo Grande to the City's collection facility and share in the cost of the expansion of the City's treatment plant.

Wastewater flows from the WHWD are discharged into the District's Diablo Grande to Patterson Trunk Sewer which flows down to the valley floor and to the City of Patterson's facilities. Wastewater service for the WHWD has over 22 miles of pipeline ranging in size from 4 to 18-inches. This service operates without the use of pumping stations.

The agreement with the City of Patterson along with the current facilities has provided sufficient wastewater service for Diablo Grande. The allowable 750,000 gallons per day is enough to provide service to the entire Diablo Grande community. At this time, no additional capacity or facilities are needed.

Storm Water

Storm drain facilities are designed to carry flows from the developed portions of a basin into the natural creeks, Salado Creek and an unnamed tributary creek to Salado Creek. Specifically, existing creek channels are utilized as the main conveyance facilities and pipelines located in the major street alignments and convey runoff into detention ponds and creek channels. Detention basins are sized so that there is no increase in peak flow off-site due to development. The facilities include various diameter pipelines, box culverts, and combine the use of small reservoirs, ponds, and conventional storm drains to handle drainage. At this time, no additional capacity or facilities are needed.

Support Agencies

The District maintains positive and collaborative relationships with other agencies, such as: Stanislaus County, City of Patterson, Kern County Water Agency, Department of Public Health, Regional Water Quality Control Board, and Department of Water Resources.

Funding Sources

Rates and fees for services are established during the District's annual budget review process. The budget process is designed to screen out unnecessary costs and is submitted to the Board of Directors for review and approval. The District's source of revenue is derived from connection and service fees, and Mello Roos (bond financing) assessments.

At the present time, the District appears to have limited financial resources and/or reserves. According to the District's 2012-2013 financial statements, the District's expenses are greater than its revenue. Financial operations are limited due to a small customer base. At this time, the water company receives its income from two golf courses, sixty acres of grapes, residential housing and a water banking program. This will be the norm until residential and commercial projects are started and completed for the District. The District anticipates that losses will decline with growth due to new income streams resulting from commercial and residential development.

Service Review Determinations

The following provides an analysis of the seven categories or components required by Section 56430 for a Service Review for the Western Hills Water District (WHWD):

1. Growth and Population Projections for the Affected Area

The WHWD serves the Diablo Grande area which consists of approximately 5,070 acres. The Diablo Grande area is currently in its first phase of development. The County has issued approximately 450 building permits for single family homes. Phase 1 of the Diablo Grande Specific Plan in its entirety anticipates over 2,000 residences, associated commercial uses, open space, and recreational areas. At this time, no additional growth beyond what has been identified in the Diablo Grande Specific Plan has been proposed.

2. The Location and Characteristics of Any Disadvantaged, Unincorporated Communities within or Contiguous to the Sphere of Influence.

No Disadvantaged Unincorporated Communities have been identified within or contiguous to the District's Sphere of Influence as defined in Section 56033.5 of the CKH Act.

3. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies Including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in Any Disadvantaged, Unincorporated Communities Within or Contiguous to the Sphere of Influence.

The District is maintained by the General Manager and staff. Currently, the WHWD has both the ability and the capacity to serve its service area and has no unmet infrastructure needs or deficiencies. As mentioned previously, there are no disadvantaged unincorporated communities within or contiguous to the Sphere of Influence of the WHWD.

4. Financial Ability of Agencies to Provide Services

The WHWD provides Annual Operating and Capital Budgets as well as Audited Annual Financial Reports. At this time, the WHWD appears to have limited financial resources and/or reserves. As a result, the District's expenses are greater than its revenue. This will

continue to be the case until residential and commercial projects are developed within the District, resulting in a greater source of revenue from assessments.

5. Status of, and Opportunities for, Shared Facilities

Since 2002, WHWD has had a Memorandum of Understanding with the City of Patterson, wherein the City treats up to 750,000 gallons per day of wastewater from Diablo Grande.

At this time there are no additional proposals for shared facilities.

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

It is reasonable to conclude that the WHWD can adequately serve the areas under its jurisdiction. A five member Board of Directors, elected by the landowners, governs the District. The Board is subject to the provisions of the Brown Act requiring open meetings. The District has its own website (www.whwdist.org), which provides up to date information.

The District Manager is responsible for oversight of daily operations and management of WHWD staff.

7. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

The WHWD is currently meeting minimum water needs of the Diablo Grande Community through its “banked” water program. However, the severe drought in California will continue to raise concerns and issues related to water supply and delivery until the State experiences relief through sufficient rainfall levels.

Sphere of Influence Update

In determining the Sphere of Influence (SOI) of each local agency, the Commission shall consider and prepare determinations with respect to each of the following factors pursuant to Government Code Section 56425:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides, or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines they are relevant.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

This document proposes no changes to the District's existing Sphere of Influence. Rather, it serves to reaffirm the existing SOI boundary. As part of this process, Staff researched the history of the establishment of the District's SOI. A map of the current District boundary and Sphere of Influence is attached in Appendix "A".

The following determinations for the Western Hills Water District's (WHWD) Sphere of Influence update are made in conformance with Government Code §56425 and local Commission policy.

Determinations:

1. The present and planned land uses in the area, including agricultural and open-space lands

The Western Hills Water District's Sphere of Influence (SOI) includes approximately 5,070 acres and is coterminous with the District's current boundary. The present land uses within the District's SOI include agricultural rangeland, vineyards, two developed golf courses, a clubhouse/restaurant, several residential units, and a municipal water storage and distribution system.

Planned land uses are expected to include: additional residential units, commercial and/or employment areas, and open space and recreational lands.

The land uses within the District boundaries are governed by the Stanislaus County General Plan and the Diablo Grande Specific Plan and are not expected to change. In addition, the District does not have the authority to make land use decisions, as the responsibility for land use decisions within the District boundaries is retained by the County.

2. The present and probable need for public facilities and services in the area

The Stanislaus County Board of Supervisors approved a Specific Plan for the Diablo Grande area in 1999. Phase 1 of the Specific Plan anticipates over 2,000 residences, associated commercial, open space and recreational uses. The District currently has total of 482 water and 439 sewer connections.

Although development has slowed dramatically since the previous service review, the probable need for public facilities and services within the approved Specific Plan area is expected to increase in the future.

3. The present capacity of public facilities and adequacy of public services that the agency provides, or is authorized to provide.

The District has the infrastructure and personnel in place to provide water, sewer and storm water services. However, like many other Water Districts throughout the state, due to severe drought conditions, water supply is scarce and is of crucial concern.

In addition, the District appears to have limited financial resources due to a shortage of customers resulting in revenue unable to cover expenses. The District will likely see an increase in revenue with further development.

4. The existence of any social or economic communities of interest in the area if the Commission determines they are relevant.

WHWD serves the Diablo Grande area which is located approximately 5 miles southwest of the City of Patterson and is surrounded by rural area. There are no communities of interest within the District boundaries, Sphere of Influence or surrounding area.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

No Disadvantaged Unincorporated Communities have been identified within or contiguous to the District's Sphere of Influence as defined in Section 56033.5 of the CKH Act.

APPENDIX "A" DISTRICT SUMMARY PROFILE

District: **WESTERN HILLS WATER DISTRICT**

Contact Information: 9501 Morton Davis Dr. Bldg. B, Diablo Grande, CA 95363
Ph. (209) 895-9493

Location: In the western foothills of Stanislaus County, west of Interstate 5, approximately 5 miles southwest of the City of Patterson.

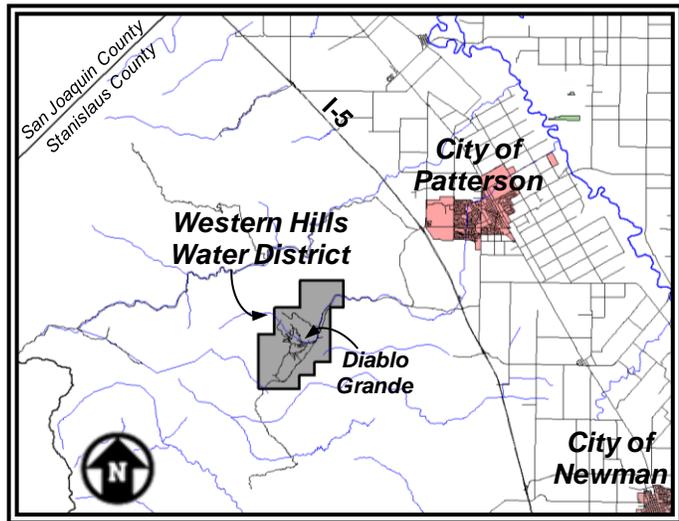
Service Area: Approximately 5,070 acres

Population*: 846

Land Use: Residential, commercial, open space, recreational

Date of Formation: June 2, 1992

Enabling Act: California Water Code, Division 13, §34000 et. seq. (Water District Act)



Governing Body: Five Board of Directors, elected by landowners within the District boundaries

Administration: Six full-time employees and two part-time employee

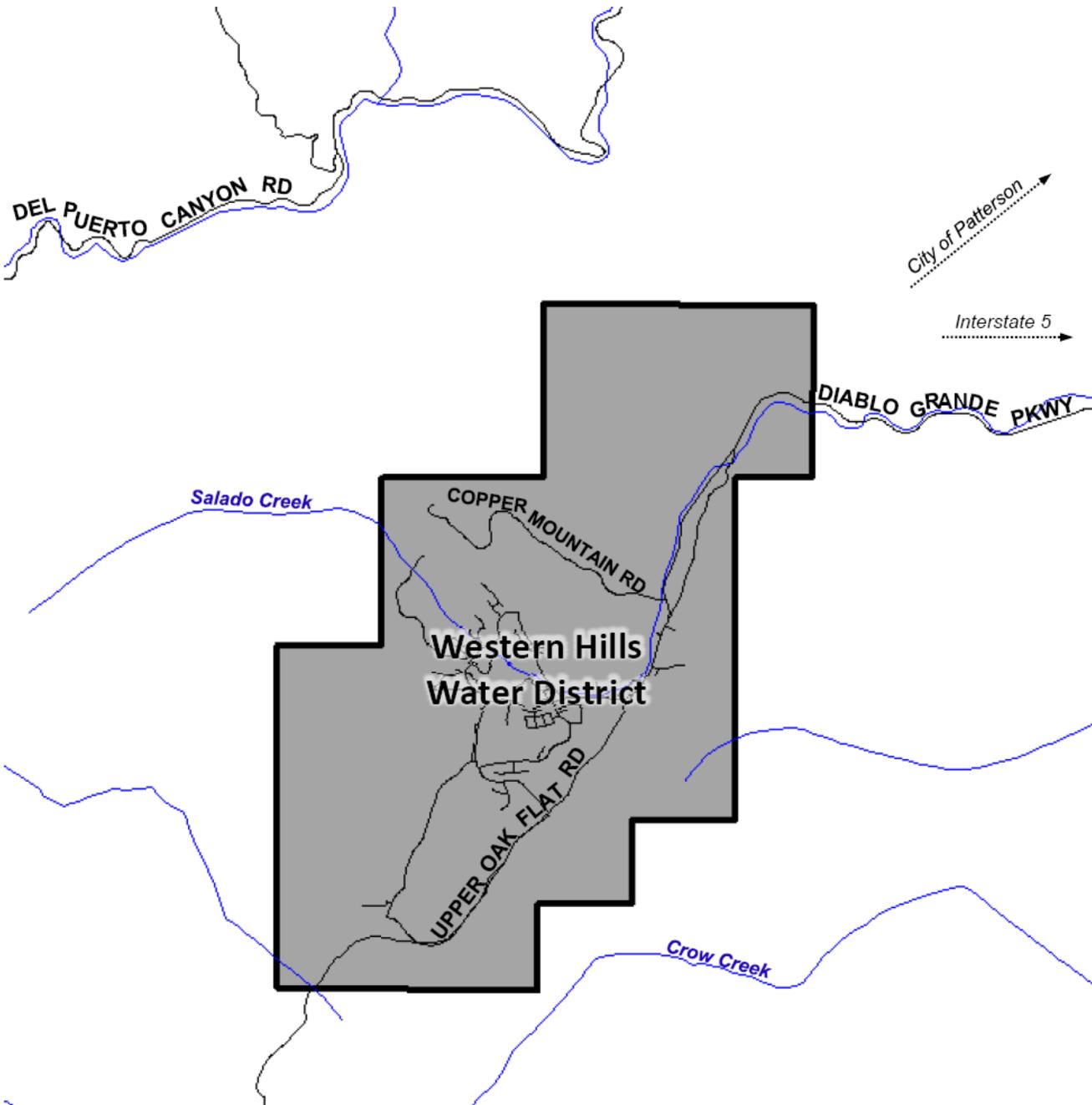
District Services: Water, sewer, and storm drainage

Budget: Fiscal Year 2014-2015
Revenues: \$1,667,864.00
Expenses: \$3,322,311.86
Capital Improvements: \$ 390,090.00

Revenue Sources: Service and connection fees, Mello Roos assessments

**Source: 2015 District Estimate*

MAP 1: WESTERN HILLS WATER DISTRICT BOUNDARIES AND SPHERE OF INFLUENCE



	District Boundary (5,070+/- acres)
	District Sphere of Influence (5,070+/- acres)
	Outside of District

Source -- LAFCO files
Date: Dec. 2009



APPENDIX “B”

REFERENCES

1. California Legislative Analyst’s Office. *Water Special Districts: A Look at Governance and Public Participation*, March 2002”.
2. California State Controller’s Office. *Special Districts Annual Report*, November, 2011.
3. Diablo Grande Community Development Team Letter dated March 19, 2014.
4. Stanislaus County. *Board of Supervisors Resolution No. 2004-975*, Adopted December 14, 2004.
5. Stanislaus County. *2007-2014 Housing Element Update*, Adopted August 28, 2012.
6. Stanislaus LAFCO. *Municipal Service Review and Sphere of Influence Update - Western Hills Water District*, June 23, 2010.
7. Western Hills Water District *Sanitary Sewer Management Plan*, August 2009.
8. Western Hills Water District *Financial Statements, June 30, 2013 and 2012*.
9. Western Hills Water District. *Annual Budget 2014-2015*, June 2014.
10. Western Hills Water District website (<http://www.whwdist.org>)
11. Western Hills Water District, Letter from Patrick Garvey, District Engineer, dated November 6, 2015.

INDIVIDUALS AND AGENCIES CONTACTED

1. Charles Smith, Controller, Western Hills Water District
2. Patrick Garvey, District Engineer, Western Hills Water District
3. Rachel Wyse, Stanislaus County Department of Planning and Community Development
4. Kristin Weiss, Stanislaus County Department of Planning and Community Development