



Lou Ann Texeira  
 Executive Officer

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*Public Member*  
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*City Member*  
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*Special District Member*

December 14, 2016 (Agenda)

December 14, 2016  
 Agenda Item 6

Contra Costa Local Agency Formation Commission (LAFCO)  
 651 Pine Street, Sixth Floor  
 Martinez, CA 94553

**Update - Castle Rock County Water District**

Dear Members of the Commission:

**BACKGROUND**

In 2014, the Commission approved its 2<sup>nd</sup> round Water/Wastewater Municipal Service Review (MSR) which covered eight cities and 21 special districts. In conjunction with the MSR, the Commission updated the spheres of influence (SOIs) for all of the districts. The Castle Rock County Water District (CRCWD) was one of the districts covered in the MSR.

The MSR noted that CRCWD operated for 59 years without being officially recognized as an independent special district for LAFCO purposes. Through the MSR process, LAFCO confirmed that CRCWD is an independent special district subject to LAFCO’s purview.

CRCWD provides untreated water service to 137 residents (79 parcels - 55 connections), including 10 residential water customers who are responsible for treating their own water. Untreated water provided by CRCWD serves mostly residential, landscape irrigation, some commercial uses including four commercial stables. CRCWD’s service area is 150± acres, and includes properties in the City of Walnut Creek and in surrounding unincorporated areas. Some of the territory served is located outside the countywide urban limit line.

CRCWD is located within the Contra Costa Water District (CCWD) service boundary. CRCWD purchases untreated water from CCWD which is pumped from an open canal. The relationship between CRCWD and CCWD is that of customer and supplier. CCWD sells water untreated to CRCWD, and CRCWD is responsible to distribute the untreated water to its customers. CRCWD facilities include one pumping station and one holding tank with a 150,000 gallon capacity. The CRCWD’s untreated water supply and distribution system includes a small reservoir tank and a small pipeline distribution system.

CCWD operates and maintains treated water distribution facilities within the boundary of CRCWD, and approximately 80% of CRCWD residents receive treated water from CCWD as individual CCWD customers. These customers receive treated water from CCWD for domestic use, and untreated water from CRCWD for irrigation and livestock purposes. The remaining 20% of CRCWD residents purchase untreated water from CRCWD and are responsible for treating the water themselves.

## UPDATE

The 2014 MSR included a number of observations and recommendations for CRCWD, relating to governance/transparency, infrastructure, and finances. In conjunction with the MSR, LAFCO adopted a zero SOI which signals a future reorganization (e.g., consolidation with CCWD, dissolution, etc.). Further, the Commission requested an update from CRCWD regarding issues identified in the MSR, along with additional information relating to water quality, testing/treatment and monitoring, water conservation efforts, board succession plan, and cautionary signage (untreated water use).

In March 2016, the CRCWD provided a comprehensive update to the Commission addressing many of the issues identified in the MSR. In summary, the District reported the following:

- The CRCWD has established a website ([www.crcwd](http://www.crcwd)) which provides district contact information, information regarding Board meetings, financial reports, water conservation, the 2015 engineering study, a service area map, and other information. The District has also posted a “Non-Potable Water Use” alert on its website.
- In September 2015, the CRCWD completed a *Facilities Condition Assessment and Evaluation* (prepared by Paul Causey, Causey Consulting). Briefly, the assessment included an overview of the system (e.g., pump station, pipelines, water tank, valves, meters, etc.), operations and maintenance programs, along with financial background, assets assessment, and findings and recommendations to address the weaknesses in the District’s 60 year system. The District reports that the estimated cost to refurbish the system far exceeds CRCWD’s reserves. The District is exploring possible financing for infrastructure refurbishment. In the interim, CRCWD is continuing its operations with repairs/replacement on an as-needed basis.
- CRCWD has a limited budget. The District operates as an enterprise type activity, and receives about 84% of its revenue from service charges and fees, and 16% from property tax. According to the FY 2014-15 financial statements, the District’s total operating expenses were \$80,423, operating and non-operating revenues were \$71,094, and net position at the end of FY 2014-15 was \$155,151.

Since completion of the MSR, LAFCO has discussed with representatives of CRCWD and CCWD the MSR findings and governance options, including dissolving CRCWD and having CCWD take over operation of the CRCWD water system. Neither district expressed a desire to reorganize. CRCWD feels that it has adequately served its customers for nearly 60 years, and wishes to remain an independent district. CRCWD representatives acknowledge that they can

improve its administrative operations and governance as noted in the MSR, and will make an effort to do so. Further, CCWD has no desire to take over the CRCWD operations and water system for various reasons, including the age of the CRCWD system and potential liabilities.

Homeowners within CRCWD and CCWD have continued to meet and discuss the proposed connection of the remaining 10 CRCWD members who are not currently connected to CCWD's treated water service, and the potential periodic closure of the canal in the area for maintenance purposes. There appears to be interest, provided the individual homeowners can reach agreement on the cost of service with CCWD.

In conjunction with the update in March 2016, the Commission expressed ongoing concern regarding the 10 remaining water customers that rely on CRCWD as their primary water source. LAFCO recommended that CRCWD and CCWD work together to develop a treated water connection plan and financing structure for these 10 households to enable them to receive treated water through CCWD. The Commission also reiterated its support for consolidating CRCWD and CCWD. Finally, the Commission requested an update in six months.

We understand that several meetings between CCWD and CRCWD members have occurred and that a draft agreement has been developed. CCWD is currently in direct negotiations with the 10 homeowners. The draft agreement includes cost reductions for the homeowners, recognizing that efficiencies would be realized if all 10 homeowners agree to sign up for service. CCWD is also willing to offer financing options for the connection costs. At this time, six of the 10 homeowners have indicated a desire to receive CCWD treated water. Representatives from CRCWD and CCWD will provide additional information at the December 14, 2016 LAFCO meeting.

**RECOMMENDATIONS:** Receive the staff report and provide comments and direction as desired.

Sincerely,

LOU ANN TEXEIRA  
EXECUTIVE OFFICER

Attachments:

c: Fred Allen, Castle Rock County Water District  
Jeff Quimby, Contra Costa Water District