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April 9, 2008 (Agenda)

Local Agency Formation Commission
651 Pine Street, Sixth Floor
Martinez, CA 94553

Water/Wastewater Municipal Service Reviews – Central County

Dear Members of the Commission:

BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires that not less than every five years LAFCO conduct municipal service reviews (MSRs) prior to or in conjunction with sphere of influence (SOI) updates.

In accordance with the MSRs, LAFCO must prepare written determinations on a number of issues ranging from growth and adequacy of public services and infrastructure, to the financial ability of local agencies to provide services and accountability.

In 2003-04, the Commission initiated the MSR/SOI update program. To date, the Commission has completed reviews and SOI updates for 57 special districts; baseline reviews are currently underway covering the remaining 18 special districts and all 19 cities.

A team of consultants and LAFCO staff are preparing the reviews and SOI updates. The Dudek firm is preparing a majority of the MSRs. The approach involves countywide and sub-regional reviews. The MSRs provide an assessment of the range and adequacy of municipal services provided in the County, and serve as an important tool for LAFCO in fulfilling its legislative mandate to coordinate the logical development of local government agencies and services.

The statutory deadline for completing baseline MSRs was January 1, 2008. The Commission has made steady progress, having completed reviews for over 60% of the agencies. The time required to prepare comprehensive MSRs/SOI updates, and the level of detail and analysis needed is greater than anticipated given the complexity of issues we are discovering. Further, we have used the MSR process as a means for correcting and digitizing the maps in GIS format.

SUMMARY

The countywide water/wastewater review covers 23 agencies (i.e., county, cities, special districts). Due to the complexity and magnitude of this review, the project team is presenting the MSR in three

parts – East County, West County and Central County. In December 2007, the Commission approved the first of three water/wastewater MSRs/SOI updates covering East County.

On December 19, 2007, LAFCO held a workshop, at which time Dudek presented the Central County Preliminary Draft Water/Wastewater MSR report and SOI options (for single-purpose agencies only). This report covers the following agencies: cities of Concord and Martinez, Contra Costa Water District (CCWD), Central Contra Costa Sanitary District (CCCSD), County Sanitation District No. 6 (SD No. 6), and Mt. View Sanitary District (MVSD).

At the workshop, the project team gave an overview of water/wastewater services provided in Central County, along with key issues relating to each of the service providers, and a summary of government structure and SOI options. The Commission was asked to review the report, provide comment, and direct staff to circulate the Public Review Draft MSR report.

The project team made minor revisions to the preliminary draft report based on comments received at the December LAFCO meeting. The report was circulated for a 21-day public review comment period and posted on the LAFCO website. LAFCO received additional comments from Dublin San Ramon Services District, and from most agencies covered in the report, noting various corrections as shown in the Final Draft MSR report. The MSR report is available on the LAFCO website at www.contracostalafco.org.

On March 12 and February 13, 2008 the Commission held Public Hearings to receive the Final Draft MSR report and SOI updates. For details and an overview of the Central County Water/Wastewater report please refer to the December 19, 2007, February 13, 2008 and March 12, 2008 staff reports.

At the February 13 hearing, the Commission received public comment and discussed the MSR report and SOI options. Subsequently, the Commission directed the consultants to provide additional analysis and SOI options in the MSR report, and continued the matter.

The MSR consultants prepared an Addendum to the MSR report, which included additional information relating to CCWD and CCCSD SOI options and was discussed at the March 12 hearing. Also at the March 12 hearing, additional public comment was received regarding the MSR report and the recommended SOI updates, including proposed revisions to the MSR Addendum as provided by Wilson F. Wendt, Miller Starr Regalia.

Following discussion, the Commission deferred action on the MSR and directed LAFCO Legal Counsel to prepare an opinion regarding the applicability of the California Environmental Quality Act (CEQA) to SOI updates. This issue is further discussed in the April 9 SOI staff report. As indicated in the LAFCO Legal Counsel's memo, the SOI recommendations do not preclude the Commission from accepting the MSR report and making the required determinations.

DISCUSSION

The Central County Water/Wastewater MSR provides a review of services provided by agencies under LAFCO's purview, including the cities of Concord and Martinez, CCWD, CCCSD, SD No. 6 and MVSD.

The report also provides recommended MSR determinations, which are summarized in the Executive Summary of the MSR report and presented in the attachments, along with SOI options and recommendations, which are presented as a separate LAFCO agenda item.

Based on the MSR findings, LAFCO may, but is not obligated to, initiate changes of organization or reorganization (i.e., consolidations, mergers, dissolutions). In addition, pursuant to recently enacted legislation (SB 819), LAFCO now has the authority to initiate proposals for the formation of a new district or districts.

The Central County Water/Wastewater MSR and March 12 and February 13 LAFCO staff reports provide an analysis and discussion of the advantages and disadvantages regarding each of the Government Structure options identified in Table 1 (attached). Any option involving reorganization through dissolution, consolidation, merger or formation of a district will require additional study to determine the level of benefit in terms of service and anticipated costs.

In addition to the Government Structure options summarized in Table 1, the MSR report and attached determinations include recommendations relating to the MSR factors. These recommendations take into consideration various external factors, such as changing hydrologic and climatic conditions, regulatory requirements, and funding challenges; as well as a host of local factors including the growth (current and anticipated) in Central Contra Costa County, land use changes, aging infrastructure, and needed service expansions and other improvements to meet future demands.

Such actions as consideration of partnerships and regional efforts focusing on water conservation and consolidation of wastewater services, conducting regular rate reviews and consideration of alternative rate structures, as appropriate, are recommended.

In addition, the MSR showcases a number of best practices in terms of operations and regional partnerships which can serve as models.

Environmental Analysis

The municipal service review is a study, intended to serve as an informational tool to help LAFCO, local agencies and the public better understand the public service structure in Contra Costa County.

The service review and determinations are Categorically Exempt under §15306, Class 6 of the California Environmental Quality Act (CEQA) Guidelines.

RECOMMENDATIONS

1. Determine that the MSR project is Categorically Exempt pursuant to §15306, Class 6 of the California Environmental Quality Act (CEQA) Guidelines,
2. Consider comments presented prior to and during the public hearing and any revisions to the Central County Water/Wastewater MSR report,
3. Accept the report, as amended per the Addendum,
4. Adopt the MSR determinations by resolution attached hereto, and
5. Direct staff to prepare the Final MSR report and make available to all interested parties.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

c: Distribution

Attachment 1- Addendum to Central County Water Wastewater MSR Report

Attachment 2- Table 1 – Summary of Government Structure Options

Attachment 3 - Draft Resolution with MSR Determinations

**WATER AND WASTEWATER SERVICES
MUNICIPAL SERVICES REVIEW
FOR
CENTRAL CONTRA COSTA COUNTY
ADDENDUM**

The following sections have been updated for the Final Draft of the *Water and Wastewater Services Municipal Services Review for Central Contra Costa County*:

Chapter 4: Contra Costa Water District

4.11 Sphere of Influence Recommendations

The Contra Costa Water District (CCWD) provides wholesale and retail water service within central and northeastern Contra Costa County; the District's boundaries also include the Los Vaqueros watershed in the southeastern portion of the county (this area extends into Alameda County). CCWD has both treated and untreated water service areas. The untreated water service area includes Antioch, Bay Point, Oakley, Pittsburg, and portions of Brentwood and Martinez. The District's retail Treated Water Service Area includes Clayton, Clyde, Concord, Pacheco, Port Costa, and parts of Martinez, Pleasant Hill, and Walnut Creek. CCWD also wholesales treated water to the City of Brentwood, Golden State Water Company (Bay Point), Diablo Water District (Oakley), and the City of Antioch. For the portion of Brentwood that is outside CCWD's Los Vaqueros project area (and CCWD boundaries), the District is treating the City's water supply by contract.

CCWD's SOI includes the following areas: two adjacent areas south of Concord and Clayton; areas around the periphery of the Los Vaqueros watershed, including area in Alameda County; an unincorporated area between Pittsburg and Antioch (within Antioch's SOI); the Veale Tract southeast of Oakley; and Browns Island and Winter Island northeast of Pittsburg. Changes in CCWD's boundaries are generally due to reorganizations initiated by a city.

CCWD's primary sources of water supply are the Central Valley Project (CVP), surplus Delta flows for filling Los Vaqueros Reservoir, water rights at Mallard Slough, and a permanent entitlement to surplus irrigation water from the East Contra Costa Irrigation District. Approximately 79 percent of the District's water supply is from the Central Valley Project. The District renewed its long-term CVP contract in May 2005 for a 40-year term. The contract provides for a maximum delivery of 195,000 acre-feet per year (af/yr) with reductions in deliveries during water shortages, including regulatory restrictions and drought, in accordance with USBR's Municipal and Industrial Water Shortage Policy.

According to the terms of CCWD's contract with USBR for CVP water, the federal Contracting Officer must formally consent to the inclusion of newly annexed lands into the District before such lands can receive CVP water. The inclusion process is discretionary, and subject to additional environmental review pursuant to the National Environmental Policy Act. In addition to USBR, various federal and state agencies are involved in the inclusion process, including the U.S. Fish & Wildlife Service and U.S. Army Corps of Engineers.

CCWD's contractual allotment of CVP water does not change due to changes in the District's boundaries or SOI. As discussed in *Section 4.3.1, Water Supply and Demand*, annual CVP water deliveries are determined based on storage levels in CVP reservoirs. CCWD bears the responsibility for ensuring adequate, reliable water supplies for the areas it has agreed to serve. For its municipal customers, the District provides the primary source of supply, but those agencies are also leveraging groundwater and recycled water resources to the extent they are available.

In planning to meet the long-term water supply needs of its service area, the District has considered future demand and factored in the potential for delivery reductions of up to 25 percent in dry years. The water supply reliability goal adopted by the Board of Directors is to meet at least 85 percent of demand in a second and third dry year, and 100 percent of demand in all other years. The District plans to meet its water supply reliability goal of 85 percent of demand in the second and third years of a multi year dry period through a variety of programs, including short term water transfers and enhanced conservation.

Three potential options are identified for the CCWD SOI:

- **Retain the existing SOI:** Under this option, the District would continue to include the areas within its existing SOI in its long-term water supply, facilities and capacity planning based on the adopted land use. Expansions to the District's service area and related changes to the SOI would be considered by LAFCO in conjunction with annexations to cities or water districts that require CCWD water supplies in order to meet projected demand. On a case by case basis, boundary and SOI changes would undergo CCWD review as well as environmental review prior to the application to LAFCO to ensure that long-term, reliable water supplies from CCWD are available to serve the area, service to existing customers will not be compromised, and that environmental impacts (if any) will be mitigated.
- **Remove the Veale Tract from CCWD's SOI:** As noted above, CCWD's SOI currently includes the 1,095-acre Veale Tract southeast of Oakley. The Veale Tract is outside the County Urban Limit Line (ULL) approved by the voters in 2006. It is designated as Delta Recreation and Resources with land uses such as agriculture, wildlife habitat, and low intensity recreational use. This area was removed from the Diablo Water District SOI by the Commission on December 19, 2007. This area will not need water service from either DWD or CCWD. Under this option, CCWD would continue to include the remaining areas within

its existing SOI in its long-term water supply, facilities and capacity planning based on the adopted land use.

- **Expand CCWD's SOI to be consistent with the adopted County and City Urban Limit Lines:** There are areas within the adopted County and city ULLs that are not within CCWD's boundaries or SOI. This option would expand the District's SOI to include areas within the ULLs that may need water services from CCWD in the future. Adding areas to CCWD's SOI would occur to achieve consistency with the ULLs; however, such an action would not be based on analysis of the following: 1) potential future water demands within those areas; 2) the availability of long-term, reliable water supplies from CCWD to serve the areas; and 3) impacts to existing customers.

Consolidation of DWD with CCWD was identified as a government structure option in *Section 4.9*, as was consolidation with the City of Martinez water system. Further study would be needed to determine whether operational efficiencies, costs savings, and other benefits would be achieved through such consolidations.

Once the new Brentwood Water Treatment Plant is operational, CCWD, as the water treatment plant operator, will be treating Brentwood's water supply purchased from the East Contra Costa Irrigation District (ECCID). The treatment plant is located within CCWD's boundaries and will be owned and operated by CCWD; however, the District is not responsible for Brentwood's storage and distribution system. Inclusion in CCWD's SOI generally signifies the potential for CVP water use in the future. At this point in time, this is not planned for Brentwood as they have reliable supplies from ECCID.

SOI Recommendation

Given the conditions described above, it is recommended that the Veale Tract be removed from CCWD's sphere of influence and the remainder of the District's existing SOI be retained. CCWD is providing adequate service, is maintaining its infrastructure, and has the capacity to serve the existing areas within its boundaries, given current and planned land uses. The District has reliable, long-term sources of water supplies; however, these water supplies are limited. Per the District's 2005 Urban Water Management Plan (see *Table 4.3, Projected Water Supply and Demand*), any increase in water supplies through 2030 is due to increased conservation, recycled water, and maximizing the District's use of surplus irrigation water from ECCID. The District's water supply is further restricted by the USBR as discussed above.

Although the adopted ULLs identify the limits to areas where urban development is to occur, no analysis has been prepared on the potential water demands within those areas not currently served. Furthermore, there is no analysis as to whether those areas as a whole would or could be served by CCWD given its current and planned water supply resources. It should be noted that

no environmental review has been prepared, either for the establishment of the ULLs or for future development within these areas, which evaluates the impact of expanding CCWD’s SOI and the potential extension of water services into these areas. A comprehensive analysis would be required to ensure that CCWD could serve these areas with no impact to existing customers or the District’s policies regarding service reliability. SOI expansions and boundary changes should be considered on a case by case basis in conjunction with annexations to cities and water districts or other service needs, accompanied by the appropriate analysis and CCWD’s concurrence that it can serve the additional area in accordance with District policies.

The analysis of SOI issues is included in *Table 4.13* below.

**Table 4.13
Contra Costa Water District
SOI Issue Analysis**

Issue	Comments
SOI Update Recommendation	Remove Veale Tract from CCWD SOI; retain remainder of existing SOI
Services authorized to provide	Wholesale and retail water service
Existing and Planned Land Uses and Policies	The District has no land use authority for the area where it provides wholesale and retail water services. County and city plans include land uses and population growth that will need increased, comprehensive water services. County and city policies support the provision of adequate water service for residents and businesses; however, policies do not require that CCWD provide the sole source of water supply for municipal water service providers.
Potential effects on agricultural and open space lands	The Veale Tract is designated as Delta Recreation and Resources with land uses such as agriculture, wildlife habitat, and low intensity recreational use. There are other agricultural and open space lands within the District’s SOI and boundaries, including Browns and Winter Islands; Browns Island is within the adopted ULLs and there is property on Winter Island receiving water service from Pittsburg. Removing the Veale Tract from the District’s SOI is consistent with the adopted land use. Furthermore, water services within developed areas do not by themselves induce growth on agricultural or open space lands. No Williamson Act contracts would be affected.
Opportunity for Infill Development rather than SOI expansion	The District has no land use authority and has no control over the location of infill development; no SOI expansion is proposed.
Projected Growth in the Affected Area	Population within CCWD’s service area is expected to increase by 29% over the next 23 years to approximately 650,000 residents. There will be an increased need for comprehensive water services.
Services to be Provided to any areas added to the SOI	No areas are proposed to be added to the CCWD SOI.

**Table 4.13
Contra Costa Water District
SOI Issue Analysis**

Issue	Comments
Service Capacity and Adequacy	The District is providing adequate service, is financially stable, and has the capacity to continue to provide services within its boundaries. The District has planned for capital needs based on the condition of the infrastructure and is implementing projects to extend the life of existing infrastructure. The District has reliable, long-term sources of water supplies; however, these water supplies are limited.
Location of Facilities, Infrastructure and Natural Features like rivers and ridgelines	The District provides services within central and eastern Contra Costa County, including cities and unincorporated areas. The District's offices and Bollman treatment plant are located in Concord; the Randall-Bold Water Treatment Plant and adjacent City of Brentwood Water Treatment Plant (under construction) are located in Oakley. The 48-mile Contra Costa Canal extends from the Rock Slough intake to Martinez. The Los Vaqueros Reservoir is located in southeastern Contra Costa County. A buried pipeline connects the Reservoir to the Canal in Oakley near Randall-Bold.
Effects on Other Agencies	Removing the Veale Tract would have no effect on other agencies as this area is not planned for development. The Veale Tract was removed from the Diablo Water District SOI in December 2007.
Potential for Consolidations or other Reorganizations when Boundaries Divide communities	Although the District serves a portion of Martinez and Brentwood, the District's current boundaries do not divide any communities.
Social or economic communities of interest in the area	The District was formed in 1936. The District collects service charges from existing users and fees for new development; the District also receives a portion of the 1% property tax. The District has entered into long-term debt obligations to fund various major facilities, including the Los Vaqueros Reservoir. Property owners within the area and ratepayers have an economic interest in receiving services from this investment.
Willingness to serve	The District wishes to continue to provide services within its boundary and has requested that its SOI not be changed.

Chapter 5: Central Contra Costa Sanitary District

5.11 Sphere of Influence Recommendations

The Central Contra Costa Sanitary District (CCCSD) provides wastewater collection, treatment, and disposal services for Danville, Lafayette, Moraga, Orinda, Pleasant Hill, and Walnut Creek, as well as a portion of Martinez and San Ramon and unincorporated areas within central Contra Costa County. The District also provides wastewater treatment and disposal for the cities of Concord and Clayton. The District's SOI includes some areas outside the adopted County and city Urban Limit Lines (ULLs), and there are some areas within the ULLs that are not within CCCSD's SOI.

Due to urbanization, projected growth, and increasingly stringent water quality regulations, there will be an increased need within central Contra Costa County for the services provided by the District.

Three potential options are identified for the CCCSD SOI:

- **Retain the existing SOI:** Under this option the District would continue to include the areas within its SOI in its long-term facilities and capacity planning based on the adopted land uses. Expansions to the District's service area and changes to the SOI would occur in conjunction with new development or the need to address environmental or public health issues as they arise.
- **Adjust the SOI to be consistent with the local agency adopted Urban Limit Lines (ULLs) within central Contra Costa County:** If LAFCO determines that CCCSD has the capacity to continue to serve the area within the ULLs as supported by this MSR and further determines that it would benefit the region to limit the area where wastewater service could be provided, then adjusting the District's SOI would be appropriate. This option would expand the District's SOI to include areas within the ULLs that may need wastewater services from CCCSD in the future. It would also reduce the District's SOI in areas outside the ULLs, including areas where there are septic system operational constraints such as the Alhambra Valley. This option could potentially result in public health and environmental issues as these areas would not have a sanitary sewer alternative.
- **Expand the District's SOI to include areas within the ULLs that are not currently within the District's SOI and remove undeveloped areas outside the local agency adopted ULLs from the District's SOI:** This option would make the District's SOI consistent with the ULLs, except for developed areas outside the ULL that are already within the District's boundaries or are on septic system and may need sanitary sewer service in order to prevent public health and environmental issues (namely Alhambra Valley). For

example, there is area within the District's SOI south of Clayton that is designated as Parks and Recreation on the County's General Plan Land Use map (for the Mt. Diablo State Park). With the exception of two parcels that have a structure on them, this area will not be developed and is not expected to need sanitary sewer service.

Consolidation of CCCSD with other service providers was identified as a government structure option in *Section 5.9*. Further study would be needed to determine whether operational efficiencies, costs savings, and other benefits would be achieved through consolidating with other wastewater service providers. The systems are separate and are designed to meet local conditions and use gravity flow where possible. Each district has planned for treatment capacity and disposal methods that are efficient and cost effective for their service area. An in-depth evaluation of efficiencies and cost savings would be necessary before determining if this is a viable alternative.

SOI Recommendation

CCCSD provides wastewater conveyance, treatment, and disposal within the central portion of the county and uses the respective General Plans for the cities and County along with other planning efforts to plan for the future service needs of the area. Areas within the ULLs may develop and eventually need sanitary sewer service from CCCSD. Therefore, it is recommended that LAFCO adjust CCCSD's sphere of influence to include those areas within the ULLs that are not currently within its SOI (excluding the area served by DSRSD), and to reduce the District's SOI outside the ULLs to exclude undeveloped areas. Due to the potential for public health and environmental impacts associated with failing septic systems, CCCSD should include areas that may need sanitary sewer service within its long-term facilities and capacity planning.

It should be noted that no environmental review has been prepared, either for the establishment of the ULLs or for future development within these areas, which evaluates the impact of adjusting CCCSD's SOI to be consistent with the ULLs and the potential extension of sanitary sewer services into areas that are not currently served.

The analysis of SOI issues is included in *Table 5.6* below.

**Table 5.6
Central Contra Costa Sanitary District
SOI Issue Analysis**

Issue	Comments
SOI Update Recommendation	Adjust CCCSD's SOI to include those areas within the voter approved ULLs that are not currently within its SOI (excluding the area served by DSRSD), and reduce the District's SOI outside the ULLs to exclude undeveloped areas.
Services authorized to provide	Wastewater collection, conveyance, treatment, disposal, recycled water, household hazardous waste collection.
Existing and Planned Land Uses and Policies	The District has no land use authority. County and city plans include land uses and population growth that will need increased wastewater services and recycled water supplies. The County and some cities have adopted Urban Limit Lines; however in certain areas there is existing development outside the ULLs that uses septic systems. County and city policies support the provision of adequate wastewater service for residents and businesses as well as the protection of public health and the environment.
Potential effects on agricultural and open space lands	Although there are agricultural and open space lands within the District's SOI and boundaries, wastewater services do not by themselves induce or encourage growth on agricultural or open space lands. No Williamson Act contracts would be affected.
Opportunity for Infill Development rather than SOI expansion	The District has no land use authority and has no control over the location of infill development.
Projected Growth in the Affected Area	Population is expected to increase by 20% over the next 23 years to 382,583 residents. There will be an increased need for comprehensive wastewater services, including a reliable recycled water supply.
Services to be Provided to any areas added to the SOI	Wastewater conveyance, treatment, disposal, recycled water, household hazardous waste collection.
Service Capacity and Adequacy	The District is providing adequate service, is financially stable, and has the capacity to continue to provide services within its boundaries. The District has planned for capital needs based on projected growth and is implementing projects to extend the life of existing infrastructure and increase capacity where necessary.
Location of Facilities, Infrastructure and Natural Features like rivers and ridgelines	The District provides services within central Contra Costa County. The District's offices and treatment plant are located in Martinez, and the Collection System Operations facility is centrally located in Walnut Creek. The District discharges to Suisun Bay.
Effects on Other Agencies	Changing the District's SOI as recommended would create a wastewater planning area that is consistent with city and County planning boundaries, and

**Table 5.6
Central Contra Costa Sanitary District
SOI Issue Analysis**

Issue	Comments
	would allow the District to address future public health and environmental impacts in accordance with County policies.
Potential for Consolidations or other Reorganizations when Boundaries Divide communities	The District's current boundaries encompass portions of Martinez and San Ramon. Consolidation with an adjacent wastewater service provider would require additional study.
Social or economic communities of interest in the area	The District was formed in 1946 to serve central Contra Costa County. The District collects service charges and receives a portion of the 1% property tax. Capital expansion is funded by new connection charges and capital contributions from Concord. Property owners within the area and ratepayers have an economic interest in receiving services from this investment.
Willingness to serve	The District wishes to continue to provide services within its boundary and to continue to include areas within its existing SOI in its long-term facilities and capacity planning.

**Table 1 – Summary of Government Structure Options
Central County Water/Wastewater Services**

Actions Subject to LAFCO Approval	Recommended Action
1. City of Concord <ul style="list-style-type: none"> a. Maintain status quo b. Annex unincorporated areas currently receiving wastewater service into the City boundaries c. Consolidate wastewater service with CCCSD 	-Annex unincorporated areas currently receiving wastewater service into the City boundaries, as appropriate -Annex areas within the City’s SOI where there are public health issues related to wastewater
1. City of Martinez <ul style="list-style-type: none"> a. Maintain status quo b. Annex unincorporated areas currently receiving water service into the City boundaries c. Consolidate water service with CCWD 	- Annex unincorporated areas currently receiving water service into the City boundaries, as appropriate
2. Contra Costa Water District (CCWD) <ul style="list-style-type: none"> a. Maintain status quo b. Consolidate water service with DWD c. Consolidate water service with City of Martinez 	- Maintain status quo
3. Central Contra Costa Sanitary District (CCCSD) <ul style="list-style-type: none"> a. Maintain status quo b. Annex areas currently receiving service into the District boundaries c. Annex islands within District’s SOI d. Consolidate wastewater service with adjacent wastewater service providers, including City of Concord, DDS, DSRSD, MVSD and/or SD No. 6 	- Annex areas currently receiving service into the District boundaries as appropriate -Annex islands within District’s SOI as appropriate -Consider annexing SD No. 6, when feasible
Actions Subject to LAFCO Approval	Recommended Action
4. County Sanitation District No. 6 (SD No. 6) <ul style="list-style-type: none"> a. Maintain status quo b. Dissolve SD No. 6 and annex area to CCCSD 	-Maintain status quo -Consider dissolution and annexation to CCCSD, when feasible
5. Mt. View Sanitary District (MVSD) <ul style="list-style-type: none"> a. Maintain status quo b. Consolidate wastewater service with CCCSD 	- Maintain status quo

**RESOLUTION OF THE CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
ADOPTING DETERMINATIONS OF THE
2008 CENTRAL COUNTY WATER/WASTEWATER MUNICIPAL SERVICES REVIEW**

WHEREAS, Government Code §56430 requires the Commission to conduct municipal service reviews (MSRs) in order to prepare and update spheres of influence (SOIs) pursuant to Government Code §56425;

WHEREAS, the Commission previously authorized the countywide water/wastewater services MSR to be prepared;

WHEREAS, on December 19, 2007, the Commission conducted a workshop to review the Preliminary Draft *Water and Wastewater Services MSR for Central Contra Costa County*, receive comments, and directed staff to circulate the MSR for public review,

WHEREAS, following the workshop the Public Review Draft MSR was circulated for a 21-day public comment period;

WHEREAS, on February 13, March 12 and April 9, 2008, the Commission conducted public hearings to receive the Final Draft MSR;

WHEREAS, the Commission considered all comments, written and oral, received prior to and during the hearing on April 9, 2008; and

WHEREAS, the MSR report and determinations are Categorical Exempt from the California Environmental Quality Act (CEQA) pursuant to §15306 Class 6 of the CEQA Guidelines.

NOW, THEREFORE, BE IT RESOLVED that the Contra Costa Local Agency Formation Commission does hereby resolve, determine and order as follows:

The Water and Wastewater Services MSR for Central Contra Costa County Determinations attached hereto as Exhibit A and incorporated herein by reference are hereby adopted.

* * * * *

PASSED AND ADOPTED THIS 9th day of April 2008, by the following vote:

AYES:

NOES:

ABSTAINS:

ROB SCHRODER, CHAIR, CONTRA COSTA LAFCO

I hereby certify that this is a correct copy of a resolution passed and adopted by this Commission on the date stated above

Dated: April 9, 2008

Lou Ann Texeira, Executive Officer

EXHIBIT A
WATER AND WASTEWATER
MUNICIPAL SERVICES REVIEW FOR CENTRAL CONTRA COSTA COUNTY
DETERMINATIONS

1. Growth and Population

- According to the projections prepared by the Association of Bay Area Governments (ABAG), the population within the 10 cities in central Contra Costa County is expected to increase to 505,300 by 2030, an 18% increase over the 2007 population.
- The City of San Ramon will experience the highest growth rate at approximately 1.5% per year (on average) with population increasing by 41% by 2030.
- There will be an increased need for cost-effective water and wastewater services within central Contra Costa County given the current urban land uses; anticipated growth; aging infrastructure including water treatment facilities, distribution systems, wastewater collection systems and septic systems; and increasingly stringent water quality standards. This will impact the water and wastewater service providers. Agencies will need to continue to maintain and improve the water and wastewater systems as needed to ensure adequate service levels are maintained.

2. Infrastructure Needs or Deficiencies

- The primary source of water supply for central Contra Costa County is the US Bureau of Reclamation (USBR) Central Valley Project (CVP). Annual CVP water allocations to CCWD are based on CCCWD's contractual allotment and hydrologic projections; water deliveries are subject to up to 25% reductions in dry years in accordance with the USBR Municipal and Industrial water shortage policy.
- The 2005 Urban Water Management Plans adopted by CCWD and the City of Martinez indicate that water supplies will be adequate to meet demand in normal conditions as well as single-year and multiple-year dry conditions through 2030.
- The agencies are planning for infrastructure needs based on projected growth, aging infrastructure, and changing regulatory requirements. The cost of improvements is allocated between existing users and new development. Some districts further allocate costs based on service zone. Several of the agencies have developed master plans and completed rate studies that factor in the recommended capital improvements.
- Infrastructure needs were identified for several agencies as discussed in the MSR report. Agencies will need to implement phased improvements and pursue other system improvements to ensure that there are no service impacts to existing customers. Water and sewer system improvements will be needed to maintain adequate service levels with future development.
- With regard to CVP water supply, LAFCO, the affected water district, CCWD, and the USBR should coordinate with regard to their respective approvals, recognizing that LAFCO must make a determination regarding the timely and available supply of water.

3. Financing Constraints and Opportunities

- The service providers covered in this MSR all charge service fees based on usage for water service; wastewater service charges include a base charge and non-residential customers pay based on usage. Some agencies are using a pay-as-you-go approach for capital projects where feasible; others are using a variety of financing mechanisms including loans, grants, and bond issues.
- The cities and special districts operate their water and wastewater services as enterprise activities, such that service charges are intended to cover the cost of service. Some agencies receive a portion of the one percent property tax; this source of revenue augments user fees and charges. Special districts receiving property tax funding include CCWD, CCCSD, and MVSD.
- SD No. 6 does not have reserves to address extraordinary or emergency capital needs. The District should establish reserves.

4. Cost Avoidance Opportunities

- CCWD is controlling costs for its services through master planning studies, capital planning, and the biennial budgeting process. CCWD also proactively pursues grant funding for programs. The District collaborates with wastewater agencies to implement recycled water projects where cost effective and offers an extensive water conservation program to reduce demand.
- The wastewater agencies are controlling service costs by rehabilitating mains and laterals to maintain the integrity of their systems, reducing infiltration from storm and groundwater and avoiding sanitary sewer overflows.
- The regional Household Hazardous Waste Collection Facility, operated in cooperation with CCCSD, MVSD, the cities of Concord and Clayton, and the City of San Ramon (for southern San Ramon), is part of a broad effort to prevent toxic products from entering the sanitary sewer system, which could increase treatment costs and require significant capital investment.

5. Opportunities for Rate Restructuring

- The agencies evaluate water and sewer rates periodically, factoring in operational costs and infrastructure needs.
- The agencies have developed capital facility fee programs such that “growth pays for growth.” These fees are updated periodically to reflect infrastructure needs as outlined in system master plans and construction cost increases.
- The City of Martinez updated its water service connection fees in 2000. The City should consider reviewing the connection fees to ensure they are appropriate given the condition of the water system and infrastructure needs.
- A parcel was annexed to SD No. 6 in 2001 (LAFCO 01-11). It appears that this parcel is not being assessed for District services. The County should review and correct, if applicable, the tax roll.

6. *Opportunities for Shared Facilities*

- Municipal water service providers (Antioch, Brentwood, CCWD, DWD, Golden State Water Company, Martinez, and Pittsburg) are sharing facilities through the use of the Contra Costa Canal which is owned by USBR and operated by CCWD as the region's wholesale water provider. Antioch, CCWD, DWD, and Brentwood share the Randall-Bold Water Treatment Plant (jointly owned by CCWD and DWD and operated by CCWD) through various contractual arrangements.
- There is a future opportunity for SD No. 6 to connect to CCCSD's new trunk sewer in the southern Alhambra Valley. CCCSD's nearest planned sewer main on Alhambra Valley Road will be less than one mile east of the entrance to SD No. 6. The San Francisco Bay RWQCB Waste Discharge Requirements for SD No. 6 mandates connection of the District's system to an Alhambra Valley sanitary sewer as soon as wastewater services are available in the area. Upon connection the Stonehurst development's onsite wastewater treatment and disposal system is to be decommissioned. The future provision of CCCSD sanitary sewer service to Stonehurst was included in CCCSD's 2003 "Facilities Plan for Wastewater Utility Services to Alhambra Valley" and collection system and treatment capacity are available.

7. *Evaluation of Management Efficiencies*

- The agencies are managing the water and wastewater utilities through the use of a number of plans to ensure that services are delivered in an efficient, cost-effective manner, including master plans, Urban Water Management Plans, Sewer System Management Plans, Capital Improvement Programs, and city and county General Plans.
- One of the significant issues identified in this service review is that some agency practices related to out of agency service are not in compliance with Government Code §56133. These procedures need to be reviewed and updated to ensure compliance with the Government Code.

8. *Government Structure Options*

- Several government structure options were identified, including annexing areas to address boundary issues with out of agency service extensions or public health issues. Agencies are encouraged to annex islands and urbanized areas where services have been extended as specifically discussed in the agency chapters of this report.
- For the City of Concord, three Government Structure options were identified. LAFCO encourages the City to annex areas currently receiving City sewer services into the City boundaries, as appropriate; and in particular, developed islands and those areas with public health and environmental concerns.
- For the City of Martinez, three Government Structure options were identified. LAFCO encourages the City to annex areas currently receiving City water services into the City boundaries, as appropriate; and in particular, developed islands and those areas with public health and environmental concerns.
- For CCWD, three Government Structure options were identified. LAFCO recommends maintaining the status quo.
- For CCCSD, four Government Structure options were identified. LAFCO encourages the District to annex areas currently receiving sewer services into the District boundaries, as appropriate; and in particular, developed islands and those areas with public health and environmental concerns. In

addition, LAFCO encourages CCCSD to work with SD No. 6 to pursue future annexation of this district when feasible.

- For SD No. 6, there are two potential Government Structure options. LAFCO encourages SD No. 6 to work with CCCSD and pursue future annexation when feasible.
- For MVSD, two Government Structure options were identified. LAFCO recommends maintaining the status quo.
- Other options include reorganizations such as service consolidations between CCWD and Martinez and/or CCWD and the Diablo Water District.
- Wastewater service options include CCCSD reorganizing with the Delta Diablo Sanitation District, Dublin San Ramon Services District, Mt. View Sanitary District, and/or the City of Concord. Although reorganizations can provide some benefits, there is the potential for loss of efficiency, increased costs, loss of local control on capital improvements, etc. There may be significant institutional impediments to some consolidations, such as with DSRSD, a bi-county district that also provides water service. Further study would be needed to determine the level of benefit and cost associated with such reorganizations.

9. Local Accountability and Governance

- The cities and special districts encourage public participation by making water and wastewater service information and documents available on their websites and holding meetings that are open and accessible to the public.
- Agencies are encouraged to include meeting notices, minutes, and other financial and operational information on their websites.