

# **Regional Flood Control Districts**

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*Municipal Service Review*

November 28, 2007 Draft

**Prepared for the  
Riverside County Local Agency Formation Commission**

**Public Financial Management**

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## I. Introduction

The *Regional Flood Control Districts Municipal Service Review* (the “MSR”) is an evaluation of the 2 local government agencies that manage flood and stormwater in Riverside County. The MSR has been prepared to assist the Riverside County Local Agency Formation Commission (“LAFCO”) satisfy the requirement of a municipal service review as set forth by state law (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH Act”; CA Government Code §56000 et seq.)).

### Statutory Requirements

The Government Code requires that LAFCO analyze and make “determinations” in nine areas relating to municipal services. As set forth in Section 56430 of the Code:

“LAFCOs must include in the area designated for municipal service review the county, the region, the sub-region, or other geographic area as is appropriate for an analysis of the service or services to be reviewed and, as noted previously, must prepare a written statement of its determination with respect to each of the following:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.”

A determination is defined, for the purposes of the MSR, as an assessment of the adequacy of the municipal service (in each of the nine areas identified in the Code) based on common benchmarks, “best practices,” and minimum standards generally used in the management of local government services, including those identified by the Governor’s Office of Planning and Research in its *Local Agency Formation Commission Municipal Service Review Guidelines*.

The MSR is not a management audit of the local agencies. The MSR does not attempt to identify process improvements or changes in policies or procedures that have the potential to improve the delivery of municipal services. The MSR instead attempts to compare existing conditions of a particular local agency to minimum standards for performance and practices generally promoted by government, using data that are currently available.

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## Summary of Determinations

The following table summarizes the significant determinations of the MSR. The determinations identify areas that LAFCO may wish to consider in its current and future analysis of service responsibility or spheres of influence for the two local agencies that provide flood control service in the County.

### Significant Determinations Regional Flood Control Districts MSR

Agency	Determinations
Riverside County Flood Control and Water Conservation District	<ul style="list-style-type: none"><li>▪ A trade group makes finding in 2005 that much of the infrastructure has insufficient capacity and is beyond its useful life; MSR finds that virtually all infrastructure has been placed in service since 1980 and is well within its useful life</li></ul>
Coachella Valley Water District	<ul style="list-style-type: none"><li>▪ Large stormwater fund balance, without approved plan for expending accumulated balance; limited availability of financial information, which restricts public accountability</li></ul>

The MSR has not identified any significant issues that substantially impair the provision of the municipal services subject to this review. However, as summarized in the table above, there are two issues to note.

The trade group American Society of Civil Engineers (“ASCE”) stated in 2005 that much of the flood control infrastructure in the “Inland Empire” (which includes Riverside and San Bernardino Counties) was beyond its useful life or capacity and that an investment of \$5 billion was needed. The MSR is unable to support the ASCE finding that the flood control infrastructure is beyond its useful life, as this finding does not appear consistent with RCFCD documents. The RCFCD inventoried and appraised its flood control assets in 2001 and found that virtually all infrastructure was placed in service or renovated in the last 25 years and was well within its useful life.

The Coachella Valley Water District, in general, has very limited financial information publicly available, which restricts its accountability to constituents. The CVWD has also accumulated a large balance of cash and investments in its stormwater fund, and this amount is over four times its annual revenues. Yet, the CVWD has no approved long-term plan to expend these funds. The lack of financial information makes it difficult to evaluate the CVWD’s effectiveness in utilizing its resources.

LAFCO may wish to further evaluate this issue when making future determinations regarding the CVWD, as it could be an indication of the CVWD’s ability to effectively deliver municipal services.

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## **Approach**

The CKH Act requires that LAFCO make determinations with respect to nine areas, but allows for a range of approaches and methodologies in order to make such a determination. This MSR attempts to make the required determinations (on behalf of LAFCO), using information prepared by the local agencies subject to the review, other government or regulatory agencies, trade groups, and news media. This information is evaluated using independent and credible criteria that are commonly used to evaluate municipal services, including minimum service standards, best practices, and averages for similar government agencies.

The MSR does not audit the local agencies, as LAFCO has deemed this level of analysis to be beyond the scope of the MSR. The MSR attempts to identify only those service concerns or issues that are known to exist, have been identified by the local agency subject to the MSR or other credible organization, or are revealed based on a comparison to minimum service standards, widely-used best practices, and averages for similar government agencies. The limited scope of the MSR restricts much of the analysis that could be undertaken, which could have the effect of increasing the efficiency and effectiveness of municipal service delivery.

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## II. Riverside County Flood Control and Water Conservation District

The RCFCD provides the vital function within the County of protecting residents and their property from flood waters and helps the region meet stormwater environmental standards. As the County continues to experience relatively rapid new construction and urbanization, the RCFCD's service demands will continue to be great. Upon review of the RCFCD's recent and planned programs and projects, there are no indications that the RCFCD has been unable to meet its mandates.

In 2005, the trade group ASCE released a study that found that much of the flood control infrastructure in the Inland Empire has reached its useful life or has insufficient capacity and that this infrastructure must be replaced or upgraded. The MSR is not able to substantiate the ASCE findings, as RCFCD documents show its infrastructure to be relatively new.

The RCFCD is also a lead agency for the regional NPDES stormwater permit. The permit, which is periodically reissued, sets forth various steps and practices that must be undertaken by each of the permittees, including the RCFCD. The RCFCD believes it has complied with the requirement of the current permit. Nevertheless, stormwater regulations have evolved significantly in recent years, and future NPDES permits may include much greater burdens on the permittees to more effectively manage stormwater quality. LAFCO should continue to monitor the RCFCD's responsibilities as part of future NPDES stormwater permits when making any future determinations regarding the RCFCD.

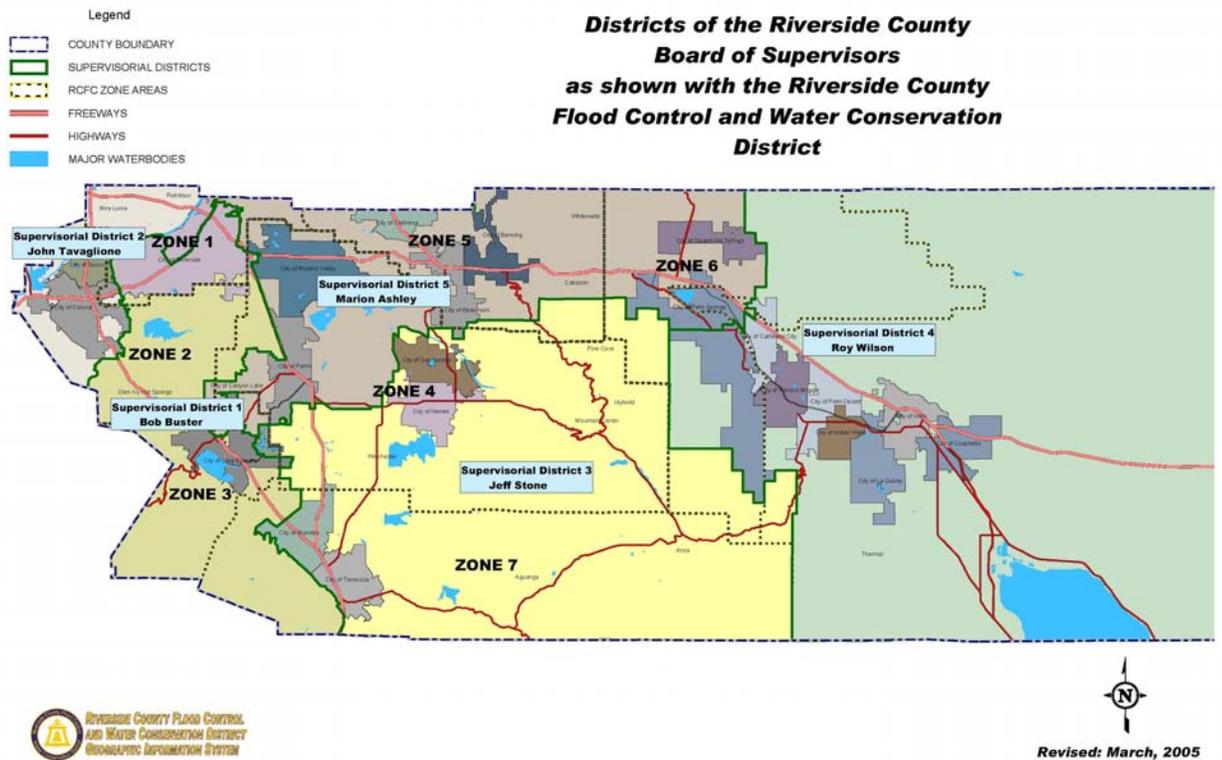
### Description

The Riverside County Flood Control and Water Conservation District (the "RCFCD") was formed in 1945 and provides flood control and stormwater management service to approximately 1.68 million people.<sup>1</sup> The RCFCD's service territory covers the western portion of Riverside County, extending easterly to Palm Springs and Desert Hot Springs and encompasses 2,700 square miles of area. The RCFCD is divided into seven geographic Zones. The revenue generated in each Zone is spent on projects located within or that directly benefit that Zone.

The following map shows the RCFCD zone boundaries and County Board of Supervisor districts.

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<sup>1</sup> Riverside County Flood Control and Water Conservation District, *Annual Budget, Fiscal Year 2007-2008*, p. 11.



**Figure 1: Riverside County Flood Control and Water Conservation District**

The RCFC’s primary functions are to control flood waters and manage (along with the County and other cities within the County) the stormwater quality within its service territory. To this end, the RCFC plans for and helps construct facilities, such as open channels, storm drains, and levees that safely divert and channel flood waters. The County is subject to seasonal flooding, and the RCFC’s facilities help protect the public and limit property damage.

The RCFC also manages many of the requirements associated with regional stormwater quality management. The RCFC serves as lead “permittee” for the “MS4” National Pollutant Discharge Elimination System (“NPDES”) stormwater permit that is issued by the State Water Resources Control Board (“SWRCB”), and assists in the administration of the permit, public education and pollution prevention programs, and the monitoring of stormwater quality. There are several impaired water bodies within western Riverside County, and the RCFC and other NPDES co-permittees (i.e. other cities in western Riverside County and the County) are required to take specific steps to better manage the quality of stormwater and urban runoff or potentially face enforcement actions from the SWRCB. In the event that

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much stricter stormwater regulations are imposed, the RCFCD's obligations under the MS4 permit may increase.

As of fiscal year 2007-08, the RCFCD employs about 250 people and currently has an operating budget of approximately \$80 million.

## **Determinations**

### **1. Infrastructure Needs and Deficiencies**

The RCFCD's infrastructure needs are driven by new construction and its mandate to provide adequate flood control. As new development occurs in the County, flood control facilities must be constructed to divert and channel flood waters in newly populated areas. In addition, the RCFCD must address known flood hazards, such as Murrieta Creek, which experienced large-scale flooding in the early 1990s that resulted in a significant amount of property damage.

The RCFCD must also repair, rehabilitate, or replace its existing infrastructure (flood channels, storm drains, laterals, underground systems) as the flood control system ages. The RCFCD has an extensive infrastructure monitoring program to identify needed repairs, but it is unclear whether the RCFCD has a plan to adequately address the long-term capacity or replacement needs of its existing infrastructure.

#### Master Drainage Plans and Area Drainage Plans

The RCFCD prepares "master plans" that identify the infrastructure necessary to adequately control flood waters in its service territory, given the existing development and allowable land uses set forth in the general plans of the cities and County.

The RCFCD also prepares area drainage plans ("ADP") that are similar to the related master drainage plans, which are used to determine an "area drainage fee" that is charged to developers. The amount of the area drainage fee is related to the specific infrastructure needed in a particular ADP. The ADPs and area drainage fees are actually adopted by the respective city or County, as the RCFCD does not have land use authority.

#### National Flood Insurance Program

Much of the infrastructure needs for the RCFCD is determined in the context of the RCFCD's "floodplain management regulation," which the RCFCD prepares to comply with the National Flood Insurance Program ("NFIP") administered by FEMA. The floodplain management regulation was enacted through Ordinance 458.1. The ordinance, among other things, regulates the structure and improvement of manufactured homes, subdivisions, buildings, water supply and sanitary sewage systems, and the design requirements of

the lowest floor of residential and non-residential structures. Participation in the NFIP allows residents in the unincorporated parts of County to be eligible to purchase flood insurance through NFIP. Federally regulated mortgage lenders require that homeowners within designated “floodplains” identified in the NFIP maps purchase flood insurance.

Capital Improvement Program

The RCFCD identifies its immediate infrastructure needs in the five-year capital improvement plan (“CIP”), which it updates annually. The specific projects are identified as part of the Zone Budget Hearings.

The ten largest capital projects, as measured by expenditures over the next five years, are shown in the following table.

**Riverside County Flood Control and Water Conservation  
District  
Ten Largest Capital Projects**

<u>Design and Construction Projects</u>	<u>Zone</u>	<u>5-year Total</u>
Romoland MDP Line A	4	\$63,605,000
Murrieta Creek Channel	7	32,630,010
Palm Springs MDP Line 41	6	15,914,920
Verbena Channel	6	12,101,340
Little Lake MDP Line B	4	10,511,030
Belltown - Market St Channel & Lat B-1	1	8,793,170
Santa Ana Canyon-Below Prado	2	8,054,210
Eagle Canyon Dam	6	7,908,220
Day Creek Channel	2	7,851,350

Source: Riverside County Flood Control and Water Conservation District, Annual Budget, Fiscal Year 2007-2008.

A description of the RCFCD’s largest capital projects is provided below.

- Romoland MDP Line A – Includes an open channel and underground system that will be constructed by the property owner/developer. The property owners and developer are expected to fund the costs of the project though development fees and special taxes.
- Murrieta Creek Channel – Involves the widening of the existing channel from Temecula to Murrieta to better handle future flooding, and incorporation of earthen walls and vegetation to help benefit the watershed. The project is being constructed and primarily funded by the Corps of Engineers.

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- Palm Springs MDP Line 41 – An extension to storm drain line 41 that will help protect downstream development. The project is being constructed in combination with the Eagle Canyon Dam. The project will be funded from developer fees and special taxes from property owners.

#### ASCE Report Card

The American Society of Civil Engineers (“ASCE”) periodically prepares an independent assessment of flood control infrastructure in the “Inland Empire” (which constitutes Riverside and San Bernardino Counties). In 2005, the ASCE prepared its infrastructure “Citizen’s Guide,” which found that the Inland Empire requires substantial spending on flood control infrastructure improvements over the next ten years.<sup>2</sup> The ASCE found that half of the existing infrastructure has reached its useful life or has insufficient capacity. Additionally, the ASCE found that major portions of the regional system that are identified in master plans have yet to be constructed. The ASCE estimated that \$5 billion is required over the next ten years to modernize the region’s flood control systems, and rated the region’s flood control infrastructure as being a “D.”

The MSR authors have reviewed the ASCE analysis regarding Inland Empire flood control infrastructure needs, and are unable to verify the ASCE findings as they relate to the RCFCD. The ASCE did not provide any documentation of its findings upon request, such as an inventory of RCFCD flood control assets or the capacity, useful life, or condition of these assets. However, as discussed in section “Asset Inventory and Appraisal,” the RCFCD recently inventoried its assets and determined that virtually all of its infrastructure (including major channels and storm drains) have been placed in service or renovated since 1980 and were well within its respective useful life.

The RCFCD also monitors the condition of its existing infrastructure as part of a “storm patrol” program that involves the inspection of flood control facilities when there is impending rain. The extent of the storm patrol inspections depend on the severity of the rain. The storm patrol inspects all of the RCFCDs facilities and also responds to public inquires. The RCFCD does not, however, evaluate the capacity of the RCFCD’s assets or identify an upgrade or replacement schedule for its assets.

#### Asset Inventory and Appraisal

In 2001, the RCFCD conducted a comprehensive inventory and appraisal of its assets, including land and infrastructure.<sup>3</sup> The RCFCD undertook the inventory and appraisal as part of its efforts to comply with the new accounting standards resulting from Governmental Accounting Standards

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<sup>2</sup> American Society of Civil Engineers, *Inland Empire’s Infrastructure for Riverside & San Bernardino Counties: A Citizen’s Guide*, 2005.

<sup>3</sup> Report from MAXIMUS, Inc., January 16, 2002.

Board Statement No. 34, which requires that local governments report the value of its infrastructure assets.<sup>4</sup> The asset inventory revealed that virtually all of the RCFCD's infrastructure has been placed in service or renovated during the last 25 years and that only a small amount has been depreciated as of 2001. The RCFCD's asset inventory and appraisal does not support the ASCE finding that half of the Inland Empire flood control infrastructure had reached its useful life.

The following table shows the original cost and accumulated depreciation of RCFCD infrastructure as of 2001.

**Riverside County Flood Control and Water  
Conservation District  
Infrastructure Original Cost and  
Accumulated Depreciation as of 2001  
(Dollars in Millions)**

	<b>Original Cost</b>	<b>Accumulated Depreciation<sup>[1]</sup></b>
Zone 1	\$ 64.077	\$ 7.738
Zone 2	51.702	6.644
Zone 3	16.638	1.596
Zone 4	104.428	13.562
Zone 5	8.827	1.057
Zone 6	48.946	6.220
Zone 7	68.049	5.160

Notes:

[1] – Storm channels are depreciated over 99 years;  
storm drains are depreciated over 65 years.

## **2. Growth and Population Projections for the Affected Area**

Given that much of the RCFCD's service demand is a function of urbanized growth in the County, the RCFCD benefits from projections of population and the number of households in its service territory. The RCFCD does not prepare its own population projection. However, the County, Southern California Association of Governments, and State of California prepare demographic projections for western Riverside County that the RCFCD can rely upon.

The Riverside County Center for Demographic Research forecasts that between 2010 and 2020, the population for the Western Riverside Council of Governments ("WRCOG"), which represents much of the same area as the RCFCD, will increase from 1,735,426 in 2010 to 2,096,544 in 2020 (a 1.9%

<sup>4</sup> The RCFCD inventory and appraisal includes all RCFCD assets. GASB 34 requires only that assets acquired after June 15, 1980 are valued.

average annual increase).<sup>5</sup> The expected population growth for the WRCOG is lower than the rest of County but slightly higher than the statewide average of 1.21%.

**Projected Population and Households  
WRCOG Cities**

	<u>2010</u>	<u>2015</u>	<u>2020</u>	<b>Average Annual Growth Rate (2010-2020)</b>
<b>Population:</b>				
WRCOG	1,735,426	1,918,962	2,096,544	1.91%
County of Riverside	2,242,744	2,509,330	2,809,006	2.28%
State of California	39,135,676		44,135,923	1.21%
<b>Households:</b>				
WRCOG	589,689	658,412	726,846	2.11%

Source: Riverside County Center for Demographic Research/TLMA, *Riverside County Projections 2006*; California Department of Finance.

**3. Financing Constraints and Opportunities**

The RCFCD receives revenue primarily from a portion of the 1% general property tax. Other revenue sources include charges for RCFCD services, such as plan check fees, and the “area drainage” developer fee. The RCFCD expends its revenues for its staff costs and for its capital improvement program.

The RCFCD has experienced significant growth in government funds (which includes stormwater funding) revenues over the three fiscal years 2003-04 through 2005-06. Total revenues increased 47% over this period, and the ending fund balance in 2005-06 was \$138 million (almost 200% of annual revenues). Given the historical strong growth in revenues and relatively large fund balance, the RCFCD does not exhibit signs of a financing constraint.

<sup>5</sup> The WRCOG include the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto, and Temecula, and portions of unincorporated Riverside County.

**Riverside County Flood Control and Water Conservation District  
Historical Revenues, Expenditures, and Fund Balance  
Government Funds  
(Dollars in Millions)**

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
<b>Revenues:</b>			
Property taxes	\$ 28,620	\$ 32,306	\$ 42,701
Intergovernmental	-	-	887
Special assessments	2,464	2,347	2,436
Charges for services	3,828	12,906	4,752
Charges for administrative services	3,661	5,563	6,423
Area drainage fees	7,027	4,629	7,541
Investment Income	913	2,703	4,463
Use of assets	671	121	73
<b>Total Revenues</b>	<b>\$ 47,184</b>	<b>\$ 60,575</b>	<b>\$ 69,276</b>
<b>Total Expenditures</b>	<b>\$ 44,008</b>	<b>\$ 62,838</b>	<b>\$ 55,699</b>
Fund Balances, Beginning of Year	\$123,494	\$126,638	\$124,061
Fund Balances, End of Year	\$126,638	\$124,061	\$138,131

Source: Riverside County Flood Control and Water Conservation District, *Comprehensive Annual Financial Report*

The growth in RCFCD revenue is primarily attributable to growth in property taxes and property values in the County. Given the recent slowdown in property appreciation in the County, the RCFCD may not experience the same level of revenue growth. For fiscal year 2007-08, the RCFCD budgeted property tax revenues of \$50.4 million, which is 18% higher than the actual amount in 2005-06.

#### Long-Term Financial Planning

The RCFCD prepares a five-year projection of revenues and expenditures for each of its zones. The financial projection is included in the RCFCD annual budget. The five-year projection included in the fiscal year 2007-08 budget shows that all capital and O&M costs for each zone are expected to be funded, based on 3% annual growth in property tax revenue.

#### **4. Cost Avoidance Opportunities**

The RCFCD has not informed LAFCO of any cost avoidance initiatives that it is currently undertaking. The MSR has not independently identified cost avoidance opportunities for the RCFCD. A finding of this nature would normally require an extensive amount of time and effort from the RCFCD and consultants. In the event the RCFCD wished to investigate opportunities for cost avoidance, it would need to identify specific target areas and study the potential for savings and the process needed to achieve the savings.

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## **5. Opportunities for Rate Restructuring**

The RCFCD charges fees for services related to the review of proposed development. The fees are set to recover no more than the cost of providing the service. The development processing fees recover the RCFCD's costs for improvement plan checks, special studies, pre-application review, revisions to FEMA maps, and construction inspection.

The RCFCD's development processing fees are set in accordance with County Ordinance 671, which consolidated all County fees (including those of the RCFCD) related to land use matters, required that fees collected pay only for the actual cost of providing the service, and that the hourly rates charged are reset annually. Ordinance 671 clearly identifies the RCFCD's fee-setting policy, and has implemented an effective process to ensure that the RCFCD recovers the cost of providing the service.

The RCFCD also charges fees for the reproduction of RCFCD information, including master drainage plan reports and topographical maps and photos. The RCFCD does not have a policy for setting the reproduction fees.

## **6. Opportunities for Shared Facilities**

Other than the infrastructure used in the conveyance of flood waters, the RCFCD owns its administration building, a vehicle garage, a parking garage, and other facilities required for operation and maintenance of vehicles, equipment, and the flood control system. The MSR has not identified any opportunities for shared facilities.

## **7. Government Structure Options**

The RCFCD is a dependent special district governed by the County Board of Supervisors. The dependent special district governance structure is common for flood control districts and is used in region's surrounding counties.

There are no pending proposals to LAFCO for a change of the government structure of the RCFCD.

## **8. Evaluation of Management Efficiencies**

There are a wide-range of strategies that the RCFCD can pursue in an attempt to perform its services more efficiently. Examples include the development of a strategic plan, which identifies the community's goals and an implementation plan to achieve the stated goals, and the use of performance measures, which identify outcome measures for municipal services and monitors the performance of the outcomes.

Because of the limited scope of the MSR, the authors have not independently identified any management initiatives that the RCFCD could

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pursue. In addition, the RCFCD is not currently undertaking any formal management efficiency initiatives.

## **9. Local Accountability and Governance**

The RCFCD maintains an extensive internet website that provides a substantial amount of information on its key functions and activities. The information on the RCFCD's website facilitates customer service and allows the general public to be informed about RCFCD activities and its use of tax and fee revenue. The RCFCD's website includes:

- RCFCD history, description, and organization chart
- Development review procedures and requirements
- Summary information regarding flood zones and the National Flood Insurance Program
- Summary information on master drainage and area drainage plans (including maps)
- Documents relating to the RCFCD's responsibilities as the NPDES stormwater permittee
- Annual budgets and comprehensive annual financial reports for the last three years

### RCFCD Governance

The Riverside County Flood Control and Water Conservation District, as a flood control and special taxing district, is governed by the Board of Supervisors and advised by twenty one Board-appointed Zone Commissioners (three for each of the seven zone). The Zone Commissioners main function is to advise the Board on the RCFCD budget. The Zone Commissioners hold budget hearings each year to receive public input.

The schedule for the Zone Budget Hearings is posted on the RCFCD's website, advertisements are placed in the local newspaper, and people can contact the RCFCD and request that they be called and notified about upcoming meetings.

According to the RCFCD, public attendance at the Zone Budget Hearings varies.<sup>6</sup> There are usually between 5 and 10 members of the public, although, sometimes no one attends. The largest recent attendance occurred after the Temecula-Murrieta flood, when there were about 150 people in attendance. The RCFCD compiles a sign-in sheet as a record of Zone Budget Hearing attendance.

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<sup>6</sup> Source: Interview with Sheila Bogio of Riverside County Flood Control and Water Conservation District.

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### III. Coachella Valley Water District

The CVWD provides flood control services to a unique service area that is comprised of a mix of urbanized, agricultural, and undeveloped lands. Much of CVWD's major capital projects involve the construction of new facilities to address needs for flood control in growing areas or to facilitate new development.

The CVWD relies on federal and State financial support for several of its largest capital projects; however, at the same time, the CVWD maintains a large balance of cash and investments in its stormwater fund. In the event that LAFCO must make future determinations regarding the CVWD, it may wish to further evaluate the CVWD's effectiveness in utilizing its financial resources.

#### Description

The Coachella Valley Water District ("CVWD") provides domestic water, wastewater, recycled water, irrigation/drainage, regional stormwater protection and groundwater management services to a population of 265,000 throughout the Coachella Valley in Southern California. CVWD boundaries encompass an area of nearly 1,000 square miles. Most of this land is in Riverside County, but CVWD also extends into Imperial and San Diego Counties.

In 1915, the Coachella Valley Stormwater District was organized and later in 1918, under the state water code provisions of County Water District Act (Water Code §30000 et seq.), the Coachella Valley Water District was formed. A governing board of five members is elected from five general divisions for terms of four years each.

CVWD headquarters is located at 85-995 Avenue 52, Coachella, California 92236. CVWD's operations office is located at 75-525 Hovley Lane, Palm Desert, California 92211.

The MSR only evaluates the CVWD's stormwater protection services, as the CVWD's other services have been evaluated as part of a separate municipal service review.

The following map shows the boundaries of the CVWD.

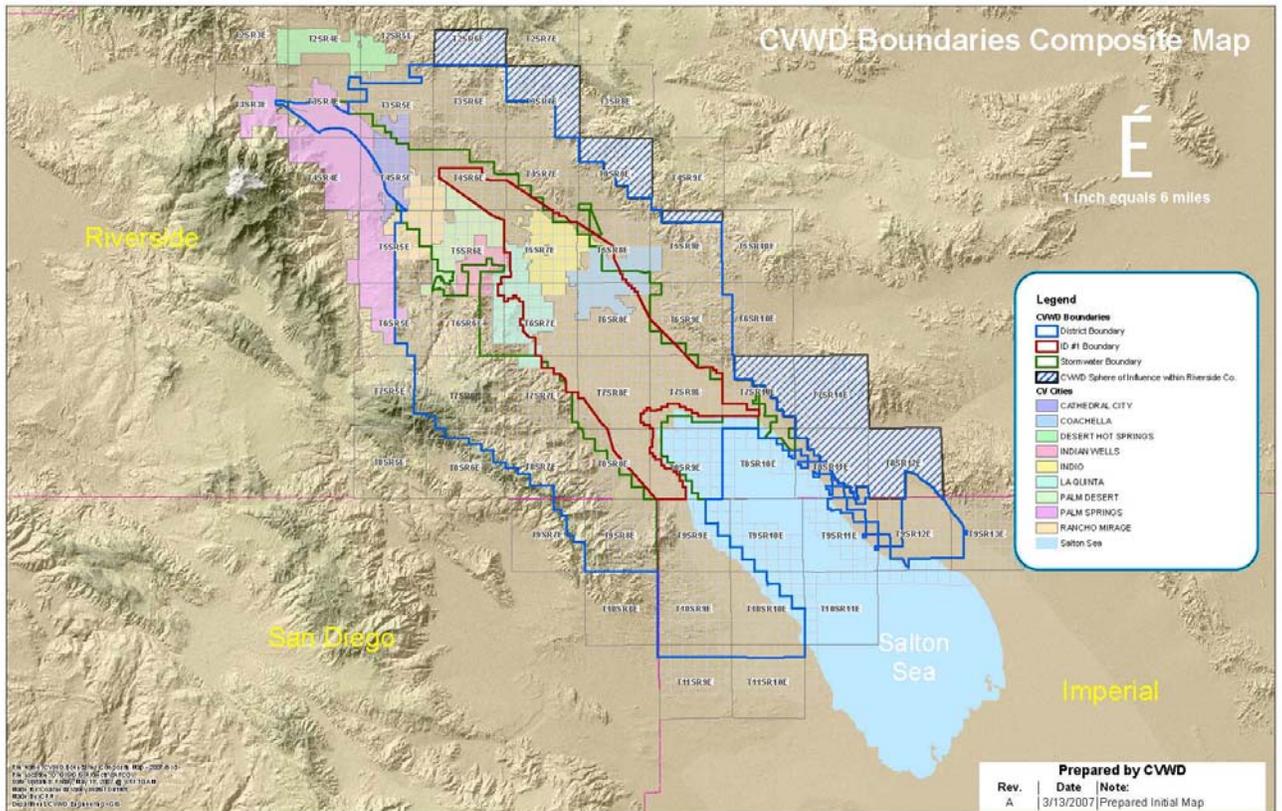


Figure 2: Coachella Valley Water District

## Determinations

### 1. Infrastructure Needs and Deficiencies

The CVWD identifies its immediate infrastructure needs as part of a five-year capital improvement plan (“CIP”), which it updates annually. A listing of the CVWD’s five-year CIP projects for FY 2007-08 is included in the table below. The CVWD expects to expend almost \$50 million on capital projects through fiscal year 2009-10.

**Coachella Valley Water District  
Stormwater Capital Improvement Budget**

<b>Project</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Beyond 2009-10</b>	<b>Total</b>
Detention Channel No. 2	-	684,000	-	-	\$ 684,000
Morongo Creek	\$200,000	1,975,000	333,000	-	2,508,000
Coachella Valley Channel Slope Protection	\$100,000	100,000	6,000,000	6,000,000	12,200,000
Thousand Palms Flood Control Project	\$100,000	3,500,000	3,400,000	1,474,000	8,474,000
Master Plan and Construction for North Indio	\$100,000	1,000,000	9,000,000	9,000,000	19,100,000
SWC Safety Fencing, Security Gates & Access Roads	\$ 42,000	41,000	41,000	-	124,000
WWRSWC Slope Protection	-	-	50,000	200,000	250,000
East Side Dike & Adams Street	-	150,000	200,000	-	350,000
Cooperating Technical Community Partnership	\$ 90,000	100,000	-	-	190,000
WWRSWC & CVSWC - 2005 Storm Restoration	\$800,000	-	-	-	800,000
WWRSWC & CVSWC - Hydraulic Study	\$150,000	150,000	-	-	300,000
WWRSWC & CVSWC - 404 Permit	\$200,000	150,000	-	-	350,000
FEMA's Levee Re-Certification FIRMs	\$300,000	200,000	-	-	500,000
Eastern Coachella Valley Master Plan	\$150,000	-	-	-	150,000
<b>Total</b>					<b>\$45,980,000</b>

Source: Coachella Valley Water District, *Capital Improvement Budget, Fiscal Year 2007-2008*.

A description of the CVWD's largest capital projects is provided below:

- Master Plan and Construction for North Indio – Prepare master plan and design and construct facilities that will route flood waters from the Del Webb channel system to the Thousand Palms channel
- Coachella Valley Channel Slope Protection - Construct reinforced concrete slope protection along the south bank of the channel to prevent erosion.
- Thousand Palms Flood Control Project – A long-awaited project consisting of a series of earthen levees and channels that will divert flood waters away from the Thousand Palms area into the Whitewater River Stormwater Channel.

**2. Growth and Population Projections for the Affected Area**

For the past two decades, Coachella Valley has been recognized as one of the fastest growing areas in Southern California. The CVWD reports that the population during the five-year period between 2000 and 2005 increased at an average rate of 5.5%, exceeding the County average of 3.7% over the same period.

The CVWD does not prepare population projections. However, several other planning agencies in the region, including the County, prepare projections of population, housing, and employment for the Coachella Valley area. The Riverside County Center for Demographic Research estimates that the population for the Coachella Valley Association of Governments (“CVAG”), which includes much of the same cities as the CVWD, will increase to 702,656 by 2020. This is an average annual growth rate of 3.44% between 2010 and 2020.<sup>7</sup> The growth rate exceeds both that of the County and State.

**Projected Population and Households  
Coachella Valley Association of Governments**

				Average Annual Growth Rate
	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>(2010-2020)</u>
<b>Population:</b>				
CVAG	501,072	583,275	702,656	3.44%
County of Riverside	2,242,744	2,509,330	2,809,006	2.28%
State of California	39,135,676		44,135,923	1.21%
<b>Households:</b>				
CVAG	237,121	273,065	314,984	2.88%

Source: Riverside County Center for Demographic Research/TLMA, *Riverside County Projections 2006*; California Department of Finance.

**3. Financing Constraints and Opportunities**

The CVWD receives the majority of its funding from property taxes. The CVWD is allocated a portion of the 1% County general property tax. The CVWD also receives a small amount of funding from development review fees.

Similar to other independent special districts, the CVWD lost a portion of its property tax revenue for fiscal years 2004-05 and 2005-06 to the State of California to help fund the State’s deficit bonds. The CVWD regained its pre-2004-05 allocation of property taxes in 2006-07.

Notwithstanding the transfer of property tax to the State, the CVWD has experienced resilient growth in revenue. As shown in the following table, CVWD property tax revenues increased by 19% between 2004-05 and 2005-06. In addition, the budgeted amount of property tax for fiscal year 2007-08

<sup>7</sup> CVAG includes the cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage.

is \$9.78 million, which is 13% greater than the amount received in 2003-04 (pre-transfer to the State).

**Historical Revenues, Expenditures, and Cash and Investments  
Coachella Valley Water District  
Stormwater Fund**

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
<b>Revenues</b>			
Property taxes[1]	\$8,624,232	\$5,993,833	\$ 7,141,790
Interest earnings	394,215	711,804	1,449,831
Other	922,615	2,457,435	732,711
<b>Total Revenues</b>	<b>\$9,941,062</b>	<b>\$9,163,072</b>	<b>\$ 9,324,332</b>
<b>Total Expenditures</b>	<b>\$9,941,062</b>	<b>\$9,163,072</b>	<b>\$ 9,324,332</b>
Cash and investments	[2]	[2]	\$41,096,326

Notes:

[1] – A portion of the CVWD's property taxes were diverted to the State of California for fiscal years 2004-05 and 2005-06.

[2] – Not available.

Source: Coachella Valley Water District, *Annual Report*

The CVWD does not appear to have a funding constraint for flood control services, as it has accumulated a large balance in its stormwater fund. The CVWD reported cash and investments for its stormwater fund of \$41.1 million in 2005-06. This amount represents over 440% of current year revenues and 31% of total CVWD assets.

The CVWD stormwater fund balance, in and of itself, may not be an issue of concern to LAFCO. The CVWD may have a detailed plan for expending these funds. However, the CVWD does not prepare a public long-term financial plan for its stormwater system, and it is difficult to evaluate whether the amount of its reserves is reasonable.

#### **4. Cost Avoidance Opportunities**

The CVWD is not currently undertaking any cost saving studies or initiatives specifically relating to its stormwater system.

#### **5. Opportunities for Rate Restructuring**

The CVWD charges a fee for storm drains discharging into its facilities. If a storm drain constructed by a developer will inlet into the CVWD stormwater facilities, there is a fee of \$100 per inch. There is also a fee for hydrology review. The CVWD also imposes a \$10,000 review fee for other projects that do not involve a storm drain inlet.

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The CVWD is not a land planning agency and therefore does not impose a developer fee to fund flood control facilities. Improvements are developer funded and then deeded to the CVWD.

According to the CVWD, the CVWD, in cooperation with the County, is investigating future implementation of ADP's and other plans to fund infrastructure and long term operation and maintenance of existing and future drainage systems.

The CVWD does not have a formal policy for setting or resetting its fees.

#### **6. Opportunities for Shared Facilities**

The MSR has not identified any opportunities for shared facilities.

The CVWD currently shares the Whitewater River Storm Channel from Palm Springs to Cathedral City with the Riverside County Flood and Water Conservation District.

#### **7. Government Structure Options**

The MSR has not identified alternative government structure options. There are no pending proposals to LAFCO for a change of government structure of the CVWD.

#### **8. Evaluation of Management Efficiencies**

The CVWD has not or is not currently undertaking any management studies or initiatives, which would have the effect of increasing operational efficiencies for its stormwater system.

#### **9. Local Accountability and Governance**

The CVWD maintains an internet website that contains a substantial amount of information about the CVWD. The amount and content of the information helps inform constituents of important issues confronting the CVWD and its major projects and programs.

The CVWD website includes information on:

- The Board of Directors
- Board agenda and archives
- Two construction projects
- CVWD documents, including its "Annual Review," water quality reports, and environmental impact reports
- Domestic water, irrigation water service, and sanitation service rates
- Downloadable forms
- Customer service

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There is very limited financial information posted on the CVWD website. The CVWD may wish to consider providing public access to its audited financial statements and annual budgets so that citizens are better informed regarding the CVWD's financial condition and use of public funds. The Government Finance Officers Association recommends the internet posting of financial statements and budgets, as this increases awareness of a public agency's financial position and the usage of the documents by the general public.<sup>8</sup>

#### CVWD Governance

The CVWD is led by a Board of Directors. There are five directors who each preside over a geographical "division" within the CVWD. The CVWD's directors are elected at-large and serve four-year terms.

The most recent elections for Divisions One, Three, and Five were in 2002 and 2006. Current Board members won or held their seats in both the 2002 and 2006 elections. In the most recent 2006 election, the District One incumbent, who has held the seat since 1990, ran against two opposing candidates. In that same election, the District Five incumbent faced one opponent.

The most recent elections for Divisions Two and Four were in 2000 and 2004. The District Two incumbent was elected in 2000 and re-elected in 2004, receiving over 53,000 votes. The District Four incumbent was first elected in 2000 and ran unopposed in 2004.

The ongoing existence of opposing candidates and the meaningful level of voter participation are indications that the public is aware of the Board and its roll in governing the CVWD.

#### Financial Reserves

As discussed in section "3. Financing Constraints and Opportunities" above, the CVWD has accumulated (as of its most recently available financial statements in fiscal year 2005-06) stormwater fund balances that are large relative to its annual revenues and total assets. The accumulation of large reserves can become a public policy concern if the particular agency does not have a publicized or approved plan to use the reserves. In 2000, the Little Hoover Commission undertook an extensive study of special districts and recommended that districts publicize their reserves and "be required to clearly identify and publicly report, in terms understandable to the public, the size and purpose of reserves and how they are invested."<sup>9</sup>

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<sup>8</sup> Government Finance Officers Association, "Using Websites to Improve Access to Budget Documents and Financial Reports (2003)."

<sup>9</sup> Little Hoover Commission, *Special Districts: Relics of the Past or Resources for the Future?*, May 3, 2000.

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In the event that LAFCO must make future determinations regarding the CVWD's sphere of influence, change of boundaries, or reorganization, LAFCO should evaluate the reasonableness of the CVWD's reserves and the use of its financial resources.