
**FRESNO LOCAL AGENCY FORMATION COMMISSION (LAFCo)
EXECUTIVE OFFICER'S REPORT**

AGENDA ITEM No. 9

DATE: December 7, 2011

TO: Fresno Local Agency Formation Commission

FROM: Jeff Witte, Executive Officer

SUBJECT: **Consider Adoption – Municipal Service Review and Sphere of Influence Update Prepared for the Lanare Community Service District (Continued from September 28, 2011)**

Recommendation:

Continue to March 7, 2012.

Summary / Background

The Municipal Service Review and Sphere of Influence Update for the Lanare Community Service District was continued from the September 28, 2011 hearing to the December 7, 2011 hearing, to allow staff time to facilitate a meeting between the Lanare Community Service District and Riverdale Public Utility District to see if there would be any potential that the two Districts could work together to resolve some of Lanare's issues. However, due to an unanticipated three weeks of Jury Duty, your Executive Officer is behind on LAFCo projects and request that the Commission continue the MSR and sphere of influence update for the Lanare Community Service District.

LANARE COMMUNITY SERVICE DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

**Report to the
Fresno Local Agency Formation Commission**

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1. MUNICIPAL SERVICE REVIEW

Description of District

The Lanare Community Service District (District), formed in 1971, is located in the central portion of Fresno County, a few miles west of the unincorporated community of Riverdale and approximately 25 miles southwest of the City of Fresno. The District maintains a community center and park. Its boundaries and Sphere of Influence are coterminous and contain about 346 acres, as shown on the enclosed map.

The District owns and maintains a community center and a park-which includes a soccer field, baseball diamond, basketball court and a playground. Water infrastructure, two wells and a water filtration system which are not currently in use, were placed into a receivership on August 27, 2010 by the Superior Court of the State of California, County of Fresno.

District Services and Background

The community of Lanare received a total of 1.3 million dollars from Community Development Block Grant funds to construct an arsenic treatment plant. The project was completed in 2007 but the arsenic treatment plant was only in operation for six months. The plant was shut down because a community of approximately 600 residents and 140 water connections (7 homes do not have water service) could not afford to operate and maintain the sophisticated state-of-the-art treatment system. The District incurred approximately \$140,000 in debt due in large part to the costs involved in running the treatment facility. Excessive water usage by some of the District's customers was in part responsible for the high operational costs. For example, some customers were using the water for their agricultural operations. The District's receiver, Tito Balling; Inc., doing business as California Water Services, is still trying to identify all of the customers who are using excessive water. Water meters will be the best method available to reduce water usage (and identify water losses through water theft) in order to establish whether the reactivation of the arsenic treatment plant is yet viable from the operation and maintenance perspective.

As noted above, the LCSD's water system was placed into receivership by the Department of Public Health in 2010. At the time the water system was placed in receivership, the Lanare CSD was approximately \$105,000 in debt. The state allocated a large percentage of the debt to the receiver to manage and left approximately \$15,000 of the debt with the District. This debt creates an obstacle for the District to continue to function and provide services. The District receives approximately \$3,500 in property tax money annually that can be used to cover the annual expenses of the community center and park. The District also receives approximately \$2,000 in income from renting the facilities. If not for the current debt, property taxes and rental income would suffice to cover the costs of operations. However, due to the current debt, the District may have to close the community center and park, and by extension dissolve the district as it will not have sufficient funds to shoulder required expenses.

The community center and park are highly valued by Lanare residents. The park is used by the local soccer league for practice and games and children use the playground. The community center is largely used for community meetings by the local community group, Community United in Lanare, to bring the community together to find solutions to improve the overall conditions of the community. The group also uses the center for monthly food distributions that feed over 200 families each month. The center is also used for social gatherings and is on occasion rented for parties. A community group in Lanare, Lanare Community United, has held and will be holding fundraisers to help the LCSD pay for operation and maintenance costs associated with the community center and the park.

The District boundary has not been updated since the District's formation in 1971. Over time, the District has extended water service outside the district boundary to serve Lanare residents. Water service has also been extended to beyond the District boundary to surrounding agricultural fields. Annexation of these areas into the District would increase the amount of property tax revenue, and it would allow those customers to vote for District board members and serve on the District board. Some customers residing beyond the District boundary have attempted to be on the board but have been unable to do so.

The District does not have the funds available to pay for annexation, it would prefer LAFCo initiate the annexation and sphere of influence revision process and waive the associated fees.

2 . MSR DETERMINATIONS

This portion of the report addresses the factors specified in the governing statute for Municipal Service Reviews.

Growth and Population Projections

Lanare is a disadvantaged, low-income community, heavily dependent on agricultural employment, with severe infrastructure deficits, including a lack of access to safe and affordable drinking water. The community consists of approximately 600 residents and 147 homes. California Rural Legal Assistance, Inc. (CRLA) developed and implemented a household survey that found 86% of Lanare households have an annual income of less than \$41,000. These households are living below Fresno County's median household income of \$45,219. The survey also found that the average household size is 4 people.

Present and planned capacity

Lanare suffers from the general lack of investment in public infrastructure. The community's water is contaminated with arsenic, residents are currently relying on failing septic tanks for wastewater services, there are no streetlights, sidewalks, and there is no adequate storm water drainage. The levels of poverty in Lanare make it that much more important that residents have access to an affordable source of drinking water for their most basic needs and to gain access to other municipal services.

Residents are generally in favor of the receivership for the water system as this appears to be the only viable path to accessing clean drinking water. However, there are concerns that water rates may be increased.

Financial Ability of Agencies to Provide Services

The information submitted indicates the District's operational costs exceed its revenues. The total revenue is from property taxes (\$3,500) and community center rental income (\$2,000). Operating expenses (\$4,196) and Debt (\$1,200) leaves a balance of \$104.00 for the year. It appears the District didn't file IRS payroll taxes and now owes \$6,184 in back Federal and State payroll taxes. The District owes \$4,485 to Bank of the West. The District also owed \$2,419 in past election debt to the Fresno County Elections office, however, this debt was forgiven by the Fresno County Board of Supervisors at their July 12, 2011 meeting. The District is only making payments to Bank of the West at this time and worked together with a CPA to get the payroll forms for 2008-2010 filed with the IRS earlier this year.

With only \$5,500 per year coming in and expenses of nearly \$5,400 the District cannot afford the \$12,000 in debt that the court allocated them. They are also looking at \$1,500 to \$2,500 going to Fresno County Elections Department if they are to hold an election to fill the two vacant seats on the Board of Directors.

Status of, and Opportunities for, Shared Facilities

The District's community center is utilized as a food distribution point by the Fresno County Food Bank on a monthly basis. There does not appear to be any other opportunity to share facilities.

Lanare has water contaminated with arsenic as does the neighboring community of Riverdale. Lanare has a dormant arsenic treatment facility and the Riverdale Public Utilities District will be undertaking feasibility and planning studies to develop an arsenic treatment system as well. A shared arsenic treatment facility that serves both Riverdale and Lanare would provide operational efficiencies and economies of scale that would improve service, water quality and affordable access to clean water for both communities.

Riverdale Public Utility District was just awarded \$500,000 from the Safe Drinking Water SRF funds to explore alternatives to address arsenic contamination. Consolidation of the two districts would increase the economies of scale and possibly reduce rates for all of the residents of both districts.

Lanare does not have a public wastewater system and failing septic systems threaten the groundwater in Lanare and the health and safety of residents. Connection to Riverdale's wastewater system presents an opportunity to provide affordable and efficient wastewater service to Lanare residents and lower costs for Riverdale residents.

Governmental Structure and Operational Efficiencies

California Government Code section 61000 - 61934 enables the formation of Community Service Districts to provide various services to the community. The District currently operates a community center. This District is an independent special district which has a separate board of directors not governed by other legislative bodies (either a city council or a county board of supervisors). The District is able to function under its current government structure.

There are legal and administrative limitations on the District. The California State Department of Public Health placed the public water system under a court appointed private receiver based on concerns that the Board of Directors did not have the technical, managerial, and financial capacity to operate and maintain a public water system.

The District currently has no employees and utilizes services of an accountant and an attorney as necessary on a pro bono basis. The District Board of Directors and volunteers maintain the park and community center.

A body of five officials elected by registered voters within the District serves as the Board governing the District. Currently the Board has only three members. Some Board positions are for two year terms and some are for four year terms. Board members are subject to recall by District voters through the recall procedures set forth in Chapter 2, Division 13 of the Elections Code.

Board meetings are held on the second Tuesday of each month at the community center and are open to the public. Meeting notices and agendas are posted at the community center and outside the gate 72 hours before all meetings. Meetings and notices appear to be consistent with Brown Act requirements, which include postings in public places.

3 . SPHERE OF INFLUENCE REVIEW AND UPDATE

Government Code Section 56076 defines Sphere of Influence as “A plan for the probable physical boundaries and service area of a local agency, as determined by the commission.”

Description of Current Sphere of Influence

The District boundary and Sphere of Influence are coterminous and contain about 346 acres, as shown on the enclosed map.

Proposed Sphere Changes

This District sphere boundary was adopted in 1975 and re-affirmed in 2007. It is recommended that the Commission amend the sphere of influence to include residential units served by the LCSD and the water system.

Sphere of Influence Recommendation and Determinations

It is recommended the Commission approve the following determinations and amend the Sphere of Influence.

1. Present and planned land uses in the area, including agriculture and open-space.

Land within the community is designated for residential, service commercial, limited industrial, and agriculture in the Fresno County General Plan's Lanare Community Plan.

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

The District is currently operating a park and community center. The unincorporated community of Lanare is in need of basic infrastructure such as: lighting, sidewalks, curb and gutter, storm water drainage, potable drinking water and a public sewer system.

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

If the district does not obtain alternate funding, the park and community center will close. One option is that the District conduct an assessment to provide lighting services and maintain their community center open.

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

The District serves the Community of Lanare.

4. ACKNOWLEDGEMENTS & REFERENCES

This draft Municipal Service Review was prepared by Fresno LAFCo staff using information provided by the Lanare Community Service District, California State Department of Public Health, California Rural Legal Assistance Inc., and <http://www.indybay.org>. Responsibility for any errors or omissions rests with those who provided information for the report.

5. RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review it is recommended the Commission:

1. Accept public testimony regarding the proposed Municipal Service Review.
2. Approve the recommended Municipal Service Review determinations, together with any changes deemed appropriate.

3. Approve the Sphere of Influence determinations and amend the Sphere of Influence to include residential units served by the LCSD and water system.
4. Consider annexation of the area receiving water but outside the district boundary be annexed to expand the tax base and allow interested residents to participate in their local government.
5. Consider adding parks and recreation service to their approved powers to allow them to operate the park and community center.
6. Recommend that the Riverdale Public Utility District, the Lanare Community Service District, the County of Fresno, the California Department of Public Health, and other interested stakeholders discuss possible alternatives such as consolidation. Consolidation would increase the economies of scale and could reduce the rates that customers of both districts would pay.