

# Shasta Local Agency Formation Commission



DRAFT  
Municipal Services Review  
& Sphere of Influence Update  
County Service Area #2 – Sugarloaf

September 2014

**County Service Area #2 – Sugarloaf  
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 CSA #2 - Sugar Loaf services and SOI needs, satisfying the requirements of this statute.

This baseline review seeks to associate the original formation purposes and activities of the District with an understanding of its current day operations and future plans. A more comprehensive review may occur during the next round of reviews if deemed warranted.

**2. GENERAL BACKGROUND**

The District is located in northern Shasta County adjacent to the westerly shore of the Sacramento River where it enters Lake Shasta near Salt Creek. When development projects were approved by Shasta County in the past it was not unusual to also form a county service area (CSA) to provide specific services such as domestic water, sewer or community septic systems, roads, lighting, and so on. These CSAs are governed by the Board of Supervisors and are managed within the County Public Works Department by assigned staff.

**3. AGENCY SERVICES**

CSA #2 Sugarloaf is the result of a subdivision approval by Shasta County and is a resort area offering homes, vacation cabins, and marina businesses with houseboats and other water recreational activities. During the 1970s dry years, water supplies began to be insufficient during the summers – a period of highest demand by residents and visitors to the area.

In December 1975 a petition representing 58% of the residents was submitted to the Shasta County Board of Supervisors requesting formation of a County-governed special district to provide water services to the developed area of Sugarloaf Subdivision. Reasons given to support this move included:

- The existing water system is not adequate to supply sufficient water to the subdivision during the summer months. The existing system received only minimal maintenance and citizens feared future water outages.
- The US Forest Service requested that a legal entity be formed so that the use permit it granted could be renewed for the existing spring water site (it was due to expire at the end of 1977).
- There was a need to transfer water rights for the water source to a legal entity so the community could continue to use the water.

- A building moratorium existed in the area due to the lack of an adequate water supply, and would be lifted upon assurance that adequate water will be available.
- The lack of water pressure could cause the water in the old system to become unsafe.

A 50% grant from FmHA could be accepted by the district board, a new use permit could be negotiated with the US Forest Service for continued use of federal lands at the spring site and transfer of existing water rights, and design and construction of a safe, adequate water system could begin immediately permitting County the building moratorium to be lifted.

The new district was approved by an election of the registered voters on August 11, 1976. The current service area is about 58 acres. The Board of Supervisors established a Community Advisory Board (CAB) to provide a liaison between district residents and the County. The first sphere of influence study was conducted in 1984 and only addressed a portion of the original subdivision. The current sphere of influence and municipal service review for CSA #2 – Sugarloaf proposes to include all the subdivision territory so future services, if any, can be adequately planned and funded. The need for infrastructure originates primarily in three ways:

- (1) A developer proposes a subdivision within an existing CSA boundary and that development needs an extension from the existing water main. County Public Works (DPW) would condition the developer to provide those improvements;
- (2) A developer Proposes a subdivision outside but adjacent or near the CSA boundaries. The developer may apply to be annexed to the CSA and then be conditions by DPW to provide the needed improvements;
- (3) A change in state regulatory requirements for surface water treatment systems may render some of the infrastructure obsolete, which would then require modifications to the infrastructure.

**a. Infrastructure, Facilities and Services**

This CSA has no master plan regarding infrastructure expansion. Some of the existing infrastructure is in need of upgrading. The surface well has been cited as needing better isolation from surface water penetration. Water treatment is an in-line system and no longer an acceptable surface water treatment technology. There are insufficient funds to make these changes, and the CSA has been seeking grants to accomplish these necessary improvements. The old system has been cited by the California Department of Public Health.

There is no known portion of the water system facilities that are underutilized. It is not practical to share these facilities with other agencies, given the nature of how the service is delivered and the significant distance to nearby agencies and communities.

Existing facilities were designed to meet the needs of all parcels within the district boundaries. Unless an annexation request to join the district, no additional services are needed. Annexations happen but are infrequent. When an annexation action is proposed, the developer or applicant will need to study the impact that annexation would have on existing CSA facilities, and any required improvements to the facilities to accommodate services to the proposed site would be the responsibility of the developer or landowner.

There are two State Small Water Systems that are geographically close to Sugarloaf. Both of their water sources are wells and both systems are even smaller than Sugarloaf in terms of customers served. Skyline Mutual Water Company's water system serves seven parcels, and Sugarloaf Cottages serves a resort area with 15 rental cabins. Neither of these two systems could adequately serve CSA #2's customer demand for water.

The CSA does not have any joint powers or similar agreements with other agencies. All properties receiving services are within the current District boundary, although portions of the subdivision are outside that boundary. The proposed SOI boundary extends from the District boundary to include the original subdivision area. Services are provided on a first-come, first-served basis.

The most practical means to provide water to Sugarloaf during a short-term emergency would be to haul it from off-site. If both the surface water supply and well were unavailable during a long-term emergency, it would be cost-prohibitive to pump from either of the two nearby small water systems. Raw water might also be pumped from Shasta Lake to the surface treatment facility, though permission from the US Bureau of Reclamation would be required to set up that option.

**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.

CSA 2 – Sugarloaf, through the Public Works Department, has one operation supervisor, four licensed water treatment plant operators, and five part-time non-licensed employees who work on the Sugarloaf system.

Communication between elected officials, Board of Supervisors (BOS), and employees occurs in various ways: budgets are approved annually by the BOS which

then establishes the scope of work and improvements that can be performed. The BOS, as the district board of directors, authorizes and approve any contracts used to construct improvements or perform maintenance work, or to conduct need or required studies, designs or engineered changes to the water system. The Board communicates directly with the Director of Public Works and/or department subordinates during weekly Board meetings or through written communications.

Communication with the public occurs at the Community Advisory Board (CAB) meetings, which occur quarterly and provide time for public input on topics related to the CSA. The CAB members own property within the district and are elected by their fellow CSA property owners. The CAB is there to represent all property owners within the CSA and to enhance local input regarding CSA matters.

Shasta County Environmental Health inspects the operation and reviews operational data to assure conformance to State water quality standards. Basic Lab performs sampling and laboratory testing of water samples to monitor water quality. The above arrangements are required by regulation. There are no management efficiency or cost avoidance opportunities associated with these arrangements. There are no cooperative arrangements with other agencies related to administrative, management, and/or operational efficiencies. These are achieved through employees performing identical tasks at eight other water systems throughout the County.

Competitive bidding activities conform to the State of California Public Contract Code and the Shasta County Contract Manual. Sole source procurement, should it occur, conforms to directions codified in the County Manual.

**c. Fiscal**

Basic operating revenue comes from bi-monthly service charges for water. Occasionally, additional revenue is generated when specific services are requested, such as new meter installations. This work is charged at a fixed rate. Any change in the bi-monthly service charge must originate with an engineering report that analyzes existing revenue and projected future costs. Based on that analysis, a new rate structure is recommended for approval by the Board. A public hearing is held prior to authorizing the rate change. The degree to which there is opposition to the rate change constitutes the constraint to generating additional revenues.

Limitations on expenditures primarily come through the budgeting process. An annual budget, approved by the Board, establishes limits on expenditures. Major expenditures also require approval via the budget process. Any change in budgeted amounts (i.e., unexpected major expenditures beyond the approved budget) requires Board approval.

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Shasta County has an A1 bond rating. The basis for a bond rating is similar to an individual’s credit report. It evaluates the bond issuer’s ability to make payments to bondholders. It assists creditors with their decision to extend credit. An entity’s audited financial statements are the key driver to determining a bond rating. Financial ratios are determined from financial statements. Any non-compliance or audit finding typically is disclosed in a financial statement. In addition to financial statements, Moody’s Investors Service will factor in economic conditions of the region and tax base.

There are no reserves, hence no dollar limit on a reserve. Retained earnings are restricted to use within CSA #2 only; they are not available for transfer for other purposes. Variances in rates or fees are established based on an engineering report which analyzes various scenarios and the cost difference for each. These various rates and fees are presented to the Board for their review and approval, complete with a public hearing.

There has been no change in the rates or fees of the CSA during the past three years. January 2006 was the last time a change was approved. There is no plan to seek a rate increase or rate restructuring at this time. Policy Resolution 93-7 provides for a 1% depreciation annually.

**COUNTY OF SHASTA  
Budget to Actual Figures**

Ledger: GL      Fiscal Month End Date: 08/31/2014  
Fiscal Year: 2015      Report Run Date and Time: 09/02/2014 15:24:27      Budget: A0

Cost Center	Title	Director			
08375	CSA #2 SUGARLOAF WATER ADMIN	DIRECTOR OF PUBLIC WORKS			
Object	Description	Budget	Actual	Encumbrance	Balance
001000	CASH IN TREASURY	0.00	1,829.46	0.00	(1,829.46)
032900	HOUSEHOLD EXPENSE	0.00	13.96	0.00	(13.96)
033103	INSUR XP MISCELLANEOUS	102.00	9.00	0.00	93.00
033500	MAINTENANCE OF EQUIPMENT	3,000.00	26.40	0.00	2,973.60
033700	MAINTENANCE OF STRUCTURES	4,000.00	0.00	0.00	4,000.00
034100	MEMBERSHIPS	153.00	152.94	0.00	0.06
034391	CHGS OC POSTAGE SVS	470.00	51.42	0.00	418.58
034800	PROF & SPECIAL SERVICES	1,300.00	0.00	0.00	1,300.00
034824	PROF LAB SVS	4,000.00	127.00	0.00	3,873.00
034829	PROF MAINTENANCE SVS	19,000.00	0.00	0.00	19,000.00
035000	RENTS & LEASES OF EQUIPMENT	350.00	0.00	0.00	350.00
035300	MINOR EQUIPMENT	100.00	0.00	0.00	100.00
035700	SPECIAL DEPARTMENTAL EXPENSE	150.00	0.00	0.00	150.00
035743	SP DEPT XP PERMITS/LICENSES	570.00	0.00	0.00	570.00
036000	UTILITIES	11,000.00	383.51	0.00	10,616.49
050901	CENTRAL SERVICE COST A-E*	2,018.00	168.16	0.00	1,849.84
050900	DEPRECIATION EXPENSE	5,140.00	0.00	0.00	5,140.00
420000	INTEREST	50.00	0.00	0.00	50.00
693020	WATER SERVICE COLLECTIONS	31,000.00	2,739.83	0.00	28,260.17
896346	TRAN IN CSA #2 SGRLF CAP IMP	4,800.00	0.00	0.00	4,800.00
<b>Total Revenue</b>		<b>35,850.00</b>	<b>2,759.85</b>	<b>0.00</b>	<b>33,090.15</b>
<b>Total Expense</b>		<b>51,553.00</b>	<b>930.39</b>	<b>0.00</b>	<b>50,622.61</b>
<b>Net Total (Revenue - Expense)</b>		<b>(15,703.00)</b>	<b>1,829.46</b>	<b>0.00</b>	<b>(17,532.46)</b>
<b>Grand Total Revenue</b>		<b>35,850.00</b>	<b>2,759.85</b>	<b>0.00</b>	<b>33,090.15</b>
<b>Grand Total Expense</b>		<b>51,553.00</b>	<b>930.39</b>	<b>0.00</b>	<b>50,622.61</b>
<b>Grand Totals (Revenue - Expense)</b>		<b>(15,703.00)</b>	<b>1,829.46</b>	<b>0.00</b>	<b>(17,532.46)</b>

Note: Rate increase planned for January, 2015, pending completion of Proposition 218 process.

**d. Governance**

The Shasta County Board of Supervisors serve as CSA #2’s governing body. In addition, a Community Advisory Board (CAB) exists to enhance local input regarding CSA matters. The CAB members are property owners within the District and are elected by their fellow property owners.

The five member Board of Supervisors are elected during the general election to serve a four year term. The CAB members are elected every two years. After their election the Board makes the final determination by appointing the CAB members to their positions. No additional compensation is provide to the Board of Supervisors when they function as the governing body for CSA #2. There is no compensation for CAB members; service is strictly voluntary in nature.

The Board of Supervisors meet weekly, but only conduct business related to CSA #2 as needed. The CAB meets quarterly. Public notifications are published in the local newspaper once a week for three weeks in advance of the public hearing. The public hearings are held at the Board of Supervisors’ normal meeting chamber. Meetings are accessible to the public, and there is adequate meeting space. However, generally the meetings are held during the day.

**4. REGIONAL CONTEXT/RELEVANT SERVICES BY OTHER AGENCIES**

Land use and building regulation services are provided by the County of Shasta, as are law enforcement, road services and other general services provided to the unincorporated areas of the county by various county departments.

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

It is proposed the Commission set the SOI boundary to include all parcels shown in the original subdivision map for Sugarloaf territory, 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 District will be primarily guided by the rate of development of Phase II and Phase III areas of the original subdivision map. District

operations and program growth will be included and considered during development permit processes for these areas so as to effectively meet expected service needs. Population growth will be slow and currently the CSA has approximately 155 residents.

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

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 District area is estimated to be near \$19,292. The area serviced by the District has more than 12 registered voters and therefore qualifies as a “Disadvantaged Unincorporated Community.”

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.

The current median per capita income for the state is \$46,477, and a local unincorporated community whose median per capita income falls below 80% of this figure would qualify for designation as a DUC. The unincorporated area serviced by CSA #2 Sugarloaf has more than 12 registered voters and therefore qualifies as a “Disadvantaged Unincorporated Community.”

The median per capita income calculation for the Shasta Community Services District service area is estimated to be near \$43,423.

A “community” is defined in SB 244 as an inhabited area 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 by the County, 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. The District will want to be familiar with development of this data for future planning purposes since issues identified can directly affect service levels and requirements. With identification of these special areas and County 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.

LAFCO is using a California State Parks ([www.parks.ca.gov](http://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.

Learn more about the Disadvantaged Communities process from a useful State Technical Advisory which can be downloaded from the Shasta LAFCO website at [www.shasta.lafco.ca.gov](http://www.shasta.lafco.ca.gov) under the “Resources” tab.

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

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

**d. Adequacy of Public Services**

District facilities are adequate for current service needs. Staff 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 again services tied to development permits for future growth.

**e. Infrastructure Needs or Deficiencies**

District monitors and evaluates water service and sewer infrastructure for capacity, condition, availability, and quality water services. Correlation of operational, capital improvement, and finance plans are appropriate for the size of the District and its service area at this time. The Board directs staff on updating management systems for these services and to resolve identified infrastructure needs and deficiencies.

**f. Financing Constraints and Opportunities**

As an “enterprise” district, District derives its water service funding primarily from fees and charges levied for services provided. As such, the District must maintain a reasonable nexus between fees and charges levied and the cost of the service provided, and seeks to be as efficient and innovative as possible in maximizing use of existing fiscal resources.

The District has operated on a breakdown maintenance policy. A proactive approach to replacing outdated or deteriorating equipment should be investigated and pursued by the District staff

**g. Opportunities for Rate Restructuring**

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

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

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

There are presently inherent limitations – geographically, jurisdictionally, and operationally – on the CSA’s ability to extend or share water service or facilities with other areas or other water service purveyors outside its proposed SOI boundary.

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

The Community Advisory Board meets quarterly and the Board of Supervisors meets as the board of directors on an as needed basis. Meeting are noticed, and the public is offered an opportunity to participate in their meetings, which are mainly focused on provision of water and maintenance of facilities.

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

**7. WRITTEN DETERMINATIONS FOR THE SPHERE OF INFLUENCE UPDATE**

**a. Present and planned land uses**

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

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

The District has no capital improvement programs to maintain and upgrade service systems, but has conducted studies and identified areas requiring upgrading.

**c. Present capacity of public facilities and adequacy of services**

District facilities are adequate for current service needs. It has the capacity to serve the areas within the proposed sphere of influence boundaries, with extension of services tied to development of parcels.

**d. Existence of social or economic communities of interest**

The District is located on the westerly shore of Lake Shasta, north of the City of Shasta Lake, and is served by CSA #1 – Shasta County Fire. The Cities of Redding and Shasta Lake both provide a major shopping and service industry hub for local residents.

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

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

**8. CONCLUSION**

In this review, Shasta LAFCO has endeavored to accurately assess the current services and organizational status of District as a provider of water and sewer services based upon information available at this time. This is the first review of this district since its formation in 1983, and it is expected that additional data will be brought forward, especially as future development occurs. LAFCO has made what we believe are substantiated determinations based upon prescribed statutory factors.

It is recommended that the municipal service review and sphere of influence update for the District be adopted as proposed on the enclosed SOI update map.

**9. REFERENCES**

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

**10. EXHIBITS**

- a. Map of proposed SOI Boundary
- b. District Formation documents
- c. District SOI Boundary - 1984
- d. Community Calculator – District Area
- e. Notice of Intent to Adopt CEQA Determination – Statutory Exemption PRC 21083
- f. No Effect Determination – California Department of Fish & Wildlife