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

CONSENT AGENDA ITEM No. 9

DATE: **November 7, 2007**

TO: **Fresno Local Agency Formation Commission**

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

SUBJECT: **Consider Adoption – Municipal Service Review and Sphere of
Influence Update Prepared for County Service Area No. 2**

Summary / Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo to review and update, as necessary, special district Spheres of Influence (SOIs) before January 1, 2008, and every five years thereafter. Prior to, or in conjunction with an agency's SOI update, LAFCo is required to conduct a *Municipal Service Review* (MSR) for each agency.

On December 13, 2006, the Commission directed staff to enter into a contract with Braitman & Associates to prepare MSRs and SOI Updates for numerous cities and special districts. The attached MSR and SOI Update have been prepared for County Service Area (CSA) No. 2.

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 modifications to a city or district's SOI are necessary. MSRs can be used as informational tools by LAFCo and local agencies in evaluating the efficiencies of current district operations and may suggest changes in order to better serve the public.

Sphere of Influence updates may involve an affirmation of the existing SOI boundaries or recommend modifications to the SOI boundaries. 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.

State law requires that the Commission adopt written MSR 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 an SOI update, or adopting an SOI, the Commission is required to consider the following four criteria and make appropriate determinations in relationship to each of the following:

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.

There are 22 county service areas operating within Fresno County. This report concerns County Service Area (CSA) No. 2. CSA Nos. 7, 10, 14, 18, 19, 31, 33, 39, and 47 also appear on today's agenda. With the exception of CSA No. 31, all of these CSAs are located within or near to the Cities of Fresno and Clovis. The remaining CSAs will be presented at the Commission's December 5, 2007, hearing.

Environmental Determination

The California Environmental Quality Act ("CEQA") requires that the Commission undertake and review an environmental analysis before granting approval of a project, as defined by CEQA. The MSR is categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 - Regulation section 15306), which states: "Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded." Indeed, this MSR collects data for the purpose of evaluating municipal services provided by the agency. There is no land use change or environmental impact created by such a study.

Furthermore, the MSR qualifies for a general exemption from environmental review based upon CEQA Regulation section 15061(b)(3), which states: "The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." Additionally, the SOI update qualifies for the same general exemption from environmental review based upon CEQA Regulation section 15061(b)(3).

There is no possibility that this MSR or SOI update may have a significant effect on the environment because there are no land use changes associated with either document. If the Commission approves and adopts the MSR and SOI update and determines that the project is exempt from CEQA, staff will prepare and file a notice of exemption with the County of Fresno, as required by CEQA Regulation section 15062.

Discussion / Summary of Determinations

County Service Area (CSA) No. 2 (Tenaya Park) encompasses approximately 60 acres within an unincorporated island located in the City of Fresno. The District contains 142 residential parcels and is adjacent to the City on two sides. The District is bounded to the north and south by Sierra and Escalon Avenues, respectively, and on the west by Fruit Avenue. The District's boundary and SOI are coterminous.

The CSA maintains a 2 ½ acre park located within the Tenaya Estates subdivision and also provides lighting for the park and streets within the CSA. Existing infrastructure is considered adequate for the CSA's needs. No growth is anticipated within the CSA as its area is fully built

out with single-family residences. The District appears to be providing an adequate level of service to its residents.

The District is governed by the County Board of Supervisors and is administered by the Special Districts Administrator Office of the Fresno County Public Works and Planning Department. The Special Districts Office monitors, maintains and repairs District infrastructure. The Office also provides administrative services to a total of 22 CSAs and six Waterworks Districts within Fresno County.

The District's FY 2006-07 Budget totaled \$42,038, with revenues derived from property assessments, property taxes, and carryover funds. Projected expenses for park maintenance, improvements, and utility costs equaled projected revenues.

No cost avoidance opportunities or opportunities to share facilities were identified in the MSR. The District can seek to restructure its rates on an annual basis. Rate increases would require approval through the Proposition 218 process.

Special District staff suggested that services might be better provided via a homeowner's association, an independent special district, or through annexation of the District area to the City. If the District territory were to be annexed into the City of Fresno, the District would be dissolved and its assets and liabilities would be transferred to the City. This appears to be the most likely alternative government structure. However, LAFCo is not aware of any desire by District residents to seek annexation, nor has the City expressed a desire to annex District territory.

The County states that there have been some discussions with the City of Fresno regarding the possibility of the City providing services to County areas located near the City, including CSA No. 2. The County has expressed a desire to work with the City in this regard and to determine whether the City could manage the District more effectively given its close proximity to the District, capacity of City staff, and economies of scale.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Act) would appear to support such an arrangement between the City and County, as it states "a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas." Barring a proposal for the City to annex the District, staff recommends the County and City be encouraged to investigate potential mechanisms for providing services currently provided by CSA No. 2.

The District's boundary and Sphere of Influence appear to be correct at this time. The County has not indicated any changes are desired or warranted. Staff recommends that the District's SOI be updated by affirming its current SOI boundary.

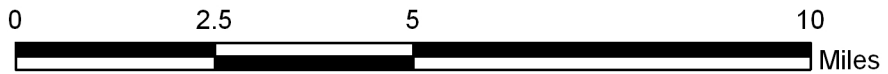
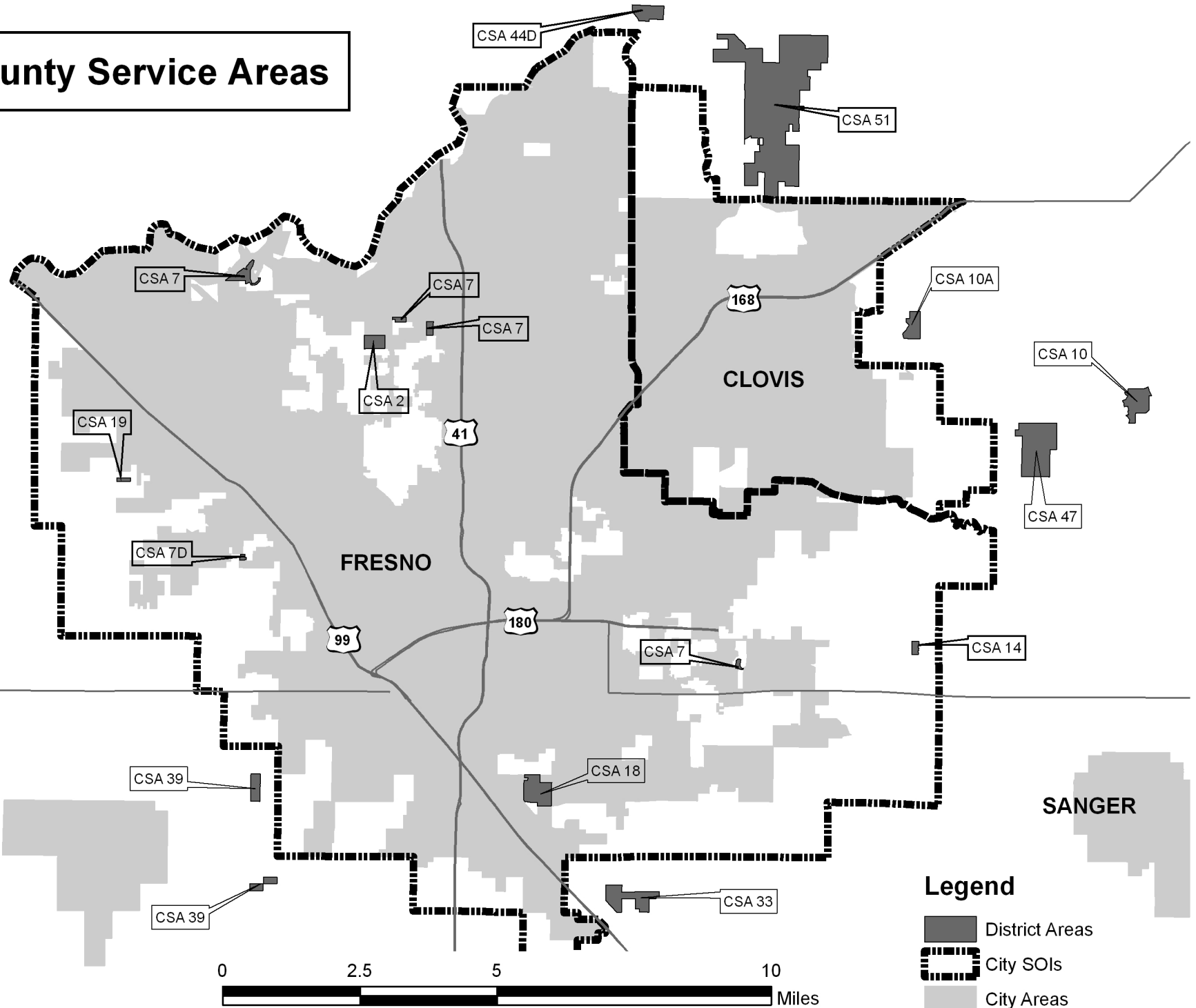
Recommendations:

- 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 and Sphere of Influence determinations under consideration are Categorical Exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306, "Information Collection" and the general exemption from environmental review, CEQA Regulation Section 15061(b)(3), and find that the SOI Update qualifies

for the same general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).

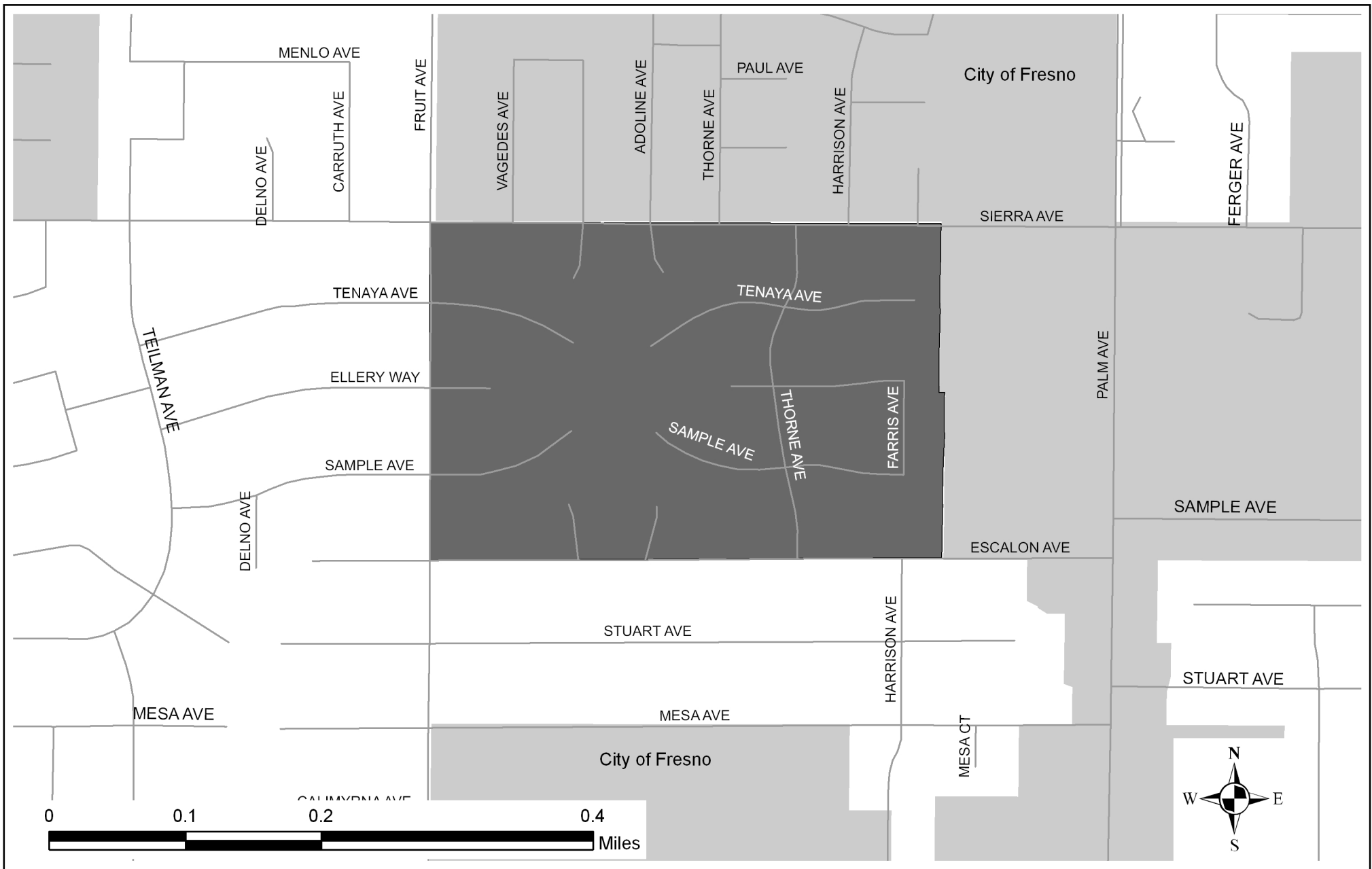
- B. Find the Municipal Service Review and Sphere of Influence Update prepared for County Service Area No. 2 (Tenaya Park) are complete and satisfactory.
- C. Find that the written determinations within the Municipal Service Review and Sphere of Influence Update satisfy State Law.
- D. Pursuant to Government Code Sections 56425 and 56430 make the required determinations for the Municipal Service Review and Sphere of Influence Update, adopt the Municipal Service Review prepared for County Service Area No. 2 (Tenaya Park) by Braitman and Associates, and update the Sphere of Influence for said District by reaffirming its current boundary.
- E. The Commission encourages the County and City of Fresno to participate in a joint investigation of the best mechanism for providing existing necessary services to County Service Area No. 2 (Tenaya Park). Such investigation should include consideration of various management options of the County Service Area, including, but not limited to, management by the City of Fresno or a consortium of public agencies through contractual arrangements entered into and approved by the County, City, and if applicable, other affected public agencies.

County Service Areas



Legend

- District Areas
- City SOIs
- City Areas



Fresno Local Agency Formation Commission County Service Area No. 2 (Tenaya Park)

Provides Recreation Services

District Formed: 1962

SOI Adopted: 3/14/1975

Map Date: August 2007

District Area: 60 Acres

Sphere Area: 60 Acres

Legend

- District Area and SOI
- City Area

COUNTY SERVICE AREA No. 2

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

Report to the
Fresno Local Agency Formation Commission

Prepared By:

Braitman & Associates
8277 Cheshire St.
Ventura, CA 93004

November 2007

1. MUNICIPAL SERVICE REVIEW

Description of District

County Service Area No. 2 (Tenaya Park) was formed in 1962. It encompasses about 60 acres within an unincorporated “island” surrounded by the City of Fresno. It is south of and adjacent to Sierra Avenue, west of Palm Avenue. Its boundaries and Sphere of Influence are coterminous as shown on the enclosed map.

The Board of Supervisors governs the District. The Special District Administrator within the County Public Works and Planning Department manages the District.

District Services

The District maintains a two and one-half acre park and walkways, and funds lighting for the park and walkways within the Tenaya Estates subdivision. There are 142 parcels within the District.

2. MSR DETERMINATIONS

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

Infrastructure Needs and Deficiencies

There are no plans to increase the size of the park or add additional infrastructure. Existing infrastructure is adequate to meet the District’s needs.

Growth and Population Projections

District services do not directly facilitate or affect the rate or location of population development. The area within the District is completely built out.

Financing Constraints and Opportunities

The projected revenue for Fiscal-Year 2006-07 of \$42,038 includes property assessments (\$29,499), property taxes (\$5,650) and carryover funds (\$6,639).

Projected expenses of \$42,038 include maintenance of grounds and improvements, payment for utilities and a minor contingency.

It appears these financing sources will avoid unmet financial obligations for continued provision of District services.

Cost-Avoidance Opportunities

There are no apparent cost avoidance opportunities.

Opportunities for Rate Restructuring

There are annual opportunities for restructuring assessments to fund District operations based on the costs involved in utilities and maintenance.

Opportunities for Shared Facilities

There do not appear to be opportunities to share facilities with other districts.

Government Structure Options

The District staff suggests park maintenance and street lighting would be better provided through a homeowner's association, an independent special district or annexation to the City of Fresno. At such time the territory is annexed to the City, the District will be dissolved and its assets and liabilities transferred to the City.

There are discussions between the County and City staffs regarding the possibility of the City operating County Service Areas located near the City, including CSA No. 2. The County has expressed a desire to work with the City to investigate whether it could manage this County-governed District more effectively than the County due to the District's close proximity to the City, the capacity of the City staff and possible economies of scale.

Recognizing that the California State Legislature has found and declared that "a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas" (Govt. Code 56001), the Commission should encourage the County and City of Fresno to participate in a joint investigation of the best mechanism for providing existing necessary services to County Service Area No. 2, among other County Services Areas located near to the City of Fresno. Such investigation should include consideration of various management options of the CSAs including, but not limited to, management by the City of Fresno or a consortium of public agencies through contractual arrangements entered into and approved by the City, County and, if applicable, other affected public agencies.

Management Efficiencies

The County Public Works and Planning staff administers all CSAs. They exhibit the characteristics of agencies operating efficiently utilizing a common staff.

Local Accountability and Governance

The Board of Supervisors governs the District. It meets on Tuesdays and Board agendas are posted on the County website. The District has a 15 member Citizen Advisory Council which serves to facilitate communication between the residents and businesses in CSA No. 2 and Special Districts Administration staff.

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

Its boundaries and Sphere of Influence are coterminous.

No Proposed Sphere Changes

The District proposes no changes in its Sphere of Influence or boundaries.

Sphere of Influence Determinations

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

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

Present and planned land uses within the District are primarily residential.

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

The probable need for public services and facilities reflect existing land uses within the District boundaries.

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

District facilities are sufficient for the services provided.

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

Territory within the District encompasses a residential subdivision.

4. ACKNOWLEDGEMENTS & REFERENCES

This draft Municipal Service Review was prepared by Braitman & Associates working at the direction of the Fresno LAFCO staff. Responsibility for any errors or omissions rests with those who prepared the report.

Fresno County Special Districts Administration provided information on which the evaluation is based. Special Districts Administrator Raymond Ramirez and Patrick Hinds of his staff were instrumental in providing data.

Available Documentation

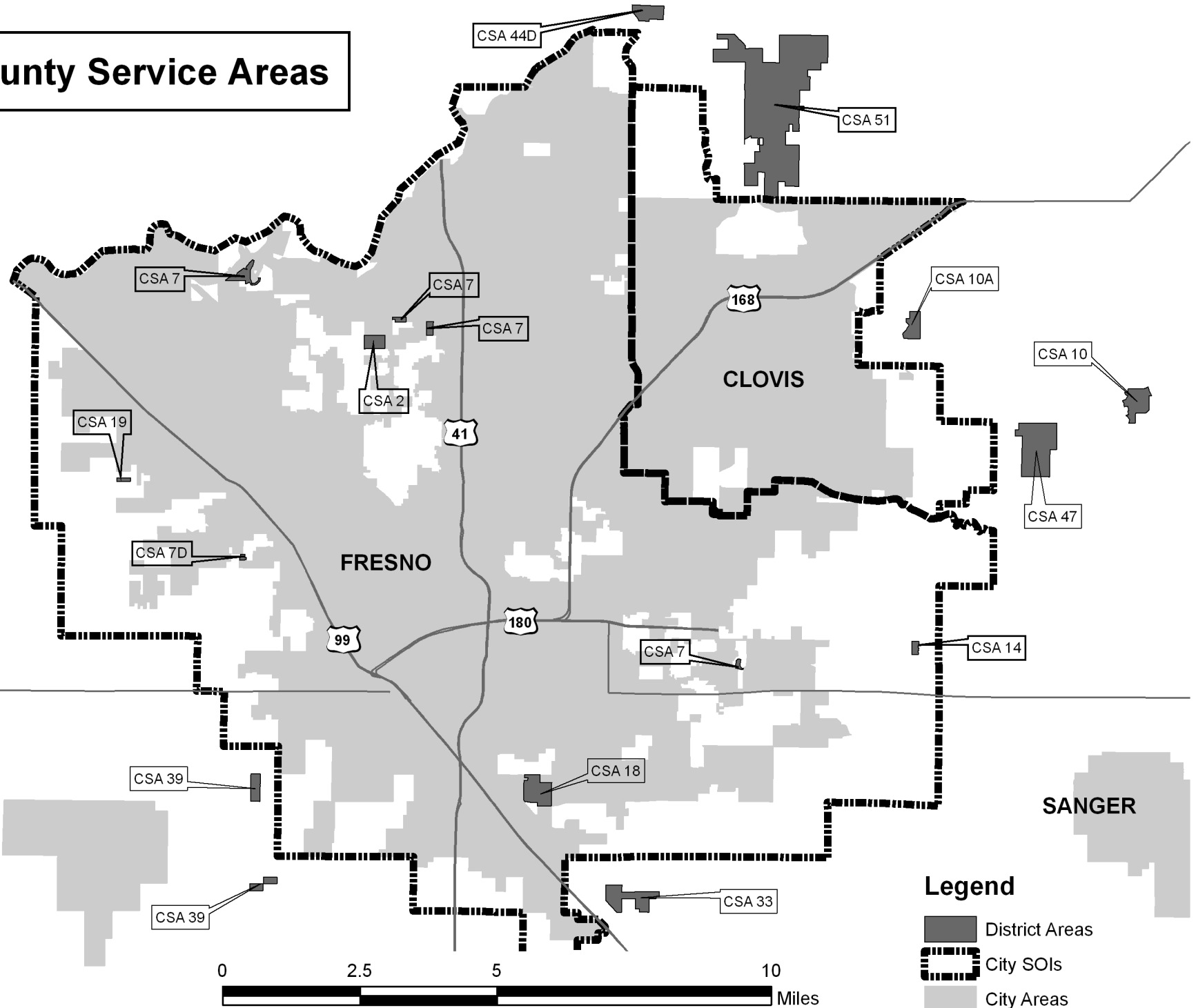
The “Request for Information for Municipal Service Reviews” submitted by the District and supporting documents referred to therein are available in the LAFCO office.

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. Affirm the current Sphere of Influence and that it not be revised at this time.
4. Encourage the County and City of Fresno to participate in a joint investigation of the best mechanism for providing existing necessary services to County Service Areas within the vicinity of the City. Such investigation should include consideration of various management options of the CSAs including, but not limited to, management by the City of Fresno or a consortium of public agencies through contractual arrangements entered into and approved by the City, County and, if applicable, other affected public agencies.

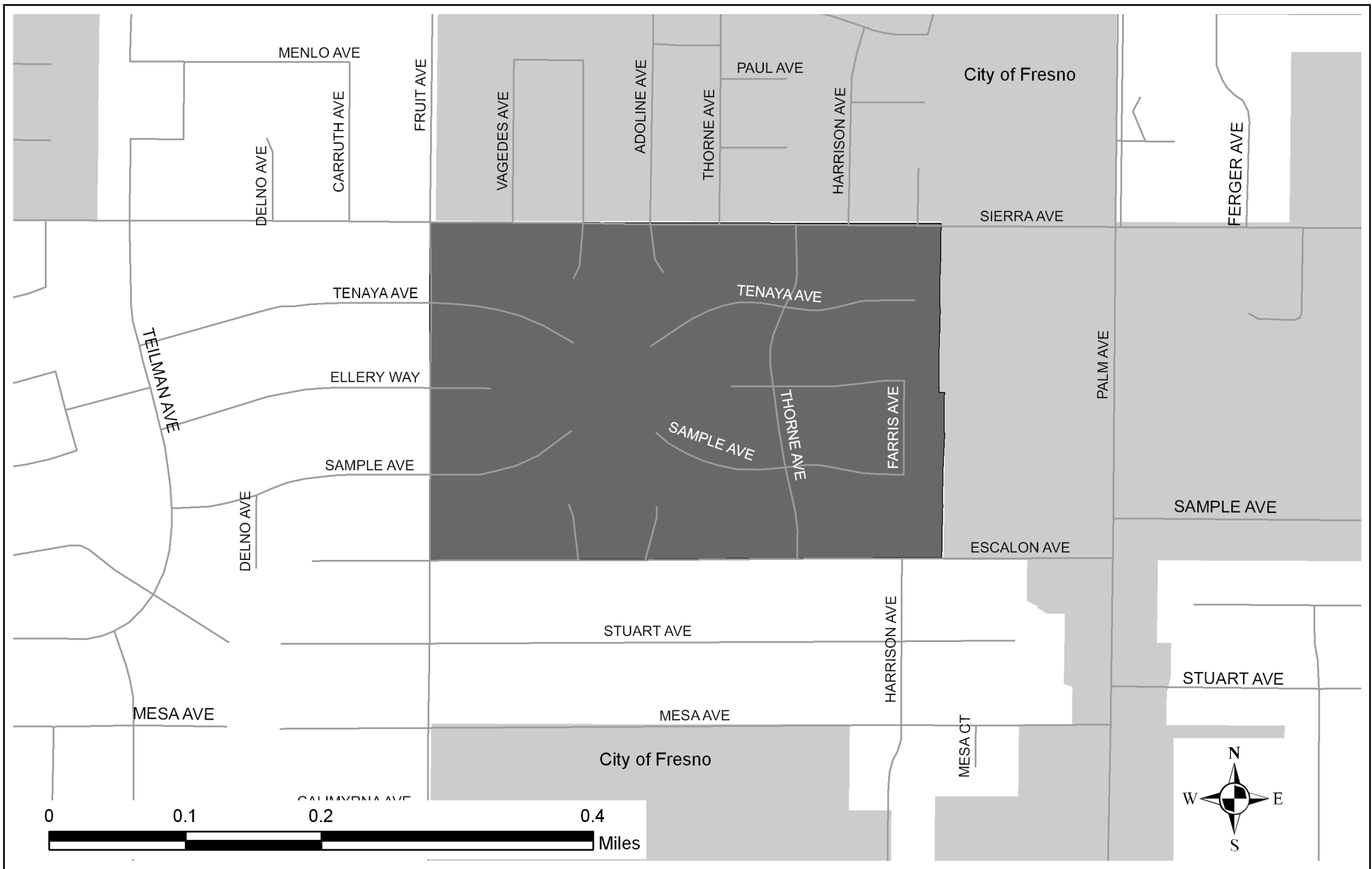
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