

Shasta Local Agency Formation Commission



DRAFT

Municipal Services Review
& Sphere of Influence Update

Clear Creek Community Services
District

November 2014

**Clear Creek Community Services District
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 Clear Creek Community Services District services and SOI needs, satisfying the requirements of this statute, and seeks to associate the original formation purposes and activities of the District with an understanding of its current day operations and future plans.

The Clear Creek CSD staff provided excellent detailed information in response to our Request for Information for this current MSR and SOI review of the District, as is often the case where a local agency provides enterprise services.

That data will be incorporated throughout this report. A number of related documents have been attached as exhibits to provide the reader with a more specific view of the coordinated operations and services provided by this District.

Too large to include are two important District documents: Clear Creek CSD's 2007 Master Water Plan and the Redding Area 2011 Watershed Sanitary Survey, both prepared by PACE Civil, Inc. of Redding. Both of these documents are available from the District upon request and contain invaluable detail and analyses.

The District was formed in 1963, and the first Sphere of Influence Boundary assigned to Clear Creek CSD occurred in 1983. Boundary changes often required concurrent amendment of the District SOI boundary for each individual projects. SOI boundaries are meant to assist local agencies with long-range planning (10-20 years) for the potential provision future services.

The District subsequently made, and LAFCO approved, over 91 annexations into its boundaries between 1964 and 2014. A Municipal Service Review was approved by Shasta LAFCO in 2003, but an update to the Sphere of Influence for the District did not follow. This review incorporates previous updates to the Sphere of Influence and the Municipal Service Review with current available data.

Both the SOI and MSR are required to be reviewed and updated every five years. The next cycle of SOI/MSR review for this District will be due around 2019. As with many other providers of certain municipal-type services in Shasta County, it is recommended that a more comprehensive LAFCO review of the District be scheduled at that time.

2. GENERAL BACKGROUND

The Clear Creek Community Services District service area is located southwest of the City of Redding in the Happy Valley and Olinda communities situated in the western foothills.

The Centerville Community Services District is to the north, the Igo-Ono Community Services District is due west, Redding and Anderson are to the east, and the small community of Igo is northwest of the District. Northwest of the District is Whiskeytown National Recreation Area (National Park Service) territory, and lands managed by the U. S. Forest Service and the Bureau of Land Management.

The Cortese-Knox-Hertzberg Local Government Act of 2000 (CKH Act) provides the following focus for the provision of local governmental services:

The Legislature finds and declares that a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas. Nonetheless, the Legislature recognizes the critical role of many limited purpose agencies, especially in rural communities. The Legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

The Clear Creek CSD is a multipurpose agency and is empowered to provide over thirty public services (GC 61100), and as such, is the appropriate type of district to provide services to this densely developed rural community.

In 2006 the LAFCOs in some counties studied and established policies and procedures to identify services provided by their local agencies, declaring any remaining services as “latent.” This set up a system that requires these independent agencies to undergo a special LAFCO review process and approval before they would be permitted to initiate those allowed services.

Although identification of latent services was a requirement for LAFCOs in 2006, a few short years later that section was amended to make identification of “latent” services discretionary rather than mandatory. Now, during sphere of influence updates, LAFCOs can choose whether to institute such proceedings on case-by case basis, or not.

Shasta LAFCO examined initiating this program back in 2006, but rescinded that decision in January 2014, electing to permit its local districts and cities to determine what services they wish to implement within its service areas and how they would fund such services.

Therefore, the Clear Creek Community Services District continues to be empowered to provide all services enumerated in the State laws governing their special district operations. Their public retains the ability to support or veto implementation of any additional services at the ballot box, thus providing a balance of power between service providers and service recipients, the latter, of course, are the ones who chose to approve the funding for new services.

3. AGENCY SERVICES

Formed in 1963 as a California community services district (Government Code 61000 *et seq.*), the Clear Creek CSD provides domestic water to 21,670 acres (33.85 sq. miles) of unincorporated area in and around the Happy Valley area. The population within the District boundaries is estimated at 9,000.

The District was originally organized to provide the farmers in Happy Valley with agricultural water through a water service contract with the United States Bureau of Reclamation (USBR). The Central Valley Project, Trinity South Division, was built by the USBR over a period of four years.

The citizens of Happy Valley passed a voter-approved debt to fund the distribution system inside of the District boundaries, and began receiving water in 1967. Since many domestic wells failed to produce, the project also became an excellent source of municipal water.

The 1963 ballot asked citizens: “Shall the Clear Creek Community Services District be authorized to supply the inhabitants of the District with water for domestic use, irrigation, sanitation, industrial use, individual use, fire protection and recreation?” Of the 293 votes cast, 98% approved the measure.

The original size of the District was 6,818 acres, and included 15 miles of distribution pipeline. However, the USBR’s designated “area of use” likely to be serviced under the 15,300 acre feet water service contract was thousands of acres more. Currently, the District size is 21,670 acres, and has over 100 miles of distribution system pipeline. Maps reflecting this area are found in Exhibit B of this Update.

Water is received from Whiskeytown Lake, where the District has a water treatment facility located at the base of the dam. When the new Surface Water Treatment Rule was put into place in the early 1990s, the District was required to make significant improvements and changes to this facility. Required upgrades resulted in construction costs of \$5+ million. The District received low interest loans from the USDA to fund the required project. The District now has the ability to treat 100% of the water that enters the District’s systems.

Geographically, the District currently serves the communities of Happy Valley, Olinda, and Cloverdale, using 2343 individual water service connections. All connections to the District system are metered and billing occurs once a month.

The District also holds legal title to the distribution system, accomplished through a title transfer from the United States in 2001. This transfer was the first title transfer completed in its entirety consistent with the principals Reclamation title transfer framework.

The facilities transferred to the Clear Creek CSD included the original 15 miles of pipeline, a 5 acre parcel where the District office and maintenance complex is located, a control tank and site, and other equipment related to the operation of the distribution system. The original cost of the system was approximately \$1.2 million, to be reimbursed over a 50-year repayment agreement. The title transfer resulted in the elimination of the outstanding debt on the original agreement at a savings to the District of more than \$425,000.

Over the years, the District has continued to grow and expand services throughout the Happy Valley and Olinda areas. With the installation of line extensions, pressure reduction stations, fire hydrants, and service connections, the District has grown to 21,670 acres, with 2343 service connections spread across nearly 34 square miles.

Clear Creek CSD has been growing since the district was formed back in the mid-1960s. Annexations into the District began only one year after its charter was approved by the voters. Since that time the District has submitted 103 annexation requests. Significant growth and expansion occurred beginning in late 1988 and continued until the 2008 economic recession and most growth in the North Valley area came to a halt. The District has experienced zero growth since 2008, with some infilling activity of limited services within its boundary.

Clear Creek CSD is a member of the Redding Area Water Council (RAWC), and within the RAWC a Groundwater Management Plan has been developed. The RAWC consists of thirteen member agencies throughout Shasta County. Because of new legislation this existing Groundwater Management Plan is now obsolete, and the RAWC will now have to develop a Groundwater Sustainability Plan by January 31, 2022.

The District's primary water source is surface water coming from Whiskeytown Lake. However, with the reactivation of the North Fork 320 project and the Cottonwood Estates project it will become necessary to utilize a groundwater plan for new developments. The development of the a new GMP will come through RAWC, and with additional data and support from project developers who are required by Clear Creek CSD to provide their own water source with each development these projects.

The State Water Resources Control Board (SWRCB) renewed the last discharge permit under specific conditions with stricter limitations, increased monitoring, special provisions, and pollution prevention with regards to discharges into Clear Creek.

The SWRCB is also going to require the District to recycle 100% of the backwash water produced. This project must be completed by the end of March 2017, when the existing permit expires.

The District has already applied for assistance through the USDA and the Bureau of Reclamation. The USDA application did not make it past the initial review due to the District billing structure, and that the cost of the water and service structure outweighed the median income for the customers in the District. This meant that, according to their standards, Clear Creek CSD charges too much for the average income of its customers. Maintenance costs for the aging system keep rising.

The USBR WaterSMART grant was a long, painstaking process due to the lengthy initial planning, document and site reviews, the environmental process (NEPA/CEQA), and the creation of the grant application itself and its associated attachments. The grant was submitted in late December 2013, and a response to that submission was received in June 2014.

USBR had received 138 applications, of which only 32 received funding. Clear Creek CSD's recycle project was not one of them, primarily because the amount of water estimated for recycling was only 126 acre feet annually. Other grant applications proposed to save a minimum of 1000+ acre feet annually. The District is exploring other funding opportunities.

a. Infrastructure, Facilities and Services: *Municipal Utilities Water Service*

The District provides only water services for municipal, industrial, and agricultural uses at this time. However the original District charter gives Clear Creek CSD the authority to include other services, such as sanitation, individual use, fire protection, and recreation. PACE Engineering was retained to complete a 10-year Master Plan to determine future infrastructure needs. The District follows that Plan as it applies to areas of growth, with priority given to immediate needs. Schedule of improvements will be found in that Plan.

Of the recommended improvements from the 2007 Master Water Plan for Clear Creek CSD has completed the following:

- Item 6 – Water treatment plant telemetry upgrade
- Item 7 – Water Treatment plant computer SCADA upgrade
- Item 12 – Electronic meter retrofit
- Item 14 – District radio telemetry system
- Item 15 – 350,000 gallon south district well field tank
- Item 16 – District office expansion
- Item 17 – Permanent power at wells 2 and 3
- Line replacement - 700 ft. 10" PVC
- Line replacement – 850 ft. 10" PVC
- Line replacement – 2140 ft. 8" PVC

New developments are required to finance the infrastructure needs to support that development. All other upgrades are financed by the District through a capital improvement account funded by capacity charges collected from all new services.

The district does not have any apparent infrastructure deficiencies. Under order from the California Department of Health Services (CDHS), the filtration plant expansion was completed in 1997 to filter all water during peak flows to bring the District into compliance with the Surface Water Treatment Rule. The same year a four million gallon reservoir was constructed to give the District increased storage capacity; and in 2010 a 350,000 gallon tank was constructed to give a total storage capacity of 5,600,000 gallons.

A well field, consisting of three wells address emergency usage in the event of water interruption due to conduit failure or drought conditions that would require pumping, was completed in 1998. The current status as issued by the CDHS is considered active.

The head works of the District begins at Whiskeytown Dam with two intakes at elevations of 965 and 1110 feet. The intake used depends on a number of factors such as turbidity, lake levels, etc. The filtration facilities, chlorination station, and backwash ponds are at the base of Whiskeytown Dam. The conduit used to transmit water to the distribution system is 8.5 miles long and consists of 45 and 42 inch mortar line, cold tar-coated steel pipe. The conduit is currently being used at approximately 50% total capacity. This transmission conduit carries the water to both Clear Creek CSD and the Centerville CSD. Due to the elevations of the control tank relative to the distribution system, the entire system is gravity flow, which permits the District to realize a tremendous savings in power costs.

The District holds a current interim water service contract with the USBR in the amount of 15,300 acre feet per year. For Clear Creek CSD, negotiations between the USBR and 107 contractors receiving water from the Federal Central Valley Project (CVP) for long-term contracts was completed in February 2005 and made effective from March 1, 2005 to February 28, 2030, subject to further and additional renewals.

The quantity of those contracts is not subject to reduction. For Clear Creek CSD the reliability of this source has been excellent historically, with the District having to curtail usage only three times due to extreme drought conditions since 1967: late 1970s, early 1990s, and in 2014. The annual District usage is below 50% of the contract amount, therefore a substantial supply for future use during normal water years remains. On average, District customers use 5,200 acre feet a year. The District also holds legal title to the distribution system, accomplished through a title transfer from the United States in 2001.

The filtration plant was constructed for future additional capacity, not currently utilized except during peak flow periods for agricultural use. The Muletown Conduit is approximately 50% of capacity as well, however, only one other agency currently benefits from this due to institutional constraints.

Historical growth data trends were reviewed and taken into consideration to forecast for service needs. Also, as developers contact the District to inquire about receiving service, we are able to

determine the level of service needed into the future, given the supply available to the District under the water service contract with the USBR. The District still enjoys a 50% reserve in the unused contract load.

The Happy Valley area was underdeveloped for so many years that growth and population projections were not considered necessary. However, the District monitors growth and development through information gathered from the Shasta County Planning and Building Departments. The number of building permits for the area inside the District's jurisdictional boundaries have been tracked in this way. In 2002, 76 building permits were issued to property inside the District; in 2013, 11 building permits were issued. The decline can be attributed to the same sluggish economy that hit all the communities in Shasta County.

The District has not established any internal zones or service areas, and there is no variance or inequity of levels of service within the District boundaries. All areas within the District are efficiently served by the District, which is the most appropriate service provider within its boundaries.

As noted, the District receives surface water from Whiskeytown Dam Reservoir via the Muletown Conduit. Due to the relative elevations of the control tank to the distribution system, the entire District is gravity fed. This eliminates the need for pumps. Since the District service area is on a plateau, the areas immediately to the north, east, and south can be fed in the same manner, making it extremely cost-effective. The areas to the west are higher elevation areas and therefore require a booster pump station to serve such facilities as the West Central Landfill, the Veteran's Cemetery, the Igo School, and three domestic/agricultural services.

The area north of the District to the city limits of Redding, east to the city limits of Anderson, and south to Gas Point Road, could be served easily and economically by the District. These areas are not currently within other agencies' sphere of influence, nor are they being served by any other agencies. The sole exception is the Igo-Ono Community Services District which provides irrigation and other water via open ditches to the Igo and Ono communities. A portion of Clear Creek CSD and Igo-Ono CSD overlap, with Clear Creek Providing Municipal and industrial water, and the Igo-Ono CSD serving irrigation water to the same parcels. It makes sound economic sense to serve these areas with the surface water provided under contract with the USBR as they develop, instead of drilling many individual residential wells in these environmentally sensitive areas.

There are currently two potentially large residential developments out there:

- (1) The North Fork Ranch (NFR) 320 project, that "died on the vine" a few years ago, and is now being resurrected. The NFR developers and project owners spent years working on the project only to go bankrupt, losing the property. The new owners have been in contact with the District and have expressed an interest in picking up the project, moving forward again. The proposed sphere of influence boundary includes the project area.

The initial annexation request included 2995.54 acres, and was processed through LAFCO in 2001. Because the District is part of the CVP, approval must also be given by the USBR, which approved it in August 2001. Eventually the property was sold. The new owners also

purchased property contiguous to the approved project, planning to annex into the Clear Creek CSD. The additional area has also been included within the proposed SOI boundary associated with this study. The new owners have formally requested the District to begin annexation of the entire project area into the District, and have also contacted the USBR to update that approval.

- (2) The Cottonwood Estates project. This project has also been in the works for many years. Initially started in 2005, it has stalled a few times and also changed ownership. It consists of two separate annexations: the first in 2005 and the second in 2008. Both were approved by LAFCO. The project has moved to the point of engaging in talks with Shasta County and the development of an EIR for it. Both annexations are contiguous to each other and the Clear Creek CSD. The two areas total 995 acres, of which 844 acres are within the project boundaries. The remainder 150 acres in the area are owned by private individuals. Maximum build-out for this project is projected to be 284 dwelling units.

Since completion of the 2003 MSR, the District has applied and been approved for a total of eight annexations. Prior to then, the District included 18,132 acres. Today, the District area includes 21,670 acres, an increase of 3,588 acres. Most of the increased area are still undeveloped lands, and expected to move forward as the economy improves once again.

One important requirement for any new development seeking District services is that they are required to bring water in with them. This means they must provide deep-water, high-yield wells with sufficient pumping capacity to provide stand-alone water services to their entire project.

Clear Creek CSD participates in several joint powers agreements. The District filtration plant and conduit also serves the Centerville CSD. Centerville has a cost reimbursement contract with the District for treatment and delivery of water. Centerville CSD has its own sources of water supply from their contract with the USBR, and draws water from the Muletown Conduit.

The contract was signed by the board chair and manager of both districts. It allows Centerville a 25% dedicated capacity in the plant, and operational costs are divided among two components: (a) treatment, transmission, and conduit, and (b) administration and general. The contract, signed in 1994, is included as Exhibit L of this report.

The District currently serves one parcel outside its boundaries, a single-family dwelling which is served both municipal and industrial water for domestic purposes. The meter is served by an 18" main which connects the well field to the distribution system. The service was set in August 1993 and was exempt from LAFCO approval at that time. There are no immediate plans to annex this parcel into the District.

With the current storage, the District may be off-line from the Muletown Conduit for approximately 48 hours during the winter. During a longer period of outage, pumping the three District wells simultaneously, while eliminating agricultural watering, would meet the safety and health needs of its customers.

Initially the wells were restricted to a total pumping time of five consecutive days and/or a total of

15 calendar days per year. Since that time, the pumping restrictions have been lifted by submitting a permit amendment application to CDPH. The primary reason for filing the amendment is due to the current drought conditions and the severe reductions in supply from the USBR. The District will augment an already poor supply of water using the well field. In addition to pumping, Clear Creek CSD purchased 800 acre feet of water from the McConnell Foundation, located in Redding.

Planned outages of the plan and/or conduit must be coordinated with Centerville CSD as their basic supply is transmitted through the District's conduit. This process has been successfully accomplished in the recent past.

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.

Clear Creek CSD has ten full-time employees, and two part-time employees. The Financial Officer and the Filter Plant Supervisor fill the part-time positions. Positions by category are:

- Management: General Manager, Assistant Manager
- Finance: Financial Officer
- Professional: Production Superintendent, Office Manager, Administrative Assistant
- Treatment: Plant Supervisor, Plant Operator V, Plant Operator III
- Distribution: Superintendent, Field Supervisor, Maintenance Worker II, Maintenance Worker I
- Clerical: Administrative Assistant, Secretary, Clerk

The District has reorganized and created some positions within the past three years. The Water Treatment Plant Operator III/IV was created in 2002 after the successful completion of testing and certification of a staff member who was then promoted into the new position. The Administrative Assistant was added in 2005 and the Assistant Manager position was added in 2011.

Employees are not discouraged from personal communication with District Board members; however, they are encouraged to funnel all information that pertains to the District directly through management. The Board does not get involved in personnel matters, unless the General Manager requests the Board to convene the Personnel Committee or that purpose.

The District currently contracts engineering work to outside agencies and organizations which saves the salary and benefits expenses for maintaining in-house engineering staff. Outside services for the District's annual audit and its legal counsel are also under contract.

In order to have the best possible emergency response in the event of a chlorine gas leak at the chlorination station, the District has a cooperative agreement with Shasta County Hazardous Materials Emergency Response Team (SCHMERT). This arrangement not only gives the District the benefit of response from very well-trained personnel, it also benefits financially by not having to pay for continued training and equipment for in-house staff. The District is also a member of Water Agency Response Network (WARN), an agency that makes personnel and equipment available to other member agencies for emergency response purposes.

The District adopted an employee incentive awards program several years ago to reward safe conduct and behavior on the job. The MOU between Clear Creek CSD and the Clear Creek Employees Association contains employee incentives for educational accomplishments. There is currently no policy in place for contractor performance incentives.

Equipment purchases are subject to competitive bidding if the cost is in excess of \$5,000. Services are subject to competitive bidding if the cost is in excess of \$10,000. Management may require bidding on equipment and services for less than the amounts specified above.

However, exceptions in excess of these amounts may be made by the Board of Directors on an individual request basis, often for, but not limited to, such reasons as familiarity with the District, history of past work performance, availability of expertise, etc. One contract was awarded in the past to an engineering firm without competitive bidding due to previously performed work by that firm that was directly related to the current scope of work offered.

The level of Board involvement with personnel matters is limited to the Personnel Committee. If a situation warrants it, the committee's recommendations are taken to the full Board for discussion and approval, (i.e. union negotiations, management evaluations, etc.) The General Manager is given the discretion to make personnel decisions, except as noted above. Administrative decisions are made by the General Manager, unless they obligate the District contractually, involve changes in Board policies and/or procedures or expenditures in excess of \$10,000.

The only changes in policies involving administrative or personnel matters have been modified during the past three years involving the elimination of the union, IBEW Local 1245. The employees agreed that the support from the union as compared to the cost of union dues was unacceptable. The employees formed the Clear Creek Employees Association with the approval and support of the full Board, and modified the MOU to reflect changes in policies, practices, procedures, and terms and conditions of employment covered by the agreement.

c. Fiscal

The Board of Directors is responsible for establishing and maintaining a system of internal accounting control and has established a financial committee to provide oversight and

assistance.

The District receives a portion of its annual revenue from property taxes. In addition to property taxes, the parcels in Chestnut Assessment District No. 2, formed in 1978, have assessments for the infrastructure financed by the District for a period of 40 years. To finance new and to upgrade existing infrastructure, every new service pays a capacity charge based on the service capacity (size) of the meter installed. These capacity charges are deposited into a capital account to be used for capital improvements within the District.

The District charges a per unit charge, currently \$7.55 per month, to service the debt on the filtration plant expansion required by the state DHS. This note is amortized over a 30-year period. The District applied for a WaterSMART grant from USBR in 2013 in an effort to receive partial funding for a state-mandated water recycling project, but was unsuccessful.

The Clear Creek CSD is an enterprise special district and primarily relies on user fees for the services it provides. Therefore, its ability to generate new revenue resources is limited. The District does have the ability to impose additional fees, if necessary, as long as they are services-based fees. Due to the effects of Proposition 218, other assessments and fees that are property-related must be approved by the voters within the District.

The Board has established a Financial Committee that is involved in the annual budgeting process. A budget is drafted and recommendations are made to the Board for its approval. In addition, the monthly financial statements are presented to the Board for review and comment. Unbudgeted expenditures and contractual obligations must be approved by the Board of Directors.

The District's funds, both discretionary and non-discretionary, are invested in FDIC insured certificates of deposits with a banking institute that meets the reserve requirements for accepting public funds. Due to the nature of this business, the certificates of deposits have varying maturity dates to make funds available anytime for emergencies. Depending upon rates of return, funds may also be deposited with the California State Treasurer's Office in the Local Agency Investment Fund (LAIF).

After the Canyon Fire in 1999, which severely ripped through the Happy Valley area, the Board of Directors felt compelled to establish a Contingency Fund in the event of a future unplanned expense. The account was established in June 2000 with \$14,000 from the general fund, and the current balance of this fund is \$191,601. Although this fund was not designated as reserves, it may be considered as such due to its intended use.

In 2002, a Discretionary Reserve was established, but then replaced by the Operational Reserve account established in November 2012 with funds from the previous Discretionary Reserve account. The current balance in the Operational Reserve account is \$154,769. The total of "reserves" to the total budget is currently 16%.

The District maintains a Filter Plant Reserve account of \$244,000, the amount of two semi-annual loan payments, in compliance with the Department of Water Resources loan requirements.

An Emergency Reserve account is also maintained in an amount of \$35,000 as required by the long-term water service contract with USBR. Designated Capital Improvement funds currently stand at 25.5% of the current budget, with no established limitation.

The only variance in rates will be the difference between the domestic, agricultural, and industrial rate structures. The variances between domestic and agricultural rates are due to the different usages and the fact that water used for agricultural purpose is subsidized and therefore, to the customer who qualifies under Reclamation law to receive it, costs less. Industrial rates are somewhat higher than domestic due to the varying amount of staff time associated with managing it (i.e. temporary service set up for construction, installing fire hydrant meters, etc.)

In 2000, the Board put in place a policy to annually reduce, to the extent possible, the per-unit charge designated for debt service on the filter plant. This reduction is accomplished through growth in the customer base and the return on investments. In 2001, customers were relieved of the voter approved debt in the amount of \$461,000 to finance the distribution system, collected on the property tax bill, when the title of the federally owned facility was transferred to the District.

The District is involved in an on-going process of maintaining a favorable ability to pay study with the USBR that eliminates the Fish and Wildlife Restoration Fee and the capital component in the water rate on water used for agricultural purposes. During the last ability to pay study, finalized in 2012, the USBR concluded that Clear Creek continues to qualify for the elimination of the Fish and Wildlife Restoration Fee. The elimination of these two items allows the District to pass on the savings to its customer base.

In 2003 the Board of Directors determined that a water rate increase was necessary due to increases in the costs of doing business, including increased federal, state, and county mandates. The Board of Directors decided to index the rates on an annual basis in accordance with the Construction Cost Index (CCI) from that point forward.

The capacity charges on new services are indexed annually as well, and are based on the CCI. The per-unit charge designated for debt service on the filter plant has been reduced three times since 2000. An increase in the customer base has allowed the fixed loan payment to be allocated to additional units, and the return on investments also partially subsidizes the payments. The Initial per-unit charge was \$7.90, and is currently \$7.55.

The District Board examines the rate structure on an annual basis. As a criteria being required by the USBR, District-delivered agricultural water will soon be similar to the M&I customer with respect to the tiered pricing M&I customers are now subject to. According to Reclamation, the tiered pricing is seen as an incentive to conserve water. The cost of water increases as use exceeds these pre-determined tiers.

Depreciation is an unfunded expense. Funds are set aside in the capital improvement account to replace aging equipment and infrastructure. The infrastructure upgrades are prioritized based upon need.

d. Governance

The five-member Board of Directors operates as the governing body for the District and are elected at-large. Members are elected on a rotating bi-annual basis during even numbered years. Board members are required to live within the District boundaries. Appointments, when necessary, are accomplished by advertising the open position and accepting letters of interest on an at-large basis.

The District is a registered-voter district. Only registered voters who reside within the District boundaries are eligible to vote; they do not have to be landowners. District policy permits a stipend of \$150 per board member for attendance at monthly board meetings and \$25 for committee meetings, not to exceed a maximum of two meetings per calendar month.

The Clear Creek CSD Board holds a regular public meeting on the third Wednesday of every month. The public is encouraged to attend both the monthly Board meetings as well as any committee meetings. The public is always notified. All non-emergency meetings are agendized at least 48 hours in advance.

The District also produces a monthly newsletter containing the minutes of the previous meeting, and the schedule future meetings. Typically board meetings are held during the day, although special meetings and hearings are often held in the evening, generally at the local school in order to assure adequate space is available for those who wish to attend. Customers are noticed by direct mail of such meetings.

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.

Opportunities for the District to reorganize with other local agencies providing same or similar services do not exist at this time.

4. REGIONAL CONTEXT/RELEVANT SERVICES BY OTHER AGENCIES

Land use and building regulation services within the Clear Creek CSD area 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. The District maintains interagency cooperative agreements which benefit both the citizens within the district and neighboring agencies.

At its January 9, 2014, meeting, Shasta LAFCO rescinded a previous “latent services” restriction that had been applied to all community services districts. This means that at this time these local agencies can provide all authorized services outlined in their enabling acts or codes, should they decide to do so and are able to finance those services, without formally coming back to LAFCO for permission. Should the Commission determine to revisit this issue at a later time, the subsequent requisite hearing process would include wide-spread notice and involvement of local agencies and citizens that would be affected in this process.

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

The District's service area is identified by its current boundaries and the SOI boundary updated in 1983, as they have been amended from time to time by annexations. The District has worked closely on this study with LAFCO staff to assure that the District boundary displayed in Exhibit A accurately reflect its current legal boundary, and that the SOI boundary proposed for the District in Exhibit A is a boundary that is consistent with current and anticipated growth plans for the area over the next 10-20 years.

It is recommended the Commission approve the Clear Creek CSD SOI boundary as proposed to include all parcels shown on the enclosed updated map included as Exhibit A 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 an improved economy and the willingness of applicants for service to pay for extension of District services. Extension of services into the SOI boundary area will require, in most cases, an application to annex into the District.

The unemployment rate in the Happy Valley/Olinda area estimated at 9.50%, with job growth of 1.04%. As a bedroom community to Redding estimated job growth for the area over the next ten years is predicted to be near 33.90%. Unemployment as of June 2014 was about 9.5%, with future job growth estimated at 32.60%. This general area has experienced an 8.2% increase in population from 2000 to date. (Sperling's Best Places website).

District operations, service availability, and program growth will be included and considered during future processing of development permit by regulating agencies so as to effectively assist the District to meet anticipated service needs and growth. The District estimates current service delivery to a population of over 9,000.

b. Disadvantaged Unincorporated Communities (DUCs)

Senate Bill 244 (2011) governing the identification of disadvantaged unincorporated communities (DUCs) 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 DUCs located within or adjacent to an agency during its periodic municipal service review and sphere of influence updates, and also during any subsequent proposed boundary change requests. Shasta LAFCO has not at this time established a local policy for defining or modifying the review requirements for these DUCs set by the Legislature in SB 244.

A “community” is defined in SB 244 as an inhabited area within or coterminous to a city’s sphere of influence, and 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.

Areas outside the District, serviced by or coterminous to the District’s sphere of influence, may qualify as a DUC under this Act, as may certain areas within the District. Analysis by Shasta County, to take place during specific General Plan element updates, will include evaluation of unmet service needs of these DUC areas (i.e. failing septic systems, water service, or drainage issues, etc.). They can include such “communities or neighborhoods” as trailer parks or resort areas. Unincorporated areas receiving agency services should also be identified and marked for future annexation.

With identification of these special areas adjacent to the city sphere of influence, and the City’s plans and policies established to address their unique service needs, LAFCO will be able to incorporate new data during the next round of municipal service reviews and sphere of influence updates due near 2019.

LAFCO is using a California State Parks (www.parks.ca.gov) calculator to provide a guide in estimating income and population levels (see attached sheets). The population counts shown on these reports only encompass a general diameter of the area and may not reflect the actual population assigned to those areas. The estimated income in this model is per capita rather than per household. Once the County staff completes the location and analysis of its DUCs, updated figures and data will be available for incorporation in the next LAFCO review.

According to the Parks model, 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 Clear Creek CSD area is estimated to be near \$17,442, which includes all adults and children. The median household income within the District is estimated at \$34,306.

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 for use in locating and planning for services to identified DUCs by the County, its cities, and those special service districts providing services to these DUC areas, or whose sphere of influence is coterminous with the County’s unincorporated areas.

c. Present and Planned of Public Facilities

The District monitors capital improvement needs to maintain and upgrade service systems. Future development will pay its pro rata share of costs for services. The Clear Creek Community Services District’s Master Plans are available for review upon request to the District.

d. Adequacy of Public Services

District facilities are very 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, with the cost of extension of services tied to development permits for future growth. The District currently is delivering water at about 50% of its full potential and is in a very good position to manage growth for some time into the future.

e. Infrastructure Needs or Deficiencies

The District regularly monitors and evaluates water service infrastructure for capacity, condition, and availability of quality water sewer services. Correlation of operational, capital improvement, and finance plans are appropriate for the size of the District and its service levels to the area at this time.

f. Financing Constraints and Opportunities

As an “enterprise” district, the District derives its funding for water and other services 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.

Most enterprise funds are raised from fees related to that particular service mission. This approach has its advantages. Service recipients and the general public can see how much it costs to provide those services, and why their fees are set at a certain levels. This level of transparency is beneficial for both the District and its customers.

Although it is not always possible to balance those fees and the cost of providing them perfectly, for a fund may run in the red one year. When this happens, it is a sign the local agency needs to raise their fees for that service. On the other hand, should the service fund turn a profit, the money could be used to fund operations during the next fiscal year, and customers might even see their fees drop.

That having been said, the District seeks to be as efficient and innovative as possible in maximizing use of existing fiscal resources, utilizing cost avoidance techniques that increase efficiency and decrease operating costs. Techniques include eliminating duplicate services, reducing high-administrative-to-operational-cost ratios, reducing inventories of inefficient and/or outdated equipment, implementing economies of scale, and creative use of personnel resources.

More specific data about this and other topics may be found in the District’s several Master Plans.

g. Opportunities for Rate Restructuring

The District primarily utilizes water sales and the Capacity Charge for maintenance and construction of improvements. This charge evaluated yearly to keep up with inflation and increased costs.

There are inherent statutory limitations on the ability of enterprise districts to restructure rates. With that in mind, the District should regularly review fees and charges levied so as to maintain a reasonable nexus between rates and actual costs.

The District 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 delivered.

h. Status of and Opportunities for Shared Facilities

Again, 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, other than those agreements which are already in place. The District does shared facilities with the Centerville CSD regarding water delivery agreements.

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

The Clear Creek CSD works effectively with other public water systems and other public organizations in exploring additional inter-governmental options that may have the potential to achieve economies of scale and greater efficiencies in the delivery of service to its customers.

The District continues to strive towards an effective internal organization to provide efficient, quality services, and has developed an understanding of the various governmental restructuring and jurisdictional change options provided under the LAFCO statute as they pertain to the District and its 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, some commercial, some agricultural, and oak woodland uses. The Shasta County General Plan and Zoning Ordinance establishes and enforces current planning and zoning uses permitted within the District and within its SOI boundary. This is a rural area, with community development either clustered around County-approved subdivisions 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. Its Master Plan has been updated this year to accommodate additional growth needs and service connections.

c. Present Capacity of Public Facilities and Adequacy of Services

District facilities are very 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.

Based upon the topography and some of the naturally defined boundaries, all of the areas included within the District and its sphere of influence can be efficiently serviced by District facilities through gravity flow delivery systems, the construction of new mainline extensions, storage reservoirs, and the addition of pump stations in a few areas of higher elevation. New development will be required to install new infrastructure at the time of construction.

Historically, the reliability of this water source has been excellent; however, it has been necessary to exercise conservation measures during extreme drought conditions. In general, the District's annual average water usage is approximately 50% of the total contracted amounts; therefore, the District has a substantial supply available for future use.

Regarding water treatment capacity, the Centerville CSD has a dedicated capacity of 25% in the treatment plant located at the base of the Whiskeytown Dam. The District owns this facility (the water treatment plant) and is responsible for the operation and maintenance of the Muletown Conduit while the USBR retains ownership. Centerville Community Services District is also responsible for 25% of the O&M of the Muletown conduit.

d. Existence of Social or Economic Communities of Interest

The District is located just west of the City of Redding and is served by the Happy Valley Fire Protection District, an independent special district that provides fire protection and emergency rescue services. The District shares interagency agreements with a number of local, county, state, and federal agencies.

The Clear Creek CSD has a limited number of commercial, industrial, and public customers within its boundaries; the majority of customers served are residential uses. The City of Redding provides a major shopping and service industry hubs for local residents.

e. Present and Probable Needs of Disadvantaged Unincorporated Communities (DUCs) in the Area.

As identified earlier, the District service area may qualify as a disadvantaged unincorporated community (less than 80% of the state average) under certain circumstances.

Shasta County is in the process of undertaking a study of these DUCs throughout the county 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. This study simply identifies the first step in that process: that areas within the District may qualify as a DUC and will be evaluated as such in future projects.

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 and sewer services based upon information available at this time.

This is the first review of this district's sphere of influence since 1983, and it is expected that additional service data will be brought forward 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 Clear Creek Community Services District be adopted as presented on the enclosed SOI update map shown as 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.** 2014 Map of proposed SOI Boundary for Clear Creek CSD
- B.** Selected District Maps
- C.** 1963 District Formation Documents
- D.** Organization Chart
- E.** District FY Budgets
- F.** District 2012 Financial Statements
- G.** Fees, Rates, and Charges
- H.** Rate Analysis

- I. 2007 Master Water Plan Cost Estimate
- J. Drought Notifications
- K. District Newsletters
- L. 1994 Water Treatment Plant Capacity Contract
- M. 2014 CA DPH Inspection Report
- N. 2012 RWQCB Waste Discharge Report sans Exhibits
- O. Pollution Prevention Plan
- P. Toxicity Prevention Plan
- Q. District Facilities
- R. Notice of Intent to Adopt CEQA Determination – Statutory Exemption PRC 21083
- S. No Effect Determination – CDFW