

HRC Community Services District

Municipal Service Review & Sphere of Influence Update



ADOPTED
September 24th, 2018

Del Norte Local Agency Formation Commission

DEL NORTE LOCAL AGENCY FORMATION COMMISSION

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Acknowledgements

LAFCo staff would like to thank the contributors to this Municipal Service Review. Input instrumental in completing this report was provided by the Hussey Ranch CSD Board Members Tom Romesberg and Carol Leuthold and System Operator Don Jeffrey This report would not have been possible without the District's assistance.

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INTRODUCTION

This report is prepared pursuant to legislation that requires Local Agency Formation Commissions (LAFCOs) to conduct municipal services review and spheres of influence (SOI) update of all agencies under LAFCo's jurisdiction. This service review focuses on the Hussey Ranch Corporation Community Services District (HRC CSD or District).

Service Review Determinations

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.) requires LAFCo to review and update spheres of influence not less than once every five years and to review municipal services prior to or in conjunction with sphere updates. The requirement for service reviews arises from the identified need for a more coordinated and efficient public service structure to support California's anticipated growth.

Effective January 1, 2008, Government Code Section 56430 requires LAFCo to conduct a review of municipal services provided in the county by region, sub-region or other designated geographic area, as appropriate, for the service or services to be reviewed, and prepare a written statement of determination with respect to each of the following topics:

1. Growth and population projections for the affected area;
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence (effective July 1, 2012);
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies (including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence);
4. Financial ability of the agency to provide services;
5. Status of, and opportunities for, shared facilities;
6. Accountability for community service needs, including governmental structure and operational efficiencies; and
7. Any other matter affecting or related to effective or efficient service delivery, as required by Commission policy.

Uses of This Report

The service review process provides LAFCo with a tool to study current and future public service conditions and to evaluate organizational options for fostering orderly growth and development, promoting the efficient delivery of services, and encouraging the preservation of open space and agricultural lands. The potential uses of this report are described below.

Update Spheres of Influence

LAFCo will use this report as a basis to update the sphere of influence of the District. Spheres of influence designate the territory that LAFCo believes represent the affected agencies'

appropriate future jurisdictions and service areas. All boundary changes, such as annexations, must be consistent with the affected agencies' spheres of influence with limited exceptions.

Consider Jurisdictional Boundary Changes

LAFCo is not required to initiate any boundary changes based on service reviews. However, LAFCo, local agencies, or the public may subsequently use this report together with additional research and analysis, where necessary, to pursue changes in jurisdictional boundaries.

Resource for Further Studies

Other entities and the public may use this report for further studies and issues analysis relating to County water services. The District may use this report to support grant applications.

Review Methods

The agency reviewed as part of this service review process demonstrated full accountability in disclosure of information and cooperation with LAFCo. The following information was considered in the service review:

- Agency-specific data: responses to LAFCo requests for information, budgets, fee schedules, maps, and district plans.
- Demographic data: U.S. Census Bureau; Department of Finance.

Information gathered was analyzed and applied to make the required determinations for each agency. All information gathered for this report is filed by LAFCo for future reference.

California Environmental Quality Act

The California Environmental Quality Act (CEQA) is contained in Public Resources Code § 21000 et seq. Public agencies are required to evaluate the potential environmental effects of their actions. MSRs are statutorily exempt from CEQA pursuant to § 15262 (feasibility or planning studies) and categorically exempt pursuant to CEQA Guidelines § 15306 (information collection). CEQA requirements are applicable to SOI Updates. The CEQA lead agency for SOI Updates is most often LAFCO, unless an agency has initiated an SOI expansion or update.

HRC COMMUNITY SERVICES DISTRICT

Formation

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

Boundary and Sphere of Influence

The 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 584 acres¹. Figure 1 shows the district boundary and sphere of influence.

Table 1: HRC Agency Profile

Formation	
Agency Name	HRC Community Services District
Date of Formation	1965
Enabling Legislation	Community Service District Law, CA Government Code 61000
Contact	
Contact	Wes White, Board President
E-mail	hrcwater@gmail.com
Alternate Contacts	Scott Wilson, secretary/treas.; Don Jeffrey, System Operators
Website	n/a
Mailing Address	231 Bell Hole Loop Crescent City, CA 95531
Phone	Phone: (707) 951-4059 (cell and home)
Services	
Services Provided	Water
Areas Served	Rural Del Norte County

Accountability and Governance

HRC CSD is governed by a five-member Board of Directors (Table 2). 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.

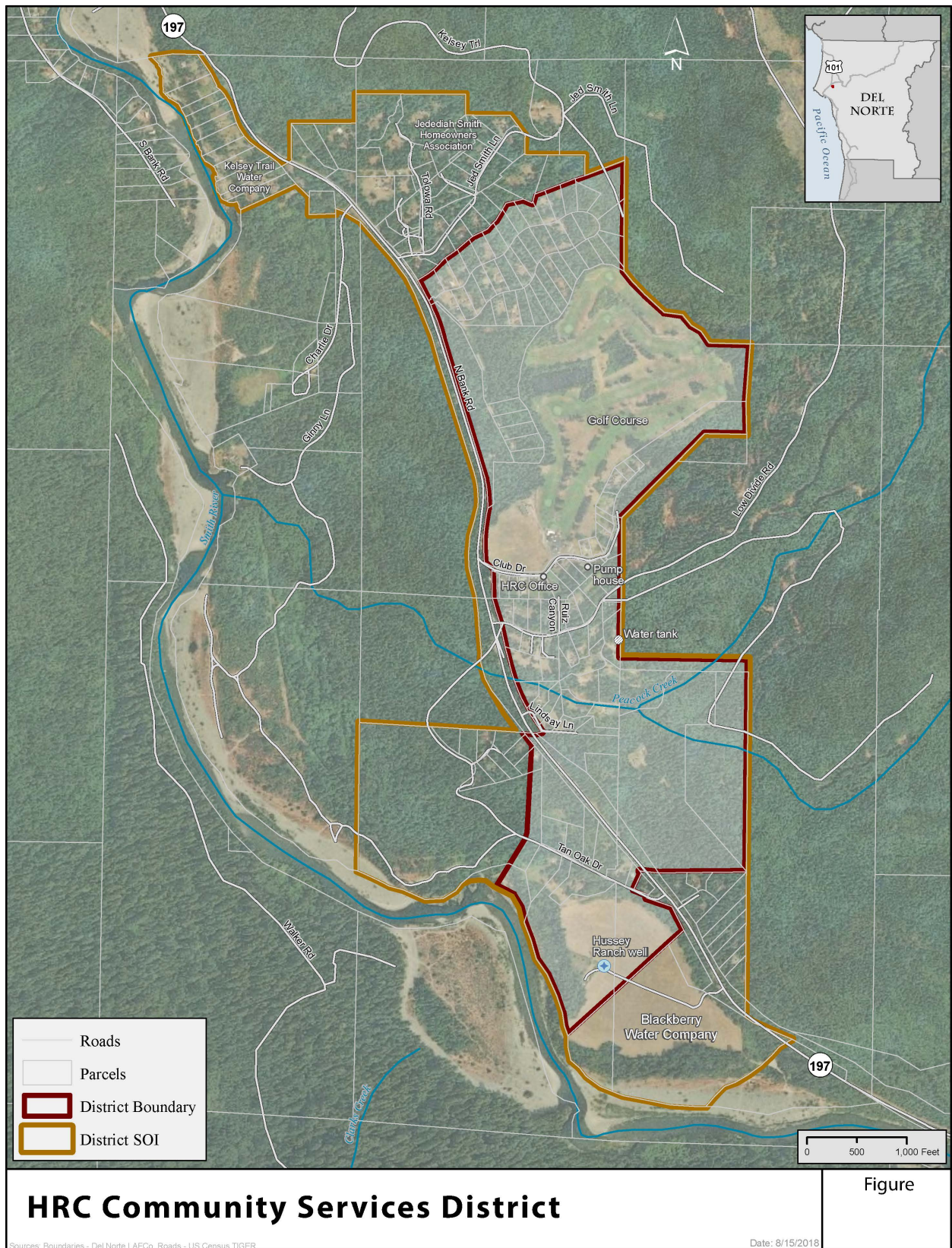
Table 2: HRC CSD Board of Directors

Board Member	Title	Term Expiration
Wes White	President	December 2020
Scott Wilson	Secretary/ Treasurer	December 2018
Mark Ephland	Board Member	December 2018
Alan Cranmore	Board Member	December 2020
Richard Gugliemini	Board Member	December 2020

HRC CSD is run by volunteers and paid contractors that provide certified operation services.

¹ 2009 MSR

Figure 1: HRC CSD Boundary and Sphere of Influence



Population and Land Use

County Population and Growth

According to the State of California's Department of Finance, Del Norte County has an estimated 2017 population of 27,124. Del Norte County's annual population growth rate was 0.4 %ⁱ. Assuming this growth continues, the County's 2025 population will be about 27,992.

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 landⁱⁱ.

District Population and Housing Projections

The HRC CSD currently serves a population of 150. At the County's growth rate of 0.4%, this will result in a 2025 population of approximately 155 residents. There is sufficient undeveloped residential land in the district to accommodate this amount of growth and potentially more.

Disadvantaged Unincorporated Communities

LAFCo is required to evaluate water service, sewer service, and structural fire protection within disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. A disadvantaged unincorporated community (DUC) is defined as any area with 12 or more registered voters where the annual median household income is less than 80 percent of the statewide annual median household income (pursuant to Government Code Section 56033.5 and Water Code Section 79505.5).

According to the 2012-2016 American Community Survey 5-Year Estimates, the California median household income (MHI) is \$63,783. The Del Norte countywide MHI is \$42,363, which places it at 66% of the California MHI. With only one incorporated city, Crescent City, most of the County's population exists in unincorporated communities that qualify as "disadvantaged".

The California Department of Water Resources has mapped communities that are at or below 80 percent of the annual median household income by using census data for each county. According to this data, the communities of Smith River, Hiouchi, Gasquet, Klamath, and parts of the incorporated City of Crescent City are classified as disadvantaged within Del Norte County.

Services and Infrastructure

Services Provided

The HRC CSD provides water service to 51 connections and 150 residents within its boundary (CA Drinking Water Watch, n.d.). The CSP supplies water to the Del Norte Golf Course club house, not water for the course itself. All customers do not have meters. Approximately half of customers on Club House Drive do not have meters. All decisions concerning the provision of water services are made by the Board of Directors. 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 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. Having 51 customers consuming 85% of the capacity indicates higher than normal per capita use. Efficiency and conservation measures appear to be needed, as a way to maintain supply proportional to use. Water is disinfected prior to distribution to residential users. The entire capacity of the system has been committed to existing or planned development projects. Water customers currently have water meters, but they are not read on a regular basis and customers are charged a flat fee for water use by the CSD monthly. This unregulated water usage offers no incentive to practice water conservation measures which are the subject of state legislation and expected to be required of water purveyors in the future. The HRC CSD should consider pro-actively implementing efficient water use and conservation measures now.

Infrastructure Needs and Deficiencies

The HRC CSD's overall water system is in good condition. The existing system, except as noted below in upgrades, has no major deficiencies for serving the current population. However, based upon their current development trend, HRC CSD could realize an 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. The District should also conduct a rate study to determine whether appropriate fees are being charged, and implement a rate increase if warranted by system costs.

Upgrades

Due to age and composition the existing poly piping serving homes around the golf course is in need of replacement and should be scheduled.

Other Public 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 Smith River, serves the immediately surrounding residential area.

The Jedediah Smith Homeowners Association (JSHOA) board members and residents have inquired about connecting their water system with the HRC CSD. The JSHOA is located just north of the district boundaries and in the sphere of influence. The HRCCSD responded that if the JSHOA is willing to provide additional infrastructure needed to compensate for the new system demand a connection could be considered. HRCCSD requested that JSHOA get an independent evaluation to address technical issues in each system. The issues are listed in the response letter from the HRC CSD. The JSHOA contact person is Jeff Mitchell, who can be reached at mitcholi@gmail.com.

Should HRC CSD and JSHOA reach agreement on annexation, then either the CSD Board would submit an annexation application to Del Norte LAFCo or the JSHOA may petition LAFCo directly. The information needed to determine capacity for extending services would be similar to the

information provided in a Plan for Services, which is part of the application package filed with LAFCo. The Plan for Services contents from the Cortese Knox Herzberg Local Government Reorganization Act of 2000 Section 56653 are:

- (a) If a proposal for a change of organization or reorganization is submitted pursuant to this part, the applicant shall submit a plan for providing services within the affected territory.
- (b) The plan for providing services shall include all of the following information and any additional information required by the commission or the executive officer:
 - (1) An enumeration and description of the services to be extended to the affected territory.
 - (2) The level and range of those services.
 - (3) An indication of when those services can feasibly be extended to the affected territory.
 - (4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
 - (5) Information with respect to how those services will be financed.

Budget

The primary source of revenue results from water service charges to district customers. The primary expenditures include depreciation and expense, repairs and maintenance, utilities, and accounting and audit fees.

Table 3: HR CSD Budget Summary

Water	FY 2016/17	FY 2017-18 Adopted	FY 2018-19 Proposed
Total Revenue	\$18,100	\$19,100.00	\$19,100.00
Total Operating Expenses	\$17,650	\$18,700	\$18,600
Total Non-Operating Expenses	\$7,550	\$7,600	\$7,500
Total Expenditures	\$25,200	\$26,200.00	\$26,200.00
NET INCOME	-\$7,100	-\$7,100	-\$7,100

Service Rates

Table 4: HRC CSD Fees

Use Type	Service Connection Fees	Monthly Service Rate
Residential	\$3,000	\$30
Commercial	\$3,000	\$39

MUNICIPAL SERVICE REVIEW DETERMINATIONS

This chapter addresses the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56430). As part of the municipal service review process, LAFCo is required to make written statements of determinations in each of the categories listed below.

Growth and population projections for the affected area

The HRC CSD serves 51 residential units and an estimated 2017 population of 150. At the County-wide current growth rate of 0.4% the district's estimated 2025 population would be 155.

The County General Plan Land Use designation for the HRC CSD is Rural Neighborhood. This allows infill 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. Parcel Infill 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.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the Sphere of Influence

The California Department of Water Resources has mapped communities that are at or below 80 percent of the annual median household income by using census data for each county. According to this data, the communities of Smith River, Hiouchi, Gasquet, Klamath, and parts of the incorporated City of Crescent City are classified as disadvantaged within Del Norte County.

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 85% of its capacity. The district would 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.

The golf course within the CSD boundaries, currently owned by the Elk Valley Rancheria, has been for sale and the Elk Valley Rancheria has announced plans for course closure due to declining revenues. CSDs may activate park and recreation powers for operation of recreation facilities such as golf courses. This could be an option for sustained course operation, dependent on agreement between the course owner and the CSD.

Financing ability of agencies to provide services

The district currently provides water service to its existing connections and well capacity appears sufficient to meet 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 and increasing 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 Jedidiah Smith Homeowner's Association (JSHOA) has expressed interest in connecting to the District's water system. The JSHOA is located just north of the District within the District's SOI. The JSHOA has been in contact with the District and Del Norte LAFCo regarding the steps towards consolidation. There are no other adjacent communities that would benefit from sharing facilities.

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. 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. All community services districts are now required to have websites. The HRC CSD does not currently have a website and needs to get one set up.

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 includes the two private water companies and the Jedediah Smith HOA within its SOI and should consider annexing them into the district.

SPHERE OF INFLUENCE DETERMINATIONS

Sphere of Influence Status

The SOI, was reduced to 584 acres from 967 acres as part of the 2009 MSR/SOI Update. The two private water companies should remain in the SOI.

Present and planned land uses in the area, including agricultural and open-space lands.

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. These areas are located adjacent to the Smith River, follow the western border of the district's current SOI and are designated for development (residential and commercial) in the County General Plan.

Present and probable need for public facilities and services in the area.

The District's 2017-18 annual budget has \$18,700 budgeted for services and supplies. Any further development requiring a water services extension is likely to result in an expenditures increase that must be offset by sufficient revenues.

Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The current capacity of public facilities and the availability of public services provided by the HRC CSD is adequate to address current need. Should the water companies within the SOI be considered for annexation, their capacity could be added to the district.

Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

There are no adjacent communities that impact the HRC CSD's capacity to provide adequate services.

For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.

The Jedidiah Smith Homeowner's Association (JSHOA) is moving forward with connecting to the District's water system. The JSHOA is located just north of the District within the District's SOI and this consolidation would not result in a need for any sphere of influence updates. Other than this water service change the District does not anticipate any need to update the SOI.

REFERENCES

ⁱState of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2016 and 2017*. Sacramento, California, May 2017.

ⁱⁱ 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.