

Ventura Local Agency Formation Commission

Ventura County

Waterworks District No. 38

Municipal Service Review

Prepared By:
Ventura Local Agency Formation Commission
800 S. Victoria Avenue
Ventura, CA 93009-1850
Accepted by the Commission on May 18, 2016



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INTRODUCTION

Local Agency Formation Commissions (LAFCo) exist in each county in California and were formed for the purpose of administering state law and local policies relating to the establishment and revision of local government boundaries. As provided by what is now known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code § 56000 et seq.), known as CKH, LAFCo's purposes are to:

- discourage urban sprawl;
- preserve open space and prime agricultural land;
- ensure efficient provision of government services; and
- encourage the orderly formation and development of local agencies.

To achieve its purposes, LAFCos are responsible for coordinating logical and timely changes in local government boundaries, conducting special studies that identify ways to reorganize and streamline governmental structure, and determining a sphere of influence for each city and special district over which they have authority.

A [sphere of influence](#) is a plan for the probable physical boundaries and service area of a local agency, as determined by LAFCo (Government Code § 56076). Pursuant to Government Code § 56426.5(b), LAFCo shall determine the sphere of influence for any newly formed district within one year of the effective date of formation. Every five years, the Commission shall, as necessary, review and update the sphere of influence, pursuant to Government Code § 56425(g). Government Code § 56430(a) provides that in order to determine or update a sphere of influence, LAFCo shall prepare a [Municipal Service Review \(MSR\)](#) and make written determinations relating to the following seven factors:

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, adequacy of public services, and 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.

Ventura County Waterworks District No. 38 – Municipal Service Review

MSRs may include studies of private providers of public services, such as private water companies or public utilities regulated by the state Public Utilities Commission. MSRs, however, are not applicable to counties (except for special districts governed by a county Board of Supervisors). Additionally, while LAFCos are authorized to prepare studies relating to their role as boundary agencies, LAFCos have no investigative authority.

This MSR examines Ventura County Waterworks District No. 38 (VCWD 38 or District), which was formed on May 5, 2015 (effective June 3, 2015), in order to evaluate the District's services and to provide the Commission with information to establish a sphere of influence for the District. This is VCWD 38's first MSR.

The information used to prepare this service review report was obtained from several sources, including:

- **District Budget:** Information regarding services and funding levels was obtained from the Fiscal Year (FY) 2015-16 budget of VCWD 38, adopted on June 15, 2015;
- **Other District Documents:** Various VCWD 38 documents were used to obtain supplementary information relating to service provision [e.g., Sherwood Development Co. Water Master Plan (October 2006) and the VCWD 38 Water Production Report (September 2015)]; and
- **District Staff:** District staff provided information that was not available in the documents described above.

This report is divided into four subsections:

- **VCWD 38 Profile:** This subsection contains a summary profile of information about the District, including contact information, the governing body, financial information, and staffing levels;
- **Growth and Population Projections:** This subsection provides current and projected population for the area served by the District. As necessary, a discussion of future anticipated development is provided;
- **Review of Municipal Services:** This subsection contains a discussion of the services provided by the District; and
- **Written Determinations:** This subsection contains the recommended determinations for each of the seven mandatory factors used to determine an agency's sphere of influence.

The Commission's acceptance of this MSR and adoption of written determinations will be memorialized through the adoption of a resolution that addresses each of the seven mandatory factors based on the Written Determinations subsection of the MSR. All other material contained in this report should be considered background information.

VENTURA COUNTY WATERWORKS DISTRICT NO. 38 PROFILE

Governance Information

| | |
|--------------------|--|
| Formation Date | May 5, 2015 |
| Effective Date | June 3, 2015 |
| Form of Government | Board of Directors and General Manager |
| Board of Directors | Board of Directors consists of the Ventura County Board of Supervisors. |
| Board Meetings | Regular meetings are regularly held on Tuesdays at 8:30 AM, in the Board of Supervisors Hearing Room located at 800 S. Victoria Avenue, Ventura, CA 93009. |

Type of Service Potable retail water service

Staff 57 employees¹:
(1) Executive Management
(19) Professional and Support
(37) Operations

Primary Revenue Sources

Water Sales
Planning/Engineering Service Fees
Other Sales (e.g., fire protection)
Other Revenue (e.g., late charges, NSF fees)
Meter Sales and Installation Fees

Primary Expenditures

Water Purchases
Public Works Charges (e.g., labor)
Water System Improvements
Improvements/Maintenance
Depreciation Expenses

Contact Information

| | |
|-----------------|---|
| District Office | 6767 Spring Road, Moorpark, CA 93021 |
| Mailing Address | P.O. Box 250, Moorpark, CA 93021-0250 |
| Phone Number | (805) 378-3000 |
| Website | http://pwa.ventura.org/water-sanitation-department/water-and-sanitation-services |
| E-mail | david.sasek@ventura.org |

¹ VCWD 38 is staffed by the Ventura County Water and Sanitation Department (VCWSD or Department). The duties associated with each of the positions listed involves all of the projects and facilities managed by the VCWSD including those associated with VCWD 38. Therefore, the number of employees identified above does not reflect full-time positions assigned to VCWD 38.

District Formation and Powers

VCWD 38 was formed by means of a mailed ballot special election that occurred on May 5, 2015. The District became effective on June 3, 2015 upon recordation of a Certificate of Completion, and it began providing service in July 2015. VCWD 38 is authorized to provide potable water service within its service boundary and to additional territory that has been served since prior to January 1, 2001.

VCWD 38 is a dependent special district that is subject to LAFCo authority, pursuant to Government Code § 56036, and is authorized to provide services described in its principal act (Water Code § 55000 et seq.) within its boundaries. Any change in the District's boundaries or sphere of influence is subject to LAFCo approval. Additionally, any change in the authorized services provided by VCWD 38 is subject to LAFCo approval.

History

The historical Lake Sherwood community was originally developed in the early 1900s as a rural residential community surrounding a private lake constructed in 1904. The lake was named Lake Sherwood in the 1920s when the surrounding areas were dubbed "Sherwood Forest" and "Maid Marian Park" after being featured in the 1921 film "Robin Hood." The community is located immediately west of the City of Thousand Oaks and north of the Santa Monica Mountains, near the county line between the counties of Ventura and Los Angeles. In 1984, the Murdock Development Company (MDC) purchased much of the surrounding area and began to further develop the community into an affluent, gated residential community oriented around a golf course.

Until the 1990s, the community received water service from a mutual water company. In 1989, the Lake Sherwood Community Services District (LSCSD) was formed. The County Board of Supervisors served as the LSCSD Board of Directors and County staff served as CSD staff. The purpose of the formation of the LSCSD was to initially provide the new development with potable water service, and then various other services in the future once the new community was built out. At the time the LSCSD was formed, LAFCo, the County of Ventura and the MDC agreed to exclude the pre-existing residential areas from the LSCSD's boundaries. The reason for this action was to prevent existing residents' lots from being assessed for repayment of the bonds that were sold to finance the construction of the new water system. Though these historical neighborhoods were excluded, MDC agreed to install water infrastructure throughout the Lake Sherwood community, including the historical neighborhoods, allowing for the historical neighborhoods to receive water service from the LSCSD.

In 2000, Government Code § 56133 became effective requiring LAFCo approval in order for a district to extend service outside its boundaries. Prior to 2000 (and prior to Government Code § 56133 being enacted), several properties in the historical neighborhoods were connected to LSCSD's water system although they remained outside the LSCSD boundaries. Between 2000 and 2009, the LSCSD permitted several additional properties in the historical neighborhoods to be connected to the water system without LAFCo approval because the LSCSD believed that it was obligated to do so as part of its takeover of the mutual water company. In 2009, LAFCo informed

the LSCSD that Government Code § 56133 applied to all new service connections in the historical neighborhoods and that, pursuant to local policies, annexation to the LSCSD would be required for future service connections. There were several undeveloped parcels that remained in the historical neighborhoods, many of which were being contemplated for development.

The matter was considered by LAFCo multiple times in 2011 and 2012 as several owners of vacant properties in the historical neighborhoods sought building permits. Some landowners viewed the requirement to annex portions of their neighborhood to the LSCSD as a threat to their community's character, as the purpose of the LSCSD was primarily to provide water and other future services to the recently-developed gated community. The gated community is a much larger and distinctly separate community from the historical neighborhoods. Moreover, some argued that the requirement to annex was inconsistent with the original agreement from 1989 that excluded the historical neighborhoods from the LSCSD in the first place. The Commission considered the concerns of the residents and took various actions that would preserve the character of the historical neighborhoods while ensuring that efficient water service continued to be provided to the entire community.

The Commission was faced with a situation that included:

- An agreement made before Government Code § 56133 was enacted that allowed for water service in the historical neighborhoods without the requirement to annex to the LSCSD;
- Several unauthorized water service connections in the historical neighborhoods that occurred after Government Code § 56133 became effective;
- Several owners of vacant properties in the historical neighborhoods who were seeking building permits and were in need of water service;
- An active community desiring to preserve the character of the community; and
- A CSD that was intended to provide future services to the more recently-developed community.

The Commission resolved the multi-faceted dilemma in a way that appeased every stakeholder: it encouraged the LSCSD Board of Directors (i.e., the Board of Supervisors) to submit an application to form a county waterworks district to provide potable water service to the entire community. This approach would resolve the issues as follows:

- The new district would provide potable water service to the historical neighborhoods without the need to annex to the LSCSD, meeting the intent of the 1989 agreement;
- It would legalize the several unauthorized service connections by including them within the boundaries of the new district;
- In the meantime, it would allow for the approval of extraterritorial water service agreements with the LSCSD for those owners of vacant properties seeking building permits, as Government Code § 56133 allows for such agreements to be approved "in anticipation of a later change of organization," which includes a district formation;
- It would recognize and accommodate the desires of the community to preserve the community's character; and
- It would retain the LSCSD in order for it to potentially provide services to the more recently-developed community in the future.

In November 2014, the Commission approved the proposal to form VCWD 38 to provide water service in the Lake Sherwood community and divest the LSCSD of its power to provide water service, subject to confirmation by the voters within the entire Lake Sherwood community. In May 2015, a special election was held and the formation was approved by the voters, with 81% of the votes in favor of the proposal. The new district began providing water service in July 2015.

Population and Service Area Information

VCWD 38’s service area includes the 2,048-acre Lake Sherwood community located west of the City of Thousand Oaks, as well as Ventura County Fire Protection District Station No. 33. Two residential properties (totalling 67 acres) located outside of the VCWD 38 service area have also been receiving water service from the LSCSD since prior to January 1, 2001.

Based on United States Census data, the population of the Lake Sherwood community in 2014 was estimated to be 1,526 (Ventura County Census Designated Place No. 39735 within Census Tract 73). The average household population in this area is 2.8 people. Therefore, the combined population for areas served by VCWD 38 is estimated as shown in Figure 1 below:

Figure 1: Lake Sherwood Size, Household, and Population Information

| Area of Lake Sherwood | Size in Acres | Number of Households | Estimated Population (2014) | Estimated Population (at Build-Out) |
|----------------------------------|---------------|----------------------|-----------------------------|-------------------------------------|
| Within VCWD 38 Service Boundary | 2,048 | 708 | 1,526 | 2,078 |
| Outside VCWD 38 Service Boundary | 67 | 2 | 6 | 6 |
| Total | 2,115 | 710 | 1,532 | 2,084 |

The District currently has 774 service connections, including the golf course. During the 2015 calendar year, VCWD 38 served 1,265.7 acre-feet of water.

Public Agencies with Overlapping Jurisdiction

The following public agencies have overlapping jurisdiction with VCWD 38:

- | | |
|---|---|
| Calleguas Municipal Water District | Ventura County Fire Protection District |
| Conejo Recreation and Park District | Ventura County Resource Conservation District |
| Conejo Valley Unified School District | Ventura County Service Area No. 14 |
| County of Ventura | Ventura County Service Area No. 32 |
| Gold Coast Transit District | Ventura County Service Area No. 33 |
| Lake Sherwood Community Services District | Ventura County Transportation Commission |
| Triunfo Sanitation District | Ventura County Watershed Protection District |
| Ventura County Community College District | Ventura Regional Sanitation District |

Of the agencies listed above, only the Calleguas Municipal Water District (a wholesale water provider) provides water service within the jurisdictional boundaries of VCWD 38. VCWD 38 is a retail water provider, and all of the water it serves is provided by the Calleguas Municipal Water District.

Summary Financial Information²

As shown in Figure 2 below, the majority of VCWD 38’s budget and revenue (about 95%) consists of water sales. Other revenue sources include Planning/Engineering Service Fees, Other Sales (e.g., fire protection), Other Revenue (e.g., late charges, NSF fees), and Meter Sales and Installation Fees.

Figure 2: Operating Revenues

| Operating Revenues | 2015-16 Budget |
|---|--------------------|
| Water Sales | \$2,391,800 |
| Planning/Engineering Services Fees | \$30,000 |
| Other Sales (e.g., Fire Protection) | \$28,000 |
| Other Revenue (e.g., Late Charges, NSF Checks, Door Hanger Charges) | \$25,000 |
| Meter Sales and Installation Fees | \$20,000 |
| Interest Earnings | \$15,800 |
| Other (breakdown available in VCWD 38 Budget) | \$1,800 |
| Rate Stabilization Fund ³ | \$628,400 |
| Total Operating Revenues | \$3,140,800 |

As demonstrated below in Figure 3, most of VCWD 38’s expenses (about 65%) are related to the purchase of water. Other top expenditures are for Public Works charges (e.g., labor), water system improvements, improvements/maintenance, and depreciation expenses.

Figure 3: Operating Expenses

| Operating Expenses | 2015-16 Budget |
|---|--------------------|
| Water Purchases | \$2,053,800 |
| Public Works Charges | \$337,600 |
| Water System Improvements | \$175,000 |
| Improvements/Maintenance | \$123,000 |
| Depreciation Expenses | \$114,300 |
| Other (breakdown available in VCWD 38 Budget) | \$337,100 |
| Total Operating Expenses | \$3,140,800 |

² Financial information was collected from VCWD 38 FY 2015-16 Budget.

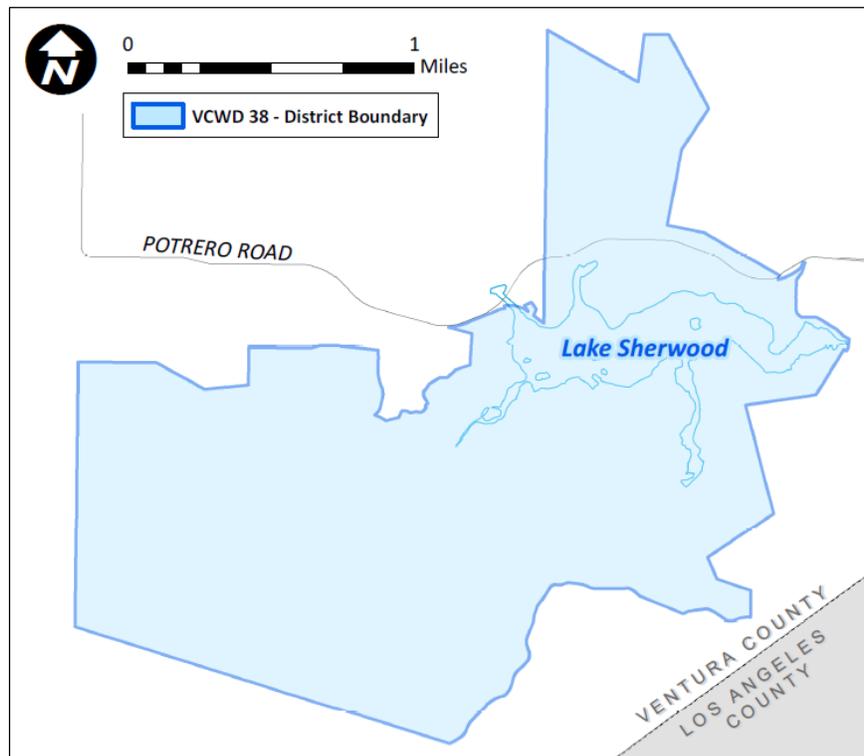
³ Revenue from water sales is assigned at the lowest rate (i.e., Tier 1). Additional revenue collected at higher rates (e.g., Tier 2) is deposited into a Rate Stabilization Fund. The Rate Stabilization Fund revenue is used to balance the budget at the end of each fiscal year.

GROWTH AND POPULATION PROJECTIONS

LAFCo is required to project the growth and population for the affected area [Government Code § 56430(a)(1)].

United States Census data documents that the population of the Lake Sherwood community in 2014 was estimated to be 1,526, which represents a growth of 10% since 2010 (the Lake Sherwood community is Ventura County Census Designated Place No. 39735 within Census Tract No. 73). VCWD 38 serves the Lake Sherwood community, as well as two residential parcels and Ventura County Fire Protection District Station No. 33 located outside the community (the fire station is within the VCWD 38 service boundary, but the residential parcels are not). The District currently has 774 service connections. Based on the number of vacant residential parcels (approximately 197) within the community and the average household size (2.8 persons per household), the population of Lake Sherwood is expected to grow by about 552, or about 36%, to 2,078 upon build-out of the community. The combined estimated population for areas served by VCWD 38 is shown in the final column of Figure 1 above. The service boundary is depicted below in Figure 4:

Figure 4: VCWD 38 Service Boundary



REVIEW OF MUNICIPAL SERVICES

The review of District services is based on provisions of state law which require LAFCo to make determinations regarding the present and planned capacity of public facilities, the adequacy of public services, infrastructure needs and deficiencies, and the District's financial ability to provide these services [Government Code § 56430(a)(3)].

District Services

Since FY 2005-06, VCWD 38 (previously providing water service as the LSCSD) has purchased retail water from the Calleguas Municipal Water District ranging from approximately 1,140 to 1,582 acre-feet per year (AFY), and sold approximately 1,122 to 1,498 AFY. The adopted budget for FY 2015-16 anticipates retail water purchases from the Calleguas Municipal Water District of 1,470 acre-feet and sales of 1,276 acre-feet. Additionally, Calleguas Municipal Water District rates (Tier 1 and Tier 2) range from \$1,210 per acre-foot to \$1,340 per acre-foot, with an estimated water purchase cost of \$1,807,593 for the estimated 1,470 acre-feet. Additional estimated charges by the Calleguas Municipal Water District are itemized in the District's budget document, for a water purchase total budgeted at \$2,053,758.

District Facilities

The District's water system consists of three pressure zones:

- Pressure Zone 1: Supplies water from a 3.4 million-gallon above-ground water storage tank.
- Pressure Zone 2: Supplies water from a 1.64 million-gallon subterranean water storage tank.
- Pressure Zone 3: Supplies water during low demand periods with minimal pump operation.

The existing facilities and infrastructure are adequate to provide service at the current level of development. Upgrades to the District's facilities and installation of new infrastructure (e.g., main lines and lateral lines) will be funded by the developer of new development within the community, as needed to support the new development and maintain existing levels of service for existing development. Planned improvement projects include a pressure-reducing station, replacement of a radio and programmable logic controller, and general water system improvements.

Staffing Levels

VCWD 38 is staffed by the VCWSD. It achieves management, administrative, and operational efficiencies, as the Department is responsible for staffing four water districts, seven sewer districts and service areas, and one recycled water system within the County. The Department does not have specific staff designated to the operation of VCWD 38 and support and maintenance of its facilities. Instead, Department staff is assigned to VCWD 38, generally at a cost to VCWD 38 based on total Department staffing costs multiplied by the percentage of Department customer accounts dedicated to VCWD 38. Currently, 57 employees support the Department. According to District staff, the expected increase in the number of water connections as the Lake Sherwood community continues to be developed is not expected to result in any notable changes in total staffing of the Department or the Department workload assigned to the District.

WRITTEN DETERMINATIONS

The Commission is required to prepare a written statement of its determinations with respect to each of the subject areas provided below [Government Code § 56430(a)].

1. Growth and population projections for the affected area.

VCWD 38's service area includes the Lake Sherwood community located west of the City of Thousand Oaks, as well as Ventura County Fire Protection District Station No. 33. Two residential properties located outside of the VCWD 38 service area have also been receiving water service from the LSCSD since prior to January 1, 2001. Based on United States Census data, the population of the Lake Sherwood community in 2014 was estimated to be 1,526 (Ventura County Census Designated Place No. 39735 within Census Tract 73). The average household population in this area is 2.8 people. Therefore, the combined population for areas served by VCWD 38 is estimated as shown in Figure 1 above.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

A *Disadvantaged Unincorporated Community* (DUC) is defined as a community with an annual median household income that is less than 80% of the statewide annual median household income (Government Code § 56033.5). According to Ventura LAFCo Commissioner's Handbook Section 3.2.5, Ventura LAFCo has identified two unincorporated communities that qualify to be DUCs:

- Nyeland Acres: the developed territory located north of the City of Oxnard and generally bounded by Santa Clara Avenue, Friedrich Road, Almond Drive and State Route 101; and
- Saticoy: the area east of the City of San Buenaventura generally described as being within the boundaries of the Ventura County Saticoy Area Plan.

VCWD 38's sphere of influence has not yet been determined by the Commission. However, its current service area and boundary are not contiguous to and do not include either of the DUCs identified above.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.

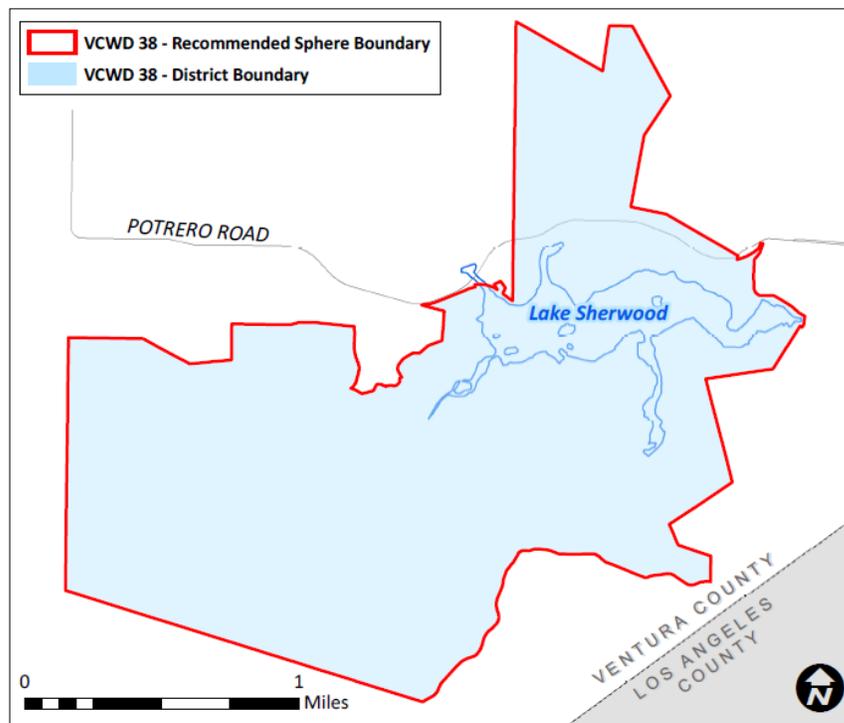
VCWD 38 operates a public water system that provides domestic water service to the Lake Sherwood community, as well as to three properties that are adjacent to the community [i.e., Assessor's Parcel Number (APN) 695-0-062-01 (Ventura County Fire Protection District Station No. 33) and residential parcels APN 695-0-031-17 and 664-0-020-10]. It

plans to continue serving existing customers as well as provide service to new customers located within its service boundary.

The recommended sphere of influence for VCWD 38 is identical to that of its predecessor, LSCSD, at the time of service transfer in July 2015 (the LSCSD sphere has since been reduced to eliminate the parcel occupied by the fire station). However, in contrast to LSCSD, VCWD 38 is authorized to provide new and extended service connections to historical residential neighborhoods within the Lake Sherwood community that are not within the LSCSD’s service boundary.

Although the recommended VCWD 38 sphere of influence is identical to its service boundary, approximately 197 parcels within the community have yet to be developed and they therefore do not currently receive service from VCWD 38. According to District staff, the total water demand for the VCWD 38 service area, including demand upon buildout of the community, is expected to be 1,665.7 AFY. Existing infrastructure and pipes are sized and located to accommodate future development within the community; however, infrastructure will not be fully in place until buildout of the community.

Figure 5: VCWD 38 Recommended Sphere of Influence



VCWD 38 is staffed by the VCWSD, which employs 57 staff members. VCWSD staff resources are proportionally distributed among water districts and sewer districts and service areas served by the VCWSD.

The District has demonstrated that it has the capacity to provide additional service and facilities, as needed.

4. Financial ability of agencies to provide services.

The adopted VCWD 38 Operating Budget for FY 2015-16 is \$3.1 million, the majority of which is water sales (\$2.4 million). Most of VCWD 38's operating expenses are for water purchases (about \$2.1 million). Based on a review of the adopted FY 2015-16 budget and information supplied by District staff, it appears that VCWD 38 has the financial ability to provide potable water service to its existing and future customers.

5. Status of, and opportunities for, shared facilities.

VCWD 38 is the sole retail domestic water provider in the Lake Sherwood community. There are no apparent opportunities for VCWD 38 to combine and/or coordinate service efforts with other agencies for retail water service within the VCWD 38 service area boundary or recommended sphere of influence boundary.

6. Accountability for community service needs, including governmental structure and operational efficiencies.

VCWD 38 is accountable through an appointed legislative body, adherence to applicable government code sections, open and accessible Board of Directors meetings (i.e., Ventura County Board of Supervisors meetings), public dissemination of information, and encouragement of public participation. VCWD 38 could improve its public reach and transparency through updates to the VCWSD website to reflect current and past budgets and the current and recent Board of Directors agendas and meeting minutes. VCWD 38 achieves operational efficiencies by way of being staffed through the VCWSD.

7. Any other matter related to effective or efficient service delivery, as required by Commission policy.

No other matters were identified.