



AGENDA OF SEPTEMBER 2, 2026 REGULAR MEETING

TO: Chris Little, Chair, and
Members of the Sacramento Local Agency Formation Commission

FROM: José C. Henríquez, Executive Officer

**PREPARED
BY:** Kristi Grabow, Policy Analyst

AGENDA Open the Public Comment Period on the Draft Municipal Service Review and
Sphere of Influence Study for Omoichumne Hartnell Water District (LAFCo
Project #2024-05)

RECOMMENDATION

Staff recommend that the Commission:

1. Release the Municipal Service Review and Sphere of Influence Study for Omoichumne Hartnell Water District for public review.

REASON FOR RECOMMENDED ACTION

Omoichumne Hartnell Water District (OHWD) has not had a Municipal Service Review conducted. OHWD has submitted a LAFCo application for the expansion of its sphere of influence and annexation of unincorporated agricultural lands. This is the first step in that process. Sacramento LAFCo contracted with RSG to conduct this MSR/SOI study.

BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH Act) directs Local Agency Formation Commissions (LAFCos) to regularly prepare MSRs in conjunction with establishing and updating each local agency's SOI (as per Government Code §56425(g) and §56430). The legislative intent of MSRs is to proactively assess the availability, capacity, and efficiency of local governmental services prior to making SOI determinations. MSRs may also lead LAFCos to take other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies in addition to any related sphere changes.

OHWD was formed in 1953 and is in the southeast portion of Sacramento County. Prior to 1990, the District purchased and managed water from the Central Valley Project ("CVP"). However, as of 1995, the district receives its water supply from the Cosumnes River by diverting water to raise river flows and allow users to pump directly from the river. The District also participates in recharge activities by way of the four (4) flashboard dams the district owns

and operates that are located along various points along the Cosumnes River. OHWD provides water services for agricultural irrigation needs by maintaining groundwater recharge efforts in the rural communities of Sheldon, Wilton, and Sloughhouse.

The District currently serves an estimated population of 2,644 within its 46.0 square mile jurisdictional boundary. The District does not directly supply water and has no service connections. Most land uses within OHWD's jurisdictional boundary primarily consists of agricultural and some residential and vacant uses.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

The MSR provides analysis for the statutory criteria set forth within the CKH Act, as well as additional locally adopted requirements. These criteria are listed as follows:

- Growth and Population Projections
- Disadvantaged Unincorporated Communities
- Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies
- Financial Ability to Provide Services
- Status of, and Opportunities for, Shared Facilities
- Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies
- Any other matter related to effective or efficient service delivery, as required by LAFCo policy

(1) Population Projections and Growth

RSG determines OHWD experienced very minimal growth during the five-year report period and future growth is expected to be extremely limited over the next five years through 2030. However, the proposed annexation—if approved—would greatly increase the District's population and housing stock. Additional details regarding the OHWD's population and housing projections are provided below.

- RSG estimates there are approximately 2,644 residents in OHWD as of 2025.
 - RSG estimates OHWD has decreased by 4 residents since 2020 which translates to an average decrease of 0.8 residents each year.
 - RSG estimates OHWD has added approximately 37 new housing units since 2010. This new development accounts for an annual increase of 3 new units each year.
 - There is little to no housing development underway or planned within OHWD as the area land use is primarily agricultural.
 - RSG projects the OHWD resident population will decline to 2,623 residents by 2030. This accounts for an annual decrease rate of approximately 0.03%.
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- The number of housing units in the OHWD is expected to reach 1,104 by 2029. This accounts for an overall increase of one housing unit.

(2) Disadvantaged Unincorporated Communities in or Contiguous to SOI

OHWD does not yet have an established sphere of influence. While no current sphere of influence designation has been formally adopted, RSG has confirmed that there are no Disadvantaged Unincorporated Communities (“DUCs”) located in and/or contiguous to OHWD’s jurisdictional boundary.

(3) Present and Planned Capacity of Public Facilities

OHWD provides groundwater resource management and recharge services within its jurisdictional boundary and does not provide any water service connections to households. OHWD’s water distribution system spans 12 miles of district-owned and operated water mains while also maintaining 3 miles of pipelines, four flashboard dams, and two pump houses. Additional assets include a computer housed in the District’s office.

Based on current infrastructure, monitoring practices, and permit conditions, OHWD appears to have adequate capacity to meet the present and anticipated future recharge needs during qualifying hydrologic conditions. However, OHWD’s ability to increase recharge volumes beyond current levels would depend on the availability of future diversion permits, hydrologic conditions, and potential enhancements to recharge infrastructure. Additional details are provided below:

- The Temporary Permit reports for 2023, 2024, and 2025 confirm OHWD maintained compliance with relevant term codes of the temporary permit and did not pose any harm or injury to water users, fish, wildlife, and other instream resources. RSG relies on the conclusions from these reports to determine that OHWD has the sufficiently ability and adequate capacity to meet the related diversion demands within their jurisdictional boundary. This is apart from needing to replace the magnetic meter located at the Teichart Ranch POD to ensure accurate recordings of water diversion rates.
 - OHWD is authorized to divert up to 2,444 acre-feet annually at a combined maximum diversion rate of 15.60 cfs, subject to minimum instream flow requirements. Actual diversion volumes to date have been substantially lower than the maximum permitted amount.
 - Annexation of the proposed area is not expected to result in changes to water service delivery or create measurable impacts related to population or housing growth. Thus, OHWD’s operational capacity remains sufficient for the foreseeable future.
 - Both the Cosumnes and South American Subbasin Groundwater Sustainability Reports confirm OHWD has sufficient rates to cover GSP related costs at present and for the foreseeable future. However, if OHWD was to expand or activate its latent powers, a rate study should be conducted to ensure increased costs would be sufficiently covered.
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- OHWD has sufficient capacity to accommodate projected recharge demand under favorable hydrologic conditions. Expanding recharge beyond existing levels, however, would require securing additional diversion permits, continued water availability, and investment in expanded or upgraded recharge facilities.
- OHWD is requesting to annex 25,511 acres encompassing 433 parcels for purpose of expanding its groundwater sustainability management responsibilities. OHWD appears to have sufficient capacity and adequate facilities and infrastructure to oversee groundwater resource management to this area.

(4) Financial Ability to Provide Services

RSG determines OHWD appears to be operating in a generally fiscally balanced manner, with available financial information indicating revenues are generally sufficient to cover operating costs. However, the District's limited operating surplus, reliance on stable but modest revenue sources, and lack of completed annual audits for recent fiscal years constrain the ability to fully evaluate the District's long-term financial condition and financial flexibility. As discussed previously, the District has indicated audits for FY 2021 through FY 2024 are currently underway.

- OHWD experienced an overall increase of 53.6% in its audited net position during the five-year report period from \$411,631 to \$632,125.
 - OHWD's total assets experienced an overall increase of 53.3% over the five-year report period from \$412,250 to \$632,125.
 - The total liabilities at the end of FY 2024 totaled \$0. This amount is 100.0% lower than the average year-end amount of \$21,569 in total liabilities recorded from FY 2020 to FY 2024 and denotes a downward trend.
 - Available data indicates the District maintains a strong reserve position relative to annual expenditures, supporting its ability to absorb routine operational variability.
 - OHWD does not currently have a reserve policy established; establishing a reserve policy would help ensure continued operational stability and responsible fiscal management.
 - OHWD's current rates are sufficient to meet the GSP's related fees now and in the foreseeable future.
 - OHWD maintains a generally balanced operating position, financial performance reflects some year-to-year variability and reliance on a relatively limited revenue base. Continued monitoring of recurring versus non-recurring revenues is important to maintaining long-term fiscal stability.
 - As noted above, OHWD appears capable of supporting current operations, with revenues generally sufficient to cover annual expenditures. However, the potential service expansion associated with the proposed annexation and expanded GSA responsibilities may introduce additional administrative and
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operational demands. Ensuring that revenues and reserves scale proportionately with these obligations will be important to maintain financial sustainability.

(5) Opportunities For Shared Facilities or Services

OHWD is one of seven GSAs that oversees the Cosumnes and South American Subbasin GSPs. The office space the District uses is shared with the Sacramento County Farm Bureau and the California Farmland Trust. No other opportunities for shared facilities or services were identified as a part of the MSR.

(6) Accountability for Community Service Needs

RSG has determined that OHWD conducts regularly scheduled Board meetings and performs timely posting of agendas and meeting minutes online. However, key financial documents, such as the most recent annual financial reports are missing, limiting full transparency. RSG finds OHWD to be out of compliance with Section 26096 because audits for FY 2021 through FY 2025 have not been completed.

(7) Evaluate District's Ability to Maintain Open Communication with Constituents, as Required by LAFCo Policy

Based on information from OHWD, staff actively respond to customer calls and/or complaints by phone and/or email. OHWD's Board meetings are also open to the public and include public comment periods during which comments from the public can be received. Comments can be given in person, via telephone, or submitted via email and read during the meeting. These opportunities allow the public opportunities for open communication and pathways to express their concerns regarding OHWD's service delivery or management. RSG determines OHWD maintains open communication with its constituents consistent with LAFCo policy.

SPHERE OF INFLUENCE DETERMINATIONS

The MSR also includes a review of the existing SOI for the District to determine if changes should be made. Written determinations are included within the MSR consistent with the requirements of CKH that address the following:

(1) Present and Planned Land Uses

OHWD's sphere of influence primarily consists of agricultural uses which make up 75.5% of the land uses in the service area. The remaining uses in the proposed sphere of influence include residential, industrial, institutional, recreational, and vacant. No other major planned or current development were identified as part of this MSR. The proposed agriculture-focused sphere of influence supports the present and planned land uses of the District.

(2) Present and Probable Need for Public Facilities and Services

The proposed expanded sphere of influence designation that reflects the addition of the proposed annexation area demarks the current and/or probable future boundary and service area for OHWD. This proposed expanded sphere of influence designation supports these present and probable service needs.

(3) Present Capacity and Adequacy of Public Facilities

OHWD appears to have adequate capacity to meet anticipated future recharge needs during qualifying hydrologic conditions. This is apart from needing to replace the magnetic meter located at the Teichart Ranch POD to ensure accurate recordings of water diversion rates. However, OHWD's ability to increase recharge volumes beyond current levels would depend on the availability of future diversion permits, hydrologic conditions, and potential enhancements to recharge infrastructure.

(4) Presence of Social or Economic Communities of Interest

OHWD's proposed expanded sphere of influence appropriately reflects the existing and relevant social and economic communities of interests.

(5) Present and Probable Need for Public Water of any Disadvantaged Unincorporated Communities ("DUCs")

While OHWD does not currently have a sphere of influence designation, as part of this MSR, RSG is recommending the Commission adopt an expanded sphere of influence. There are no qualifying disadvantaged unincorporated communities within or contiguous to OHWD's jurisdictional boundary and sphere of influence.

SPHERE OF INFLUENCE RECOMMENDATIONS

OHWD currently does not have a sphere of influence. Based upon the information contained in the draft MSR, it is recommended to designate the sphere as expanded beyond its jurisdictional boundary.

STAFF OUTREACH AND PUBLIC COMMENT PERIOD

LAFCo's consultants coordinated with OHWD staff for information about District operations and financial documents. OHWD's General Manager reviewed an administrative draft of the report and provided comments to the consultant. Those comments were incorporated into the document as appropriate.

The OHWD Board, affected landowners, and the general public has until the end of the public comment period, until October 2, 2026, to submit comments for the Final MSR and SOI Update. Comments submitted by September 16, 2026, may be incorporated into the report and/or provided to the Commission's October packet. Comments received after September 16, 2026, will be provided to the Commission by staff's presentation.

Attachments:

Attachment A: Public Draft Omoichumne Hartnell Water District Municipal Service Review and Sphere of Influence Update
