



COUNTY SERVICE AREA # 2 SUGARLOAF

Municipal Service Review &
Sphere of Influence Update

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SHASTA LOCAL AGENCY FORMATION COMMISSION

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INTRODUCTION

This Municipal Service Review (MSR) and Sphere of Influence (SOI) Update provides information about the services and boundaries of County Service Area #2 - Sugarloaf (herein referred to as CSA #2). The report is for use by the Shasta Local Agency Formation Commission (LAFCO) in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and special districts in Shasta County (Government Code § 56425). State law also requires that, prior to SOI adoption, LAFCO must conduct a review of the municipal services provided by that local agency (Government Code §56430). This report provides LAFCO with a tool to study current and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently.

CSA Overview

County Service Areas are dependent special districts under County Service Area law (Government Code § 25210-25217.4). They provide, water, sewer and other services to unincorporated areas. In Shasta County, they are governed by the Board of Supervisors. The Shasta County Public Works Department provides staff support and administers District operations.

Principal Act

The principal act governing CSAs is the County Service Area law (Government Code § 25210-25217.4) which authorizes CSAs to provide up to 26 types of governmental services within its boundaries. CSA #2 is authorized to provide water services. All other remaining services, facilities, functions or powers enumerated in the District’s principal act but not identified in the formation resolution are “latent,” meaning that they are authorized by the principal act under which the District is formed, but are not being exercised. Activation of these latent powers and services requires LAFCO authorization per Government Code § 25213.5.

Service Review Determinations

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

1. Growth and population projections for the affected area;
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence;
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies (including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence);
4. Financial ability of agencies to provide services;

5. Status of, and opportunities for, shared facilities;
6. Accountability for community service needs, including governmental structure and operational efficiencies; and
7. Any other matter affecting or related to effective or efficient service delivery, as required by Commission policy.

State Guidelines and Commission policies encourage stakeholder cooperation in the municipal service review process. It also provides a basis to evaluate, and make changes to Spheres of Influence, if appropriate.

Sphere of Influence Determinations

A SOI is a LAFCO-approved plan that designates an agency's probable physical boundary and service area. Spheres are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services, discourage urban sprawl and premature conversion of agricultural and open space lands, and prevent overlapping jurisdictions and duplication of services.

LAFCO is required to establish SOIs for all local agencies and enact policies to promote the logical and orderly development of areas within the SOIs. Furthermore, LAFCO must update those SOIs every five years. For a SOI update, LAFCO is required to conduct a MSR and adopt related determinations. It must also make the following SOI determinations:

1. The present and planned land uses in the area, including agricultural and open-space lands;
2. The present and probable need for public facilities and services in the area;
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency; and
5. The present and probable need for public facilities and services related to sewers, municipal or industrial water, or structural fire protection of any disadvantaged unincorporated communities within the existing sphere of influence (effective July 1, 2012).

Review Methods

The following information was considered in the development of this service review:

- o Agency-specific data: responses to LAFCO Requests for Information from Shasta County Public Works Department;
- o Land Use and Shasta County General Plan and Zoning data: Shasta County Planning Division and GIS webpage;
- o Demographic data: U.S. Census Bureau; Department of Finance; CA Water Resources Board;
- o Finances: budgets, rates and fees; and
- o Other Reports: State Water Resources Control Board, Division of Drinking Water sanitary survey.

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

California Environmental Quality Act

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

COUNTY SERVICE AREA # 2 - SUGARLOAF

Table 1: CSA #2 Sugarloaf Agency Profile

Formation	
Agency Name	County Service Area #2 - Sugarloaf
Formation Date	August 11, 1976
Principal Act	California Government Code §25210-25217.4
Contact	
Main Contact	Patrick J. Minturn, Shasta County Public Works Director
E-mail	pminturn@co.shasta.ca.us
Website	www.co.shasta.ca.us/index/pw_index.aspx
District Office	Shasta County Department of Public Works
Mailing Address	1855 Placer Street, Redding, CA 96001
Phone	(530) 225-5661
Governance	
Governing Body	Board of Directors (County Board of Supervisors)
Board Meetings	Tuesdays at 9:00 am, Board Chambers, 1450 Court St, Redding
Advisory Body	Sugarloaf Community Advisory Board
Staffing	County Public Works Department
Services	
Services Provided	Domestic Water Services
Areas Served	Unincorporated community of Sugarloaf

District Overview

County Service Area (CSA) #2 is organized as a dependent special district under County Service Area law (Government Code Section 25210-25217.4). CSA #2 provides domestic water services to the unincorporated area of Sugarloaf located along the Upper Sacramento River where it enters Lake Shasta near Salt Creek. Sugarloaf is a resort area offering vacation cabins, houseboats, marina businesses and other water recreational activities, as well as permanent homes for year-round residents. The CSA serves a small subdivision and is the backup water

supply for Sugarloaf Rental Cottages near the community of Lakehead, which makes up a population of about 160 with approximately 61 service connections. A municipal service review for the CSA was previously conducted in 2014. This document will update the previous MSR and build upon information provided therein.

Boundary and Sphere of Influence

The current service area of CSA #2 is approximately 57.3 acres with an additional 33.2 acres in the 2014 SOI. The current boundary and proposed SOI are shown on Figure 1. The district boundary includes the majority of the Sugarloaf subdivision area along Lakeshore Drive. Several parcels were removed from the original district formation proceedings creating an irregular shaped boundary. Currently, CSA #2 does not provide water services outside of the District’s boundary. Requests for water services have been received from residential parcels adjacent to the District, which was originally established to be coterminous with the District’s boundary. In 2014, the Commission approved an expanded sphere that included the adjacent rural residential and commercial-recreational areas within Sugarloaf. That SOI is proposed to be reduced as part of this update due to capacity limitations.

Formation

CSA #2 was established in 1976 to provide water services to the Sugarloaf subdivision. The formation of CSA #2 was sought during a time of drought in the 1970s. In December 1975, a petition representing 58% of Sugarloaf area residents was submitted requesting district formation. Subsequently, Shasta LAFCO approved the CSA #2 formation in 1976 contingent on the completion of a successful special election.

Governance Structure

CSA #2 is a dependent special district governed by the Shasta County Board of Supervisors. The Shasta County Public Works Department provides staff support and administers the operation of the District. In addition, a Community Advisory Board (CAB) consisting of seven (7) members serve as a liaison between district residents and the County. The CAB was established by the County in 1984 pursuant to Resolution No. 84-6. The CAB members are appointed by the County Board of Supervisors and serve two-year terms. Each year property owners are invited to nominate CAB candidates for vacant CAB seats. Elections are held if willing candidates exceed the number of vacant seats. The CAB provides a vehicle for more local participation and accountability. Current Sugarloaf CAB members are identified in Table 2.

Table 2: CSA #2 – Sugarloaf Community Advisory Board

Board Members	
Beverly Steele	Carmen Lee
Mardi Kisling	David Lee
Tom Kisling	Les Monthei
Diane Monthei	



County Services Area #2 Sugarloaf

Figure



Date: 2/3/2017

Management and Staffing

The County Public Works Department provides administrative support, staffing, and operations for 11 CSAs, including the Sugarloaf water system. The department has one operation supervisor, four licensed water treatment plant operators, and five part-time non-licensed employees. The Department is responsible for maintaining, upgrading or replacing equipment. They also manage budgets, suggest rates for services, and assure compliance with all laws relating to quality, health and safety. The Department manages CSA funds for capital improvement projects, bond assessments, and debt service, and administers customer billings.

Other Service Providers

Fire Protection

Fire protection and emergency response services are provided by CSA #1 - Shasta County Fire Department (SCFD), which provides fire protection to all areas of the county outside existing fire protections districts and cities providing fire protection. The SCFD contracts with CAL FIRE to provide all department administration and operations functions. In addition, the SCFD supports 18 volunteer fire companies by providing oversight, administrative support, training, maintenance, funding, and dispatching. The closest fire station to CSA #2 is Lakehead to north. There are 16 fire hydrants within CSA #2, which are maintained as part of the water system.

Nearby Water Systems

There are two State Small Water Systems within a mile of Sugarloaf. Both draw from wells and have fewer customers than Sugarloaf. Skyline Mutual Water Company's water system serves seven parcels, and Sugarloaf Rental Cottages serves a resort area with 16 rental cabins. CSA #2 is the backup water supply for Sugarloaf Rental Cottages near the community of Lakehead.

Present and Planned Land Uses

Existing Land Uses

CSA #2 primarily consists of rural residential and recreation oriented commercial uses. The District's most prominent feature is the Sugarloaf marina and public boat ramp. Land outside and adjacent to CSA #2 is primarily unimproved resource land associated with the Shasta Unit of the Whiskeytown-Shasta-Trinity National Recreation Area.

General Plan, Zoning, and Policies

CSA #2 is located within the county unincorporated area and is therefore subject to the Shasta County General Plan and Zoning Regulations. The Shasta County General Plan and Zoning Code designates most of the territory within the District boundaries for Rural Residential (R-R NRA-S) and Commercial Recreation (C-R NRA-S), each with a National Recreation Area, Shasta Unit (NRA-S) combining zone. The Rural Residential (R-R) district is consistent with the Rural Residential "A" (RA) General Plan Land Use Designation which "provides living environments receiving no, or only some urban services, usually within or near a Rural Community Center". The maximum residential density for (RA) is 1 dwelling unit per 2 acres. The Commercial Recreational (C-R) District "provides opportunities for the development of privately owned land for commercial recreation activities"¹. This district is consistent with all general plan designations, if the proposed use blends harmoniously with the natural features of the surrounding area.

¹Shasta County Municipal Code:

www.municode.com/library/ca/shasta_county/codes/code_of_ordinances?nodeId=CD_ORD_TIT17ZO_TIT17ZO

Future Development Potential

The Shasta County Framework General Plan designate most lands within the district boundaries for rural residential development, which limits future development potential. Developed properties within the district boundaries use on-site septic systems. The availability of water and soil suitable for septic systems limits the density of future development within the district's boundary.

Population and Growth

Sugarloaf is not a census-designated place so actual population statistics for the District are not available. The EPA's State Drinking Water Branch reports a population of 160 currently served by the CSA #2 water system¹. Looking at future population estimates, growth in the unincorporated areas of Shasta County appears to be negligible. A 2016 DOF report notes a recent decrease of 0.5 percent in the County's unincorporated population between 2015 and 2016, indicating a potential for future population loss in unincorporated areas such as CSA #2². However, county population estimates still predict an increase of between zero and 0.5 percent through 2035³. Using the 0.5 percent annual growth estimate and the 2010 population, the CSA #2 population could increase to 175 by the year 2035. Based on this analysis, it is unlikely that the District will have a significant increase in demand for water services during the MSR time frame.

²https://sdwis.waterboards.ca.gov/PDWW/JSP/WaterSystemDetail.jsp?tinwsys_is_number=7995&tinwsys_st_code=CA&wsnumber=CA4500006

³www.dof.ca.gov/Forecasting/Demographics/Estimates/documents/Price-Population_2016.pdf?zoom_highlight=shasta+population

⁴Caltrans: California Department of Transportation Shasta County Economic Forecast www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2013/Shasta.pdf

Disadvantaged Unincorporated Communities

LAFCO is required to evaluate water service, sewer service, and structural fire protection within disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. A disadvantaged unincorporated community (DUC) is defined as any area with 12 or more registered voters where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income (pursuant to Government Code § 56033.5 and Water Code § 79505.5). Within a DUC, three basic services are evaluated: water, sewage, and fire protection. CSA #2 Sugarloaf provides domestic water services only, and is therefore responsible for assuring that this service is adequately provided to the community. Community wastewater services are not provided in this area; the community relies upon individual private septic tanks for sewage disposal. As mentioned above, the CSA #1 provides countywide fire protection through the Shasta County Fire Department.

CSA #2 Sugarloaf is in Shasta County Community Tract, 06089012500 which meets the definition of a Disadvantaged Community Tract. The Tract has a MHI of \$41,917, which is 69 percent of the state average MHI⁵, thereby qualifying the area as disadvantaged. Should territory in the surrounding area be proposed for annexation in the future, disadvantaged communities in the area should be considered.

⁵ Census Quickfacts: <https://www.census.gov/quickfacts/table/INC110215/06,2412150,00>

District Service and Infrastructure

Water Service Overview

CSA #2 provides water collection, treatment and distribution services for the Sugarloaf subdivision. The CSA is also the backup water supply for the Sugarloaf Rental Cottages near the community of Lakehead. The water system serves a population of about 160 with 61 service connections⁶. It is estimated that approximately 70% of the connections are in use year-round with full time population of about 87. The average household size is 2 persons.

Subdivision Water mostly groundwater from well located in the northern portion of the subdivision, but the system supplements with treated surface water diverted from an unnamed creek on east side of Sugarloaf Mountain, December-June. Surface water treated with a coagulant and chlorine disinfectant prior to filtration through four single media sand pressure filters. Groundwater also treated with chlorine. Finished water is stored in a 42,500 gallon bolted steel storage tank⁶.

CSA #2 holds a state water permit for drinking water treatment and delivery for municipal purposes (public water system No. 4500006). The water system and treatment plant originally permitted in June 1984 and are reviewed annually by Shasta County Public Health Department.

Based on the Department of Water Resources Groundwater Basin Maps (Bulletin 118), CSA #2 is not located in a formally designated Groundwater Basin. However, it does directly utilize groundwater as a water source. CSA #2 is in the Sacramento Headwaters Watershed.

Water Source

The water system is supplied by a groundwater well that is supplemented with treated surface water from an unnamed creek from December through June. The well is the main water source and is located approximately 150 yards at the end of Oak Knoll Lane.

The stream source is located at the end of Oak Knoll Drive near Obsidian Lane above the treatment plant. A concrete dam was constructed in the unnamed creek to transmit surface water to the treatment plant. The water behind the dam collects in a rock depression and is covered with a metal roof with a locking door. The water gallery has a screened overflow and a bottom flush valve to clean debris and sediment. A 3-inch diameter PVC pipe delivers water to the treatment plant. The pipe is not buried and runs along the surface near the creek.⁶

Per the sanitary survey inspection report, CSA #2 received a notice from State Division of Water Rights, in April 2015, to curtail surface water diversion from the unnamed creek in response to the ongoing drought. However, based on the well production data, the groundwater source alone does not appear capable of providing water up to the maximum daily demand. Therefore, during months when surface water cannot be diverted and there is not a secondary water source, the source capacity does not meet the California Waterworks Standards, which require public water systems to have source capacity to meet the systems maximum daily demand. The maximum daily demand in 2014 was 76,000 gallons per day. If the ground water well has a pumping capacity of 45 gpm, then only 64,800 gallons per day can be produced. During the curtailment period, the groundwater well is the only water supply source. When this supply is depleted in drought conditions, water can be hauled in from off-site, although it is often impractical.⁶

Table 3: Source Data

Source	Status	Capacity (gpm)
Surface Water Unnamed Creek	Active (Dec – Jun)	17.4 gpm (25,056 gpd)
Spring	Active	45 gpm (64,800 gpd)
Total		62 gpm (89,290 gpd)

Water Treatment

Water is sent to a 1,000-gallon storage tank prior to treatment. If the treatment plant is offline, the water bypasses the treatment system and is piped back into the creek, through an outlet in the tank. If treatment is provided, a chlorine disinfectant and a polymer coagulant are injected in-line prior to filtration. Four single media sand filters operate in parallel and filtered water is pumped to a 42,500-gallon storage tank. Groundwater from the well is chlorinated at the well site and pumped to the 42,500-gallon storage tank.⁶

Water Storage

As noted above, finished water after treatment is stored in a 42,500-gallon bolted steel storage tank located near the water treatment plant.

Table 4: Storage Data

Name	Type	Capacity	Comments
surface water tank	Steel	1,000 gallons	Raw surface water storage tank. Creek Water diverted to tank. Float switch shuts plant off when water flows low. Overflow delivers water back to creek when plant is off.
Main tank	Bolted Steel	42,500 gallons	Finished water storage tank. The tank is rusted inside and out. There are pencil size holes in the roof of the tank.

Water Distribution

The distribution system consists of a network of two, four, and eight-inch diameter water lines. One leak was reported in 2014, due to corrosion, and was subsequently repaired⁶.

Table 5: Water Mains

Material	Amount	Size
Steel	1,200 ft.	8-inch diameter
Steel	350 ft.	4-inch diameter
Steel	400 ft.	2-inch diameter
PVC	5,100 ft.	4-inch diameter

The distribution system consists of three pressure zones. Booster stations supply water to the storage tank and to the distribution system.

Table 6: Pressure Zones

Pressure Zone Name	Pressure Range	Connections
Treatment plant to downhill users	Gravity flow 40 psi to 100+ psi	~49
Treatment plant to uphill lots on Obsidian Lane	70 psi to 82 psi	Up to 5 lots
Shale Drive	60 psi to 120 psi	5

System Monitoring

CSA #2 is required to routinely monitor for drinking water contaminants. This includes monitoring for total trihalomethanes (THMs) and Haloacetic acids (HAA5s) quarterly at locations in the distribution system. THMs and HAA5s are chlorine disinfection byproducts. Discrete samples in the distribution system have shown concentrations of HAA5 above the maximum contaminant level (MCL) on four occasions.⁶ The CSA conducts routine monitoring for these contaminants at four monitoring locations in the distribution system. However, in 2014 and 2015, the CSA did not collect a complete series of quarterly samples at approved locations and was required to notify the public of the violation. The CSA is continuing to work with the State Division of Drinking Water to develop an approved Disinfection Byproduct Monitoring Plan that specifies two locations in the distribution system that will be monitored each quarter. The monitoring plan goal is to obtain consecutive samples at the Lake and Shore Drive locations, over the course of a year to determine compliance. A current monitoring program is in place.

A Bacteriological Sample Siting Plan (BSSP) was submitted to the State Division of Drinking Water in February 2015, a more recent BSSP has also been submitted. The BSSP describes that raw water sampling is to occur *quarterly* at the well and surface water source. In addition, one routine total coliform sample is to be collected each month from one of four locations in the distribution system. The Division of Drinking Water has requested that raw water from each water source be monitored *monthly* for total coliform and E.coli with quantified results.⁶

Iron and Manganese in raw groundwater exceed the secondary MCL. Constituents that exceed the secondary MCL shall be monitored quarterly, and compliance shall be determined by a running annual average of the four quarterly samples.⁶

The State Division of Drinking Water has provided the District with an updated chemical monitoring schedule, and monitoring is up to date. The following chemical monitoring was due in May 2015, and has been completed:

- Surface Water – nitrate
- Groundwater – chloride, copper, foaming agents (MBAS), iron, manganese, sodium, specific conductance, sulfate, total dissolved solids, zinc, asbestos, fluoride, and radium 228
- Distribution System – Lead and Copper by September 2015.⁶

A Consumer Confidence Report (CCR) is sent annually to customers. The last CCR was prepared in 2015 and posted on the Shasta County website.

Infrastructure Needs and Deficiencies

On May 19, 2015, the State Water Resources Control Board, Division of Drinking Water conducted a sanitary survey of public water system No. 4500006, Shasta County Service Area No. 2 - Sugarloaf (CSA). The inspection noted compliance issues with surface water treatment requirements, source water and storage capacity, monitoring of disinfection byproducts, and well and water storage conditions. The following sections provide a description of the system and identify compliance issues as reported by the Division of Drinking Water.

According to the State Division of Drinking Water, the groundwater well is vulnerable to contamination and is not secure. The well is located at the end of a drainage ditch along the side of a driveway. The well and its apparatuses, including the chlorine, are not sheltered.⁶

Per the State Division of Drinking Water, the storage tank is corroding with holes in the tank roof, making the finished water storage vulnerable to contamination.

Additionally, the storage capacity is less than maximum daily demand (MDD) of 76,000 gallons in 2014. California Code of Regulations § 64554 requires that "systems with less than 1,000 service connections shall have storage capacity equal to or greater than MDD, unless the system can demonstrate that it has an additional source of supply or has an emergency source connection that can meet the MDD requirements." Based on 2014 usage information, at least 34,000 gallons of additional storage capacity is needed to comply with the California Water Works Standards.

The State Division of Drinking Water (SDDW) considers the District's surface water treatment system an unapproved alternative filtration technology, referred to as "in-line filtration". Under specific operating conditions, this technology can meet the performance criteria to be considered equivalent to direct filtration, which is an approved filtration technology. However, this system does not always meet the SDDW established performance criteria.

On July 17, 2015, the State Division of Drinking Water issued CSA #2 Compliance Order No. 01-02-15(R)-005 pursuant to California Health and Safety Code § 116655 and California Code of Regulations, Title 22, § 64652. Specifically, the Compliance Order addresses system filtration treatment for 99% Cryptosporidium removal through filtration.⁷ The Compliance Order lists specific compliance actions, and directs the District to notify customers of violation and submit an interim operations plan for the water treatment plant by September 1, 2015. The CSA has submitted an interim plan and has returned to compliance.

The Division of Drinking Water requires that the system treat to a higher effluent turbidity standard of less than 0.1 NTU, to minimize the risk of pathogen exposure and monitoring of effluent turbidity from the individual filters. Pressure filter loading rates averages approximately 1.7 gpm/ft² but have exceeded the allowable rate of 2.0 gpm/ft² for single media sand filters on a number of occasions. In addition, the CSA needs to report when backwash cycles occur.

The 42,500-gallon bolted steel water storage tank shows signs of interior and exterior oxidation, making water storage vulnerable to contamination. The groundwater supply well, has been cited as needing better isolation from surface water penetration. Following wet weather events, sediment and debris have to be removed from the well area to prevent inundation and possibly contamination. The well is not covered, and well components are showing signs of corrosion due to exposure. The chlorine tank is located behind a secured gate and the State reports express

concern that the chlorine tank could be inadvertently accessed and a release could occur. The well site requires some improvements that may include extending the well casing and/or construction of a well house.⁶

CSA #2 does not currently have an infrastructure expansion master plan. An engineering firm has been engaged to develop a Preliminary Engineer’s Report to identify needed treatment, storage and distribution upgrades. It is expected that the County Public Works Department will use this information to pursuing grant funding for recommended upgrades. Shasta County Water Agency Board of Directors Resolution No. 2017-01 authorizes the Shasta County Water Agency Chief Engineer to seek and execute state revolving fund monies to finance infrastructure upgrades in CSA#2.

⁶ State Water Resources Control Board, Division of Drinking Water . July 10, 2015. Sanitary Survey Inspection Report for Water System No. 4500006

⁷ State Water Resources Control Board, Division of Drinking Water (SWRCBb). July 17, 2015. Compliance Order No. 01-02-15(R)-005 for California Code of Regulations, Title 22, Section 64652 – Water System No. 4500006 Violations.

Financial Information

CSA #2 is principally funded by service charges and does not receive property taxes. Each year the County adopts a budget for CSA #2. Table 7 provides actual budgets for Fiscal Years 2014-15 and 2015-16, as well as the approved FY 2016-17 budget.

Resolution 2017-01, authorizes the Shasta County Water Agency Chief Engineer to sign and file for a Financial Assistance Application seeking State Revolving Fund monies that will finance the planning and/or the design of the CSA #2 Water Improvement project. The anticipated State Revolving loan funds will be used for system upgrades and will not address the budget deficit.

Table 7. CSA #2 - Sugarloaf Revenues & Expenditures

Revenue	Adopted 16-17	Actual 2015-16	Actual 2014-15
420000 – Interest	\$35	\$22	\$25
693020 – Water Service Collections	\$30,140	\$35,828	\$36,000
806346 – TRAN IN CSA #2 SGRLF CAP IMP	\$4,800	\$4,800	\$5,200
Total Revenue	\$34,975	\$40,650	\$41,225
Expenses			
33103 – INSUR XP Miscellaneous	\$108	\$96	\$98
33500 – Maintenance Of Equipment	\$1,776	\$3,238	\$3,000
33700 – Maintenance Of Structures	\$0	\$0	\$2,000
33791 – Facilities Management Charges	\$6	\$0	\$0
34100 – Memberships	\$153	\$163	\$163
34591 – Charges Oc Postage Svs	\$451	\$445	\$535
34800 – Prof & Special Services	\$2700	\$721	\$500
34826 – Prof Lab SVS	\$3,479	\$4,221	\$3,600
34829 – PROF Maintenance SVS	\$22,529	\$25,306	\$25,227
34900 – Publications and Legal Notices	\$360	\$7	\$0
35100 – Rents & Leases Of Equipment	\$0	\$121	\$200
35500 – Minor Equipment	\$485	\$0	\$0

35700 – Special Departmental Expense	\$510	\$1,510	\$1,500
36100 – Utilities	\$3,616	\$4,682	\$6,000
50001 – Central Service Cost A-87	\$3,018	\$2,374	\$2,996
50900 – Depreciation Expense	\$4,658	\$4,658	\$5,140
Total Expenses (without depreciation)	\$38,191	\$42,884	\$45,819
Net Total (Deficit)	-\$3,216	-\$2,234	-\$4,594

Source: Shasta County

As discussed below, basic operating revenue comes from bi-monthly (once every two months) water service charges. The current water fees and rates were established by District Ordinance No. 701. Occasionally, additional revenue is generated when specific services are requested, such as new meter installations. This work is charged at a fixed rate. Any bimonthly service charge change must originate with an engineering report that analyzes existing revenue and projected future costs. Based on that analysis, a new rate structure can be recommended for Board approval. A public hearing is held prior to authorizing the rate change. The degree to which there is rate change opposition constitutes the constraint to generating additional revenues.

Service Rates

The CSA #2 rates for water services are as follows:

Table 8. Residential In-Service Area Rate Schedule - Effective January 1 2017:

Charge Type	Amount	Applies to:
Basic Charge	\$75.00 Bi-monthly	First 1,300 cf consumed (0-1,300 cf)
Additional Use Charge 1	\$8.00/ 100cf	consumption of 1300-2,300 cf
Additional Use Charge 2	\$12.00/ 100cf	consumption of > 2,300 cf

Installation: Meter and main line extension installations shall be at the sole expense of the person or entity applying.

- (1) When main line extensions are not required, CSA personnel will install the meter based on the following fees to be paid prior to installation:

Table 9. Shasta County Water Meter Connection Fees and Road Crossing Costs

3/4" Meter	1" Meter	1-1/2 Meter	2" Meter	Road Crossing
\$ 750.00	\$ 1,000.00	\$ 1,250.00	\$1,500.00	\$2,500.00 Deposit + actual costs

- (2) When main line extensions are required, meter installation and service extension shall be constructed at the sole expense of the person or entity applying for the extension, and shall meet or exceed County minimum standards and requirements. A minimum improvement plan-checking and construction inspection deposit of \$500 is required. Once the actual plan-checking and construction inspection costs are determined, a fee to cover those costs shall be imposed and the deposit shall be applied to the fee.

Stand-by Fees and Vacation Fees: A bi-monthly stand-by fee of \$25.00, paid by the parcel owner, is charged for each parcel in the service area where water service delivery is available but not

initiated; whether structures are present or not. Properties determined not to be suitable for residential or commercial use are exempt. Customers with a meter may be charged the applicable stand-by fee if the property is to receive regular water service for less than three consecutive months per year.

Financing Constraints and Opportunities

Currently, a Preliminary Engineer's Report is being prepared to identify needed treatment, storage and distribution upgrades. It is expected that the County Public Works Department will use this information to pursuing grant funding for recommended upgrades.

Cost Avoidance Opportunities

Regular system monitoring, infrastructure condition inspections, and a capital improvement plan for scheduled replacement and upgrades are effective cost avoidance measures. The State Water Resources Control Board, Division of Drinking Water May 2015 sanitary survey identified water treatment, source water adequacy and storage capacity, disinfection byproducts monitoring, and well and water storage conditions as needing attention.

Accountability and Governance

Budgets are approved annually by the BOS which then establishes the scope of work and improvements that can be performed. The BOS, as the district board of directors, authorizes and approves any contracts used to construct improvements or perform maintenance work, or to conduct studies, designs, or engineered changes to the water system. The Board communicates directly with the Director of Public Works and/or department staff during weekly Board meetings or through written communications. The BOS meets weekly, but only conducts business related to CSA #2 as needed.

Communication with the public takes place at the CAB meetings, which occur quarterly and provide time for public input on topics related to the CSA. The CAB exists to represent all property owners within the CSA and to enhance local input regarding CSA matters.

Governance Structure Options

No governance structure options are identified, due to small system size and distance from other systems offering similar service.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

This section addresses determinations as specified in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code § 56430). As part of the municipal service review process, LAFCO makes the following written determinations.

Growth and population projections for the affected area

CSA #2 was created to provide municipal water service to the Sugarloaf community, adjacent to Shasta Lake. There have been SOI amendments that could potentially increase its service area. However, population growth and population projections for the area served is expected to be limited or none as the area is built-out. The estimated CSA # 2 residential population is approximately 90 persons.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

CSA#2 has been identified as being a DUC. There are no other DUCs in the vicinity that could be served by the CSA.

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantage unincorporated communities within or contiguous to the sphere of influence.

As noted in the State Water Resources Agency report, there are system deficiencies, and these are being addressed by the County. LAFCO recommends that the CSA #2 continue efforts to prepare engineering reports and cost analysis to estimate needed infrastructure project costs and relay those costs to customers in the form of a fee increase in advance of the next MSR and SOI update cycle.

At the present time, the CSAs has the capacity to serve the existing service areas. CSA #2 does not provide sewer, and fire protection services. These services are provided through other special districts in Shasta County or by private systems.

Financial ability of agencies to provide services

CSA #2 is an “enterprise” district with water service funding primarily from services fees and charges. The District periodically reviews and updates fees to maintain a nexus between reasonable charges levied, and actual costs of services provided, which cannot exceed 1.5% of the median household income. The District seeks to be as efficient and innovative as possible in maximizing use of existing fiscal resources. The County is seeking State Revolving Loan Funds and grants to fund upgrades to the system. The District has a maintenance policy, and periodic replacement of outdated or deteriorating equipment should be scheduled in a Capital Improvement Program with a financing plan.

Status of, and opportunities for, shared facilities

No opportunities for shared facilities have been identified. There is no known overlapping or duplication of services within the CSAs' boundaries.

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

Accountability for CSA residents in the Sugarloaf unincorporated area is provided by the citizen advisory board. The CSA demonstrated accountability and transparency by disclosing financial and service related information in response to LAFCO requests.

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

None beyond those noted above.

SPHERE OF INFLUENCE DETERMINATIONS

Shasta LAFCO makes the following written SOI determinations.

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

Shasta County designates the area served as residential and rural residential, agricultural, and timber lands. This is primarily a rural residential area, with community development either clustered around the resort or along surrounding county roads.

The present and probable need for public facilities and services in the area.

The SOI includes additional residential parcels, mostly developed. Since these already have onsite water systems, there appears to be a minimal present or probable need for public facilities and services for this area.

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

The CSA was formed to provide water service only. District facilities provide for current service needs within the CSA boundary. There is a need to upgrade existing infrastructure to maintain that service for the future. There is also no expected change to the present capacity or adequacy of the public services currently provided by the CSA. Any proposed service extension would be due to conversion from on-site water services on developed parcels to the municipal system, which would be evaluated at time hookup is proposed. Capacity to serve the areas within the current SOI boundary would be dependent on infrastructure upgrades not currently planned. The SOI proposed in the prior MSR and SOI Update has been reduced, to be coterminous with the District boundary, except for one surrounded and developed parcel in the center of the District, due to these capacity limitations.

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

CSA #2, located on the westerly shore of Lake Shasta, north of the City of Shasta Lake, is a distinct and separate area. The Cities of Shasta Lake and Redding are the closest social or economic communities of interest, and provide both shopping and social services to CSA residents.

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

The Sugarloaf area within the SOI is considered a DUC. There are no DUCs adjacent to the CSA that should be included in the SOI.

LAFCO RESOLUTION 2017-02

RESOLUTION OF THE SHASTA LOCAL AGENCY FORMATION COMMISSION MAKING WRITTEN DETERMINATIONS AND UPDATING THE MUNICIPAL SERVICE REVIEW & SPHERE OF INFLUENCE FOR THE COUNTY SERVICE AREA #2 SUGARLOAF

WHEREAS, the Shasta Local Agency Formation Commission, conducts studies of the provision of Municipal Services Review (MSR) in conjunction with reviewing the Spheres Of Influence (SOI) of the local governmental agencies whose jurisdictions are within Shasta County; and

WHEREAS, Government Code Section 56425(g) requires that LAFCO review and updated adopted SOI boundaries, as necessary, not less than once every five years; and

WHEREAS, Government Code Section 56430 requires that a MSR be conducted prior to or in conjunction with a SOI update; and

WHEREAS, the County Services Area #2 (CSA #2) Sugarloaf's sphere of influence boundary was last updated in 2014; and

WHEREAS, the Executive Officer, pursuant to the Government Code Section 56000 *et seq.*, has prepared a MSR and a proposed updated SOI boundary recommendation for the CSA #2 Sugarloaf; and

WHEREAS, in the manner required by law, the Executive Officer has given notice of the public hearing by the Commission on the proposal; and

WHEREAS, the Commission has heard, discussed and considered all evidence presented at a public hearing held on the MSR and SOI on April 6, 2017 for CSA #2 – Sugarloaf.

NOW THEREFORE, IT IS RESOLVED, DETERMINED AND ORDERED as follows:

1. Pursuant to Government Code Sections 56425 and 56430, the Commission hereby makes the statements of determinations included in the CSA #2 – Sugarloaf's Municipal Services Review and Sphere of Influence boundary update (Exhibit A).
2. Shasta LAFCO, as the lead agency, circulated a Notice of Intent to Adopt a Statutory Exemption for this project, responded to written comments received during the review period and hereby intends to certify a Statutory Exemption pursuant to the California Environmental Quality Act (CEQA) for the proposed update of its Sphere of Influence.
3. The Commission, pursuant to Government Code Section 56425(e), makes the following specified determinations based upon data within the municipal service review to update the CSA #2 - Sugarloaf's Sphere of Influence:
 - A. *Present and planned land uses* – Shasta County designates much of the area served as residential and rural residential, agricultural, and timber lands. This is a rural area, with community development either clustered around the resort or scattered about on secondary roads.
 - B. *Present and probable need for public facilities; adequacy of services* - The District has no capital improvement programs to maintain and upgrade service systems, but has

conducted studies and identified areas requiring upgrading.

- C. *Present capacity of the public facilities and adequacy of public services* – District facilities are adequate for current service needs. It has the capacity to serve the areas within the proposed SOI boundaries, with extension of services tied to development of parcels.
- D. *Existence of any social or economic communities of interest* – The District is located on the westerly shore of Lake Shasta, north of the City of Shasta Lake, and is served by CSA #1- Shasta County Fire. The Cities of Redding and Shasta Lake both provide a major shopping and service industry hub for local residents.
- E. *Present and probable needs of disadvantaged unincorporated communities (DUCs) within the area* – As identified in the MSR section, the District service area qualifies as a disadvantage community. Shasta County is undertaking a study of these DUCs as part of their general plan update and additional information should be available for analysis of this designation during the next MSR/SOI Update which will be due in 2019.

5. The Executive Officer is hereby directed to complete update proceedings, and to schedule the subsequent review and update, as necessary, of this Agency’s municipal service review and sphere of influence boundary five years from this approval date as required by statute.

6. The CSA #2 - Sugarloaf’s District Sphere of Influence is hereby updated and approved as presented on the attached map (Exhibit B).

Adopted on April 6, 2017, by the following vote:

AYES:
NOES:
ABSTAINS:
ABSENT:

Dated: _____

Irwin Fust, Chairman
Shasta Local Agency Formation Commission

Attest:

Dated: _____

George Williamson, Executive Officer