

February 15, 2007

To: Local Agency Formation Commission

Re: **Municipal Service Reviews and Sphere of Influence Updates - Sutter-Yuba Mosquito Abatement District, Reclamation Districts 70, 777, 1001, 1500, 1660, 2056, Gilsizer County Drainage District, Meridian Fire Protection District, Levee District No. 1.**

I. STAFF'S RECOMMENDED ACTION

Adopt the attached Resolution 2007-02 making determinations and approving municipal service reviews and updating the spheres of influence for the Sutter-Yuba Mosquito Abatement District, Reclamation Districts 70, 777, 1001, 1500, 1660, 2056, Gilsizer County Drainage District, Meridian Fire Protection District and Levee District No. 1.

II. STATUTORY REQUIREMENT

As your Commission is aware, on September 26, 2000, the Governor signed into law AB 2838 (Chapter 761, Statutes of 2000), authored by Assembly Speaker Robert M. Hertzberg. This legislation, titled the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) and codified as California Government Code §56000 et seq, marked the most significant reform to local government reorganization law since the 1963 statute that created Local Agency Formation Commissions (LAFCOs) in each county.

Development of the legislation resulted from the recommendations of the Commission on Local Governance for the 21st Century. The Commission, established through statute in 1997, published its recommendations in a final report, *Growth within Bounds*, issued on January 20, 2000.

Prior to the 2000 amendments, the law already permitted LAFCOs to conduct municipal service review studies. These LAFCO service studies generally provided evaluation tools to support future LAFCO actions or were part of a reorganization committee effort.

The law now requires that, in order to prepare and update a sphere of influence (SOI), LAFCOs are required to first conduct a municipal service review (MSR) for the service(s) provided by the particular district.

The term "municipal services" generally refers to the full range of services that a public agency provides or is authorized to provide. The definition is somewhat modified under the CKH Act, however, because LAFCO is only required to review services provided by agencies that have a

SOI. Therefore, general county government services, such as courts and social services, are not required to be reviewed.

As part of conducting municipal service reviews, the statute requires LAFCO to 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.

In addition, any SOI adopted prior to December 31, 2000 must be updated, as necessary, but at least every five years. Some updates may simply involve an affirmation of the existing SOI boundaries or some modifications to the SOI to achieve consistency with the CKH Act. Government Code Section 56430 states that municipal service reviews must be conducted prior to, or concurrent with, those updates. The State Legislature recently amended the statute extending the deadline for completing these reports to January 1, 2008.

III. MUNICIPAL SERVICE REVIEW PROCESS

On July 28, 2005, LAFCO initiated municipal service reviews and sphere of influence updates for various Sutter County special districts and cities. At that time the Commission directed the Executive Officer to enter into a contract for consultant services to complete these reports (Resolution 2005-05).

IV. ENVIRONMENTAL

If this municipal service review is subject to the California Environmental Quality Act (CEQA), LAFCO would be the lead agency. However, after reviewing the study, staff has determined the municipal service reviews and sphere of influence updates are either exempt from CEQA or not subject to the act.

First, staff believes the proposal is covered by the general rule of CEQA, Section 15061b(3) of the CEQA Guidelines that states that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The municipal service reviews evaluates district operations and does not propose any changes of organization or reorganization. In addition, the districts' spheres of influence are proposed to remain unchanged. As a result, the MSR and SOI will not have any impact upon the environment and is therefore not subject to CEQA.

In addition, this proposal is considered Categorical Exempt from CEQA pursuant to section 15306 of the CEQA guidelines which exempt basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. This type of exemption may be used strictly for information gathering purposes, or as part of a study leading to an action which a public agency (LAFCO) has not yet approved, adopted or funded. The information gathered for the municipal service reviews will not have an effect upon an environmental resource. The sphere of influence update will validate the boundaries of existing spheres and no changes to those spheres of influence are proposed. Therefore, no environmental impacts will result.

Staff is recommending your Commission consider the MSRs and SOI updates and direct staff to file a Notice of Exemption consistent with Section 15306 of the CEQA Guidelines. Proposed Resolution No. 2006-07, included with this report, includes language providing staff with this direction.

V. DISTRICTS REVIEWED

Sutter-Yuba Mosquito and Vector Control District

The Sutter-Yuba Mosquito and Vector Control District (Sutter-Yuba MVCD) is a special district that serves portions of both Sutter and Yuba Counties and was formed February 12, 1946. The Sutter-Yuba MVCD serves the entire Sutter County except for the Sutter Buttes area in the northwest. It also serves the valley portion of Yuba County except for the area within Beale Air Force Base. Figure 1.0-1 in the attached report depicts the boundaries of the District. The land area of the District is approximately 706 square miles or 452,213 acres. Land use within the District boundaries is predominately agricultural, but it also includes the cities of Yuba City, Marysville, Wheatland and Live Oak, as well as unincorporated communities.

The purpose of the Sutter-Yuba MVCD is to control mosquitoes and other animals that can carry diseases. Mosquito control is the District's primary service. This includes the use of chemical compounds, the use of natural enemies or predators of mosquitoes, and the alteration of the physical environment to limit or prevent mosquito larval production.

Reclamation District 70

Reclamation District 70 (RD 70) was established by voters in 1905 and provides drainage and flood protection to an area surrounding Meridian, CA. The District provides flood protection and drainage by maintaining approximately 23.6 miles of levees, and 100 miles of drainage ditches. The District is bounded by the Sacramento River, Butte Slough and the Sutter By-Pass, and is generally located just inside the western boundary of Sutter County, east of Colusa County.

The District is approximately 17 miles west of Yuba City, and serves an area of approximately 20,315.02 gross acres, or 31.74 square miles. The predominant land uses within the District are agricultural. Figure 2.0-1 in the attached report depicts the boundaries of the District.

Reclamation District No. 777

Reclamation District (RD) 777 was established by the State Reclamation Board in the early 1900s to provide runoff drainage to provide drainage and reclamation of farmlands within its boundaries. The District is approximately 18.5 square miles in size and bounded by the Butte-Sutter County line on the North, the Feather River on the East, in the vicinity of Township Road on the West, and Pease Road on the South. The area is primarily agricultural; most of the District's urban development is located within the City of Live Oak. The District provides for runoff water from storm

events and agricultural spill water. Figure 3.0-1 in the attached report depicts the boundaries of the District.

Reclamation District 1001

Reclamation District (RD) 1001 was established by the State Legislature in 1911 for the purpose of providing drainage and reclamation of lands within its boundaries. The District is located approximately 25 miles north of the City of Sacramento and 20 miles south of the City of Yuba City with a gross service area of approximately 32,000 acres. The District is within the scope of the Sacramento River Flood Control Project, as approved by the United States and the State of California. Figure 4.0-1 in the attached report depicts the boundaries of the District.

Reclamation District 1500

Reclamation District 1500 was established by the State Legislature in 1913 for the purposes of providing drainage and reclamation of lands within its boundaries. The District is located approximately 45 miles northwest of the City of Sacramento, California with a gross service area of 67,851 acres. The entire District is within the scope of the Sacramento River Flood Control Project, as approved by the United States and the State of California. Figure 5.0-1 in the attached report depicts the boundaries of the District.

Reclamation District 1660

Reclamation District 1660 (RD 1660) was established by voters in 1915 with the purpose of providing drainage and flood protection in western Sutter County. The District is approximately 17 miles west of Yuba City, and serves an area of approximately 4,806.91 gross acres, or 23.14 square miles. The District is generally bounded by the Sacramento River to the west, RD 70 to the north and the Sutter By-Pass to the east. The predominant land uses within the District are agricultural. Figure 6.0-1 in the attached report depicts the boundaries of the District.

Reclamation District 2056

Reclamation District (RD) 2056 was established by the State Reclamation Board in the early 1900s for the purposes of providing drainage and reclamation of farmlands within its boundaries. The District is bounded by East Gridley Road in the City of Gridley to the north, Township Road to the east, Nuestro Road to the south, and according to District officials, the western boundary is not easily discernable geographically. However, the average width of the District from east to west is two (2) miles). Land uses within the District are primarily agricultural with some urban development located within the City of Gridley. Figure 7.0-1 in the attached report depicts that portion of the District's boundaries within Sutter County.

Gilsizer County Drainage District

Gilsizer County Drainage District was formed in 1963, for the purpose of improving storm drainage service to the Yuba City area and to maintain Gilsizer Slough and the North Pump Station at the Feather River levee north of the Tenth Street Bridge. The District is comprised of approximately 6,005 acres of land, most of which is in the City of Yuba City. Since its inception, the District's activities have included widening slough rights-of-way, excavation, grading, maintenance of roadway culverts including widening, and erosion control measures. Figure 8.0-1 in the attached report depicts the boundaries of the District.

Meridian Fire Protection District

The Meridian Fire Protection District was established in 1928 as the Meridian Fire Department, was formed in 1977 to provide fire protection services in the northwest portion of Sutter County. The District includes approximately 81 square miles and is bordered on the south by the Sutter Basin Fire Protection District, to the north and east by County Service Area F, and Colusa County to the west. The area includes the community of Meridian, and the District is responsible for more acreage (approximately one-third) in the Sutter Buttes than any other county fire protection service provider. Land use in the area is predominantly agricultural, although Highway 20 runs through the District and carries thousands of commuters on a daily basis. District services include fire protection, emergency medical care basic life support services, vehicle extraction, water rescue, and hazardous material clean up. The Main Firehouse for the District is located in the northern part of the District in the community of Meridian. The District provides contracted mutual aid outside its boundaries and contracts for mutual aid within its boundaries. Figure 9.0-1 in the attached report depicts the boundaries of the District.

Levee District No. 1

Levee District No. 1 has the distinction of being California's first district, and was formed in April 1868 by the State Legislature. The district has been in continuous operation. Its mission is to protect the residents of Sutter County from flooding by the Feather River and to maintain levees within its jurisdiction. The District is comprised of approximately 41,083 acres of land. District boundaries begin at Pease Road in northern Yuba City and run south downstream along the Feather River for 17 miles. Figure 10.0-1 in the attached report depicts the boundaries of the District.

VI. MUNICIPAL SERVICE REVIEW DETERMINATIONS

LAFCO's consultant has prepared proposed determinations in the nine category areas required by statute for consideration and possible adoption by the Commission. These determinations are based upon information provided by the districts.

Sutter-Yuba Mosquito and Vector Control District

1) Growth and population projections for the affected area determination – Sutter-Yuba MVCD has sufficient ability to provide the existing residents with mosquito and vector control services. However, with an anticipated increase in residential development and the approval of Advisory Measure M, an increase in demand for mosquito control services is likely. An increase in staffing, facilities and equipment will be necessary to accommodate this increased demand.

2) Infrastructure needs or deficiencies determination – Currently, Sutter-Yuba MVCD maintains adequate infrastructure and facilities to serve its residents. If the population increases due to future development, facilities and equipment would have to expand accordingly.

3) Financing constraints and opportunities determination – Sutter-Yuba MVCD appears to have an adequate revenue stream to pay for the services it provides. The present property tax rate seems adequate for the present level of service. Since the majority of District revenue is from property tax, any increase in revenue would likely come from special assessments. Any action taken by the District to increase this revenue stream requires a vote of the property owners, subject to the provisions of Proposition 218 for special assessments.

4) Cost avoidance opportunities determination – Sutter-Yuba MVCD seeks to reduce costs whenever practicable. The District relies on seasonal employees, which reduce labor costs. It also

relies on its staff to perform maintenance of vehicles and equipment, and seeks to purchase materials, equipment and supplies in conjunction with other agencies.

5) Opportunities for rate restructuring determination – Sutter-Yuba MVCD appears to have an adequate revenue stream to pay for the services it provides. A rate increase may not be in order at this time. Any effort to increase revenue would be a major undertaking for the District.

6) Opportunities for shared facilities determination – Sutter-Yuba MVCD currently leases land to the Gilsizer Drainage District, which has facilities that transport runoff from Yuba City to the Sutter Bypass. However, given the specialized character of the District, there are few opportunities to share facilities with other agencies.

7) Government structure options determinations – A Board of Trustees oversees the Sutter-Yuba MVCD, with a District Manager overseeing daily operations. The District's governmental structure is considered adequate to implement the District's mission. Two investigations by the Sutter County Grand Jury concluded that the District is well managed.

8) Evaluation of management efficiencies determination – As noted, investigations by the Sutter County Grand Jury concluded that the Sutter-Yuba MVCD is a well-managed district. The District has had no internal reorganization or restructuring in the past three years. The District seeks to manage the provision of its services as efficiently as possible, using contracted or in-house services whenever appropriate.

9) Local accountability determination – The meetings of Board of Trustees for the Sutter- Yuba MVCD are open to the public. The District makes a good-faith effort to inform the public about its meetings, with notices in the local media and postings at public places, including the District office. The District also has a website that allows people with Internet access to obtain information on District activities.

Reclamation District 70

1) Growth and population projections for the affected area determination – Reclamation District 70 will experience minimal rural growth throughout its service area due to County zoning policies that regulate agricultural parcel sizes. Large agricultural parcels limit the ability of rural subdivision development and therefore population growth. Agricultural uses will likely not expand as well given that the majority of land currently exists in agricultural uses.

2) Infrastructure needs or deficiencies determination - Reclamation District 70 has sufficient infrastructure planning and practices to ensure that infrastructure and capital facilities can be maintained within the planning period of five years. As a result, the District has sufficient flood and drainage resources to accommodate projected service demands within its current boundaries over the next five years.

3) Financing Constraints and opportunities determination - According to the 2004-05 audit and budget, the District's expenditures have exceeded its revenues. District officials noted that this is due to an increase in all District costs.

4) Cost Avoidance Opportunities determination: Reclamation District 70 appears to utilize available cost reduction measures in its operations, as related to sharing of facilities, knowledge, equipment, and personnel. Therefore, there are no outstanding opportunities identified to significantly avoid current operating costs.

5) Opportunities for rate restructuring determination – The present maximum assessment rate appears adequate for the present level of maintenance. Should the board desire a different level of maintenance, the board will have to increase the rate to property owners by an action that would likely trigger the provisions of Prop 218. However, consideration might be given to land based financing such as a Mello Roos CFD or assessment fee to help pay for maintenance and facilities.

6) Opportunities for shared facilities determination – Reclamation District 70 and Reclamation District 1660 share management, employees, offices and equipment. Daily operations for RD 70 and RD 1660 occur from the RD 70 facility. While the District currently shares resources with Reclamation District 1660, it remains autonomous by holding meetings and determining assessments relevant to RD 70. Therefore there are limited opportunities to share additional facilities and resources.

7) Government Structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination - The structure of RD 70 needs no changes. There has been no interest expressed by RD 70 to merge with any other district or alter the governmental structure as currently practiced. RD 70 and RD 1660 essentially exist as a consolidated District, with the only difference being variation in rates. Consolidating the Districts would result in higher rates for some users and lower rates for others, which places an unfair burden on some users. Therefore, consolidation is not recommended.

8) Evaluation of management efficiencies determination - The Board of Trustees must provide authorization to conduct major repair and maintenance work. As a result, there may be potential lag time should major repair and maintenance work be needed immediately. However, this situation would not affect ongoing long-term projects. The current management structure of the District has demonstrated an ability to maintain levees and drainage ditches, and therefore changes are not recommended.

9) Local accountability and governance determination - Reclamation District 70 Board of Trustees is elected by the people within the District and is therefore accountable to the citizens of the District. All District meetings are conducted in accordance with Brown Act procedures, and the District operates within the California Water Code. There are also adequate opportunities for citizens to express concerns. Additionally, the District audits its operations to ensure fiscal accountability.

Reclamation District 777

1) Growth projected for the affected area determination - Reclamation District 777 will not be able to meet projected service needs, unless future development mitigates increased runoff and helps fund the expansion of culverts and ditches. Assuming that potential development mitigates for increased runoff, Reclamation District 777 should be able to accommodate projected service demands over the next 10 years and beyond.

2) Infrastructure needs or deficiencies determination- Reclamation District 777 officials have noted that unless proposed developments mitigate for increased runoff rates, the existing capacity of the canals is inadequate to support future growth.

3) Financing Constraints and opportunities determination - Reclamation District 777 is recovering its annual costs through a rate structure and special assessment charged to its customers. The District receives a small portion of property taxes along with an annual assessment as needed in the amount of \$2/acre with a minimum charge of \$25/parcel. According to District officials, RD 777 maintains reserves at a level to assist in emergency cleaning of ditches during heavy flood water years.

4) Cost Avoidance Opportunities determination - Reclamation District 777 appears to utilize available cost reduction measures in its operations, as related to sharing of facilities, knowledge, equipment, and personnel. To minimize operational costs, the District does not maintain any full time or part time employees. The District employs consultants for secretarial, engineering, accounting, legal services, and canal maintenance; the District Board of Directors utilizes a competitive bid process for the selection of contractors. Therefore, there are no outstanding opportunities identified to significantly avoid current operating costs.

5) Opportunities for rate restructuring determination - Reclamation District 777 is funded by a combination of Homeowners Property Tax Reimbursements, special assessments, current secured revenues, current unsecured revenues, supplemental revenues, prior unsecured revenues, and interest income. The District is financially sound, with sufficient stable revenues to cover expenses and operations. There were no opportunities for rate restructuring identified.

6) Opportunities for shared facilities determination - Opportunities for shared facilities are limited, as the District does not own any real property. The City of Live Oak owns and maintains the pumping systems that are run by the District, and District maintenance activities are performed on a contract basis. No opportunities for shared facilities have been identified.

7) Government Structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination - The structure of Reclamation District 777 needs no changes. There has been no interest expressed by the District to merge with any other district or alter the governmental structure as currently practiced.

8) Evaluation of management efficiencies determination - The overall management structure of Reclamation District 777 is sufficient to account for necessary services and maintain operations in an efficient and effective manner. The District employs District related services utilizing a competitive bid process for secretarial, engineering, accounting, legal services, and canal maintenance. Therefore, the District's management is currently operating competently.

9) Local accountability and governance determination - Reclamation District 777's Board of Directors is a three member board, who are appointed by the County Board of Supervisors. District meetings are held in a private home, which is not ADA compliant. All other aspects of District meetings are conducted in accordance with Brown Act procedures, including meeting notifications posted at City Hall. There are sufficient opportunities for local involvement in District activities. Although the District is an independent special district, the Sutter County Board of Supervisors has historically recognized the Board of Directors election decision of the District's landowners, through appointment.

Reclamation District 1001

1) Growth projected for the affected area determination - Reclamation District 1001 has sufficient resources to accommodate projected service demands, given existing growth constraints, over the next 10 years and beyond.

2) Infrastructure needs or deficiencies determination - Reclamation District 1001 infrastructure planning, financial commitment, and practices to ensure that infrastructure and capital facilities can be maintained within the planning period of five years. The District is currently formulating a master management plan. Significant "barriers" to levee improvements are environmental restrictions, long and expensive permitting processes, and general shortages of federal, state, and local funding for such projects. The District provides equal service to all landowners and/or residents to the best of its ability.

3) Financing Constraints and opportunities determination - Based on the revenues and expenditures in FY 2004-05 information, the district will deplete its reserves in a short period if additional revenue is not immediately identified.

4) Cost Avoidance Opportunities determination - Reclamation District 1001 operates within the boundaries of its jurisdiction and there is no overlap of service with other reclamation districts. No cost avoidance opportunities are identified at present. Should the State decide that merging certain reclamation districts is a reasonable alternative, there could be savings accrued to such a merger but that contingency will not be addressed in this report.

5) Opportunities for rate restructuring determination - The present rate structure seems adequate for the present level of maintenance. Should the board desire a different level of maintenance, the board will have to increase the rate to property owners by an action that would likely trigger the provisions of Prop 218. However, consideration might be given to land based financing such as a Mello Roos CFD or assessment fee to help pay for maintenance and facilities. RD 1001 appears to have an adequate revenue stream to pay for the services it provides and a rate increase to accommodate this spike in expenses may not be in order. Should the district experience a steady, annual increase, the district should then consider an increase in its revenue stream.

6) Opportunities for shared facilities determination - There is no opportunity to combine services with another agency due to the relative isolation of RD 1001.

7) Government Structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination - The structure of RD 1001 needs no changes. There has been no interest expressed by the District to merge with any other district or alter the governmental structure as currently practiced.

8) Evaluation of management efficiencies determination - Reclamation District 1001 does not appear to be in conflict with any regulatory legislation regarding government management. The overall management structure of the District is sufficient to account for necessary services and maintain operations in an efficient and effective manner. Therefore, the District's management is currently operating competently.

9) Local accountability and governance determination - Reclamation District 1001's Board of Trustees are elected by the people within the District and are therefore accountable to the citizens of the District. All District meetings are conducted in accordance with Brown Act procedures, and the District operates within the Community Services District Act guidelines. There are sufficient opportunities for local involvement in District activities, and information regarding the District is readily available to members of the public.

Reclamation District 1500

1) Growth projected for the affected area determination – Reclamation District 1500 has sufficient resources to accommodate projected service demands over the next 10 years and beyond.

2) Infrastructure needs or deficiencies determination – Reclamation District 1500 undergoes annual inspections by the Department of Water Resources, and District day-to-day activities include inspections and maintenance. Significant “barriers” to levee improvements is the long and expensive permitting processes, and general shortages of federal, state, and local funding for such projects. However, the District has sufficient infrastructure planning, financial commitment, and

practices to ensure that infrastructure and capital facilities can be maintained within the planning period of five years.

3) Financing Constraints and opportunities determination - Reclamation District 1500 appears to have adequate revenues to pay for the services it provides but inadequate reserves to fund the unforeseen needs of the District.

4) Cost Avoidance Opportunities determination - Reclamation District 1500 operates within the boundaries of its jurisdiction and there is no overlap of service with other reclamation districts. No cost avoidance opportunities are identified at present.

5) Opportunities for rate restructuring determination - The present rate seems adequate for the present level of maintenance. Should the board desire a different level of maintenance, the board will have to increase the rate to property owners by an action that would likely trigger the provisions of Proposition 218.

6) Opportunities for shared facilities determination - There is no opportunity to combine services with another agency due to the relative isolation of the District. Large landowner or public meetings are held at the Robbins Community Hall to provide adequate space and easy parking and access. Sharing this facility with the Town of Robbins is likely to continue.

7) Government Structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination - The structure of the Sutter Community Service District needs no changes. There has been no interest expressed by the Sutter Community Services District to merge with any other district or alter the governmental structure as currently practiced. Additionally, the consolidated nature of the positions within the District limits the opportunities to restructure the Districts organization. Furthermore, the District with its current government structure has demonstrated an ability to function efficiently and properly as required by California Government Codes.

8) Evaluation of management efficiencies determination - The overall management structure of RD 1500 is sufficient to account for necessary services and maintain operations in an efficient and effective manner. Therefore, the District's management is currently operating competently.

9) Local accountability and governance determination - Reclamation District 1500's Board of Trustees are elected by the people within the District and are therefore accountable to the citizens of the District. All District meetings are conducted in accordance with Brown Act procedures. There are sufficient opportunities for local involvement in District activities, and information regarding the District is readily available to members of the public.

Reclamation District 1660

1) Growth projected for the affected area determination - Reclamation District 1660 will experience minimal rural growth throughout its service area as a result of County Zoning policies governing agricultural parcel sizes. Large agricultural parcels limit the ability of rural subdivision development and therefore population growth. Agricultural uses will likely not expand as well given that the majority of land currently exists in agricultural uses.

2) Infrastructure needs or deficiencies determination - Reclamation District 1660 has sufficient infrastructure planning and practices to ensure that infrastructure and capital facilities can be maintained within the planning period of five years. As a result, the District has sufficient flood and

drainage resources to accommodate projected service demands within its current Sphere of Influence boundaries over the next five years.

3) Financing Constraints and opportunities determination - Reclamation District 1660 appears to have an inadequate revenue stream to pay for the services it provides and a rate increase or significant cost reductions may be in order. This would be a major undertaking for the District but the District's reserves will be depleted should such action not be taken.

4) Cost Avoidance Opportunities determination - Reclamation District 1660 appears to utilize available cost reduction measures in its operations, as related to sharing of facilities, knowledge, equipment, and personnel. Therefore, there are no outstanding opportunities identified to significantly avoid current operating costs.

5) Opportunities for rate restructuring determination - Reclamation District 1660 appears to have an inadequate revenue stream to pay for the services it provides and a rate increase or cost reduction may be in order. This would be a major undertaking of the District but the District's reserves will be depleted should such action not be taken. An increase in assessment or establishment of a Mello Roos CFD or assessment fee are available methods for increasing revenues for the District.

6) Opportunities for shared facilities determination - Reclamation District 1660 already maximizes opportunities for shared facilities. The District has an office located at 6724 Progress Road in Meridian, but conducts daily operations out of Reclamation District 70's office. RD 70 and RD 1660 maximize sharing potential by utilizing the same employees, capital and facilities. Therefore, limited opportunities for shared facilities exist.

7) Government Structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination - The structure of Reclamation District 1660 needs no changes. There has been no interest expressed by Reclamation District 1660 to merge with any other district or alter the governmental structure as currently practiced. RD 70 and RD 1660 essentially exist as a consolidated District, with the only difference being variation in rates. Consolidating the Districts would result in higher rates for some users and lower rates for others, which places an unfair burden on some users. Therefore, consolidation is not recommended.

8) Evaluation of management efficiencies determination - The Board of Trustees must provide authorization to conduct major repair and maintenance work. As a result, there may be potential lag time should major repair and maintenance work be needed immediately. However, this situation would not affect ongoing long-term projects. The current management structure of the District has demonstrated an ability to maintain levees and drainage ditches, and therefore changes are not recommended.

9) Local accountability and governance determination - Reclamation District 1660 Board of Trustees is elected by the people within the District and is therefore accountable to the citizens of the District. All District meetings are conducted in accordance with Brown Act procedures, and the District operates within the California Water Code. There are also adequate opportunities for citizens to express concerns. Additionally, the District audits its operations to ensure fiscal accountability.

Reclamation District 2056

1) Growth projected for the affected area determination - As more development occurs and more urbanized areas are added to the District, District officials have noted that the capacity of the canals will be inadequate unless flow rates are mitigated. Reclamation District 2056 will not be able

to accommodate projected service demands over the next 10 years and beyond unless new development within urban areas can effectively mitigate the increase in runoff resulting from the growth.

2) Infrastructure needs or deficiencies determination - The District is comprised of eighteen miles of drains in Butte County and seventeen miles of drains in Sutter County, which are currently sufficient to provide drainage for their intended use. The canals are maintained on an “as-needed” basis and as the funds are available for maintenance.

3) Financing constraints and opportunities determination - Reclamation District 2056 is recovering its annual costs through the rate structure it charges its customers. The District receives a small portion of property taxes; and proposed change to this current assessment would require a two-thirds vote by the District’s customers, under Proposition 218.

4) Cost avoidance opportunities determination - Reclamation District 2056 appears to utilize available cost reduction measures in its operations, as related to sharing of facilities, knowledge, equipment, and personnel. To minimize operational costs, the District does not maintain any full time or part time employees. The District employs consultants for secretarial, engineering, accounting, legal services, and canal maintenance; the District Board of Directors utilizes a competitive bid process for the selection of contractors. Therefore, there are no outstanding opportunities identified to significantly avoid current operating costs.

5) Opportunities for rate restructuring determination - Reclamation District 2056 is funded by a combination of Homeowners Property Tax Reimbursements, special assessments, current secured revenues, current unsecured revenues, supplemental revenues, prior unsecured revenues, and interest income. The District is financially sound, with sufficient stable revenues to cover expenses and operations. There were no outstanding opportunities for rate restructuring.

6) Opportunities for shared facilities determination - The District does not own any real property, machinery or equipment; maintenance activities are performed on a contract basis. Thus, opportunities for shared facilities are limited.

7) Government structure determination - The structure of Reclamation District 2056 needs no changes. There has been no interest expressed by the District to merge with any other district or alter the governmental structure as currently practiced.

8) Evaluation of management efficiencies determination - The overall management structure of Reclamation District 2056 is sufficient to account for necessary services and maintain operations in an efficient and effective manner. The District employs District-related services utilizing a competitive bid process for secretarial, engineering, accounting, legal services, and canal maintenance. Therefore, the District’s management is currently operating efficiently.

9) Local accountability and governance determination - Reclamation District 2056’s Board of Directors is a three member board. Although the District is an independent special district, the Sutter County Board of Supervisors has historically recognized the District landowner’s election decision for the Board of Directors, through appointment. Although the District’s boundaries extend into Butte County, only the Sutter County Board of Supervisors officiate the landowner vote. District meetings are conducted in accordance with Brown Act procedures, including meeting notifications posted at City Hall. Meetings are held at a private home, which is not ADA compliant. There are sufficient opportunities for local involvement in District activities. There are no stated policies that ensure the use of fully qualified contractors.

Gilsizer County Drainage District

1) Growth projected for the affected area determination - To determine the need for future improvements, the District uses the recommendations of the “Nolte Report.” District officials predict that storm drainage from within the District boundaries has the potential to increase by 30 percent over the next several years after which there should be little further increase from the present area. The District has investigated possible approaches to funding for improvements but there have been no final decisions to this regard.

2) Infrastructure needs or deficiencies determination - The Gilsizer Drainage District has sufficient infrastructure planning, financial commitment, and practices to ensure that infrastructure and capital facilities can be maintained within the planning period of five years.

3) Financing constraints and opportunities determination - The Gilsizer County Drainage District is recovering its annual costs through the rate structure it charges its customers. The District’s revenue from customers is adequate to cover costs.

4) Cost avoidance opportunities determination - The Gilsizer Drainage District appears to utilize available cost reduction measures in its operations, including leasing office space, employing a minimal number of staff, and coordinating activities with other related entities.

5) Opportunities for rate restructuring determination - The Gilsizer Drainage District is funded by a combination of ad valorem property tax and hookup fees. The District is financially sound, with sufficient stable revenues to cover expenses and operations. There were no opportunities for rate restructuring identified.

6) Opportunities for shared facilities determination - The Gilsizer Drainage District leases office space, and coordinated with other related agencies in planning improvements. There were no other opportunities for sharing facilities identified.

7) Government structure determination - The structure of the Gilsizer Drainage District needs no changes. There has been no interest expressed by the Gilsizer Drainage District to merge with any other district or alter the governmental structure as currently practiced.

8) Evaluation of management efficiencies determination - The overall management structure of the Gilsizer Drainage District is sufficient to account for necessary services and maintain operations in an efficient and effective manner.

9) Local accountability and governance determination - The Gilsizer Drainage District Board of Directors consists of three members appointed by the County board of Supervisors, and two City directors appointed by Yuba City City Council. All District meetings are conducted in accordance with Brown Act procedures, and the District operates within the Community Services District Act guidelines. There are sufficient opportunities for local involvement in District activities, and information regarding the District is readily available to members of the public.

Meridian Fire Protection District

1) Growth and population projections for the affected area determination - The Meridian Fire Protection District has sufficient ability to provide existing residents with fire protection services. With a current annual growth rate at less than 1% and the recent decision by the County Board of Supervisors to not allow subdivisions of existing lots, very little growth is anticipated.

2) Infrastructure needs or deficiencies determination - The Meridian Fire Protection District currently maintains an ISO rating of 8, primarily due to the lack of fire hydrants in its

service area. Additionally, although there is now enough fire fighting and emergency service capacity to serve its residents, the District's Type III engine is aging and deteriorating and will soon need replacing. The District has no policies and funding plans for replacing old equipment.

3) Financing constraints and opportunities determination - The Meridian Fire Protection District passed a fire protection assessment in 2000 and has received more than \$200,000 in grants and awards.

4) Cost avoidance opportunities determination - In May 2006 the Meridian Fire Protection District implemented a cost recovery program for incidents dealing with hazardous materials, drunk driving, and service to district non-residents. Moving a truck to the southern end of the district saves time and money and has improved the ISO rating from 10 to 8. Also, there is only one full-time and one seasonal full-time employee and the rest of the emergency services are provided by volunteers. This framework establishes significant salary, tax, and benefit savings.

5) Opportunities for rate restructuring determination - As the Meridian Fire Protection District continues to implement its cost-recovery programs, opportunities may arise to adjust fees according to costs of services provided and costs directly involved with fee recovery.

6) Opportunities for shared facilities determination - The Meridian Fire Protection District operates under automatic/mutual aid agreements with neighboring districts, and presently is able to maintain first-responder status in its own district and would not benefit from shared facilities.

7) Government Structure options determination - The Meridian Fire Protection District serves its customers efficiently within logical service boundaries and would not benefit from operating under a different government structure.

8) Evaluation of management efficiencies determination - Although the Meridian Fire Protection District appears to operate efficiently and effectively in its provision of services, the District would benefit from either a structure for performance reviews or a system of employee performance measures.

9) Local accountability determination - The Meridian Fire Protection District's Board of Directors and District Staff hold regular public meetings and are otherwise very accessible to the public, including having recently implemented a customer response/review system to help the district understand more completely how their services are viewed by customers.

Levee District No. 1

1) Growth projected for the affected area determination - Levee District #1 has sufficient resources to accommodate projected service demands over the next 10 years and beyond. Continued population growth within the District will not result in a decreased level of service.

2) Infrastructure needs or deficiencies determination - Levee District #1 has sufficient infrastructure planning, financial commitment, and practices to ensure that infrastructure and capital facilities can be maintained within the planning period of 5 years. The District continues to receive an "excellent" rating from the Department of Water Resources. Improvements are made as needed and as federal officials can respond.

3) Financing Constraints and opportunities determination - Levee District #1 is recovering its annual costs through the rate structure it charges its customers. The District's sole source of revenue is a benefit assessment levied on each property within the boundaries of the District. The

ability of the District to increase the current assessment levy is governed by the limitations of Proposition 218.

4) Cost Avoidance Opportunities determination - Levee District #1 to utilize available cost reduction measures in its operations, as related to sharing of facilities, knowledge, equipment, and personnel. Coordination with other levee districts in the neighboring area to share resources such as heavy equipment is an option available to the District; there are no other outstanding opportunities identified to significantly avoid current operating costs.

5) Opportunities for rate restructuring determination - Levee District # 1 operates through a special assessment placed on District property and any increase to the rate, as it's presently levied, requires a two thirds vote of the participating property pursuant to the provisions of Proposition 218.

6) Opportunities for shared facilities determination - Levee District #1 owns the building on 243 2nd St. and does not share it with other entities. This practice is likely to continue in the foreseeable future since the District has no plans to share the facility. However, the District continues to work collaboratively with other agencies for improvements and maintenance.

7) Government Structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination - The structure of the Levee District #1 needs no changes. The State runs Maintenance Area #3 (MA-3) to the South; the District is interested in annexing MA-3 at the request of the area's land owners.

8) Evaluation of management efficiencies determination - The overall management structure of Levee District #1 is sufficient to account for necessary services and maintain operations in an efficient and effective manner.

9) Local accountability and governance determination - Levee District #1's Board of Directors is a three member board, who are elected by the majority of the registered voters in the District. All District meetings are conducted in accordance with Brown Act procedures, including meeting notifications posted at City Hall. There are sufficient opportunities for local involvement in District activities.

VII. SPHERE OF INFLUENCE UPDATE

As the Commission is aware, a sphere of influence comprises the growth boundaries for an agency and provides opportunities for the district to expand, should they choose. State law requires spheres of influence be updated every 5 years. As part of updating a sphere of influence, the statute requires LAFCO to prepare written statements with regard to the following four statements:

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.

LAFCO's written statements to these items are based on information gathered as part of the municipal service review combined with the interviews held with the districts. Answers provided by the districts did not indicate that any of the districts had any interest in altering their current spheres

of influence. From the analysis contained in this report, LAFCO staff does not currently see any merit in altering any district's sphere from what presently exists. The proposed Resolution No. 2007-02 attached as Attachment B validates existing sphere boundaries currently in effect.

Respectfully submitted,

LARRY T. COMBS
EXECUTIVE OFFICER

Doug Libby, AICP
Senior Planner

DL:dh

Attachments: A – Municipal Service Review and Sphere of Influence Update Reports
B - Proposed Resolution Approving the Municipal Service Review and
Updating the Districts' Sphere of Influence

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