

August 17, 2006

To: Local Agency Formation Commission

Re: Municipal Service Review and Sphere of Influence Update- City of Yuba City

I. STAFF'S RECOMMENDED ACTION

Adopt the attached Resolution No. 2006-08 making determinations and approving the municipal service review for the City of Yuba City.

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 and cities, including the city of Yuba City. A kickoff meeting was held to familiarize City staff with the MSR process. Questionnaires were distributed, completed by the City, 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 that the municipal service review is not a project under CEQA. To the extent it may be considered a project; two exemptions apply which remove it from the aegis of CEQA.

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 City operations and does not propose any changes of organization or reorganization. In addition, the City's sphere of influence is 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 the existing City sphere and no change to the sphere of influence is proposed. Therefore, no environmental impacts will result.

Staff is recommending your Commission consider the proposal and direct staff to file a Notice of Exemption consistent with Section 15306 of the CEQA Guidelines. The proposed Resolution No. 2006-08, included with this report, includes language providing staff with this direction.

V. CITY INFORMATION

Yuba City lies in the northern portion of California's flat, fertile Central Valley. It is situated in eastern Sutter County on the western bank of the Feather River. Primarily undeveloped agricultural land exists to the north, west, and south of the City. The Sutter Buttes are located to the northwest of the City and frame views in that direction. The primary transportation corridors are Routes 99 and Route 20. Route 99 leads due south to Sacramento and north to Gridley and Chico beyond; Route 20 links Yuba City to Colusa and I-5 to the west and Grass Valley and the Sierra Nevada range to the east. State Routes 70 and 65 lead south from Marysville, connecting the region to Sacramento and to Sacramento's northern suburbs – Roseville and Rockland. Two of the State's major economic engines - the San Francisco Bay Area and Silicon Valley - are within a 2 to 3 hour drive from the City.

The area within the City limits is approximately 13 square miles (shown in the attached municipal service review; see **Figure 2.0-1**), and the area in the unincorporated Urban Growth Boundary (UGB) is approximately 11 miles (shown in the attached municipal service review; see **Figure 3.0-1**), equaling a total UGB of 24 square miles. As of 2002, much of the Yuba City UGB remained undeveloped, with almost half the land in the Yuba City UGB either agricultural or vacant. All of this land is available for development to accommodate projected population increases and the subsequent land demand. The present General Plan suggests uses for the previously un-planned areas. The City's 2005 population is approximately 60,000.

VI. MUNICIPAL SERVICE REVIEW DETERMINATIONS

LAFCO staff is proposing nine determinations for the City, for adoption by the Commission. These determinations are based upon information provided in the questionnaires submitted by the City and interviews conducted with City staff.

1. **Growth and population projections for the affected area determination:** The City of Yuba City's population will grow substantially between now and build out in 2025. Based on U.S. Census data, the City has determined that the population will continue to grow annually at 3.4 percent. This trend is consistent with the City's General Plan, which anticipates that 19,220 new homes will be constructed in the City by 2025.

This many new homes would lead to a build out population in Yuba City of approximately 109,000. Challenges with the City's water supply and WWTP facility could potentially impede this growth. However, as discussed in the Infrastructure chapter, the City is taking reasonable and responsible steps to address related issues. Therefore, the City's build out population of 109,000 represents a reasonable population projection.

To help frame its growth, in addition to the General Plan, which the City recently updated in 2004, the City has adopted, and is managing, the Harter Specific Plan, the Central City Specific Plan, the Buttes Vista Specific Plan, a Downtown Redevelopment Plan., and the Lincoln East Specific Plan. Combined, these plans promote and guide growth in Yuba City.

Annexations will continue to contribute to growth in Yuba City. To ensure new growth pays its own way for the cost of infrastructure and services, the City recently adopted a resolution requiring pre-annexation specific plans and development agreements for developers wanting to annex projects into the City. While this heightens standards for developers wanting to annex new projects into the City, this will likely have minimal impacts on overall growth projections because of market demands to develop in the City.

2. **Infrastructure needs or deficiencies determination:** The most significant infrastructure need the City is addressing is wastewater treatment plant treatment levels and capacity. Following an appeal to the State Water Resources Board, the City is working with the Regional Water Quality Control Board to resolve final treatment and capacity issues pursuant to the Board's remand. The two most significant questions are whether the current WWTP has a rated capacity of 7 mgd or 10.5 mgd, and if it's the latter whether the RWQCB will approve a discharge permit with this volume. The current discharge permit is for 7 mgd effluent flow, and current demand is 5.5 mgd. With only 1.5 mgd capacity remaining under the current permit, the City may eventually need to enact a building moratorium, depending on the outcome of the dispute. The City's revised WWTP Master Plan includes a scheduled plan for wastewater treatment to meet population projections through the year 2025.

A second significant issue regarding infrastructure is water supply. Currently, the City holds water entitlement to 29,600 acre-feet per year (afy). The City's water contract with Yuba County Water District, which provides for deliveries of 4,500 afy, expires in 2010. The City has already begun negotiations with Yuba County Water District to renew this contract. The State Water Reliability Report published by the California Department of Water Resources (DWR) recently alerted the City that their volume of SWP delivery might be permanently reduced to 18 percent of the current allocation, which is 9,600 afy. Assuming this occurs, the City's entitlement would be reduced to 960 afy, an entitlement decrease of 8,640 afy. Based on a per capita consumption of 273 gpd (measured 1993-1995), the present demand is approximately 17,736 afy. Assuming water consumption will "more than double in the next 20 years" as stated in the 2004 General Plan EIR, demand will exceed 35,472 afy, a demand higher than the 27,474 afy projection in the EIR. The City has already begun updating its 2004 Water Management Plan, which will address water capacity issues raised.

The other notable infrastructure need is the development of additional parklands. The City is currently unable to meet its stated standard of 10 acres of parkland for every 1,000 residents. The current deficit equals approximately 430 acres. To address this, the General Plan Parks, Schools and Facilities Element includes plans to develop parklands that would equal 12 acres per 1,000 residents at build out, resulting in a parkland surplus.

The City is well aware of the infrastructure deficiencies related to wastewater treatment, water capacity, and parkland development and is taking steps to address them. The City remains in a rapid growth mode, and should take actions to ensure commercial and residential growth occurring over the next five years will not exceed wastewater treatment capacity or water supply, and include adequate acreage of parklands to account for the present deficit.

- 3. Financing constraints and opportunities determination:** As the region's economic hub, the City is enjoying increases in general fund revenues, fee revenues and enterprise revenues as a result of tremendous growth from new development. The City is able to maintain its minimum General Fund reserve of 10 percent of operating budget while increasing the budget by 20 percent. The enterprise water and sewer reserve funds are relatively large as well. Outstanding debt is relatively low compared to the city's statutory debt limit.

Most outstanding debt is pledged against water and wastewater utility revenues as well as redevelopment tax increment funds. The City's adopted investment policies and debt policies are consistent with state law, and work to maintain its good credit rating. In accordance with state law, the City completes an annual independent audit, and in 2004 the City's finances were found to be consistent with accepted accounting principals and standards.

- 4. Cost avoidance opportunities determination:** The City has already taken numerous steps to avoid costs. The City will realize cost savings by the management reorganization discussed under the management determination. The

City also updates its fee schedule regularly to ensure costs for services are paid for, and the City is in the process of updating all of its development impact fees to ensure new development pays its own way for infrastructure and services. The City now requires specific plans and development agreements for annexation projects, including plans to pay for infrastructure and services so the City does not subsidize it. The City also takes steps to recover costs, such as selling fire engines on eBay.

5. **Opportunities for rate restructuring determination:** The City charges a variety of flat and metered rates for water and sewer. These rates create a more equitable distribution of revenue collection for the multitude of users within the City, as the rates are intended to capture the allocated cost of providing services. Regular rate increases that track an index like the consumer price index helps to ensure that the enterprise revenues recover the cost of the program costs. The Master Schedule of Fees is reviewed regularly and updates made to provide full cost recovery. Development impact fees are also collected and are reviewed to ensure that the fees collected are ample to pay for capital improvements due to new growth and development.
6. **Opportunities for shared facilities determination:** The City has an opportunity to install infrastructure that would enable the City to use groundwater in the event of an emergency or drought. The City converted from groundwater to surface water and still owns and maintains groundwater infrastructure. The City should evaluate the feasibility of plumbing these systems together, so that groundwater resources could be instantly accessed as a backup system. The City is also planning a shared facility, including a ten-acre fire / fire training and water storage complex in the southwestern area in the UGB. Upon completion, the City's Fire and Public Works departments will jointly manage and maintain this facility. The fire department will share the regional training facility with surrounding jurisdictions. Finally, the City shares the Ostram Landfill facility with other jurisdictions in Sutter and Yuba Counties.
7. **Government structure options, including advantages and disadvantages of consolidating or reorganization of serviced providers determination:** Yuba City is a General Law city, which means it operates within the parameters and guidelines of California municipal law. The City and its voters hold the option of becoming a Charter City, which would require the drafting of a new City charter and a majority vote of the people. Becoming a Charter City is only necessary when a city is in a unique position, where it cannot attain its goals under municipal law. Yuba City does not appear to fall into this category as it is functioning optimally in its current form. The cost of writing a new charter and putting it to a vote of the people also appear to make this form of governance infeasible at this time.
8. **Evaluation of management efficiencies determination:** The City has taken a number of steps to ensure the efficient management of its resources. The new management structure of key departments provides that the Public Works Director and Community Development Director, along with the Building Official, report to the Assistant City Manager, which supports the coordinated management and supervision of all development decisions by a single Assistant City Manager. Not

included in the City's restructuring program is a follow-up plan to evaluate the success of the new structure. The City should complete a follow-up evaluation at some time in the future to build upon what works, and correct what does not. Follow up evaluations should include staff and public surveys about service efficiency, quality, and delivery.

Efficient management practices are also reflected in the good health of the City's budget as discussed above, including adequate budget reserves and a budget surplus. Healthy management practices can also be seen in the successful operations of public safety. The City's Fire Department has earned the rarely achieved ISO rating of 3 in the City and 3 in most of the UGB, and according to the 2004-2005 Grand Jury the City's Police Department is a "well-organized" operation. Overall, the City is employing sound management practices to ensure the efficient use of its resources.

9. **Local accountability and governance determination:** The City is accountable to its citizens in a number of different ways. Open meeting laws are followed, meetings are publicly noticed and held during the evening, and City as well as elected officials are accessible through several modes of communication, including: telephone, email, Internet, letters, and fax. Local governance also includes a number of City Council appointed advisory commissions that promote and hold open public meetings. The City also maintains a comprehensive website with numerous publications about its governance, and publishes a number of newsletters to keep citizens informed. To increase local accountability the City should consider developing "suggestion" and "complaint" forms for employees and the public.

VII. SPHERE OF INFLUENCE UPDATE

As the Commission is aware, a sphere of influence comprises a city's growth boundary and provides opportunities for the city 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 City staff. Answers provided by the City did not indicate that the City had any interest in altering its current sphere 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. 2006-08, attached as Attachment B, validates existing sphere boundaries currently in effect.

Respectfully submitted,

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

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