

Shasta Local Agency Formation Commission



Final
Municipal Services Review
& Sphere of Influence Update
County Service Area #25 – Keswick

December 18, 2014

**County Service Area #25 - Keswick
Municipal Service Review & Sphere of Influence Update**

1. Executive Summary.....
2. General Background
3. District Services.....
 - a. Infrastructure, Facilities, Services.....
 - b. Administration, Management, Operations.....
 - c. Fiscal.....
 - d. Governance.....
4. Regional context/Relevant services by other agencies
5. Agency Boundary & Proposed Sphere of Influence Service Area
6. Written Determinations for Municipal Service Review
- a. Growth & population projections.....
 - b. Disadvantaged unincorporated communities (DUCs)
 - c. Present and planned capacity of public facilities
 - d. Adequacy of public services.....
 - e. Infrastructure Needs or Deficiencies
 - f. Financing Constraints and Opportunities
 - g. Opportunities for Rate Restructuring
 - h. Status of and Opportunities for Shared Facilities.....
 - i. Accountability for community service needs,
governmental structure and operational efficiencies
7. Written Determinations for Sphere of Influence Update
- a. Present/planned land uses
 - b. Present and probable need for public facilities and services.....
 - c. Present capacity of public facilities/adequacy of services
 - d. Existence of social or economic communities of interest
 - e. Present and probable needs of disadvantaged unincorporated
communities within area.....
8. Conclusion.....
9. References
10. Exhibits.....
 - a. CSA #25 - Map of Proposed SOI Boundary: Keswick
 - b. CSA #25 - Formation Resolution
 - c. CSA #25 – Fiscal Documents
 - d. CSA #25 – Rates & Fees Resolution
 - e. CSA #25 - Shasta County Community Advisory Board Ordinance
 - f. CSA #25 - Notice of Intent to Adopt CEQA Determination – SE PRC 21083
 - g. CSA #25 - No Effect Determination – California Department of Fish & Wildlife

1. EXECUTIVE SUMMARY

Local agency formation commissions have been tasked with updating local agency municipal service reviews (MSR) and sphere of influence boundaries (SOI) every five years since 2008 [Government Code Section 56425 *et seq.*]. This study presents a baseline review of the CSA #25 – Keswick’ services and SOI needs, satisfying the requirements of this statute.

A good portion of LAFCO’s original in-house information regarding formation of this District was unavailable. As a result, this baseline review seeks to associate the original formation purposes and activities of the District with an understanding of its current day operations and future plans.

2. GENERAL BACKGROUND

The service area for CSA #25 - Keswick is located in northern Shasta County, just 3.4 miles north of Old Shasta, 6.8 miles northwest of City of Redding, and 9.2 miles southwest of the City of Shasta Lake. The main accessed route is via Iron Mountain Road, just north of State Route 299 West. Keswick, an old English name, established the Iron Mountain Mine.

Mining operations started with gold, moving on to copper in the 1930s or 1940s. At one time Iron Mountain Mine was the oldest continuously operating mine the United States held by a foreign company. The once bustling community boasted over 1,000 residents.

CSA #25 - Keswick was originally formed as the Keswick Community Services District in 1966 to provide domestic and industrial water services. It also maintained a small park in the community of Keswick. In the late 1989 the CSD began to find it difficult to retain the licensed staff required by the State. It also had issues with paying the bills, repairing the infrastructure, keeping a management structure, and maintaining a governing board of directors.

The remaining members of the District Board approached Shasta County about taking over the District. In September 1990 Shasta LAFCO approved a reorganization request to convert the independent community services district with an elected board, to a dependent county service area governed by the Board of Supervisors. An election was ordered and the voters approved the change. An updated SOI boundary to be coterminous to the District boundaries was assigned to CSA #25 – Keswick at the time of its formation in 1990.

Should the Board of Directors wish, in the future, to activate additional services authorized by California Government Code Section 25210.1 *et seq.* an application to LAFCO would be required prior to initiating those services.

CSA #25 – Keswick sphere of influence was last updated in 2003. County Service Areas may annex lands or areas that are not coterminous to its boundaries, and thus with CSA #25 we find these District boundaries encompass two separate and distinct areas. There has been one known annexation (Rock Creek Road, 1991) to CSA #25 since its formation.

3. AGENCY SERVICES

a. Infrastructure, Facilities and Services

Under the administration of the County Public Works Department, administration of the systems within CSA #25 - Keswick began shortly after District formation in 1990 with implementation of the terms and condition of the approved reorganization.

The District currently provides community water and park services to 8.38 square miles, with an estimated population of 488. Originally the District encompassed 5,500 acres, and 478 parcels. After the reorganization in 1990, and subsequent annexations, the District area increased to its current size of 56,632 acres.

The source of water for CSA #25's systems is the Spring Creek conduit bringing water from Whiskeytown Lake. The water is available via a contract between the Shasta County Water Agency (SCWA) and the Bureau of Reclamation (USBR), with similar drought conditions applied to CSA #6 – Jones Valley. Water intake facilities are located along the conduit and a 100,000 gallon storage tank is located on a hill above the intake and treatment facilities. The treatment facilities are situated about 500 feet south of the intake.

CSA #25 has received a Proposition 50 grant to improve treatment and storage facilities. When the work is completed, facilities should be adequate to serve ultimate demand within the existing service area.

There are no plans at this this time to serve additional territory currently outside District boundaries. Current treatment plant upgrades have adequate capacity to handle 100% build-out inside the current District boundaries.

A contract has been awarded to construct improvements to the water treatment plant and replace the existing storage tank with a larger, 500,000 gallon tank. Design and construction of the improvements are being funded under the Proposition 50 grant. Staff time and costs overruns will be absorbed by the CSA #25 budget.

The County has negotiated an emergency water supply agreement with the City of Redding and will establish an intertie in the near future. Long-term service would require construction of additional pump capacity in Redding.

The closest agency capable of providing the same level of water service to the District territory would be the City of Redding. The City has a water main within 50 feet of a Keswick water main. The above analysis would only eliminate the Keswick water treatment facilities. The distribution system would still be needed to deliver water to District customers. Long-term service would also require construction of additional pump capacity in Redding.

The greatest danger to the system would be the loss of the Spring Creek Conduit, which supplies water to the District. The system runs on pressure supplied by the conduit; only a small amount of electricity is needed for plant operations (chemical dosing, etc.). Soon, the ability to connect to the City of Redding's water system for emergency purposes will consist of opening two valves.

The Shasta Community Services District is also adjacent to the west of the District. One portion of the Shasta CSD is included within the SOI boundary for CSA #25, who provides one service to that out-of-agency area. The SOI study for Shasta CSD indicates the CSD would have a more difficult time extending services to this area and requested it be excluded from the CSD SOI boundary. This will permit CSA #25, as desired in the future, to annex this particular area. There are no current plans for annexation at this time.

b. Administration, Management and Operations

When preparing or updating a municipal service review, information about administrative, management and operational functions, including assuring internal organization and agency policies, rules, and regulations are evaluated with respect to efficiencies and/or cost avoidance opportunities.

The CSA #25 - Keswick is governed by the Shasta County Board of Supervisors acting as the Board of Directors, operating as the administrative and financial manager of the District. The day-to-day management of the District is the responsibility of the Public Works Department, who may use maintenance contractors as needed.

The District currently has no distinct employees, but is supported by Public Works staff, consisting of: an operations supervisor, and five part-time non-licensed employees which are shared with multiple county service areas. All County employees operate according to Shasta County policies and employment guidelines.

c. Fiscal

This is an enterprise fund district. Most operating revenue is derived from by-monthly service charges for water service. An annual parcel charge was established at the time of District formation. The current infrastructure project is funded by a California State Water Resources Control Board Proposition 50 grant, and CSA #25 is responsible to

cover cost over runs. Available resources are maintained within the County's general operating budget.

Most agency revenue streams are subject to Proposition 218, which sets forth various constraints on the generation of revenues for infrastructure services. Bond financing is not subject to Proposition 218 per se, but is subject to a parallel administrative process.

Customers are charged according to existing rate structures. No rebates have been issued during the past three years. Delinquent amounts are placed on the tax bill associated with the property at the end of the year. Occasionally, after diligent effort, delinquent accounts may be deemed uncollectable. This requires an action by the Board of Supervisors.

A flat fee was established at the time the CSD became CSA #25 (1990). The last rate increase was approved in May 2006. Proposition 218 requires CSA #25 to adopt a rate structure which is reflective of the actual cost of service. The current rate structure meets this standard.

The Budget to Actual reports actual cash in the treasury of \$80,162.61, total fiscal year budgeted revenue of \$76,884, and total budgeted expenses for the fiscal year of \$126,479. The District manages a very conservative budget, providing due diligence on all fiscal matters and records. The District's budget details are included as Exhibit C, at the end of this narrative.

d. Governance

The Shasta County Board of Supervisors operates as the governing body for CSA #25 - Keswick, and they do not receive compensation for sitting as the board of director of this District. District board meetings follow the rules and protocol for the Shasta County Board, including noticing and accessibility. Public participation is encouraged. Meetings are held as needed. Board meetings are held quarterly, or more often as may be needed.

Matters pertaining to District operations that require action by the Board are placed on an agenda for a regular meeting of the Board. Meetings are subject to the Ralph M. Brown Act and all State laws pertaining to notification of public meetings on District matters. Meeting notices are given to all customers that include the date, time, place and purpose of the meeting. The CSA #25 - Keswick is a registered-voter district.

4. REGIONAL CONTEXT/RELEVANT SERVICES BY OTHER AGENCIES

Land use and building regulation services are provided by the County of Shasta, as are law enforcement, road services and other general services provided to the unincorporated areas of the county by various county departments. CSA #1 – Shasta County Fire Department and the Keswick Volunteer Fire Company provide fire and emergency services to the CSA #25 – Keswick territory.

5. AGENCY BOUNDARY AND PROPOSED SPHERE OF INFLUENCE UPDATE MAPS

The District’s service area is physically situated in a mountainous region where the natural terrain limits the areas where extension of water service would be practical. The current sphere of influence, with one small exception, coincides with the boundaries of the district. Any request for an expansion of the SOI boundary would require a concurrent examination as to whether it could be deemed economically feasible. Any subsequent LAFCO application would be the responsibility of the requestor.

The District is physically situated in a mountainous region where the natural terrain limits the territory where extension of water services is practical. The current sphere of influence coincides with the boundaries of the District. Any request for expansion of the District boundary would be reviewed as to its economic feasibility for serving the location. The applicant would be required to apply directly to LAFCO for annexation into CSA #25.

LAFCO has previously noted that some properties under Shasta CSD’s jurisdiction may be better served by CSA #25 – Keswick. County staff will evaluate the properties and water system with Shasta CSD after completion of the Proposition 50 grant project.

It is proposed the Commission approve the SOI boundary as shown on the enclosed map of proposed Exhibit A - SOI Boundary Update at the end of this report.

6. WRITTEN DETERMINATIONS FOR THE MUNICIPAL SERVICE REVIEW

a. Growth & Population Projections

Development and growth within the District will be primarily guided by the number of available parcels currently within the District. District operations and program growth will be included and evaluated during development permit processes for these areas so as to effectively meet expected service needs.

The general area is currently experiencing a minus 33% population change, indicating more people are leaving than arriving. Unemployment rates are at 9.5%. Job growth rests at 1.04%, with many people working people employed outside the area.

b. Disadvantaged Unincorporated Communities (DUCs)

The area serviced by the District has more than 12 registered voters and therefore - qualifies as a “Disadvantaged Unincorporated Community.” California State Parks (www.parks.ca.gov) provides a Community Locator tool which helps with identifying the general income within one-half mile of the town center. It usually sufficient to provide a guideline for this classification (see attached sheets). The population counts shown on these reports only encompass a one mile diameter and do not reflect the actual population assigned to those communities.

The median per capita income for the state is \$46,477, and a local community would qualify for designation as a DUC if their median income falls below 80% of this figure. The median per capita income calculation for the Keswick area is estimated to be near \$26,933. Median household income is estimated at \$59,844. Current population is estimated at 488.

c. Present and Planned of Public Facilities

District staff monitors capital improvement needs to maintain and upgrade service systems. Future development will pay its pro rata share of costs for services.

d. Adequacy of Public Services

District facilities are adequate for current service needs. It also has sufficient access to needed resources and capacity to serve the areas within the proposed sphere of influence boundaries. Any cost of extension of services will be tied to development permits for future growth.

e. Infrastructure Needs or Deficiencies

District monitors and evaluates water service infrastructure for capacity, condition, availability, and quality water services. Correlation of operational, capital improvement, and finance plans are appropriate for the size of the District and its service area at this time. No current deficiencies have been noted.

f. Financing Constraints and Opportunities

As an “enterprise” district, CSA #25 – Keswick derives its service funding primarily from fees and charges levied for services provided. As such, the District must maintain a

reasonable nexus between fees and charges levied and the cost of the service provided. The District maintains a positive balance in the treasury and seeks to be as efficient and innovative as possible in maximizing use of existing fiscal resources.

g. Opportunities for Rate Restructuring

As noted above, there are inherent statutory limitations on the District's ability to restructure rates. With that in mind, the District should regularly review fees and charges levied so as to maintain a reasonable nexus between rates and actual costs.

District will also want to employ effective rate setting procedures, identify conditions that could impact future rates, and give due consideration to timely restructuring opportunities without impairing the quality of services.

h. Status of and Opportunities for Shared Facilities

There are presently inherent limitations – geographically, jurisdictionally, and operationally – on District water service facilities being extended to and/or shared with areas outside its proposed SOI boundary without prior annexation of the area into the District.

i. Accountability for Community Service Needs, Governmental Structure, and Operational Efficiencies.

The District meets quarterly (or more often if needed), notices meetings, and offers the public an opportunity to participate in their meetings, which are mainly focused on provision of water and maintenance of facilities.

District continues to strive towards an effective internal organization to provide efficient, quality services.

7. WRITTEN DETERMINATIONS FOR THE SPHERE OF INFLUENCE UPDATE

a. Present and Planned Land Uses

Shasta County designates much of the area served as rural residential, agricultural, and timber lands. This is a rural area, with community development either clustered around the District or scattered about on secondary roads.

b. Present and Probable Need for Public Facilities; Adequacy of Services

Future development projects will be conditioned to require payment for the extension of any services, including all necessary and related costs associated with annexing into the District. Prior annexation is a condition for receiving services from CSA #25.

c. Present Capacity Of Public Facilities and Adequacy of Services

District facilities are adequate for current service needs. It has the capacity to serve the areas outside the District as they are brought both within the sphere of influence boundaries during the annexation process. Extension of services will be tied to development permits of parcels. Service is available and adequate to serve the undeveloped areas within the existing District boundaries.

d. Existence of Social or Economic Communities of Interest

The District is located due northwest of the City of Redding, and is also now served by CSA #1 – Shasta County Fire Department. The City of Redding provide a major shopping and service industry hub for local residents in Shasta County.

e. Present and Probable Needs of Disadvantaged Unincorporated Communities (DUCS) Within the Area.

As identified in the MSR section, the District service area may qualify as a disadvantaged unincorporated community. Shasta County is undertaking a study of these DUCs as part of their General Plan update and additional information should be available for an expanded analysis of this designation during the next MSR/SOI Update which will be due in 2019.

8. CONCLUSION

In this review, Shasta LAFCO has endeavored to accurately assess the current services and organizational status of District as a provider of water services based upon information available at this time. This is the first SOI/MSR review of CSA #25 - Keswick, and it is expected that additional data will be brought forward, especially as future development occurs. LAFCO has made what we believe are substantiated determinations based upon prescribed statutory factors.

It is recommended that the municipal service review and sphere of influence update for the CSA #25 – Keswick be adopted as proposed on the enclosed SOI update map, Exhibit A.

9. REFERENCES

- a. District (interviews, records)
- b. County of Shasta Departments
- c. Shasta LAFCO files for this district.
- d. Internet research on various sites.

10. EXHIBITS

- A. CSA #25 - Map of Proposed SOI Boundary: Keswick
- B. CSA #25 - Formation Resolution
- C. CSA #25 – Fiscal Documents
- D. CSA #25 – Rates & Fees Resolution
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