

September 13, 2006

**To:** Members, Formation Commission

**From:** Martha Poyatos  
Executive Officer

**Subject:** Report & Recommended Determinations-Skyline  
County Water Municipal Service Review and Sphere  
of Influence Review

Summary Recommendation:

Adopt the municipal service review determinations contained in the attached municipal service review report and reaffirm the Skyline County Water District's sphere of influence, adopting sphere determinations contained in this report.

Executive Officer's Report:

The attached municipal service review examines the nine categories set forth in Government Code Section 56430 in regard to the Skyline County Water District. The purpose of the municipal service review is to make determinations in nine State-mandated areas concerning district operations and governance prior to reviewing the sphere of influence as mandated by Section 56430. The report includes discussion regarding the nine areas of determination, comments from the District, LAFCo Staff responses to comments and recommended determinations.

In their comments received today, the District indicates that the District did not receive notice of the meeting and that several customers stated they did not receive notice and did not understand the purpose of the meeting. Notice was published in the San Mateo County Times, courtesy notices were mailed using the District's customer labels and notice was mailed in the usual manner to the District and other affected agencies. District representatives were present at the August LAFCo meeting at which the service review was continued to the September 20 Commission meeting. District board minutes indicate that the Board

received the LAFCo municipal service review and had no comments. The minutes also indicate that the Board has been in discussion with CalWater regarding inclusion in the CalWater Bear Gulch District since April. As stated previously, the municipal service review and recommended determinations acknowledge the unique setting of sparsely developed and remote development in which the District operates and is intended to meet the requirements of Section 56430 and serve as a tool to the District and customers in examining both reliable and affordable water service.

#### Sphere of Influence Review

Government Code Section 56425 specifies that in determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to each of the following:

- (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 that they are relevant to the agency.*

This sphere of influence update incorporates information and determinations in the municipal service review including changes that have taken place since the sphere of influence was adopted.

#### Water District Enabling Legislation and Active Powers:

Skyline County Water District was formed in December 1954 pursuant to County Water Code 30,000-33901 which provides that water districts may: furnish water, provide sewer services, operate recreational facilities, provide for waste collection and disposal, operate fire protection facilities and reclaim land. The District provides domestic water service and water for fire suppression.

Skyline County Water District Sphere of Influence:

As noted in the Service Review, in 1984 the Commission adopted a sphere of influence smaller than existing District boundaries to include an area along Skyline Boulevard reflecting areas that are eligible for water service and development according to the County's General Plan and Skyline Area Specific Plan. Since that time, the District has provided emergency service as need to neighboring Skylonda Mutual Water Company and Kings Mountain Park Water Company. The District provides service to Huddart Park outside district boundaries and since 1994 when such extension required LAFCo approval<sup>1</sup> the District has extended service to a residence outside District boundaries that had a failed well.

Sphere of Influence Determinations:

As noted above, Section 56425 requires the Commission to make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. The following section discusses these four areas of determination.

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

Lands uses within the District boundaries including various residential land use designations under the jurisdiction of the County of San Mateo and the Town of Woodside. District boundaries also include rural areas open space lands.

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<sup>1</sup> Section 56133 permits a District to provide service outside boundaries with LAFCo approval to areas within sphere in anticipation of annexation or outside boundaries or areas outside sphere of influence in cases where extension is to remedy an existing or impending public health threat.

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

The area within District boundaries consists of residential neighborhoods requiring basic services. Service delivery patterns to developed areas within District boundaries are summarized below:

<b>Service Responsibility</b>	<b>Provider:</b>
Police	County Sheriff
Fire	Woodside Fire District and CDF/County Fire (includes Kings Mountain Volunteer Brigade.)
Water	Skyline County Water District
Streets	County of San Mateo
Animal Control	Peninsula Humane Society via contract with Animal Control Joint Powers Agreement
Park & Recreation	County of San Mateo
Library	County Library System
Garbage Collection	Greenwaste

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

Skyline County Water District serves a remote, sparsely populated rural area of the County and provides water service only. The District has identified needed improvements including replacement of storage tanks and wharf hydrants with standard fire hydrants, and construction of a storage tank to provide for adequate emergency storage. Correspondence also indicates that water flow for fire suppression varies at hydrants within the District.

The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency

Skyline County Water District includes sparsely populated areas along Skyline Boulevard including unincorporated Kings Mountain Area. These areas are served by Woodside

Fire District, California Department Forestry/County Fire including Kings Mountain Volunteer Brigade, Greenwaste Garbage Company and the County of San Mateo for police services. A small area of Town of Woodside is included in District boundaries and some areas of the District are included in the Sphere of influence of the Town of Woodside. While the area served by the District shares common service delivery patterns with surrounding areas, it is not characterized as a single economic or social community of interest.

### **Recommended Sphere of Influence and Determinations**

Unlike other special districts in the County that are either overlapping or adjacent to a city or special district that could assume water service, Skyline County Water District is unique in that absent the alternative of transfer of service to CalWater, the District is the only alternative to water provision in the area. Based on the foregoing and the attached municipal service review, staff recommends that the Commission reaffirm the sphere of influence of the Skyline County Water District as shown on the attached map. The existing sphere acknowledges that the eligible service area of the District consistent with the County General Plan is substantially smaller than the boundaries of District formation. Reaffirmation of the sphere also acknowledges that absent the alternative of transfer of service to Calwater and in spite of the fact that water delivery via small water systems may be costly, the District is providing an essential service vital to the Skyline community. Reaffirmation of the sphere does not preclude the District from pursuing transfer of the water system to California Water Service Company and dissolution of the District.

The following summarizes sphere determinations that could be adopted by the Commission.

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

Land uses within the District boundaries include a variety of residential, resource management and visitor serving open space under the jurisdiction of the County of San Mateo and the Town of Woodside.

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

The present and future needs for water service in the area are not anticipated to increase substantially based on the rural nature and population growth estimates of service area. Surrounding areas served by small private water systems occasionally present additional demand for emergency service from the District.

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

The District provides domestic water service and water for fire suppression. The remote setting and size of the District service area and topography present additional challenges to providing adequate water storage and pressure.

**(4) The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.**

The District's sphere of influence and service boundaries include sparsely populated residential areas that are not characterized by a single social or economic community or interest.

Recommendation, by Resolution

It is respectfully recommended that the Commission:

- a) Adopt the attached municipal service review determinations, with any desired changes.
- b) Adopt the foregoing sphere of influence determinations and reaffirm the Skyline County Water District's sphere of influence.

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**Municipal Service Review**  
**& Sphere of Influence Review**  
**Skyline County Water District**  
**September 13, 2006**

**Introduction**

This draft municipal service review for the Skyline County Water District is being completed as required by Government Code Section 56430. Section 56430 requires that in order to prepare and update spheres of influence in accordance with Section 56425, the Local Agency Formation Commission shall conduct a service review of the municipal services provided in the county or other appropriate area. A municipal service review is an analysis of public services in which determinations are made regarding adequacies or deficiencies in service, cost effectiveness and efficiency, government structure options and local accountability. Following public input on a draft service review, LAFCo staff will prepare recommended determinations for Commission consideration at a public hearing. Once adopted, service review determinations are used in adopting or amending a sphere of influence. The municipal service review and sphere of influence review are not proposals for organizational change; rather they are state-mandated studies intended to inform the community served by the agency under study.

**Local Agency Formation Commission (LAFCo)**

Created by the State legislature in 1963, the Local Agency Formation Commission (LAFCo) is a State-mandated, independent commission with countywide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, consolidations and dissolutions. LAFCo adopts sphere of influence as plans for probable boundaries of cities and special districts. LAFCo operates pursuant to the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 and 57000 et seq.) LAFCo has two members of the Board of Supervisors, two city council members of the cities in the county, two directors of independent special districts in the county, a public member, and four alternate members (county, city, special district and public). As an independent commission, LAFCo adopts its own budget and contracts with the County of San Mateo for staff, facilities and legal counsel. The Executive Officer serves in the administrative capacity, which includes staff review of each proposal, municipal service

reviews and sphere of influence studies and assistance to local agencies and the public. LAFCo's net operating budget is apportioned in thirds to the County of San Mateo, the 20 cities and the 24 independent special districts. For additional information on LAFCo please visit [www.sanmateolafco.org](http://www.sanmateolafco.org).

### **Skyline County Water District**

Skyline County Water District (SCWD) was formed December 22, 1954 pursuant to State Water Code Section 30000<sup>1</sup> in order to replace private water service with a larger water supply for fire flow and domestic use. Formation of the district was pursued when California Water Service Company declined to take in the service area. Formation provided for assumption of service for several private water systems including Skywood Water Company, Skyline Village Mutual Water Company and Ware Acres Water Company. Consolidation of these small systems and construction of new facilities enabled the District to provide dependable water service to rural areas along Skyline Boulevard. Currently, District service includes 470 connections along the Skyline Ridge between Highways 92 and 84. In addition, on several occasions, the District has provided emergency water service to neighboring small systems including Skylonda Mutual Water Company.

District jurisdictional boundaries include 17 square miles extending westward into the County's coastal zone (Please see Attachment A - map of service area). The District cites an alternative boundary consisting of the service area pursuant to the water supply assurance agreement with the San Francisco Public Utilities Commission (SFPUC), which designates a more expansive service area extending westward beyond the District's actual boundaries (See Attachment B). As shown by the dashed line in Attachment A, the sphere of influence boundary for the District adopted by LAFCo in 1984 includes an area smaller than the District's actual boundaries along Skyline Boulevard reflecting areas that are eligible for water service and development according to the County's General Plan and Skyline Area Specific Plan.

The District purchases water from SFPUC and is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA) representing the interests of 26 cities and water districts, and two private utilities, that purchase water wholesale from the

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<sup>1</sup>Section 30000 of State Water Code provides for provision of water, sanitary sewer, garbage collection, fire protection and recreation services related to district owned lands



San Francisco regional water system. The District receives water from SFPUC via a single turnout. It is then pumped seven miles to the District's main storage facility and distributed through twenty-five miles of water transmission main along Skyline Boulevard north to Highway 92 and south to Highway 84. The system includes four storage tanks and due to elevation changes, 14 pressure-regulating stations to maintain adequate water pressure. The following provides an overview of the District.

**SKYLINE COUNTY DISTRICT**

14944 Skyline Boulevard  
Woodside, CA 94062-4559

Contact Person: Tammy Hannon, Gen'l Manager

650/851-0529 FAX 650/851-09531  
Website: www.skylinewtr.org

Date of Formation: December 22, 1954

Enabling Legislation: Section 30000 State Water Code

Governing Board: Five-member board of directors elected to four-year terms

- a. Membership and Term Expiration Date: Dan Cissell (11/07), John Jahraus (11/07), Leiv Lea (11/09), Chris Reynolds (11/09), William Stronck(11/09),
- b. Compensation: \$50 per meeting
- c. Public Meetings: Third Wednesday of the month at 7:30 p.m.  
13889 Skyline Boulevard, Woodside

Services Provided: Public water supply for domestic service and fire suppression. Water service is also provided to Huddart Park outside District boundaries and one private residence east of District boundaries.

District boundaries: Unincorporated Skyline Ridge Area,  
between Highways 92 and 84

Estimated Population: 1,650

Contractual Arrangements: Contracted legal and engineering  
Number of Personnel: 5 full time  
Sphere of Influence: Boundaries of 1984 less western rural area.

**Fiscal Data**

**Revenues:**

	<u>Adopted</u> <u>2004-05</u>	<u>Adopted</u> <u>2005-06</u>
Fees for Service & Misc. User Charges	751,424	742,244
CIP Charge	28,800	28,500
Other Operating Income	36,620	22,180
Property Tax (non Operating)	80,600	81,000
Other Non-Operating	10,779	7,750
<b>TOTAL REVENUES</b>	<b>\$908,223</b>	<b>\$881,674</b>

**Expenditures:**

Water Purchase	94,600	79,662
Power Purchased (transmission)	91,330	78,100
Operation & Maintenance	105,100	79,530
Personnel	379,118	375,327
Administration	36,490	34,465
Contract services (Legal, accounting, engineering, audit)	41,478	51,400
Depreciation, Insurance, Interest	159,900	159,996
<b>TOTAL EXPENDITURES</b>	<b>\$908,016</b>	<b>\$858,480</b>

The following section examines the State mandated Service review criteria as set forth in Government Code Section 56430.

**(1) Infrastructure needs or deficiencies**

The District's response to the service review states that the District has limited opportunity to purchase property for facilities and that all district owned facilities are used to the fullest potential. In addition to water lines, the District's property inventory lists the District office located at 14944 Skyline Boulevard, Skyline Control Building at 13385 Skyline, four tanks, the Edmonds Road pump station and a pressure station at Sierra Morena Rd.

The District reports that it also maintains a groundwater well that has the capacity to produce in excess of 20 gallons per minute. The water quality requires filtration, which would be cost prohibitive at this time. The well is maintained on a standby basis to be activated under emergency conditions.

The District's Five-year Capital Improvement Program (CIP) identifies capital improvement needs and is reviewed annually to prioritize projects. The CIP identifies replacement of the two Skywood 60,000 gallon storage tanks in excess of 50 years in age and near the end of their useful live, upgrading of deficient mains which may be undersize, vulnerable or in poor condition ongoing replace of wharf hydrants with standard fire hydrants, and construction of a storage tank in Wunderlich Park to provide for adequate emergency storage. The plan includes a summary of project budgets projected through the 2009-2010 fiscal year.

The District notes that the Capital Improvement Plan does not include replacement of the Sierra Morena Pump Station, stating that the District requested permission from the County to construct a storage reservoir at Wunderlich Park to resolve a restriction in flow capabilities due to extreme elevation change and the County responded that it would require approximately \$40,000 in annual compensation for loss of its public utility as a recreation resource. The District states that it continues to pursue the option of a storage facility and that converting the pressure station at Sierra Morena to a booster pump station is an alternative under consideration.

The District maintains a replacement reserve, plan and equipment reserve and capital improvement reserve that respectively totaled \$542,463 and 540,586 in 2005 and 2004 fiscal years. The District fee schedule includes a capital improvement fee.

Correspondence received by LAFCo and District minutes indicate that the District is responding to concerns regarding fire flow from District hydrants.

The District also notes that the District is equipped to handle emergency repairs with a basic stock of parts and construction equipment to provide for self-sufficiency in the event of disaster.

**(2) Growth and population projections for the affected area**

The SCWD territory includes residential area with an estimated population of 1,650. The service area consists of sparsely populated developed and undeveloped lands including lands zoned for residential, open space, and resource management. Specific population projects are not maintained for this area of the County, however Association of Bay Area Government "Projections 2006" projects growth in remainder<sup>2</sup> portions of the county at 14% by the year 2030. Using this projection the area could experience population growth of 231 persons by 2030.

**(3) Financing constraints and opportunities**

The District operates a large water system to serve a relatively sparsely populated and small customer base and provide water for fire suppression for a large forested area. Topography requires a unique system to transport the water from the San Francisco Water Department system to and throughout the service area, adding substantially to the cost of water delivery and system maintenance. Of note is that while proposed upgrades to the SFPUC system will be borne by all SFPUC customers through the cost of water, the cost of purchased water reflects 10% of the District's expenses in delivering water to its customers.

In regard to financing opportunities, the District includes a capital improvement plan charge in customer billing in addition to fees for water service. The District also actively pursues Proposition 50 grants in order to fund improved reliability of the main pump station and construction of an inter-tie with the California Water Service Company via the Woodside Mutual Water System. The inter-tie would provide an alternative supply line from San Francisco's Bay Division Pipeline 1 & 2.

The District's 2005/06 Fiscal year budget is summarized in the table below:

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<sup>2</sup> Remainder areas are areas designated as rural and not in spheres of influence of cities.

	<u>Adopted</u> <u>2005-06</u>
<b><u>Revenues</u></b>	
Fees for Service & Misc. User Charges	742,244
CIP Charge	28,500
Other Operating Income	22,180
Property Tax (non Operating)	81,000
Other Non-Operating	7,750
<b>TOTAL REVENUES</b>	<b>\$881,674</b>
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Water Purchase	79,662
Power Purchased (transmission)	78,100
Operation & Maintenance	79,530
Personnel	375,327
Administration	34,465
Contract services (Legal, accounting, engineering, audit)	51,400
Depreciation, Insurance, Interest	159,996
<b>TOTAL EXPENDITURES</b>	<b>\$858,480</b>

As shown above, as a district formed prior to implementation of Proposition 13, the District receives a share of the 1% property tax. This amounts to approximately \$81,000 annually and provides an offset to overall cost of service. Due to the Educational Augmentation Fund (ERAF) transfers from cities and special districts, the property tax revenues available to the Districts have diminished over time. The District's fee schedule includes a monthly service fee of \$5 for capital improvements.

The District has one outstanding loan (1977 Drought Relief Note) totaling \$358,000 at the end of the 2004-2005 Fiscal Year with repayment scheduled for 2018.

**(4) Cost avoidance opportunities**

Based on the cost of water transmission and system maintenance for the relatively small customer base, cost avoidance opportunities include expanding water service to small private systems within or adjacent to district boundaries. The District identifies eight private systems with a total of 875 connections that are within the District's water service area established by the water supply contract with SFPUC. Of those systems, one (Kings Mountain Mutual Water Co.) is within the actual boundaries of the District and three (Skylonda Mutual, La Honda Vista & Woodside Mutual) are outside but adjacent to or near District boundaries. Budgets and fees are not currently available for these privately operated systems, however, the possibility exists to share operation and transmission costs by assumption of service of these smaller systems, thereby spreading system operation cost over more customers while ensuring a more reliable water source to those currently served

by small systems with local water sources. Expansion of District boundaries or extension of service outside District jurisdictional boundaries to other small systems would be subject to environmental review and approval by LAFCo.

Also, given that a substantial portion of District expenditures are for personnel, administration and contract services, the District Board could consider the benefits of contracting with CalWater or transferring of a portion or all of operations to CalWater, which provides service to adjacent areas including the Town of Woodside. It is not suggested that the District is not providing effective service or that all of the approximate \$450,000 in annual personnel, administration and contract services would be eliminated, however based on the 470 connections in District boundaries, every \$100,000 of operations expenditure results in an average cost of \$212 per connection per year. In addition, CalWater could possibly serve neighboring small systems.

Since the August LAFCo meeting the District states that analysis could include comparison of personnel and operating expenses of other agencies and the District comments that SCWD personnel expenses are in median to low level in relation to other agencies in the bay area and a collection of small water systems in Northern California. The District notes that a Wage and Salary Report of Bay Area Water Agencies places the salary for field personnel on average 40% higher than SCWD and that various small water agencies (not in the immediate Bay Area/lower cost of living) surveyed noted that salary for field personnel is 10% higher on average in comparison to the SCWD. The District adds that in a comparison of operating cost versus personnel expense the SCWD personnel expense is in line with other water agencies in the Bay Area at 40% to 45% of total operating cost.

As noted at the end of page 6 and beginning of page 7 the LAFCo staff statement that a significant portion of the District's budget is personnel is not intended to suggest that the District is not providing effective service. It should be noted that this section of the service review calls for the Commission to examine cost avoidance opportunities which include ways to reduce costs including contracting for service. In regard to comparing the District to other agencies in Northern California that are small and sparsely populated as suggested by the District<sup>3</sup>, while this comparison may show similar personnel costs

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<sup>3</sup> In San Mateo County the smallest water agencies that even begin to approximate the number of connections of SCWD are more densely developed and much larger. Los Trances County Water District, prior to sale of the system

in relationship to budget for small remote agencies, such a comparison would serve to show a trend among small water agencies, but should not preclude investigating advantages of contracting for service to reduce personnel or service costs if it is a viable option based on proximity of neighboring water agencies.

The District comments preliminary discussions are underway with CalWater regarding inclusion in the Bear Gulch System and District board minutes indicate that a workshop will be held to discuss a potential purchase of the system.

(5) **Opportunities for rate restructuring**

The District adopts a tiered rate schedule annually as part of the annual budget process. Costs affecting water rates include water wholesale cost, capital improvements, maintenance, size of rate base and cost of transmission of water. As noted above, the District's distance from the SFPUC system, elevations and small customer base result in the highest water rate in the County while average consumption of the District within the average for the County. District water rates increase as consumption increases. The following represents the 2005-2006 and adopted 2006-2007 water rate schedule for residential use:

Consumption Range	Current 2005-2006	Proposed 2006-07
0-6 units	\$ 5.50 per unit	\$ 5.80 per unit <sup>4</sup>
7-16 units	\$ 7.60 per unit	\$ 8.00 per unit
17-35 units	\$10.90 per unit	\$11.50 per unit
36-70 units	\$13.20 per unit	\$13.90 per unit
71 -200 units	\$13.40 per unit	\$14.10 per unit
201 and over	\$14.50 per unit	\$15.30 per unit
Monthly Capital Improv. Charge	\$5.00 per residential connection	\$5.00 per residential connection
Residential Service Charge	\$24.50	\$35.00
Commercial Service Charge	\$30.00	\$45.00

Based on an average monthly consumption of 12 units, the average proposed monthly residential bill would be \$136.00.<sup>5</sup> Of the 18 SFPUC member water agencies in San Mateo County, the District is one of 10 that bill on a tiered basis in which rates increase with volume, thereby encouraging conservation. As reflected in

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had one full time position for 278 connections. Westborough Water has 4 full time employees for 3,500 connections Both agencies are more compactly developed than SCWD.

<sup>4</sup> Unit is 100 cubic feet of water or 748 gallons.

<sup>5</sup> BAWSCA annual report cites 12 units as average consumption for SCWD. By comparison, average consumption of 12 units at CalWater rates would result in an average monthly bill of \$40.98.

the 2005-2006 Budget, while the District's water service revenue falls short of covering the cost of water purchase and related operations expenditures, supplemented by property tax revenue, the District operates with a balanced budget and provides for annual capital improvement revenue of \$28,500.

**(6) Opportunities for shared facilities.**

The District cites that to fulfill the need for adequate water storage and supply the District is investigating the possibility of locating a water storage tank at Wunderlich Park, owned and operated by the County of San Mateo. Additional benefit from location of the tank would be improved water supply for fire protection to benefit nearby properties including those of Midpeninsula Regional Open Space District.

**(7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers**

For the purposes of this report, government structure options including advantages and disadvantages of reorganization of service providers include: continued existence of the District or dissolution of the District with transfer of service to a neighboring supplier (CalWater). Identifying governance structure options as required by Section 56430 does not suggest that the Skyline County Water District is not an effective agency or that any agency has expressed interest in taking the assuming District services.

As noted above, the District borders areas served by California Water Service Company including the Town of Woodside. Transfer of a water system is achieved through sale of the system and transfer of the water supply assurance pursuant to the agency's agreement with SFPUC. Sale of the system would therefore require approval by the SFPUC and because CalWater is regulated by the California Public Utilities Commission (CPUC) it would also require CPUC approval. Actual dissolution of the District requires application to LAFCo and if approved, a protest process and possible election depending up the results of the protest process.

The effects of dissolution are governed by Government Code Sections 57450-57463. If a district is dissolved, corporate powers cease on the effective date of dissolution and in the case of the Skyline County Water District, the County of San Mateo would become successor agency for winding up the affairs of the district, including payment of long term debt.

Dissolution would require transfer of the water system by sale to another entity such as CalWater. Upon dissolution, property tax revenues would be transferred to the County of San Mateo.

A fiscal analysis of dissolution or transfer of service is beyond the scope of this service review. However, advantages of dissolution and assumption of service by CalWater would include the benefit of economy of scale by joining a larger system and eliminating overhead costs associated with a small, remote water system. As noted above CalWater serves over 17,000 customers in nearby areas and is located administratively on El Camino in Atherton.

(8) **Evaluation of management efficiencies.**

This section examines the ability of an agency to provide efficient and effective service by meeting service demands and maintaining adequate staffing levels given the resources available.

The District has 5 full-time employees and contracts for legal and engineering services. Certified water distribution operators are required to comply with Federal and State regulatory monitoring and sampling for coli form bacteria and disinfectant bi-products. California State Health and Safety Code requires a Grade 2 Distribution License to operate or supervise the operation of a water system. The District employs three full-time licensed distribution operators and in addition, the General Manager is a certified Grade 2 Distribution operator (See Attachment C).

(9) **Local accountability and governance.**

This section examines the degree to which an agency keeps affected residents informed/educated about district services, budget, programs, anticipated changes in service, effectiveness of the district in responding to requests for information and the degree to which the district encourages public participation in decision making.

As a special district, the District is subject to the Ralph M. Brown Act governing public meetings. As noted above, the District has a five-member board elected by district voters. District meetings are held on the third Wednesday of the month at 7:30 p.m. at the local community center. The agenda is prepared and circulated prior with posting at the intersection of Highways 35 & 84, the District office and the community center. The District maintains a website ([www.skylinewtr.org](http://www.skylinewtr.org)). The



District website includes information on service, financial data and rebate programs. The District adopts a budget annually and publishes an Annual Water Quality Report, which is distributed to all customers. Budget data and all other information not subject to exception are provided pursuant to the Public Records Act.

**Recommended LAFCo Determinations Pursuant to Government Code Section 56430 regarding Skyline County Water District:**

1. Regarding infrastructure needs and deficiencies, the Commission determines:
  - a) Skyline County Water District plans and budgets for water system upgrades and maintenance to meet needs of customers however, the remote setting and size of the District service area and topography present additional challenges to providing adequate water storage and pressure.
  
2. Regarding growth and population projections for the affected area, the Commission determines:
  - a) The service area consists of sparsely populated developed and undeveloped lands including lands zoned for residential, open space, and resource management and projected growth in the area is modest at 231 persons by 2030
  
3. Regarding financial constraints and opportunities, the Commission determines:
  - a) The Skyline County Water District operates a large water system serving a small, sparsely populated customer base and provides water for fire suppression for a large forested area. This, combined with topography adds substantially to the cost of water delivery and system maintenance.
  
4. Regarding cost avoidance opportunities, the Commission determines:
  - a) The District is encouraged to examine the feasibility of either contracting with California Water Service Company (CalWater) for some or all of system maintenance and operations or transfer of the system to Calwater eliminating costs associated with operating an individual, small water system.

- b) Opportunities exist to include other underserved areas in the service area of the District or a successor agency, thereby spreading the cost of system maintenance over more customers.
5. Regarding opportunities for rate restructuring, the Commission determines:
- a) District water rates are the highest in the County due to topography and the large size of the system serving a small, sparsely populated customer base indicating a need to pursue methods to reduce rates when ever possible.
  - b) Rate restructuring opportunities appear to exist transfer of the system to Calwater resulting in inclusion of the smaller system in a service area of over 17,000 connections.
  - c) Absent transfer of the system to CalWater rate-restructuring opportunities should be investigated that include expanding customer base to include surrounding underserved areas.
6. In regard to opportunities for shared facilities, the Commission determines:
- a) The District serves a remote area of the County limiting opportunities for shared facilities.
7. In regard to government structure options, including the advantages and disadvantages of consolidation or reorganization of service providers, the Commission determines:
- a) Given the proximity of CalWater service area, a government structure option includes transfer of the water system of the District to Calwater and dissolution of the District.
  - b) Continued existence of the district could include analysis of expansion of district boundaries to include areas adjacent to the district currently served by mutual water companies or small, private systems
  - c) Dissolution of the District and transfer to CalWater would permit CalWater as successor agency to serve areas currently served by mutual water companies or small, private systems.
8. Regarding evaluation of management efficiencies, the Commission determines:
- a) The District is encouraged to examine potential management efficiencies that may exist through contracting with CalWater for system maintenance or other water service activities

9. Regarding local accountability and governance, the Commission determines:
  - a) The District is governed by a locally elected board that meets monthly, posts the District agenda at District offices and in the community and maintains a website informing the public of District services and activities including water conservation programs.