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

AGENDA ITEM NO. 10

DATE: May 16, 2007

TO: Fresno Local Agency Formation Commission

**FROM: Rick Ballantyne, Executive Officer
Darrel Schmidt, Deputy Executive Officer**

SUBJECT: Consider Adoption – Municipal Service Review (MSR) and Sphere of Influence (SOI) Update prepared for the City of Clovis.

Background

On September 13, 2004, LAFCo entered into a contract with Land Use Associates for preparation of Municipal Service Reviews (MSRs) and general contract planning services. Previously, Land Use Associates prepared and the Commission did approve MSRs for all cemetery districts located within Fresno County. Land Use Associates had begun preparation of the City of Clovis' MSR when the Commission directed staff to seek additional consultant proposals for preparation of the remaining 14 city and 109 special districts that had to be prepared and approved prior to January 1, 2008 as per State law requirements.

Municipal Service Reviews provide a comprehensive review of the services provided by a City or District and present recommendations with regard to the condition and adequacy of these services and whether or not any modifications to a City or District's Sphere of Influence (SOI) is necessary. MSRs can be used as information tools by LAFCo and local agencies in evaluating the efficiencies of current City operations and may suggest changes in order to better serve the public.

SOI updates may involve an affirmation of the existing SOI boundaries or recommend modifications to the SOI boundary. LAFCo is not required to initiate changes to an SOI based on findings and recommendations of the Service Review, although it does have the power to do so. Such updates are required by State law to be conducted every five years. MSRs are required to be prepared prior to or in conjunction with SOI updates.

State law requires that the Commission in its consideration of the MSRs adopt written determinations for each of the following nine criteria:

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 the consolidation or reorganization of service providers.
8. Evaluation of management efficiencies.
9. Local accountability and governance.

As part of the SOI update, if the Commission determines that modifications to a City or District's SOI boundary is appropriate, it is required to consider the following four criteria and make appropriate determinations in relationship to each of the following criteria:

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.

It should be noted that the City of Clovis does not propose to amend its current SOI at this time since it believes that a suitable amount of land is available to provide for future growth for the next five-year period (until the next MSR is required by State law to be prepared).

Environmental Determination

Staff has determined that consideration of and adoption of the City of Clovis Municipal Service Review is an action considered to be "Categorically Exempt" as per Section 15306 (Information Collection) of the California Environmental Quality Act Guidelines (CEQA). Any potential change to the City's Sphere of Influence resulting from recommendations adopted by the Commission will require additional review under CEQA.

Anticipated Future Growth

The MSR has concluded that the existing SOI cannot accommodate the anticipated City of Clovis' 2025 population. The City's population as of 2006 was estimated at 89,924. Based on a projected growth rate of 3% through 2010 and 2.5% thereafter through 2025, Clovis' population is estimated at 146,583 by the end of the 2025 planning horizon.

As of June 1, 2006, an estimated 5,577 acres of vacant land were located within the existing SOI boundary. At current population density, the existing vacant lands constitute approximately 60% of the land needed to accommodate population growth through 2025, and only 53% of the land needed if the flexibility factors, described herein, are considered. The MSR indicates that vacant lands within the City's existing SOI will accommodate growth only through approximately 2019.

Per Fresno LAFCo policies (Section 300-08) an SOI update should be based upon historical growth patterns using a 20 to 25 year projection. Based on the above information, Clovis' existing SOI can accommodate approximately 12 years of growth and, therefore, its SOI does not meet LAFCo policies. As described below, staff recommends that, within the next five years, the City should submit to Fresno LAFCo an updated SOI that accommodates the anticipated population growth described herein.

Note: This report does not address a potential expansion area at the northeast edge of the City, commonly known as the "Anlin Windows System Business Retention Project." At the time of writing of this staff report, an annexation application has not been submitted to LAFCo and staff understands from discussion with City of Clovis staff that no landowner has submitted a project application to the City for annexation.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

The following provides a brief summary of the major findings contained within the City of Clovis MSR:

I. Infrastructure Needs or Deficiencies

The City of Clovis provides essential services including water, wastewater collection, flood control, solid waste collection and disposal, street maintenance, street cleaning, street lighting, park maintenance, public transit, police, and fire protection. The City's Master Municipal Service Plan, adopted by the Clovis City Council in October 2000, addresses the desired levels and ranges of these services, identifies criteria for when extensions and upgrades are appropriate and funding mechanisms for needed improvements. A brief description of some services is as follows:

The City of Clovis is the sole supplier of water to the incorporated area and to the unincorporated community of Tarpey Village. Most unincorporated areas within the City's SOI rely on individual water wells. In order to meet its water needs, the City has historically relied on groundwater pumped from more than 30 domestic water wells, resulting in an annual overdraft of groundwater supplies.

In 2004, the City began operations of its Surface Water Treatment Facility which is capable of treating 15 million gallons of water per day. This facility has allowed the City to pump less groundwater and to increase the amount of water suitable for groundwater recharge. Including an estimated 7,700 acre-feet of natural recharge already occurring within the City's General Plan area, use of the Surface Water Treatment Plant has resulted in a reversal of the historical overdraft situation and a net increase in groundwater supply.

Given projected population growth, at current usage rates, the City has adequate surface water to supply the current SOI through at least 2020. However, rights to existing and future surface water quantities are not sufficient to meet the needs of the anticipated 2025 population. An estimated 5,000 to 14,000 additional acre-feet of surface water (total annual demand of 52,500 acre-feet) will be needed by 2025. The City plans to soon begin investigating the availability of additional surface water supplies in order to meet this anticipated demand. The City's strategy to meet its overall water needs beyond 2020 includes use of groundwater, treated surface water, groundwater banking, and recycled water (for non-domestic uses).

The County of Fresno has voiced concern related to the location of County Waterworks District No. 42 in relationship to the future growth area of the City of Clovis. The District is located just east of the current Clovis SOI and is generally bounded by DeWolf Avenue on the west, Nees Avenue on the north, Alluvial Avenue on the south, and near Highland Avenue on the east. This District currently provides service to rural residential development in this area. The City of Clovis states that, at the request of the County Public Works and Planning Department, during the analysis of the proposed Anlin Windows Business Retention Program, Clovis staff will investigate how the city could provide "emergency" water service to County Waterworks District 42 should existing supplies be potentially impacted by the conversion of International Irrigation District waters from agricultural uses to municipal uses. This investigation will include conceptual design of the water system and identification of a potential source of surface water. The City does not propose to furnish water for extensive

landscape or agricultural use and there are no plans to include this District into the Clovis sphere of influence.

Staff supports a continuing dialogue between the City and County to analyze and seek responsible resource management solutions to issues related to water service in the metropolitan area. Staff acknowledges that while this MSR does not address the relationship to the District since the District is outside the current SOI boundary, it is nonetheless appropriate for the Commission to encourage dialogue between interested parties for future action.

Note: The County of Fresno Department of Public Works and Planning has expressed a desire to dissolve Waterworks District No. 42 and for the City of Clovis to take over provision of water service to territory encompassed by the District. The MSR prepared for Waterworks District No. 42 will evaluate the appropriateness of this action.

The City's *2005 Wastewater Master Plan Update* provides the City with a course of action with respect to wastewater service needs through the year 2030. The City has adequate wastewater treatment capacity in the regional wastewater treatment facility (shared with the City of Fresno) to accommodate more than five years of growth when factoring in Clovis' recent growth rates. As additional capacity is needed, Clovis can purchase additional capacity from its current allotment of 9.30 million gallons per day (MGD) to 15.87 MGD. The City also plans construction of a new Sewage Treatment and Wastewater Reuse Facility (STWRF) in its southeast growth area. This facility should be operational beginning in 2009.

The City provides solid waste collection to the incorporated area and owns and operates a landfill on Auberry Road north of the City. The City has recently installed additional equipment to prevent migration of methane gas off-site and is removing refuse from unlined areas to prevent impacts to groundwater. The landfill has adequate capacity to serve the City beyond the 2025 planning horizon.

The City has committed itself to implement street improvements as recommended in its General Plan and has developed a framework for the mitigation of traffic impacts through necessary mitigation measures. The City also intends to coordinate transportation planning efforts with those of adjoining jurisdictions through participation in the update of the *Fresno County Regional Transportation Plan*. The City's planning and mitigation efforts will allow it to serve the current SOI area.

As the City continues to grow, fire and police protection services for newly annexed areas will be extended. Additional personnel will be added as needed in order to maintain current levels of service. Fire Department operations will be funded through the General Fund, Fire Department impact fees, and grants. Police protection funding comes from the City's General Fund as well as from state and federal monies. General Fund revenues are expected to grow in proportion to the increased service needs as required to serve additional population and development.

II. Growth & Population Projections for the Affected Area

The City of Clovis has experienced significant growth in recent decades. According to U.S. Census figures, from 1990 to 2000 the City's population increased 36% from 50,323 to 68,468. From 2000 to 2006 it grew another 31% to 89,924. The City anticipates a 3%

annual growth rate through 2010 and 2.5%, thereafter, for a total population of 146,583 in 2025.

In 2000, an updated SOI was approved by the LAFCo to include 20,249 acres (31.64 square miles). Approximately 9% of land within the City limits and 75% of land outside the City limits (but within the SOI) is undeveloped. Total undeveloped parcels encompass approximately 5,577 acres.

The City's density as of June 1, 2006 was approximately 6.17 persons per acre, including residential, commercial, industrial, and vacant lands within the City limits. Allowing for a 15% flexibility factor to account for land for economic development, public facilities, and a larger vacant land inventory at the urban fringe in 2025, the amount of land needed to accommodate a population increase of 56,659 equals 10,560 acres.

It is estimated that vacant lands as of June 1, 2006 constitute approximately 60% of the amount of land needed to accommodate future anticipated growth through 2025, and only 53% of the land needed if the 15% flexibility factor is considered. An additional 4,983 acres will be needed to accommodate full development by 2025. Existing vacant lands can accommodate growth through approximately 2019. Alternatively, if densities were increased to 10.2 persons per acre, existing vacant lands could accommodate the anticipated growth through 2025.

The projected population growth translates into a need for an additional 21,534 residential units (assuming 2.71 persons per unit and a 3% vacancy rate) by 2025. Existing vacant land can accommodate approximately 14,540 units (4 units per acre on residentially designated lands).

III. Financing Constraints & Opportunities

The City of Clovis' annual budget is the "blueprint" for implementing the City's short-term and long-term goals. During preparation of the annual budget, the City Council reviews, updates, and reaffirms the goals and target actions of the City for the next five years. Major capital projects are "master planned" for 20 to 30 years and updated every five years, or more frequently as necessary. The City of Clovis does not have any outstanding general obligation indebtedness. Long-term liabilities relate to capital assets that include the new police/fire headquarters facility, corporation yard, fire apparatus, and sewer and water infrastructure that includes the surface water treatment plant.

The passage of Proposition 1A, a ballot measure approved by the voters in 2004 to restore local government revenues and to protect local tax revenues from being taken by the State, is expected to result in greater revenue stability than has been experienced in recent years. Enactment of Proposition 1A, however, has delayed an increase in revenues that would have otherwise been experienced as a result of Clovis recent growth. Increased revenues needed to meet the demand for services resulting from community growth are expected to trail demand by two years. The City believes it will take approximately five years to adjust to the effects of Proposition 1A. In the meantime, absent a reduction in services or new revenue sources, the City anticipates greater reliance on accumulated savings to fund essential services.

Enterprise operations are self-balancing with sufficient reserves to meet service obligations and debt coverage. The refuse fund was the only enterprise operation with an expected rate increase (4%) for the current fiscal year.

The City has a variety of methods for collecting fees to fund essential services. New developments are often required to mitigate their respective impacts in the form of infrastructure improvements and other development fees. Community Facilities District (CFD) assessments were enacted in 2004 to help fund police and fire services in growth areas of the City. Assessment districts are used to fund on-going maintenance and capital replacement costs for landscaping, lighting, and streets. Additionally, Mello Roos Bonds and Homeowners' Associations in new developments are used to fund necessary services and improvements.

The MSR concludes that the City of Clovis' current financial condition is sound and makes no recommendations concerning this area.

IV. Cost Avoidance Opportunities

The City of Clovis works with other jurisdictions when possible to reduce or avoid unnecessary costs. For example, the City maintains instant aid agreements with the Fresno County Fire Protection District and coordinates with other special districts for water supply.

As part of the budgeting process the City identifies goals and objectives by which it will continue to meet the service needs of its residents, while investing in planned maintenance and upgrades of public improvements, economic development, and job creation. The City also pursues additional cost savings opportunities that become available during the fiscal year.

V. Opportunities for Rate Restructuring

The City continually evaluates its rates and fees, the basis upon which they have been established, and the basis for any increases or decreases. With the exception of the "Refuse Disposal Fund" and the "Employee Benefits Fund", all enterprise operations and other funds are balanced. The Refuse Disposal Fund has received internal loans to cover short-term costs associated with environmental and capacity upgrades at the City's landfill. These loans are to be repaid by fiscal year 2012-13 without additional rate increases. The Employee Benefits Fund deficit is considered short-term and will be balanced by continued contributions from City employees.

Rates for City services should not increase for existing residents as a result of development of newly annexed lands. Costs associated with new development are fully examined during the City's annexation review process and any increased costs are passed on to the developer.

VI. Opportunities for Shared Facilities

The City provides water, wastewater, street maintenance, parks/building maintenance, fleet maintenance, garbage collection, solid waste disposal/recycling, street sweeping, transit services, library services, public safety (police and fire), and recreation services to the community. No overlapping or duplicative services have been identified.

The City's fire and police departments share a recently completed headquarters building. Additionally, the City shares the Regional Wastewater Treatment Facility with the City of Fresno and shares the Waldron Pond water banking facility with the Fresno Irrigation District (FID).

VII. Government Structure Options

Clovis provides a range of services to its residents as indicated above. The *Clovis General Plan* contains policies to provide for orderly growth and provides for appropriate extension of new municipal services within Clovis' SOI area. Coordinating future development activities with the County and other public service agencies has the potential to improve public safety (police and fire protection service) response time, enhance storm drainage and flood control management, sewer and water services, and transportation infrastructure. LAFCo provides additional oversight when amending or updating the City's SOI and during the required annexation process.

VIII. Evaluation of Management Efficiencies

The City is organized into ten departments: City Attorney's Office, City Manager's Office, Community and Economic Development Department, City Clerk, Fire Department, Finance Department, Planning and Development Services Department, General Services Department, Public Utilities Department, and the Police Department. The City Manager is appointed by the City Council. The City Manager appoints all other Department heads. Each department is responsible for providing specific municipal services. The various departments work together as necessary and do not duplicate each others' services or functions.

IX. Local Accountability and Governance

As evidenced by extensive legal noticing, workshops and public information meetings held by the City, public participation is valued by the City. Elected and appointed City officials are available to speak with the public by appointment and for special activities and events. The City provides information and interviews to local media as requested. The City also maintains regular agenda mailing and distribution lists and publishes a quarterly magazine (*Connecting with Clovis*) which contain information on City events and programs.

SUMMARY OF SPHERE OF INFLUENCE UPDATE DETERMINATIONS

I. The Present and Planned Land Uses In the Area, Including Agricultural and Open-Space Lands

The 1993 *Clovis General Plan* was adopted to guide growth and community change through 2008. The General Plan was reviewed in 2000 to resolve remaining issues and seek metropolitan agency consensus and adoption. Clovis' *Southeast Urban Center Specific Plan*, adopted in 2003, was Clovis' first urban center to receive advance planning. The General Plan is anticipated to guide growth until 2020, but an update to the Plan is expected within the next five years. Within such five year period, LAFCo expects that the City will conduct (with assistance from LAFCo) a comprehensive review of the City's General Plan efforts, which would include a Municipal Service Review Update, Spheres of Influence Amendment, and Environmental Review.

Additionally, current efforts undertaken by the Council of Fresno County Governments in cooperation with its member agencies and partners to review current agricultural preservation practices and policies, utilization of land use buffers and other means to promote "City Identification" as a part of each city's planning processes, and other regional concerns as

incorporated within the Valley's Blueprint Plans and Policies, should be completed and adopted prior to the City's need to update its current SOI. The City of Clovis' representatives and elected officials support the current Blueprint planning process and are actively participating.

The City's June, 2006 City limits encompass 14,565 acres (22.76 square miles) that equates to approximately 72% of the City's 20,249 acre (31.64 square mile) SOI area. Approximately 9% of land within the City limits and 75% of land outside the City limits (but within the SOI) is undeveloped. Total undeveloped parcels encompass approximately 5,577 acres.

The MSR indicates that 820 acres (14.4%) within the current SOI but outside the City limits are under Land Conservation (Williamson Act) Contracts. Most of this contracted land is concentrated within the Southeast Plan Area. Significant portions of this contracted area consist of "Prime Farmland" or "Farmland of Statewide Importance". Given this circumstance, it will difficult for the City to expand without encroaching on prime farmlands.

As mentioned, Clovis has experienced significant growth in recent years. The City experienced a 36% increase in population from 1990 to 2000 and grew an additional 31% between 2000 and 2006, resulting in a population of 89,924. The City anticipates a 3% annual growth rate through 2010 and 2.5% thereafter through 2025 which would result in a population of 146,583.

Assuming population densities remain unchanged at 6.17 persons per acre, the projected 2025 population will result in the need for an additional 4,983 acres of land and construction of 21, 534 new residential units. The existing SOI will be fully built-out by approximately 2019. The existing SOI could accommodate the projected 2025 population if densities increased to 10.2 persons per acre.

II & III. The Present and Probable Need For Public Facilities and Services in the Area; and The Present Capacity of Public Facilities and Adequacy of Public Services in the Area

As discussed in Section I of the MSR (Infrastructure Needs or Deficiencies), the City provides essential municipal services including water, wastewater collection, flood control, solid waste collection and disposal, street maintenance, street cleaning, street lighting, park maintenance, public transit, police, and fire protection. The City's *Master Municipal Service Plan, Water Master Plan, Wastewater Master Plan, 2005 Urban Water Management Plan, and the Sewage Treatment/Water Reuse Facilities Program* address the desired levels and ranges of these services and identify criteria for when extensions and upgrades are appropriate and funding mechanisms for needed improvements. This report concludes that the City of Clovis is able to provide necessary services to adequately serve the lands in its current boundaries and the projected urban growth in the current SOI area.

IV. The Existence of Any Social or Economic Communities of Interest Located in the Area that the Commission Determines That They Are Relevant to the Agency

The City of Clovis is primarily served by the Clovis Unified School District for K-12 and adult education services. A small portion of the City is located within the Fresno Unified and Sanger Unified School Districts. With the City's population expected to increase approximately 63% through 2025, future student enrollment is expected to increase dramatically.

Sanger Unified has an elementary school site planned to handle that portion of Clovis' growth that occurs within its boundaries. The Clovis Unified School District will be responsible for providing a majority of required facilities and services resulting from Clovis' increased student enrollment. The City continues to work with the District during the development process. Fresno Unified School District is not expected to be impacted by additional urban growth as that portion of the City within the FUSD is fully built out.

The Fresno County Fire Protection District provides service on the City's fringe and adjacent unincorporated areas within the City's SOI. The City of Clovis and the District have a transition agreement in effect.

The Fresno Irrigation District provides surface water to the City's groundwater and recharge facilities and to flood control basins for recharge purposes as well as the City's Surface Water Treatment Facility.

The Fresno Metropolitan Flood Control District covers the entire Fresno/Clovis Metropolitan Area and provides the primary means of storm drainage control for the City of Clovis and its SOI. New storm drainage infrastructure needs are paid for via development fees or by the formation of assessment or improvement districts.

The Fresno County Free Library operates a library in the Clovis Civic Center. New libraries are planned for the two Urban Villages identified in the City's General Plan.

Other districts within the Clovis SOI include the Clovis Cemetery District, Kings River Conservation District, Clovis Memorial District, Consolidated Mosquito Abatement District, State Center Community College District, West Fresno County Red Scale Protection District, and Sierra Resource Conservation District.

Much of the area outside of the City, but within its SOI, is developed for rural residential purposes. Generally these homes are served by individual wells and septic systems. Residents of these areas have previously shown reluctance to being annexed to the City as it has expanded. In an effort to reconcile the differences between the City and residents in these more rural areas, the City has entered into "Rural Lifestyle Agreements" to assure new City residents that they may continue to maintain certain agricultural uses as well as maintain existing water well and septic system facilities given certain circumstances. These agreements are evidence of the City's willingness to embrace a new land use that has historically been located within the unincorporated areas.

Recommendations:

According to LAFCo guidelines, an SOI should use a 20 to 25 year projection. Given the projected population, and assuming population density is maintained at current levels, we conclude that the City's existing SOI cannot accommodate new growth for the next 20 years, and therefore its SOI is not consistent with LAFCo guidelines. Inasmuch as the City has not requested any changes be made to its Sphere of Influence at this time, and given that the existing SOI can accommodate growth through approximately 2019, we do not believe that an immediate expansion of the City's SOI is warranted. Accordingly, the Commission is not required to adopt or approve any Sphere of Influence Update determinations. Staff therefore makes the following recommendations:

- A. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, find that prior to adopting the written determinations, the Municipal Service Review determinations and Sphere of Influence under consideration are Categorically Exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306, "Information Collection", and authorize and direct the Executive Officer to file, as appropriate, in the office of the Fresno County Clerk all environmental documents, if any, pertaining to the approval of this Proposal, as required by State law.
- B. Find the Municipal Service Review and Sphere of Influence Update prepared for the City of Clovis is complete and satisfactory.
- C. Find that the written determinations within the Municipal Service Reviews satisfy State Law.
- D. Within the next five years, the City should submit to Fresno LAFCo an updated SOI that accommodates the City's anticipated population growth described herein.
- E. Pursuant to Government Code Sections 56430 adopt the determinations as presented in the Municipal Service Review document.

- Notes:
- 1. The City of Clovis should address recommendations related to agricultural preservation, land use buffers (or other adopted means) for creating a sense of community identity, and other regional recommendations that may be adopted by the Council of Fresno County Governments as a part of its future planning efforts.
 - 2. The Commission encourages the City of Clovis and the County of Fresno Public Works and Planning Department to continue dialogue in an effort to analyze and seek responsible resource and management solutions to issues related to water service in the metro area. Should the City seek to annex territory in the vicinity of the District in the future, it should consider the possible dissolution of County Waterworks District No. 42, and annexation of the territory currently encompassed by the District as part of a larger annexation proposal.