



**Local Agency Formation Commission of Napa County
LAFCO of Napa County**

1700 Second Street, Suite 268
Napa, California 94559
(707) 259-8645 Telephone
<http://napa.lafco.ca.gov>.

Bill Dodd, Chair
Lewis Chilton, Vice Chair
Juliana Inman, Commissioner
Brian J. Kelly, Commissioner
Brad Wagenknecht, Commissioner
Joan Bennett, Alternate Commissioner
Mark Luce, Alternate Commissioner
Gregory Rodeno, Alternate Commissioner

REGULAR MEETING AGENDA

Monday, February 7, 2011
County of Napa Administration Building
1195 Third Street, Board Chambers
Napa, California 94559

1. CALL TO ORDER; ROLL CALL: 4:00 P.M.

2. PLEDGE OF ALLEGIANCE

3. AGENDA REVIEW

Requests by Commissioners to re-arrange agenda items will be considered by the Chair at this time.

4. PUBLIC COMMENTS

In this time period, anyone may comment to the Commission regarding any subject over which the agency has jurisdiction. No comments will be allowed involving any subject matter that is scheduled for hearing, action, or discussion as part of the current agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Commission as a result of any item presented at this time.

5. CONSENT ITEMS

All items calendared as consent are considered ministerial or non-substantive. With the concurrence of the Chair, a Commissioner may request discussion of an item on the consent calendar.

a) Second Quarter Budget Report for 2010-2011 (Action)

The Commission will receive and file a second quarter budget report for 2010-2011. The report compares budgeted versus actual revenues and expenses through the first six months.

b) Amendments to Adopted Fee Schedule (Action)

The Commission will consider minor amendments to its adopted fee schedule to reflect new filing charges for the California Department of Fish and Game for lead agencies under the California Environmental Quality Act.

c) Meeting Minutes (Action)

The Commission will consider approving draft meeting minutes prepared for the December 6, 2010 meeting.

d) Current and Future Proposals (Information)

The Commission will receive a report summarizing current and future proposals. The report is being presented for information. One new proposal has been submitted since the December 6, 2010 meeting.

e) New Legislation in 2011 (Information)

The Commission will review a report from staff summarizing new legislation affecting LAFCOs that became effective as of January 1, 2011.

6. PUBLIC HEARING ITEMS

Any member of the public may address the Commission with respect to a scheduled public hearing item. Comments should be limited to no more than five minutes unless additional time is permitted by the Chair.

None

7. ACTION ITEMS

Items calendared for action do not require a public hearing before consideration by the Commission. Applicants may address the Commission. Any other member of the public may receive permission to provide comments on any item at the discretion of the Chair.

a) Proposed Annexation of the American Canyon Middle School and Clarke Ranch West Properties to the City of American Canyon

The Commission will consider a proposal from the City of American Canyon to annex approximately 52.5 acres of unincorporated territory. The affected territory comprises two non-contiguous areas and includes all or portions of three parcels. Staff recommends approving the proposal with modifications to include concurrent annexation to the American Canyon Fire Protection District and detachment from County Service Area No. 4. It is also recommended the Commission exclude a portion of one of the affected areas to make it non-contiguous to American Canyon for purposes of applying a special statute that does not require sphere of influence consistency. The County of Napa Assessor's Office identifies the affected territory as 059-040-076, 059-040-075, and 058-020-01.

b) Draft Proposed Budget for Fiscal Year 2011-2012

The Commission will review a draft proposed budget for 2011-2012. The draft proposes budgeting operating expenses at \$422,522; an amount representing a 2.2% increase over the current fiscal year. The draft proposes budgeting operating revenues at \$395,441 with the remaining shortfall (\$27,081) to be covered by drawing down on agency reserves. The draft is being presented to the Commission for approval and circulation to local funding agencies for their review and comment.

8. DISCUSSION ITEMS

A member of the public may receive permission to provide comments on any item calendared for discussion at the discretion of the Chair. General direction to staff for future action may be provided by Commissioners.

a) Draft Report on the Lake Berryessa Region Municipal Service Review

The Commission will receive for discussion a draft report on its scheduled municipal service review on the Lake Berryessa region prepared in accordance with Government Code Section 56430. Affected agencies evaluated as part of the municipal service review include the Lake Berryessa Resort Improvement District, Napa Berryessa Resort Improvement District, and the Spanish Flat Water District.

b) Revisions to the Commission's General Policy Determinations and Creation of a New Application Packet

The Commission will review proposed revisions prepared by the Ad Hoc Committee on Policies and Procedures (Luce, Rodeno and Simonds) to the agency's *General Policy Determinations* as well as the creation of a new application packet. These items are being presented for Commission review and comment.

9. EXECUTIVE OFFICER REPORT

The Commission will receive a verbal report from the Executive Officer regarding current staff activities, communications, studies, and special projects. This includes, but is not limited to, the following topics:

- Legislative Update for 2011-2012
- Planning for the California Association of Local Agency Formation Commission's 2011 Annual Conference

10. CLOSED SESSION

None

11. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

12. ADJOURNMENT TO NEXT REGULAR SCHEDULED MEETING:

April, 4, 2011

Materials relating to an item on this agenda that have been submitted to the Commission after distribution of the agenda packet are available for public inspection at the LAFCO office during normal business hours. Commissioners are disqualified from voting on any proposals involving entitlements of use if they have received campaign contributions from an interested party. The law prohibits a Commissioner from voting on any entitlement when he/she has received a campaign contribution(s) of more than \$250 within 12 months of the decision, or during the proceedings for the decision, from any interested party involved in the entitlement. An interested party includes an applicant and any person with a financial interest actively supporting or opposing a proposal.



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February 7, 2011
Agenda Item No. 5a (Consent: Action)

January 31, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Second Quarter Budget Report for 2010-2011

The Commission will receive and file a second quarter budget report for 2010-2011. The report compares budgeted versus actual revenues and expenses through the first six months. The report projects the Commission will experience a reduction in its budgeted operating deficit from (\$42,460) to (\$7,136) due to savings in several service and supply accounts.

The Cortese Knox-Hertzberg Local Government Reorganization Act of 2000 mandates operating costs for Local Agency Formation Commissions (LAFCOs) shall be annually funded by the affected counties, cities, and, if applicable, special districts. In most instances, the county is responsible for one-half of the LAFCO’s annual budget with the remaining amount proportionally shared by the cities based on a weighted calculation of population and tax revenues. LAFCOs are also authorized to establish and collect fees for purposes of offsetting agency contributions.

A. Discussion

LAFCO of Napa County’s (“Commission”) adopted final budget for 2010-2011 totals \$413,480. This amount represents the total approved operating expenditures for the fiscal year within the Commission’s three expense units: salaries/benefits; services/supplies; and capital replacement. Budgeted revenues total \$371,020 within three revenue units: agency contributions; service charges; and investments. Markedly, the Commission budgeted an operating shortfall of (\$42,460), which is to be covered by drawing down on unreserved/undesignated funds, to help reduce the funding requirements on the local agencies given the economic recession. The unreserved/undesignated fund balance totaled \$168,819 as of July 1, 2010.

Overall Revenues

Actual revenues collected through the second quarter totaled \$358,096. This amount represents 97% of the adopted budget total with 50% of the fiscal year complete. The following table compares budgeted and actual revenues through the second quarter.

Budget Units	Adopted Revenues	Actual Revenues	Difference
Agency Contributions	356,020	345,377	(10,643)
Service Charges	10,000	11,939	1,939
Investments	5,000	780	(4,220)
Total	\$371,020	\$358,096	(\$12,924)

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville
Juliana Inman, Commissioner
Councilmember, City of Napa
Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
County of Napa Supervisor, 4th District
Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District
Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public
Gregory Rodeno, Alternate Commissioner
Representative of the General Public
Keene Simonds
Executive Officer

An expanded discussion on budgeted and actual revenues through the second quarter within the Commission's three revenue units follows.

Agency Contributions

The Commission budgeted \$356,020 in agency contributions in 2010-2011. Half of the total was invoiced to the County of Napa (\$178,009) with the remaining amount proportionally invoiced based on population and general tax revenues to the Cities of American Canyon (\$27,468), Calistoga (\$10,642), Napa (\$119,647), St. Helena (\$12,657), and Yountville (\$7,596). All invoices were paid through the end of the second quarter with the exception of Calistoga.¹

Service Charges

The Commission budgeted \$10,000 in service charges in 2010-2011. At the end of the second quarter, actual revenues collected within this unit totaled \$11,939. The majority of this amount is tied to the application fees associated with the City of American Canyon's Eucalyptus Grove/American Canyon High School proposal. Staff anticipates finishing the fiscal year with actual revenues exceeding \$20,000 based on outstanding fees tied to American Canyon's Town Center proposal. This projection would result in an account surplus of \$10,000.

Investments

The Commission budgeted \$5,000 in investment income in 2010-2011. This budgeted amount is entirely tied to interest earned on the Commission's fund balance, which is under investment by the County of Napa Treasurer. The balance within this account at the end of the second quarter totaled \$780 and represents only the first quarter payment. The Commission is on pace to finish the fiscal year with only \$3,120 in investment income, resulting in an account deficit of (\$1,880).

Overall Expenses

Actual expenses through the second quarter, including encumbrances, totaled \$192,106. This amount represents 54% of the adopted budget with 50% of the fiscal year complete. The following table compares budgeted and actual expenses through the second quarter.

Budget Units	Adopted Expenses	Actual Expenses	Difference
Salaries/Benefits	293,973	127,719	240,822
Services/Supplies	115,575	64,388	70,868
Capital Replacement	3,932	0	3,931
Total	\$413,480	\$192,106	\$315,621

An expanded discussion on budgeted and actual expenses through the second quarter within the Commission's three expense units follows.

¹ Calistoga's payment for 2010-2011 was received and booked on January 7, 2011.

Salaries/Benefits

The Commission has budgeted \$293,973 in salaries and benefits in 2010-2011. At the end of the second quarter, the Commission's actual expenses within the eight affected accounts totaled \$127,719, representing 43% of the budgeted amount. None of the affected accounts finished the second quarter with balances below 50%.

Services/Supplies

The Commission has budgeted \$115,575 in services and supplies in 2010-2011. At the end of the second quarter, the Commission's actual expenses within the 15 affected accounts totaled \$64,388. These total expenditures represent 56% of the budgeted amount. Seven accounts - audit and accounting, management information services, memberships, private vehicle mileage, property lease, training, and transportation and travel - finished the second quarter with balances below 50%. A summary of expenditures in these five accounts follows.

Audit and Accounting Services

This account primarily covers the Commission's annual costs for financial support services provided by the County Auditor's Office. This includes processing accounts payable and receivable along with payroll. The account also covers costs to retain an outside consultant to prepare an annual audit on the Commission's financial statements for the prior completed fiscal year. The Commission budgeted \$8,277 in this account in 2010-2011. At the end of the second quarter, expenses in this account totaled \$6,384, which represents approximately 77% of the total amount budgeted. Staff anticipates a year-end account deficit of approximately (\$600) based on projected expenses from the Auditor's Office through June.

Management Information Services

This account covers the Commission's annual costs for contract services relating to computers, networks, and related technology. The Commission budgeted \$18,439 in this account in 2010-2011 with four-fifths dedicated to funding computer and network services provided by the County of Napa. At the end of the second quarter, expenses in this account totaled \$10,153, which represents approximately 55% of the total amount budgeted. The full prepayment of the Commission's annual support service cost for electronic document management services with Incrementum is attributed with pushing the account balance below 50%. An end-of-year account deficit is not expected.

Membership

This account covers the Commission's annual membership fee for the California Association of Local Agency Formation Commissions (CALAFCO). The Commission's budgeted membership fee in 2010-2011 is \$2,275 and reflects the amount approved by CALAFCO as part of an updated annual fee schedule in September 2008. CALAFCO recently suspended all fee increases due to the economy, which lowers the Commission's annual membership due to \$2,200.

This reduced membership fee was collected in full by CALAFCO at the beginning of the fiscal year leaving a remaining balance of \$75, or 3%.

Private Vehicle Mileage

This account covers annual automobile travel costs for staff and commissioners with \$1,000 budgeted in 2010-2011. Through the end of the second quarter, expenses in this account have totaled \$885, which represents approximately 89% of the total amount budgeted. Expenses to date principally relate to staff traveling to the Lake Berryessa region as part of the current municipal service review process as well as to Sacramento for CALAFCO Legislative Committee meetings. Staff anticipates a year-end account deficit of approximately (\$200).

Property Lease

This account covers the Commission's annual office space lease at 1700 Second Street in Napa. The Commission budgeted \$29,280 in this account in 2010-2011, reflecting its current monthly rental charge of \$2,440.² The County Auditor's Office has encumbered the full annual rental amount at the beginning of the fiscal year to expedite monthly payments to the property manager.

Training

This account is used for a variety of instructional activities for Commissioners and staff. The Commission budgeted \$4,000 for training expenses in 2010-2011. At the end of the second quarter, expenses in this account totaled \$3,244, which represents approximately 81% of the total amount budgeted. The majority of expenses in this account to date are attributed to registration costs for the 2010 CALAFCO Annual Conference in Palm Springs. The remaining costs to date are tied to training classes for the analyst position. Staff anticipates a year-end account deficit of (\$1,500) with staff expected to attend the CALAFCO Workshop calendared for April 2011 in Ventura. The Commission has also authorized the Executive Officer to allocate \$995 as part of his pending application to Napa Valley Leadership.

Transportation and Travel

This account covers annual non-automobile travel costs for staff and commissioners with \$3,500 budgeted in 2010-2011. Through the end of the second quarter, expenses in this account have totaled \$2,772, which represents approximately 79% of the total amount budgeted. Nearly all of the expenses to date are associated with commissioners and staff attending the 2010 Annual CALAFCO Conference in Palm Springs. Staff anticipates a year-end account deficit of approximately (\$1,000) based on projected expenses associated with staff attending the CALAFCO Workshop scheduled for April 2011 in Ventura.

² The monthly rental fee at 1700 Second Street is fixed at \$2,440 through June 2011.

Capital Replacement

The Commission has budgeted \$3,391 for capital depreciation in 2010-2011. This budgeted amount reflects the Commission's five-year funding replacement program for the agency's electronic document management system. The budgeted expense will be booked at the end of the fiscal year.

B. Analysis

Staff projects the Commission will decrease its budgeted operating deficit in 2010-2011 from (\$42,460) to (\$7,136). The associated savings is attributed to sizeable cost-decreases involving legal, office supply, and communication services. If these projections prove correct, the Commission will finish the fiscal year with a relatively small reduction in its unreserved/undesignated fund balance from \$168,819 to \$161,684.

C. Recommendation

It is recommended the Commission take the following action:

- 1) Receive and file the "Second Quarter Budget Report for 2010-2011."

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- 1) General Ledger, July 1, 2010 to December 31, 2010



Report ID: GLC8030w

Fund: 2910 NAPA CO LOCAL AGENCY FORMATION

Dept: 02910 NAPA LAFCO

County of Napa
General Ledger Organization Revenue Status
For Periods: 1 To: 6 FY: 2011

1/27/2011

<u>Account</u>	<u>Account Description</u>	<u>Final Budget</u>	<u>Adjustments</u>	<u>Collected Revenue</u>	<u>Uncollected Revenue</u>	<u>Percent Collected</u>
44000300	INTEREST:INVESTD FNDS	5,000.00	0.00	1,558.47	3,441.53	31.17
	Total Revenue from Use of Money/Property	5,000.00	0.00	1,558.47	3,441.53	31.17
45080600	O/GA:COUNTY OF NAPA	185,560.00	-7,550.00	178,009.77	0.23	100.00
45082100	O/GA:CITY OF CALISTOGA	11,094.00	-452.00	0.00	10,642.00	0.00
45082200	O/GA:NAPA CITY	124,722.00	-5,075.00	119,646.81	0.19	100.00
45082300	O/GA:CITY OF ST HELENA	13,193.00	-536.00	12,656.54	0.46	100.00
45082400	O/GA:CITY OF AMER CYN	28,633.00	-1,165.00	27,468.37	-0.37	100.00
45082500	O/GA:TOWN OF YOUNTVILLE	7,918.00	-322.00	7,595.60	0.40	99.99
	Total Intergovernmental Revenues	371,120.00	-15,100.00	345,377.09	10,642.91	97.01
46003300	SPECIAL APPLICATION PROC FEES	0.00	0.00	2,936.50	-2,936.50	0.00
46003400	APPLICATION PROCESSING FEES	10,000.00	0.00	9,002.30	997.70	90.02
	Total Charges for Services	10,000.00	0.00	11,938.80	-1,938.80	119.39
02910	NAPA LAFCO	386,120.00	-15,100.00	358,874.36	12,145.64	96.73
2910	NAPA CO LOCAL AGENCY FORMATION	386,120.00	-15,100.00	358,874.36	12,145.64	96.73



Report ID: GLC8020w

Fund: 2910 NAPA CO LOCAL AGENCY FORMATION

Dept: 02910 NAPA LAFCO

County of Napa
General Ledger Organization Budget Status
For Periods: 1 To: 6 FY: 2011

1/27/2011

<u>Account</u>	<u>Account Description</u>	<u>Final Budget</u>	<u>Adjustments</u>	<u>Encumbrances</u>	<u>Expenditures</u>	<u>Remaining Balance</u>	<u>Percent Available</u>
51100000	S/W:REGULAR SALARIES	198,347	0.00	0.00	88,505.60	109,841.40	55.38
51200500	S/W:PER DIEM	9,600	0.00	0.00	2,400.00	7,200.00	75.00
51300100	E/B:RETIREMENT	34,992	0.00	0.00	15,195.53	19,796.47	56.57
51300120	OTHER POST EMPLOYMENT BENEFITS	9,138	0.00	0.00	4,569.00	4,569.00	50.00
51300300	E/B:MEDICARE	2,876	0.00	0.00	1,224.42	1,651.58	57.43
51300500	E/B:GROUP INSURANCE	37,954	0.00	0.00	15,336.60	22,617.40	59.59
51301200	E/B:INS:WORKERS COMP	226	0.00	0.00	113.00	113.00	50.00
51301800	E/B:CELL PHONE ALLOWANCE	840	0.00	0.00	374.50	465.50	55.42
Total Salaries & Employee Benefits		293,973	0.00	0.00	127,718.65	166,254.35	56.55
52070000	COMMUNICATIONS	3,500	0.00	0.00	657.66	2,842.34	81.21
52100300	INSURANCE:LIABILITY	444	0.00	0.00	222.00	222.00	50.00
52150000	MEMBERSHIPS	2,275	0.00	0.00	2,200.00	75.00	3.30
52170000	OFFICE EXPENSE	15,000	0.00	3,088.87	4,049.38	7,861.75	52.41
52180200	PSS:MGMT INFO SVCS	18,439	0.00	0.00	10,152.90	8,286.10	44.94
52180500	PSS:LEGAL EXPENSE	26,010	0.00	0.00	0.00	26,010.00	100.00
52180510	PSS:AUDIT AND ACCOUNTING SERV	0	8,277.00	0.00	6,384.26	1,892.74	22.87
52185000	PSS:OTHER	8,277	-8,277.00	0.00	0.00	0.00	0.00
52190000	PSS:PUBLICATIONS/LGL NOTICE	1,500	0.00	0.00	568.76	931.24	62.08
52235000	SDE:OTHER	1,000	0.00	0.00	482.05	517.95	51.80
52240500	SDE:PROPERTY LEASE	29,280	0.00	12,200.00	17,080.00	0.00	0.00
52243900	SDE:FILING FEE	850	0.00	0.00	300.00	550.00	64.71
52250000	TRANSPORTATION & TRAV	3,500	0.00	0.00	2,772.02	727.98	20.80
52250700	MEALS-REIMBURSABLE/TAXABLE	500	0.00	0.00	101.26	398.74	79.75
52250800	T/T:TRAINING	4,000	0.00	0.00	3,244.00	756.00	18.90
52251200	T/T:PRIVATE VEH MILE	1,000	0.00	0.00	884.65	115.35	11.54
Total Services & Supplies		115,575	0.00	15,288.87	49,098.94	51,187.19	44.29
53980200	DEPR-EQUIPMENT	3,931	0.00	0.00	0.00	3,931.00	100.00
Total Other Charges		3,931	0.00	0.00	0.00	3,931.00	100.00
02910	NAPA LAFCO	413,479	0.00	15,288.87	176,817.59	221,372.54	53.54
2910	NAPA CO LOCAL AGENCY FORMATION	413,479	0.00	15,288.87	176,817.59	221,372.54	53.54



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February 7, 2011
Agenda Item No. 5b (Consent: Action)

January 31, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Amendments to Adopted Fee Schedule

The Commission will consider minor amendments to its adopted fee schedule to reflect new filing charges for the California Department of Fish and Game for lead agencies under the California Environmental Quality Act.

California Government Code Section 56383 authorizes Local Agency Formation Commissions (LAFCOs) to establish a schedule of fees for the costs of administering its prescribed regulatory and planning responsibilities. This includes establishing fees to process change of organization proposals, outside service requests, and sphere of influence amendments. The fees shall not exceed the estimated reasonable cost of providing the service for which the fee is charged.

A. Discussion

LAFCO of Napa County's ("Commission") fee schedule was last amended in August 2010. The fee schedule generally assigns fixed application fees based on a pre-calculated estimate of the number of hours needed to process a specific type of proposal and multiplied by the current staff hourly rate of \$107.00. The fee schedule also identifies several other charges the Commission collects on behalf of other agencies in the course of processing applications. This includes fees required of the California Department of Fish and Game (DFG) to file notices pursuant to California Environmental Quality Act (CEQA).

DFG has increased its filing fees to file notices of determinations by 1.7% effective January 1, 2011. These increases effect notices associated with (a) negative declarations, (b) mitigated negative declarations, and (c) environmental impact reports as listed below.

Filing Fee Type	Old	New
Negative Declaration	\$2,010.25	\$2,044.00
Mitigated Negative Declaration	\$2,010.25	\$2,044.00
Environmental Impact Report	\$2,792.25	\$2,839.25

B. Analysis

The new fees associated with filing notices of determination with DFG will be passed on directly to applicants as needed. Accordingly, there is no new impact on the Commission with the exception of the limited instances when it serves as lead agency and initiates an action not exempt from further review under CEQA.

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County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public
Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

C. Recommendation

It is recommended the Commission take the following action:

- 1) Approve the attached draft amendment to its adopted fee schedule.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachments:

- 1) Draft Amendment to the Adopted Fee Schedule (track changes)
- ~~2) Notice of Increase in Fish and Game Filing Fees~~



Local Agency Formation Commission of Napa County

Schedule of Fees and Deposits

Effective Date: ~~July 2, 2010~~ January 1, 2011

The policy of the Commission is:

1. This fee schedule shall be administered in accordance with the provisions of California Government Code Section 56383.
2. Applications submitted to the Commission shall be accompanied by a non-refundable initial fee as detailed in this schedule.
3. Applicants are responsible for any fees or charges incurred by the Commission or required by other agencies in the course of the processing of an application.
4. Initial fees include a fixed number of staff hours as detailed in the fee schedule or are designated as “at cost.”
5. Additional Commission staff time shall be charged to the applicant at an hourly rate of \$107.00.
6. Applicants are responsible for any extraordinary administrative costs as determined by the Executive Officer and detailed for the applicant in a written statement.
7. Additional Commission staff time and administrative costs shall not be charged for city annexation applications that are comprised solely of one, entire unincorporated island.
8. If the Executive Officer estimates a proposal will require more than 20 hours staff time to complete, he or she shall provide a written statement to that effect to the applicant and request a deposit in an amount sufficient to cover anticipated costs. If this or any subsequent deposit proves insufficient, the Executive Officer shall provide an accounting of expenditures and request deposit of additional funds.
9. If the processing of an application requires the Commission contract from another agency or from a private firm or individual for services that are beyond the normal scope of staff work (such as the drafting of an Environmental Impact Report or Comprehensive Fiscal Analysis), the applicant shall be responsible for all costs associated with that contract. The applicant will provide the Commission with a deposit sufficient to cover the cost of the contract.
10. The Executive Officer may stop work on any proposal until the applicant submits a requested deposit.

11. Written appeal of fees and/or deposits, specifying the reason for the appeal, may be submitted to the Commission prior to the submission of an application or prior to the submission of a deposit requested by the Executive Officer. The appeal will be considered at the next regular meeting of the Commission.
12. Upon completion of a project, the Executive Officer shall issue to the applicant a statement detailing all expenditures from a deposit for additional time and materials and shall have a refund for any remaining funds issued to the applicant.

INITIAL APPLICATION FEES

Change of Organization or Reorganizations: Annexations and Detachments

Exempt from the California Environmental Quality Act

- With 100% consent of property owners and affected agencies: \$3,852(30 hours)
- Without 100% consent of property owners and affected agencies: \$5,136 (40 hours)

Not exempt from the California Environmental Quality Act
(The Commission is a Responsible Agency; Negative Declaration)

- With 100% consent of property owners and affected agencies: \$4,494(35 hours)
- Without 100% consent of property owners and affected agencies: \$5,778 (45 hours)

Not exempt from the California Environmental Quality Act
(The Commission is a Responsible Agency; Environmental Impact Report)

- With 100% consent of property owners and affected agencies: \$5,136(40 hours)
- Without 100% consent of property owners and affected agencies: \$6,420 (50 hours)

- * All initial application fees for annexation and detachment proposals include a 20% surcharge to contribute to the costs in preparing municipal service reviews.
- * Annexation or detachment proposals that involve boundary changes for more than two agencies and qualify as reorganizations will be charged an additional fee of \$515 (5 hours).
- * City annexations involving entire unincorporated islands and subject to California Government Code Section 56375.3 will be charged a flat fee of \$500.
- * If the Commission is the Lead Agency and an Initial Study is needed to determine whether a Negative Declaration or Environmental Impact Report is appropriate, applicants will be charged at the hourly staff rate.

Change of Organizations or Reorganizations: Other

- Special District Formations, Consolidations, Mergers, and Dissolutions: Actual Cost
- City Incorporations or Dissolutions: Actual Cost

Special Studies

- Municipal Service Review: Actual Cost
- Sphere of Influence Review: Actual Cost
(Establishment, Amendment, or Update)

Request to Activate Latent Power \$5,136 (40 hours)

* The initial application fee for the activation of a latent power includes a 20% surcharge to contribute to the costs in preparing municipal service reviews.

Request for an Extension of Time \$535 (5 hours)

Request to Approve an Outside Service Agreement \$2,568 (20 hours)

* The initial application fee to approve an outside service agreement includes a 20% surcharge to contribute to the costs in preparing municipal service reviews.

Request for Reconsideration \$2,140 (20 hours)

Special Meeting Fee \$800

Alternate Legal Counsel Fee Actual Cost

OTHER APPLICATION FEES

Assessor Mapping Service \$125
(Made payable to the "County of Napa")

Map and Geographic Description Review \$447 (3 hours)
(Made payable to the "County of Napa")

Registered Voter List for Public Hearing Notice \$55 (1 hour)
(Made payable to the "County of Napa")

Geographic Information Service \$125 (1 hour)
(Made payable to "LAFCO of Napa County")

California Department of Fish and Game Environmental Filing Fees
(Made payable to the "County of Napa Clerk Recorder")

Commission as Lead Agency

- Environmental Impact Report: [\\$2,792.252,839.25](#)
- Negative Declaration: [\\$2,010.252,044.00](#)
- Mitigated Negative Declaration: [\\$2,010.252,044.00](#)
- Clerk-Recorder Filing Fee: \$50.00

Commission as Responsible Agency

- Notice of Determination (Represents Clerk Filing Fee): \$50.00
- Notice of Exemption (Represents Clerk Filing Fee): \$50.00

Filing of Change to Jurisdictional Boundary
(Made payable to the “State Board of Equalization”)

<u>Acre Amount</u>	<u>Fee</u>	<u>Acre Amount</u>	<u>Fee</u>
Less than 1:	\$300	51 to 100:	\$1,500
1 to 5:	\$350	101 to 500:	\$2,000
6 to 10:	\$500	500 to 1,000:	\$2,500
11 to 20:	\$800	1,000 to 2,000:	\$3,000
21 to 50:	\$1,200	2,000 and above:	\$3,500

ADMINISTRATIVE SERVICE FEES

The following are charges to be assessed to persons or entities other than the applicant.

- Copying (no color): \$0.10 per page
- Copying (color): \$0.40 per page
- Faxing: \$1.00 service charge, plus \$0.15 per page
- Mailing: Actual Cost
- Audio Tape Recording of Meeting: Actual Cost
- Research/Achieve Retrieval: \$97 per hour (minimum of one hour)



Local Agency Formation Commission
LAFCO of Napa County

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Agenda Item No. 5c (Consent)
February 7, 2011

January 28, 2011

TO: Local Agency Formation Commission
FROM: Kathy Mabry, Secretary
SUBJECT: Approval of Minutes for December 6, 2010

A. Discussion and Recommendation

Attached are summary minutes prepared for the Commission's December 6, 2010 meeting. Staff recommends approval.

Respectfully submitted,

Kathy Mabry
Secretary

Attachment: as stated

Juliana Inman, Commissioner
Councilmember, City of Napa

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

MEETING MINUTES OF DECEMBER 6, 2010

1. CALL TO ORDER; ROLL CALL

Chair Inman called the regular meeting of December 6, 2010 to order at 4:00 P.M. At the time of roll call, the following Commissioners and staff were present:

Regular Commissioners	Alternate Commissioners	Staff
Juliana Inman, Chair	Joan Bennett	Keene Simonds, Executive Officer
Lewis Chilton	Mark Luce	Jackie Gong, Commission Counsel
Bill Dodd, Vice Chair	Gregory Rodeno (<i>Voting</i>)	Brendon Freeman, Analyst
Brad Wagenknecht		Kathy Mabry, Secretary

Brian J. Kelly-Excused

2. PLEDGE OF ALLEGIANCE

Tony Norris, Vice-President of the Napa County Regional Park & Open Space District led the Pledge of Allegiance.

3. AGENDA REVIEW

There were no requests to rearrange the agenda.

4. PUBLIC COMMENT

Chair Inman invited members of the audience to provide public comment. Resident, Stu Williams from the Berryessa Highlands wanted to provide comment on the Lake Berryessa region, but was advised to wait until Item #8a was presented for discussion. No other comments were received.

5. CONSENT ITEMS

a) First Quarter Budget Report for 2010-2011

The Commission received a first quarter budget report for 2010-2011. The report compared budgeted versus actual revenues and expenses through the first three months.

b) Approval of Regular Meeting Calendar for First Half of 2011

The Commission considered approving a regular meeting calendar for the first six months of 2011. The Commission approved meeting dates for February 7th, April 4th, and June 6th.

c) Meeting Minutes

The Commission approved the meeting minutes prepared for the October 4, 2010 meeting.

d) Expiring Commissioner Terms in 2011

The Commission received a report identifying the member terms scheduled to expire in 2011.

e) Designation of Chair and Vice Chair for 2011

The Commission received a report regarding the designation of the Chair and Vice Chair for the 2011 calendar year.

f) Current and Future Proposals

The Commission received a report summarizing current and future proposals. No new proposals have been submitted since the October 4, 2010 meeting.

5. **CONSENT ITEMS – continued:**

g) Report on Website Visits

The Commission received a report summarizing visitor traffic to the agency's new website since August 2010.

Upon motion by Commissioner Dodd and second by Commissioner Wagenknecht, the consent items were approved.

6. **PUBLIC HEARING ITEMS**

a) Concurrent Municipal Service Review and Sphere of Influence Update on County Service Area No. 4

The Commission received a final report from staff representing the agency's scheduled municipal service review and sphere of influence update for County Service Area No. 4. Staff provided a verbal summary and highlighted key policy and service related issues.

Chair Inman opened the public hearing. No public comments were received. Chair Inman closed the public hearing.

The Commission adopted resolutions confirming the determinative statements in the final report, including updating the sphere of influence with no changes.

Upon motion by Commissioner Rodeno and second by Commissioner Chilton, the District's municipal service review was approved (**Resolution No. 10-22**).

Upon motion by Commissioner Rodeno and second by Commissioner Chilton, the District's sphere of influence establishment was approved (**Resolution No. 10-23**).

b) Concurrent Municipal Service Review and Sphere of Influence Establishment for Napa County Regional Park and Open Space District

The Commission received a final report representing its scheduled municipal service review and sphere of influence establishment for the Napa County Regional Park and Open Space District.

The final report included a limited number of revisions from its draft presentation in October.

Staff provided a verbal summary and highlighted key policy and service related issues.

Chair Inman opened the public hearing. No public comments were received. Chair Inman closed the public hearing.

The Commission adopted resolutions confirming the determinative statements in the final report, including establishing a sphere of influence coterminous with the District's jurisdictional boundary.

Upon motion by Commissioner Rodeno and second by Commissioner Chilton, the District's municipal service review was approved (**Resolution No. 10-24**).

Upon motion by Commissioner Rodeno and second by Commissioner Chilton, the District's sphere of influence establishment was approved (**Resolution No. 10-25**).

7. **ACTION ITEMS**

a) Proposed Reorganization to Annex the Town Center Site to the City of American Canyon and American Canyon Fire Protection District

The Commission considered a joint proposal from the City of American Canyon and the American Canyon Fire Protection District to annex unincorporated territory designated under the City General Plan as Town Center. The affected territory represents one contiguous area totaling 315.3 acres.

7. ACTION ITEMS – continued:

The County Assessor identifies the affected parcels as 059-020-011, 059-020-010, 059-020-032, 059-020-029, 059-020-009, 059-020-008, 059-030-003, 059-020-026, and 059-020-030.

Commissioner Chilton commented that water use and availability issues raised in the staff report will be stretched out in the future due to the Town Center, but that will be the responsibility of the City of American Canyon. Commissioner Rodeno agreed with Commissioner Chilton's comments. A letter was submitted to the Commission today by Gary & Teri Clarke which clarified their position to support annexation of their land with the qualification they do not want to be subject to the extension of Newell Drive.

Staff recommended approval of (Option Two) the proposal with a modification to concurrently detach a significant portion of the affected territory from County Service Area No. 4.

Upon motion by Commissioner Chilton and second by Commissioner Dodd, the proposal was approved as identified in the staff report as Option Two (**Resolution No. 10-21**).

b) Appointments to the 2011-2012 Budget Committee

The Commission considered appointing two members to serve with the Executive Officer on the 2011-2012 Budget Committee.

Upon motion by Commissioner Dodd and second by Commissioner Wagenknecht, Commissioners Kelly and Chilton were re-appointed to next year's Budget Committee.

c) Financial Audit for Fiscal Year Ending June 30, 2010

The Commission reviewed a written report from an outside consultant auditing the agency's financial statements for the 2009-2010 fiscal year. Tracy Schulze, Napa County's Auditor, commended LAFCO staff on the spotless audit. Keene Simonds commended Secretary Mabry for her work relating to the successful audit again this year.

8. DISCUSSION ITEMS

a) Update on the Lake Berryessa Region Municipal Service Review

The Commission received an update on its scheduled municipal service review on the Lake Berryessa region, which included agency profiles on two of the three affected special districts: Lake Berryessa Resort Improvement District and the Napa Berryessa Resort Improvement District.

Berryessa Highlands resident, Stewart Williams, spoke to the Commission about the history of special districts at the lake and stated they now want to proceed with a Community Services District. Mr. Williams thanked LAFCO staff for all their help in directing them forward. Staff anticipates presenting a complete draft report on the municipal service review, which will include a profile on the Spanish Flat Water District, at the next regularly scheduled meeting. No action was taken.

9. EXECUTIVE OFFICER REPORT

The Commission was provided with a verbal report from the Executive Officer regarding the following items:

- Ad Hoc Committee on Policies and Procedures – staff will present a document at next meeting.
- California Association of Local Agency Formation Commission's 2010 Annual Conference – Chair Inman won her election to represent CALAFCO's Coastal region, as well as a seat on the Legislative Committee.
- Legislative Efforts to Amend Government Code Section 56133 – currently being worked on.

10. CLOSED SESSION

a) Public Employee Performance Evaluation for Executive Officer

There was no reportable action taken, per Jackie Gong, Counsel.

11. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

There was no discussion of this item.

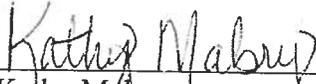
12. ADJOURNMENT

The meeting was adjourned at 5:23 pm. The next regular LAFCO meeting is scheduled for Monday, February 7, 2011 at 4:00 p.m.

Juliana Inman, Chair

ATTEST: Keene Simonds
Executive Officer

Prepared by:



Kathy Mabry
Commission Secretary



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LAFCO of Napa County

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February 7, 2011
Agenda Item No. 5d (Consent: Information)

January 31, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Current and Future Proposals

The Commission will receive a report summarizing current and future proposals. The report is being presented for information. One new proposal has been submitted since the December 6, 2010 meeting.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 delegates Local Agency Formation Commissions (LAFCOs) with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. This includes approving or disapproving proposals involving the formation, expansion, merger, and dissolution of cities and special districts.

A. Information

There are currently three active proposals on file with LAFCO of Napa County ("Commission"). A summary of these active proposals follows.

Annexation of Stanly Ranch to the Napa Sanitation District

The affected landowners propose the annexation of approximately 470 acres of incorporated land to the Napa Sanitation District (NSD). The underlying purpose of the proposal is to facilitate the development of 93 acres of the affected territory into a 245-room luxury resort with a commercial vineyard to be known as St. Regis. This development was approved by the City of Napa on April 20, 2010. The remaining lands have been included in the proposal to economize resources towards future connection to the NSD sewer line as new development is subsequently approved.

Status: Staff is reviewing the application and anticipates presenting the proposal at the Commission's April 4, 2011 meeting.

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Juliana Inman, Commissioner
Councilmember, City of Napa

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

Silverado Trail/Zinfandel Lane Annexation to the City of St. Helena

The City of St. Helena proposes the annexation of approximately 100 acres of unincorporated territory located northwest of the intersection of Silverado Trail and Zinfandel Lane. The affected territory consists of one entire parcel and a portion of a second parcel, which are both owned and used by St. Helena to discharge treated wastewater from an adjacent treatment plant through a spray irrigation system. Both subject parcels are located outside the City's sphere of influence. Rather than request concurrent amendment, St. Helena is proposing only the annexation of a portion of the second parcel to ensure the affected territory is non-contiguous to its incorporated boundary and therefore eligible for annexation under Government Code Section 56742. This statute permits a city to annex non-contiguous land it owns and uses for municipal purposes without consistency with its sphere of influence. However, if sold, the statute requires the land be automatically detached. The two subject parcels are identified by the County Assessor as 030-240-017 (portion) and 030-250-018.

Status: Staff has completed its review of the proposal. St. Helena has filed a request with the Commission to delay consideration of the proposal in order to explore a separate agreement with the County to extend the current Williamson Act contract associated with the affected territory.

Formation of the Villa Berryessa Water District

This application has been submitted by Miller-Sorg Group, Inc. The applicant proposes the formation of a new special district under the California Water District Act. The purpose in forming the new special district is to provide public water and sewer services to a planned 100-lot subdivision located along the western shoreline of Lake Berryessa. A tentative subdivision map for the underlying project has already been approved by the County. The County has conditioned recording the final map on the applicants receiving written approval from the United States Bureau of Reclamation to construct an access road and intake across federal lands to receive water supplies from Lake Berryessa. Based on their own review of the project, the Bureau is requesting a governmental agency accept responsibility for the construction and perpetual operation of the water and sewer systems serving the subdivision.

Status: Staff is currently awaiting a response to an earlier request for additional information from the applicant.

There are no specific proposals expected to be submitted to the Commission in the immediate future.

B. Commission Review

The Commission is invited to review and discuss any of the proposals identified in this report.

Attachments: none



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February 7, 2011
Agenda Item No. 5e (Consent: Information)

January 31, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: New Legislation for 2011

The Commission will review a report from staff summarizing new legislation affecting LAFCOs that became effective as of January 1, 2011.

Local Agency Formation Commissions (LAFCOs) are responsible for administering the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. This includes approving or disapproving, with or without modifications, change of organization or reorganization proposals as well as outside service extension requests.

A. Information

The second year of the 2009-2010 legislative session produced a relatively small number of bills that make substantive changes to LAFCO law or the laws LAFCO helps to administer; an outcome generally attributed to lawmakers focus on the budget deficit. A summary of key bills enacted as of January 1, 2011 follows.

Senate Bill 1023 (Patricia Wiggins)

SB 1023 establishes an expedited process for LAFCOs to initiate and approve the reorganization of resort improvement districts (RIDs) and municipal improvement districts (MIDs) into community service districts (CSDs) with the same powers, duties, and boundaries. The legislation also *exempts* protest proceedings unless written opposition is filed by the affected agency (emphasis added).

Assembly Bill 2795 (Assembly Committee on Local Government)

AB 2795 makes several minor and non-controversial changes to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. This includes defining “divestiture of power,” which follows a 2008 amendment requiring special districts to request and receive LAFCO approval before eliminating an established service. The legislation also amends Revenue and Tax Code to extend the mandatory property tax negotiation period for jurisdictional changes between local agencies from 60 to 90 days if requested. Notably, staff proposed this amendment in consultation with a CALAFCO sub-committee given the reoccurring challenges for local agencies in Napa County to complete negotiations within the current 60 day period.

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Juliana Inman, Commissioner
Councilmember, City of Napa

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Commission Review

Staff respectfully requests the Commission review the new legislation for 2011 outlined in this report and offer any questions or comments.

Attachments: none



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LAFCO of Napa County

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February 7, 2011
Agenda Item No. 7a (Action)

January 31, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Annexation of the American Canyon Middle School and Clarke Ranch West Properties to the City of American Canyon

The Commission will consider a proposal from the City of American Canyon to annex approximately 52.5 acres of unincorporated territory. The affected territory comprises two non-contiguous areas and includes all or portions of three parcels. Staff recommends approving the proposal with modifications to include concurrent annexation to the American Canyon Fire Protection District and detachment from County Service Area No. 4. It is also recommended the Commission exclude a portion of one of the affected areas to make it non-contiguous to American Canyon for purposes of applying a special statute that does not require sphere of influence consistency.

The Commission is responsible under California Government Code (G.C.) Section 56375 to approve, modify, or disapprove boundary changes consistent with its adopted written policies, procedures, and guidelines. This includes ensuring consistency between boundary changes and adopted spheres of influence with limited exceptions. The Commission is also authorized to establish conditions in approving boundary changes as long as it does not directly regulate land uses. Underlying the Commission's determination in approving, modifying, or disapproving proposed boundary changes is to consider the logical and timely development of the affected agencies in context with local circumstances and needs.

A. Summary

Proposal Description

LAFCO of Napa County ("Commission") has received an application by resolution from the City of American Canyon proposing the annexation of approximately 52.5 acres of unincorporated territory. The affected territory comprises two non-contiguous areas commonly referred to as the "American Canyon Middle School" and "Clarke Ranch West" properties. The former property was added to American Canyon's sphere of influence as part of a comprehensive update completed in June 2010. The latter property was excluded from the sphere of influence as part of the referenced update process given its non-urban land use designation, but is eligible for annexation if modified as detailed in a succeeding section. A brief description of the two properties follows.

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Juliana Inman, Commissioner
Councilmember, City of Napa

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

- The American Canyon Middle School property is approximately 22.1 acres in size and includes one entire assessor parcel and a portion of a second assessor parcel identified as 059-040-076 and 059-040-075 (portion). The property is uninhabited and located near American Canyon Road's intersection with Newell Road along the south-east border of American Canyon. The property is undeveloped and recently purchased by Napa Valley Unified School District (NVUSD) for purposes of building a 530-student middle school.



- The Clarke Ranch West property is approximately 30.4 acres in size and includes a portion of an assessor parcel identified as 058-020-013. The property is uninhabited and located near the intersection of Eucalyptus Drive and Wetlands Edge Road at the west-central border of American Canyon. The property is substantially undeveloped with the exception of the far eastern portion including a small number of temporary structures and equipment associated with the American Canyon 4-H Club, which houses small farm animals on site.



Proposal Purpose

American Canyon is proposing annexation to facilitate the future use and development of the affected territory as contemplated under the City General Plan. The American Canyon Middle School property is already subject to a vested project approved by NVUSD in February 2008. The vested project involves constructing a 530-student middle school and auxiliary facilities with core municipal services expected to be provided by American Canyon. Construction on the middle school has commenced with grading and is expected to be completed in August 2012.

No specific development projects exist at this time with regards to the Clarke Ranch West property. American Canyon purchased the property in 1999 and anticipates developing the site into a public passive recreational park within the next five years. This anticipated use may also include building a public safety facility to accommodate both a park ranger and fire station. The fire station, if built, would be used and operated by American Canyon Fire Protection District (ACFPD).

Proposal Review

Staff recommends approval of the proposal with three modifications: (a) exclude a 1.1 acre portion of the Clarke Ranch West property to make it non-contiguous to American Canyon; (b) concurrently annex to ACFPD; and (c) concurrently detach from County Service Area No. 4. The approval of the proposal as modified to incorporate the referenced changes would be consistent with the Commission's policies and practices in supporting the orderly growth and development of southeast region relative to local circumstances. It would also be appropriate to include a special approval condition to require American Canyon concurrently annex the Clarke Ranch West property back into CSA No. 4 *if* vineyard planting is permitted as currently authorized under the American Canyon General Plan (emphasis added). A summary of key issues addressed in the proposal analysis follows.

- The analysis indicates American Canyon has sufficient capacities and controls to extend and maintain an appropriate level of municipal services to the affected territory relative to its expected land uses.
- American Canyon's contract with Vallejo provides reasonable controls to manage its existing water supply shortfalls during dry year conditions; shortfalls that would be incrementally intensified upon proposal approval and the expected development of the affected territory.
- Direct new operating costs to American Canyon tied to proposal approval and the development of the affected territory appears principally limited to establishing and maintaining park maintenance services for the Clarke Ranch West property. Staff projects the direct new cost at \$23,800 and represents less than 0.1% of American Canyon's general operating budget.
- Reorganizing the proposal to include the concurrent annexation of the affected territory to ACFPD would help coordinate the extension of public safety services consistent with the planned urban and quasi-urban uses of the American Canyon Middle School and Clarke Ranch West properties, respectively. This type of reorganization is explicitly contemplated under Policy Determination V/D/2 and is not expected to have an adverse impact on ACFPD based on the assumptions incorporated into the staff report.
- Reorganizing the proposal to include the concurrent detachment of the affected territory from CSA No. 4 is appropriate given the discontinuity between these lands' current and planned uses paired with the role of the District in providing public farmworker housing services. This type of reorganization has been a standard practice of the Commission and is not expected to have an adverse impact on CSA No. 4 based on the assumptions incorporated into the staff report.

B. Discussion

Affected Agency Profiles

American Canyon

Provides a range of municipal services directly or through contracts with outside entities within its approximate 5.9 square mile jurisdictional boundary. This includes water, sewer, and law enforcement services. American Canyon's current resident population is estimated at 16,836. The adopted operating budget is \$16.4 million and intended to cover all discretionary expenditures in 2010-11. American Canyon's unreserved/undesignated fund balance totaled \$3.0 million as of July 1, 2010.

ACFPD

Directly provides fire protection, rescue, and emergency medical services within an approximate 6.5 square mile jurisdictional boundary. The jurisdictional boundary includes all of American Canyon and surrounding unincorporated lands extending as far north as Fagan Creek. The estimated resident service population is approximately 16,877. The adopted operating budget is \$4.2 million and intended to cover all discretionary expenditures in 2010-11. ACFPD's unreserved/undesignated fund balance totaled \$1.2 million as of July 1, 2010.

CSA No. 4

Provides public farmworker housing services with a jurisdictional boundary that includes all unincorporated lands as well as certain incorporated lands within the Cities of Calistoga, St. Helena, Yountville, and Napa. CSA No. 4's services currently involve funding three farmworker housing centers with a combined capacity of 180 beds through a voter-approved special assessment on vineyards that are one acre or more in size. CSA No. 4's current adopted operating budget is \$451,469 with an undesignated fund balance of \$86,711 as of June 30, 2010.

Potential Proposal Modifications

In reviewing the application materials, staff has identified three potential modifications to the proposal appearing appropriate given the Commission's policies and practices. These potential modifications are labeled "One," "Two," and "Three" and summarized below.

Modification One: Excluding Portion of the Clarke Ranch West Property

The Clarke Ranch West property is located entirely outside American Canyon's sphere of influence. State law generally requires consistency between changes of organization and the subject agencies' spheres of influence. Consistent with the recommendation of staff, the Commission decided against adding the Clarke Ranch West property to American Canyon's sphere of influence as part of a recent update given the affected territory is designated by the City as *Open Space* and expected to be developed into a passive public recreational park. This planned use is inconsistent with the basic policy of the Commission to use city spheres of influence as explicit guides to urban-type development, which by practice has not been defined to include public parks. However, also consistent with the recommendation of staff, the Commission expressed general support for American Canyon to annex this property consistent with Government Code (G.C.) Section

56742. This statute allows cities to bypass the referenced consistency requirement and annex non-contiguous lands lying outside their spheres of influence if certain preconditions exist. This includes land that is less than 300 acres in total size and owned and used by the city at the time of proposal initiation for municipal purposes. All these preconditions apply to this property. This includes recognizing the property is currently used for municipal purposes given American Canyon has already initiated a planning process to develop the property into a public park.¹ Additionally, the statute includes a poison-pill requiring automatic detachment if the land is sold by the city.

Based on the preceding factors, it appears a modification to the proposal to exclude a 1.1 acre portion of the Clarke Ranch West property to make it non-contiguous to American Canyon and therefore eligible for annexation under the referenced statute is appropriate.² This modification would ensure consistency with the Commission's basic policy to use a city's sphere of influence to designate and direct urban development. This modification would also be consistent with the previous actions of the Commission in approving the annexations of the Alston Park and Trancas Crossing Park sites to Napa in 1989 and 2010, respectively. No objections have been raised by American Canyon to this modification.

Modification Two: Concurrent Annexation of the Affected Territory into ACFPD

The affected territory is currently dependent on a basic level of fire protection and emergency medical services provided by the County. Both properties were recently added into ACFPD's sphere of influence as part of a comprehensive update completed in August 2010 to coordinate public safety services within the subject lands. Commission policy states all annexations to American Canyon located outside of ACFPD shall be required to concurrently annex to the District if the affected territory lies within its sphere of influence unless waived based on special conditions.³ Staff has not identified any special conditions meriting a waiver and therefore recommends the two properties be concurrently annexed into ACFPD. No objections have been raised by ACFPD concerning this modification. Further, the modification is contemplated in American Canyon's application materials.

Modification Three: Concurrent Detachment from CSA No. 4

CSA No. 4 was formed in 2002 and includes all unincorporated territory along with certain incorporated territory located within the Cities of Calistoga, Napa, St. Helena, and Yountville. The intent and function of CSA No. 4 is to sponsor a voter-approved special assessment on all assessor parcels within its jurisdiction containing one acre or more of planted vineyards for the purpose of funding farmworker housing services. CSA law has historically included a provision requiring land be automatically detached from a CSA upon its annexation to a municipality unless waived by LAFCO based on specific findings. This automatic detachment provision was deleted effective January 1, 2009 as part of a comprehensive rewrite of CSA law. The legislative intent in deleting the provision is to broaden LAFCO's discretion in determining whether it believes land should be detached from a CSA upon annexation to a municipality.

¹ It is the practice of the Commission to designate community planning as a municipal service.

² The portion of the affected territory recommended for exclusion from the annexation encompasses a 20 foot corridor along the northern and eastern perimeter of the property lying immediately adjacent the Eucalyptus Grove property.

³ Refer to Commission Policy Determination V/(D)(2)(b).

With regards to this proposal, both properties comprising the affected territory are in CSA No. 4, but outside its special assessment zone. Vineyard development is contemplated under American Canyon's land use policies for the Clarke Ranch West property, although unlikely given the City's stated intent of developing the site as a public park. American Canyon's land use policies do not contemplate vineyard development for the American Canyon Middle School property. These factors support the Commission exercising its discretion to modify the proposal to include the concurrent detachment of the affected territory from CSA No. 4.⁴

C. Analysis

G.C. Section 56375 delegates LAFCOs the responsibility to approve or disapprove, with or without amendment, proposals for boundary changes consistent with its adopted written policies, procedures, and guidelines. LAFCOs are also authorized to establish conditions in approving proposals as long as they do not directly regulate land uses. Underlying LAFCOs' determination in approving or disapproving proposed changes of organization is to consider the logical and timely development of the affected agencies in context with statutory objectives and local circumstances.

Required Factors for Review

G.C. Section 56668 requires the Commission to consider certain factors anytime it reviews proposed changes of organization. No single factor is determinative. The purpose in considering these factors is to help inform the Commission in its decision-making process. An evaluation of these factors as it relates to the proposal follows.

1) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent areas, during the next 10 years.

- **American Canyon Middle School Property**

This property is 22.5 acres in size with no registered voters. It is currently uninhabited and undeveloped. Although previous attempts have been made, there is no documentation indicating the property has been developed or utilized in the past except perhaps for livestock and grazing.⁵ NVUSD recently approved developing the property into a 530-student middle school. Construction on the project was initiated in 2010 with area grading and is expected to be completed by August 2012. This planned use is consistent with American Canyon's land use policies as detailed on page 22 of this report.

⁴ However, given the existing land use allowance, it would be appropriate to condition approval to require American Canyon file a proposal to annex the Clarke Ranch West property back into CSA No. 4 if vineyard development is permitted in the future; a condition particularly relevant given the Commission is not be able to initiate the annexation on its own. No objections have been raised concerning the modification by CSA No. 4.

⁵ In 1989, the property's former landowner proposed developing the site along with adjacent lands into a country club anchored by an 18-hole golf course. The proposed project was eventually withdrawn by 1996.

It is reasonable to presume the likelihood of significant growth adjacent to the American Canyon Middle School property within the next 10 year period is limited. Adjacent lands to the east and south are already incorporated and include the 2,200-student American Canyon High School and the La Vigne residential subdivision, respectively. Adjacent lands to the north and east are unincorporated and predominantly undeveloped with the nearest uses consisting of rural single-family residences and an inactive rock quarry site. Urban intensification of these unincorporated lands is not expected given existing County land use policies.

Topography slopes modestly from the west to the east portion of the property with an elevation ranging from 87 to 138 feet above sea level. Actual slope has been calculated at one degree. The southwest portion of the property is traversed by American Canyon Creek. The current assessed value of the property is \$0.⁶

- **Clarke Ranch West Property**

This property is 30.4 acres and generally undeveloped with no permanent structures or registered voters. The far eastern portion does include a small number of temporary facilities and equipment associated with the American Canyon 4-H Club, which houses small farm animals onsite. This property was formerly part of a large commercial cattle ranch.

No known projects are currently tied to the property. American Canyon contemplates the property will eventually develop into a passive public recreational park consistent with its land use designation as detailed on page 22 of this report. This contemplated use is considered non-urban based on Commission practices and policies.

It is reasonable to presume the likelihood of significant growth adjacent to the Clarke Ranch West property within the next 10 year period is limited. Adjacent lands to the north and east are already incorporated and include the built-out Waterton residential subdivision and the currently undeveloped “Eucalyptus Grove” property; the latter site being designated and zoned for commercial recreational uses. Adjacent lands to the west and south remain unincorporated and entirely comprise seasonal wetlands under public ownership.

Topography slopes modestly from the west to the east portion of the property with an elevation ranging from 2 to 22 feet above sea level. Actual slope has been calculated at less than one degree. The total assessed value is \$107,392.⁷

⁶ The property is publicly owned a unified school district and therefore non-taxable.

⁷ Amount calculated by staff based on the total assessed value of \$402,013 for the entire assessor parcel minus the proportional amount not included in the proposed annexation and has been reduced to reflect the affected territory comprises only 26.7% of the parcel. The property is publicly owned and therefore non-taxable.

2) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

The present need for organized public services within the affected territory is limited given the lands are substantially undeveloped. The organized public services that are currently available are generally considered basic. This includes fire protection and law enforcement directly provided by the County and vector control, soil conservation, and flood control indirectly provided by several countywide special districts.

The pending development of the American Canyon Middle School property into a 530-student facility will necessitate a full range of elevated public services regardless of jurisdictional authority due to NVUSD's autonomy to local zoning ordinances. A more limited range of elevated services – principally public safety and park maintenance – will also be needed for the Clarke Ranch West property given American Canyon's ownership and stated intent to develop the site into a public passive recreational park.

With the preceding factors incorporated, a review of projected demands for the affected territory indicates American Canyon has adequate capacities and controls to reasonably accommodate future needs at buildout. This statement is predicated on information collected and analyzed in the Commission's recent municipal service review on the southeast county region along with American Canyon's application materials. Anticipated demands in the affected territory relative to specific public services needed – law enforcement, water, sewer, park maintenance, and fire protection – follow.

Law Enforcement Service

American Canyon would assume law enforcement service responsibilities for the affected territory from the County upon proposal approval with the City's police station located less than two miles away from either property. American Canyon already serves as a second responder through a mutual aid agreement with County Sheriff. American Canyon's Police Department (ACPD) comprises contracted sworn officers from the County Sheriff and provides regular patrol, traffic enforcement, vehicle abatement, and criminal investigations. A lieutenant or captain with County Sheriff is mutually selected by the Sheriff-Coroner and City Council to serve as ACPD Police Chief. The current ratio of sworn officers for every 1,000 residents is 1.4.

The Commission's recent municipal service review on the southeast county region noted ACPD's average response time for all high-priority law enforcement calls was approximately two minutes from dispatch to arrival. This average response time satisfies American Canyon's five minute performance standard for all high-priority public safety calls established under the City General Plan. The municipal service review also noted annual reported crimes in American Canyon have slightly declined over the previous five years from 2,352 to 2,013 despite an

approximate one-third increase in population. The municipal service review attributed the decline in reported crimes primarily to enhanced community policing practices such as coordinating neighborhood watch programs.

In terms of assessing proposal impacts, information collected in the municipal service review does not identify any immediate deficiencies with respect to ACPD's ability to respond to *high-priority calls* within the affected territory (emphasis added). This statement is supported by the relative close proximity of American Canyon's police station and assumes the volume of high-priority calls for both subject properties will be relatively limited given their planned uses. Further, the non-residential uses planned for the affected territory would not impact American Canyon's current ratio of 1.4 sworn officers for every 1,000 residents and therefore not necessitate any direct cost increases related to new personnel expenditures.

Water Service

American Canyon would be responsible for providing water to the affected territory upon proposal approval. No water service – public or private – has been previously established within the affected territory to date. American Canyon's water system operates as a self-sufficient enterprise unit with user charges funding operations and maintenance. Any new demands to the water system would pay their fair share in connection fees as well as ongoing user charges to match associated cost increases to the system. Specific analysis relating to the availability and adequacy of water service within the affected territory is summarized below.⁸

Supply and Demand

American Canyon's contracted potable water supplies currently provide a reliable annual yield of 5,351 acre-feet under normal conditions.⁹ The current annual demand recorded and adjusted to account for conditionally approved annexations totals 4,640 acre-feet.¹⁰ These existing demands result in an available surplus of 711 acre-feet under normal conditions. The adjusted peak day demand is 19.7 acre-feet.¹¹

⁸ In assessing future needs for the two subject properties, it is assumed water demands will be entirely dependent on potable supplies given non-potable resources are not currently available to the site. American Canyon has established a recycled water service program providing tertiary treated supplies for landscape irrigation. This program currently provides 100 acre-feet per year to one customer, Green Island Vineyards. It is expected the affected territory will eventually receive recycled water as part of American Canyon's planned expansions, although no timetable currently exists.

⁹ American Canyon contracts for annual water supplies with Napa County Flood Control and Water Conservation District and City of Vallejo. The reliable yield estimate assumes American Canyon will receive 70% of its entitlement through the State Water Project and 100% of its entitlement from Vallejo.

¹⁰ The recorded total water demand for 2009-2010 was 3,953 acre-feet. This amount has been adjusted to account for estimated water demands associated with recent annexation approvals that are expected to generate an additional annual water demand of 687.2 acre-feet.

¹¹ American Canyon's recorded peak day demand in 2009-2010 was 16.8 acre-feet. This amount has been adjusted to account for additional demands associated with recent annexation approvals that are expected to raise the peak day demand from 16.8 to 19.7 acre-feet.

If the proposal is approved, and based on previously outlined assumptions, the buildout of the two subject properties comprising the affected territory would generate an additional annual water demand of 19.6 acre-feet under normal conditions with over one-half tied to the American Canyon Middle School property.¹² Buildout would also be expected to slightly increase American Canyon’s peak day demand from 19.7 to 19.8 acre-feet.¹³

As outlined in the preceding paragraphs, American Canyon’s existing water supplies are sufficient to accommodate projected demands within the affected territory at its expected buildout under normal conditions. The additional demands would intensify American Canyon’s existing supply shortfall to (1,130) acre-feet and (601) acre-feet under single dry and multiple dry years, respectively, as summarized below.¹⁴

Baseline Conditions
 (Amounts in Acre-Feet)

Category	Normal	Single Dry Year	Multiple Dry Year
Annual Supply	5,351	2,598	3,546
Annual Demand	4,640	3,712	4,130
	711	(1,114)	(584)

Post-Annexation With Buildout of the Affected Territory
 (Amounts in Acre-Feet)

Category	Normal	Single Dry Year	Multiple Dry Year
Annual Supply	5,351	2,598	3,546
Annual Demand	4,660	3,728	4,147
	691	(1,130)	(601)

Supply Factors/Assumptions

- * Normal supply assumes 70% of SWP entitlement and 100% of Vallejo entitlement
- * Single dry year supply assumes 7% of SWP entitlement and 100% of Vallejo entitlement
- * Multiple dry year supply assumes 34% of SWP entitlement and 100% of Vallejo entitlement
 (SWP entitlement assumptions based on DWR 2009 Reliability Report)

Demand Factors/Assumptions

- * Normal reflects current demand adjusted to incorporate recent conditionally approved annexations
- * Single dry year demand reflects a 20% overall reduction
- * Multiple dry year demand reflects a 11% overall reduction
 (Demand reductions based on American Canyon’s UWMP 2005 Report)

With regards to immediate steps to address the supply shortfall, American Canyon has recently established a four-tiered conservation plan to further reduce demands during dry years through volunteer and mandatory measures. American Canyon’s application materials also believe the extent of the shortfall during single dry years will be measurably diminished and eliminated during multiple dry years based on forecasting an overall 20% decline in demands due to declining consumption rates. This latter assumption appears reasonable, but dependent on several external and unknown factors relative to the review of this proposal.

¹² Estimate projects a daily non-residential use factor of 1,125 gallons per acre.

¹³ Estimate incorporates a peak factor of 1.55 based on the difference between average and peak day demands in 2009.

¹⁴ Existing and projected shortfalls during single dry and multiple dry years incorporate delivery estimates prepared by the Department of Water Resources for the State Water Project as of August 2010.

In terms of long-term steps to address the supply shortfall, American Canyon is authorized to purchase additional annual entitlements from Vallejo through 2021 totaling 1,855 acre-feet. This additional entitlement is available in three incremental purchases beginning with 723 acre-feet by May 2011.¹⁵ Exercising this initial increment purchase would entirely mitigate the projected shortfall calculated by staff under multiple dry year conditions while addressing three-fifths of the shortfall under single dry year conditions.

Treatment and Storage

American Canyon is responsible for treating three-fourths of its contracted water supplies at its treatment facility located off of Jamieson Canyon Road. (The remaining one-fourth amount is pre-treated by Vallejo.) The treatment facility was recently upgraded and is capable of treating up to 16.8 acre-feet of water daily. Treated water enters and pressurizes American Canyon’s distribution system by collecting within one of four reservoir tanks with a combined storage capacity of 14.4 acre-feet.

American Canyon’s treatment and storage capacities are sufficient in independently meeting current and projected average day water demands at buildout of the affected territory. These capacities, however, are insufficient in meeting American Canyon’s current peak day demand of 19.7 acre-feet, which is expected to increase to 19.8 acre-feet with the buildout of the affected territory. Storage shortfalls are expected to be addressed with the budgeted construction of a new 2.0 million gallon steel storage tank to be located adjacent to the recently annexed American Canyon High School property. Construction of the new storage tank will increase American Canyon’s available storage capacity to 20.5 acre-feet; an amount that will satisfy the City’s projected peak day demands upon buildout of the affected territory. American Canyon anticipates completing construction of the new storage tank no later than 2014. The following table summarizes current and post-annexation demands relative to American Canyon’s treatment and storage capacities.

Baseline Conditions

Treatment Capacity	Storage Capacity	Avg Day Demand	Peak Day Demand
16.8 Acre-Feet	14.4 Acre-Feet	12.7 Acre-Feet	19.7 Acre-Feet

Post-Annexation with Buildout of the Affected Territory

Treatment Capacity	Storage Capacity	Avg Day Demand	Peak Day Demand
16.8 Acre-Feet	20.5 Acre-Feet	12.8 Acre-Feet	19.8 Acre-Feet

* Storage capacity assumes American Canyon will complete construction on a new 2.0 million gallon storage tank by buildout of the affected territory.

¹⁵ Subsequent annual supply entitlement purchases from Vallejo would be available to American Canyon in the amount of 566 acre-feet by May 2016 and 566 acre-feet by May 2021.

Sewer Service

American Canyon would be responsible for providing public sewer service to the entire affected territory upon proposal approval. No sewer service – private or public – has been previously established within the affected territory to date. American Canyon’s sewer system operates as a self-sufficient enterprise unit with user charges funding operations and maintenance. Any new demands to the sewer system would pay their fair share in connection fees as well as ongoing user charges to match associated cost increases to the system. Specific analysis relating to the availability and adequacy of sewer service within the affected territory is summarized below.

Collection and Treatment

American Canyon’s collection system is divided between three distinct basins covering the central, west, and northern portions of American Canyon’s service area. Sewage collected in the central basin is primarily generated from residential users and represents approximately four-fifths of the total average demand. The remaining amount is generated by commercial and industrial users in the western and northern basins. Each basin includes its own pump station and conveys raw sewage to American Canyon’s wastewater treatment facility located at the western terminus of Eucalyptus Drive northwest of the Eucalyptus Grove property.

American Canyon recently upgraded its wastewater treatment facility to accommodate average dry weather flows of 2.5 million gallons and peak wet weather flows of 5.0 million gallons.¹⁶ The current average dry and peak wet weather daily flows, which are adjusted to account for conditionally approved annexations, are estimated to be 2.0 and 4.6 million gallons, respectively.¹⁷ These current amounts represent 80% and 92% of the treatment facility’s design capacities.

Projected dry-weather and peak wet-weather flows tied to the buildout of the affected territory can be adequately accommodated through American Canyon’s existing wastewater collection and treatment capacities. Specifically, the affected territory’s buildout will generate an additional demand on average dry weather and peak wet weather flows of 0.008 and 0.010 million gallons, respectively. These added amounts tied to existing demands would not measurably change the existing available capacity within the treatment facility as previously identified.

¹⁶ American Canyon also has an approximate 5.0 million gallon adjacent earthen basin to temporarily store excessive flows before returning for treatment.

¹⁷ The current wet-weather peaking factor is 2.5 and is attributed to high inflow/infiltration in the western and northern basins due to aging infrastructure. Staff has reduced the wet weather peaking factor for the buildout of the affected territory to 1.25 given the site would be served by new collection infrastructure.

Baseline Conditions

(Amounts in Million Gallons Per Day)

Average Dry-Weather

Total Capacity	Total Demand	Available Capacity
2.5	2.0	0.5

Peak Wet-Weather

Total Capacity	Total Demand	Available Capacity
5.0	4.6	0.4

Annexation With Buildout of the Affected Territory

(Amounts in Million Gallons Per Day)

Average Dry Weather

Total Capacity	Total Demand	Available Capacity
2.5	2.0	0.5

Peak Wet Weather

Total Capacity	Total Demand	Available Capacity
5.0	4.6	0.4

Discharge

American Canyon pumps treated wastewater into adjacent earthen storage basins with a combined capacity of 6.0 million gallons to complete the chlorination and suspension process prior to discharge. American Canyon is authorized by the California State Water Resources Control Board to discharge finished tertiary wastewater into the Napa River through the North Slough between November 1st and April 30th. American Canyon discharges finished tertiary wastewater during the remainder of the year into adjacent wetlands owned by the City. This dry-season discharge effectively provides American Canyon with unlimited *disposal capacity* and is part of a long-term effort to restore the adjacent wetlands given their prior use as salt ponds (emphasis added).

Park Maintenance and Improvement Services

Unique to the Clarke Ranch West property, ongoing maintenance and improvement services will be required to facilitate and support its planned development into a public passive recreational park. This includes opening and closing the park, trash cleanup and removal, and facility repairs. Staff estimates the annual maintenance and improvement of the park will require a total of 520 hours, which is equivalent to a 0.25 full-time employee. Based on current budget information, this would result in a new direct cost to American Canyon of \$23,800.

Fire Protection and Emergency Medical Service

The County would continue to be responsible for providing fire protection and emergency medical services to the affected territory upon proposal approval. As noted, the level of these County services is considered basic and would not be appropriate in meeting the elevated needs at buildout within the two subject properties. ACFPD currently provides elevated fire protection and emergency medical services throughout American Canyon as well as unincorporated lands immediately adjacent to the affected territory. The Commission’s municipal service review on the southeast county region noted ACFPD has developed

sufficient capacities and controls to accommodate additional service demands within American Canyon's ULL. These factors support reorganizing the proposal to include the concurrent annexation of the affected territory into ACFPD for purposes of accommodating the present and probable need for elevated fire protection and emergency medical services.

3) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.

The proposal would recognize and strengthen existing economic and social ties between American Canyon and both properties comprising the affected territory. American Canyon established social ties with the American Canyon Middle School property in 1997 when the City included the site into its original ULL. This action marked a long-standing planning assumption the property would eventually become part of American Canyon. Social ties have been strengthened and expanded to include economic interests with the pending development of the property into a middle school to serve the greater American Canyon community. The Commission recognized these existing relationships by adding the property to American Canyon's sphere of influence in June 2010. Proposal approval would strengthen these existing ties and interests and memorialize a basic determination that the urban development and use of the property under the land use and service authority of American Canyon is both orderly and logical.

American Canyon established economic and social ties with the Clarke Ranch West property in 1999 when the City purchased the land with the expectation of developing a public passive recreational park. These ties were expanded in 2006 when American Canyon formalized its quasi-urban development plans when it added the land to its Urban Limit Line (ULL) and designated and rezoned the site *Open Space* and *Open Space – Clarke Ranch West*, respectively. The Commission acknowledged these existing relationships in preparing a recent sphere of influence update before ultimately deferring to other policy considerations in choosing to exclude the property from the sphere of influence. Proposal approval as modified to comply with the special annexation proceedings outlined under G.C. Section 56742 would strengthen the existing relationships and memorialize a basic determination that the quasi-urban development and use of the property under the land use and service authority of American Canyon is logical based on local conditions.

With respect to the three recommended modifications, concurrently annexing the both subject properties comprising the affected territory into ACFPD would support existing social and economic ties with the District. Specifically, the reorganization would recognize the governance relationship between American Canyon and ACFPD while helping to coordinate the provision of all necessary supporting public services to the affected territory as it intensifies in use. Similarly, concurrently detaching the affected territory from CSA No. 4 would recognize the discontinuity between the lands' present and probable uses and the role of the District in providing

farmworker housing. Finally, excluding a portion of the Clarke Ranch West property to make it non-contiguous to American Canyon for purposes of complying with G.C. Section 56742 avoids the need for a concurrent sphere of influence amendment; an amendment that would be inconsistent with the Commission's policies and practices.

4) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies set forth in G.C. Section 56377.

The Commission has previously determined American Canyon is the logical land use and service provider for the American Canyon Middle School property by adding the site to the City's sphere of influence in June 2010 as part of a comprehensive update. Adding the property to the sphere of influence marked an explicit Commission determination that the future annexation and urban development of the lands represent an orderly and logical extension of American Canyon relative to local conditions and subject to timing considerations.

The Commission did not add the Clarke Ranch West property to American Canyon's sphere of influence as part of its June 2010 update given its policy to use these designations as explicit guides to urban development, which by practice has not applied to public parks lying along city perimeters. Nonetheless, the recommended modification to remove a portion of Clarke Ranch West to make it non-contiguous to American Canyon for purposes of complying with G.C. Section 56742 would be consistent with local conditions as well as Commission practices relative to the previous annexations of Alston and Trancas Crossing Parks to the City of Napa.

Both properties qualify as open-space given their *Agriculture, Watershed, and Open Space* designations under the County General Plan. Further, a sizeable portion of the American Canyon Middle School property qualifies as prime agricultural land under LAFCO law.¹⁸ The annexation and planned development of the affected territory, accordingly, would facilitate the loss of existing open-space uses that include prime agricultural land specifically relating to the American Canyon Middle School property. To help offset this loss of prime agricultural land, NVUSD has dedicated over 300 acres of adjacent land to the north into a permanent conservation easement. This dedication serves as a reasonable mitigation measure for purposes of the Commission considering policies and priorities set forth in G.C. Section 56377.

¹⁸ G.C. Section 56064 defines prime agricultural land to mean any area that has not been developed other than for an agricultural use and meets certain specified criteria. This includes land that qualifies, if irrigated, for a Class I or II rating by the United States Department of Agriculture. Staff has confirmed that over two-thirds of the American Canyon Middle School property comprises Class II soil (Clear Lake Clay).

5) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

The affected territory does not qualify as agricultural land under LAFCO law given it is not used for commercial farming or left fallow or enrolled in an agricultural-related program.

6) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.

A map and geographic description was prepared by American Canyon depicting the location of both subject properties comprising the affected territory as part of a 2008 update to the City's ULL. These documents provide sufficient certainty regarding the exact boundaries of the affected territory as proposed. Proposal approval would include a standard term requiring American Canyon prepare separate maps and geographic descriptions for both properties in conformance with the requirements of the State Board of Equalization (SBE).

Additionally, any modifications made to the physical boundaries of the affected territory would need to be incorporated into the maps and geographic descriptions. This includes staff's recommendation to exclude an approximate 20 x 2,400 foot portion of the Clarke Ranch West property to make it non-contiguous to American Canyon to comply with the aforementioned G.C. Section 56742.¹⁹

Approval as proposed would create non-conformance with lines of assessment. This non-conformance relates to the proposed annexation of portions of two assessor parcels – which parallel legal lots – identified as 058-020-013 and 059-040-075. American Canyon proposes the proportional annexation of these assessor parcels to match their respective designations and rezoning standards rather than lines of assessment. (Staff's recommendation to reduce the annexation boundary involving the Clarke Ranch West property would not significantly add to the non-conformance issues with lines of assessment.) A review of options to mitigate against creating non-conforming annexation boundaries with lines of assessment is provided on page four of this report.

¹⁹ Staff's modification to exclude the 20 x 2,400 foot strip from the Clarke Ranch West property would create an unincorporated corridor.

7) Consistency with the city and county general plan and specific plans.

The County of Napa General Plan designates both subject properties comprising the affected territory as *Agriculture, Watershed, and Open Space*. This designation contemplates the lands will be generally used for agriculture, processing of agricultural products, and single-family dwelling units on minimum lot sizes of 160 acres. This is consistent with the *Open Space* designation for the Clarke Ranch West property under the American Canyon General Plan, which outlines a limited range of open space uses ranging from passive recreation to resource management with a 10 acre minimum lot allowance. The County's designation, however, contrasts with the *Public* designation for the American Canyon Middle School property under the American Canyon General Plan; a designation that contemplates a specific range of governmental uses, including schools, libraries, and utilities with no specific density allowances. The Commission did consider the inconsistencies in land use designations between American Canyon and the County relative to the American Canyon Middle School property as part of its recent sphere of influence update for the City. The Commission ultimately deferred to American Canyon's General Plan in adding the property to the City's sphere of influence given NVUSD's existing development plans for the site and need for a new school in the community.

The Metropolitan Transportation Commission's regional transportation plan (RTP) was updated in April 2009 and outlines specific goals and objectives to direct public transportation infrastructure in the Bay Area through 2035. No specific projects are included in the RTP involving the affected territory. Accordingly, the proposal impact is neutral with respect to the RTP.

8) The sphere of influence of any local agency applicable to the proposal.

As addressed earlier, only one of the two subject properties comprising the affected territory is located in American Canyon's sphere of influence. The American Canyon Middle School property was added to the sphere of influence in June 2010 as part of a comprehensive update. The Clarke Ranch West property was excluded from the sphere of influence as part of the referenced update given its non-urban uses under both the County and American Canyon General Plans.

State law generally requires proposed boundary changes be consistent with the spheres of influence of the affected agencies. Accordingly, in order to approve the proposed annexation of the Clarke Ranch West property as submitted, a concurrent sphere of influence amendment is necessary. However, as discussed and recommended on page four of this report, the Commission may modify the proposed annexation site to exclude an approximate 1.1 acre portion of the affected territory to make it non-contiguous to American Canyon. This modification would allow for the annexation of the Clarke Ranch West property without requiring a concurrent sphere of influence amendment under G.C. Section 56742. The recommended modification to concurrently annex the affected territory to ACFPD is also consistent with the District's sphere of influence, which was comprehensively updated in August 2010.

9) The comments of any affected local agency or other public agency.

LAFCO staff electronically circulated copies of the application materials for review and comment to local governmental agencies.²⁰ No written comments have been received specific to this proposal.

10) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Information collected and analyzed in the Commission's recent municipal service review on the southeast county region indicates American Canyon has developed adequate financial resources and controls relative to its service commitments. Additional analysis provides reasonable assurances American Canyon's fiscal capacities would enable the agency to provide an appropriate level of services to the affected territory consistent with the land use and density assumptions outlined on page 22 of this report without adverse impacts.

American Canyon's unreserved/undesignated balance in its General Fund at the beginning of the fiscal year totaled \$3.0 million and equals one-fifth of its adopted operating costs in 2010-2011.²¹ This balance has been significantly reduced over the end of the last fiscal year by nearly one-third due to budgeted operating shortfalls caused by declining property and sales tax revenues. At the time of budget adoption, American Canyon anticipated a (\$0.8 million) shortfall in operating costs, which would further reduce the unreserved/undesignated fund balance to \$2.2 million.

In order to help eliminate the structural imbalance within the General Fund, American Canyon has implemented a 36-month strategy to reduce discretionary expenses highlighted by eliminating nine full-time positions and instituting 15 staff furlough days. The strategy also assumed successful passage of an increase in the transient-occupancy tax from 10 to 12%. The tax increase was approved in November 2010 and is expected to generate an additional \$120,000 in discretionary revenues. A summary of American Canyon's General Fund balance over the last five fiscal years follows.

²⁰ Staff originally circulated a notice of review pertaining to this proposal on March 25, 2010. This earlier notice of review contemplated the annexation of 500 total acres to American Canyon and included lands commonly referred to as the "Atkins," "Headwaters," "Panattoni," "Clarke Ranch West," and "American Canyon High School," and "American Canyon Middle School" properties. The original proposal was subsequently divided into three distinct proposals with the first (Atkins, Headwaters, and Panattoni) and second (Eucalyptus Grove and American Canyon High School) presented to the Commission at its August 2 and October 4, 2010 meetings, respectively. This proposal is the third and final division.

²¹ American Canyon's adopted amended general fund expenses in 2010-2011 total \$16.4 million.

American Canyon's General Fund Balance

(Source: City of American Canyon)

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Reserved	1.376	2.913	2.077	2.990	4.287
Unreserved/Designated	5.569	3.795	4.020	4.040	2.762
Unreserved/Undesignated	1.174	1.255	4.880	4.297	3.024
<i>Total</i>	<i>\$8.119</i>	<i>\$7.963</i>	<i>\$10.977</i>	<i>\$11.327</i>	<i>\$10.074</i>

Dollars in Millions / Amounts as of July 1st

Proposal approval is not expected to have a significant adverse impact on American Canyon with respect to generating additional demands on the City's discretionary revenues given the current and anticipated development within the affected territory. Specifically, direct discretionary expenditures associated with the development of the affected territory will be presumably limited to additional maintenance costs associated with the Clarke Ranch West property's anticipated development as a public passive recreational park.²² It is reasonable to assume the annual operating cost associated with maintaining the property as a public passive recreational park will be \$23,800.²³ This cost represents approximately 0.1% of American Canyon's operating budget and will also be partially offset by the approximate \$1,100 in savings in property taxes.²⁴

Other core public services needed within the affected territory upon buildout, such as water and sewer, are self-funded through (a) connection fees and (b) usage charges. These revenue sources serve as American Canyon's buy-in charge for new customers to contribute their fair share for existing and future facilities necessary to receive water and sewer services as well as fund ongoing maintenance expenses. Accordingly, these other services would not generate any new unfunded demands on American Canyon.

Finally, the recommended modifications to concurrently annex the affected territory to ACFPD while detaching from CSA No. 4 is not expected to generate any direct significant impacts on these agencies' discretionary funding. New demands on ACFPD as a result of proposal approval will be presumably limited to additional traffic incidents tied to the development and use of the American Canyon Middle School property. However, based on existing capacities outlined in preceding sections, the new demands generated are not expected to directly necessitate ACFPD requiring additional resources, such as apparatus and personnel. Further, this statement is supported based on ACFPD's relatively strong financial standing as measured by its unreserved/undesignated fund balance of \$1.2 million at the beginning of the 2010-2011 fiscal year; an amount equaling over one-third of its current operating budget.²⁵ No new demands would be incurred by CSA No. 4

²² No direct discretionary expenditures are tied to the development and use of American Canyon Middle School.

²³ The annual estimated operating cost of the Clarke Ranch West property has been calculated to reflect one-quarter of a full-time employee within American Canyon's Parks and Recreation Department based on the 2010-2011 budget.

²⁴ American Canyon's current adopted operating budget is \$16.4 million.

²⁵ ACFPD's adopted amended general operating expenses in 2010-2011 total \$4.3 million.

given the development and uses within the affected territory would not result in additional demand for farmworker housing services.

11) Timely availability of water supplies adequate for projected needs as specified in G.C. Section 65352.5.

As noted on page 10, American Canyon's water supplies are drawn from two contracted sources: 1) State Water Project and 2) City of Vallejo. The Commission's recent municipal service review on the southeast county region reports American Canyon's current reliable annual water supply generated from these two sources totals 5,351 acre-feet under normal conditions. In comparison, current annual demands as well as expected demands tied to recently approved annexations are projected to total 4,640 acre-feet, resulting in an available surplus of 711 acre-feet to accommodate new usage. The projected annual water demand tied to the annexation and planned development of the affected territory is expected to total 19.6 acre-feet and represents 2.7% of the available surplus.

12) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 of Chapter 3 of Division 1 of Title 7.

Neither the County nor American Canyon contemplates housing within the affected territory. However, the proposal will have an indirect positive impact on the County in meeting its future regional housing needs. This indirect impact is tied to a 2004 agreement in which American Canyon agreed to a modified urban limit line in exchange for the County supporting the annexation of the affected territory. The 2004 agreement also established a framework leading to separate agreements in 2008 and 2010 in which American Canyon assumes a substantial portion of the County's regional housing needs assignment over the next two planning periods. It is reasonable to assume the proposal will increase American Canyon's future regional housing needs due to the job creation potential tied to the affected territory. The increase and impact on American Canyon is not known at this time.²⁶

13) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

The affected landowners (American Canyon and NVUSD) have consented to the proposal. There are no registered voters within the affected territory.

²⁶ American Canyon is in the process of certifying its housing element for the 2008-2014 cycle. American Canyon reports it has received approval from Housing Community Development (HCD) as well as its City Council and anticipates HCD certification within the next several weeks.

14) Any information relating to existing land use designations.

The County designates the entire affected territory as *Agriculture, Watershed, and Open Space*. American Canyon designates the Clarke Ranch West and American Canyon Middle School properties as *Open Space* and *Public*, respectively. The following table summarizes contemplated land uses and densities within these respective designations.

City of American Canyon		
	Clarke Ranch West	American Canyon Middle School
Designation	.....Open Space	.....Public
Designation Uses	.....Private or Public Open Space	.....Governmental Admin Facilities
	.....Passive Recreational	.....Public Utilities
	.....Resource Management	.....Schools
		.....Public Parking
		.....Parks
		.....Landfills
Lot Density	.....Minimum: 10 Acres	.....Minimum: N/A

County of Napa		
	Clarke Ranch West	American Canyon Middle School
Designation	Agriculture, Watershed, Open Space	Agriculture, Watershed, Open Space
Designation Uses	.....Agriculture	.....Agriculture
	...Processing of Agricultural Products	....Processing of Agricultural Products
	.....Single-Family Residence	.....Single-Family Residence
Lot Density	.....Minimum: 160 Acres	.....Minimum: 160 Acres

15) The extent to which the proposal will promote environmental justice.

There is no documentation or evidence suggesting the proposal would have a measurable effect with respect to promoting environmental justice.

Terms and Conditions

The Commission’s standard terms and conditions would apply to the proposal if approved. This includes requiring the applicant to prepare a final map and geographic description identifying the approved boundary changes consistent with the requirements of SBE. Other standard conditions include the applicant submitting a signed indemnification agreement and paying all outstanding fees tied to the proposal. A certificate of completion would not be recorded until all terms are satisfied.

Additionally, staff believes it would be appropriate for the Commission to include a special approval condition to require American Canyon file a future proposal to annex the Clarke Ranch West property back into CSA No. 4 *if* vineyard development of one or more acres occurs within the land at a future date (emphasis added). This special condition responds to allowable uses under the American Canyon General Plan and is appropriate given the Commission’s interest in helping to ensure all vineyard development pays an equitable share in supporting public farmworker housing services. This type of condition is authorized pursuant to G.C. Section 56885.5(a)(2) and has been previously applied by the Commission.

Prezoning Assignment

G.C. Section 56375(3) requires cities prezone territory as a precondition to annexation. A description of American Canyon’s prezoning assignments for the two properties comprising the affected territory follows:

City of American Canyon		
	Clarke Ranch West	American Canyon Middle School
Prezoning	.....Open Space – Clarke Ranch West	.....Public
Permitted Uses	.....Animal Husbandry	..Public and Passive Recreation Facilities
	.....Crop Production	.....Community Center
	.....Passive Recreation	.....Conference Center
	.....Horticulture	.....Government Facility
	...Detached Single-Family Residence	.....Public Information Center
Lot Density	.....Minimum: 10 Acres	.....Minimum: TBD

Staff confirms these prezoning assignments are consistent with the American Canyon General Plan’s designations for the affected territory. The prezoning assignments are intended to accommodate intensified public recreational (Clarke Ranch West) and public institutional (American Canyon Middle School) uses. Importantly, American Canyon may not change the zoning for the affected territory in a manner that does not conform to the prezoning at the time of annexation for a period of two years unless the City Council makes special findings at a noticed public hearing.

Property Tax Agreement

Revenue and Taxation Code Section 99(b)(6) requires adoption of a property tax exchange agreement by affected local agencies before the Commission can consider a change of organization. This statute applies regardless of private or public ownership. With respect to this proposal, American Canyon and the County have previously agreed by resolution to a property tax exchange agreement applicable to the affected territory. The agreement was codified in 2004 and specifies American Canyon and ACFPD shall receive 75% and 5% of the County’s existing portion of property tax revenues, respectively.

Environmental Review

Discretionary actions by public agencies are subject to the California Environmental Quality Act (CEQA) any time an underlying activity will result in a direct or indirect physical change to the environment. A lead agency has the principal responsibility for carrying out or approving a project consistent with the provisions of CEQA. This includes determining whether the underlying activity qualifies as a project under CEQA. If the activity is a determined to be a project, the lead agency must determine if an exemption applies or if additional environmental review is needed, such as preparing an initial study. A responsible agency is accountable for approving an associated aspect of the underlying activity and must rely on the lead agency’s determination in making its own CEQA finding.

The proposal on file with the Commission is unique under CEQA given there are two distinct lead agencies: American Canyon and NVUSD. American Canyon is the lead agency for considering the environmental impacts tied to the annexation of the Clarke Ranch West property given the underlying activity is to transfer land use and service control to the City. American Canyon previously contemplated the potential impacts tied to the proposed annexation and future development of the territory in preparing an initial study as part of rezoning the land as *Open Space – Clarke Ranch West* in 2009. Based on the initial study, American Canyon adopted a mitigated negative declaration memorializing its findings the development contemplated by the rezoning will not result in significant environmental impacts with the incorporation of certain mitigations. Staff has reviewed the initial study and believes American Canyon has made an adequate determination relative to the purview of the Commission as a responsible agency. Copies of the initial study and adopted mitigated negative declaration were previously transmitted to Commissioners.

NVUSD is the lead agency for considering the environmental impacts tied to the annexation of the American Canyon Middle School property given it is a subset of the District's planned development and use of the site.²⁷ NVUSD previously contemplated the potential impacts tied to the proposed annexation and development of the property into a 530-student middle school as part of an environmental impact report (EIR). NVUSD certified the EIR in February 2008 with the incorporation of mitigation measures to help limit significant impacts along with a statement of overriding considerations to address certain significant and unavoidable effects, including changes in land use and aesthetics. Staff has reviewed the EIR and believes NVUSD has made an adequate determination relative to the purview of the Commission as a responsible agency. Copies of the EIR were previously transmitted to Commissioners in anticipation of the October 2010 meeting.

Conducting Authority Proceedings

The affected territory qualifies as uninhabited and the affected landowners have consented to the proposal. No subject agency has requested a protest hearing. Conducting authority proceedings, accordingly, are waived under G.C. Section 56663.

²⁷ NVUSD is immune from local zoning ordinances pursuant to G.C. Section 53094.

D. Options for Commission Action

Staff has identified four specific options for Commission consideration with respect to the proposal. These options, beginning with the recommendation, are summarized below.

Option One/Recommendation:

Approve the proposal with the following modifications:

- a) Exclude a 1.1 acre portion of the Clarke Ranch West property to make it non-contiguous to American Canyon and therefore eligible for annexation under G.C. Section 56742.
- b) Concurrently annex all of the affected territory to ACFPD.
- c) Concurrently detach all of the affected territory from CSA No. 4.

Approval would be subject to standard conditions as well as the following special term:

- a) Require American Canyon to file a future proposal with the Commission to annex the Clarke Ranch West property back into CSA 4 if vineyard development is permitted.

Option Two/Alternative:

Approve the proposal without modification (b) and/or (c) listed under Option One. Special term (a) listed under Option One could also be retained or removed.

Option Three/Alternative:

Continue consideration of the item if more information is required. Continuation would also be needed if it is the preference of the Commission to amend American Canyon's sphere of influence to process the annexation of Clark Ranch West, which would necessitate a noticed public hearing.

Option Four/Alternative:

Disapprove the proposal. Disapproval would statutorily prohibit the initiation of a similar proposal for one year.

E. Recommendation

Staff recommends the Commission take actions consistent with Option One outlined in the preceding section, which would be accomplished by adopting the draft resolution.”

Respectfully submitted,

Keene Simonds
Executive Officer

Brendon Freeman
Analyst

Attachments:

- ~~1) Draft Resolution of Approval (Option One)~~
- ~~2) Application Materials~~
 - ~~- Resolution of Application~~
 - ~~- Justification of Proposal for American Canyon Middle School Property~~
 - ~~- Justification of Proposal for Clarke Ranch West~~
 - ~~- American Canyon Resolution 2009-116 (Initial Study/Mitigated Negative Declaration for Clarke Ranch West)~~
 - ~~- American Canyon Map and Description for ULL~~
- ~~3) NVUSD Resolution GSM 49.42-05 (FEIR for American Canyon Middle School)~~



Local Agency Formation Commission
LAFCO of Napa County

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February 7, 2011
Agenda Item No. 7b (Action)

January 31, 2011

TO: Local Agency Formation Commission

FROM: Budget Committee (Chilton, Kelly, and Simonds)

SUBJECT: Draft Proposed Budget for Fiscal Year 2011-2012

The Commission will review a draft proposed budget for 2011-2012. The draft proposes budgeting operating expenses at \$422,522; an amount representing a 2.2% increase over the current fiscal year. The draft proposes budgeting operating revenues at \$395,441 with the remaining shortfall (\$27,081) to be covered by drawing down on agency reserves. The draft is being presented to the Commission for approval and circulation to local funding agencies for their review and comment.

The Local Agency Formation Commission of Napa County (“Commission”) is responsible for annually adopting a proposed budget by May 1st and a final budget by June 15th. In preparing for its own provisions, the Commission has established a Budget Committee (“Committee”) consisting of two appointed Commissioners and the Executive Officer. The Committee’s initial responsibility is to prepare and present a draft proposed budget for approval by the Commission before it is circulated for comment to each funding agency. It has been the practice of the Commission to receive proposed and final budgets from the Committee for adoption at its April and June meetings, respectively.

A. Background

The Commission’s annual operating expenses are funded by the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and Yountville. State law specifies the County is responsible for one half of the Commission’s operating expenses while the remaining amount is apportioned among the five cities. The current formula for allocating the cities’ share of the Commission’s budget was adopted by the municipalities in 2003 as an alternative to the standard method outlined in State law and is based on a weighted calculation of population and general tax revenues.

In 2010, the Commission made several substantive amendments to its budget process to improve the fiscal management of the agency. Most notably, this included eliminating annual appropriations for both an operating reserve and consultant contingency in favor of establishing a fund balance policy to maintain three months of operating expenses for unexpected costs. A key motivation underlying this amendment was to reduce the amount

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Juliana Inman, Commissioner
Councilmember, City of Napa

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

of unexpended monies accruing at the end of the fiscal years, which were being returned to the funding agencies in the form of credits against their subsequent year budget contribution. Importantly, by eliminating this practice, the Commission clarifies its financial position at the end of each fiscal year by reducing the amount of agency credits remaining in the fund balance. The funding agencies also benefit from eliminating the practice by enjoying more cost-certainty by receiving a more accurate appropriation charge at the beginning of each fiscal year.

The Commission's unreserved/undesignated fund balance totaled \$168,819 as of July 1, 2010 and is projected to decrease by 4.2% to \$161,684 by June 30, 2011.

B. Discussion

The Committee met on January 12, 2011 to review the Commission's operating expenses for the upcoming fiscal year. The Committee created a spending baseline to identify agency costs to maintain the current level of services at next fiscal year's projected price for labor and supplies. In reviewing the spending baseline, the Committee considered actual expenses from previous fiscal years and whether adjustments in spending are appropriate to reflect anticipated changes in demand or need. Two specific and interrelated policy objectives guided the Committee's review: (a) allocating sufficient resources to maintain current service levels while (b) limiting cost increases to the funding agencies. A summary of the Committee's proposed expenses and revenues for 2011-2012 follows.

Expenses

The Committee proposes \$422,522 in budgeted operating expenses. This amount represents an increase of \$9,043 or 2.2% over the current fiscal year. The majority of the increase is attributed to two pass-through costs tied to the Commission's staff support service agreement with the County involving group insurance and information technology. The former is projected to rise by \$7,694 or 20% and is primarily tied to escalating premium costs with Kaiser, including a dependent addition to the Executive Officer's coverage. The latter is expected to rise by \$6,191 or 34% as a result of recalculating the Commission's proportional share of the County's Information Technology Service (ITS) Department's budget – which is increasing by 4% – based on the number of employees and personal computers. Due to a reporting error, the Commission's ITS share for the current fiscal year was under-billed as a result of calculating only three of four personal computers. This error has been addressed in recalculating next fiscal year's Commission share and is primarily responsible for the approximate one-third increase in costs. Other budgeted expense increases include salaries at \$1,300 or 0.7% tied to a scheduled step increase for the analyst position and retirement benefits at \$1,212 or 3.5% due in part to the Commission assuming a larger portion of the California Public Employment Retirement System's (CalPERS) rate.

Importantly, to reduce the impact of the two pass-through cost increases outlined above, the Committee has identified approximately \$8,000 in discretionary savings. These savings will help absorb close to one-half of all projected increases in 2011-2012 and involve reducing

allocations for legal services, office supplies, and communications; all in amounts the Committee believes can be reasonably absorbed without adversely affecting service levels. The following table summarizes proposed operating expenses in 2011-2012:

Expense Unit	Adopted Final FY10-11	Proposed Draft FY11-12	Change %
1) Salaries/Benefits	293,973	304,503	3.4
2) Services/Supplies	115,575	114,088	(1.3)
3) Capital Replacement	3,931	3,931	0.0
	\$413,479	\$422,522	2.2

Revenues

The Committee proposes \$395,441 in budgeted operating revenues. Nearly this entire amount – \$383,101 – is proposed to be drawn from agency contributions, which would mark an increase of \$27,082 or 7.6% increase over the current fiscal year. The rationale for the increase in agency contributions is two-fold. First, as detailed in the preceding section, the Committee is recommending the Commission’s operating expenses increase by \$9,043. Second, the amount of reserves to be drawn down for operating revenues is \$15,379 less than the amount budgeted for the current fiscal year. Markedly, the reserve amount proposed for use for the upcoming fiscal year was calculated by splitting the total difference in agency contributions between the two fiscal years if no reserves were utilized.¹

Budgeted application fees and interest earned on the fund balance invested by the County Treasurer represent the remaining portion of budgeted revenues. No changes in application fees have been made relative to the current fiscal year. A small reduction, however, has been made to earned interest to reflect the current return rate on the Commission’s fund balance generated through the current fiscal year. The following table summarizes proposed operating revenues in 2011-2012

Revenue Unit	Adopted Final FY10-11	Proposed Draft FY11-12	Change %
1) Agency Contributions	356,019	383,101	7.6
<i>County of Napa</i>	178,009	191,550	7.6
<i>City of Napa</i>	119,647	128,748	7.6
<i>City of American Canyon</i>	27,468	29,558	7.6
<i>City of St. Helena</i>	12,657	13,619	7.6
<i>City of Calistoga</i>	10,642	11,452	7.6
<i>Town of Yountville</i>	7,596	8,173	7.6
2) Application Fees	10,000	10,000	0.0
3) Interest	5,000	2,340	(53.0)
Total	\$371,019	\$395,441	6.6

¹ In other words, in the absence of using reserves, the funding agencies collective contribution to the Commission in 2011-2012 as proposed would increase from \$383,101 to \$410,182, a difference of \$27,081.

C. Analysis

The draft proposed budget for 2011-2012 accomplishes the Committee's core policy goals to (a) provide sufficient resources to maintain current service levels while (b) minimizing impacts on the funding agencies by limiting overall cost-increases. The former accomplishment allows the Commission to preserve present staffing levels that the Committee believes are merited given the agency's workload ranging from processing proposals to preparing state-mandated studies, all of which are performed in-house. Notably, in 2011-2012, this will include preparing a municipal service review and related sphere of influence updates for the four agencies operating within the central county region.² Staff has also assumed additional duties ranging from implementing an electronic document management system to expanding roles within the statewide association. Any reduction in staffing levels would create a corresponding decrease in fulfilling current duties.

The Committee also believes the recommendation to reduce agency contributions by drawing down on reserves in the amount of \$27,081 serves two key objectives. First, the reduction memorializes the Commission's commitment to proactively assist the funding agencies by cutting their potential contribution by exactly one-half given the current economic downturn underlying municipal operations. Second, the Commission will be similarly positioned for the following fiscal year to once again drawn down on its reserves, without exceeding the agency's three-month operating fund balance limit if the economic downturn persists.

D. Recommendation

It is recommended for the Commission to take the following actions:

- 1) Approve with any desired changes the draft proposed budget for 2011-2012;
- 2) Direct the Executive Officer to circulate the approved draft proposed budget for review and comment to each funding agency; and
- 3) Direct the Executive Officer to schedule a public hearing for the Commission to consider adopting a proposed budget at its April 4, 2011 meeting.

Respectfully submitted on behalf of the Committee,

Keene Simonds
Executive Officer

Attachment:

- 1) Draft Proposed Budget for FY11-12

² The Central Napa County Study will include reviews of the City of Napa, Napa Sanitation District, Congress Valley Water District, and the Los Carneros Water District.



Local Agency Formation Commission
LAFCO of Napa County

FY2011-12 DRAFT PROPOSED BUDGET

Expenses

		FY2008-09		FY2009-10		FY2010-11		FY2011-12		
		Adopted FY08-09	Actual FY08-09	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Estimate FY10-11	Draft Proposed FY11-12	Difference	
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100000	Regular Salaries	168,905.43	152,952.55	195,580.00	193,055.65	198,346.60	195,007.40	199,647.20	1,300.60	1
51300500	Group Health Insurance	40,148.04	21,405.57	36,471.00	29,210.94	37,953.96	35,035.60	45,648.12	7,694.16	2
51300100	Retirement: Pension	34,550.93	26,282.61	34,064.00	33,015.37	34,991.95	33,434.17	36,204.85	1,212.89	3
51200500	Commissioner Per Diems	9,600.00	4,400.00	9,600.00	5,100.00	9,600.00	5,200.00	9,600.00	-	4
51300120	Retirement: Non-Pension	11,295.00	11,296.00	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	203.00	
51300300	Medicare	2,826.27	2,440.46	2,836.00	2,657.51	2,876.49	2,687.70	2,894.88	18.40	
51301800	Cell Phone Allowance	840.00	845.14	840.00	843.50	840.00	840.00	840.00	-	
51301200	Workers Compensation	149.00	149.00	168.00	168.00	226.00	226.00	327.00	101.00	
51200100	Extra Help	26,010.00	26,283.11	-	-	-	-	-	-	
51200200	Overtime	-	-	-	-	-	-	-	-	
		294,324.67	246,054.44	288,265.00	272,756.97	293,973.00	281,568.87	304,503.05	10,530.05	3.6%
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52240500	Property Lease	27,000.00	27,000.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	-	
52180500	Legal Services	26,320.00	19,129.61	24,990.00	17,938.31	26,010.00	16,000.00	22,540.00	(3,470.00)	5
52180200	Information Technology Services	17,768.00	17,768.04	22,438.00	19,182.50	18,438.91	17,138.90	24,630.83	6,191.91	6
52170000	Office Expenses	15,900.00	10,916.66	15,000.00	9,697.20	15,000.00	11,000.00	12,000.00	(3,000.00)	7
52180510	Audit and Accounting Services	7,507.00	6,182.37	7,883.00	7,819.33	8,277.15	9,000.00	8,691.01	413.86	8
52250800	Training	4,000.00	2,530.53	4,000.00	5,475.00	4,000.00	5,500.00	4,000.00	-	
52250000	Transportation and Travel	4,000.00	1,716.91	3,500.00	4,510.88	3,500.00	4,500.00	3,500.00	-	
52070000	Communications	3,500.00	1,720.96	3,500.00	1,205.16	3,500.00	1,500.00	2,000.00	(1,500.00)	9
52150000	Memberships	2,200.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	-	
52190000	Publications and Notices	1,500.00	2,490.22	1,500.00	1,112.17	1,500.00	850.00	1,500.00	-	
52235000	Special Departmental Purchases	56,000.00	50,081.73	1,000.00	1,095.25	1,000.00	482.50	1,000.00	-	
52251200	Private Mileage	1,000.00	1,051.07	1,000.00	533.60	1,000.00	1,200.00	1,000.00	-	
52243900	Filing Fees	850.00	300.00	850.00	250.00	850.00	500.00	850.00	-	
52250700	Meals Reimbursement - Taxable	-	-	500.00	588.92	500.00	400.00	500.00	-	
52100300	Insurance: Liability	546.00	545.00	347.00	347.00	444.00	444.00	321.00	(123.00)	
53980200	Capital Replacement*	-	-	-	3,931.30	3,931.40	3,931.40	3,931.40	-	
		167,191.00	143,633.10	118,063.00	105,166.62	119,506.46	103,926.80	118,019.23	(1,487.23)	-1.2%
Contingencies and Reserves										
<u>Account</u>	<u>Description</u>									
54000900	Operating Reserve	40,651.57	-	40,632.80	-	-	-	-	-	
54001000	Consultant Contingency	50,000.00	-	50,000.00	-	-	-	-	-	
		90,651.57	-	90,632.80	-	-	-	-	-	
EXPENSE TOTALS		552,167.24	389,687.54	496,960.80	377,923.59	413,479.46	385,495.67	422,522.28	9,042.82	2.2%

Revenues

		FY2008-09		FY2009-10		FY2010-11		FY2011-12	
		Adopted FY08-09	Actual FY08-09	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Estimate FY10-11	Draft Proposed FY11-12	
Intergovernmental Contributions									
<u>Account</u>	<u>Description</u>								
45080600	County of Napa	-	176,382.73	-	153,965.70	178,009.77	178,010.00	191,550.46	¹⁰ 13,540.68
45082200	City of Napa	-	119,820.40	-	105,428.75	119,646.81	119,647.00	128,747.99	¹¹ 9,101.18
45082400	City of American Canyon	-	27,179.61	-	22,010.54	27,468.37	27,468.00	29,557.81	¹² 2,089.44
45082300	City of St. Helena	-	12,134.39	-	11,135.35	12,656.54	12,657.00	13,619.29	¹³ 962.75
45082100	City of Calistoga	-	9,714.01	-	8,742.73	10,642.45	10,642.00	11,451.99	¹⁴ 809.54
45082500	Town of Yountville	-	7,534.31	-	6,648.33	7,595.60	7,596.00	8,173.38	¹⁵ 577.78
		-	352,765.45	-	307,931.40	356,019.55	356,020.00	383,100.91	27,081.37 7.6%
Service Charges									
<u>Account</u>	<u>Description</u>								
46003400	Standard Applications Fees	-	16,155.00	-	18,437.00	10,000.00	20,000.00	10,000.00	-
46003300	Special Application Fees	-	120.00	-	625.00	-	-	-	-
48040000	Miscellaneous	-	-	-	156.30	-	-	-	-
		-	16,275.00	-	19,218.30	10,000.00	20,000.00	10,000.00	- 0.0%
Investments									
<u>Account</u>	<u>Description</u>								
44000300	Interest	-	10,458.70	-	3,791.48	5,000.00	2,340.00	2,340.00	(2,660.00)
		-	10,458.70	-	3,791.48	5,000.00	2,340.00	2,340.00	(2,660.00) -53.2%
	REVENUE TOTALS	-	379,499.15	-	330,941.18	371,019.55	378,360.00	395,440.91	24,421.37 6.6%

DIFFERENCE	-	(10,188.39)	-	(43,051)	-	(7,136)	(27,081.37)
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FUND BALANCE

Beginning:	222,059.00	211,870.61	168,819.50	161,683.83
Ending:	211,870.61	168,819.50	161,683.83	134,602.46
<i>Minimum Three Month Operating Balance:</i>	<i>138,041.81</i>	<i>124,240.20</i>	<i>103,369.87</i>	<i>105,630.57</i>

NOTES

- This account budgets one-part time (Secretary) and two fulltime (Executive Officer and Analyst) employees. The budgeted increase reflects a scheduled merit raise for Analyst Freeman. No cost-of-living adjustments are budgeted in 2011-2012 consistent with the County of Napa's current contract with its bargaining units.
- This account funds the Commission's monthly contribution for employee healthcare and dental insurance costs provided by Kaiser and Delta Dental, respectively. The budgeted increase reflects higher provider premiums with the largest percentage raise tied to an addition to the Executive Officer's health coverage plan.
- This account funds the Commission's monthly contribution for employee retirement benefits managed by CalPERS. The budgeted increase is tied to the scheduled merit increase for Analyst Freeman.
- This account funds the Commission's apportionment for post employment benefits, such as retiree health care insurance. These costs are calculated by the County of Napa.
- It is expected the Commission's need for County Counsel in 2011-12 will decrease from 170 to 140 total hours based on recent usage. An approximate 5.0% raise in the hourly rate from \$153 to \$161 is budgeted.
- This account primarily funds network services provided by the County of Napa's Information Technology Services (ITS) Department. This portion of the account is budgeted to increase by 35% as part of countywide increases in ITS expenses tied to software updates. A prior year reporting error also has been identified with respect to increasing the number of LAFCO computers from three to four. Other funds tied to this account remain stagnant and support website hosting and electronic document management costs with contacted vendors.
- This account funds the Commission's regular office supply purchases. A decrease from \$15,000 to \$12,000 is budgeted based on actual recent expenses in this account.
- The budgeted amount anticipates a 5.0% across-the-board increase in hourly rates for the County of Napa Auditor's Office in 2011-12.
- This account funds the Commission's office telephone expenses. A decrease from \$3,500 to \$2,000 is budgeted to reflect actual recent expenses in this account.



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February 7, 2011
Agenda Item No. 8a (Discussion)

February 3, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Draft Report on the Lake Berryessa Region Municipal Service Review
The Commission will receive a draft report on its scheduled municipal service review on the Lake Berryessa region prepared in accordance with Government Code Section 56430. Affected agencies evaluated in the municipal service review include the Lake Berryessa Resort Improvement District, Napa Berryessa Resort Improvement District, and the Spanish Flat Water District. The draft report is being presented to the Commission for discussion and feedback in anticipation of taking a future action.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 directs Local Agency Formation Commissions (LAFCOs) to review and update each local agency's sphere of influence every five years as needed. Spheres are planning policies used by LAFCOs to demark the territory it believes represents the affected agency's appropriate future service area and jurisdictional boundary within a specified time period. All jurisdictional changes and outside service extensions must be consistent with the affected agencies' spheres with limited exceptions. Sphere determinations may also lead LAFCOs to take other actions under their authority, such as initiating the formation or dissolution of a special district. LAFCOs must inform their sphere determinations by preparing municipal service reviews to consider the level, range, and need for governmental services within their county jurisdiction. LAFCOs must complete the municipal service review process prior to making related sphere determinations.

A. Discussion

In accordance with LAFCO of Napa County's ("Commission") adopted study schedule, the attached report represents the municipal service review of the Lake Berryessa region. The report is in draft form and focuses on examining the level and range of governmental services provided in the region relative to present and projected community needs in anticipation of subsequent sphere of influence updates. This includes evaluating the availability and adequacy of public water and sewer provided by the three principal local service providers operating in the region: Lake Berryessa Resort Improvement District (LBRID); Napa Berryessa Resort Improvement District (NBRID); and Spanish Flat Water

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County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

District (SFWD). The report also considers whether reorganization alternatives involving one or more of three Districts would measurably improve governance within the region.¹

The report is being presented to the Commission for discussion and feedback. Staff will provide a brief presentation highlighting the key service and policy issues discussed in the report – several of which are summarized in the succeeding section. A 35-day notice of review on the report has already been circulated to interested parties and posted on the website. Staff anticipates presenting a final report, with or without revisions, to the Commission for consideration at its next regularly scheduled meeting on April 4, 2011.

B. Summary

The lack of planned development within the Lake Berryessa region has resulted in significant diseconomies of scale for LBRID, NBRID, and SFWD given their increasing service costs are spread out among relatively small customer bases. Notably, only one-tenth of the region has been developed as originally expected when the County of Napa approved subdivisions in the early 1960s for the four communities (Estates, Highlands, Pines, and Spanish Flat) served by the three Districts. The diseconomies of scale paired with past policy decisions to limit user charges have directly contributed to all three Districts developing structural deficits with minimal to no operating reserves. Consequently, all three Districts have deferred needed capital improvements resulting in increasingly inefficient infrastructure – especially involving the sewer systems. LBRID and NBRID are particularly vulnerable financially given they have become dependent on the County over the last two years for emergency loans to maintain cash flow. Moreover, the uncertainty tied to the future redevelopment of the United States Bureau of Reclamation’s (“Bureau”) seven concession sites in the region has created additional financial constraints on NBRID and SFWD with regard to lost operating revenues.

With respect to key determinations, the report concludes the pending sphere of influence updates within the region should consider adding the remaining five Bureau concessionaire sites within the spheres of existing or new special district to help support intensified land uses along the shoreline. The report also recommends reorganizing NBRID into an independent community services district as provided under Senate Bill 1023; new legislation that allows LAFCOs to reorganize resort improvement districts into community services districts with the same powers, duties, and boundaries while waiving protest proceedings.² Importantly, though it will not in and of itself improve solvency, it is reasonable to assume reorganizing NBRID will enhance local accountability by directly delegating the responsibility of planning for the present and future needs of the Berryessa Highlands community to constituents. Reorganization also positions the community to

¹ As part of its *Comprehensive Water Service Study* completed in 2005, the Commission noted future municipal service reviews involving the local agencies serving the Lake Berryessa region should explore reorganization options given the diseconomies of scale and other issues raised in the review.

² The legislation also authorizes LAFCOs to condition approval to include the election of five resident voters to serve as board members.

potentially establish additional public services appropriate with its continued urban development at a later date that are outside NBRID's powers.

C. Commission Review

Commissioners are encouraged to provide feedback to staff on the scope and contents of the draft report. This may include requesting additional analysis. Staff respectfully requests the Commission also allow for public comments on the draft report.

Attachment:

- 1) Draft Report on the Lake Berryessa Region Municipal Service Review

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

LAKE BERRYESSA REGION: MUNICIPAL SERVICE REVIEW

Agencies Evaluated:

Lake Berryessa Resort Improvement District
Napa Berryessa Resort Improvement District
Spanish Flat Water District

Draft Report February 2011

Prepared:

LAFCO of Napa County

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Committed to serving the citizens and government agencies of its jurisdiction by encouraging the preservation of agricultural lands and open-space and coordinating the efficient delivery of municipal services.

Bill Dodd, Chair, County Member
Lewis Chilton, Vice Chair, City Member
Juliana Inman, Commissioner, City Member
Brian J. Kelly, Commissioner, Public Member
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Joan Bennett, Alternate Commissioner, City Member
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Keene Simonds, Executive Officer
Jacqueline Gong, Commission Counsel
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Kathy Mabry, Commission Secretary



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I. INTRODUCTION

A. Local Agency Formation Commissions

Local Agency Formation Commissions (LAFCOs) are political subdivisions of the State of California and are responsible for administering a section of Government Code now known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH”). LAFCOs are located in all 58 counties and are delegated regulatory responsibilities to coordinate the logical formation and development of local governmental agencies and services. Specific regulatory duties include approving or disapproving proposals involving the establishment, expansion, and reorganization of cities and special districts. LAFCOs inform their regulatory duties through a series of planning activities, namely preparing municipal service reviews and sphere of influence updates. Underlying LAFCOs regulatory and planning responsibilities is fulfilling specific objectives outlined by the California Legislature under Government Code (G.C.) Section 56301, which states:

“Among the purposes of the commission are discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.”

LAFCOs are generally governed by a five-member commission comprising two county supervisors, two city councilmembers, and one representative of the general public.¹ Members must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCOs have sole authority in administering its legislative responsibilities and its decisions are not subject to an outside appeal process.

B. Municipal Service Reviews

As part of the aforementioned CKH, LAFCOs are now required to prepare municipal service reviews in conjunction with establishing and updating each local agency’s sphere of influence (“sphere”).² The legislative intent of municipal service review is to proactively inform LAFCOs with regard to the availability and sufficiency of governmental services provided within their respective jurisdictions. Municipal service reviews vary in scope and can focus on particular agency, service, or geographic region. Municipal service reviews may also lead LAFCO to take other actions under its authority, such as forming, consolidating, or dissolving one or more local agencies. Municipal service reviews culminate with LAFCO making determinations on a number of governance-related factors. This includes addressing infrastructure needs or deficiencies, growth and population trends, and financial standing. LAFCOs may also consider other factors if required by local policy.

A municipal service review is a comprehensive evaluation of the availability and adequacy of one or more services within a defined area or of the range and level of services provided by one or more agencies.

¹ Several LAFCOs also have two members from independent special districts within their county. Each category represented on LAFCO has one alternate member.

² LAFCO establishes, amends, and updates spheres to designate the territory it believes represents the appropriate and probable future service area and jurisdictional boundary of the affected agency. All jurisdictional changes, such as annexations and detachments, must be consistent with the spheres of the affected local agencies with limited exceptions. CHK requires LAFCO to review and update spheres every five years, as needed, beginning January 1, 2008.

LAFCOs must complete the municipal service review process prior to making related sphere determinations.

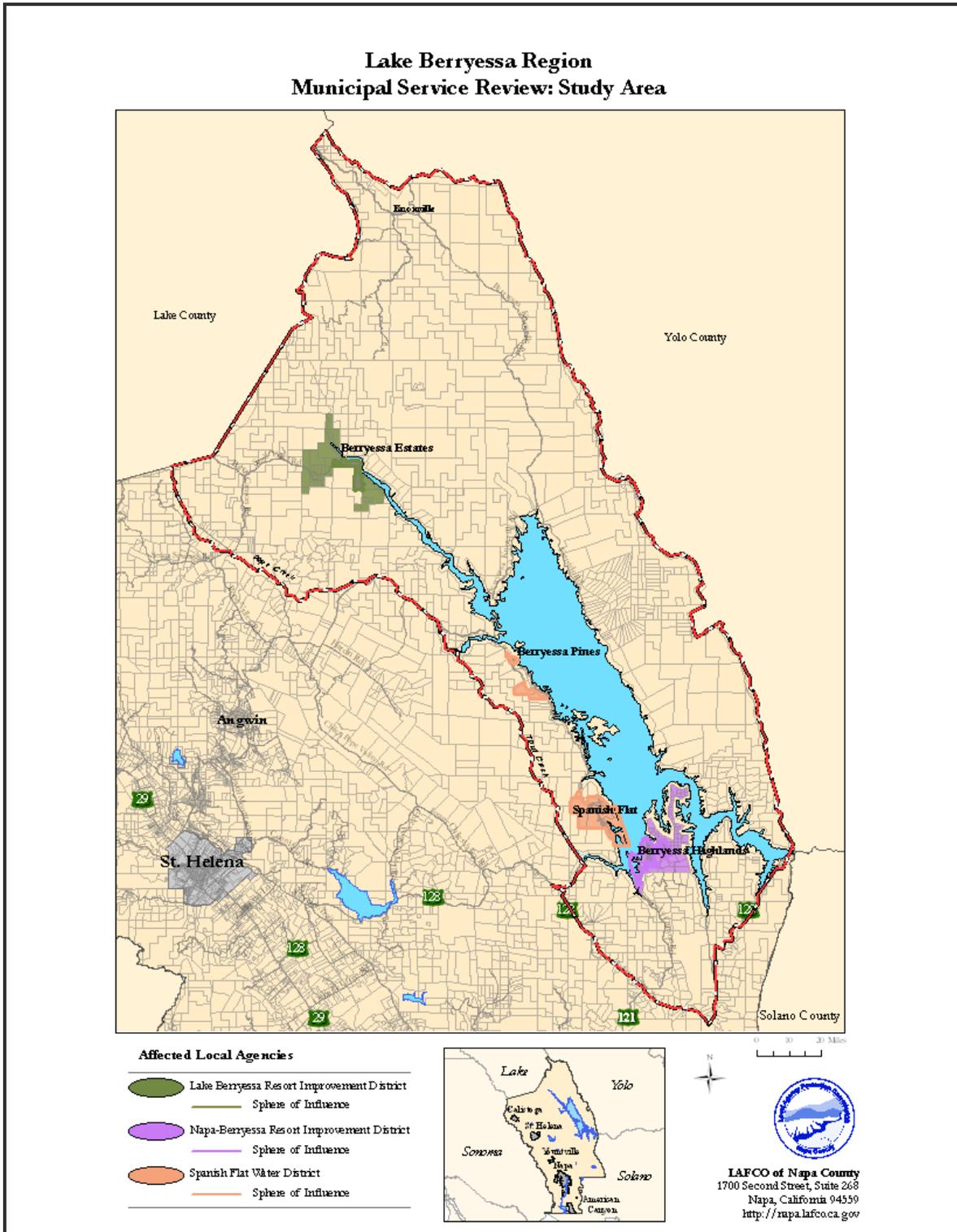
C. Lake Berryessa Region

This report represents LAFCO of Napa County's ("Commission") scheduled municipal service review of the Lake Berryessa region. The municipal service review's immediate objective is to develop and expand the Commission's knowledge and understanding of the current and planned provision of local governmental services in the region relative to present and projected community needs. This includes evaluating the availability and adequacy of public services provided by the three principal local service providers operating in the region: Lake Berryessa Resort Improvement District (LBRID); Napa Berryessa Resort Improvement District (NBRID); and Spanish Flat Water District (SFWD). The municipal service review is also an opportunity to consider whether reorganization alternatives involving one or more of three service providers would measurably improve governance within the region.³ Finally, the Commission will also use the municipal service review to inform its decision-making as it relates to performing subsequent sphere updates for the three service providers as needed.

The report has been prepared in a manner consistent with the Commission's *Policy on Municipal Service Reviews* and is organized into two principal sections. The first section is an executive summary that includes determinations addressing the specific factors required as part of the municipal service review process. The second section provides a comprehensive review of the LBRID, NBRID, and SFWD in terms of their formation and development, relevant population and growth trends, organizational structure, municipal service provision, financial standing, and regional comparisons. Standard service indicators are incorporated into the review to help contextualize and evaluate service levels.

³ As part of its *Comprehensive Water Service Study* completed in 2005, the Commission noted future municipal service reviews involving the local agencies serving the Lake Berryessa region should explore reorganization options given the diseconomies of scale and other issues raised in the review.

Figure One



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II. EXECUTIVE SUMMARY

A. Overview

The Lake Berryessa region is home to close to 10% of the total unincorporated population in Napa County. Nearly all of this population resides within one of four distinct unincorporated communities: Berryessa Estates; Berryessa Highlands; Berryessa Pines; and Spanish Flat. All four communities began developing subdivided lots in the early 1960s with the expectation they would eventually and collectively result in roughly 7,000 residential units with a permanent population of over 15,000. The development of these communities, however, currently stands at one-tenth relative to initial expectations with approximately 700 residential units and an estimated population of 1,800.

Governmental services in the region are principally limited to public water and sewer provided by LBRID (Berryessa Estates), NBRID (Berryessa Highlands), and SFWD (Berryessa Pines and Spanish Flat); other pertinent public services available in the region, including public safety, street maintenance, and waste disposal, are provided at a basic level by the County of Napa. The lack of planned development in the region has resulted in significant diseconomies of scale for LBRID, NBRID, and SFWD in which they must spread out their increasing service costs among relatively small customer bases. Markedly, the diseconomies of scale coupled with past policy decisions to limit user charges have directly contributed to all three Districts developing structural deficits with minimal to no operating reserves while deferring needed capital improvements – especially to the sewer systems. These financial challenges appear most pressing for LBRID and NBRID as they have become dependent on the County over the last two years for emergency loans to maintain cash flow. Further, uncertainty regarding the future redevelopment of the United States Bureau of Reclamation’s seven concession sites in the region has created additional financial constraints on NBRID and SFWD with respect to lost operating revenues.

In step with the financial and service challenges permeating the region, there appears to be a growing desire among landowners and residents within both LBRID and NBRID to reorganize the respective agencies to become independent from the County. The desire for independence appears most strong among NBRID constituents based on ongoing communication with the Commission. This includes support from the new concessionaire contracted to develop and operate the former Steele Park Resort site, the Pensus Group. The County Board of Supervisors – serving as the NBRID Board – agrees with this sentiment and has formerly requested the Commission expeditiously reorganize the District into an independent community services district as allowed under Senate Bill 1023.⁴ Importantly, though it will not in and of itself improve solvency, reorganizing NBRID into an independent community services district with the same powers and jurisdiction is merited. In particular, reorganization is expected to improve local accountability by directly delegating the responsibility of planning for the present and future public service needs of the Berryessa Highlands community to constituents. Reorganization also positions the community to potentially establish additional public services appropriate with its continued urban development at a later date that are outside NBRID’s powers.

⁴ Senate Bill 1023 became effective January 1, 2011 and authorizes LAFCOs to reorganize resort improvement districts into CSDs with the same powers, duties, and boundaries while waiving protest proceedings. The legislation also authorizes LAFCOs to condition approval to include the election of five resident voters to serve as board members.

B. Determinations

As mentioned, as part of the municipal service review process, the Commission must prepare written determinations addressing the service factors enumerated under G.C. Section 56430. The service factors range in scope from considering infrastructure needs and deficiencies to relationships with growth management policies. The determinations serve as statements or conclusions and are based on information collected, analyzed, and presented in the individual agency reviews.

1. Growth and population projections for the affected area.

Regional Statements

- a) LBRID, NBRID, and SFWD are the governmental agencies solely responsible for providing public water and sewer services in support of the four unincorporated communities located within the region: Berryessa Estates; Berryessa Highlands; Berryessa Pines; and Spanish Flat. The current and future welfare of these communities is dependent on the solvent operations of these three agencies.
- b) The combined estimated resident service population within LBRID, NBRID, and SFWD totals 1,804 and represents 6.3% of the overall unincorporated population.
- c) It is estimated LBRID, NBRID, and SFWD have experienced a combined 1.9% annual growth rate over the last five years resulting in 153 new residents within their respective jurisdictional boundaries. This combined growth rate exceeded growth in the remaining unincorporated areas over the last five years by a ratio of six to one.
- d) It is reasonable to assume the rate of population growth within LBRID, NBRID, and SFWD relative to the last five years will decrease by nearly one-half from its current annual estimate of 1.9% to 1.0% based on demographic information recently issued by the Association of Bay Area Governments. If this assumption proves accurate, the combined resident population in all three districts will be 1,896 by 2015.
- e) Non-residential growth within the Lake Berryessa region is currently limited to relatively small commercial and local-serving sites predominantly located within SFWD's Spanish Flat service area. Limited public recreational uses also currently exist throughout the region and are tied to private concessionaire arrangements managed by the United States Bureau of Reclamation. These existing non-residential uses have relatively minimal impact on public water and sewer service demands.
- f) It is reasonable to assume public recreational uses in the Lake Berryessa region will significantly expand within the timeframe of this review in conjunction with the United States Bureau of Reclamation's redevelopment plans for the seven concessionaire sites located along the shoreline. Two of the seven concessionaire sites, Lupin Shores and Foothill Pines, are located within NBRID and SFWD's respective jurisdictional boundaries and will – albeit to unknown levels pending specific development plans – significantly impact public water and sewer service demands.

- g) Given the planned intensified uses for the remaining five concessionaire sites in the Lake Berryessa region, it would be appropriate to consider including the affected lands within the spheres of influence of existing or new special districts to help support their orderly growth and uses.

Agency Specific Statements

- a) Residential uses comprise nearly all development within LBRID and currently include 188 developed single-family lots with an estimated resident population of 483. Buildout would presumably involve the development of the remaining 193 privately-owned lots in Berryessa Estates' Unit One and Unit Two and result in the District's resident population more than doubling to 979.
- b) Residential uses in NBRID currently comprise 358 developed single-family lots with an estimated resident population of 920. Buildout would presumably involve the development of the remaining 267 privately-owned lots in Berryessa Highlands' Unit One and Unit Two and result in the District's resident population increasing by over one-half to 1,606.
- c) NBRID's buildout is also expected to include the opening of Lupin Shores Resort with demands equivalent to 100 lots or users based on preliminary discussions with the site's contracted concessionaire.
- d) Residential uses in SFWD currently comprise 167 single-family and mobile home residences with an estimated population of 401. Buildout would presumably involve the development of the remaining 62 privately-owned lots within Berryessa Pines and Spanish Flat and result in the District's resident population increasing by over one-third to 560.
- e) SFWD's buildout is also expected to include the opening of Foothill Pines Resort with demands equivalent to 221 lots or users; an amount equal to uses associated with the former Spanish Flat Resort.
- 2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.**

Regional Statements

- a) LBRID, NBRID, and SFWD's infrastructure systems – particularly relating to sewer – are becoming increasingly inefficient in meeting current demands as a result of antiquated facilities coupled with new regulatory standards.
- b) Water supplies are sufficient with respect to accommodating current and projected annual demands at buildout within LBRID, NBRID, and SFWD's respective jurisdictional boundaries.

- c) LBRID, NBRID, and SFWD's water treatment and storage capacities are adequately sized to meet current and projected peak day demands within the timeframe of this review. These existing capacities help to ensure adequate reserves are available during an emergency or interruption in service as required under State law.
- d) Moderate to significant water treatment and storage capacity expansions will be needed to meet projected peak day demands at buildout within LBRID, NBRID, and SFWD's Spanish Flat service area.
- e) Other pertinent public services in the region, including law enforcement, fire protection, street maintenance, and waste disposal, are provided directly or indirectly by the County of Napa and appear to have sufficient capacities relative to existing community needs. Community preferences to elevate the range and level of these County-provided services would require local funding and presumably need to delegate to an existing or new special district.

Agency Specific Statements

- a) The buildout of LBRID's jurisdictional boundary would more than double its annual water demand from 29.5 to 65.7 acre-feet. This projected buildout demand can be reliably accommodated by the District given the total would represent only 33% of its contracted water supply.
- b) LBRID's water treatment and storage facilities have surplus capacity in meeting the current peak day demand total of 0.40 acre-feet. This total represents 52% and 32% of the District's available treatment and storage capacities, respectively, and is expected to accommodate peak day demands through the timeframe of this review.
- c) A moderate expansion to LBRID's water treatment capacity would be needed for the District to meet its projected peak day demand of 0.85 acre-feet at buildout within Berryessa Estates.
- d) LBRID's sewer system is designed with sufficient capacity to meet average day demands within its jurisdictional boundary through the timeframe of this review. Current peak day wet-weather demands, however, substantially exceed existing capacities by over 40%. These excessive totals are attributed to increasing infiltration into the collection system and have directly resulted in a series of unauthorized spills leading to two substantial fines by the Regional Water Quality Control Board.
- e) Excessive peak day wet-weather demands for LBRID are expected to continue without significant improvements to the collection system to reduce infiltration, and therefore subject the District to additional fines and related sanctions.
- f) The buildout of NBRID's jurisdictional boundary – including the anticipated construction of Lupin Shores Resort – would double the District's current annual water demand from 71.4 to 142.5 acre-feet. This projected buildout demand can be reliably accommodated by the District given the total would represent only 48% of its contracted water supply.

- g) NBRID's water treatment and storage facilities have surplus capacity in meeting the current peak day demand total of 1.5 acre-feet. This total represents 79% and 98% of the District's available treatment and storage capacities, respectively, and is expected to accommodate peak day demands through the timeframe of this review.
- h) Significant improvements would be needed to nearly double NBRID's water treatment and storage capacities to meet the projected peak day demand of 3.1 acre-feet at buildout within Berryessa Highlands.
- i) NBRID's sewer system is designed with sufficient capacity to meet current average day demands within its jurisdictional boundary through the timeframe of this review. Current peak day wet-weather demands, however, substantially exceed the District's existing capacity by over 30% due to pervasive infiltration into the collection system as well as poor drainage at its spray field site.
- j) Excessive demands on the sewer system during extended storm events have directly resulted in NBRID receiving multiple violation notices from the Regional Water Quality Control Board as well as a recent Cease and Desist Order directing the District to limit its average day sewer flows to 50,000 gallons; an amount the District will continue to exceed without significant improvements to its collection system.
- k) The need for substantial improvements to NBRID's sewer collection system to reduce infiltration is evident given current average day demands during dry weather equal close to 100% of the District's daily water demands.
- l) The buildout of SFWD's entire jurisdictional boundary – including the anticipated construction of Foothill Pines Resort – would nearly triple the District's annual water demand from 59.0 to 167.8 acre-feet. This projected buildout demand can be reliably accommodated by the District given the total would represent only 84% of its contracted water supply.
- m) SFWD's water treatment and storage facilities within the Berryessa Pines service area have surplus capacities in meeting the current peak day demand total of 0.17 acre-feet. This total represents 39% and 55% of the District's available treatment and storage capacities, respectively, in the service area and is expected to accommodate peak day demands through the timeframe of this review.
- n) No additional capacity expansions would be needed to SFWD's water treatment and storage facilities within the Berryessa Pines service area to meet the projected peak day demand of 0.22 acre-feet at buildout.
- o) SFWD's sewer system in the Berryessa Pines service area appears to be adequately designed to accommodate current average and peak day demands, although specific capacity levels are not documented. The lack of documentation creates uncertainty in assessing the ability of the District to sufficiently accommodate additional sewer demands within Berryessa Pines.

- p) SFWD's water treatment and storage capacities within the Spanish Flat service area have surplus capacity in meeting the current peak day demand total of 0.31 acre-feet. This total represents 58% and 86% of the District's available treatment and storage capacities, respectively, in the service area and is expected to accommodate peak day demands through the timeframe of this review.
- q) Significant improvements would be needed to more than double SFWD's water treatment and storage capacities within the Spanish Flat service area to meet the projected peak day demand of 1.15 acre-feet at buildout.
- r) SFWD's sewer system in the Spanish Flat service area is designed with sufficient capacity to meet current and projected average as well as peak day demands through the timeframe of this review. Improvements would be needed to increase capacity during wet-weather conditions at buildout.

3. Financial ability of agencies to provide services.

Regional Statements

- a) The ability of LBRID, NBRID, and SFWD to generate adequate operating revenues in the absence of high user charges is difficult given the lack of planned development within their respective jurisdictional boundaries. The diseconomies of scale associated with the lack of planned development coupled with past policy decisions to limit user charges have directly contributed to all three agencies developing structural deficits with minimal to no operating reserves.

Agency Specific Statements

- a) Solvency for LBRID and NBRID remains a critical issue as both districts have experienced precipitous declines in their unrestricted reserves due to persistent operating shortfalls resulting in negative balances.
- b) LBRID has experienced over a 400% decline in its unrestricted fund balance over the last five years from \$0.14 to \$(0.72) million. This decrease is attributed to \$1.01 million in net income losses since 2006.
- c) NBRID has experienced over a 300% decline in its unrestricted fund balance over the last five years from \$0.25 to \$(0.58) million. This decrease is attributed to \$0.96 million in net income losses since 2006.
- d) Due to their structural deficits in which expenses have been consistently exceeding revenues, LBRID and NBRID have become entirely dependent on discretionary loans from the County of Napa to maintain positive cash flows.
- e) The ability and consent of LBRID and NBRID constituents to assume additional costs is uncertain since they currently pay on average \$304 and \$217 per month, respectively, for water and sewer related services; totals believed to be the highest in Napa County.
- f) LBRID and NBRID should explore options to sell their excess water supplies on a temporary or permanent basis to help reestablish their unrestricted reserves.

4. Status and opportunities for shared facilities.

Regional Statements

- a) LBRID, NBRID, and SFWD serve unincorporated communities with common social and economic interests directly tied to residential, commercial, and recreational activity at Lake Berryessa. These common interests suggest all three districts continue to pursue existing and new opportunities to share resources for the collective benefit of their respective constituents.

Agency Specific Statements

- a) LBRID and NBRID's organizational dependency to the County of Napa provides continual cost-savings with respect to the districts sharing staff, equipment, and materials. It is reasonable to assume separating one or both of the districts from the County would result in moderate to significant cost increases to the agencies.
- b) SFWD reports it has made a concerted effort to no avail in the past to explore mutually beneficial opportunities to share resources with other districts in the greater area, including NBRID and Circle Oaks County Water District. The Commission commends these efforts and encourages SFWD to continue pursuing cost sharing efficiencies with other neighboring agencies.

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

Regional Statements

- a) LBRID, NBRID, and SFWD are governed and managed by responsive and dedicated public servants operating under challenging circumstances with respect to maximizing the use and benefit of limited resources on behalf of their respective constituents.
- b) LBRID and NBRID have made concerted efforts over the last several years to improve outreach with their respective constituents. These efforts have helped clarify the roles and responsibilities of the Districts apart from the County of Napa and contributed to strengthening the social and economic interests within the communities.
- c) It would be advantageous for LBRID, NBRID, and SFWD to each develop and maintain agency websites for purposes of posting pertinent service and financial information for public viewing. These actions will strengthen the Districts' accountability to their respective constituents while helping to foster needed civic engagement regarding the current and planned services of the agencies.

Agency Specific Statements

- a) LBRID and NBRID were formed to provide a broad range of municipal services for the Berryessa Estates and Berryessa Highlands communities. However, due to an amendment to their principal act, the Districts are limited to providing only water and

sewer services with all other pertinent public services generally provided at a basic level by the County of Napa. It is reasonable to assume the continued development of these communities will eventually necessitate the need for other elevated public services to support existing development; services that would require either expanding the Districts' powers through reorganizations or creating new special districts.

- b) LBRID and NBRID are governed by the County of Napa Board of Supervisors who are elected by, and accountable to, registered voters residing in their assigned ward. This governance system diminishes local accountability given constituents are limited to voting for only one of the five District board members.
- c) There is increasing acrimony among LBRID and NBRID constituents with respect to the County of Napa's management of the two Districts. This acrimony has led to growing desire among landowners and residents within both Districts to reorganize their respective agencies to become independent. The desire for reorganization appears strongest among NBRID constituents based on communication with the Commission.
- d) Based on the preceding governance and service challenges, it would be appropriate to expedite NBRID's reorganization into an independent community services district with the same powers and jurisdiction as authorized under Senate Bill 1023. Markedly, this action would improve local accountability by directly delegating the responsibility of planning for the present and future needs of the community to constituents.
- e) Reorganization of NBRID into an independent community services district can serve as a model for LBRID and its constituents in assessing preferences and objectives as it relates to the governance of public services in the community.
- f) Reorganization of SFWD is not a priority given the constituents' apparent satisfaction of the District's governance and management. Nonetheless, given the potential future need for additional public services that are outside SFWD's existing powers, reorganization may be appropriate at a later time.

6. Relationship with regional growth goals and policies.

Regional Statements

- a) LBRID, NBRID, and SFWD serve vital roles in supporting the County of Napa's land use policies with regard to providing necessary public water and sewer services to four of the largest planned unincorporated communities in Napa County.

III. AGENCY REVIEWS

A. Lake Berryessa Resort Improvement District

1.0 Overview

LBRID was formed in 1965 to provide a full range of municipal services in support of the development of Berryessa Estates, an unincorporated community remotely located along Putah Creek in northeast Napa County. Initial development plans included the construction of approximately 2,000 residential units along with various commercial and recreational accommodations to serve an expected permanent resident population of 5,000 along with 40,000 annual visitors. Due to economic conditions, however, development within Berryessa Estates has been primarily limited to the creation of a 351-lot residential subdivision. Additionally, a 1971 amendment to its principal act has limited LBRID to providing only sewer and water services.⁵

LBRID currently has an estimated resident service population of 483. LBRID is a dependent special district governed by the County Board of Supervisors. Daily operations are managed by the County Public Works Department. LBRID's current adopted operating budget is \$0.91 million with an unrestricted fund balance of (\$0.72 million) as of July 1, 2010.⁶ Markedly, this portion of the fund balance is expected to further decrease to (\$0.87 million) by the end of the current fiscal year due to a budgeted operating shortfall.

Lake Berryessa RID	
Date Formed:	1965
District Type:	Dependent
Resident Population:	483
Services Provided:	Sewer/Water

2.0 Formation and Development

2.1 Formation Proceedings

LBRID's formation was proposed by the Labry Corporation as the principal landowner within the affected area to help facilitate and support the planned development of Berryessa Estates. The Commission approved the formation proceedings in February 1965 and authorized LBRID to provide a full range of municipal services, including water, sewer, fire, police, roads, lighting, and public recreation. LBRID's formation coincided with an ordinance change by the County to rezone the affected area from *Watershed Recreation* to *Planned Community*; an action that paralleled a concurrent change for another planned development near Lake Berryessa, Berryessa Highlands. Formation proceedings were approved by the Commission in conjunction with the Board of Supervisors agreeing to serve as LBRID's initial governing body with the expectation residents would eventually assume governance control over the District as allowed under the principal act. Voters confirmed the formation of LBRID in April 1965.

⁵ Other municipal services directly provided within Berryessa Estates are limited and include a basic level of fire, law enforcement, and road maintenance from the County as well as interment from the Pope Valley Cemetery District.

⁶ LBRID's unrestricted fund balance for budgeting purposes is \$0.19 million with \$590,250 coming from loans from the County of Napa to provide emergency cash flow.

2.2 Initial Development and Activities

Application materials associated with LBRID’s formation proceedings assert Berryessa Estates’ development was expected to occur in five distinct phases. Development commenced in late 1965 with the construction of “Unit One” and “Unit Two.” Unit One involved the construction of Stagecoach Canyon Road to connect the community to the nearest paved road, Snell Valley.⁷ Unit Two involved the creation of 351 single-family residential lots ranging in size from 15,000 to 18,000 square feet. During this period, LBRID authorized \$0.875 million in general obligation bonds to finance the construction of water and sewer systems for Unit Two, including the installation of lateral connections for all 351 lots. Water supplies were initially secured through an informal agreement with the Napa County Flood Control and Water Conservation District (NCFCWCD) for an annual raw water entitlement of 200 acre-feet from Lake Berryessa. This water supply agreement was formalized in 1975 and currently extends through 2024.

The remaining three phases planned for Berryessa Estates were anticipated to include additional single-family residential lot subdivisions and certain recreational amenities, such as a marina and golf course. Construction on these additional phases, however, did not materialize as planned as the Labry Corporation canceled the remaining project presumably due to low sales within Unit Two. A marina and adjoining campground site were eventually built for Berryessa Estates as part of a legal ruling after the County – at the request of Estates landowners – sued the Labry Corporation in 1975 for false sales advertisement.

LBRID remained relatively stagnant between 1970 and 2000 in terms of infrastructure expansions or improvements. Two factors appear to underlie this period of general inactivity. First, as mentioned, no new phases of Berryessa Estates were developed. Second, LBRID’s principal act was amended in 1971 to prohibit all affected special districts from engaging in any additional services not already provided or budgeted as of July 1, 1970. As a consequence, LBRID is authorized to only provide water and sewer services; all other services that were expected to be provided by the District are either provided at a basic level by the County, such as fire and police protection, or do not exist in the community.



By the 1990s, LBRID’s financial difficulties began to escalate due to years of undercharged user rates, inadequate capital improvement planning, and an increasing dependency on the County to provide subsidized funding. A lack of adequate financial resources contributed to LBRID receiving a Cease and Desist Order in 1996 from the California Regional Water Quality Control Board (RWQCB) after the District’s holding ponds overflowed and spilled an estimated 50,000 gallons of raw sewage into Putah Creek. LBRID responded by preparing a facility status report to inform a financial plan required by RWQCB, which concluded both water and sewer systems needed expansive improvements to replace worn

⁷ Stagecoach Canyon Road was immediately dedicated to the County of Napa.

and failing equipment. In 1998, LBRID voters approved replacing water and sewer availability charges with a special annual tax (“T-1”) applied to each parcel within the District with access to infrastructure. Voters approved a second special tax (“T-2000”) in 2000 to fund specific improvements and replenish reserves through 2009-2010.

2.3 Recent Development and Activities

In addition to underfunded operations and capital improvements, LBRID’s financial difficulties have been exacerbated by a series of fines issued by the RWQCB due to repeated sewage spills into the Lake Berryessa watershed. The first RWQCB fine was issued in March 2005 in the amount of \$400,000. This fine was issued for repeated and unauthorized spills between January and February 2005 totaling approximately 4.1 million gallons. At the same time, the State Attorney General also sued LBRID for an additional \$1.2 million for failure to make necessary and timely improvements to its sewer system over the prior 10 year period. LBRID ultimately negotiated a settlement agreement with both parties in which the District agreed to pay the original \$400,000 fine over a 10 year period beginning in August 2009. The settlement agreement was reached in conjunction with LBRID establishing a voter-approved bond measure to fund \$4.7 million in infrastructure improvements to both its water and sewer systems as well as adopting significant increases to user rates.⁸ LBRID received a second fine from RWQCB in the amount of \$375,000 in May 2010 for additional sewage spills. LBRID is currently negotiating with RWQCB on a settlement agreement.

Summary Timeline

1965	.....LBRID formed to provide multiple services
1965	.....Unit One (Stagecoach Canyon Road) completed
1969	.....Unit Two (Estates Subdivision) completed
1969	.....LBRID establishes water and sewer charges
1971	....LBRID limited to only providing water and sewer
1991	...LBRID approves first water/sewer charge increase
1996	.....State issues LBRID Cease and Desist Order
1998	.....Voters approve special tax (T-1)
2000	.....Voters approve special tax (T-2000)
2005	.....LBRID fined \$400,000 for repeated sewage spills
2007	.....Voters approve \$5.2 million bond measure
2008	LBRID approaches private utility to purchase systems
2009	.....LBRID receives \$595,000 in loans from County
2009	...LBRID receives ARRA \$1.7 million forgivable loan
2010	.....LBRID fined \$375,000 for repeated sewage spills

Solvency remains a critical issue for LBRID as the District has experienced a precipitous decline in its unrestricted fund balance over the last five completed fiscal years from \$0.14 to (\$0.72 million) due to escalating operating shortfalls. These operating shortfalls have resulted in LBRID becoming dependent on discretionary loans from the County totaling \$590,000 to maintain positive cash flows. It is unclear whether LBRID will be able to repay these loans or receive additional funding from the County given its persistent structural imbalance in which the District’s operating expenses exceed revenues. The ability of LBRID’s constituents to assume additional costs is also uncertain since they currently pay approximately \$304 per month for water and sewer related services; one of the highest monthly totals in Napa County.⁹

⁸ The total assessment costs are \$5.2 million with \$4.2 million allocated to construction. The assessment is secured by recorded lien to all properties. Each landowner is responsible for either pre-paying their total assessment in the amount of \$15,450 or paying \$1,100 each year through 2037.

⁹ The monthly cost estimate incorporates four distinct charges or fees: (a) water usage charge; (b) sewer usage charge; (c) T-1 special assessment fee; and (d) bond/parcel special assessment fee. Estimate assumes water usage per lot is 138 gallons per day, with sewer usage equaling 80% of water delivery.

4.0 Population and Growth

4.1 Residential Trends

Residential uses comprise nearly all development within LBRID and currently include 188 developed single-family lots with an estimated population of 483.¹¹ These residential uses are disproportionately divided between Berryessa Estates' Unit One and Unit Two. Unit One includes only eight developed single-family lots with an estimated population of 21.¹² These lots are outside the range of LBRID's infrastructure and therefore served by private wells and septic systems. The remaining 180 developed residential lots with an estimated population of 463 lie within Unit Two and receive water and sewer services from LBRID. No residents reside within the remaining LBRID lands located outside Units One and Two.

Unit One	21
Unit Two	463
Total:	483

LBRID has experienced a higher rate of new residential growth compared to the remaining unincorporated area over the last five years. This new growth has been tied to the development of nine single-family lots within Unit Two with the largest percentage increase occurring in 2006. The development of these new lots has increased LBRID's resident population by an estimated 23 or 5.0% since 2006. This increase represents a 1.0% annual rise and is 2.5 times the population growth rate in the remaining unincorporated area.

Past and Present Population Estimates in LBRID

(Source: LAFCO)

Population	2006	2007	2008	2009	2010
LBRID	460	468	481	483	483
% Increase From Prior Year	----	1.7	2.8	0.4	0.0
Remaining Unincorporated Area	27,607	27,640	28,251	28,231	28,170
% Increase From Prior Year	----	0.1	2.2	(0.1)	(0.2)

In terms of future projections, it is reasonable to assume the rate of population growth in LBRID relative to the last five years will slightly decrease from its current annual estimate of 1.0% to 0.875%. This projected growth rate incorporates an adjustment to estimates prepared by the Association of Bay Area Governments (ABAG) and assumes growth in LBRID will continue to outperform growth in the remaining unincorporated area 2.5 to 1 consistent with recent percentage totals.¹³ Any new development will presumably be limited to developing the 166 remaining privately-owned vacant lots in Unit Two given their ready access to LBRID's public water and sewer systems. The following chart incorporates these assumptions in projecting LBRID's future resident population over the next five years.

Future Population Projections in LBRID

(Source: LAFCO)

Category	2011	2012	2013	2014	2015
LBRID	487	491	496	500	505

* Assumes a uniform annual growth rate of 0.875%

¹¹ Population assumes 2.57 residents per dwelling unit consistent with projections issued by the Department of Finance.

¹² There are an additional 19 undeveloped lots within Berryessa Estates' Unit One. There is no expectation these lots will be developed within the timeframe of this review.

¹³ The adjustment reflects LBRID's population increase over the remaining unincorporated area of 2.5 to 1 since 2006. (Specific adjustment involves multiplying ABAG's projected growth rate for the unincorporated area (0.35%) by 2.5.)

4.2 Non-Residential Trends

Non-residential uses in LBRID are currently limited to a local convenience store located on Stagecoach Canyon Road. This non-residential use was established in the 1970s and receives water and sewer services from LBRID through separate metered connections. A marina and adjoining campground adjacent to Putah Creek are also located within LBRID. The campground is maintained by the Berryessa Estates Property Owners Association and can accommodate 10 to 12 recreational vehicles.¹⁴ No water or sewer services, however, are provided in the campground. No additional non-residential uses of an urban-type are expected within LBRID given the County's zoning regulations.

5.0 Organizational Structure

5.1 Governance

LBRID operates under Public Resources Code Sections 13000-13233, which is known as the "Resort Improvement District Law."¹⁵ The law was enacted in 1961 for purposes of providing an alternative method for funding and furnishing a full range of extended municipal services – including land use planning powers – within large unincorporated areas to support seasonal recreational resort uses. The law was fashioned by the California Legislature to facilitate recreational resort sites similar to the Squaw Valley in Placer County, which had been developed to host the 1960 Winter Olympic Games. In 1965, after the hearings were held by the Assembly into suspected land use abuses by affected special districts, the law was amended to prohibit the creation of new resort improvement districts. The law was further amended in 1971 to allow affected special districts to only provide those municipal services already provided or budgeted as of July 1, 1970.

LBRID was organized at the time of its formation as a dependent special district governed by the County Board of Supervisors.¹⁶ As a result of the aforementioned principal act amendment in 1971, LBRID is authorized only to provide water and sewer services. Supervisors are elected by division and serve staggered four-year terms. LBRID lies entirely within County Supervisorial District 4. LBRID meetings are generally scheduled once monthly on the first Tuesday at the County Administration Building with special meetings calendared as needed. Elections are based on a registered-voter system. The County reports there are currently 219 registered voters residing in LBRID.

5.2 Administration

LBRID contracts with the County for administrative services. The County Public Works Director serves as District Manager/Engineer and is principally responsible for overseeing day-to-day operations, which includes operating and maintaining LBRID's water and sewer systems. Public Works assigns a full-time technician to provide onsite operational services at

¹⁴ The marina and campground were constructed in the mid 1970s as part of a settlement agreement between the County of Napa and the developer of Berryessa Estates, Labry Corporation. The marina and campground are located on private property with access provided by way of an easement to landowners within Berryessa Estates who pay an annual fee to the Berryessa Estates Property Owners Association for a gate key. The fee for the gate key is currently \$135.

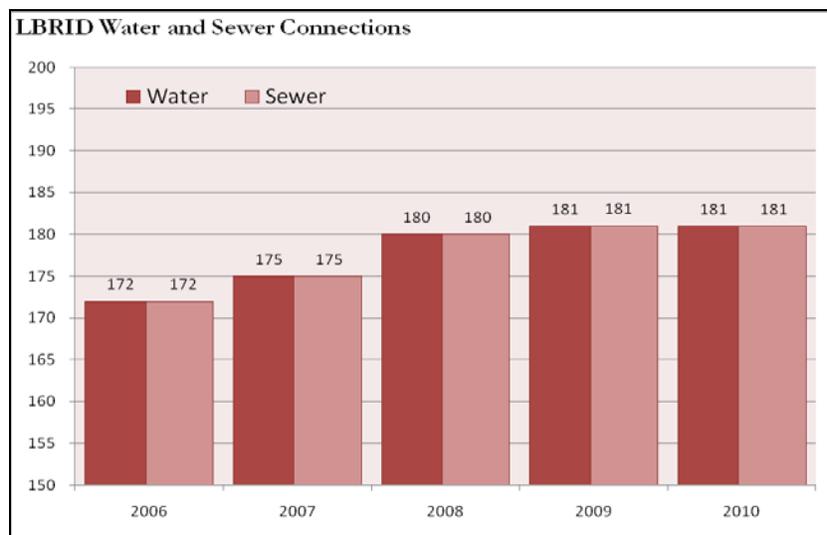
¹⁵ There are a total of seven resort improvement districts operating in California.

¹⁶ The Board of Supervisors may delegate governance authority of LBRID to a five-member board of directors, four of which shall be elected from the District and the fifth shall be the supervisor representing the area.

LBRID. The onsite technician is supervised by a licensed operator who generally divides his or her time on a 60 to 40 split between LBRID and NBRID. Other continual administrative duties performed by Public Works include budgeting, purchasing, billing, contracting, and customer service. LBRID's legal and accounting services are provided by County Counsel and County Auditor-Controller's Office, respectively.

6.0 Municipal Services

LBRID's municipal services are limited to public (a) water and (b) sewer. LBRID currently maintains an equal number of metered water and sewer connections at 181 each. All connections are located within LBRID and serve 180 single-family residential users and one commercial user. LBRID has experienced a 5.3% overall increase in both its water and sewer connections as reflected in the following chart.



6.1 Water Service

A review of LBRID's water service is provided below with respect to availability, demand, and capacity through the timeframe of this review period.

Supply

LBRID's water supply is entirely drawn from Lake Berryessa and secured through an agreement with NCFWCD. The agreement was initially entered into in 1966 and most recently amended in 1999. It provides LBRID an annual entitlement of 200 acre-feet of raw water through 2024. The agreement also includes an option for LBRID to purchase an additional 40 acre-feet of annual entitlement. Raw water from Lake Berryessa is captured from a floatable intake system submerged at



Putah Creek and powered by an electric pump with a daily capacity of 1.1 acre-feet.¹⁷

The full delivery of LBRID's entitlement is considered reliable given the current and historical storage levels at Lake Berryessa relative to the location of the District's floatable intake system. The supply entitlement also appears more than sufficient to accommodate current and projected water demands within LBRID in the timeframe of this review, which has been calculated by staff to total 22.0 acre-feet by 2015. Buildout demands in LBRID are addressed in the succeeding section.

Demand

LBRID's total water demand in 2009-2010 equaled approximately 29.5 acre-feet. This amount represents an average daily demand of nearly 26,300 gallons or 0.08 acre-feet. LBRID has experienced over a one-third decline in usage over the last five years despite population increases in the District. This decrease is principally tied to conservation resulting from user rate increases, which have more than doubled since 2006 with the average monthly charge increasing from \$27.15 to \$69.50.¹⁸ The current peak day water demand equals 0.4 acre-feet and is five times greater than the daily average.

Recent and Current Water Demands in LBRID

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Average Day Demand/Total	0.13	0.10	0.09	0.09	0.08
Average Day Demand/User	0.00073	0.00056	0.00051	0.00049	0.00045
Annual Demand	47.6	36.9	34.9	34.0	29.5
% of Supply	23.8%	18.5%	17.5%	17.0%	14.8%

* All amounts in acre-feet

* Users within LBRID represent individual lots connected to the system

Projecting future water demands within LBRID is challenging given the contrast in which usage has decreased by 38.0% despite a 5.0% increase in population over the previous five years. If this usage trend continues, future water demands are projected to decrease by 7.6% annually until reaching a minimum threshold necessary to provide at least 100 daily gallons to each developed lot.¹⁹ These assumptions would result in LBRID's annual water demand gradually declining to 21.8 acre-feet in 2014 before beginning to experience slight increases consistent with projected new development as shown in the following table.

Projected Water Demands in LBRID Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	190	191	193	195	196
User Annual Demand	0.14	0.13	0.12	0.11	0.11
Total Annual Demand	27.3	25.2	23.3	21.8	22.0
% of Supply	13.7%	12.6%	11.7%	10.9%	11.0%

* All amounts in acre-feet

* Projected demands assume an annual decrease per user of 7.6%

* Users within LBRID represent individual lots connected to the system

¹⁷ Pump capacity is based on a manufacture rating of 250 gallons per minute.

¹⁸ The average monthly charge amount assumes the usage of 250 gallons per day.

¹⁹ LAFCO projects there will be 196 developed lots served by LBRID by 2015.

It is presumed the buildout of LBRID’s jurisdictional boundary will be limited to the development of the remaining 193 privately-owned lots in Berryessa Estates’ Unit One (27) and Unit Two (166) that are already within the District, but have not connected to its water system.²⁰ Assuming all 193 new lots eventually connect, the annual water demand at buildout is projected to total 65.7 acre-feet based on current average usage amounts. This projected buildout demand can be adequately accommodated by LBRID given the amount would represent only 33% of its supply entitlement.²¹

Capacity

LBRID’s water treatment facility was constructed in 1967 and disinfects and filters raw water conveyed from Lake Berryessa. Coagulants (poly aluminum chloride) and disinfectants (chlorine) are the primary chemical treatment agents added to the raw water as it enters into the facility’s clarifier. Raw water is detained in the clarifier to facilitate the sedimentation of solids. Solids are removed from the treatment process as water is cycled through a two-stage filtering process before entering into a 10,000 gallon clearwell tank. The clearwell tank completes the disinfection process by allowing the water to complete its contact time with the chlorine. Finished water remains in the clearwell tank until storage levels in the distribution system require recharge.



The water treatment facility is designed to process up to 174 gallons per minute, resulting in a daily capacity of 250,000 gallons or 0.77 acre-feet.²² The current peak day demand totals 0.40 acre-feet and equals only 52% of the facility’s daily capacity. This capacity is also sufficient to address the projected peak day demand at the end of the timeframe of this review. A moderate addition of 0.08 acre-feet in daily capacity will be needed, however, for the facility to sufficiently accommodate the expected peak day demand at buildout based on current usage trends. A summary of the existing treatment capacity relative to current and projected peak day demands at buildout follows.

Water Treatment Capacity and Demand in LBRID

(Source: LBRID and LAFCO)

Existing Day Capacity	Current Peak Day Demand	Buildout Peak Day Demand
0.77 Acre-Feet 250,000 Gallons	0.40 Acre-Feet/ 130,400 Gallons	0.85 Acre-Feet 277,000 Gallons

²⁰ There are an additional 23 lots within LBRID that lie outside Unit One and Unit Two. The development of these lots is not expected due to their topography.

²¹ Projected water demands at buildout assume the remaining 166 lots in Unit Two will on average require an annual amount equal to 0.16 acre-feet for each lot. It is assumed the average annual water demand for each of the 27 lots in Unit One will be double at 0.32 acre-feet.

²² LBRID received a \$1.74 million forgivable loan in 2009 from the American Recovery and Reinvestment Act (ARRA) to comprehensively update the water treatment facility as required by RWQCB. The improvements are scheduled to be completed in 2011 and will address turbidity at Putah Creek and reduce backwash to the sewer system.

The water distribution system comprises three independent pressure zones that are each maintained by their own storage tank. The distribution system operates on a supply and demand basis and responds to storage levels within LBRID’s primary pressure zone. The primary pressure zone lies below the other two zones and currently serves approximately one-half of the customer base. The primary zone is maintained by a storage tank with a holding capacity of 200,000 gallons or 0.61 acre-feet. Treated water is discharged from the clearwell tank and pumped into the primary pressure zone when storage levels fall below a designated marker adjusted seasonally.²³ Treated water pumped into the second pressure zone serves one-third of the customer base and is maintained by a 100,000 gallon or 0.31 acre-foot storage tank. Treated water pumped into the third and final pressure zone serves the remaining one-fifth of the customer base and is also maintained by a 100,000 gallon or 0.31 acre-foot storage tank.

LBRID’s existing water storage capacities within the distribution system are presently operating under capacity with respect to accommodating the current peak day demand within each of the three pressure zones. The existing storage capacities are also sufficient to accommodate the projected peak day demand through buildout. A summary of the existing storage capacities relative to current and projected peak day demands at buildout are shown in the following table.

Storage Capacities Compared to Demands in LBRID

(Source: LBRID/LAFCO)

Zone	Storage Capacity	Current Users	Current Peak Day Demand	Buildout Users	Buildout Peak Day Demand
One	0.61 Acre-Feet/ 200,000 Gallons	89	0.19 Acre-Feet/ 64,000 Gallons	171	0.45 Acre-Feet/ 145,000 Gallons
Two	0.31 Acre-Feet/ 100,000 Gallons	58	0.13 Acre-Feet/ 42,000 Gallons	113	0.25 Acre-Feet/ 80,000 Gallons
Three	0.31 Acre-Feet/ 100,000 Gallons	34	0.08 Acre-Feet/ 25,000 Gallons	90	0.21 Acre-Feet/ 69,000 Gallons
	1.25 Acre-Feet	181	0.40 Acre-Feet	374	0.90 Acre-Feet

* Projected peak day demands at buildout for purposes of this review assume the additional 166 lots in Unit Two will be evenly distributed between the three pressure zones. It is also assumed that all 27 lots within Unit One would be added to the first pressure zone. The peaking factor of 5:1 applied to the projections is consistent with the current ratio.

6.2 Sewer Service

A review of LBRID’s sewer service is provided below with respect to availability, demand, and capacity through the timeframe of this review period.

Collection and Treatment Systems

LBRID’s sewer collection system consists of approximately 7.5 miles of sewer lines and three pump stations. Nearly all of the sewer lines comprise clay and are 25 years or older. LBRID provides a secondary level of treatment to raw sewage as it enters its collection system through individual laterals and initially settles in a 91,000 gallon or 0.28 acre-foot above-ground holding tank, which is supplemented as needed by a 21,000 gallon or 0.06 acre-foot overflow tank. From the holding tank, raw sewage is pumped

²³ The maximum daily pump capacity at the clearwell tank is 215,000 gallons or 0.66 acre-feet.

through a 1.2 mile long force main before entering one of three gravity flowing aerobic/anaerobic ponds to facilitate the settlement of solids. From the third pond, sewage gravity flows into a fourth finishing pond for final treatment. After the fourth pond the sewage can either flow directly into a fifth pond or be pumped to a sixth and seventh pond for chlorination and storage and ultimately disposal through a spray irrigation system comprising six acres of LBRID-owned land.²⁴ Ponds five, six, and seven are considered storage and have a combined capacity of 7.86 million gallons or 24.1 acre-feet.



HOLDING TANK



STORAGE POND

LBRID’s Collection and Treatment Systems

(Source: LBRID and LAFCO)

Collection System

Miles of Gravity Sewer Lines	6.5 Miles
Miles of Forced Sewer Lines	1.0 Miles
Percent of Sewer Lines 25 Years or Older	99%

Treatment System

Treatment Level	Secondary
Treated Storage Capacity	7.86 Million Gallons
Discharge Type	Sprayfield Irrigation/6.0 Acres

Capacity and Demand

LBRID’s wastewater treatment facility has design daily dry-weather and wet-weather flow capacities of 44,000 and 84,000 gallons, respectively. These capacities sufficiently accommodate LBRID’s current average dry-weather and wet-weather flow demands of 21,000 and 30,000 gallons. Peak day wet-weather flow totals, though, substantially exceed LBRID’s design capacities as well as temporary overflow facilities by over 40% and currently total 270,000 gallons.²⁵ The excessive peak day wet-weather flow totals are attributed to increasing inflow/infiltration into the aging collection system and have directly resulted in a series of unauthorized spills beginning in the mid 1990s leading to numerous violation notices and fines from the RWQCB. The following table summarizes LBRID’s existing sewer capacities and demands.

²⁴ LBRID also uses up to four wastewater evaporation units to assist with disposal.

²⁵ LBRID reports it has the temporary capacity to accommodate up to 190,000 gallons or 0.58 acre-feet of sewer during peak day wet-weather conditions by utilizing a series of pumps to convey flows from various holding/storage ponds.

LBRID's Daily Sewer Capacity and Current Demand Totals

(Source: LBRID and LAFCO)

Daily Dry-Weather Capacity	Daily Wet-Weather Capacity	Average Dry Weather Demand	Average Wet Weather Demand	Peak Wet Weather Demand
44,000 Gallons 0.14 Acre-Feet	84,000 Gallons 0.26 Acre-Feet	21,000 Gallons 0.06 Acre-Feet	30,000 Gallons 0.09 Acre-Feet	270,000 Gallons 0.83 Acre-Feet

With respect to projecting future demands in the timeframe of this review, it is reasonable to assume average dry-weather sewer flows will continue to equal 80% of projected water usage in LBRID. It is also reasonable to assume average wet-weather flows will continue to equal 150% of average dry-weather flows. If these assumptions prove accurate, LBRID will experience decreases in sewer flows consistent with projected water consumption through 2014. To this end, LBRID has sufficient treatment capacities to accommodate average dry-weather and wet-weather flows in the timeframe of this review. Peak day wet-weather flows, however, are expected to continue to overwhelm the system by over 40% during extended storm events until significant improvements are made to reduce inflow and infiltration in the collection system.²⁶ The following table summarizes projected daily sewer flows compared to existing system capacities through 2015.

Projected Sewer Demands in LBRID Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	190	191	193	195	196
Daily Dry-Weather Flow	19,500	18,000	16,600	15,500	15,700
Daily Dry-Weather Capacity	44,000	44,000	44,000	44,000	44,000
Capacity Difference	24,500	26,000	27,400	28,500	28,300
Daily Wet-Weather Flow	29,250	27,000	24,900	23,250	23,550
Daily Wet-Weather Capacity	84,000	84,000	84,000	84,000	84,000
Capacity Difference	54,750	57,000	59,100	60,750	60,450
Peak Day Wet-Weather Flow	263,250	243,000	224,100	209,250	211,950
Peak Day Wet-Weather Capacity	190,000	190,000	190,000	190,000	190,000
Capacity Difference	(73,250)	(53,000)	(34,100)	(19,250)	(21,950)

* Amounts are shown in gallons

* Projections assume a baseline in which inflow and infiltration flows will reflect current percentages

* Users represent individual lots connected to the sewer system

* LBRID reports it has the ability to temporarily increase its wet-weather capacity from 84,000 to 190,000 gallons if needed by utilizing a series of pumps and storage ponds.

²⁶ In response to the most recent fine issued by RWQCB, LBRID has retained an outside engineering firm to prepare a scope of work regarding system improvements to reduce inflow and infiltration and related spillage problems with its storage ponds. LBRID has also recently worked with PG&E in extending an electrical line to operate the District's evaporation sprayers, which is expected to provide a reliable system to convey treated wastewater to its storage ponds.

As discussed in the preceding section on water, buildout within LBRID is expected to be limited to the development of the remaining 193 privately-owned lots in Berryessa Estates' Units One and Two that are already in the District, but not connected to the sewer system. If all 193 remaining lots are connected, and based on current demands, the daily average dry-weather and wet-weather flows would increase to 43,900 and 70,400 gallons, respectively. These projected demands could be accommodated based on existing design capacities. However, the expected peak day wet-weather flow – in the absence of significant improvements to the collection system to limit inflow/infiltration – would increase to 633,500 gallons and exceed existing capacity over three to one.

7.0 Financial

7.1 Assets, Liabilities, and Equity

LBRID's financial statements are prepared by the County Auditor-Controller and included in its annual report at the conclusion of each fiscal year. The most recent issued report was prepared for the 2009-2010 fiscal year and includes audited financial statements identifying LBRID's total assets, liabilities, and equity as of June 30, 2010. These audited financial statements provide quantitative measurements in assessing NBRID's short and long-term fiscal health and are summarized below.

Assets

LBRID's assets at the end of the fiscal year totaled \$7.41 million. Assets classified as current with the expectation they could be liquidated into currency within a year represented slightly less than one-half of the total amount with the majority tied to cash and investments.²⁷ Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable structures.²⁸

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Assets	0.178	0.628	3.867	3.327	3.679
Non-Current Assets	0.772	0.721	2.519	3.005	3.732
Total Assets	\$0.950	\$1.349	\$6.385	\$6.332	\$7.411

* Current assets significantly increased in 2007-2008 due to bond issuances

Liabilities

LBRID's liabilities at the end of the fiscal year totaled \$5.82 million. Current liabilities representing obligations owed within a year accounted for only one-tenth of the total amount and primarily tied to debt obligations within the upcoming year. Non-current liabilities accounted for the remaining amount with the majority tied to outstanding debt payments associated with LBRID's 2007 special assessment bond measure.²⁹ The remaining non-current liability amount is the result of LBRID's stipulated judgment in favor of RWQCB for previous sewage spills.³⁰

²⁷ Current assets totaled \$3.679 million and include cash investments (\$2.719 million), taxes receivable (\$0.012 million), accounts receivable (\$0.059 million), and assessments receivable (\$0.111 million).

²⁸ Non-current assets totaled \$3.005 million and include land (\$0.005 million), structures and improvements (\$3.342 million), and equipment (\$0.225 million) minus accumulated depreciation (\$1.471 million).

²⁹ The 2007 special assessment bond was issued at \$4.75 million. The outstanding due amount is currently \$4.49 million.

³⁰ The stipulated judgment totals \$400,000 and is to be paid over a 10 year period with no interest.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Liabilities	0.037	0.100	0.308	0.295	0.506
Non-Current Liabilities	0.000	0.000	4.655	4.945	5.315
Total Liabilities	\$0.037	\$0.100	\$4.963	\$5.240	\$5.821

* Non-current liabilities significantly increased in 2007-2008 due to bond issuances

Equity/Net Assets

LBRID's equity, or net assets, at the end of the fiscal year totaled \$1.59 million and represents the difference between the District's total assets and liabilities. The end of year equity amount incorporates a (\$0.73) million balance in unrestricted funds. This negative unrestricted fund balance is attributed to a net operating loss of (\$0.29 million) and a stipulated judgment of (\$0.40 million) against LBRID for repeated sewage spills.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Capital Asset Funds	0.772	0.721	1.271	1.180	2.021
Restricted Funds	0.000	0.000	0.480	0.479	0.293
Unrestricted Funds	0.140	0.527	(0.329)	(0.567)	(0.725)
Total Equity	\$0.912	\$1.248	\$1.422	\$1.093	\$1.589
<i>Change</i>	<i>(\$0.203)</i>	<i>\$0.336</i>	<i>\$0.174</i>	<i>(\$0.330)</i>	<i>\$0.496</i>

LBRID's financial statements for 2009-2010 reflect the District experienced a positive change in its fiscal standing as its overall equity, or fund balance, increased by nearly one-half from \$1.09 to \$1.59 million. This increase in the overall fund balance is directly attributed to capital contributions tied to the special assessment. However, financial statements also reflect the unrestricted portion of the fund balance continued to decrease in value during the fiscal year and has fallen by over 400% over the last five completed fiscal years from \$0.14 to (\$0.72) million. This decrease in the unrestricted fund balance has been credited to recurring net income losses in each of the last five fiscal years totaling \$1.01 million. No significant deficiencies or material weaknesses were identified with respect to LBRID's financial statements.

2009-10 Financial Statements

Assets	\$7.411 million
Liabilities	\$5.821 million
Equity	\$1.589 million

Calculations performed assessing LBRID's liquidity, capital, and profitability indicate the District finished 2009-2010 with sufficient resources to remain operational in the short-term, but with questions regarding its long-term financial health. Specifically, short-term liquidity remained exceedingly high given LBRID finished the fiscal year with sufficient current assets to cover its current liabilities seven-to-one.³¹ LBRID, however, finished with significant long-term debt as its non-current liabilities exceeded its net assets by three-to-one, reflecting a strained capital structure.³² LBRID also finished the fiscal year with a negative operating margin as expenses exceeded revenues by over one-half.³³ An expanded discussion on revenues-to-expenses is provided in the following section.

³¹ LBRID also finished with cash reserves sufficient to cover 1,405 days of operating expenses, but this measurement is misleading given the majority of available cash was tied to special assessment proceedings.

³² LBRID's debt-to-equity ratio as of June 30, 2010 was 3.34.

³³ LBRID's operating margin as of June 30, 2010 was (0.52).

7.2 Revenue and Expense Trends

A review of LBRID’s audited revenues and expenses identifies the District has finished each of the last five completed fiscal years with operating shortfalls reflecting an entrenched structural imbalance. The 2009-2010 year marked the largest end-of-year shortfall at \$0.29 million and is primarily tied to booking the aforementioned \$0.40 million judgment in favor of the RWQCB for repeated sewage spills. Overall, non-operating revenues, such as special assessment proceedings, have allowed LBRID to finish three of the last five fiscal years with positive end-of-year fund balances.

LBRID segregates its revenues and expenses into three broad fund categories: (a) operations; (b) non-operations; and (c) transfers/special items. An expanded review of LBRID’s audited end-of-year revenues and expenses in these three fund categories follows.

Fund Category	2005-06	2006-07	2007-08	2008-09	2009-10
Operations					
Revenues	658,117	543,516	446,722	517,297	566,054
Expenses	(886,976)	(642,667)	(662,455)	(692,589)	(859,276)
Non-Operations					
Revenues	25,707	49,355	227,849	140,620	79,962
Expenses	0	0	(182,575)	(266,798)	(272,779)
Special Items					
Revenues	0	386,184	344,767	371,568	982,566
Expenses	0	0	0	(400,000)	(486,039)
	(\$203,152)	\$336,058	\$174,308	(\$329,902)	\$10,488

* All information reflects audited financial statements in CAFRs and based on GAAP accrual basis accounting
 * LBRID began collecting special assessment proceedings in 2006-2007
 * LBRID received and paid back a \$400,000 loan to the County of Napa in 2008-2009

7.3 Current Budget

LBRID’s adopted amended budget for the 2010-2011 fiscal year totals \$3.5 million.³⁴ This amount represents LBRID’s total approved expenses or appropriations for the fiscal year within its four budget units: (a) operating; (b) capital improvement; (c) capital improvement – recovery act; and (d) bond account. An expanded review of expenses and revenues within each of the four budget units follows.

Operating

LBRID’s operating budget unit supports basic District water and sewer activities. Approved expenses total \$0.91 million with three-fifths of the apportionments dedicated to services and supplies. Estimated revenues are projected at \$0.76 million with two-thirds of proceeds expected to be generated from usage charges and T-1 assessments.³⁵ A \$0.09 million loan from the County is also budgeted.

2010-11 Adopted Operations	
Revenues	\$0.76 million
Expenses	\$0.91 million
Difference	(\$0.15 million)
Beginning Balance	\$0.19 million
Est. Ending Balance	\$0.04 million

³⁴ Amended budget as of August 3, 2010.

³⁵ LBRID approved a 4% increase in the annual T-1 charge for 2010-2011 raising the individual fee from \$665 to \$693.

In the absence of an unexpected positive net revenue total, LBRID is projected to experience a \$0.15 million operating shortfall and would further draw down its budgeted unreserved/unrestricted fund balance from \$0.19 million to \$0.04 million. (The budgeted amount incorporates \$590,250 in earlier loans from the County provided over the last several years to provide emergency cash flow.) Additionally, due to the projected shortfall, no operating contingencies have been budgeted for the fiscal year.

Capital Improvement

LBRID's capital improvement unit accounts for the receipt and expense of acquiring or constructing major infrastructure commonly through grants and inter-fund transfers. Approved expenses are estimated at \$1.0 million and entirely allocated to repairing LBRID's three water storage tanks. New revenues are budgeted at \$0.03 million and will be entirely drawn from interest earnings. These new revenues will help offset the approved expenses once undertaken, with the remaining amount to be drawn from the fund balance, which is currently \$2.7 million as of July 1, 2010.³⁶

Capital Improvement – Recovery Act

LBRID's capital improvement – recovery act unit accounts for the receipt and expense of the \$1.7 million awarded to the District in September 2009 through the ARRA. Approved expenses total \$1.2 million and are entirely allocated to replacing LBRID's water treatment facility. As referenced, matching revenues to cover actual expenses will be provided to LBRID through the administrators of the ARRA, the Recovery Accountability and Transparency Board.

Bond Account

LBRID's bond account unit is for the receipt and expense of monies associated with the \$4.7 million bonded special assessment approved by District landowners in 2007. Approved expenses total \$0.3 million and are entirely dedicated to paying interest, principal, and related administrative fees tied to the 2007 bond. Matching revenues are drawn from collecting special assessments tied to each parcel in LBRID at an annual amount of \$515.

³⁶ As previously detailed, LBRID was awarded a \$1.74 million forgivable loan from ARRA to finance a comprehensive update to the water treatment facility to address turbidity levels at Putah Creek and reduce backwash to the sewer system.

B. Napa Berryessa Resort Improvement District

1.0 Overview

NBRID was formed in 1965 to provide a full range of governmental services in support of the planned development of Berryessa Highlands, an unincorporated community located along Lake Berryessa's southern shoreline in eastern Napa County. Development of Berryessa Highlands was expected to occur over two distinct planning phases and eventually result in the construction of approximately 4,000 residential units along with various commercial and recreational uses. Due to various factors, however, the development of Berryessa Highlands has been primarily limited to the creation of two residential subdivisions in the western portion of NBRID collectively totaling 561 single-family lots. Additionally, a 1971 amendment to its principal act limits NBRID to providing only sewer and water services.³⁷

NBRID currently has an estimated resident service population of 920. NBRID is a dependent special district governed by the County Board of Supervisors. Daily operations are managed by the County Public Works Department. NBRID's current adopted operating budget is \$1.49 million with a beginning fiscal year unrestricted fund balance of (\$0.58 million) as of July 1, 2010.³⁸ This portion of the fund balance is expected to decrease to (\$0.82 million) by the end of the fiscal year due to a budgeted operating shortfall.

Napa Berryessa RID	
Date Formed:	1965
District Type:	Dependent
Resident Population:	920
Services Provided:	Sewer/Water

2.0 Formation and Development

2.1 Formation Proceedings

NBRID's formation was proposed by the Berryessa Highlands Development Company to help facilitate and support the planned development of Berryessa Highlands. The Commission approved formation proceedings in January 1965 and authorized NBRID to provide a full range of municipal services, specifically water, sewer, fire, police, roads, lighting, and recreation. NBRID's formation coincided with an ordinance change by the County to rezone the affected area from *Watershed Recreation* to *Planned Community*; an action paralleling a concurrent change in the Berryessa Estates community. Formation proceedings were approved in conjunction with the County Board of Supervisors agreeing to serve as NBRID's governing body. Voters confirmed the formation of NBRID in March 1965.

³⁷ Other municipal services directly provided within Berryessa Highlands are limited and include a basic level of fire, law enforcement, and road maintenance from the County as well as the interment from Monticello Public Cemetery District.

³⁸ NBRID's unreserved/undesignated fund balance for budgeting purposes is \$0.29 million with \$474,000 coming from loans from the County of Napa to provide emergency cash flow.

2.2 Initial Development and Activities

Application materials associated with NBRID's formation proceedings state the development of Berryessa Highlands was anticipated to occur in two distinct planning phases. The first planning phase was expected to develop the western portion of NBRID and anchored by 1,700 residential units that were anticipated to serve primarily as secondary homes. Development of the western portion commenced in the middle of 1965 with the construction of "Unit One" and "Unit Two," which involved the creation of 202 and 359 single-family lots, respectively. The development of Units One and Two coincided with NBRID issuing \$0.90 million in general obligation bonds to help finance the construction of water and sewer facilities to serve both subdivisions as well as the adjacent Steele Park Resort.³⁹ NBRID also secured water supplies in 1966 through an informal agreement with NCFWCWD for an annual raw water entitlement of 200 acre-feet from Lake Berryessa. The water supply agreement was formalized in 1975 and most recently amended in 2007 to provide 300 acre-feet annually through 2028.

The remaining planned development of Berryessa Highlands was expected to occur throughout the 1970s and include an additional 1,000 residential units in the western portion along with 1,400 residential units in the eastern portion of NBRID. Expansion of the Steele Park Resort was also expected, which at the time of formation included a 156-space trailer park. These additional development phases, however, did not materialize due to presumably low lot sales in Units One and Two and eventually Berryessa Highlands Development Company closed due to bankruptcy by the early 1970s. The only additional planned development within Berryessa Highlands occurred in the early 1980s with the construction of 10-lot subdivision known as "Oakridge Estates."⁴⁰

The abandonment of the remaining planned development phases in Berryessa Highlands in the early 1970s corresponded with an amendment to NBRID's principal act to prohibit all affected special districts from engaging in any other services not already provided or budgeted as of July 1, 1970. This amendment has limited NBRID to providing only water and sewer services; all other services that were expected to be provided by the District are either provided at a basic level by the County, such as fire and police, or do not exist in the community.



Initial development within NBRID remained slow with only 71 lots built in Berryessa Highlands by 1980. An improving economy underlined an accelerated rate of growth as the number of built lots in Berryessa Highlands more than doubled to 170 by 1990. Incremental growth continued throughout the 1990s resulting in 300 built lots by 2000.

³⁹ Additional financing for NBRID's water and sewer facilities was drawn from an assessment district and developer contributions.

⁴⁰ Services to Oakridge Estates were established in 1982 and facilitated through an intertie to the main distribution and collection systems

Despite improving development activity, NBRID had established a persistent structural budget imbalance by the 2000s due to increasing service costs tied to new regulatory requirements paired with a small customer base and stagnant service rates.⁴¹ Another key issue emerging during this time was the lack of operating reserves, which were effectively depleted after NBRID made numerous repairs to its water and sewer facilities following a series of damaging winter storms in 1995. Further, an attempt to reestablish reserves to fund needed capital improvements through a special parcel tax aimed at replacing the monthly availability charges was also rejected by voters 52 to 48 percent in 1997.

2.3 Recent Development and Activities

Recent development and activities within NBRID have largely focused on addressing deficiencies involving the aging District’s water and sewer systems. The deficiencies involving the sewer system have been the most persistent resulting in repeated sewage spills into Lake Berryessa, leading RWQCB to issue several notices of violation and three separate cease and desist orders between 1995 and 2010. Markedly, the last two cease and desist orders issued in 2006 and 2010 established and expanded restrictions on adding sewer connections until specific improvements are performed. This includes submitting an inflow and infiltration assessment for RWQCB review by November 2011 and constructing a new or improved wastewater treatment facility before December 2015.

Summary Timeline

1965	.....NBRID formed to provide multiple services
1968	.....Lots in Units One and Two completed
1969	.....NBRID establishes water and sewer charges
1971	....NBRID limited to only providing water and sewer
1982	.....Lots in Oakridge Estates completed
1991	...NBRID approves first water/sewer charge increase
1995	.....State issues first NBRID cease and desist order
1997	.....Voters reject special parcel tax
2006	.....State issues second NBRID cease and desist order
2007	.....Voters approve \$13.9 million bond measure
2008	.....Steele Park Resort closes for redevelopment
2009	.....NBRID receives \$474,000 loan from County
2010	.....New contract to operate former Steele Park site
2010	.....NBRID receives \$395,000 loan from County
2010	.....County requests making NBRID independent
2010	.....State issues third NBRID cease and desist order

NBRID’s current ability to fund needed capital improvements to both its water and sewer systems has been adversely effected by the uncertainties associated with USBR’s redevelopment plans for Steele Park, which is now known as Lupin Shores. Specifically, the concession site has been left undeveloped since May 2008 due to delays in the USBR’s competitive bid process for new contractors to assume control. A new contractor, the Pensus Group, was selected in April 2010 to redevelop and improve the concession site. The new contractor, however, has expressed intent to redevelop the concession site to accommodate a significantly smaller use than previously expected as part of a \$13.9 million bond measure approved by NBRID voters in April 2007 to make expansive improvements to both water and sewer systems.⁴² The bond measure – as approved – is secured by a special assessment levied against all lands within NBRID and calculated based on expected benefit from the system-wide improvements. This includes calculating one-third of the benefit tied to the improvements would go to the concession site and therefore the contractor (Pensus) would be responsible for approximately \$4.6 of the \$13.9 million bond. Importantly, the potential downsizing of the concession site’s redevelopment may preclude NBRID from going forward and implementing the bond assessment if the District

⁴¹ NBRID’s first increase to its water and sewer rates did not occur until 1991.

⁴² The bond measure is secured by a special assessment district that applies an annual \$563.96 charge for every dwelling unit over a 30 year period. At the time the bond measure was approved by voters, it was expected Steele Park/Lupin Shores would include 228 equivalent dwelling units. The new contractor has expressed interest in redeveloping the site to accommodate uses less than the previous 228 equivalent dwelling unit amount.

concludes a reasonable nexus no longer exists between the calculation made in determining benefits and costs.

In November 2010, in response to an increasing desire by residents for self-governance, the County formally requested the Commission consider reorganizing NBRID from a dependent to an independent special district. The request follows a successful protest by landowners in objecting to proposed raises in water and sewer user charges by NBRID, an outcome reflecting an increasing dissatisfaction with the management of the District. The request also succeeds the County’s support of Senate Bill 1023, which becomes effective January 2011 and expedites reorganizing resort improvement districts into community services districts with identical powers and boundaries while eliminating protest proceedings.

Addressing NBRID’s existing financial instability remains the critical issue going forward regardless of whether the District remains dependent or transitions to independent. This instability is evident given NBRID has experienced a steep decline in its unrestricted fund balance over the last five fiscal years from \$0.25 to (\$0.58 million) due to persistent operating shortfalls. Significantly, these shortfalls have necessitated NBRID to request and receive discretionary loans from the County totaling \$0.87 million over the last few years to maintain positive cash flows. It is unclear whether NBRID will be able to repay these loans or seek additional funding from the County given its persistent structural imbalance. The consent of residents to authorize rate increases to help address the operating shortfall is also in question given their successful protest vote of a proposed rate increase in 2009. However, a recent effort by NBRID to raise both charges by close to 60% was successfully passed in February 2011. The increase results in average monthly water and sewer related services costing constituents \$217; second only to LBRID in terms of highest monthly cost in Napa County.

3.0 Adopted Commission Boundaries

3.1 Jurisdictional Boundary

NBRID’s jurisdictional boundary is approximately 2.1 square miles or 1,320 acres in size. There are approximately 630 parcels lying within NBRID with an overall assessed value of \$83.2 million. A review of the database maintained by the County Assessor’s Office indicates 352 of the parcels have been developed as measured by the assignment of situs addresses.⁴³ There have been no changes to NBRID’s jurisdictional boundary since formation in 1965.

Jurisdictional Characteristics in NBRID
(Source: LAFCO)

Total Acreage.....	1,320
Acreage Tied to Existing Development.....	39.9%
Predominant Zoning.....	<i>Planned Development (Units One/Two)</i> <i>Residential Country</i> <i>Agricultural Watershed</i>
Assessed Value.....	\$83.2 Million
Assessed Value/Acre.....	\$63,030
Registered Voters.....	529

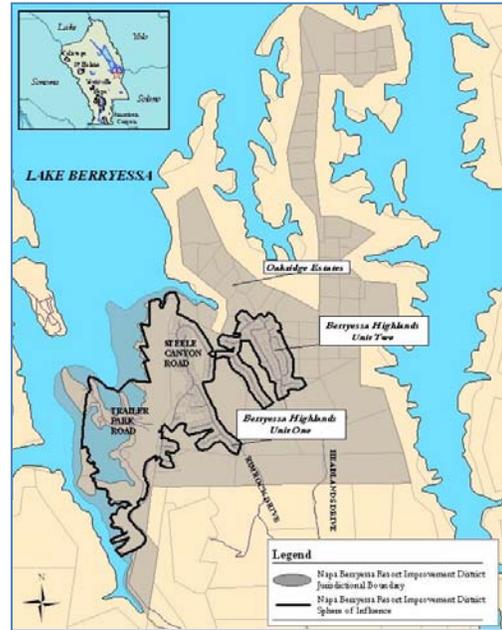
⁴³ Developed assessor parcels with situs addresses in NBRID represent only 39.9% of its total land acres.

3.2 Sphere of Influence

The Commission adopted NBRID’s sphere in 1985 to include only assessor parcels in Unit One, Unit Two, and the present day Lupin Shores site as depicted in Figure Three. The Commission updated the sphere with no changes in 2007 in deference to first completing a review of reorganization options due to diseconomies of scale and other issues raised in earlier studies.

In terms of current dimensions, NBRID’s sphere encompasses 0.4 square miles or 251 acres. This amount means there are a total of 972 jurisdictional acres encompassing 56 parcels in NBRID that lie outside the District’s sphere. There are no non-jurisdictional acres currently eligible for annexation.

FIGURE THREE



4.0 Population and Growth

4.1 Residential Trends

Residential uses comprise nearly all development within NBRID and currently include 358 developed single-family residences with an estimated population of 920. All of these residences receive water and sewer services from NBRID. Berryessa Highlands’ Units One and Two include 349 residences with an estimated population of 897. The remaining nine residences with an estimated population of 23 are located outside Berryessa Highlands with the majority lying within Oakridge Estates.

Population Breakdown

Highlands	897
Non-Highlands	23
Total:	920

NBRID has experienced a relatively high rate of new residential growth compared to the remaining unincorporated area over the last five years. This new growth has been tied to the development of 41 residential lots within Units One and Two with the largest percentage increase occurring in 2006. The development of these new lots has contributed to increasing NBRID’s total resident population by an estimated 118 or 2.94% annually since 2006 despite a moratorium on new sewer connections. The population growth rate, however, has decelerated in conjunction with the economic downturn beginning in earnest in early 2007 to 1.62%. Nonetheless, despite the downturn, NBRID’s population growth rate during this latter period is still approximately four times greater than the remaining unincorporated area.

Past and Present Population Estimates in NBRID

(Source: LAFCO)

Population	2006	2007	2008	2009	2010
NBRID	802	864	907	917	920
% Increase From Prior Year	--	7.7	5.0	1.1	0.3
Remaining Unincorporated Area	27,265	27,244	27,825	27,797	27,733
% Increase From Prior Year	--	(0.1)	2.1	(0.1)	(0.2)

* Does not include previous seasonal residents associated with Steele Park

It is reasonable to assume the rate of new population growth in NBRID relative to the last four years will slightly decrease within the timeframe of this review from 1.62% to 1.26% annually.⁴⁴ This projected growth rate incorporates adjustments made to ABAG estimates and assumes growth in NBRID will continue to outperform growth in the remaining unincorporated area 3.6 to 1 consistent with recent percentage totals.⁴⁵ New growth will presumably be limited to developing the 212 remaining vacant and privately-owned lots in Units One and Two of Berryessa Highlands given their ready access to NBRID's public water and sewer systems. The following table incorporates these assumptions in projecting future resident populations within NBRID.

Future Population Projections in NBRID

(Source: LAFCO)

Category	2011	2012	2013	2014	2015
NBRID	932	943	955	967	979

* Assumes a uniform annual growth rate of 1.26%

4.2 Non-Residential Trends

Non-residential uses in NBRID are limited to recreational camping at Lupin Shores. No public water or sewer services, however, are provided at Lupin Shores by NBRID at this time. It is reasonable to assume additional non-residential uses at Lupin Shores will significantly expand within the timeframe of this review to include transient-occupancy, commercial retail, and restaurant uses and will require service connections to NBRID. Notably, the previous development on the concession site and its anticipated impacts on NBRID services were calculated to be the equivalent of 228 residential units. Preliminary discussions to date between the new concessionaire and the County suggest the development of the resort site will be significantly smaller and will utilize conservation and green-building techniques resulting in measurably lower equivalent usage. Other types of non-residential uses are not expected within NBRID given the County's zoning regulations.

5.0 Organizational Structure

5.1 Governance

NBRID operates under Public Resources Code Sections 13000-13233, and as previously noted, is known as the Resort Improvement District Law.⁴⁶ The law was enacted in 1961 for purposes of providing an alternative method for funding and furnishing a full range of extended municipal services – including land use planning powers – within large unincorporated areas to support seasonal recreational resort uses. The law was fashioned by the Legislature to facilitate recreational resort sites similar to the Squaw Valley in Placer County, which had been developed to host the 1960 Winter Olympic Games. In 1965, after the hearings were held by the Assembly into suspected abuses by affected special districts, the law was amended to prohibit the creation of new resort improvement districts. The law

⁴⁴ NBRID is currently restricted from authorizing new sewer service connections by the RWQCB until certain improvements are made to the sewer collection and treatment system. For purposes of this review, staff assumes these improvements will be accomplished by NBRID within the next year, allowing for population increases.

⁴⁵ NBRID's population increase over the remaining unincorporated area is specifically 3.6:1 since 2007.

⁴⁶ There are a total of seven resort improvement districts operating in California.

was further amended in 1971 to allow affected special districts to only provide those municipal services already provided or budgeted as of July 1, 1970. There are currently six other special districts operating under this law in California.

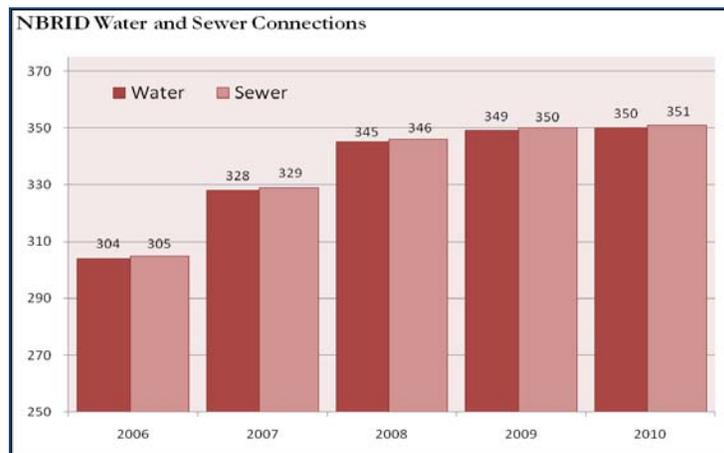
NBRID was organized at the time of its formation as a dependent special district governed by the County Board of Supervisors.⁴⁷ As a result of the aforementioned principal act amendment in 1971, NBRID is authorized only to provide water and sewer services. Supervisors are elected by division and serve staggered four-year terms. NBRID lies entirely within County Supervisorial District 4. NBRID meetings are generally scheduled once per month on the first Tuesday at the County Administration Building with special meetings calendared as needed. Elections are based on a registered-voter system. The County reports there are currently 529 registered voters residing in NBRID.

5.2 Administration

NBRID contracts with the County for administrative services. The County Public Works Director serves as District Manager/Engineer and is principally responsible for overseeing day-to-day operations, which includes operating and maintaining the agency's water and sewer systems. Public Works assigns a full-time technician to provide onsite operational services at NBRID. The onsite technician is supervised by a licensed operator who generally divides his or her time on a 60 to 40 split between LBRID and NBRID. Other continual administrative duties performed by Public Works include budgeting, purchasing, billing, contracting, and customer service. NBRID's legal and accounting services are provided by County Counsel and County Auditor-Controller's Office, respectively.

6.0 Municipal Services

NBRID's municipal services are limited to public water and sewer services. NBRID currently maintains 350 metered water connections and 351 metered sewer connections. All connections are located within NBRID and serve 358 single-family residential users. NBRID has experienced nearly a 15% overall increase in the number of its water and sewer connections in the last five years as reflected in the following chart.



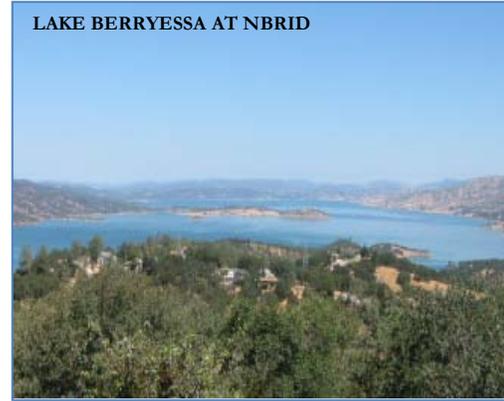
⁴⁷ The Board of Supervisors may delegate governance authority of NBRID to a five-member board of directors, four of which shall be elected from the District and the fifth shall be the supervisor representing the area.

6.1 Water Service

A review of NBRID’s water service is provided below with respect to availability, demand, and capacity through the timeframe of this review period.

Supply

NBRID’s water supply is entirely drawn from Lake Berryessa and secured through an agreement with NCFWCWD. The agreement was initially entered into in 1966 and most recently amended in 2006. It provides NBRID an annual entitlement of 300 acre-feet of raw water through 2028. The agreement also allows NBRID to purchase an additional 40 acre-feet of annual entitlement. Raw water from Lake Berryessa is captured from a floatable submerged intake system and powered by two electric pumps with a combined daily conveyance capacity of 755,000 gallons or 2.3 acre-feet.



The full delivery of NBRID’s entitlement is considered reliable based on current and historical storage levels at Lake Berryessa relative to the location of the District’s floatable intake system. The supply entitlement also appears sufficient to accommodate current as well as projected demands within NBRID in the timeframe of this review, which has been calculated by staff to total 42.7 acre-feet by 2015. Buildout demands are addressed in the succeeding section.

Demand

NBRID’s total water demand in 2010 equaled approximately 71.4 acre-feet. This amount represents an average daily demand of nearly 0.2 acre-feet, or 63,750 gallons. NBRID has experienced over a two-thirds decline in annual water demands over the last five years. This decrease is principally attributed to the closure of Steele Park Resort in May 2008 and water conservation resulting from user charge increases. In particular, monthly user charges have increased on average from \$23.68 to \$68.72 since 2006; an approximate 190% increase. The current peak day water demand equals 1.5 acre-feet and is nearly eight times greater than the daily average.

Recent and Current Water Demands in NBRID

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Average Day Demand/Total	0.56	0.38	0.38	0.29	0.20
Average Day Demand/User	0.00184	0.00115	0.00109	0.00081	0.00055
Annual Demand	204.9	137.4	137.7	105.9	71.4
% of Supply	68.3%	45.8%	45.9%	35.3%	23.8%

* All amounts in acre-feet

* Users within NBRID represent individual lots connected to the system

* Steele Park Resort closed in May 2008

Similar to LBRID, projecting future water demands within NBRID is challenging given the contrast in which usage has decreased despite an increase in the population over the last five year period. Notably, usage had decreased by 48.0% in the three years immediately preceding the Steele Park Resort's closure while the population had increased by 1.4%. Assuming this trend continues, future annual water demands are expected to decrease by 16.0% on an annual basis consistent with the three years leading up to Steele Park Resort's closure until reaching a minimum threshold necessary to provide 100 daily gallons to each developed lot.⁴⁸ These assumptions would result in NBRID's annual water demand eventually declining to 42.7 acre-feet in 2014 before beginning to experience slight increases consistent with projected new development as shown in the following table.

Projected Water Demands in NBRID Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	363	367	372	376	381
User Annual Demand	0.17	0.14	0.11	0.11	0.11
Total Annual Demand	60.0	50.4	42.3	42.2	42.7
% of Supply	20.0%	16.8%	14.1%	14.1%	14.2%

* All amounts in acre-feet

* Projected demands assume an annual decrease per user of 16.0%

* Users within NBRID represent individual lots connected to the system

* Assumes no uses tied to Lupin Shores Resort

The buildout of NBRID's current jurisdictional boundary is anticipated to involve the development of the remaining 268 privately owned lots already within District, but not connected to its water system. Buildout is also anticipated to involve the opening of the Lupin Shores Resort with demands equivalent to 100 lots or users. Assuming all remaining lots and Lupin Shores Resort are connected, the annual water demand at buildout is projected to total 142.5 acre feet based on current average usage amounts.⁴⁹ This projected buildout demand can be adequately accommodated by NBRID given the amount would only represent 47.5 % of its supply entitlement.

Capacity

NBRID's water treatment facility was constructed in 1968 and disinfects and filters raw water conveyed from Lake Berryessa. Coagulants (poly aluminum chloride) and disinfectants (chlorine) are added and mixed as raw water is conveyed into the treatment facility's clarifier, which facilitates the sedimentation of solids. Solids are removed as water is cycled through a filter take before entering into a 30,000 gallon clearwell tank. The clearwell tank finalizes the disinfection process by allowing water to complete its necessary chlorine contact time. Finished water remains in the clearwell tank until storage levels within the distribution system require recharge.

⁴⁸ LAFCO projects there will be 381 developed lots served by NBRID by 2015.

⁴⁹ The projected buildout water demand for NBRID assumes the development/connection of the remaining 268 privately-owned lots within the District. Of this amount, 218 lots lie within Berryessa Highlands' Units One and Two. Buildout assumes the development/connection of the remaining 218 lots lying within Units One and Two would require annual water demands equal to current per lot usage requirements of 0.17 acre-feet. Buildout assumes the remaining 50 lots lying outside Units One and Two would require an annual water demand equal to twice the current per-lot average demand at 0.34 acre-feet. Usage at Lupin Shores is expected to total 17.0 acre-feet annual based on 100 equivalent users at 0.17 acre-feet per year.

The water treatment facility is designed to process up to 425 gallons per minute, resulting in a daily capacity of 612,000 gallons or 1.9 acre-feet. The current peak day demand totals 1.5 acre-feet and equals 79% of the facility's daily capacity. This capacity is also sufficient to address the projected peak day demand at the end of the timeframe of this review. However, the addition of 1.2 acre-feet in daily capacity will be needed to sufficiently accommodate the expected peak day demand at buildout based on current usage trends. A summary of the existing water treatment capacity relative to current and projected peak day demands at buildout follows.

Water Treatment Capacity and Demand in NBRID

(Source: NBRID and LAFCO)

Existing Day Capacity	Current Peak Day Demand	Buildout Peak Day Demand
1.9 Acre-Feet 612,000 Gallons	1.5 Acre-Feet 488,000 Gallons	3.1 Acre-Feet 1,018,000 Gallons

The water distribution system overlays six interconnected pressure zones ranging in elevation from 540 to 1,110 feet. Pressure is maintained by a 500,000 gallon or 1.53 acre-foot storage tank, which is located above the six zones and charges the distribution system through gravity. Recharge occurs when levels in the storage tank fall below a designated marker adjusted seasonally and is accomplished by discharging and lifting treated water from the clearwell tank into the distribution system.⁵⁰

NBRID's existing water storage capacity within the distribution system is presently operating under capacity with respect to accommodating the current peak day demand within the six interconnected pressure zones. The existing storage capacity is also sufficient to accommodate the projected peak day demand at the end of the timeframe of this review. Storage capacity, nonetheless, will need to double to accommodate projected peak day demands at buildout. A summary of the existing storage capacity relative to current and projected peak day demands at buildout are shown in the following table.

Storage Capacities Compared to Demands in NBRID

(Source: LBRID/LAFCO)

Zone	Storage Capacity	Current Users	Current Peak Day Demand	Buildout Users	Buildout Peak Day Demand
One to Six	1.53 Acre-Feet/ 500,000 Gallons	358	1.5 Acre-Feet/ 488,000 Gallons	726	3.1 Acre-Feet 1,018,000 Gallons

* The peaking factor of 8:1 applied to the projections is consistent with the current ratio.

⁵⁰ Recharge is dependent on an electric pump with a backup diesel engine that has a daily capacity of 1.9 acre-feet.

6.2 Sewer Service

A review of NBRID's sewer service is provided below with respect to availability, demand, and capacity through the timeframe of this review period.

Collection and Treatment Systems

NBRID's collection system consists of approximately 6.4 miles of sewer lines and four pump stations. All sewer lines comprise clay pipe and are 25 years or older. NBRID provides a secondary level of treatment to raw sewage as it enters the collection system through individual laterals and conveyed through a series of gravity lines, force mains, and pump stations into the District's wastewater treatment facility.



The wastewater treatment facility was constructed in 1968. Treatment begins as raw sewage is initially screened as it enters the facility before settling in an aeration basin with a holding capacity of 89,266 gallons. Solids are removed and conveyed to an adjacent digester/holding basin before their disposal at a nearby drying pond. Oxidized sewage from the aeration basin is conveyed into two rectangular clarifiers before being pumped into a finishing pond with a holding capacity of 370,000 gallons. Sewage is disinfected with chlorine in the finishing pond prior to being pumped approximately one mile for spray discharge onto four contiguous hillside fields that are collectively 60 acres in size. The spray irrigation system is pressurized by a 50,000 gallon tank.

NBRID's Collection and Treatment Systems

(Source: NBRID and LAFCO)

Collection System

Miles of Gravity Sewer Lines	5.2 Miles
Miles of Forced Sewer Lines	1.2 Miles
Percent of Sewer Lines 25 Years or Older	100%

Treatment System

Treatment Level	Secondary
Treated Storage Capacity	0.37 Million Gallons
Discharge Type	Sprayfield Irrigation/60 Acres

Capacity and Demand

NBRID's wastewater treatment facility has design daily dry-weather and wet-weather flow capacities of 113,000 and 200,000 gallons, respectively. These design treatment capacities sufficiently accommodate NBRID's current average dry-weather and wet-weather flow demands of 63,000 and 80,000 gallons. Peak day wet-weather flow totals, however, substantially exceed NBRID's design capacities by over one-third and currently total 310,000 gallons. The excessive peak day wet-weather flow totals are principally attributed to pervasive inflow/infiltration as evident by current average dry-weather flows equaling close to 100% of present daily water usage. These factors along with poor drainage at the sprayfield site have directly resulted in a series of spills beginning in

the mid 1990s leading to numerous violations and three cease and desist orders from RWQCB between 1995 and 2010. Significantly, given the repeated violations, NBRID is prohibited from adding any new sewer connections and directed to limit its average daily sewer flows to no more than 50,000 gallons; an amount the District continues to exceed. The following table summarizes NBRID's existing sewer capacities and demands.

NBRID's Daily Sewer Capacity and Current Demand Totals

(Source: NBRID and LAFCO)

Daily Dry-Weather Capacity	Daily Wet-Weather Capacity	Average Dry Weather Demand	Average Wet Weather Demand	Peak Wet Weather Demand
113,000 Gallons 0.45 Acre-Feet	200,000 Gallons 0.61 Acre-Feet	63,000 Gallons 0.19 Acre-Feet	80,000 Gallons 0.25 Acre-Feet	310,000 Gallons 0.95 Acre-Feet

* Due to repeated spills, NBRID is currently under a Cease and Desist Order from RWQCB to limit its average daily sewer flows to no more than 50,000 gallons or 0.15 acre-feet.

In terms projecting future demands in the timeframe of this review, it is reasonable to assume average dry-weather sewer flows will continue to equal projected water usage one-to-one in NBRID unless significant improvements are made to the collection system. It is also reasonable to assume average wet-weather flows will continue to equal 127% of average dry-weather flows. If these assumptions prove accurate, NBRID will experience decreases in sewer flows consistent with projected water consumption through 2013. Accordingly, based on design, NBRID will continue to experience a short-term capacity shortfall in accommodating projected peak-day wet weather flows for the next two years. NBRID is also expected to generate average dry day and wet day flows in excess of the 50,000 gallon daily limit required by RWQCB for the next three years as reflected in the following table.

Projected Sewer Demands in NBRID Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	363	367	372	376	381
Daily Dry-Weather Flow	53,000	44,500	37,400	37,300	37,700
Daily Dry-Weather Capacity	113,000	113,000	113,000	113,000	113,000
Capacity Difference	60,000	69,000	75,600	75,700	75,300
Daily Wet-Weather Flow	67,300	56,500	47,500	47,400	47,900
Daily Wet-Weather Capacity	200,000	200,000	200,000	200,000	200,000
Capacity Difference	132,700	143,500	152,500	152,600	152,100
Peak Day Wet-Weather Flow	262,500	220,400	185,300	184,900	186,800
Daily Wet-Weather Capacity	200,000	200,000	200,000	200,000	200,000
Capacity Difference	(62,500)	(20,400)	14,700	15,100	13,200

* Amounts are shown in gallons

* Projections assume a baseline in which inflow and infiltration flows will reflect current percentages

* Users represent individual lots connected to the sewer system

As discussed in the preceding section on water, buildout in NBRID is expected to involve the development of the remaining 267 privately-owned lots already in the District, but not connected to the sewer system. Buildout is also anticipated to involve the opening of Lupin Shores Resort with demands equivalent to 100 lots or users. If these assumptions prove accurate, and all new development connects with usage similar to current demands, the daily average dry-weather and wet-weather flows would increase to 126,000 and 160,000 gallons, respectively. These projected demands could be accommodated based on existing design capacities. The expected peak day wet-weather flow – in the absence of significant improvements to the collection system – nonetheless would increase to 624,000 gallons and exceed existing capacity over three to one.

7.0 Financial

7.1 Audited Assets, Liabilities, and Equity

NBRID's financial statements are prepared by the County Auditor-Controller and included in its annual report at the conclusion of each fiscal year. The most recent issued report was prepared for the 2009-2010 fiscal year and includes audited financial statements identifying NBRID's total assets, liabilities, and equity as of June 30, 2010. These audited financial statements provide quantitative measurements in assessing NBRID's short and long-term fiscal health and are summarized below.

Assets

NBRID's assets at the end of the fiscal year totaled \$0.85 million. Assets classified as current, with the expectation they could be liquidated into currency within a year, represented slightly more than 43% of the total amount with two-thirds tied to cash investments.⁵¹ Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable structures.⁵²

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Assets	0.295	0.155	0.105	0.097	0.361
Non-Current Assets	0.612	0.579	0.553	0.514	0.487
Total Assets	\$0.907	\$0.734	\$0.658	\$0.611	\$0.848

Liabilities

NBRID's liabilities at the end of the fiscal year totaled \$0.94 million. Current liabilities representing obligations owed within a year accounted for the majority of the total amount and are primarily tied to debt obligations owed to the County due within the upcoming year. NBRID's non-current liabilities representing long-term obligations are tied to additional loans payable to the County.

⁵¹ Current assets totaled \$0.361 million and include cash investments (\$0.273 million), taxes receivable (\$0.018 million), accounts receivable (\$0.053 million), and assessments receivable (\$0.016 million).

⁵² Non-current assets totaled \$0.487 million and include land (\$0.044 million), structures and improvements (\$1.718 million), and equipment (\$0.126 million) minus accumulated depreciation (\$1.401 million).

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Liabilities	0.042	0.070	0.533	0.529	0.547
Non-Current Liabilities	0.000	0.000	0.000	0.000	0.395
Total Liabilities	\$0.042	\$0.070	\$0.533	\$0.529	\$0.942

Equity/Net Assets

NBRID's equity, or net assets, at the end of the fiscal year totaled (\$0.09 million) and represents the difference between NBRID's total assets and total liabilities. Markedly, the end of year equity amount incorporates (\$0.58) million in unrestricted funds. This negative unrestricted fund balance is attributed to recurring net operating losses with the 2009-2010 fiscal year totaling (\$0.18) million.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Capital Asset Funds	0.612	0.579	0.553	0.514	0.487
Restricted Funds	0.000	0.000	0.000	0.000	0.000
Unrestricted Funds	0.253	0.085	(0.428)	(0.433)	(0.581)
Total Equity	\$0.865	\$0.664	\$0.125	\$0.081	(\$0.094)
Change	(\$0.008)	(\$0.201)	(\$0.539)	(\$0.043)	(\$0.175)

NBRID's financial statements for 2009-2010 reflect the District experienced a significant negative change in its fiscal standing as its overall equity, or fund balance, decreased by over two-fold from \$0.08 to (\$0.09 million). The financial statements also reflect NBRID's unrestricted fund balance has further fallen by 330% over the last five audited fiscal years from \$0.25 to (\$0.58 million). This decrease in the unrestricted fund balance has been attributed to recurring and escalating net income losses beginning in 2006-2007 totaling \$0.96 million. No significant deficiencies or material weaknesses were identified with respect to NBRID's financial statements.

2009-10 Financial Statements

Assets	\$0.848 million
Liabilities	\$0.942 million
Equity	(\$0.094 million)

Calculations performed assessing NBRID's liquidity, capital, and profitability for 2009-2010 indicate the District finished the fiscal year with marginally adequate resources to meet short-term operational costs with significant uncertainties regarding its long-term solvency. In particular, NBRID finished with low liquidity as measured by current liabilities exceeding current assets by close to one-half. NBRID did finish with cash reserves sufficient to cover 141 days of operating expenses, but this measurement is misleading given the majority of available cash was tied to a loan from the County. Additionally, along with finishing with long-term debt equal to nearly half of its net assets, NBRID's operating expenses exceeded operating revenues by one-half.⁵³ An expanded discussion on revenues-to-expenses is provided in the following section.

⁵³ NBRID's operating margin as of June 30, 2010 was (0.46).

7.2 Revenue and Expense Trends

A review of NBRID's audited revenues and expenses identifies the District has finished each of the last five fiscal years with negative end-of-year balances. The 2007-2008 year marked the largest end-of-year shortfall at \$0.54 million during this period and is primarily tied to a sharp increase in service expenses tied to NBRID contracting with HydroScience Engineers to provide design services for capital improvements and assist with regulatory reporting requirements. An expanded review of NBRID's audited end-of-year revenues and expenses within its two fund categories follows.

Fund Category	2005-06	2006-07	2007-08	2008-09	2009-10
Operations					
Revenues	676,043	389,059	627,018	619,520	519,467
Expenses	(709,907)	(657,015)	(1,232,966)	(725,094)	(758,134)
Non-Operations					
Revenues	26,041	67,097	72,072	74,857	70,991
Expenses	0	0	(5,459)	(12,686)	(7,705)
	(\$7,823)	(\$200,859)	(\$539,335)	(\$43,403)	(\$175,381)

* All information reflects audited financial statements in CAFRs and based on GAAP accrual basis accounting

7.3 Current Budget

NBRID's adopted amended budget for 2010-2011 totals \$1.49 million. This amount represents NBRID's total approved expenses or appropriations for the fiscal year within its lone budget unit: operations. An expanded review of expenses and revenues follows.

Operations

NBRID's operations budget unit supports basic District water and sewer activities. Approved expenses total \$1.49 million with 55% of the apportionment dedicated to services and supplies with the majority of costs tied to performing general maintenance and repair for the water and sewer systems. Approved expenses also include \$0.13 million to Lescure Engineers to provide supplemental staff support services as well as County administrative costs. Estimated revenues are projected at \$1.30 million with service charges with 54% of the proceeds expected to be generated from usage and availability charges. A new \$0.47 million loan from the County is also budgeted for the fiscal year.

2010-11 Adopted Operations	
Revenues	\$1.30 million
Expenses	\$1.49 million
Difference	(\$0.19 million)
Beginning Balance	\$0.29 million
Est. Ending Balance	\$0.12 million

In absence of an unexpected positive net revenue total, NBRID is expected to experience a \$0.19 million operating shortfall in 2010-2011. This operating shortfall would further draw down its budgeted unrestricted fund balance from \$0.29 million to \$0.12 million (rounded). (This budgeted amount incorporates \$474,000 in earlier loans from the County provided over the last several years to provide emergency cash flow.) Additionally, due to the projected shortfall, no operating contingencies have been budgeted for the fiscal year.

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C. Spanish Flat Water District

1.0 Overview

SFWD was formed in 1963 to provide municipal sewer and water services in support of existing and planned development in Spanish Flat, an unincorporated community located along the western shoreline of Lake Berryessa. This included SFWD assuming water and sewer responsibilities for an existing shopping center and mobile home court that had been developed a few years earlier in conjunction with the construction of a nearby recreational resort under contract with USBR. SFWD also assumed water and sewer responsibilities for expected new development in the area, which was to include, among others uses, 1,100 residential units. Actual new development, however, has been primarily limited to date to the construction of a 53-lot residential subdivision known as the “Woodlands.” SFWD has also subsequently assumed water and sewer responsibilities for a distinct second service area known as “Berryessa Pines,” which comprises a 99-lot residential subdivision located approximately seven miles north of Spanish Flat.

SFWD currently has an estimated resident service population of 401.⁵⁴ SFWD is an independent special district governed by an elected five-member board of directors consisting of local landowners.

Spanish Flat Water District	
Date Formed:	1963
District Type:	Independent
Resident Population:	401
Services Provided:	Sewer/Water

2.0 Formation and Development

2.1 Formation Proceedings

SFWD’s formation was petitioned by local landowners to provide municipal water and sewer services for existing and planned development within the Spanish Flat area. Existing development in the area at the time was limited to a small number of single-family residences, a 48-space mobile home court (Spanish Flat Mobile Villa), public cemetery (Monticello), and two public maintenance facility yards owned by the State of California and the County. A commercial shopping center had also been recently constructed in conjunction with the development of the adjacent Spanish Flat Resort; one of seven original concessionaire sites contracted by USBR to provide public recreational and commercial services at Lake Berryessa. New development for the area was expected to include a range of seasonal recreational and residential uses consistent with other planned projects along the Lake Berryessa shoreline. Formation proceedings were approved by the Commission in September 1963 and confirmed by voters in November 1963.

⁵⁴ Population estimate includes one residence served by SFWD but located immediately outside its jurisdictional boundary and adjacent to the Berryessa Pines subdivision.

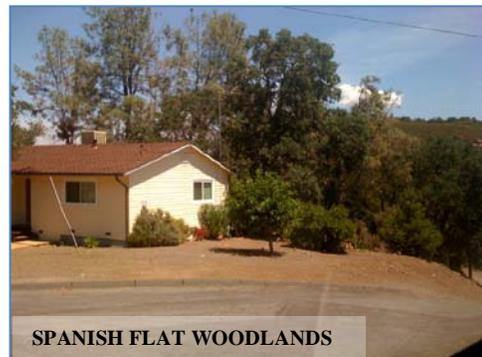
2.2 Initial Development and Activities

Application materials associated with SFWD's formation proceedings indicate petitioners anticipated the development of an additional 1,100 residential units within the District. New development was expected to be concentrated within SFWD's eastern jurisdictional boundary and commenced in late 1964 with the construction of the 53-lot Woodlands residential subdivision. During this time, SFWD authorized \$0.24 million in general obligation bonds to finance the purchase and expansion of the private water and sewer systems that had been previously constructed and operated in the area by the Spanish Flat Mutual Water Company and Spanish Flat Incorporated, respectively. This included installing water and sewer lateral connections for all 53 lots in the Woodlands subdivision. It was also during this time SFWD entered into an informal agreement with NCFWCD for an annual raw water entitlement of 200 acre-feet from Lake Berryessa. The water supply agreement was formalized in 1975 and currently extends through 2024.



**SPANISH FLAT
VILLAGE CENTER**

Additional development and activities within SFWD following the construction of the Woodlands subdivision remained stagnant through the early 1970s as other planned projects anticipated at the time of the District's formation failed to materialize. It was not until 1976 when SFWD experienced its first significant service expansion with the annexation of the adjacent Spanish Flat Resort, an approximate 225 acre site developed in the late 1950s in partnership with the USBR to provide public recreational and commercial services along Lake Berryessa. Annexation was sought by Spanish Flat Resort to connect to SFWD's water system for purposes of receiving potable supplies after the site's private treatment system proved inadequate to meet growing demands; sewer service at the site remained private.



SPANISH FLAT WOODLANDS

In 1977, SFWD established a second distinct service area with the annexation of the 99-lot Berryessa Pines residential subdivision. The annexation was petitioned by Berryessa Pines' landowners in order for SFWD to assume water and sewer service responsibilities as part of the sale of the pre-existing provider, Berryessa Water Company, to the District. Water supplies for the 32 acre subdivision, which was



BERRYESSA PINES

constructed in 1959, were drawn from local wells and springs. These supply sources, however, had become increasingly taxed by the mid 1970s as shortages began occurring during summer months. The County responded to the shortages by issuing a moratorium on new water service connections. This moratorium restricted development within the

planned 99-lot subdivision by limiting the number of permitted water service connections to 50 pending the development of additional supplies. The moratorium was eventually lifted by the County following SFWD’s annexation of the subdivision and construction of an intake system to Lake Berryessa, which was financed by a voter-approved special assessment as part of a capital improvement program for Berryessa Pines.

2.3 Recent Development and Activities

Recent activities undertaken by SFWD have focused on making needed infrastructure improvements to both of its water and sewer systems serving the Spanish Flat and Berryessa Pines service areas. This includes constructing new water treatment plants for both service areas within the last few years at a combined cost of approximately \$1.5 million. Financing for these two projects were primarily drawn from grants (\$1.1 million) and loans (\$0.27 million) from the State with the latter secured from a special user fee approved by voters in February 2005.⁵⁵

Timeline of Events	
1963	.SFWD formed to provide water/sewer to Spanish Flat
1965	.....SFWD purchases private water/ sewer systems
1966	.....Woodlands subdivision completed
1976	.....SFWD annexes Spanish Flat Resort
1977	.....SFWD annexes Berryessa Pines subdivision
2005	.....Voters approved new assessment districts
2007	.....SFWD completes new water treatment plants
2008	.....Spanish Flat Resort closes for redevelopment

3.0 Adopted Commission Boundaries

3.1 Jurisdictional Boundary

SFWD’s jurisdictional boundary is approximately 1.9 square miles or 1,185 acres in size and comprises four non-contiguous areas highlighted by Spanish Flat and Berryessa Pines. In all, there are approximately 190 parcels lying within SFWD with an overall assessed value of \$32.3 million. A review of the database maintained by the County Assessor’s Office indicates less than two-thirds of the total number of parcels have been developed as measured by the assignment of situs addresses.⁵⁶

The Commission has approved and recorded three changes to SFWD’s jurisdictional boundary since formation, all involving annexations. The first annexation was in 1965 and involved the addition of approximately 170 acres of non-contiguous land along Berryessa-Knoxville Road near the Rancho Monticello Resort. The annexation was intended to provide water and sewer services to an approved 800-lot residential subdivision with various commercial accommodations. The developers, however, cancelled the project and the site remains vacant. The second annexation was in 1976 and involved the addition of the adjacent Spanish Flat Resort for purposes of providing potable water supplies to the site. The third and final annexation was in 1977 and involved the addition of the non-adjacent Berryessa Pines subdivision.

⁵⁵ The loans from the State of California total \$176,867 for Spanish Flat and \$96,146 for Berryessa Pines. All metered water connections within SFWD are charged \$8.15 per month as part of the special user fee approved by voters in 2005. The special user fee runs through May 2025.

⁵⁶ Developed assessor parcels with situs addresses in SFWD represent only 13% of the total land acres within the District.

Jurisdictional Characteristics in SFWD

(Source: LAFCO)

Total Acreage.....	1,185
Acreage Tied to Existing Development.....	13%
Total Assessor Parcels.....	186
Predominant Zoning.....	Agricultural Watershed Residential Single: B-1 Commercial Neighborhood
Assessed Value.....	\$32.3 Million
Assessed Value/Acre.....	\$27,257
Registered Voters.....	135

3.2 Sphere of Influence

The Commission adopted SFWD’s sphere in 1976 to include its entire jurisdictional boundary along with the adjacent Spanish Flat Resort in anticipation of the site’s annexation to the District as depicted in Figure Four. The Commission has approved two applicant-requested amendments to the sphere since its establishment. The first amendment was approved in 1978 as part of the concurrent annexation of Berryessa Pines. The second amendment was approved in 1992 and involved the addition of a recreational storage facility north of Berryessa Pines along Berryessa Knoxville Road.⁵⁷

FIGURE FOUR



The Commission updated SFWD’s sphere with no changes in 2007 as part of a comprehensive review. Importantly, the review noted changes may be appropriate to include nearby lands designated for urban use or currently used as public recreational sites. The review ultimately concluded, however, it would be appropriate to defer considering any sphere changes until an evaluation of potential reorganization options for the entire region is completed.

In terms of current dimensions, SFWD’s sphere encompasses 2.1 square miles or 1,334 acres. This amount means there are 149 total jurisdictional acres encompassing five parcels in SFWD lying within its sphere and eligible for annexation.

⁵⁷ The recreational storage facility remains outside SFWD’s jurisdictional boundary.

4.0 Population and Growth

4.1 Residential Trends

Residential uses comprise the majority of development within SFWD's two service areas and currently include 167 total residential units with an estimated population of 401. All existing units receive water from SFWD with nearly nine-tenths also receiving sewer from the District. Berryessa Pines is the smaller of the two service areas with 78 residential units comprised entirely of single-family homes with a projected population of 200.⁵⁸ Spanish Flat's projected population is 201, which is divided between 41 single-family homes and a 48-space mobile home park.⁵⁹

Residential Development	
Berryessa Pines	78 Units
Spanish Flat	89 Units
Population:	401

SFWD has experienced an overall positive residential growth rate over the last five years as the District's estimated population has increased from 389 to 401. The new growth is tied to the construction and occupancy of five new single-family residences within Berryessa Pines and Spanish Flat. The development of these new residences has increased SFWD's overall resident population by 12, or 3.08%, since 2006. The increase represents a 0.62% annual rise and is 1.51 times the population growth rate in the remaining unincorporated area.

Past and Present Population Estimates in SFWD

(Source: LAFCO)

Population	2006	2007	2008	2009	2010
Berryessa Pines	198	200	200	203	200
Spanish Flat	191	194	194	201	201
SFWD Total	389	394	394	404	401
% Increase From Prior Year	--	1.3%	0.0%	2.5%	(0.1%)
Remaining Unincorporated Area	27,678	27,714	28,338	28,310	28,252
% Increase From Prior Year	--	0.1%	2.3%	(0.1%)	(0.2%)

It is reasonable to assume SFWD will continue to experience an overall population increase within the timeframe of this review albeit at a slightly decreased annual rate from 0.62% to 0.60%. This projected annual growth rate incorporates an adjustment to the estimates prepared by ABAG and assumes the population within SFWD will continue to outpace the remaining unincorporated area 1.51 to 1 consistent with recent percentage totals.⁶⁰ It is assumed all new population growth will be directly tied to developing the 35 remaining vacant and/or unserved lots in the Berryessa Pines (23) and Woodlands' (12) subdivisions. The following chart incorporates these assumptions in projecting SFWD's future population.

⁵⁸ One residence served by SFWD within the Berryessa Pines service area lies outside its jurisdictional boundary at 7100 Berryessa Knoxville Road.

⁵⁹ Population estimates assumes 2.57 residents for each single-family residence consistent with projections issued by the Department of Finance and 2.00 residents for each mobile home unit consistent with past LAFCO practice.

⁶⁰ The adjustment reflects SFWD's population increase over the remaining unincorporated area of 1.51:1 since 2006. (Specific adjustment involves multiplying ABAG's projected growth rate for the unincorporated area (0.4%) by 1.51.)

Future Population Projections in SFWD

(Source: LAFCO)

Category	2011	2012	2013	2014	2015
Berryessa Pines	200	201	201	202	202
Spanish Flat	203	204	206	208	210
SFWD Total	403	405	407	410	412

* Assumes an overall uniform annual growth rate of 0.60% in SFWD. Assumption also incorporates annual growth rates within the Berryessa Pines and Spanish Flat service areas at 0.20% and 1.05%, respectively.

4.2 Non-Residential Trends

Non-residential uses within SFWD are limited to the Spanish Flat service area with eight current metered water and sewer connections located on or near Spanish Flat Loop Road. The majority of the metered water and sewer connections serve the Spanish Flat Village Center, a multi-space retail site that presently includes a convenience market, restaurant, museum, antique store, a postal box kiosk, and realty office. The remaining metered water and sewer connections serve a boat storage facility, community senior center, and the Spanish Flat Mobile Villa Park.

Additional non-residential uses in SFWD are expected within the timeframe of this review. This expectation is specifically tied to the planned redevelopment of the Spanish Flat Resort site, which closed in 2008 in conjunction with USBR entering into new concessionaire agreements for all seven resort sites along Lake Berryessa's shoreline. Notably, prior to its closure, the Spanish Flat Resort provided a range of seasonal residential, recreational, and limited commercial uses. These previous uses resulted in an annual water demand from SFWD equivalent to 221 residential units and represented on average one-fifth of the District's annual operating revenues. A new concessionaire was contracted by USBR in 2010 to redevelop and operate the Spanish Flat Resort site, which is to be now known as the Foothill Pines Resort and open no later than 2020. No specific redevelopment plans, however, have been prepared at this time.

County zoning regulations significantly limit other potential non-residential uses in SFWD's two service areas. Exceptions include three separate legal parcels presently zoned *Marine Commercial* that are already located within SFWD's sphere of influence and eligible for annexation. All three parcels have been developed consistent with their zoning regulations to include recreational vehicle and boat storage facilities and would not be expected to have significant service demands on SFWD if annexed and connected to the District's water and sewer systems.

5.0 Organizational Structure

5.1 Governance

SFWD operates independently under California Water Code Sections 34000-38501, which is known as the "California Water District Law." The law was enacted in 1951 for purposes of providing landowners an alternate method to establish, fund, and operate public water, sewer, and drainage services in support of both urban and non-urban uses.

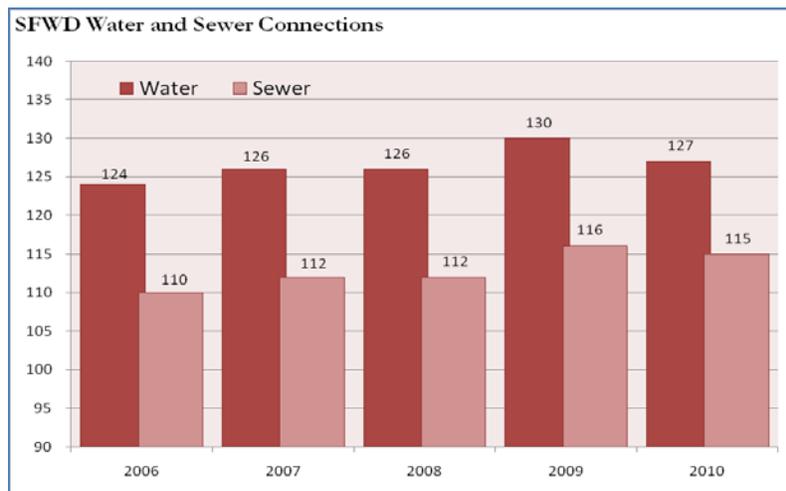
SFWD provides only water and sewer services and is governed by a five member board of directors serving staggered four-year terms. Directors must be a landowner within SFWD or their legal representative. Elections are based on a landowner-voter system, which provides each landowner one vote for each dollar that his or her property is assessed.^{61,62} SFWD meetings are scheduled once a month on the second Thursdays at the District's office located at 4340 Spanish Flat Loop Road.

5.2 Administration

SFWD's administration is the collective responsibility of 2.5 full-time equivalent employees. A senior plant operator and maintenance worker are full-time positions and manage SFWD's water and sewer systems. Both employees are SFWD residents and are on-call at all times to respond to reported emergencies. A part-time office manager is also employed to respond to constituent inquiries as well as perform billing and payroll services. SFWD also regularly contracts with outside consultants to provide operational support as needed. Legal services are provided by contract from the County of Napa Counsel's Office.

6.0 Municipal Services

SFWD directly provides water and sewer services within its Berryessa Pines and Spanish Flat service areas. The number of metered water connections currently exceeds sewer connections 127 to 115. All connections are located within SFWD's existing jurisdictional boundary with the exception of one outside water/sewer user located adjacent to the Berryessa Pines subdivision.⁶³ SFWD has experienced moderate increases in both its water and sewer connections over the last five years at 2.4% and 4.5%, respectively, as depicted in the following chart.



⁶¹ A separate election system applies for protest votes tied to Proposition 218.

⁶² The County reports there are currently 135 registered voters residing in SFWD.

⁶³ The lone outside SFWD service connection belongs to 7020 Berryessa Knoxville Road. This residence receives both water and sewer services from SFWD.

6.1 Water Service

A review of SFWD's water service is provided below with respect to availability, demand, and capacity through the timeframe of this review period.

Supply

SFWD's water supply for use within both the Berryessa Pines and Spanish Flat service areas is entirely drawn from Lake Berryessa and secured through an agreement with NCFWCWD. This agreement was initially entered into 1965 and most recently amended in 1999 to provide SFWD an annual entitlement of 200 acre-feet of raw water through 2024; an amount to be divided between the two service areas.⁶⁴ Raw water from Lake Berryessa is captured from separate stationary intake systems serving each service area. Both intake systems are powered by dual pump systems with daily conveyance capacities of 0.5 acre-feet at Berryessa Pines and 1.1 acre-feet at Spanish Flat.

The full delivery of SFWD's entitlement is considered reliable given the current and historical storage levels at Lake Berryessa relative to the location of the intake systems. The supply entitlement also appears more than sufficient to accommodate current as well as projected demands in SFWD's Berryessa Pines and Spanish Flat service areas within the timeframe of this review, which have been calculated by staff to total 16.6 and 35.7 acre-feet, respectively, by 2015. Buildout demands within both service areas are addressed in the succeeding section.

Demand

Berryessa Pines

SFWD's total water demand within its Berryessa Pines service area in 2009-2010 equaled approximately 21.0 acre-feet. This amount represents an average daily demand of nearly 0.06 acre-feet or 18,750 gallons. The Berryessa Pines service area has experienced an approximately one-quarter decline in usage despite corresponding population increases within the service area. The decline appears to be attributed to conservation efforts partially motivated by increases in user rates. The current peak day water demand equals 0.17 acre-feet and is three times the daily average.⁶⁵

Recent and Current Water Demands in Berryessa Pines

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Average Day Demand/Total	0.07	0.08	0.08	0.07	0.06
Average Day Demand/User	0.00097	0.00102	0.00100	0.00087	0.00073
Annual Demand	27.3	29.0	28.5	25.1	21.0
% of Supply	13.6%	14.5%	14.3%	12.6%	10.5%

* All amounts in acre-feet

* Users within the Berryessa Pines service area represent individual lots connected to the system

⁶⁴ The agreement allows SFWD to purchase an additional 20 percent or 40 acre-feet of annual entitlement.

⁶⁵ The peak day water demand was recorded in August 2010.

Projecting future water demands within the Berryessa Pines service area is challenging given the contrast in which usage has decreased by 23% despite a 1.0% increase in population over the previous five years. In the absence of new inputs, such as changes in usage rates or conservation habits, water demand projections incorporated in this review assume this trend will continue over the next five year period as adjusted to accommodate anticipated new development as outlined earlier.⁶⁶ These assumptions result in a projected annual water demand in the Berryessa Pines service area totaling 16.6 acre-feet by 2015 as reflected in the following table.

Projected Water Demands in Berryessa Pines Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	78	78	79	79	79
User Annual Demand	0.25	0.24	0.23	0.22	0.21
Total Annual Demand	19.8	18.9	18.3	17.4	16.6
% of Supply	9.9	9.4	9.2	8.7	8.3

* All amounts in acre-feet and assume an annual decrease per user of 4.6%

* Users within the Berryessa Pines service area represent individual lots connected to the system

The buildout of the Berryessa Pines service area would involve the development of an additional 23 lots already within SFWD, but not connected to the District's water system. Assuming all 23 new lots would be connected, the annual water demand at buildout would total 26.9 acre-feet based on current average usage amounts. This projected buildout demand within Berryessa Pines coupled with the projected buildout demand in Spanish Flat can be adequately accommodated by SFWD given the combined amount would only represent 84% of the District's available supply.

Spanish Flat

SFWD's total water demand within its Spanish Flat service area in 2009-2010 equaled approximately 38.0 acre-feet. This amount represents an average daily demand of nearly 0.10 acre-feet or 34,000 gallons. The Spanish Flat service area experienced close to a one-half decrease over the last five years and is attributed to the closure of the Spanish Flat Resort in 2008.⁶⁷ The peak day water demand in 2009-2010 totaled 0.31 acre-feet and was over three times the daily average.⁶⁸

Recent and Current Water Demands in Spanish Flat

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Average Day Demand/Total	0.19	0.19	0.18	0.22	0.10
Average Day Demand/User	0.00201	0.00202	0.00188	0.00222	0.00108
Annual Demand	68.9	69.9	65.1	79.5	38.0
% of Supply	34.5%	35.0%	32.6%	39.8%	19.0%

* All amounts in acre-feet

* Users within the Spanish Flat service area represent total number of customers defined by LAFCO staff to include all single-family residences, commercial sites, and mobile home units.

* Spanish Flat Resort Closed in June 2008; unattended waterline breaks in the vacated site are attributed with the excessive water uses totaled for 2008-2009.

⁶⁶ Maintaining minimum demand requirements (100 daily gallons per lot/user) are not factored into the projections given the current per lot/usage demand is relatively high at 237.5 gallons per day in the Berryessa Pines service area.

⁶⁷ Despite closing in June 2008, the Spanish Flat Resort remained connected to SFWD throughout 2008-2009. Unattended waterline breaks during this period attribute to the spike in overall demand identified for the fiscal year. SFWD staff reports it was unable to gain access to the site to address the line breaks in a timely manner.

⁶⁸ The peak day water demand was recorded in July 2010.

Similar to the Berryessa Pines service area, projecting future water demands within the Spanish Flat service area is challenging given the contrast in which usage has decreased despite an increase in the population over the last five year period. Notably, usage had decreased by 5.5% in the three years immediately prior to the Spanish Flat Resort's recent closure while the population had increased by 1.5%. In the absence of new inputs, such as changes in usage rates or conservation habits, water demand projections incorporated in this review assume this pre-closure trend in usage will continue over the next five year period as adjusted to accommodate anticipated new development as outlined earlier.⁶⁹ These assumptions produce a projected annual water demand totaling 35.7 acre-feet by 2015 as reflected in the following table.

Projected Water Demands in Spanish Flat Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	96	96	97	97	98
User Annual Demand	0.39	0.39	0.38	0.37	0.36
Total Annual Demand	37.6	37.3	36.7	36.4	35.7
% of Supply	18.8	18.6	18.3	18.2	17.9

* All amounts in acre-feet and assume an annual decrease per user of 1.8%

* Users within the Spanish Flat service area represent total number of customers defined by LAFCO staff to include all single-family residences, commercial sites, and mobile home units.

The buildout of the Spanish Flat service area would involve the development of the remaining 39 lots already within SFWD, but not connected to the District's water system. Buildout would also involve the opening of the Foothill Pines Resort with uses presumably similar to the previous Spanish Flat Resort operations equaling the equivalent of 221 users. The development of the remaining 39 lots along with the opening of Foothill Pines Resort is expected to result in an annual water demand totaling up to 140.9 acre-feet. This projected buildout demand within Spanish Flat coupled with the projected buildout demand in Berryessa Pines can be adequately accommodated by SFWD given the combined amount would only represent 84% of the available supply.

Capacity

Berryessa Pines

SFWD's Berryessa Pines water treatment facility was constructed in 2007 and disinfects and filters raw water conveyed from Lake Berryessa. Coagulants (brenfloc) and disinfectants (hypochloride) are added and mixed as raw water is conveyed through the treatment facility's pressurized sand filters. Solids are separated and suspended from the treatment process and discharged into an adjacent sludge pond. Filtered water is conveyed to an onsite 1,800 gallon clearwell tank to complete the disinfection process by allowing the water its necessary contact time with chlorine. Finished water remains in the tank until storage levels in the distribution system require recharge. The facility is designed to process up to 100 gallons per minute resulting in a



⁶⁹ Maintaining minimum demand requirements (100 daily gallons per lot/user) are not factored into the projections given the current per lot/usage demand is relatively high at 349.8 gallons per day in the Spanish Flat service area.

daily capacity of 144,000 gallons or 0.44 acre-feet. The current peak day demand totals 0.17 acre-feet and equals only 38.6 % of the facility's daily capacity. The projected peak day demand at buildout is expected to total 0.22 acre-feet and can be accommodated by the facility's existing daily capacity without any further expansions. A summary of the existing treatment capacity relative to current and buildout peak day demands follows.

Water Treatment Capacity and Demand in Berryessa Pines

(Source: SFWD and LAFCO)

Existing Day Capacity	Current Peak Day Demand	Projected Peak Day Demand at Buildout
0.44 Acre-Feet 144,000 Gallons	0.17 Acre-Feet 55,400 Gallons	0.22 Acre-Feet 72,000 Gallons

The distribution system comprises one contiguous pressure zone serving all current 78 users within the Berryessa Pines service area. Topography requires finished water in the treatment facility's adjacent 1,800 gallon clearwell tank be lifted through a single electric pump to recharge the distribution system when levels within the pressure zone's 100,000 gallon or 0.31 acre-foot storage tank fall below a designated operating level.⁷⁰ The existing storage capacity within the distribution system is presently operating with excess capacity with respect to accommodating the current peak day demand. The existing storage capacity is also sufficient to accommodate the projected peak day demand within the service area at buildout. A summary of the existing storage capacity relative to current and projected peak day demands at buildout follows.

Storage Capacity Compared to Peak Day Demands in the Berryessa Pines Service Area

(Source: LAFCO/SFWD)

Zone	Storage Capacity	Current Users	Current Peak Day Demand	Buildout Users	Buildout Peak Day Demand
One	0.31 Acre-Feet/ 100,000 Gallons	78	0.17 Acre-Feet/ 55,400 Gallons	101	0.22 Acre-Feet/ 72,000 Gallons

Spanish Flat

SFWD's water treatment facility serving the Spanish Flat service area was constructed in 2007 and disinfects and filters raw water conveyed from Lake Berryessa. Coagulants (brenfloc) and disinfectants (hypochloride) are added and mixed as raw water is conveyed through the treatment facility's pressurized sand filters. Solids are separated and suspended from the treatment process and discharged into an adjacent sludge pond. Filtered water is conveyed to an onsite 5,200 gallon clearwell tank to complete the disinfection process by allowing the water its necessary contact time with chlorine. Finished water remains in the tank until storage levels in the distribution system require recharge. The facility is designed to process up to 120 gallons per minute resulting in a daily capacity of 172,800 gallons or 0.53 acre-feet. The current peak day demand totals 0.31 acre-feet and equals 58.5% of the facility's daily capacity. The projected peak day demand at buildout, however, would exceed the current capacity by more than double; a projection assuming development of Foothill Pines Resort to include 221 equivalent

⁷⁰ The maximum daily pump capacity at the clearwell tank is 86,400 gallons or 0.26 acre-feet.

units. A summary of the existing treatment capacity relative to current and buildout peak day demands follows.

Water Treatment Capacity and Demand in the Spanish Flat Service Area

(Source: SFWD and LAFCO)

Existing Day Capacity	Current Peak Day Demand	Projected Peak Day Demand at Buildout
0.53 Acre-Feet 172,800 Gallons	0.31 Acre-Feet 100,000 Gallons	1.15 Acre-Feet 375,000 Gallons

The distribution system serving the Spanish Flat service area comprises three independent pressure zones that are each maintained by storage tanks totaling six. The distribution system operates on a supply and demand basis and responds to storage levels at the Spanish Flat service area's main pressure zone. The main pressure zone currently serves approximately three-fourths of the customer base and is maintained by two storage tanks with a combined holding capacity of 72,000 gallons or 0.22 acre-feet. Treated water is discharged from the clearwell tank and pumped into the main pressure zone when storage levels fall below a designated marker adjusted seasonally.⁷¹ The second pressure zone comprises the remaining one-quarter of current customers located along Sugar Loaf Road in the Woodlands subdivision and includes two storage tanks with a combined holding capacity of 48,000 gallons or 0.15 acre-feet.⁷² The third pressure zone is automatically recharged through the main zone given its lower topography and serves the Foothill Pines Resort, which is currently closed pending the site's expected redevelopment. These existing storage capacities within the distribution system are presently operating at or over capacity with respect to accommodating the current peak day demand. The peak day demand within the service area at buildout, which would include the redevelopment of the Foothill Pines Resort, would significantly exceed existing storage capacities for two of the three pressure zones and require the overall addition of 266,000 gallons or 0.82 acre-feet of storage. A summary of existing storage capacities relative to current and projected peak day demands at buildout follows.

Storage Capacities Compared to Demands in Spanish Flat

(Source: SFWD/LAFCO)

Zone	Storage Capacity	Current Users	Current Peak Day Demand	Buildout Users	Projected Buildout Peak Day Demand
One	0.22 Acre-Feet/ 72,000 Gallons	84	0.23 Acre-Feet/ 75,000 Gallons	123	0.40 Acre-Feet/ 130,000 Gallons
Two	0.07 Acre-Feet/ 24,000 Gallons	12	0.08 Acre-Feet/ 25,000 Gallons	12	0.08 Acre-Feet/ 25,000 Gallons
Three	0.07 Acre-Feet/ 24,000 Gallons	0	0.0 Acre-Feet/ 0 Gallons	221	0.71 Acre-Feet/ 232,000 Gallons
	0.36 Acre-Feet	96	0.31 Acre-Feet	356	1.15 Acre-Feet

** It is assumed the distribution of additional connections/users will be limited to Zone One and Zone Three. Projected peak day demands at buildout have been calculated by extrapolating the current daily demand per user multiplied by the present peak day factor of 2.98 to one.*

⁷¹ The maximum daily pump capacity conveying water into the main pressure zone is 358,500 gallons or 1.1 acre-feet.

⁷² The maximum daily pump capacity conveying water into the second pressure zone is 24,000 gallons or 0.07 acre-feet.

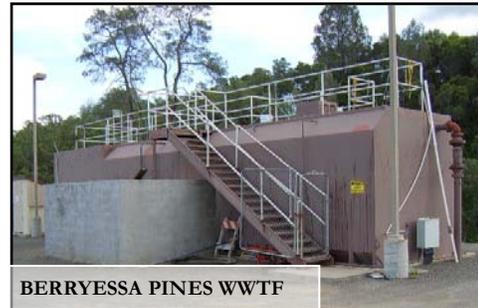
6.2 Sewer Service

A review of SFWD’s sewer service is provided below with respect to availability, demand, and capacity through the timeframe of this review period.

Collection and Treatment Systems

Berryessa Pines

SFWD’s Berryessa Pines collection system consists of approximately 10 miles of sewer lines and one pump station. The majority of the sewer lines comprise clay pipe and are 40 years of age. SFWD provides a secondary level of treatment to raw sewage as it enters Berryessa Pines’ collection system through individual laterals and conveyed through gravity lines and a pump station into the District’s wastewater treatment facility located at the eastern end of the subdivision. Actual treatment begins as raw sewage is initially screened as it enters the facility before settling in an aeration basin. Oxidized sewage from the aeration basin is pumped into two finishing ponds with a combined design holding capacity of 2.5 million gallons. Chlorine is added in the finishing ponds to complete the disinfection process.



SFWD’s Berryessa Pines Sewer Collection and Treatment Systems

(Source: SFWD and LAFCO)

Collection System

Miles of Gravity Sewer Lines	10 Miles
Miles of Forced Sewer Lines	0 Miles
Percent of Sewer Lines 25 Years or Older	95%

Treatment System

Treatment Level	Secondary
Treated Storage Capacity	2.5 Million Gallons
Discharge Type	Evaporation/Percolation Ponds

Spanish Flat

SFWD’s Spanish Flat collection system consists of approximately 16 miles of sewer lines and one pump station. The majority of the sewer lines comprise clay pipe and are 40 years of age. SFWD provides a secondary level of treatment to raw sewage as it enters Spanish Flat’s collection system through individual laterals and conveyed through a series of gravity lines, force mains, and a pump station into the District’s wastewater treatment facility located off Spanish Flat Loop Road and near the Spanish Flat Mobile Villa Park. The treatment process was updated in the 1990s and begins with raw sewage entering the facility’s aeration basin to accelerate the biological breakdown of solids before cycling



through a clarifier to remove solids before finally settling in a chlorine contact chamber. Treated wastewater is then discharged to an adjacent 4.2 million gallon holding pond with eventual disposal to two spray irrigation areas.⁷³

SFWD's Spanish Flat Sewer Collection and Treatment Systems

(Source: SFWD and LAFCO)

Collection System

Miles of Gravity Sewer Lines	15 Miles
Miles of Forced Sewer Lines	1 Mile
Percent of Sewer Lines 25 Years or Older	95%

Treatment System

Treatment Level	Secondary
Treated Storage Capacity	4.2 Million Gallons
Discharge Type	Sprayfield Irrigation/6.2 Acres

Capacity and Demand

Berryessa Pines

SFWD's wastewater treatment facility for the Berryessa Pines service area was originally constructed in 1960 and upgraded in 1980. The facility has a design daily dry-weather capacity of 14,000 gallons. This design capacity sufficiently accommodates the service area's current dry-weather sewer flow demand of 3,000 gallons. The current daily average wet-weather and peak wet-weather demand are 12,000 and 22,000 gallons, respectively. The daily wet-weather capacity is unknown as the facility was constructed and sold to SFWD by the previous provider, Berryessa Water Company, in 1977. It is reasonable, however, to assume that the facility is adequately designed to accommodate the peak day wet-weather flow of 22,000 gallons given no violations have been issued by DHS. The following table summarizes capacity and demand information.

SFWD's Daily Sewer Capacity and Current Demand in the Berryessa Pines Service Area

(Source: SFWD and LAFCO)

Daily Dry-Weather Capacity	Daily Wet-Weather Capacity	Average Dry Weather Demand	Average Wet Weather Demand	Peak Wet Weather Demand
14,000 Gallons/ 0.04 Acre-Feet	Information Unavailable	3,000 Gallons/ 0.01 Acre-Feet	12,000 Gallons/ 0.04 Acre-Feet	22,000 Gallons/ 0.07 Acre-Feet

For purposes of projecting future demands within the timeframe of this review, it is reasonable to assume existing sewer flow ratios will remain constant given no significant infrastructure improvements are anticipated within the next five year period. If this assumption proves accurate, average dry-weather sewer flows will continue to equal 16% of water demand in the Berryessa Pines service area; average wet-weather sewer flows will continue to equal four times the average dry-weather flows; and peak wet-weather flows will nearly double average the wet-weather flow.⁷⁴ Sewer flows will therefore incrementally decrease along with anticipated declines in water use and will presumably

⁷³ Spray irrigation areas include a 2.5 acre-foot field owned by SFWD and the 3.7 acre-foot Monticello Public Cemetery.

⁷⁴ The relatively low ratio between the daily average dry-weather sewer flows and daily average water consumption appears to be principally attributed to high landscaping uses within the Berryessa Pines service area.

be adequately accommodated by SFWD's existing capacities. The following table summarizes projected sewer flow demands within the service area through 2015.

Projected Sewer Demands in the Berryessa Pines Service Area Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	78	78	79	79	79
Daily Dry-Weather Flow	2,800	2,700	2,600	2,500	2,400
Daily Dry-Weather Capacity	14,000	14,000	14,000	14,000	14,000
Capacity Difference	11,200	11,300	11,400	11,500	11,600
Daily Wet-Weather Flow	11,250	10,800	10,350	10,050	9,600
Daily Wet-Weather Capacity	N/A	N/A	N/A	N/A	N/A
Capacity Difference	N/A	N/A	N/A	N/A	N/A
Peak Day Wet-Weather Flow	21,000	20,000	19,100	18,200	17,400
Peak Day Wet-Weather Capacity	N/A	N/A	N/A	N/A	N/A
Capacity Difference	N/A	N/A	N/A	N/A	N/A

* Amounts are shown in gallons

* Projections assume a baseline in which inflow and infiltration flows will reflect current percentages

* Users represent individual lots connected to the sewer system

* No information regarding design capacity during wet-weather periods is available

The buildout of the Berryessa Pines service area is expected to involve the development of the remaining 23 privately-owned lots already in the service area, but not connected to the sewer system. If this assumption proves accurate, and all new development connects with usage similar to current demands, the daily average dry-weather and wet-weather flows would increase to 3,800 and 15,400 gallons, respectively. These projected demands could be accommodated based on existing design capacities. The expected peak day wet-weather flow – in the absence of significant improvements to the collection system – nonetheless would increase to 28,100 gallons; an amount uncertain to be adequately accommodated given the uncertainty regarding the facility's design capacity.

Spanish Flat

SFWD's wastewater treatment facility for the Spanish Flat service area was constructed in 1993 and has design daily dry-weather and wet-weather flow capacities of 25,000 and 53,000 gallons, respectively. These design treatment capacities sufficiently accommodate the service area's current average dry-weather and wet-weather flow demands of 8,000 and 22,000 gallons. The peak day wet-weather flow is nearing the facility's capacity at 48,000 gallons. The following table summarizes existing sewer capacities and demands.

SFWD's Daily Sewer Capacity and Current Demand in the Spanish Flat Service Area

(Source: SFWD and LAFCO)

Daily Dry-Weather Capacity	Daily Wet-Weather Capacity	Average Dry Weather Demand	Average Wet Weather Demand	Peak Wet Weather Demand
25,000 Gallons/ 0.08 Acre-Feet	53,000 Gallons/ 0.16 Acre-Feet	8,000 Gallons/ 0.02 Acre-Feet	22,000 Gallons/ 0.07 Acre-Feet	48,000 Gallons/ 0.15 Acre-Feet

For purposes of projecting future demands within the timeframe of this review, it is reasonable to assume existing sewer flow ratios will remain constant given no significant infrastructure improvements are anticipated within the next five year period. If this assumption proves accurate, average dry-weather sewer flows will continue to equal 23.5% of water demand in the Spanish Flat service area; average wet-weather sewer flows will equal nearly three times the average dry-weather flows; and peak wet-weather flows will more than double average the wet-weather flow.⁷⁵ Accordingly, based on design, SFWD has sufficient capacities to accommodate projected sewer flows through the entirety of the review period. The following table summarizes projected demands within the service area through 2015.

Projected Sewer Demands in the Spanish Flat Service Area Through 2015

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Number of Users	96	96	97	97	98
Daily Dry-Weather Flow	7,889	7,833	7,707	7,644	7,497
Daily Dry-Weather Capacity	25,000	25,000	25,000	25,000	25,000
Capacity Difference	17,111	17,167	17,293	17,356	17,503
Daily Wet-Weather Flow	21,695	21,541	21,194	21,021	20,617
Daily Wet-Weather Capacity	53,000	53,000	53,000	53,000	53,000
Capacity Difference	31,305	31,459	31,806	31,979	32,383
Peak Day Wet-Weather Flow	47,729	47,390	46,627	46,246	45,357
Peak Day Wet-Weather Capacity	53,000	53,000	53,000	53,000	53,000
Capacity Difference	5,271	5,610	6,373	6,754	7,643

* Amounts are shown in gallons

* Projections assume a baseline in which inflow and infiltration flows will reflect current percentages

* Users represent individual lots connected to the sewer system

Buildout of the Spanish Flat service area is expected to involve the development of the remaining 39 privately-owned lots already in the service area, but not connected to the sewer system. Connection to Foothill Pines Resort is not expected based on past practices of the site's concessionaire to operate a private sewer system. If this assumption proves accurate, and all new development connects with usage similar to current demands, the daily average dry-weather and wet-weather flows would increase to 20,300 and 56,000 gallons, respectively. These projected demands could be accommodated based on existing design capacities. The expected peak day wet-weather flow – in the absence of significant improvements to the collection system – nonetheless would increase to 122,000 gallons and exceed existing capacity over two to one.

⁷⁵ The relatively low ratio between the daily average dry-weather sewer flows and daily average water consumption appears to be attributed to high landscaping uses as well as the existence of 11 additional water connections in the Spanish Flat service area that are not tied to the District's sewer system.

7.0 Financial

7.1 Assets, Liabilities, and Equity

SFWD's financial statements are prepared by an independent third party contractor. The most recent audit prepared to date was issued in March 2008 and covered both the 2005-2006 and 2006-2007 fiscal years. These audited financial statements provide quantitative measurements in assessing SFWD's short and long-term financial standing as late as June 30, 2007 and are summarized below.

Assets

SFWD's assets at the end of the 2006-2007 fiscal year totaled \$3.25 million. Assets classified as current with the expectation they could be liquidated within a year represented less than five percent with nearly the entirety tied to cash. Assets classified as non-current represented the remaining 95% tied to the water and sewer facilities.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Assets	0.085	0.142	N/A	N/A	N/A
Non-Current Assets	2.117	3.113	N/A	N/A	N/A
Total Assets	\$2.202	\$3.255			

Liabilities

SFWD's liabilities at the end of the 2006-2007 fiscal year totaled \$0.61 million. Current liabilities representing obligations owed within a year accounted for over one-half of the total amount and are primarily tied to accounts payable. SFWD's non-current liabilities represent slightly less than one-half of the total amount and are tied to notes payable.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Liabilities	0.012	0.336	N/A	N/A	N/A
Non-Current Liabilities	0.206	0.272	N/A	N/A	N/A
Total Liabilities	0.218	0.608			

Equity/Net Assets

SFWD's equity, or net assets, at the end of the 2006-2007 fiscal year totaled \$2.65 million and represents the difference between total assets and liabilities. The end of year equity amount incorporates a (\$0.262) million balance in unrestricted funds. This negative unrestricted fund balance is attributed to a (\$0.077) million operating loss coupled with significant cost overruns to repair a levee at its main sewage treatment pond.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Capital Assets	1.910	2.840	N/A	N/A	N/A
Designated	0.068	0.068	N/A	N/A	N/A
Undesignated	0.004	(0.262)	N/A	N/A	N/A
Total Equity	\$1.982	\$2.646			
Change	N/A	\$0.664			

SFWD’s financial statements for 2006-2007 reflect the District experienced an overall positive change in its fiscal standing as its total equity increased by nearly one-third from \$1.982 to \$2.646 million. This increase in the overall fund

Assets	\$3.255 million
Liabilities	\$0.608 million
Equity	\$2.646 million

balance is attributed to the construction of new water treatment facilities for both its Berryessa Pines and Spanish Flat service areas. Nonetheless, the financial statements also reflect the unrestricted/undesignated portion of SFWD’s fund balance experienced a significant decrease in value by falling from \$0.004 to (\$0.262) million. This decrease in the unrestricted/undesignated fund balance was the result of an operating shortfall along with addressing emergency repairs to its sewer pond levee. A number of significant deficiencies as well as material weaknesses were identified regarding SFWD’s internal control of its financial statements for the fiscal year. Recommendations were made with respect to improving internal control ranging from establishing standardized procedures to additional training.

Calculations performed assessing SFWD’s liquidity, capital, and profitability for 2006-2007 indicate the District finished with mixed results with respect to its short and long-term financial health. Measurements for liquidity varied from good with over 180 days of cash sufficient to cover operating expenses to poor with its current liabilities exceeding current assets by over double. Additionally, SFWD finished with a relatively low amount of long-term indebtedness while at the same time having a poor operating margin as expenses exceeded revenues by over one-fourth.

7.2 Revenue and Expense Trends

A review of SFWD’s financial statements identifies the District has finished each of the last three reported fiscal years (2005-2006 through 2007-2008) with negative year-end balances. The magnitude of the year-end deficits has remained relatively constant with minor variations. Both revenues and expenses have increased during the three years reviewed with the former slightly outpacing the latter by one-fifth. Nearly all revenues during the period were generated directly from user fees with no monies from property tax or other special assessments. Close to three-fifths of all expenses were tied to operations and maintenance with the remaining two-fifths divided between administrative and long-term debt. A summary of overall recent revenues and expenses follows.

Fund Category	2005-06	2006-07	2007-08	2008-09	2009-10
Operations					
Revenues	0.269	0.276	0.296	N/A	N/A
Expenses	0.313	0.351	0.338	N/A	N/A
Non-Operations					
Revenues	0.000	0.000	0.000	N/A	N/A
Expenses	0.000	0.003	0.000	N/A	N/A
	(\$0.043)	(\$0.077)	(\$0.042)		

** Information for 2005-2006 and 2006-2007 are drawn from audited financial prepared by Constance Coughlan, Certified Public Accountant. Information for 2007-2008 is drawn from non-audited financial statements filed with the California State Controller’s Office.*

7.3 Current Budget

Budget information for the current fiscal year was not provided as of the date of this report.

IV. SOURCES

A. Lake Berryessa Resort Improvement District

Principal Agency Contacts

- Kevin Berryhill, Supervising Civil Engineer, County of Napa
- Helene Franchi, Principal Management Analyst, County of Napa
- Felix Riesenber, Deputy Public Works Director, County of Napa (Former)
- Anna Maria Martinez, Engineer, County of Napa
- John Taylor, Consultant to Public Works, County of Napa

Additional Agency Contacts

- Tom Capriola, County Counsel, County of Napa
- Larry Florin, Intergovernmental Affairs Director, County of Napa
- Nate Galambos, Engineering Manager, County of Napa
- Hillary Gitelman, Planning Director, County of Napa
- Bob Minahen, Assistant Auditor-Controller, County of Napa
- Cynthia Phillips, Mapping and Title Supervisor, County of Napa
- Christy Redford, Property Tax Specialist, County of Napa
- Don Ridenhour, Public Works Director, County of Napa
- Xioneida Ruiz, Election Services Manager, County of Napa
- Tracy Schulze, Auditor-Controller, County of Napa
- Dan Woods, Appraiser III, County of Napa

Documents/Materials

- Association of Bay Area Governments, "Projections and Priorities," 2009
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- LBRID, "Audited Financial Statements," June 2005 (County of Napa)
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- Association of Bay Area Governments, <http://www.abag.org/>
- California State Controller's Office, <http://sco.ca.gov/>
- California Department of Finance, <http://www.dof.ca.gov/>

B. Napa Berryessa Resort Improvement District

Principal Agency Contacts

- Kevin Berryhill, Supervising Civil Engineer, County of Napa
- Helene Franchi, Principal Management Analyst, County of Napa
- Felix Riesenber, Deputy Public Works Director, County of Napa (Former)
- Anna Maria Martinez, Engineer, County of Napa
- John Taylor, Consultant to Public Works, County of Napa

Additional Agency Contacts

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- Larry Florin, Intergovernmental Affairs Director, County of Napa
- Nate Galambos, Engineering Manager, County of Napa
- Hillary Gitelman, Planning Director, County of Napa
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- Cynthia Phillips, Mapping and Title Supervisor, County of Napa
- Christy Redford, Property Tax Specialist, County of Napa
- Don Ridenhour, Public Works Director, County of Napa
- Xioneida Ruiz, Election Services Manager, County of Napa
- Tracy Schulze, Auditor-Controller, County of Napa
- Dan Woods, Appraiser III, County of Napa

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- NBRID Rate Committee, <http://www.berryessahighlands.info>
- Association of Bay Area Governments, <http://www.abag.org/>
- California State Controller’s Office, <http://sco.ca.gov/>
- California Department of Finance, <http://www.dof.ca.gov/>

C. Spanish Flat Water District

Contacts

- Al Colon, Board Member, SFWD
- Bob Lowdermilk, Board Member, SFWD
- Marcia Ritz, Administration, SFWD
- Steve Silva, Administration/Operations, SFWD

Documents/Materials

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- California State Controller's Office, <http://sco.ca.gov/>
- California Department of Finance, <http://www.dof.ca.gov/>

California Government Code Section 56430

(a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

- (1) Infrastructure needs or deficiencies.
- (2) Growth and population projections for the affected area.
- (3) Financing constraints and opportunities.
- (4) Cost avoidance opportunities.
- (5) Opportunities for rate restructuring.
- (6) Opportunities for shared facilities.
- (7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers.
- (8) Evaluation of management efficiencies.
- (9) Local accountability and governance.

(b) In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area.

(c) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or Section 56426.5 or to update a sphere of influence pursuant to Section 56425.

(d) Not later than July 1, 2001, the Office of Planning and Research, in consultation with commissions, the California Association of Local Agency Formation Commissions, and other local governments, shall prepare guidelines for the service reviews to be conducted by commissions pursuant to this section.



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Policy on Municipal Service Reviews

Adopted: November 3, 2008

I. Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires the Commission to prepare municipal service reviews in conjunction with its mandate to review and update each local agency's sphere of influence every five years as necessary. The legislative intent of the municipal service review process is to inform the Commission with regard to the availability, capacity, and efficiency of governmental services provided within its jurisdiction prior to making sphere of influence determinations. Municipal service reviews must designate the geographic area in which the governmental service or services are under evaluation. Municipal service reviews must also include determinations addressing the governance factors prescribed under Government Code Section 56430 and any other matters relating to service provision as required by Commission policy.

II. Purpose

The purpose of these policies is to guide the Commission in conducting municipal service reviews. This includes establishing consistency with respect to the Commission's approach in the (a) scheduling, (b) preparation, and (c) adoption of municipal service reviews.

III. Objective

The objective of the Commission in conducting municipal service reviews is to proactively and comprehensively evaluate the level, range, and structure of governmental services necessary to support orderly growth and development in Napa County. Underlying this objective is to develop and expand the Commission's knowledge and understanding of the current and planned provision of local governmental services in relationship to the present and future needs of the community. The Commission will use the municipal service reviews not only to inform subsequent sphere of influence determinations but also to identify opportunities for greater coordination and cooperation between providers as well as possible government structure changes.

IV. Municipal Service Review Policies

A. Scheduling

Beginning in 2008, and every five years thereafter, the Commission will hold a public hearing to adopt a study schedule calendaring municipal service reviews over the next five year period. Public hearing notices will be circulated 21 days in advance to all local agencies as well as posted on the Commission website. The Commission will generally schedule municipal service reviews in conjunction with sphere of influence updates. The Commission, however, may schedule municipal service reviews independent of sphere of influence updates. The Commission may also amend the study schedule to add, modify, or eliminate calendared municipal service reviews to address changes in circumstances, priorities, and available resources.

In adopting a study schedule, the Commission will calendar three types of municipal service reviews. These three types of municipal service reviews are 1) service-specific, 2) region-specific, and 3) agency-specific and are summarized below.

- A service-specific municipal service review will examine particular governmental services across multiple local agencies on a countywide basis.
- A region-specific municipal service review will examine the range of governmental services provided by local agencies within a particular area.
- An agency-specific municipal service review will examine the breadth of governmental services provided by a particular local agency.

B. Preparation

The Commission will encourage input among affected local agencies in designing the municipal service reviews to enhance the value of the process among stakeholders and capture unique local conditions and circumstances effecting service provision. This includes identifying appropriate performance measures as well as regional growth and service issues transcending political boundaries. The Commission will also seek input from the affected local agencies in determining final geographic area boundaries for the municipal service reviews. Factors the Commission may consider in determining final geographic area boundaries include, but are not limited to, spheres of influence, jurisdictional boundaries, urban growth boundaries, general plan designations, and topography.

The Commission will prepare the municipal service reviews but may contract with outside consultants to assist staff as needed. Data collection is an integral component of the municipal service review process and requires cooperation from local agencies. The Commission will strive to reduce the demands on local agencies in the data collection process by using existing information resources when available and adequate. All service related information compiled by local agencies will be independently reviewed and verified by the Commission.

Each municipal service review will generally be prepared in three distinct phases. The first phase will involve the preparation of an administrative report and will include a basic outline of service information collected and analyzed by staff. The administrative report will be made available to each affected local agency for their review and comment to identify any technical corrections. The second phase will involve the preparation of a draft report that will be presented to the Commission for discussion at a public meeting. The draft report will incorporate any technical corrections identified during the administrative review and include determinations. The draft report will be made available to the public for review and comment for a period of no less than 21 days. The third phase will involve the preparation of a final report and will address any new information or comments generated during the public review period and will be presented to the Commission as part of a public hearing.

As noted, each municipal service review will include one or more determinations addressing each of the following governance factors required under Government Code Section 56430 and by Commission policy:

1. Growth and population projections for the affected area. (§56340(a)(1)).
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies. (§56340(a)(2))
3. Financial ability of agencies to provide services. (§56340(a)(3))
4. The status of, and opportunities for, shared facilities. (§56340(a)(4))
5. Accountability for community service needs, including governmental structure and operational efficiencies. (§56340(a)(5))
6. Relationship with regional growth goals and policies. (Commission)

C. Adoption

The Commission will complete each scheduled municipal service review by formally receiving a final report and adopting a resolution codifying its determinations as part of public hearing.

Senate Bill 1023 (Wiggins) --- Converting Special Districts

Summary. Senate Bill 1023 (Wiggins) creates an expedited procedure for converting resort improvement districts and municipal improvement districts that operate under archaic statutes into community services districts, without substantive changes to their powers, duties, finances, or service areas.

Existing law. The *Cortese-Knox-Hertzberg Local Government Reorganization Act* (Government Code §56000, et seq.) sets up a local agency formation commission (LAFCO) in each county with the power to govern the formation, boundaries, and dissolution of most special districts (§56036 & §56037). These procedures usually require five steps:

- Application to LAFCO, including environmental review.
- A formal public hearing for LAFCO review and approval.
- Another formal hearing to measure public protests.
- The possibility of an election, if there was significant protest.
- Ministerial filing of final documents.

A reorganization (§56073) is merely a way to combine two or more proposed boundary changes (§56021) into a single proposal. For example, a reorganization could involve the simultaneous dissolution (§56035) of an existing special district and the formation (§56021) of a new district.

In 2005, the Legislature revised the *Community Services District Law* (Government Code §61000, et seq.; SB 135, Kehoe, 2005). Under this principal act, more than 300 community services districts (CSDs) can deliver a wide variety of public facilities and services. However, before a CSD can activate its latent powers and offer a new public service, it must receive LAFCO's approval (§61106 & §56824.1). Practitioners also see the new statute as an opportunity to convert existing special districts that operate under outdated statutes into CSDs that can operate under contemporary laws.

From the mid-1950s until 1960, the Legislature created several special-act special districts called Municipal Improvement Districts (MIDs) to deliver public services to particular communities, some of which supported specific development projects. The practice of creating special districts for particular developers stopped in 1960. There are five remaining MIDs:

Bethel Island MID	Contra Costa County
Embarcadero MID	Santa Barbara County
Estero MID	Foster City, San Mateo County
Guadalupe Valley MID	Brisbane, San Mateo County
Montalvo MID	Ventura County

City councils are the *ex officio* governing boards of the two MIDs in San Mateo County, while the other three MIDs have their own directly elected boards of directors.

In 1961, the Legislature passed the *Resort Improvement District Law* (Public Resources Code §13000, et seq.; SB 384, Cameron, 1961). In 1965, the Assembly held hearings into special districts' abuses and one result was to ban new resort improvement districts (Public Resources Code §13003).

Nevertheless, seven RIDs still remain:

Grizzly Lake RID	Plumas County
Lake Berryessa RID	Napa County
Napa Berryessa RID	Napa County
Resort Improvement District No. 1	Humboldt County
Stony Gorge RID	Glenn County
Tahoe Paradise RID	El Dorado County
Talmont RID	Placer County

The county boards of supervisors in Napa and Glenn Counties govern their RIDs *ex officio*, but the other four RIDs have their own directly elected boards of directors.

Problem statement and policy choices. The MIDs’ special acts and the RID statute are archaic, making it hard for these special districts’ boards and managers to govern themselves and deliver public services with transparency and accountability. Some LAFCOs and some of these districts want to convert those districts into CSDs, without changing their boundaries, services, finances, or other duties. However, converting RIDs and MIDs into CSDs can be expensive, complicated, and time consuming.

To switch principal acts under current law, an applicant must formally ask LAFCO to approve a reorganization that proposes the dissolution of the existing RID or MID and the formation of a new CSD. The five-step LAFCO procedures take about a year to complete. Further, these reorganizations require the payment of LAFCO processing fees (Government Code §56383) and they need majority-voter approval (Government Code §57077 [b][1]).

To convert RIDs and MIDs into CSDs more quickly, there are at least two policy options:

Special legislation. The Legislature has plenary authority over general law local governments, including special districts. Legislators have the constitutional authority to reorganize local governments without the need for local elections or even against citizen protests (*Broadmoor Police Protection Dist. v. San Mateo Local Agency Formation Com.* [1994] 26 Cal.App.4th 304, relying on *Hunter v. City of Pittsburgh* [1907] 207 U.S. 161). Examples of how the Legislature has used this plenary authority include:

- Dissolving the Avenal Sanitary District and the Avenal Heights Sanitary District and forming the Avenal Community Services District to replace the two dissolved districts (SB 1998, Montgomery, 1955; Chapter 1702, Statutes of 1955).
- Dissolving the obsolete Hunters Point Reclamation District (SB 615, Kopp, 1987; Chapter 794, Statutes of 1987).
- Converting the Hot Spring Valley Irrigation District into the Hot Spring Valley Water District (SB 1117, Cox, 2008; Chapter 615, Statutes of 2008).
- Converting the Vandalia Irrigation District into the Vandalia Water District (SB 1276, Ashburn, 2008; Chapter 619, Statutes of 2008).

Expedited reorganization. Rather than unilaterally wield its plenary authority, the Legislature has delegated control over the formation, powers, and boundaries of special districts to LAFCOs. The courts regard LAFCOs at the Legislature’s “watchdog” over boundary changes

(*City of Ceres v. City of Modesto* [1969] 274 Cal.App.2d 545; *Timberidge Enterprises, Inc. v. City of Santa Rosa* [1978] 86 Cal.App.3d 873). The Legislature can modify the five-step procedures in the Cortese-Knox-Hertzberg Act and provide the procedures for an “expedited reorganization.” That’s the approach taken by SB 1023.

What the bill does. SB 1023 allows LAFCOs to convert Resort Improvement Districts and selected Municipal Improvement Districts into community services districts, without substantive changes to the districts’ powers, duties, financing, or service areas.

More specifically, SB 1023 allows for expedited reorganizations with these features:

- Standard procedures for applying to LAFCO (i.e., a petition or a formal resolution).
- The LAFCO retains its existing discretion to approve or disapprove.
- The RID or MID can stop the conversion up until the time of LAFCO approval.
- If the LAFCO approves, there is no protest hearing and no election.
- If LAFCO approves, it must impose the terms and conditions listed in the proposed bill.
- The terms and conditions transfer everything to the new CSD, without any changes.
- LAFCO can change the terms and conditions, but only after notifying the RID or MID.
- The bill applies only to RIDs and independent MIDs, not to city-dependent MIDs.
- The new law will sunset these special procedures after seven years, on January 1, 2018.

After SB 1023 becomes law, the LAFCOs will probably comply with the *California Environmental Quality Act* (“CEQA,” Public Resources Code §21000, et seq.) by filing a notice of exemption. An expedited reorganization is likely to qualify as a Class 20 categorical exemption pursuant to Section 15320 of Title 14 of the California Code of Regulations.

For more information, contact:

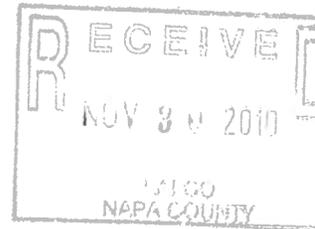
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Revised: February 11, 2010

NAPA BERRYESSA RESORT IMPROVEMENT DISTRICT

November 9, 2010

Local Agency Formation Commission
1700 Second Street, Suite 268
Napa, CA 94559



Re: NBRID Expedited Reorganization Under SB 1023

Commissioners:

As your Commission is likely aware, SB 1023, authored by Senator Wiggins (co-authored by Assembly Member Evans) and supported by Napa County, Napa Berryessa Resort Improvement District (NBRID) and Lake Berryessa Resort Improvement District (LBRID), was signed into law on July 9, 2010. The changes to the Cortese-Knox-Hertzberg Local Government Reorganization Act enacted by SB 1023 authorize the Local Agency Formation Commission to approve or conditionally approve an expedited reorganization of specified districts into community services districts. The new district has the same powers, duties, responsibilities, obligations, liabilities, and jurisdiction of the district proposed to be dissolved, unless the governing body of the district proposed to be dissolved files a resolution of objection with the commission.

NBRID was created in 1965 with the intention of serving the existing residences in the Steele Canyon Road area, Steele Park Resort, and a proposed 1,700 unit resort community with a service area of 1,963 acres, known as Berryessa Highlands. Due to various factors, however, the development of Berryessa Highlands was limited to two phases, which together created only 561 lots.

The County of Napa Board of Supervisors sit as NBRID's Board of Directors. Napa County Public Works has provided staff services for NBRID since its inception in 1965. Originally intended to provide a broader range of services, the NBRID became limited by a 1971 change in state law to provide only domestic water and sewage services.

In the Commission's 2007 Sphere of Influence (SOI) Report for NBRID it was noted that there was a "need for LAFCO to conduct a governance study to evaluate the options and merits of reorganizing or consolidating NBRID with other special districts serving

the Lake Berryessa region.” In recent years, residents of the Berryessa Highlands have supported the formation of an assessment district to self-fund necessary water and sewer system upgrades and improvements, but rejected efforts by NBRID to increase water and sewer rates sufficient (in the opinion of County staff) to maintain and operate NBRID’s facilities. These events point to a desire on the part of local residents to enjoy a greater degree of self-determination over the services currently provided by NBRID. Accordingly, the NBRID Board and a group of citizen representatives have come together to place greater emphasis on local governance of the District, first by moving to contract District Engineer and Operations & Maintenance functions with a private company, and second to recommend to LAFCO the reorganization of NBRID into an independent district, i.e., a community services district (CSD) with a locally elected board of directors.

It is in this spirit that the NBRID Board of Directors took action this date to authorize its chair to sign and forward to your Commission this request that LAFCO initiate expedited proceedings to cause the reorganization of the Napa Berryessa Resort Improvement District into a self-governing, independent community services district.

It is the goal of this Board to see such a reorganization occur as soon as is practicable, in order to assure a smooth transition to new governance by the beginning of the next fiscal year. Accordingly it is recommended that LAFCO condition the reorganization upon an election, pursuant to Government Code section 56885.5 (d), placing the question of having an elected board of directors on the election ballot. Voters shall also elect members to the district's board of directors; those persons shall take office only if a majority of the voters voting upon the question of having an elected board are in favor of the question.

Thank you for your attention and prompt consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Diane Dillon".

Diane Dillon

Chair, Board of Directors

Your Rate committee has spent several hours digesting the results of the NBRID Board Meeting on January 11, 2011 at the Capell Valley fire house. The Committee vigorously debated the provisions of the resolution that we are asking the Board to adopt to chart a road map for a better future for the district. The Committee's position is that the community should accept (reluctantly) the rate increase if the Board adopts a statement or resolution substantially along the lines of our recommendation committing the District to a change in direction. It should be noted that not everyone on the Committee agrees that we should protest the rate increase if the Board does not act.

However, given the short time frame, those who are opposed to the rate increase under any circumstances or those who agree with the majority of the Committee that the rate increase should be protested if the Board does not act to chart a new direction for the District will need to proceed. Those that accept the rate increase as necessary under any circumstances need to do nothing. Your Committee is here to facilitate whatever action you want to take.

We have attached several documents for your review and use:

- 1) A summary of the NBRID Board meeting for those who were unable to attend.
- 2) What Do We Do now: Discussion of what the community's options are
- 3) A copy of the resolution the committee has presented to Board Chairman Dodd for consideration by the Board
- 4) A protest form
- 5) An authorization form for those who wish to authorize the Committee to withhold their protest if the Board acts to chart a new direction for the District.

This is a matter of vital importance for the community. We urge everyone to discuss these issues with their neighbors and friends so that everyone is aware of the options available and everyone can make an informed decision. Please address any questions you might have to the Committee.

The NBRID Citizen's Rate Committee

1) Meeting Summary (1/11/11)

On January 11, 2011, the Napa County Supervisors, acting as Directors of the Napa Berryessa Resort Improvement District, met for the first time at Lake Berryessa to discuss the condition of the District and the need for a substantial rate increase.

The Board of Directors, under the new leadership of Supervisor Bill Dodd, told the packed Capell Firehouse meeting that the Board was committed to making changes and if the Residents agreed to the rate increase that the changes would start immediately.

Chairman Dodd started with an open and transparent presentation from the Napa County Public Works Department of the current condition of the facilities including the impact from the recent rain storms. This was followed with a PowerPoint presentation of the District's financial condition and a comparison of other small district's current water and sewer rates to our own.

With more than one hundred people in standing room attendance the Board opened the meeting to questions and comments from the residents with the main question being "What are we going to get if we approve the rate increase other than business as usual".

Each of the Directors during the meeting agreed that the community had their attention and that they would stabilize our district financially and operationally and that business would not be as usual.

The ball is in their court to make the changes and we are relying upon their promise, which we believe should be put in the form of a written resolution prior to the next meeting on 2/1/2011, but as a community we must verify these changes they have promised. Ultimately, we are the ones who live here and will pay for the price of failure.

2) What Do We Do Now?

Your Rate Committee is agreed that the District's financial condition requires additional funding, and the only source of funding available at this time is an increase in the water and sewer rates.

We understand that this increase will place a terrible burden on the residents of the District. However, we are not willing to recommend approval of this rate increase unless the District Board commits to changes in the status quo and approves a road map for the future which will serve to solve the District's problems. Without a commitment from the Board for these changes we feel that it will be "business as usual", our problems will not be addressed and the District will continue to spiral down toward insolvency.

Your Committee has developed a draft resolution and presented it to NBRID Board Chairman Bill Dodd. We have asked him to insure that this resolution or one substantially similar, is placed before the Board for adoption prior to the Protest Hearing on February 1, 2011.

Given the short time frame, your Committee feels that it is imperative that we proceed with our protest as quickly as possible so that the protest forms are in hand if the Board fails to take the proper action. We urge everyone who agrees with us to complete the protest form(s) and also complete the authorization letter (click here for a copy) which will allow us to withhold your protest form(s) if the Board provides the necessary assurances for a change in direction for the District.

The Lake Berryessa Church at Moskowite Corners (located in the strip mall across the street from the store) has offered their mail drop for receipt of your protest form(s) and authorization letter. Please staple them together and drop them off in the mail slot in the church's door or mail them to: 1031 Steele Canyon Road, Napa, CA 94558. We will review the forms for completeness and process them according to your instructions.

If you do not agree with our position that the rate increase is acceptable provided the Board takes the specified action, then do not attach the authorization letter and we will insure that your protest(s) are delivered to the District. Of course you are free to send your protest(s) directly to the District but we would appreciate your informing us that you did that so we can keep an accurate count of the protests.

Time is of the essence. We urge you to take whatever action you choose as soon as possible. If you do support the rate increase unconditionally then there is nothing for you to do.

3) Resolution

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Napa Berryessa Resort Improvement District as follows:

The Napa County Board of Supervisors and the NBRID Board of Directors shall initiate and support the conversion of the Napa Berryessa Resort Improvement District to a Community Services District utilizing the expedited process for conversion as identified by LAFCO.

The Board of Supervisors will remain as the Board of Directors of the Community Services District for an agreed upon transitional period to insure financial stability and continuity of leadership. The ad hoc Residents' Rate Committee shall continue to meet periodically through this period and serve as a liaison between the residents and the Board of Directors.

The Board of Directors shall immediately commence negotiations with the ad hoc Residents' Rate Committee concerning the existing loans to the District and other disputed charges which the Committee has identified with the object of reaching financial stability for the District.

The Napa County Department of Public Works shall continue to adhere to and maintain the schedule of milestones required by Cease and Desist Order No. R520060013 and Waste Discharge Requirements Order No. 95173 for a period of time sufficient to insure that these orders have been amended or satisfied. Any regulatory violations occurring prior to amendment or satisfaction of the current Orders shall remain the responsibility of the County of Napa.

To ensure continued qualified oversight of the District's operations, The Board of Directors of the District shall begin immediate negotiations with a fully qualified professional firm to assume operational oversight and/or management of the District.

As Pensus has indicated a desire for an expedited build out of the Lupin Shores Resort, the Board of Directors will seek a solution which will hasten the satisfaction of the requirements of the Regional Water Quality Control Board's Cease and Desist Order No. R520060013 and the lifting of the sewer connection moratorium.

The Residents and Pensus do not support the District's current plan to issue a Request for Proposals to secure a firm to implement the Master Plan as identified in the HydroScience Report.

The Board of Directors will utilize Section 59565956.10 of the California Government Code employing a Public Private Partnership process for the selection of a team of professionals to manage District operations on a long term basis. This firm(s) shall provide Design, Build, Operate and Finance services to the Board. The "competitive selection process" will allow the proposing team(s) to present their unique solutions for a District upgrade and expansion plan that meets all Federal, State and local regulatory requirements while employing cost effective and environmentally superior technologies.

4) Protest Form

Protest Form

TO: Secretary of the District
Napa Berryessa Resort Improvement District (NBRID)
1195 3rd Street, Room 310
Napa, California 94559

NAME (print): _____

ASSESSORS PARCEL No. _____, or

PARCEL STREET ADDRESS: _____
(only one parcel permitted on each protest form)

I am in opposition to the proposed increased water and sewer service rates.

Signature (only one signature on each protest form)

I certify that I am (check all that apply):

_____ A water and sewer customer of the District

_____ The Property Owner of the above parcel in the District.

Phone: _____ Email: _____

Instructions:

- 1) You **MUST** submit one protest form for **EACH** parcel you own or rent.
- 2) There **MUST** be only **ONE** original (no photocopy) signature on each protest form.
- 3) If you are a renter and are responsible for the water/sewer bill you may protest.
- 4) If you are a property owner and are not shown as the property owner on the last secured property tax roll, you **MUST** include proof of property ownership.
- 5) Please contact the Resident's Rate Committee with any questions.
- 6) Time is of the essence. Protests **MUST** be received by NBRID before the deadline.
- 7) You may mail or deliver your protest directly to the District however we suggest that you mail or deliver your protest to one of the Residents Rate Committee members, or drop it off in the Lake Berryessa Community Church's door mail slot (across the street from the store at Moskowitz Corners) so that we can verify that the form is completed correctly and can insure that it doesn't get "lost" in the mails. We will confirm receipt of your protest by email or phone. If you haven't received such a confirmation within a reasonable period of time please contact us:

NBRID Residents' Rate Committee
1031 Steele Canyon Road
Napa, CA 94558
(707) 966-5000
info@berryessahighlands.info

5) Special Authorization Form

TO: Rate Committee

I (we) are sending you our letter protesting the proposed NBRID rate increase and authorize you to handle our letter in the following manner:

The NBRID Board of Directors has been asked, prior to the February 1, 2011, deadline for filing protests, to adopt a statement or resolution of intent to proceed with the following actions. I (we) authorize the Committee, in their best judgment, to determine whether the Board has substantially committed to these action, and if so, to withhold our letter of protest and not file it with the District:

The Napa County Board of Supervisors and the NBRID Board of Directors shall initiate and support the conversion of the Napa Berryessa Resort Improvement District to a Community Services District utilizing the expedited process for conversion as identified by LAFCO.

Board of Supervisors will remain as the Board of Directors of the Community Services District for an agreed upon transitional period to insure financial stability and continuity of leadership. The ad hoc Residents' Rate Committee shall continue to meet periodically through this period and serve as a liaison between the residents and the Board of Directors.

The Board of Directors shall immediately commence negotiations with the ad hoc Residents' Rate Committee concerning the existing loans to the District and other disputed charges which the Committee has identified with the object of reaching financial stability for the District.

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The Residents and Pensus do not support the District's current plan to issue a Request for Proposals to secure a firm to implement the Master Plan as identified in the HydroScience Report.

The Board of Directors will utilize Section 59565956.10 of the California Government Code employing a Public Private Partnership process for the selection of a team of professionals to manage District operations on a long term basis. This firm(s) shall provide Design, Build, Operate and Finance services to the Board. The "competitive selection process" will allow the proposing team(s) to present their unique solutions for a District upgrade and expansion plan that meets all Federal, State and local regulatory requirements while employing cost effective and environmentally superior technologies.

If the NBRID Board fails to adopt such a public statement, substantially along these lines, then we request and authorize the Committee to file our protest with the District prior to the February 1, 2011 deadline.

Please provide us with the following contact information so that we can keep everyone advised of events. Also we would appreciate a small donation (\$10 suggested) to help defray our expenses of mounting this campaign.

Name(s)

Address:

Phone:

Fax:

Email:



November 29, 2010

Keene Simonds
Executive Officer
LAFCO of Napa County
1700 Second Street, Suite 268
Napa, CA 94559-2409

Re: Support for converting NBRID to a Community Service District

Dear Mr. Simonds:

The Pensus Group, as the most recent member of the Napa Berryessa Resort Improvement District supports the conversion of this district to a Community Service District for the reasons contained herein.

Pensus would prefer to deal with an independent board, one composed of members of the district who stand to gain or lose from the actions of the board, because we believe it would be more effective in achieving the following objectives:

1. Flexibility with regard to construction cost and timing of the system upgrades;
2. Scalability of the system's capacity which is necessary because Pensus's development is largely based on market demand and so its long term water and wastewater needs are difficult to estimate on the front end;
3. Fiscal responsibility and the success of the district

Overall we believe that the interests of an independent board will be more aligned with those of Pensus which will result in a more cost effective and efficient process.

In addition, in order to provide for the financial stability and sustainability of the Community Service District it is necessary to effectively recapitalize the district. Pensus feels forgiveness of all loans made to the district by Napa County would be an appropriate first step in order to ensure the initial success of the new Community Service District.

Sincerely,

Georgi Maule-finch



Local Agency Formation Commission
LAFCO of Napa County

1700 Second Street, Suite 268
Napa, California 94559
Telephone: (707) 259-8645
Facsimile: (707) 251-1053
<http://napa.lafco.ca.gov>

February 7, 2011
Agenda Item No. 8b (Discussion)

January 31, 2011

TO: Local Agency Formation Commission

FROM: Policies and Procedures Committee (Luce, Rodeno and Simonds)

SUBJECT: Proposed Revisions to the Commission's General Policy Determinations and Creation of a New Application Packet

The Commission will review proposed revisions to the agency's *General Policy Determinations* as well as the creation of a new application packet. These items are being presented for Commission review and discussion.

Local Agency Formation Commissions (LAFCOs) are political subdivisions of the State of California responsible for regulating the formation and development of local governmental agencies and their municipal services under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Commonly exercised regulatory powers include creating and expanding cities and special districts for purposes of facilitating orderly urban growth. LAFCOs are required to inform their regulatory actions through various planning activities, namely preparing municipal service reviews and sphere of influence updates. All regulatory actions undertaken by LAFCOs must be consistent with their written policies and procedures. LAFCOs may also condition approval as long as they do not directly regulate land use.

A. Background

At its May 3, 2010 meeting, the Commission established an ad hoc committee ("Committee") to comprehensively review and update the agency's written policies and procedures; documents that have not been comprehensively updated since the 1980s. This action coincided with the appointments of Commissioners Luce and Rodeno and followed comments made by several Commissioners at an earlier workshop identifying the need for clear direction in meeting the agency's directives in a manner responsive to current local conditions. In particular, the Committee was charged with reviewing and making recommendations with respect to the following four tasks.

- a) Review and update the Commission's objectives and priorities
- b) Develop baseline standards with respect to the review of proposals
- c) Examine and amend Commission policies and procedures for consistency
- d) Create a codified policies and procedures document

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Juliana Inman, Commissioner
Councilmember, City of Napa

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Discussion

The Committee has convened a total of four meetings between June and December 2010. Meetings have focused on accomplishing the first two tasks prescribed by the Commission: (a) review and update principal agency objectives and priorities and (b) develop baseline standards with respect to the review of proposals. Specific focus has involved possible changes to the Commission's *General Policy Determinations* to help ensure it is consistent with the present preferences and objectives of the Commissioners in administering their regulatory and planning responsibilities. Key revisions made by the Committee to the *General Policy Determinations* are summarized below for Commission review and comment. A track-change version is also attached.

- **Purpose Statement**

The document has been revised to include a purpose statement to clarify the Commission's intent in considering and applying the policies. This includes explicitly stating the Commission reserves *discretion* in administering its policies to address special conditions and circumstances as needed (emphasis added). This new purpose statement is included on page one.

- **Prescribing Urban Development Timing**

The document has been revised to include an amended statement on prescribing timing factors as it relates to urban development. This revision signals the Commission shall *discourage* proposals involving the annexation of undeveloped or underdeveloped lands to cities and special districts that provide certain urban services unless subject to a known development plan or agreement (emphasis added). This revision is included on page three and identified as II/B/3.

- **Addressing New Sphere of Influence Review and Update Responsibilities**

The document has been revised to include a statement encouraging cities and the County to meet and agree to sphere of influence changes in anticipation of the Commission's regular review cycle. The document has also been amended to state the Commission shall, as necessary, review and update each local agency's sphere of influence every five years. These revisions are consistent with recent amendments to California Government Code and included on page five and identified as III/A/3 and III/A/4.

- **Encouraging Comprehensive Sphere of Influence Updates as Opposed to Individual Amendments**

The document has been revised to include a statement discouraging proposals from residents, landowners, and agencies proposing individual amendments to spheres of influence unless justified by special conditions and circumstances. This statement reflects the current Commission practice to address individual sphere of influence amendment requests as part of comprehensive reviews undertaken by the agency and is included on page six and identified as III/B/3.

- **Consideration of Urban Growth Boundaries in Establishing, Amending, and Updating Spheres of Influence**

The document has been revised to include a statement directing the Commission to *consider* adopted urban growth boundaries in the establishment, amendment, and update of an agency's sphere of influence (emphasis added). This statement reflects the recent action of the Commission in making changes to the City of American Canyon's sphere of influence and is included on page six and identified as III/B/3.

- **Establishing Criteria for Considering Sphere of Influence Reductions**

The document has been revised to establish criteria for the Commission to consider the merits of reducing an agency's existing sphere of influence. This includes triggering consideration of a reduction for land lying outside an agency's jurisdictional boundary, but has been within the sphere of influence for 10 or more years. An additional trigger applies to land lying within an agency's jurisdictional boundary, but is not expected to be developed for urban uses or require urban-type services within the next 10 years. The criteria is included on page seven and identified as III/B/5.

- **Establishing Commission Definitions**

The document has been revised to include definitions for specific terms associated with (a) spheres of influence, (b) outside service agreements, and (c) establishing new district services or divestiture of existing district services. These definitions are intended to provide general administrative direction in processing future applications and are included on pages 15, 16, and 17 and identified as III/B/1, V/B/2, VI/C/2, and VI/D/2.

In addition to revisions to the Commission's *General Policy Determinations*, the Committee has prepared a new application packet. The application packet is intended to be user-friendly by combining under one cover all of the related materials and information needed to process a proposal with the Commission. This includes providing applicants with a sequential checklist to help identify and complete all the necessary processing steps. The application packet also incorporates a revised justification of proposal form addressing the expanded factors required for consideration by the Commission anytime it reviews a change of organization or reorganization. A copy of the proposed new application packet is attached.

C. Commission Review

The Committee respectfully requests the Commission review and discuss both the (a) proposed changes to the *General Policy Determinations* and (b) creation of a new application packet. Specific comments on potential changes are particularly welcomed. The Committee is also seeking direction from the Commission with respect to next steps; specifically whether to return first with any updates or changes to the documents as identified by Commissioners before initiating a public review process.

Attachments:

- ~~1) Track Changes to *General Policy Determinations*~~
- ~~2) Proposed New Application Packet~~