

Shasta Local Agency Formation Commission



Final
Municipal Services Review
& Sphere of Influence Update
County Service Area #8 – Palo Cedro

December 4, 2014

**County Service Area #11 - Palo Cedro
Municipal Service Review & Sphere of Influence Update**

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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 District 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 is 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 #8 - Palo Cedro is located in northern Shasta County, just east of Redding adjacent to State Route 44, an east/west highway. Deschutes Road is a major north-south county road bisecting the community.

Palo Cedro is another early community in Shasta County. Formed initially as a 30-acre town site, the area has featured fruit, livestock, and other agricultural enterprises for many years, with local business supporting many of the needs of this rural community.

The first public service need identified by the community resulted in the decision to request formation of the Palo Cedro Area Community Services District in 1967. It was approved and authorized to provide fire protection services to over 14,800 acres, and noted the future need for water and sewer services within its boundary. It appears this District remained in operation until 1972, when County Service Area #1 – Shasta County Fire Department was first formed, the district was likely dissolved, and CSA #1 took over management of the CSD's volunteer fire company and its facilities.

In 1980, County Service Area #8 – Palo Cedro was formed to upgrade from individual septic systems to construct sewer facilities for the community. Initially, the CSA covered 270 acres which were generally located in the downtown area of Palo Cedro.

Funding was subsequently obtained and construction of a conventional gravity collection system in the commercial area and a lift station near Junction School to carry raw sewage to an aerated-cell treatment system and land-application disposal facilities located in the Stillwater Plains area. Additional areas were identified for sewer service during the 1984 sphere of influence study for the District.

Prior to initiating water services to Palo Cedro, commercial and residential development within CSA #8 relied on either private wells or services from the Bella Vista Water District. In

1984, Shasta LAFCO assigned approximately 3600 acres and all of Palo Cedro to the sphere of influence of the Bella Vista Water District, because CSA #8 did not contemplate providing water services at that tie.

In late 1988, the Palo Cedro Golf Estates subdivision approval was conditioned upon receiving both sewer and water services, and the developer subsequently approached CSA #8 about providing both services to the development. The subdivision was completed in 1990 with all water system improvements in place, and was annexed into CSA #8.

In 1995, water service was extended to 29 more parcels. Although these were technically within the Bella Vista Water District sphere of influence at the time, Bella Vista WD was not in a position to provide services to the area due to drought conditions and limitations on water allocations.

Today the District has grown from its initial 270 acres to almost 700 acres in size. Not all areas covered by the sewer zone receive water from the zone providing water. Water services are currently 100% of capacity, and any expansion will require concurrent expansion of District delivery systems and resources. The last update to the CSA #8 – Palo Cedro sphere of influence occurred in 1983.

3. AGENCY SERVICES

a. Infrastructure, Facilities and Services

SEWER SERVICES

Under the administration of the County Public Works Department, sewer system upgrades for Palo Cedro began in 1980 and were completed by 1984. There is an overall sewer plan, and the next increment of growth within the District is likely to trigger a sewer plant expansion and possibly system improvements.

The closest sanitary sewer service is operated by the City of Redding, approximately 3.4 miles to the west. Given the distance, terrain (service would require a forced main), and the ability of the City to handle the increased demand, these factors do not appear to make annexation into Redding economically feasible at this time.

Areas outside the sanitary sewer service area that could be efficiently served will be identified by developers of proposed subdivisions and will be required to annex into the District. Developers will be required to construct needed expansion of sewer mains and pay any fees needed for capital improvements. The District will not unilaterally expand these facilities in anticipation of more customers simply signing up for services.

All critical systems are redundant so there is backup automatically available. If the emergency is not controllable via redundancy, the effluent can be discharged to the storage ponds until the system can be put back on line.

WATER SERVICES

The water system is served by a single well. An inter-tie has been set up for delivery of water from the Bella Vista Water District during emergencies. During well pump or motor difficulties, there is a limited period between operator notification and emergency inter-tie activation when water will be unavailable.

The Bella Vista Water District (BVWD) is the closest agency providing water services, and borders Palo Cedro to the west. Two obstacles for having BVWD take over water services from CSA #8 are:

- Potential lack of adequate BVWD Central Valley Project contract capacity to regularly serve Palo Cedro customers, and
- Potential inadequacy of BVWD treatment facilities to treat the volume of water needed to serve the Palo Cedro system.

Even if these were resolved, mostly removing the need for the pump supply facilities, the distribution system would still need to deliver water to the Palo Cedro customers. The Bella Vista Water District already serves those areas in Palo Cedro that are the most practical to serve.

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 #8 - Palo Cedro 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 operation supervisor, four licensed water treatment plant operators, 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 and sewer services. An annual parcel charge for sewer was established in 1980, at the time of District formation, to pay a loan used to construct the improvements made in 1984. 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. There have been no rate increase since 2005. Proposition 218 requires CSA #8 to adopt a rate structure which is reflective of the actual cost of service. The current rate structure meets this standard.

The District budget details are included as Exhibit E at the end of this narrative. The Budget to Actual reports for the District indicate total net revenues of \$25,225 and total expenses of \$6,784. Sewer service charges as of August 2014 were anticipated at \$120,000, and water service collections were anticipated at \$33,000.

The District manages a very conservative budget, providing due diligence on all fiscal matters and records.

d. Governance

The Shasta County Board of Supervisors operates as the governing body for CSA #8 - Palo Cedro, 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 #8 - Palo Cedro 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.

5. AGENCY BOUNDARY AND PROPOSED SPHERE OF INFLUENCE UPDATE MAPS.

The District's service area physically situated east of Redding on a low plain and rolling hills region. The natural terrain and availability of water limits the areas where extension of services would be practical. Sewer services expansions are tied to County-approved development projects. The current sphere of influence coincides with the outer boundaries of the district (sewer zone boundary). 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.

It is proposed the Commission set the SOI boundary to be coterminous with existing district boundaries, 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.

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 Palo Cedro area is estimated to be near \$30,117.

c. Present and Planned of Public Facilities

The 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 #8 – Palo Cedro derives its water 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. That having been said, District 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, 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 other areas or other water service purveyors outside its proposed SOI boundary.

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

The District has ongoing capital improvement programs to maintain and upgrade service systems.

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 within the proposed sphere of influence boundaries, with extension of services tied to development of parcels.

d. Existence of Social or Economic Communities of Interest

The District is located east of the City of Redding, and is also now served by CSA #1 – Shasta County Fire Department and the Palo Cedro local volunteer fire company. The City of Redding provide a major shopping and service industry hub to the east 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 qualifies as a disadvantaged 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 review of this district since 1983, 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 District 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. Map of proposed SOI Boundary: Palo Cedro
- B. Palo Cedro Detail Map
- C. District Budget
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