

August 17, 2006

To: Local Agency Formation Commission

Re: Municipal Service Review and Sphere of Influence Updates- Sutter Community Service District. Rio Ramaza Community Service District and County Service Areas: C, D, F, G

I. STAFF'S RECOMMENDED ACTION

Adopt the attached Resolution 2006-07 making determinations and approving the municipal service review and updating the spheres of influence for the Sutter Community Service District (CSD), Rio Ramaza CSD, and County Service Areas (CSA) C, D, F, and G.

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 by January 1, 2006. 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. Therefore all municipal service reviews must be completed by January 1, 2006.

III. MUNICIPAL SERVICE REVIEW PROCESS

On July 28, 2005, LAFCO initiated municipal service reviews and sphere of influence updates (Resolution 2005-05) for various Sutter County special districts, including the aforementioned CSDs and CSAs. A kickoff meeting was held to familiarize District Managers with the MSR process. Questionnaires were distributed, completed by each District manager, and returned.

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 Categorically 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. DISTRICT INFORMATION

Sutter Community Service District

The Sutter CSD was established in 1989 by a vote of the residents in the community of Sutter. The CSD was granted power, by adopted resolution 89-56, to supply water for domestic use, irrigation, sanitation, industrial use, fire protection and recreation to residents within the unincorporated community of Sutter and the area surrounding it. The district boundary is shown on page 2.0-2 in the attached report.

Rio Ramaza Community Service District

The Rio Ramaza CSD was established to provide sewer services to the Rio Ramaza Mobile Home Park. The Sutter County Board of Supervisors acquired the system on October 2, 1972, at which time they began acting as the Board of Directors of the Rio Ramaza Utilities Management Project. On October 16, 1972, the Board approved Resolution No. 72-225 establishing rules, regulations, procedures and schedule of fees for the District. The district boundary is shown on page 3.0-2 in the attached report.

Sutter County Service Area "C"

The County formed Sutter County CSA “C” in 1963 to provide fire protection services in the rural area bordered by the Bear River/Yuba County line on the north, the Feather River on the west, CSA “D” on the south, and Placer County on the east. This area includes the communities of Nicolaus, East Nicolaus, and Rio Oso. The district boundary is shown on page 4.0-2 in the attached report.

Sutter County Service Area “D”

The County formed the Sutter CSD “D” in 1963 to provide fire protection services in the rural area north of the Sacramento County line, between Feather River and Placer County. CSA D provides automatic/mutual aid outside their legal boundaries and receives automatic/mutual aid within their boundaries. The district boundary is shown on page 5.0-2 in the attached report.

Sutter County Service Area “F”

CSA “F” was established to provide fire protection services to the rural and urban areas of the northern and eastern portion of Sutter County. It encompasses approximately 254 square miles (162,560 acres) and it is contracted to provide the City of Live Oak with fire protection services. Services include fire suppression response, emergency medical care (i.e. Basic Life Support, defibrillators), hazardous materials response, and technical rescue capabilities, which are provided by the Live Oak Fire Station, Sutter Fire Station, and the Oswald-Tudor Fire Station. CSA F provides automatic/mutual aid outside their legal boundaries and receives automatic/mutual aid within their boundaries. The district boundary is shown on page 6.0-2 in the attached report.

Sutter County Service Area “G”

County Service Area (CSA) “G” was established in May 2001 to provide Fire Protection Services to the residents within the former Walton Fire Protection District area. The CSA is operated by Yuba City under contract to Sutter County, to provide fire protection services to properties within the District’s boundaries. Adjacent to urban and suburban land uses, CSA G is approximately 17 square miles while the City of Yuba City is approximately 13 square miles and the whole area is located on the east-central portion of Sutter County, close to the Yuba County border. The district boundary is shown on page 7.0-2 in the attached MSR.

VI. MUNICIPAL SERVICE REVIEW DETERMINATIONS

LAFCO staff is proposing nine determinations for each district, for adoption by the Commission. These determinations are based upon information provided in the questionnaires submitted by the district and interviews conducted with the district. The nine determination areas are:

- Infrastructure needs or deficiencies
- Growth and population projections for the affected area

- Financing constraints and opportunities
- Cost avoidance opportunities
- Opportunities for rate restructuring
- Opportunities for shared facilities
- Government structure options
- Evaluation of management efficiencies
- Local accountability and governance

Sutter Community Service District

1. **Infrastructure needs or deficiencies determination:** Sutter CSD has sufficient water resources to accommodate projected service demands over the next 10 years and beyond.
2. **Growth and population projections for the affected area determination:** Sutter CSD 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.
3. **Financing constraints and opportunities determination:** The District is recovering its annual costs through the rate structure it charges its customers. The District has issued two bonds. The largest is a 32-year, \$4.6 million debt issuance for infrastructure improvements. The District has been paying its annual debt service for all its debt, and has retired one smaller issue that has matured. An annual assessment on property owners has been levied to pay the debt. Currently, the District is debt free.
4. **Cost avoidance opportunities determination:** The Sutter CSD 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:** Sutter CSD is funded by a combination of water meter fees, water usage fees, late charges, and use fees that purchase t-bills with the highest interest rate that fund operation of the District. Hook-up fees will be used to purchase a water tank. The District operates under the Community Services District Act and does not generate a profit. The District is financially sound, with sufficient stable revenues to cover expenses and operations. There were no opportunities for rate restructuring identified in the municipal services review. The District imposes metered rates that capture revenues based on consumption levels by customers. This structure is used to offset the commensurate cost of operations. There have been rate increases in each of the past five years to recover operating costs.
6. **Opportunities for shared facilities determination:** Sutter CSD owns its own buildings and property. While the District utilizes a storage space for its maintenance equipment, there is not room for other equipment or capital from other districts or agencies to be stored there. However, the District has identified an opportunity for other public groups to use the proposed meeting hall.

7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination: The structure of the Sutter CSD 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.

8. Evaluation of management efficiencies determination: Sutter CSD does not appear to be in conflict with any regulatory legislation regarding government management. Combining the positions of General Manager, Secretary and Treasurer is permitted pursuant to Government Code § 61240. 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: Sutter CSD Board of Directors 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.

Rio Ramaza Community Service District

- 1. Growth and population projections for the affected area determination:** The Rio Ramaza CSD has ample ability to provide the existing residents with sewer service until its dissolution. The population is expected to decrease to zero as the Sacramento International Airport purchases all of the parcels and the District is dissolved.
- 2. Infrastructure needs or deficiencies determination:** The Rio Ramaza CSD's infrastructure is currently adequate to serve the area. The District does not appear to have any deficiencies that would prevent it from providing service to the area between the current time and the time of dissolution.
- 3. Financing constraints and opportunities determination:** Rio Ramaza CSD's revenues from the customers are not adequate to provide sewer services to the service area. Fees from nine residents fall short and the burden of payment for district operations is shifted to the County.
- 4. Cost avoidance opportunities determination:** According to the fiscal year 2005-06 for Sutter County, the Rio Ramaza CSD appears to operate efficiently with its revenues. There was no cost avoidance opportunities discovered through this Municipal Service Review. There have been no known audits of the Rio Ramaza CSD. The District is funded by secured and unsecured property taxes, interest on the fund balance, State homeowner taxes, and user fees.
- 5. Opportunities for rate restructuring determination:** There were no opportunities for rate restructuring identified while conducting the municipal service review.

6. **Opportunities for shared facilities determination:** There were no opportunities identified for shared facilities with regard to the Rio Ramaza CSD. This, in part, is due to the eminent closure of the facilities upon total purchase of the remaining parcels by the Sacramento International Airport.
7. **Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers determination:** The Sutter County Board of Supervisors is the governing body of the Rio Ramaza CSD and there are no plans to change the governmental structure already in effect. The dissolution process for the District will be processed according to California Government Code §57450-57463.
8. **Evaluation of management efficiencies determination:** The Rio Ramaza CSD appears to operate efficiently and to provide adequate sewer service to the service area.
9. **Local accountability and governance determination:** The Rio Ramaza CSD is run by the members of the Sutter County Board of Supervisors. The District operations appear to be consistent with California Government Code §61000-61850. County staff and District residents can bring concerns and issues to the Board at the weekly meetings. The Board members can also be contacted by the public via the Internet on the Sutter County homepage.

Sutter County Service Area “C”

1. **Growth and population projections for the affected area determination:** CSA C has sufficient ability to provide the existing residents with fire protection services. The current growth rate is slow at around 0.01% annually and this rate is likely to continue unless major rezoning of agricultural land occurs. However, if the population substantially increases, so may the need for staffing, facilities, and equipment.
2. **Infrastructure needs or deficiencies determination:** CSA C maintains adequate infrastructure and facilities to serve its residents. The Rio Oso fire station and one of the type-three engines are in poor condition and may need renovations and replacements in order to provide the highest quality service in the service area. Also, the County should continue with its efforts to preserve the volunteer firefighter force and encourage the addition of more volunteers.
3. **Financing constraints and opportunities determination:** CSA C does not charge user fees as a basis for its revenues. However, consideration might be given to land-based financing such as a Mello Roos CFD or assessment fee to help pay for fire services and facilities. CSA C appears to have adequate revenues to pay for the services it provides. Slow residential development leaves little opportunity for substantial additional property tax revenue.
4. **Cost avoidance opportunities determination:** CSA C funds are restricted to the budgetary constraints and all excess funds are deposited into reserves. Also, the CSA relies heavily on volunteer firefighters, which eliminates labor costs.

5. **Opportunities for rate restructuring determination:** According to Fire Chief, Chuck Vanevenhoven, an opportunity for rate restructuring that would benefit the service area would be a special tax when it is determined that it is needed. Also, as revenue becomes available the County should ensure that equipment can be replaced according to the apparatus replacement schedule.
6. **Opportunities for shared facilities determination:** CSA C provides automatic/mutual aid outside their legal boundaries and receives automatic/mutual aid within their boundaries from the other CSA's and other fire agencies in the area.
7. **Government structure options determinations:** The Sutter County Board of Supervisors is the governing body of CSA C and the Chief is the supervisor for the firefighters. There are no opportunities to change the governmental structure already in effect.
8. **Evaluation of management efficiencies determination:** CSA C appears to operate efficiently and to provide adequate fire protection service to the service area. Due to slow population growth, no major changes in management are needed at this time. But maintaining the volunteer firefighter force should be a priority.
9. **Local accountability determination:** The members of the Sutter County Board of Supervisors oversee CSA C. The service area operations appear to be consistent with the law. County staff and CSA residents can bring concerns and issues to the Board at the weekly meetings. The public can also contact the Board members and the Fire Chief via the Internet on the Sutter County homepage. Other opportunities for accountability include suggestion forms, complaint forms, and evaluation forms for residents as well as peer evaluations for firefighters.

Sutter County Service Area "D"

1. **Growth and population projections for the affected area determination:** CSA D has sufficient ability to provide the existing residents with fire protection services. The current growth rate is slow at around 0.01% annually and this rate is likely to continue unless major rezoning of agricultural land occurs. With the approval of Advisory Measure M, the population is likely to increase substantially. With this new growth, staffing, facility, and equipment needs would need to increase.
2. **Infrastructure needs or deficiencies determination:** Currently, CSA D maintains adequate infrastructure and facilities to serve its residents. If the population increases due to Advisory Measure M, facilities and equipment would need to be updated accordingly. The County should continue with its efforts to preserve the volunteer firefighting force and encourage the addition of more volunteers.
3. **Financing constraints and opportunities determination:** CSA D does not charge user fees as a basis for its revenues. However, consideration might be given to land based financing such as a Mello Roos CFD or assessment fee to help pay for fire

services and facilities. CSA D appears to have adequate revenues to pay for the services it provides.

4. **Cost avoidance opportunities determination:** CSA D funds are restricted to the budgetary constraints and all excess funds are deposited into reserves. Also, the service area relies heavily on volunteer firefighters, which eliminates labor costs.
5. **Opportunities for rate restructuring determination:** An opportunity for rate restructuring that would benefit the service area would be a special tax when it is determined that it's needed. Also, as revenues become available the County should ensure that equipment can be replaced according to the apparatus replacement schedule. With implementation of Advisory Measure M, there would exist an opportunity to restructure rates according to the new growth.
6. **Opportunities for shared facilities determination:** CSA D provides automatic/mutual aid outside their legal boundaries and receives automatic/mutual aid within their boundaries from the other CSA's and other fire agencies in the area.
7. **Government structure options determinations:** The Sutter County Board of Supervisors is the governing body of CSA D and the Chief is the supervisor for the firefighters. There are no opportunities to change the governmental structure already in affect.
8. **Evaluation of management efficiencies determination:** CSA D appears to operate efficiently and to provide adequate fire protection service to the service area. But maintaining the volunteer firefighter force should be a priority. With implementation of Advisory Measure M, there would exist an opportunity to restructure management in order to accommodate the new growth.
9. **Local accountability determination:** The members of the Sutter County Board of Supervisors run CSA D. The service area operations appear to be consistent with the law. County staff and CSA residents can bring concerns and issues to the Board at the weekly meetings. The public can also contact the Board members and the Fire Chief via the Internet on the Sutter County homepage. Other opportunities for accountability include suggestion forms, complaint forms, and evaluation forms for residents as well as peer evaluations for firefighters.

Sutter County Service Area "F"

1. **Growth and population projections for the affected area determination:** CSA F has sufficient ability to provide the existing residents with fire protection services. The current growth rate is slow at around 0.02% annually and this rate is likely to continue, especially outside of the City due to the high percentage of agricultural land use. As the urban and suburban land uses continue to increase inside the City limits, staffing, facility, and equipment needs would have to increase as well.
2. **Infrastructure needs or deficiencies determination:** CSA F maintains adequate infrastructure and facilities to serve its residents. The type-three engines and the water tender are in poor condition for all of CSA F stations and may need renovations and replacements in order to provide the highest quality service in the

service area. Also, the County should continue with its efforts to preserve the volunteer firefighter force and encourage the addition of more volunteers.

3. **Financing constraints and opportunities determination:** CSA F does not charge user fees as a basis for its revenues; the primarily source of funding is property taxes. However, consideration might be given to land based financing such as a Mello Roos CFD or assessment fee to help pay for fire services and facilities. CSA F appears to have adequate revenues to pay for the services it provides.
4. **Cost avoidance opportunities determination:** CSA F funds are restricted to the budgetary constraints and all excess funds are deposited into reserves. Also, the CSA relies heavily on volunteer firefighters, which reduces labor costs.
5. **Opportunities for rate restructuring determination:** According to Fire Chief, Chuck Vanevenhoven, an opportunity for rate restructuring that would benefit the service area would be an increase in the special tax when it is determined that it's needed. Also, as revenue becomes available the County ensure that equipment can be replaced according to the apparatus replacement schedule.
6. **Opportunities for shared facilities determination:** CSA F provides automatic/mutual aid outside their legal boundaries and receives automatic/mutual aid within their boundaries from the other CSA's and other fire agencies in the area.
7. **Government structure options determinations:** The Sutter County Board of Supervisors is the governing body of CSA F and the Chief is the supervisor for the firefighters. There are no plans to change the governmental structure already in affect.
8. **Evaluation of management efficiencies determination:** CSA F appears to operate efficiently and to provide adequate fire protection service to the service area. No major changes in management are needed at this time, but maintaining the volunteer firefighter force should be a priority.
9. **Local accountability determination:** The members of the Sutter County Board of Supervisors oversee CSA F. The service area operations appear to be consistent with the law. County staff and CSA residents can bring concerns and issues to the Board at the weekly meetings. The public can also contact the Board members and the Fire Chief via the Internet on the Sutter County homepage. Other opportunities for accountability include suggestion forms, complaint forms, and evaluation forms for residents as well as peer evaluations for firefighters.

County Service Area "G"

1. **Growth and population projections for the affected area determination:** The City's population is likely to substantially increase between the present time and build out in 2025. As the service area's population increases, there would be an increased demand for emergency services, including staffing, facilities, and equipment needs.
2. **Infrastructure needs or deficiencies determination:** The existing infrastructure of CSA G is adequate to handle the current fire protection service needs of the service area. Anticipating continued population growth, the City has planned for improvements to existing facilities and the construction on new ones. Current plans include moving Fire Station 4 outside of the City limits to the Southeast corner of Franklin and Ohleyer Road.
3. **Financing constraints and opportunities determination:** CSA G has sufficient revenues to enable it to provide fire protection services to the City of Yuba and surrounding area at the existing level of service.
4. **Cost avoidance opportunities determination:** CSA G avoids costs of operations, labor, and maintenance by contracting through the City of Yuba City for fire protection services.
5. **Opportunities for rate restructuring determination:** Under the terms of the existing CSA G contract, Sutter County collects property taxes and developer impact fees from the service area and distributes a portion of this revenue to Yuba City. The City is in the process of conducting a fee study for areas within its city limits/SOI, and is considering establishing a Mello Roos Community Facilities District (CFD) in the CSA G service area. Establishment of revised developer impact fees based on the recommendations on the City's fee study, within the service area, would necessitate County approval.
6. **Opportunities for shared facilities determination:** CSA G is already taking advantage of shared facilities, since the City, which provides fire suppression services to CSA G, now uses facilities once used only by the County in the former Walton District.
7. **Government structure options determinations:** The current government structure provides efficient public services within the service area. The creation of CSA G enabled the Yuba City Fire Department to extend its services beyond the City limits and into the former Walton Fire District jurisdiction.
8. **Evaluation of management efficiencies determination:** CSA G appears to operate efficiently and to provide adequate fire protection service to the service area. No major changes in management are needed at this time, but continued population growth in the City may prompt future adjustments to meet changing needs.
9. **Local accountability determination:** The Sutter County Board of Supervisors is responsible for CSA G. CSA residents can bring concerns and issues to the Board of Supervisors at their regularly scheduled meetings. Other opportunities for

accountability include suggestion forms, complaint forms, and evaluation forms for residents as well as peer evaluations for firefighters.

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 that spheres of influence be updated every 5 years. As part of updating a sphere of influence, State law 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. 2006-07 attached as Attachment B validates existing sphere boundaries currently in effect.

Respectfully submitted,
LARRY T. COMBS
EXECUTIVE OFFICER

Doug Libby, AICP
Senior Planner

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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