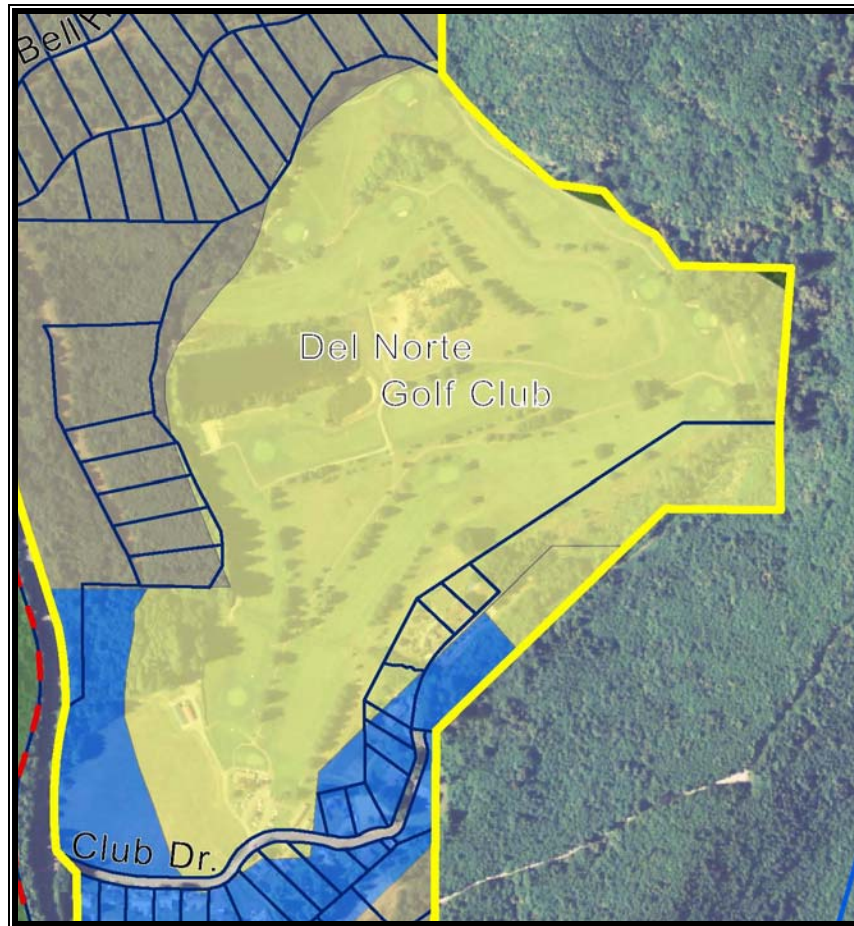


Municipal Service Review
For a Community Services District
Within Del Norte County

HRC Community Services District



Prepared by:
Del Norte *Local Agency Formation Commission*
July 2009

For Updating the Sphere of Influence Report

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INTRODUCTION

This Municipal Service Review (MSR) was prepared as part of a mandated review of the spheres of influence (SOI) of all government entities in the County by the Del Norte Local Agency Formation Commission (LAFCo). This report focuses on the HRC Community Services District (HRC CSD). The purpose of this study is to examine and evaluate local governmental services in order to improve overall understanding of local service conditions and to enhance these conditions through comprehensive review and analysis. This MSR presents for the Commission's consideration a discussion, analysis, and recommendations regarding services provided by the HRC CSD. The current SOI for the HRC CSD was updated in 1998; this MSR serves to update the relevant data on services provided within the district's SOI. At this time, the SOI is not proposed to be amended.

Review Methods

This MSR was prepared by Del Norte LAFCo staff during June of 2009. The HRC CSD completed an agency profile questionnaire, which provided LAFCo with the current status of district operations. The draft report was sent to district staff for review and clarification. All information gathered for this report is stored in Del Norte LAFCo files for future reference.

Statutory Authority

The fundamental role of LAFCo's is to implement the Cortese-Knox-Hertzberg Act (CKH Act) consistent with local conditions and circumstances. The Act guides LAFCo's decisions. The major goals of LAFCo as established by the Act are to:

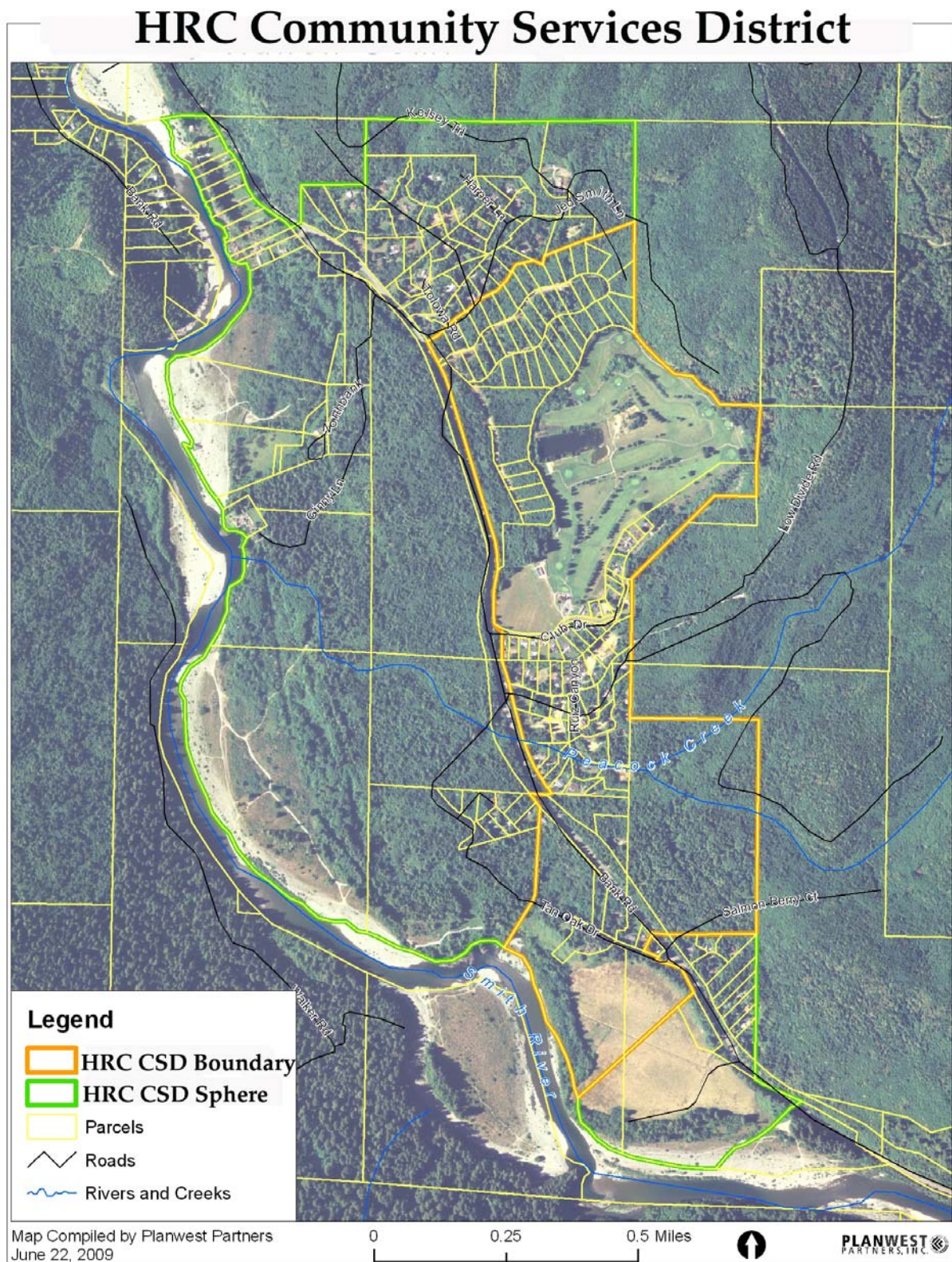
- Encourage orderly growth and development;
- Promote orderly development;
- Discourage urban sprawl;
- Preserve open-space and prime agricultural lands by guiding minimizing resource loss;
- Exercise its authority to ensure that affected populations receive efficient services;
- Promote logical formation and boundary modifications that direct the burdens and benefits of additional growth to those local agencies that are best suited to provide services;
- Make studies and obtain and furnish information which will contribute to the logical and reasonable development of local agencies to provide for present and future needs;
- Establish priorities by assessing and balancing community service needs with financial resources available to secure and provide community services and to encourage government structures that reflect local circumstances, conditions and financial resources;
- Determine whether new or existing agencies can feasibly provide needed services in a more efficient or accountable manner and, where deemed necessary,

As set forth in §56425(g) of the Act, on or before January 1, 2008, and every five years thereafter, Del Norte LAFCo shall review and update each Sphere of Influence (SOI). An MSR shall be conducted prior to, as a part of, or in conjunction with, the action to adopt, amend, or revise a SOI pursuant to the Act. Together, the SOI and MSR documents analyze the district's ability to serve existing and future residents.

In accordance with §56430 of the Act, in preparation for adopting, amending, or revising an SOI, Del Norte LAFCo shall comprehensively review all services and public service providers within the designated geographic area. The Commission shall prepare a written statement of determinations on six subject areas as pursuant to state law; these determinations may be utilized in future decision-making about the provision of services, appropriate boundaries, changes of organizations, and need to revise or update SOIs. LAFCo is required to make written determinations on the following:

1. Growth and population projections for the affected area;
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies;
3. Financing ability of agencies to provide services;
4. Status of and, opportunities for, shared facilities;
5. Accountability for community service needs, including governmental structure and operational efficiencies;
6. Any other matter related to effective or efficient service delivery, as required by commission policy.

Figure 1: HRC CSD Boundary and Sphere of Influence



AGENCY PROFILE

The Hussey Ranch Corporation (HRC) CSD is located approximately ten miles northeast of Crescent City on North Bank Road (Highway 197). The district lies within the Smith River National Recreation Area and covers approximately 353 acres. The district sphere of influence is approximately 967 acres. Figure 1 shows the district boundary and sphere of influence.

Formation

The HRC CSD was established in 1965. The special district was formed for the purpose of providing water for domestic and golf course use.

Table 1: Agency Profile

Agency Name	Date of Formation	Enabling Legislation
HRC Community Services District	1965	California Government Code 61000
Contact Person	Contact Title	Email/Website
Carol J. Leuthold	Secretary	Email: leutholdcap@earthlink.net
Mailing Address	Physical Address	Phone/Fax
HRC CSD 159 Club Drive Crescent City, CA 95531	159 Club Drive Crescent City, CA 95531	Phone: (707) 458-4702 (cell) (707) 954-5352

Governance Structure and Administration

HRC CSD is governed by a five-member Board of Directors that is appointed. The Board meets as needed at the golf course clubhouse. Meeting dates are posted in the district office and an agenda is posted outside the district office 72 hours prior to the meeting.

Table 2: Board of Directors

Board Member	Title	Term Expiration
Dale Thomas	President	December 2012
Carol J. Leuthold	Secretary/ Treasurer	December 2010
Mark Ephland	Board Member	December 2010
Dan McGath	Board Member	December 2012
Steven Wright	Board Member	December 2012

HRC CSD is run by volunteers and two paid contractors that provide accounting and certified operation services. One Board member provides the water system maintenance and another provides the budgetary and administrative functions of the district.

POPULATION AND LAND USE

County Population and Growth

According to the State of California's Department of Finance, Del Norte County has an estimated 2008 population of 29,419ⁱ. Del Norte County's 2007 population growth rate was 0.7%ⁱⁱ. Assuming this growth continues, the County's 2025 population will be 33,136.

The County General Plan guides land use decisions within Del Norte County and the HRC CSD's jurisdiction. Del Norte County covers approximately 1,008 square miles, or 640,000 acres. More than eighty percent of this land is publicly owned. The county consists of 600,000 acres of forestland and 10,000 acres of agricultural landⁱⁱⁱ.

District Population and Housing Projections

The HRC CSD currently serves a population of 100. At the County's growth rate of 0.7%, this will result in a 2025 population of approximately 150 residents. There is sufficient undeveloped residential land in the district to accommodate this amount of growth and potentially more.

SERVICES

The HRC CSD provides water service to 40 connections and 100 residents within its boundary. All decisions concerning the provision of water services are made by the Board of Directors.

WATER

Infrastructure

The HRC CSD gets its water from a well on Peacock Ranch, located adjacent to the Smith River, which provides water to residential users and the Del Norte Golf Course. The State Department of Health Services classifies the HRC CSD's source water as groundwater. The classification of water source type dictates the water system regulations that must be followed to ensure water quality.

The district has a 132,000 gallon storage tank and distribution piping. The system has a maximum capacity of approximately 100 connections. Of this capacity, approximately 85% (112,000 gallons) is currently being utilized. Water is disinfected prior to distribution to residential users.

Infrastructure Needs and Deficiencies

The HRC CSD's water system is in good condition. The existing system has no major deficiencies for serving the current population. However, based upon their current development trend, HRC CSD anticipates a significant increase in water demand and usage. The exact increase is unknown at this point. The district will need to plan for expansion of its water system infrastructure to serve this additional growth.

Planned Upgrades

The district currently has no planned upgrades. Replacements and upgrades are completed on an as needed basis. A water line system will be required to serve the Redwood Springs Estates Annexation. However, this will be the responsibility of the property owner.

OTHER SERVICE PROVIDERS

In addition to the Peacock Ranch operation, two small privately owned water systems are in use. The Kelsey Trail Water Company, located in the northeast corner of the HRC CSD SOI between North Bank Road and the Smith River, serves residential users.

The second privately owned system, Blackberry Water Company, located in the southern portion of the HRC CSD SOI between North Bank Road and the Smith River, serves the immediately surrounding residential area.

BUDGET

The HRC CSD's draft 2009 budget estimates a shortfall of \$7,100. The primary source of revenue results from water service charges to district customers. The primary expenditures include depreciation and expense (28%), repairs and maintenance (18%), utilities (12%), and accounting and audit fees (12%).

Table 3: Budget Summary

Water	FY 09-10 (Budget)
Total Revenue	\$18,000
Total Expenditures	\$25,100
Balance	\$(-7,100)

MSR DETERMINATIONS

Growth and population projections for the affected area

The HRC CSD serves 40 residential units and an estimated 2008 population of 100. At the current growth rate the district's estimated 2025 population would be 150.

The County General Plan Land Use designation for the HRC CSD is Rural Neighborhood. This allows infilling of parcels at higher densities than those found in surrounding rural lands including apartments and mobile home parks where full community services are not available.

Infilling of parcels at designated densities is permitted subject to physical limitations. There are areas within the district that currently permit further development and will likely receive additional housing units in the future. All residential uses and the Golf Course use individual septic disposal systems.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

The district's water system is operating at an estimated 80% of its capacity. The district will need to expand their water system in order to meet growth within the district. The expansion will require the following components:

- Additional water source,
- Additional storage capacity,
- Necessary pump upgrades, and
- Expanded distribution system.

The CSD has no plans to add wastewater or drainage services.

Financing ability of agencies to provide services

The district currently provides adequate water service to its existing connections, but is incapable of meeting future growth within the district. Meeting these growth demands will require a water system expansion project. To finance such a project, the district should consider restructuring their service rates, which are currently \$30/month (\$360/year) for residential users. Commercial users pay \$39/month (\$468/year).

Status of and, opportunities for, shared facilities

The HRC CSD does not have an official office. All records are stored at the residence of the HRC CSD's Board Secretary, who also serves as the district accountant.

Accountability for community service needs, including governmental structure and operational efficiencies

The HRC CSD Board holds regular public meetings. The Board members are elected by district residents and hold four year terms of office. The current government structure is operating efficiently and appears to have sufficient governance structure and operational capacity. No change is needed.

Any other matter related to effective or efficient service delivery, as required by commission policy

The 2009 California Water Plan and the Public Utilities Commission's Water Action Plan both strongly encourage regionalization and consolidation of public water systems. Regionalization of water supply systems can be achieved by physical interconnections between water systems or managerial coordination between utilities.

Regionalization and consolidation are useful in achieving compliance with water quality standards, in providing an adequate economy of scale for operating and maintaining existing facilities, and in planning for future needs. With a larger base to spread costs across, the economies of scale improve for consolidated systems. Managerial consolidation of water districts can provide great savings to consumers by sharing the costs of oversight and management of the systems, thus freeing up funds to be used for system upgrades. Furthermore, consolidation of water systems may help relieve the burden of regulation and policy experienced by smaller providers. The HRC CSD should consider assessing the two private water companies within the SOI, and if feasible, annex them into the district. Should these water companies be annexed into the district in the future, the cost will be borne by the companies pursuing the annexation.

SPHERE OF INFLUENCE STATUS

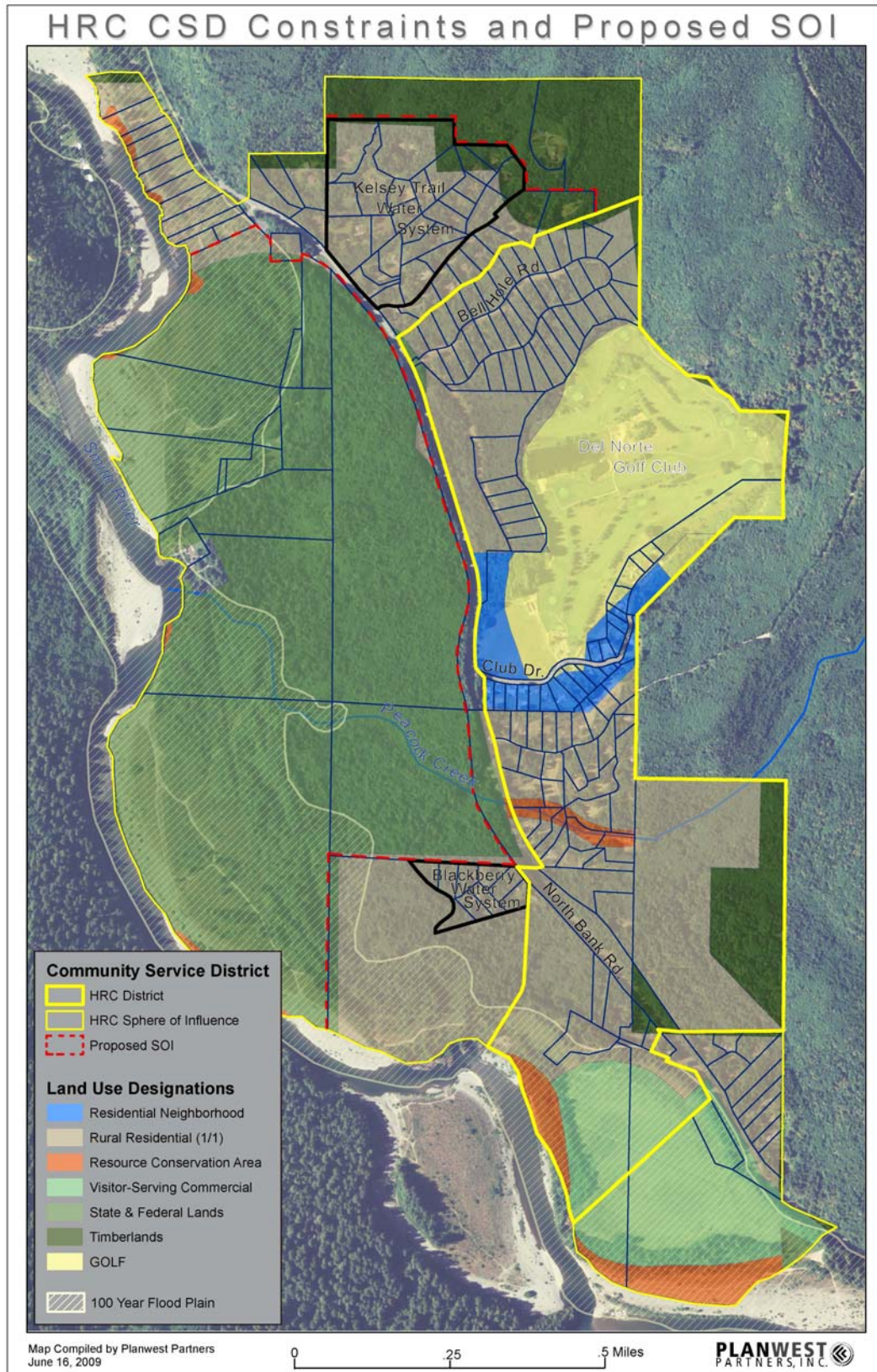
The HRC CSD's current SOI covers a large area that is approximately twice the area contained within the district limits. Of this area, much of the land located between North Bank Road and the Smith River is state or federally owned and designated in the County General Plan and is therefore, considered non-developable for residential use.

The western and southern portions of the district's SOI have floodplain constraints (Figure 2). These areas are located adjacent to the Smith River and follow the western border of the district's current SOI. These areas are designated for development (residential and commercial) in the County General Plan.

The district's 2009-2010 annual budget has a shortfall of \$7,100. Any further development requiring an extension of water services is likely to result in an increase of expenditures, thus, increasing the current deficit. It is recommended that the HRC CSD sphere of influence be reduced to exclude designated state and federal lands between North Bank Road (Highway 197) and the Smith River.

It is proposed that the current SOI, totaling 967 acres, be reduced to 584 acres (Figure 2). The two private water companies should remain in the SOI, until such time as they are annexed.

Figure 2: HRC CSD Constraints and Proposed SOI



REFERENCES

ⁱ State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2007 and 2008. Sacramento, California, May 2008

ⁱⁱ *ibid*

ⁱⁱⁱ DNRCD flier. *Del Norte Resource Conservation District: Benefiting Land and People in Del Norte County*. Accessed throughout January 2009.
http://ruralhumanservices.org/nortec/July_Sept06/DNRCD%20Flyer/DNRCD%20Flyer.pdf.