Shasta Local Agency Formation Commission

Draft
Municipal Services Review
& Sphere of Influence Update

City of Shasta Lake

September 2014

1. EXECUTIVE SUMMARY

Local agency formation commissions have been tasked with conducting updates of 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 update review of the City of Shasta Lake (City) services and SOI needs, satisfying the requirements of this statute.

Shortly after its July 1993 incorporation, the City presented Shasta LAFCO with a comprehensive sphere of influence proposal requesting LAFCO to establish its initial sphere of influence boundary for the new City. A sphere of influence boundary coterminous with the new City boundary was set by Shasta LAFCO on June 2, 1994 (LAFCO Resolution 94-04), and has not been update by Shasta LAFCO since then. In 2003 discussions initiated between Shasta LAFCO and the City to address development of the newly required municipal service reviews for this agency, and a final Municipal Services Review for the City of Shasta Lake was adopted by Shasta LAFCO June 11, 2009; but without analysis or update of its sphere of influence.

At the request of LAFCO staff, the City submitted updated information for LAFCO's 2013-2014 SOI/MSR update studies, citing little change in the essential data used in the previously approved 2009 MSR.

The City requests their SOI update boundary remain coterminous with the established City boundaries. They have experienced no annexations or detachments during the past 20 years, and feel they have sufficient territory within City boundaries to accommodate growth for at least five to ten years into the future. As amended, the 2009 MSR data still provides adequate baseline data to support affirming the existing SOI boundary for the City of Shasta Lake.

This baseline review seeks to associate the original formation purposes and activities of the City with an understanding of its current day operations and future plans. In addition to updating the 2009 MSR, this study also reviews and updates the existing sphere of influence in compliance with Section 56425 *et seq.* The next cycle of LAFCO-initiated SOI/MSR reviews for the City of Shasta Lake will commence during or before 2019, in accordance with the Legislative requirement to reexamine municipal agencies every five years. The City may, of course, submit a proposal to amend their sphere of influence at any time as a separate project.

2. GENERAL BACKGROUND

a. Area Setting & Characteristics

The City of Shasta Lake is located at the northern end of the Sacramento Valley. The majority of the City is situated west of Interstate 5 between Lake Shasta and the City of Redding. Shasta Lake abuts the City of Redding on the south and southeast. The unincorporated community of Mountain Gate is located to the northeast, and unincorporated areas are to the west.

There are several creeks and drainages flowing through the City, including Churn Creek, Moody Creek, Salt Creek, Clear Creek, Rich Gulch Creek, Little Churn Creek, and Nelson Creek. Most of the City is within the Churn Creek watershed. Combined with Stillwater Creek to the south, this watershed stretches almost to Anderson and encompasses 77,735 acres. These creeks and drainages shape development patterns by defining local topography, acting as barriers, and providing attractive natural features among urban land uses. Shasta Lake topography generally slopes from the north to the south and varies from rolling foothills down to the Sacramento valley floor.

The local climate is characterized by hot dry summers and mild winters, with typically light precipitation. The rainy season normally falls between October and March. California is experiencing its third year of severe drought, with potentially two more years of continued drought conditions expected. Groundwater levels and reservoirs have dropped significantly since 2011. As a result of this water loss, the Governor recently declared a state of emergency throughout California. Vegetation types consist primarily of blue oak-foothill pine woodland, a mixture of oak and conifer trees, with an understory of Manzanita and other shrubs, herbaceous plants, and grasses.

Land use within the City is predominantly single-family residential, made up of 3,857 single-family housing units and 321 multiple-family units as of January 1, 2013, according to the Department of Finance. Approximately 918 acres within the City's boundaries are zoned for industrial uses, generally along Ashby Road, within the Shasta Gateway Industrial Park, and the southwest section of the City. Commercial areas are located primarily along Shasta Dam Boulevard (State Route 151), Cascade Boulevard, and Twin View Boulevard. The Comprehensive Economic Development Strategy (CEDS) prepared for the City of Shasta Lake was in the final draft stage as of December 2013. As of November 1, 2013, there were 203 business licenses issued to companies and individuals in the City of Shasta Lake.

b. Community History & Incorporation Activities

The most distinctive feature of the adjacent Shasta Lake to the northwest is Shasta Dam, which began construction in 1938. The project included the damming of the

McCloud, Pit, and Sacramento Rivers to control flooding in the lower valley areas, and to bring irrigation water to the entire Central Valley. Known as the Central Valley Project (CVP) Shasta Dam its storage water are managed by the U. S. Bureau of Reclamation, a division of the U.S. Department of Interior.

The massive size of the project drew thousands of workers almost overnight. At its peak of construction, the dam project employed from 2,000 to 3,000 workers. These workers settled in several communities that came to be known as Summit City, Boomtown (Central Valley), Midway (Project City), and Government Camp (Toyon). Shasta Dam was completed in 1945. However, this was not the end for the Shasta boomtown communities. Some 1,200 workers continued to work at the dam site until it was formally dedicated in 1950.

As construction of the dam came to a close, the U.S. Bureau of Reclamation realized local services would be needed for federal management personnel who would finish and continue operating the newly constructed dam and power facilities. In 1948 a California special district, Shasta Dam Area Public Utility District (SDAPUD), was formed to provide power and water to the local area.

By early 1949, a water system had been connected to most homes in the area. Many construction workers and their families decided to stay in the area after the completion of the dam. Many would commute to Redding or Anderson for employment in the area mills. With construction and completion of Interstate 5 Highway during the late 1960s, commuting to Redding became easier.

Park and recreation activities were added to the list of responsibilities of the SDAPUD as the community continued to grow. With a significant increase in homes and stricter environmental regulations for septic systems, sewer services added in 1976.

Talk of incorporation in the Shasta Dam Area dates to the late 1980s and early 1990s. On October 21, 1992, a resolution of application was adopted by the SDAPUD, pursuant to the Cortese-Knox Local Government Reorganization Act of 1985, to request LAFCO initiate proceedings to reorganize local agency boundaries to result in:

- Incorporation of the City of Shasta Lake encompassing the Shasta Dam area,
- Dissolution of the SDAPUD; and
- Dissolution of the Summit City Lighting District.

LAFCO conducted a public hearing on the proposal on December 17, 1992, and ultimately adopted a resolution approving the requested reorganization on March 8, 1993. Final completion documents were filed with the County Clerk on July 2, 1994.

During the public hearing process, proponents developed the following list of the purpose and goals of incorporation:

- To enhance the physical character, community identity, and quality of life in the Shasta Dam Area by establishing local control of public services, land use planning, and public and private investment in the community without any increase in taxes or assessments to existing residents.

- To establish a locally elected City Council in the new City to provide community leadership, increase local control over, and accountability for, governmental decisions affecting the citizens of the new City, increase accessibility of local government officials and staff members, provide a local forum for discussion and resolution of issues important to the community through active community participation programs and opportunities for involvement in civic affairs, and to increase local responsibility for determining public service levels and providing capital improvements.

- To consolidate responsibility for municipal services in the Shasta Dam Area under a single local entity, which could, through improved efficiency and access to state and federal revenues not presently available to the community, increase public service levels.

- To improve public services in the Shasta Dam Area, including:
    - Improved levels of police protection,
    - Improved maintenance of existing roads that have been allowed to deteriorate,
    - Assurance of adequate public services and facilities needed to meet the demands of new residents, and
    - Improved flood control and drainage facilities.

- To preserve a vital blend of residential areas (both rural and urban), agricultural, commercial, industrial, and open space land uses while also providing services and jobs for the City residents and the rest of Shasta County.

The City of Shasta Lake was incorporated effective July 1, 1993, with 60% of the registered voters participating. All assets, liabilities, obligations, and service responsibilities of the Shasta Dam Area PUD and Summit City Lighting District were transferred to the new City, along with established agreements between the County of Shasta and affected agencies. When finalized, the total area of the City of Shasta Lake totaled approximately 10.86 square miles (6,047 acres) and encompassed four local communities: Pine Grove, Summit City, Project City and Central Valley.

In May of 1994, the City of Shasta Lake proposed a sphere of influence (future growth) boundary of approximately 28.5 square miles of unincorporated area beyond the current City boundary. In June of 1994, LAFCO staff recommended that the City Sphere of Influence be increased by 5.5 square miles to encompass the following areas:

- The existing commercial and residential areas along Interstate 5 north of Union School Road up to, and surrounding the Interstate 5/Wonderland interchange;
- An industrial parcel west of the Union Pacific Railroad Tracks and north of the City Limits;
- Three parcels in the vicinity of Digger Bay Road; and
- Areas to the west of Lake Boulevard.

The Commission denied both the City proposal and the recommendation of LAFCO staff, and voted to establish a sphere of influence coterminous with the current City boundary, with the provision that the City could resubmit an application for an amended sphere of influence after July 2, 1995. No annexation requests have been submitted to or initiated by the City since then and the original sphere of influence boundaries remain in place.

3. AGENCY SERVICES

The City of Shasta Lake provides a majority of the services permitted by California law, with the exception of fire and emergency services, which are provided by an independent fire protection district. The following discussion describes current areas of service provided to its citizens.

a. Infrastructure, Facilities and Services

1) MUNICIPAL ELECTRIC UTILITY SERVICES

a) **Electric Utility Service Background:**

On July 1, 1993, the City of Shasta Lake (City) became the successor to the electric utility operated by the Shasta Dam Area Public Utility District (SDAPUD). The SDAPUD contracted for power with the Bureau of Reclamation (BOR) at Shasta Dam in January 1947 to serve electrical energy to the people and businesses involved with constructing Shasta Dam. The SDAPUD received 13.8 kV distribution service from the Shasta Dam switchyard on a leased-line arrangement with the BOR.

Today, the City is a load serving entity and retail distribution provider of electrical energy to more than 4,500 homes and businesses in the locale. The City is located at the heart of the BOR's Central Valley Project (CVP). The Western Area Power

Administration (Western) markets and transmits the BOR's generation to the bulk electric system. The City has two interties with Western, one intertie at the Flanagan 230/115 kV transmission substation (50 MVA) and the other intertie at the Keswick Dam 115 kV switchyard. The City owns and operates a 15-mile looped 115 kV sub-transmission system which delivers energy to two 115/12 kV substations (Knauf and Central Valley) stepping the voltage down for delivery to the City's end-users. The Knauf substation (30 MVA) is a dedicated substation for an insulation manufacturing plant. The Central Valley substation (37 MVA) is the primary distribution substation for the remainder of the City's patrons.

The City has 67 miles of distribution lines, 60 miles are overhead distribution and 7 miles are underground. Also, the City has a complete street lighting system for public safety. Recently, the City received a grant to replace our entire street lighting system with high-efficiency light emitting diode (LED) fixtures. In 2007, the City deployed an automated meter reading system (AMR) utilizing 900 and 220 MHz radio systems. In conjunction with the AMR, the City operates a newly updated (2012) supervisory control and data acquisition (SCADA) system. The SCADA system uses a City owned OC3 fiber optic network to communicate. Using these technologies coupled with sound operations, maintenance, and vegetation management programs the City boasts a 99.993% reliability index for 2012.

In recent years, the system has experienced eroded sales and negligible meter connection growth. The City's average sales are 186,000 MWhs with 60%+ sold to one industrial customer. The City has experience high unemployment and high foreclosure rates being located in an economically disadvantaged region.

From the electric utility's inception (67 years ago), the electric utility has maintained immense pride with our historical connection with Shasta and Keswick Dams while serving the local area with safe, reliable, and environmentally friendly electrical energy.

b) **Governance of Municipal Electric Utility:**

The City's electric enterprise is a not-for-profit, publicly-owned, municipal utility. The City of Shasta Lake's City Council is the governing authority. The City is a general law city with five city council members which are elected on a rotating four year cycle. The Mayor is elected by majority vote of the council for a one year term. The City Council's only employees are the City Manager and City Attorney and are on contract with the Council. It has been the practice of the City Manager to appoint an Electric Utility Director to administer the daily operations of the electric utility.

The City Council has the authority to adjust rates through the resolution process and exercises this fiduciary responsibility with due diligence and care. In recent times,

the Council has appointed an ad-hoc electric rates committee to study the financial position of the utility and the electric rate competitiveness. The ad-hoc committee makes rate adjustment recommendations to the Council. The City Council, the City Manager, and the Electric Utility Director work together for the common good of the patrons.

c) **Municipal Electric Utility Service Territory:**

The City's electric service territory is approximately 10 square miles and is similar to the City's corporation boundaries with several known exceptions. There is a small neighborhood within Shasta Lake's city limits known to staff as the Yellow Pine area that is served by Pacific Gas and Electric. There is another small neighborhood area within the City of Redding's limits known to staff as the Beltline area that is served by the City of Shasta Lake but is outside Shasta Lake city limits. The City also serves the BOR facilities at Digger Bay Marina, Centimudi Boat Ramp, and Fisherman's Point which are all located on Shasta Lake outside the City's limits.

The City's historical peak load is 33.7 MW recorded on July 28, 2009, hour ending 6:00 p.m. The historical peak is only at 50% design capacity. With minor modifications, the City electric distribution system is capable of delivering 67 MW peak loading.

d) **Municipal Electric Utility Line Extensions:**

The City's 12.47kV electric distribution system is mature. Most of the system growth is attributed to in-fill lots and service upgrades. But, there are several types of line extensions to be considered. The City typically has service connections, service upgrades, secondary service extensions, primary line extensions, and new housing subdivision additions.

Service connections, service upgrades, and secondary service extensions are the most common services provided by the City. Since these are known connections, these types of requests have minimal capital outlay by the electric utility. Should there be the need for aid-in-contribution to construction the City calculates the estimated new revenues to ensure these revenues exceed the City's three year carrying costs. When the three year carrying costs exceed the new revenues, the customer pays an aid-in-contribution to construction to break-even. These revenues are recorded in the City's electric plant and facilities connection charges fund.

The City accepts new primary distribution line extensions and new residential housing subdivision on a case-by-case basis. The City and the developer discuss and mutually agree to system design and layout. The City's policy is predicated on an 85%/15% cost sharing agreement for the capital outlay on infrastructure improvements. The developer is responsible for a cash aid-in-contribution to construction to the City's

electric plant and facilities connection charges fund. The City's portion is in-kind labor for the installation of the primary wire and termination, installation of the transformer and termination, and installation of the meter.

e) **Municipal Electric Utility Personnel:**

The electric enterprise directly employs nine (9) staff members. Three (3) staff members serve in management or supervisory capacity and six (6) serve in the field. The local staff completes the majority of the system's design, construction, service, and maintenance duties. The field staff is represented by the International Brotherhood of Electrical Workers (IBEW) Local 1245 and operates on a four year Memorandum of Understand dated July 1, 2012 through June 30, 2016. The City offers competitive wages with the majority of the employee benefits provided by through the City. The City has a Post-Employment Benefit asset related to retiree health care and has no other unfunded liabilities with the exception of pension obligations maintained by the California Public Employees' Retirement system. These obligations are not required to be reflected on the utilities books at this time. The City enjoys a positive relationship with the local bargaining unit.

Indirectly, the electric enterprise relies on the City for personnel, customer service, billing, payroll, accounting, motor pool, land rights and development, and warehouse (internal) services.

The City contracts for services with Utility Financial Solutions for financial and cost of service studies, DNV KEMA for power supply issues, Efficiency Services Group, LLC for energy efficiency programs, APEX for local area network and computer services, Utility Tree Service for tree trimming, and Drake Vegetation Management for right-of-way brush maintenance.

f) **Municipal Electric Utility Buildings, Equipment, and Materials:**

The electric enterprise owns a 9.3-acre property known as the Corporation Yard which houses staff, equipment, vehicles, mechanic's shop, materials, and key communications infrastructure components. This is the location of the Central Valley substation.

Included in the fleet of vehicles and equipment are two two-man bucket trucks, two one-man bucket trucks, two digger derricks, a crew truck, a flat-bed truck, two pick-ups, three hybrid passenger vehicles, two wire trailers, and one wire puller. Also, the electric utility has access to other specialized equipment in the City's public works department.

On average, the electric utility inventories include $460,000 in poles, cross arms, wire, transformers, special equipment, and hardware for general use and maintenance. A small amount of additional inventory is available in the event of a natural disaster.

g) **Municipal Electric Utility Power Supply:**

The City of Shasta Lake contracts for power with three entities. First, the City is a preference customer and receives a base resource allocation from Western's Sierra Nevada Region Central Valley Project. The City also is a party to Western's 2004 Marketing Plan for hydro-electric energy output. This is a long-term contract running through December 31, 2024. The contract provides for 11-16% of the City's energy needs depending on annual precipitation amounts in the region and respective generation. Western's supply is energy only with no capacity commitment.

Second, the City annually contracts for firm power supply from Shell Energy North America to mirror the City's largest consumer's load that ranges from 13-15 MW with a 97% plus load factor. This energy and capacity is imported from the Pacific Northwest and is predominately hydro-electric based system power. The Shell supply represents 58-62% of the City's power requirements. This is a pass-through arrangement with the City's industrial customer and does not impact the rest of the City's rate payers.

Third, the City contracts for supplemental energy, capacity, load scheduling, and ancillary service with the City of Redding Electric Utility (REU). This is a multi-faceted 10-year contract that began January 1, 2008, and terminates on December 31, 2017, with provision for extension(s). One facet of the REU contract is 2 MW/17,520 MWhs of renewable energy and capacity. This is roughly 9% of the City's supply needs. The most important component of the REU contract is the load following supply and scheduling. In order to follow the City's load, REU employs their natural gas peaking generation to balance our supply needs (13-22%). The City is contracted for a minimum of 11-MW capacity. The City bought into REU's natural gas inventory in order to have fuel available for generation specific to the City's load. This was a significant investment by the City. Also imbedded in their supply needs are regulation and frequency control, spinning reserves, and system losses known as ancillary services. The ancillary services make-up the final facet of the REU contract.

These three contracted power supplies have minimized the City's wholesale market risk and provided a strong foundation for the City's retail power deliveries.

h) **Municipal Electric Utility Finances:**

In 2005, the electric enterprise restructured its debt and issued $11.5 million in revenue bonds. Previously, debt had been issued for construction of the California-

Oregon Transmission Project (COTP), the plant addition of Flanagan 230/115 kV substation, the looped transmission facilities between Flanagan, Knauf, and Central Valley substations, and buyout of the Enron power contract. The City's divestiture of the COTP, the arrival of Knauf Insulation GmbH, and the Enron bankruptcy were the impetus for the debt restructuring.

The primary covenant of the bond issue was the City Council promise to establish electric rates sufficient enough to produce debt service coverage (DSC) of 115% of the largest principal and interest payment of $908,500. In recent years, due to the general economic downturn, meeting the DSC requirement has been a struggle. Through a series of scheduled rate adjustments, in fiscal year 2012-13, the City attained a DSC of 137%.

In May of 2011, Moody's Investor Service downgraded the City's electric bond rating from A3 to A2 and assigned a negative outlook. Moody's recognized the City's reserves in excess of the debt, a favorable debt ratio, and Council's rate adjustment plan.

In an effort to reverse Moody's actions, the City completed a 10-year system improvement plan to prioritize future capital improvements and investment, and completed a financial forecast. This financial forecast exposed the need to establish a minimum reserve policy of $5.5 million (by formula) which includes provisions for an unplanned departure of our large loads from the City's revenue base. In turn, the City established annual financial targets with operating income of $750,000 annually as the primary driver. This enables the City to internally finance future capital projects, exceed the DSC minimum requirements, and maintain an appropriate minimum reserve. The difficult part of this program was the implementation of a rate adjustment program. The last installment included a 4.5% rate adjustment scheduled for January 1, 2014. This includes a monthly power cost adjustment clause in order to further reduce the City's risk from future wholesale power volatility.

i) **Municipal Electric Utility Challenges:**

The City's most significant challenges come from the regulatory arena. Both federal and state regulators are impacting the City's ability to provide low cost energy to our customers. On the federal front, the City's sub-transmission system may be considered part of the region's bulk electric system. Inherent to bulk electric systems are myriad reliability standard requirements and responsibilities. The City continues to meet the requirements but is challenged by limited staffing and budget constraints. The City's intertie agreements and maintenance contracts with Western have been the City's primary strategy for meeting regulatory obligations. Western has accepted the delegated responsibilities for the 230 kV inter-connected facilities. Together with Western's technical staff, the City has implemented a complete compliment of

scheduled testing and maintenance of the City's 115 kV facilities. The Federal Energy Regulatory Commission, National Electric Reliability Corporation, and Western Electricity Coordinating Council continue fine tuning the definition of the bulk electric system. The City anticipates the final definition will create many hardships for the City's electric operations and our rate payers. In the meantime, the City's reliability indices remain some of the best in the nation.

The State of California's overall energy policy is aggressive and often overwhelming for a small publicly-owned municipal utility. The City is subject to public benefit, energy efficiency, solar distributed generation/net metering, renewable portfolio standards, and greenhouse gas mandates. Each of the mandates placed significant upward pressure on electric rates. In 1998, the state began its deregulation experiment, which continues today, with the implementation of Cap and Trade. Since 1998, the City's residential ratepayers have been subject to fourteen (14) rate increases in order to pay for state mandated energy programs and policies. The City belongs to several organizations to mitigate the effect of these regulations but a small utility has little influence on regulatory outcomes, and is embarking on a legislative quest for exemption from some of these onerous mandates. It is hoped that the City can garner some relief from regulatory mandates from these efforts.

The largest book of business for the City's is the electric enterprise. The electric utility is solidly prepared for the future. The financial position, power contracts, sub-transmission, distribution and metering systems are well established and prepared for growth. The system is capable of serving potential opportunities including any development or projects in or near the City's current sphere of influence.

2) WASTEWATER DEPARTMENT SERVICES

The City of Shasta Lake's wastewater system consists of a wastewater collection system, a wastewater treatment facility, and various disposal facilities (including land application area, Title 22-compliant reuse, and discharge to Churn Creek). According to the 2005 Wastewater System Master Plan, the existing City collection system consists of about 270,000 linear feet of gravity sewers, seven lift stations, and approximately 18,000 linear feet of force main.

The City of Shasta Lake currently has a total of 3,308 active wastewater accounts. The accounts are segregated into 2,966 single-family residential connections, 176 multi-family connections, 130 commercial/institutional connections, and 5 industrial connections.

The initial wastewater collection system was constructed in 1976 and is maintained by the City's Public Works Department. Due to substandard construction of several parts of the original system, The City has experienced continuing problems with

excessive infiltration and inflow (I&I). In 1982, a continuous sewer collection maintenance program was established, that included the periodic cleaning and flushing of sewer lines, periodic flow metering, television inspection, grouting of sewer lines, and manhole grouting and sealing.

Construction of the Salt Creek Relief Sewage Lift Station in 1995 (also known as Pump Station 5) diverted a majority of the wet weather flow away from the sewage sags under Interstate 5. Even with these improvements, there is a significant I&I flow component that unnecessarily adds to the wastewater flows at the Wastewater Treatment Plant.

PACE, Civil, Inc., an engineering firm, conducted monitoring of the collection system during the development of the City's 2005 Wastewater System Master Plan. Utilizing field flow measurements taken in December 2002 and February 2004, as well as wastewater treatment plant flow records during high rainfall events, PACE determined that there are a number of manholes where potential wastewater overflow may occur during peak wet weather conditions.

In order to address these problems, the City of Shasta Lake constructed a $2 million wastewater rehabilitation project was able to correct many of the issues raised in the I&I studies. The project was funded with a $1.5 million Community Development Block Grant, Redevelopment funding and Wastewater P&FCC funds. Work consisted of the replacement and paralleling of existing wastewater transmission mains in the easterly portion of the City from Red Bluff Street to the Salt Creek Relief Lift Station south of Pine Grove Avenue. The improvements provided increased trunk sewer capacity and eliminated surcharging problems in the project area, as well as eliminating the I&I issues associated with replacement of existing pipelines and manholes. Although the City will still need to implement an ongoing infiltration and inflow program, these improvements will go a long way toward eliminating the threat of raw wastewater overflows within the collection system.

The Summit City area in the westerly section of the City utilizes individual on-site septic systems and is not connected to the City's wastewater system. However, due to the small parcel sizes and the potential for high groundwater conditions during the rainy season, the City anticipates that the Summit City area will eventually need to connect to the City's wastewater system. The funding source for this project is currently unidentified.

In 2009, the City completed the Sewer System Management Plan (SSMP; Kimley-Horn and Associates), in compliance with the requirements of California State Water Recourses Control Board Order No. 2006-0003, dated May 2, 2006. Although the SSMP itself recommended hiring two additional Public Works staff members to enable full compliance, financial limitations of the City did not allow this to occur. Nonetheless,

significant progress has been made since 2009 in evaluating and identifying specific trouble spots within the collection system.

The single-family residential monthly sewer bill as of July 1, 2013 is $56.70. In 2006, the City updated the Municipal Code to address utility connection and capacity fees by implementing a rate increase based on the recommendations from the 2005 Wastewater Master Plan. These fees are adjusted annually based on the Construction Cost Index. In addition, the City currently reviews monthly user rates on an annual basis, and a rate study is planned for 2013-2014.

3) WASTEWATER TREATMENT AND DISPOSAL

The City of Shasta Lake (City) operates a tertiary wastewater treatment facility (WWTF) designed to meet Title 22 requirements for reuse purposes. Originally, the plant was designed to have a treatment capacity of 1.3 million gallons per day (MGD) average dry weather flow (ADWF). However, due to dilution requirements for disposal of treated effluent to Churn Creek (10:1), the effective plant treatment capacity is limited to 0.83 MGD. The ADWF (as of 2013) is approximately 0.73 MGD, and the plant is at 88% of capacity. The WWTF can handle the connection of approximately 415 new household equivalents before it reaches capacity.

The City has commissioned several studies and reports that address various issues related to effluent disposal and WWTF upgrade:

* In 2009, the City completed the Recycled Water Facilities Planning Report (PACE Engineering), which identified potential reuse customers and possible routes for supplying water to those customers.

* In 2009, the City completed the Effluent Discharge Study (Water Works Engineers), which further evaluated effluent disposal alternatives in conjunction with treatment plant upgrade options. The Effluent Discharge Study identified Alternative 4 - Effluent Dominated Waterbody discharge as the preferred alternative to overcome the current limitations that prevent the WWTF from achieving its full treatment capacity.

* In 2010, the City completed the Effluent Mixing Zone Study (Water Works Engineers). This study, conducted at the request of the Central Valley Regional Water Quality Control Board (CVRWQCB) as a condition of the current WWTF discharge permit that expired in 2013, determined that the stream characteristics in the vicinity of the WWTF discharge outlet into Churn Creek did not meet the parameters required to assign a dilution factor of 10:1.

The result of this last report is far-reaching. The current operation of the WWTF is based on the 10:1 dilution factor, but the fact that full mixing is not being

accomplished at the current disposal location means that current operations will soon have to be altered to accommodate an increased dilution factor, effluent disposal at a different location, or a plant upgrade to a different technology. Because of the storage limitations of the existing WWTF, accommodating an increased dilution factor is not possible. Thus, the City proceeded with discussions with the CVRWQCB regarding an EDW direct discharge with no dilution factor to alleviate all outstanding issues.

In November, 2010, following a series of meetings and discussions with regulatory agencies, the City received correspondence from CVRWQCB stating that, after consultation with several resource agencies, Alternative 4 – EDW (direct discharge) as presented in the Effluent Discharge Study was found to be acceptable. The letter continued on to require the City to "maximize recycling opportunities for the wastewater to the extent practicable." This letter had two major impacts on the City's issues related to wastewater treatment and effluent disposal:

* The City will be able to address our current and future disposal issues onsite without dilution credits (i.e. disposal to Churn Creek will be able to continue as a direct discharge). This would eliminate the need to dispose of effluent at remote sites (such as TOGC).

* The City will continue to study recycling (effluent disposal) locations offsite, but only construct those projects as long as they made sense from fiscal, operational, and other perspectives.

After approval by the City Council, the City moved forward down parallel paths to address our outstanding issues. The two options considered were a) reuse at Tierra Oaks Golf Course (TOGC) or b) upgrading the WWTF to allow direct discharge to Churn Creek with no dilution.

TOGC Reuse Option:

In October 2011, the City completed the Preliminary Design Report (PDR) for the Tierra Oaks Reclaimed Water Main Extension project (Water Works Engineers). All documents were distributed to the City Council and staff, as well as representatives of TOGC and Bella Vista Water District (BVWD). Generally, the report a) identified a pipeline alignment that was the most cost-effective to deliver reuse water to TOGC, b) identified enhancements and upgrades to existing infrastructure that would need to occur for the project to move forward, and c) provided cost estimates for the entirety of the work. Based on funding that was thought to be available (mostly grants), there was a $1.6M funding shortfall.

In December 2011, City and consultant staff met with representatives of TOGC and BVWD to review the PDR and gauge the level of financial participation both

agencies were willing to commit to for the construction of the project. City and consultant staff made it very clear to all attendees that, with the approval of the direct discharge disposal concept by CVRWQCB, the project had to make sense from a financial and operational perspective, and that the $1.6M shortfall made the project impractical for the City. Neither BVWD nor TOGC chose to participate financially in the project.

In February 2012, the results of the TOGC reuse option were presented to the City Council. The project was placed on indefinite hiatus; however, it may be revived in the future if funding sources emerge that will bridge the $1.6M shortfall (perhaps in concert with the WWTF upgrade option).

WWTF Upgrade:

As previously discussed, the City chose to pursue Alternative 4 - Effluent Dominated Waterbody discharge, as presented in the Effluent Discharge Study, as the preferred alternative to overcome the current limitations that prevent the WWTF from achieving its full treatment capacity of 1.3 MGD. This description designation was subsequently changed from Effluent-Dominated Waterbody (EDW) to Direct Discharge (DD).

> *In 2013, the City completed the Development Design Report (Water Works Engineers) that detailed the wastewater treatment facility improvements required to achieve direct discharge to Churn Creek with no dilution. This report is intended to serve as a 20% preliminary design for the WWTF upgrade project, and will be the basis for final design plans and specifications (as modified by further work).

In late 2013, the City anticipates releasing an RFP for consultant selection to provide environmental review services. Depending on funding availability, this work will be followed by final design and construction work over approximately the next five years.

4) MUNICIPAL UTILITIES WATER SERVICES

The City entered into a Long-Term Renewal Contract (No. 4-07-20-W1134-LTR1) with the Bureau of Reclamation (BOR) for the provision of Project Water from the Shasta Division – Central Valley Project (CVP). The term of the contract is March 1, 2005 through February 28, 2045. Prior to the City's incorporation, the SDAPUD provided water to most of the area now within the city limits. The Contractor's Service Area identified in SDAPUD's contract with BOR did not include the entire city limits; however, in April 2003, BOR approved an amendment to the Service Area to include all property within the city limits.

A portion of the southwest section of the City known as the "Summit City Pressure Zone" was served by the City of Redding until 2004, at which time Shasta Lake entered into agreement with Redding to take over this system. The agreement allowed the City to acquire 30 ac/ft of the 40 ac/ft that was allocated to the Summit City Pressure Zone. The City treats the other 10 ac/ft of water, then delivers it through a master meter to a handful of Redding customers. The City of Shasta Lake is the only water service provider within the city limits.

The Water Utility has a current service-area population of 10,213. According to the Calendar Year 2012 Department of Water Resources ***Public Water Systems Statistics Report*****,** this population is served by 3,660 service connections, which represents 94 percent residential and 6 percent commercial/industrial/institutional users.

5) WATER TREATMENT AND DISTRIBUTION

Throughout the City's history, water quality throughout the service area has been good. The water distribution system generally has had adequate pressure and storage, and has an excellent fire flow rating. Still, there remained localized distribution and transmission deficiencies. In an effort to address these deficiencies, the City of Shasta Lake has made several major improvements to the water system since 2000. The 1998 Water Master Plan, updated in 2003, identified water system deficiencies and made suggestions for ways to finance improvements.

In 2005, a $5 million dollar loan was acquired from the State of California Infrastructure Bank (I-Bank) to construct a new 2.9 million gallon reservoir and complete improvements to increase capacity and reliability at the water plant, the Bureau pump station, and the transmission mains carrying water into the City. This loan is being repaid with rates and impact fees.

Also in 2005, a $5 million DWR Replacement grant financed the replacement and upsizing of several water mains that were worn out or needed upsizing for capacity, as described in the Water Master Plan. The grant also financed the replacement of 900 water services and meters and at least 50 fire hydrants. In The Master Plan describes other water system improvements that will be needed as the City grows; however, as growth stagnated during the Great Recession, many improvements have been deferred. The City commissioned **a feasibility study** in 2003 to determine where a new water plant could be built in the future when the present water plant reaches its full capacity (estimated to be around 2020).

In 2001 the construction of Knauf Insulation helped fund a water inter-tie between the City of Shasta Lake and the City of Redding. The Redding inter-tie automatically pumps 350 gallons per minute of Redding water into the City of Shasta Lake's system if their system pressure drops to 80 PSI. As much as 1,000 gallons per

minute can be pumped into the system in an emergency. With a valve change, Shasta Lake's distribution system can push water into the Redding water system during an emergency.

The City of Shasta Lake also has established an inter-tie with the Bella Vista Water District. This is an emergency inter-tie and must be manually initiated. Shasta Lake can pump 900 gallons per minute from Bella Vista into the City's water system. As a reciprocal backup, Shasta Lake can push at least 1,000 gallons per minute into Bella Vista's system during an emergency affecting that agency.

The existing pumps can meet the City's current needs when all pumps are operational. The City currently has nine water storage reservoirs totaling 6.2 million gallons of storage. The existing system consists of approximately 300,000 feet (57 miles) of distribution lines plus larger supply mains.

The City of Shasta Lake provides water service to the Bureau of Reclamation at Shasta Dam, which is outside of the city's boundary. The US Forest Service, also outside the city's boundary, receives water service from the City at the Off-Road Vehicle Park below Shasta Dam, at Fisherman's Point and at the Centimudi boat ramp. Although annexations of these areas are not expected, the City could, assuming a consistent water supply, efficiently serve areas to the south, east, and west of the City limits,

Infrastructure needs are determined by development proposals, engineering studies, and the City's Water Master Plan. When development plans are received, system requirements are determined by evaluating the proposed developments through the Technical Advisory Committee process. The Committee then refers to the City's Municipal Code to determine the infrastructure requirements of the proposed development.

Funding for the operation of the Water Utility comes from rates paid by the customers for the commodity used and connection fees and capacity charges associated with development when hooking into the system. Rates received from customers pay for the daily operation and maintenance of the system infrastructure. A rate study was completed in 2009 and passed by the City Council that modified water rates from Fiscal Year 09-10 through Fiscal Year 13-14.

As of July, 2013, the average single-family residential monthly water service charge for a 5/8" water meter was $19.21, and water was billed to a typical residential customer at rates of $1.24/$1.43/$1.74 for 1-1000/1001-5000/5001+ CCF, respectively (non-Lifeline rates shown). A new rate study is planned to be completed prior to the end of Fiscal Year 13-14.

6) MUNICIPAL CUSTOMER SERVICES

In 2010 the City commissioned a new public website which incorporates a number of features to make it both user and administratively friendly. The site is interactive. It provides users the ability to make inquiries or report problems to City staff. Contact information for all City departments is provided, along with utility rate information, place and time for City Council and Commission meetings, a calendar of events, public notices and much more.

The City's customer service counter is open to the public for inquires and bill payments from 7:00 AM until 4 PM each weekday. A drop box is available for those wishing to make payments during hours when the counter is closed.

Historically, utility meters have been read manually every month by meter readers who record the readings for calculation of each bill. In a first-of-its-kind program in the north state, the City of Shasta Lake has installed a remote meter reading system for all electric and water customers. The City's new wireless system transmits readings from each customer's meter to a computer that analyzes the usage and generates a customer bill.

The remote metering system offers a number of distinct advantages, including improved accuracy of metered service, on-line inquiries by users and City personnel, the ability to offer alternative rates for commercial customers who optimize energy consumption through time of use metering, demand reduction during high load periods, and pre-paid accounts. Remote metering also provides the City's energy managers with improved modeling for rate setting and forecasting and it gives the City the ability to switch meters on or off from the office. Also, "real time" troubleshooting is available during outages.

7) MUNICIPAL SOLID WASTE SERVICES

The City of Shasta Lake contracts with Waste Management for solid waste services for City residents. New customers can contact a City Customer Services Representative who will explain the service options available to customers. In addition to basic solid waste services, the City actively markets recycling programs and hosts "free dump days" every year.

8) MUNICIPAL FIRE AND EMERGENCY SERVICE PROVIDER

The Shasta Lake Fire Protection District, a California independent special district, provides fire protection and emergency services to the citizens within City of Shasta Lake. The District receives most of its revenues from property tax, assessments, and occasionally from public safety grants. The Shasta Lake Fire Protection District consists of three stations.

Formed on December 9, 1994, the District consolidated the previous Central Valley Fire Protection District (Station 42 with two stations), the Summit City Fire Protection District (Station 40 with one station), and small portions of the Buckeye Fire Protection District, the Mountain Gate Community Services District, and CSA #1 - Shasta County Fire Department, a dependent county-governed district.

This reorganization took place to provide a single district for fire protection, EMS, and other services. Besides covering the entire City of Shasta Lake, the Fire District also provides direct protection to an area of about one square mile to the east of the City along with automatic and mutual aid to adjacent jurisdictions.

The Shasta Lake Fire Protection District is governed by its own five-member Board of Directors elected at large from the public within the boundaries of the Fire District. LAFCO will prepare a separate Municipal Service Review (MSR) for the Shasta Lake Fire Protection District.

9) MUNICIPAL POLICE SERVICES PROVIDER

The City of Shasta Lake contracts with the Shasta County Sheriff's Department for police services within the City limits. The Sheriff's Department currently has ten deputies assigned to the City of Shasta Lake Substation. There are two sergeants designated to supervise the deputies, one of which is funded by the City of Shasta Lake. One full-time, non-sworn Sheriff's Service Officer and two part time Sheriff's Cadets are also assigned to the Substation.

Deputies assigned to the station work 12-hour shifts with shift changes at 7:00 a.m. and 7:00 p.m. Two deputies are assigned to each of the four shifts with one additional deputy assigned to a "cover shift" from 1:00 p.m. to 1:00 a.m., when calls for service are higher. The cover shift allows an officer to remain in the field while the others are in the Substation at shift change. At least one deputy is required to be on duty in the City of Shasta Lake at all times.

The more serious crimes occurring in the City of Shasta Lake are investigated by the Major Crimes Unit of the Sheriff's Office. Operations of the Shasta Lake Substation

are overseen by a Sheriff's Captain, and that position is also funded by the City. The Captain provides the City with a monthly report of crime activity and calls answered.

The deputies operate patrol cars which are purchased by the City. These patrol cars are distinctly marked to identify them as vehicles assigned to the City of Shasta Lake. Sergeants are assigned a standard Shasta County Sheriff's Office vehicle without the City of Shasta Lake logo. The latter vehicles are paid in full by the County, and the City pays only for basic maintenance and not replacement. All the electronics and safety equipment used are purchased by the City.

The City also funds an All-Terrain Motorcycle Unit for the purpose of patrolling the less developed areas within the city limits. Deputies utilize the Unit's four motorcycles for special events such as parades and festivals. Most of the deputies assigned to the City of Shasta Lake Substation have other collateral assignments, on an on-call basis, to other Sheriff's Department Specialty teams (e.g., Search and Rescue, Special Weapons and Tactics, Hostage Negotiations, Dive Rescue and Field Training Officer).

In 2012, the City of Shasta Lake completed a new Law Enforcement Center at 4488 Red Bluff Street. The Center houses the Shasta Lake contingent of the Shasta County Sheriff's Office and the City Council Chambers. The building was constructed to LEED Gold standards for energy efficiency and is constructed as an "essential services" building to remain operational during natural and man-made disasters. Funding was provided through the Shasta Lake Redevelopment Agency.

10) STREET PLANNING AND MAINTENANCE SERVICES

The City is responsible for overseeing construction and completing maintenance of all public streets, sidewalks, bridges, and street signage within the City limits. The City provides maintenance for approximately sixty-five miles of paved streets, but does not perform maintenance on any unimproved street or alley due to the prohibitive costs of doing so.

The City of Shasta Lake Circulation Element is an integral part of the General Plan. The Circulation Map identifies the category of land use permitted on each property in the City as well as current and proposed arterial and collector streets, other roadways, rail lines and the conceptual location of trail systems. This assists the City in considering growth and population projections when preparing forecasts of future traffic needs. The General Plan also advances measures to enhance opportunities for public transportation, pedestrians and bicyclists by advancing the use of sidewalks, bike lanes, and a trail system.

For proposed major development projects, a Traffic Impact Study is required to analyze potential traffic impacts and required street improvements, including traffic control and traffic calming devices. Projected trip generation is based on information published by the Institute of Transportation Engineers (ITE) or other trip generation studies as approved by the City Engineer. Roadways and related improvements in new developments are required to be constructed to City Standards.

State Route 151 (Shasta Dam Boulevard) is designated as a major arterial street in the General Plan and is maintained by the California Department of Transportation (Caltrans). This roadway provides direct access from Interstate 5 to the City's Central Business District and is the main route to the visitor center at Shasta Dam.

Due to the City's concerns with serious obstacles to pedestrian, bicycle and vehicular travel, the City began exploring funding options for improvements to SR 151 in 2000. It succeeded securing funding through several Caltrans grant programs, and has completed a number of improvements between Locust Street and Oregon Avenue. The improvements include narrowing SR 151 to two travel lanes in each direction with a center turn lane, installing street lights, sidewalks and bicycle lanes, completing paving work, and providing for on-street parking. The City's goal is to continue these improvements west to the train trestle and east to Cascade Boulevard as funding becomes available.

The Pine Grove Avenue Extension, completed in 1999, extended Pine Grove Avenue from Cascade Boulevard to Ashby Road. This roadway is the main transportation route to the City's industrial areas, including Shasta Gateway Industrial Park, Knauf Insulation, and Sierra Pacific Industries. The extension was first identified in the 1984 Shasta County General Plan Circulation Element and was also included in the Shasta Dam Area Redevelopment Plan and the City's 1997 Circulation Element update. The right-of-way width is 96 feet and the constructed length of the extension is approximately 1.9 miles.

Also identified in the Redevelopment Plan and General Plan Circulation Element was realignment of Cascade Boulevard at Pine Grove Avenue. The realignment was initially intended to extend approximately 1,350 feet north and 1,450 feet south of the intersection and included an 84-foot right-of-way to better accommodate current and future traffic flow, provide storage for the Pine Grove/Interstate 5 exist, and support planned future growth in the area. However, the City was unsuccessful in negotiating a right-of-way agreement with property owner on the south side of Pine Grove Avenue, thus proceeded with the realignment only on the north side of the project.

The following roadways are currently designated as Minor Arterial Streets in the General Plan:

- Lake Boulevard
- Shasta Dam Boulevard
- Ashby Road
- Pine Grove Avenue
- Cascade Boulevard
- Twin View Boulevard

The collector street system, which moves traffic between local and arterial streets, with some direct access to parcels and property include the following roadways:

- Red Bluff Street
- Fort Peck Street
- Vallecito Street
- Montana Avenue
- Hardenbrook Avenue
- Black Canyon Road
- Washington Avenue

The City maintains a comprehensive Pavement Maintenance Management System (PMMS), a tool used to identify current and projected conditions of City streets and to plan for scheduled road maintenance, reconstruction, and capital Improvements. The latest update was scheduled for late 2013. The 2009 total maintenance needs were estimated in excess of $17M.

The streets were in very poor condition when the City assumed responsibility for their maintenance after the 1993 incorporation. In an attempt to prioritize street improvements, in 2009 the City Council passed the Street Program Policy Statement. This document prioritizes anticipated street work based on several coordinating factors, including level of work required, high-priority repairs, funding requirements, upcoming utility projects, ADA compliance, and economy of scale. In addition, the City set a goal for approximately 20% of available funding to be spent on areas outside the City center. Final determination of what streets will receive work is left to the City Engineer, under the supervision of the City Manager.

Funding for street maintenance and improvements comes from a variety of sources, including Traffic Impact Fees, Gas Tax Funds, Prop 1B revenue, and (prior to dissolution of the Redevelopment Agency in 2011) Redevelopment Funds. In 2011, the City completed approximately $2.1M in street repair and paving work using Redevelopment funds, and anticipated spending approximately $1M per year to bring all City streets within the Redevelopment Area up to standard. However, with the loss

of Redevelopment funding, was discontinued by the State of California in 2011, the City has struggling to find alternate funding sources to fund ongoing repair and repaving work.

11) MUNICIPAL STORM DRAIN MANAGEMENT SERVICES

Existing City infrastructure is comprised of a wide variety of older/aging drainage systems, together with systems that were constructed in the past 10-40 years, as well as drainage systems that are less than fifteen years old and installed as part of newer development projects. All City drainage systems utilize the existing "backbone" system of natural creeks and overland release paths to drain during flood events. Some of the newer installed systems utilize detention storage in either flow-through or side-spilling configurations, but most rely on the storm drainage facilities to convey runoff downstream, away from developed areas. The topography of the city lends itself to this type of configuration.

The City performs maintenance on its existing drainage system with very limited funding available. Significant vegetation has become established at some channel and culvert crossings, significantly reducing the system capacity. Existing erosion problems that are not critical at this time could, if left unchecked, create problems with structural integrity in the future.

The City currently has no drainage impact fees or fee programs to assess properties within the City. Typically, drainage impact fees for new construction are based upon a drainage master plan that identifies needed improvements to the system under a Comprehensive Plan. Currently, the City analyzes each new development on a project-by-project basis, requiring each project proponent to prepare a drainage and/or hydrology study. The developer is required to construct facilities required to mitigate any increase in runoff due to development.

In 2009, the City completed the City of Shasta Lake Hydrology Study (Willdan). This study includes a hydrology study, hydraulic calculations, maps of existing facilities, deficient systems, and proposed improvements. This study will support future development of a storm drain impact fee as recommended in the General Plan.

In 2013, the City obtained coverage as a Small Municipal Separate Storm Sewer System (MS4) under State Water Quality Control Board Water Quality Order 2013-0001-DWQ, NPDES General Permit CAS000004. Generally, the permit requires that the City take on water quality and water pollution reduction work formerly performed by SWRCB staff for any work performed within the City Limits. The permit requirements are being implemented over a 5-year schedule, with full compliance scheduled to be completed in 2018.

12) MUNICIPAL PARKS AND RECREATION SERVICES

The Board of Directors of the Shasta Dam Area Public Utility District established a Parks and Recreation Citizens' Advisory Commission on May 4, 1988. The City of Shasta Lake, upon incorporation, assumed responsibility for providing parks and recreation services. The City owns and maintains approximately 46.5 acres of improved parkland, and approximately 130.5 acres of undeveloped parkland.

Until recently, park and recreation services have been primarily a volunteer effort with private sport groups managing sports and providing most of the improvements to sports fields. The City's role has been to provide minimal maintenance to an aging park system. However, with the new growth that is occurring, a higher community expectation for park and recreation services is becoming evident. New residents in the community have requested services and facilities that were not considered in the past. Meeting the needs for more park land, trails, sport fields, specialized facilities and recreation programs has been a challenge for the community and the City.

In 2005, the City completed its first Park System Master Plan which assessed the need for recreation facilities and presents a strategy for meeting those needs. In 2007, City Council approved funding for a part-time Recreation Coordinator to develop and organize recreational programs and activities, with anticipation that this position would become self-sustaining through available grants and/or program revenue in the future. This did not occur, and the position was eliminated in 2009.

A children's summer camp is offered each summer. This camp is operated in Shasta Lake by the City of Redding Parks Department, with the City of Shasta Lake subsidizing the attendance cost on a per-child basis and providing equipment and other services.

MuniFinancial recently completed a Park System Impact Fee Study for the City. Several meetings and study sessions with the Parks and Recreation Advisory Commission, Planning Commission and City Council were conducted to discuss and consider a revised fee schedule. The new fee schedule was adopted by Ordinance on October 7, 2008, and was expected to assist implementation of the Parks Master Plan.

13) MUNICIPAL LAND USE PLANNING SERVICES

The City of Shasta Lake General Plan, adopted in 1999, guides long-range planning for the City of Shasta Lake Planning Area. By law a General Plan must address land use for all territory within the boundaries of the City as well "as any land outside its boundaries which, in the planning agency's judgment, bears relation to its planning"

(Government Code Section 65300). This would also include areas within any sphere of influence assigned by Shasta LAFCO, as it may be amended from time to time.

The Planning Division functions as a "one-stop" permit center and coordinates processing of planning, building, public works and electric department permits and applications. The Planning Division provides comprehensive land use and environmental planning services for discretionary project proposals (e.g., use permits, parcel maps, subdivisions, general plan amendments, rezones, property line adjustments, specific plans, etc.). The Division is also responsible for ensuring compliance with the California Environmental Quality Act (CEQA), National Environmental Policy Act (NEPA), the Subdivision Map Act, and various local, state and federal regulations for both private and public projects.

The Planning Division coordinates activities of the City's Technical Advisory Committee (TAC), which meets on a weekly basis to review all land use applications. The purpose of TAC is to determine specific infrastructure needs for all development projects on a case-by-case basis and to identify any development constraints, environmental issues and necessary permits. The Committee relies on the City's General Plan and Zoning Code, Water Master Plan, Wastewater Master Plan, Park System Master Plan, City Construction Standards, Shasta Lake Municipal Code, California Building Code and the California Environmental Quality Act Guidelines in determining specific requirements. Meeting minutes are not prepared; however, individual files for each project are established and written comments submitted by TAC members are filed accordingly.

Committee members include the City Engineer, Public Works Director, Electric Operations Manager, Water Treatment Plant Superintendent, Wastewater Treatment Plant Superintendent, Development Services Director, Senior Planner, Building Official, Permit Center Manager and the Shasta Lake Fire Protection District. In conjunction with TAC review, the Planning Division coordinates project review and communicates with regulatory agencies such as California Department of Transportation, Department of Fish and Game, Army Corps of Engineers and Regional Water Quality Control Board to ensure compliance with state and federal regulations.

The Shasta Lake Planning Commission reviews proposals and submits their recommendations to the City Council for all discretionary permit applications and related environmental review documents. The Planning Commission consists of seven members, appointed by the City Council. The Commission meets on the third Thursday of every month at 7:00 p.m. in the John Beaudet Senior Community Center, 1525 Median Street in Shasta Lake. Special meetings and workshops are occasionally conducted to discuss special projects such as the General Plan and Housing Element updates. On November 18, 2008, City Council directed staff to prepare an Ordinance changing the term of office for Planning Commissioners from two years to four years.

Land use planning service needs are forecast using the prior year as a baseline for estimating future needs, such as; application processing, environmental review needs and public hearings. A formal study has not been completed to integrate growth projections with plans for future land use planning needs.

b. Administration, Management and Operations

Shasta Lake is one of the many California cities operating under the Council-Manager form of government. Under this system, the Council establishes the policies under which the City operates and appoints a trained and experienced City Manager to administer the affairs of the City. City Manager responsibilities include hiring of City staff, preparation of the Annual Budget, administration and coordination of the City's operations, general supervision over all property under the control of the City and enforcement of City ordinance and applicable state laws.

The City Manager appoints a staff to assist him/her in carrying out his/her duties. City departments include the City Attorney's Office, the City Clerk's Office, Community Services, Development Services, Electric, Fire, Police, Economic Development, Personnel, Municipal Utilities, Support Services, and Transportation/Engineering. Like the City Manager, the City Attorney is appointed by the City Council.

c. Fiscal

The City Council is responsible for establishing and maintaining a system of internal accounting control. The Council operates as a financial committee with guidance from the Finance Director and assistance from the City Manager. The annual budget is drafted and recommendations are made to the Council for approval. In addition, monthly financial statements are presented to the Council for review and comment. The City manages a very conservative budget, providing due diligence on all fiscal matters and records.

The City of Shasta Lake uses several sources of revenue to finance infrastructure improvements. Smaller projects are typically funded through ongoing user fees and can be coupled with the City's plant and facilities capacity charge fund for parks, water, wastewater, transportation and electric capital improvements. Larger projects have been funded through assessment districts, loans, tax override debt and through the use of certificates of participation. The City has also been successful in acquiring Infrastructure Bank loans, Community Development Block Grant funding, and grants through the Department of Water Resources and the California Department of Transportation (Caltrans).

COMPARATIVE FUND SUMMARY-ALL FUNDS - (FY 2013-14)

	Fund Category	Restricted * Funds July 1, 2013	Funds Available July 1, 2013	Estimated Revenue 2013-14	Operating Transfers In	Operating Transfers Out	Estimated Expenditures 2013-14	Restricted * Funds June 30, 2014	Estimated Fund Available June 30, 2014
5	**GENERAL FUND**	**$232,477**	**$1,342,797**	**$5,715,548**	**$80,000**	**$35,327**	**$5,686,131**	**$232,477**	**$1,416,887**
	SPECIAL REVENUE FUNDS								
15/16	Transportation/Trafficway	625,116	1,199,805	790,779	-	-	898,840	637,116	1,079,744
60	Redevelopment Agency	-	-	-	-	-	-	-	-
63	Shasta Lake Housing	-	-	-	-	-	-	-	-
11	Water Plant & Facilities	-	22,920	5,200	-	-	442	-	27,678
22	Electric Plant & Facilities	-	245,508	102,000	-	-	108,732	-	238,776
33	Wastewater Plant & Facilitie	-	484,831	43,500	-	-	14,763	-	513,568
44	Parks Plant & Facilities	-	94,888	11,250	-	-	728	-	105,410
10	Law Enforcement Grant	-	-	100,000	-	-	100,000	-	-
23	CDBG Project Fund	-	-	275,000	-	-	275,000	-	-
24-29	CDBG Housing Rehabilitatio	783,818	7,407	2,700	-	-	-	783,818	10,107
30	CDBG HOME Program	3,613,128	-	350,000	-	-	350,000	3,613,128	-
		5,022,062	2,055,359	1,680,429	-	-	1,748,505	5,034,062	1,975,283
	DEBT SERVICE FUNDS								
93	1995 Wastewater Treatmer	542,791	-	251,000	-	-	238,288	555,503	-
94	Rosamond Assessment Dis	32,442	-	21,195	-	-	20,588	33,049	-
95	Riddle Road Water Bond	6,791	-	3,170	-	-	3,025	6,936	-
98	Davis-Grunsky Act Loan	74,809	-	19,570	-	-	11,983	82,396	-
99	State of California Loan	-	-	-	-	-	-	-	-
		656,833	-	294,935	-	-	273,884	677,884	-
	ENTERPRISE FUNDS - DEPRECIATION/AMORTIZATION NOT INCLUDED								
1	Water	405,402	505,856	2,376,135	-	-	2,601,499	405,402	280,492
2	Electric	922,288	12,508,603	17,287,630	-	-	18,561,705	922,288	11,234,528
3	Wastewater	-	802,421	2,583,396	-	80,000	2,484,464	-	821,353
71	Industrial Park	-	-	109,500	35,327	-	144,827	-	-
		1,327,690	13,816,880	22,356,661	35,327	80,000	23,792,495	1,327,690	12,336,373
	INTERNAL SERVICE FUNDS - DEPRECIATION NOT INCLUDED								
9	Motor Pool	-	172,340	637,564	-	-	650,163	-	159,741
81	Community Facilities Dist.	-	81,181	72,600	-	-	85,600	-	68,181
17	Public Works	-	-	1,600,312	-	-	1,600,312	-	-
		-	253,521	2,310,476	-	-	2,336,075	-	227,922
	TOTAL ALL FUNDS	**$7,239,062**	**$17,468,557**	**$32,358,049**	**$115,327**	**$115,327**	**$33,837,090**	**$7,272,113**	**$15,956,465**

The City's budget for the fiscal year 2013-2014 is $33,837,090. The City receives revenue through charges for services provided, which includes but is not limited to County taxes, special assessment, licenses, permits and interest on investments, connection charges, loans and grants. All fees and charges must be approved by City Council before being implemented.

The City belongs to the Small Cities Organized Risk Effort, a joint powers agency providing liability, employment practices, property and workers compensation insurances and management of claims. The City has representation on the Redding Area Bus Authority Board, which provides local transportation planning and needs requirements within the City limits, and is also involved with the Shasta County Regional Transportation Planning Agency (RTPA). The RTPA assists in meeting State and Federal statutes and regulations related to funding, along with the development of the Regional Transportation Plan which identifies and resolves regional mobility issues. The Shasta County Economic Development Corporation provides some services regarding potential economic development leads, services and general assistance in recruiting and retaining businesses.

d. Governance

The City of Shasta Lake, incorporated on July 1, 1993, is a general law city formed under state legislative statutes and governed by a body of laws in the State Constitution. The Shasta Lake City Council consists of five council members at large for staggered four-year terms. Council members must be residents of the City and registered voters at the time nomination papers are taken out. Historically, elections have several qualified candidates.

The Mayor and Mayor Pro Tempore are elected by the City Council at the first regular meeting of December of each year and serve as such for one year. Each member of the City Council receives a monthly salary in the amount of $300.00. They are also reimbursed for travel expenses that are incurred while on City business.

Meetings of the Shasta Lake City Council are held the first and third Tuesday of the month at 6:00 p.m. in the Law Enforcement Center/City Council Chambers, 4488 Red Bluff Street in Shasta Lake. City Council meetings, except for certain closed sessions allowed by law, are open to the public and participation by citizens is welcomed and encouraged. Currently, City Council meetings are televised on Channel 11 the following Wednesday at 8:30 p.m. and Friday at 2:00 p.m. In addition, the meetings are available the next morning on the City's website in streaming video.

Matters pertaining to the City's operation that require action by City Council are placed on an agenda for a regular meeting of the Council. Meeting notices are posted on the City's website as well as the three post offices in the City, Shasta Lake City Hall, and the Law Enforcement Center/City Council Chambers.

Meetings are subject to the Ralph M. Brown Act (the open meeting statute) and adhere to all State laws pertaining to notification of public meetings on City matters. The City reports that there have been no Ralph M. Brown Act and/or the Political Reform Act violations in the last three years.

4. REGIONAL CONTEXT/RELEVANT SERVICES BY OTHER AGENCIES

Land use and building regulation services are provided by the City of Shasta Lake. Law enforcement and fire and emergency services are provided under contracts or agreements

The City is not currently evaluating or considering assumption of responsibility for the services provided by the Shasta Lake Fire Protection District within the City's boundaries. Cities are statutorily authorized to provide fire and emergency services, but to date the arrangement between the City and the District seems to work for both agencies. This topic could be examined by the two agencies during their future service planning activities, primarily to discuss and to consider possibilities for meeting future service needs of both agencies.

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

The City's municipal service area is located just north of the City of Redding and encompasses the communities of Summit City, Central Valley, Project City, Toyon Government Camp, and other territory formerly served by the Shasta Dam Area Public Utility District.

As stated above, the City's last assigned sphere of influence in 1994 is coterminous with its city limits. No annexation applications have been submitted to the City since its incorporation on July 2, 1993, and no requests for annexation are anticipated within the next five years. The City is in the process of completing a General Plan Update, which will include a review of the Land Use Element. As part of this review, the City may consider possible revisions to its current sphere of influence.

It is proposed the Commission set the SOI boundary to include all parcels shown in the original incorporation map (Exhibit c.) for the City of Shasta Lake, and as shown on the enclosed map of proposed 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 City will be primarily guided by economics, and increased population responding to availability of housing and jobs. The City considers it has sufficient undeveloped land within city limits to accommodate a moderate rate of

growth. City operations and program growth will be included and considered during development permit processes for these areas so as to effectively meet expected service needs.

At the time of incorporation, the California Department of Finance (DOF) extrapolated data from the 1990 Census and calculated the City's population at 8,783. The 2000 U.S Census determined that the population of the City was 9,008 in April 2000. In 1994, the Department of Finance prepared housing and population estimates for the new boundaries of the City of Shasta Lake, establishing a population base of 9,336

According to Census data, between 1990 and 2000, the population increased by 2.21 percent, or an average annual growth rate of 0.22 percent. Table 1 below shows population data for the City for the period of 2004 – 2013.

The population numbers shown in Table 1 reflect positive annual growth until the beginning of 2008, due in part to the rising cost of development in Redding and the strong housing market affecting much of the nation. This was followed by a *negative* annual average growth rate of approximately 0.23 percent from 2008 - 2013. This negative annual growth rate is roughly equivalent to that experienced by Shasta County as a whole during the same time period.

This recent decline in population is directly related to the economic downturn of 2008, and the economy now shows signs of improving. Based on trends over the past ten years and recent economic indications, a slow to moderate growth rate of 0.5 - 1 percent is estimated for the City over the next ten years. If this proves correct, and assuming the current occupancy rate established by DOF of 2.58 persons per household continues, the City can expect to add up to 1,055 housing units over the next ten years, including both single-family and multi-family units.

According to the 1999 Shasta Lake General Plan, with the current land use designations, the population at build-out is expected to be 24,922. Including the planning area for future annexations considered in the General Plan, the build-out population is anticipated to be 27,201.

The City would also be expected to gain commercial and industrial development over the same time period. The problem with estimates of nonresidential growth is that they rely on a variety of factors that are outside a simple population model. These include market demand, interest rates, local competition, growth of existing industry, development of new sites, etc. These factors are not easy to model on smaller scales such as the City of Shasta Lake.

Areas of the City that have experienced and will continue to experience the most growth are located adjacent to those transportation corridors leading to I-5. This is because many residents of the city commute to employment centers that are, at least for now, predominantly located in and around the city of Redding. The recent subdivisions south of Pine Grove Avenue and the proposed project reflect the desire to be situated near these transportation corridors.

TABLE 1
City of Shasta Lake Historic Population Growth: 2004 - 2013

Year	Population	Population Change (Persons)	Population Percentage Change
2004	10,038	163	1.62
2005	10,180	142	1.39
2006	10,195	15	0.15
2007	10,237	42	0.41
2008	10,243	6	0.06
2009	10,269	26	0.25
2010	10,164	-105	-1.03
2011	10,102	-62	-0.61
2012	10,077	-25	-0.25
2013	10,100	23	0.23
Totals		**225**	**2.22**

SOURCE: City of Shasta Lake Housing Element, July 7, 2010; California DOF, E-5 City/County Population Estimates 2010-2013

The U.S Census 2010 determined that the population of the City of Shasta Lake was 10,164. In January of 2013, the Department of Finance estimated the city's population at 10,100. Accordingly, this results in a negative rate of growth during the past three years.

The City's General Plan is currently being updated and is expected to be complete by mid-2014. The Land Use Element will provide estimates for future annexations and build-out projections.

b. **Disadvantaged Unincorporated Communities (DUCs)**

Senate Bill 244 (2011) governing the identification of disadvantaged communities requires both counties and cities to undertake an inventory of these areas during updates of their General Plan Housing Element. In addition, LAFCOs are mandated to make determinations about disadvantaged communities within an agency or within its periodic municipal service review and sphere of influence updates, and with any boundary changes.

There is no unincorporated territory within the City of Shasta Lake or within its sphere of influence boundary at this time. A "community" is defined in SB 244 as an inhabited area within a city that is comprised of no less than 10 dwellings adjacent or in

close proximity to one another, or at least 12 registered voters within the identified area. Analysis, to take place during specific General Plan element updates, includes evaluation of unmet service needs of these areas (i.e. failing septic systems, water or drainage issues, etc.). This can include such "communities" as trailer parks or resort areas. With identification of these special areas and City plans and policies established to address their service needs, LAFCO will be able to incorporate that data during the next round of municipal service reviews and sphere of influence updates in 2019.

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 City of Shasta Lake area is estimated to be near $21,755.

Area serviced by the City may qualify as a "Disadvantaged Community." LAFCO is using a California State Parks (www.parks.ca.gov) to provide a guide estimating income and population levels (see attached sheets). The population counts shown on these reports only encompass a two mile diameter and may not reflect the actual population assigned to those areas.

A useful State Technical Advisory about the Disadvantaged Communities process may be downloaded from the Shasta LAFCO website at www.shasta.lafco.ca.gov under the "Resources" tab.

c. **Present and Planned of Public Facilities**

The City monitors capital improvements, maintaining and upgrading service systems as need and funding availability permits. Future development is expected to pay its pro rata share for extension costs or development of additional services.

d. **Adequacy of Public Services**

City facilities are adequate for its current service needs. It also has sufficient access to needed resources and capacity to manage service delivery to areas within its boundaries, with the cost of extension of services properly tied to development permits for future growth.

e. **Infrastructure Needs or Deficiencies**

City staff monitor and evaluate water service and sewer infrastructure for capacity, condition, availability, and quality water and sewer services. Correlation of current operational, capital improvement, and finance plans are appropriate for the size of the City and its service area at this time. The City Council has well organized

management systems in place for all services it provides, and works diligently to resolve identified infrastructure needs and deficiencies.

f. **Financing Constraints and Opportunities**

Several constraints identified under "3. City Services" have been under evaluation by the City for some time. Plans to remedy these concerns have either been developed, financed and implemented, or developed and awaiting financing. The City continues to seek effective funding resolutions for the more difficult service issues.

The City provides a number of "enterprise" services, and funding for these come primarily from fees and charges levied for services provided. Other services rely on general fund resources, grants, or loans to finance their activities. A poor economy has made maintenance of these services most challenging. The City works to maintain a reasonable nexus between fees and charges levied and the cost of the services they provide. That having been said, City seeks to be as efficient and innovative as possible in maximizing use of existing fiscal resources.

g. **Opportunities for Rate Restructuring**

There are inherent statutory limitations on the City's ability to restructure rates. The City regularly reviews fees and charges levied so as to maintain a reasonable nexus between rates and actual costs.

The City employs effective rate setting procedures, identifies conditions that could impact future rates, and gives due consideration to timely restructuring opportunities without impairing the quality of services.

h. **Status of and Opportunities for Shared Facilities**

Existing contractual agreements notwithstanding, there are presently inherent limitations – geographical, jurisdictional, and operational – in extending or sharing City services and facilities with areas outside its city limits and proposed SOI boundary. The City would need to evaluate such requests on a case-by-case basis, and submit an out of area service request to Shasta LAFCO before extending future services out of its service area.

i. **Accountability for Community Service needs, governmental structure, and operational efficiencies.**

The City Council meets monthly (or more often if needed), notices meetings, and offers the public ample opportunity to participate in their meetings. City staff

continues to strive towards effective internal organization that provides efficient, quality services to its citizens.

7. WRITTEN DETERMINATIONS FOR THE SPHERE OF INFLUENCE UPDATE

a. Present and planned land uses

The City of Shasta Lake is a rural community with a population close to 10,000. It incorporated in order to provide coordinated services to the communities within its boundaries. The City has developed a General Plan and Zoning Ordinance to address the type of land uses compatible for a city of its size. Uses include residential of various densities, with some more rural residential, commercial, and industrial designations.

b. Present and probable need for public facilities; adequacy of services

The City has capital improvement programs for maintaining and upgrading its service systems. City ordinances and land use planning policies have been developed to require new projects participate in funding these needs. As this is a relatively new city, its services are still under development in many ways and can be considered adequate and ongoing for the purposes of this review.

In preparation for the next cycle of SOI/MSR reviews in 2019, it is recommended that Shasta LAFCO consider scheduling a comprehensive MSR/SOI review for all this and other urban agencies under its jurisdiction who provide municipal-level services to their citizens.

c. Present capacity of public facilities and adequacy of services

City facilities are adequate for current service needs. The City of Shasta Lake has the capacity to provide existing levels of service to areas within the proposed sphere of influence boundary, with extension of services tied to development of parcels.

d. Existence of social or economic communities of interest

The City of Shasta Lake is located just north of the City of Redding, and is also served by the Shasta Lake Fire Protection District. The Cities of Redding and Anderson both provide a major shopping and service industry hub for local residents. The City has contractual and cooperative agreements with a number of local, state, and federal agencies.

e. **Present and probable needs of disadvantaged unincorporated communities (DUCs) within the area.**

There is no unincorporated territory currently within the City. The City will, however, be undertaking a study of disadvantaged communities, as defined in Senate Bill 244, located within their boundaries during their next General Plan update, and from that work additional information should be available to Shasta LAFCO for an expanded analysis of this designation during the 2019 round of MSR/SOI Updates.

8. CONCLUSION

In this review, Shasta LAFCO has endeavored to accurately assess the current services and organizational status of the City as a provider of municipal services based upon information available at this time. This is the first update of this City's sphere of influence since 1994, and it is expected that additional data will be brought forward, especially as future development occurs as planned. LAFCO has made what we believe are substantiated determinations based upon prescribed statutory factors and available data from this agency.

It is recommended that the municipal service review and sphere of influence update for the City be adopted as coterminous with its legal boundary, and shown on the enclosed SOI update map.

9. REFERENCES

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

10. EXHIBITS

a. Map of proposed SOI Boundary
b. City Formation documents
c. LAFCO Resolution No. 94-04 Setting 1ST SOI Boundary
d. Community Calculator – City Area
e. Notice of Intent to Adopt CEQA Determination – Statutory Exemption PRC 21083
f. No Effect Determination – California Department of Fish & Wildlife