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

CONSENT AGENDA ITEM No. 7

DATE: July 11, 2007

TO: Fresno Local Agency Formation Commission

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

SUBJECT: **Consider Adoption** – Municipal Service Reviews and Sphere of Influence Updates Prepared for the Following Districts:

1. Big Creek Community Service District
2. Biola Community Service District
3. Del Rey Community Service District
4. Easton Community Service District
5. Laton Community Service District

Summary / Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo to review and update, as necessary, Special Districts' Spheres of Influence (SOI) 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 Pacific Municipal Consultants (PMC) to prepare MSRs and SOI Updates for numerous special districts. The attached MSRs have been prepared for five of the eight Community Service Districts operating within Fresno County.

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 SOI is 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.

SOI updates may involve an affirmation of the existing SOI boundary 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 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:

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 nine Community Service Districts (CSDs) operating within Fresno County. These include: Big Creek; Biola; Bluffs; Caruthers; Del Rey; Easton; Lanare; Laton; and Sierra Cedars Community Service Districts.

This report addresses the Big Creek, Biola, Del Rey, Easton, and Laton CSDs. The Bluffs CSD is presented as a separate public hearing item. MSRs prepared for the Caruthers, Lanare, and Sierra Cedars CSDs will be presented at a later hearing.

California Government Code Sections 61000 thru 61934 enables the formation of Community Service Districts in order to provide a wide range of services including:

- Water
- Collection, treatment, or disposal of sewage, wastewater, and storm water
- Collection, transfer, and disposal of solid waste
- Fire protection services
- Park and recreation facilities
- Street lighting and landscaping
- Road construction, improvements, and maintenance
- Transportation services
- Graffiti abatement
- Weed and rubbish abatement
- Snow removal
- Electricity

None of the community service districts in Fresno County provide the full range of services available under State law, but a number of the districts do provide multiple services.

Environmental Determination

Staff has determined that consideration and adoption of the Community Service District Municipal Service Reviews and Sphere of Influence determinations are actions considered to be "Categorically Exempt" as per Section 15306 (Information Collection) of the California Environmental Quality Act Guidelines (CEQA).

Proposed changes to the Spheres of Influence (SOI) of the Easton and Laton Community Service Districts that will enlarge the Districts' current Spheres to include areas currently within District boundaries, but outside their SOIs, have been determined to be "Categorically Exempt" as per Section 15320 (Changes in Organization of Local Agencies) of CEQA.

Any additional changes to a District's Sphere of Influence resulting from recommendations adopted by the Commission will require additional review under CEQA.

Discussion & Summary of Determinations

1. Big Creek Community Service District

- A. Maintain the District's existing Sphere of Influence boundary.

The Big Creek Community Service District serves 63 parcels encompassing approximately 29 acres, located in the vicinity of Huntington Lake. The District's boundary and SOI are coterminous.

The District provides street lighting, road maintenance, snow removal, and municipal water services. The District is administered by a three member Board of Directors appointed by the Board of Supervisors and employs three part-time personnel including a district manager/secretary, water master, and snowplow driver.

The District owns a snow plow and storage garage. The District indicates that the current snow removal equipment is in excellent condition and that it is sufficient to meet the District's needs. The District does not plan to expand its boundary or to provide additional infrastructure.

The District's FY 2006-07 Budget projected \$41,635 in annual expenses and \$52,000 in annual revenues. Revenues are generated from annual assessments and fees for metered water. The District maintains a substantial cash balance in its Water Fund and General Fund accounts. The District does not have any debt. All residents in the District receive the same level of service. Existing rates were set in 2003 and provide sufficient revenue to cover costs of service.

No significant cost avoidance opportunities were identified in this review. It is noted though that the District utilizes the cafeteria of the Big Creek Elementary School for its bi-monthly meetings. There is no charge for the use of this facility.

The District did not indicate that any changes to its Sphere of Influence were necessary or desired.

2. Biola Community Service District

- A. Maintain the District's existing Sphere of Influence boundary.

The Biola Community Service District serves the unincorporated community of Biola located west of the City of Fresno and north of the City of Kerman. The District's boundary and Sphere of Influence are nearly coterminous. The District's mission statement is: *A commitment to the ever growing needs of the community by providing high quality services, open lines of communication, promoting community participation, and using resources to build high quality standards for the people.*

Services provided by the District include street lights, water, sewer, storm drainage, and solid waste collection. District infrastructure includes two water wells and water treatment equipment, a seven-acre wastewater treatment plant, related generators and aeration ponds with pumps, and a community center which houses the District's office and is available for weekend rental.

The District recently increased its water delivery capacity and anticipates expansion of its wastewater treatment plant in the near future to accommodate increased demand from a 100-unit low-income housing development currently under construction. The development includes single-family residences and apartments and is expected to be completed by January, 2008. The new development is responsible for paying its "fair share" of the cost to increase the District's water supply and wastewater treatment capacity.

The District serves a population of up to 1,600 during the harvest season (August through September). At other times the District serves a population of approximately 1,100. The District has 258 water and sewer connections including residential, commercial, and industrial customers.

The District is administered by a five-member Board of Directors, which is appointed by the Board of Supervisors. The District employs a general manager, office assistant, and a part-time field worker. The District contracts with California Water Services for maintenance of the water and wastewater systems. The District also contracts with Sunset Waste Systems for solid waste collection and disposal services.

The District's total operating revenue for FY 2005-06 was \$370,296 with revenues derived from fees for waste disposal, water and wastewater service, use of the community center, and a limited amount of money from property taxes. Expenditures were \$376,821, for a total loss of \$6,525 for the year. As of June 2006, District debt totaled \$268,788. This debt was incurred to finance water well construction and is being paid down through monthly service fees charged to customers. Rates were last updated in August, 2006.

The District states that there are no opportunities for shared facilities with other agencies. Competitive bidding was used to select the solid waste disposal provider. Competitive bidding was not used to select the contracted water and wastewater maintenance provider as no other local entities could provide the service. Street lighting is provided through a contract with PG&E and is funded through property assessment.

The District does not expect significant growth in the near future as the area encompassed by the District will be nearly fully built out once the low-income housing development currently under construction is completed.

The District did not indicate any desire or need to expand its Sphere of Influence.

3. Del Rey Community Service District

- A. Maintain the District's existing Sphere of Influence boundary.

The Del Rey Community Service District serves the unincorporated community of Del Rey located south of the City of Sanger. The District's boundary and Sphere of Influence are nearly coterminous.

The District provides street lighting, water, sewer, solid waste, storm drainage, and park maintenance services. The District serves a population of approximately 1,200 residents as well as commercial and industrial development. District infrastructure includes a community/senior center, wastewater treatment plant, an equipment building, three pump houses, and related water and wastewater infrastructure. District staff state that the water and wastewater infrastructure are in excellent condition. The District's office is located in the community center.

An industrial wastewater treatment plant is currently under construction adjacent to the existing domestic wastewater treatment plant. The new plant is being funded by grants and developer fees.

The District is administered by a five-member elected Board of Directors. The District employs a district manager, plant supervisor, office manager, board secretary, two maintenance personnel, and two administrative assistants. Board meetings are held once a month.

The District anticipates potential future growth in the form of 470 homes proposed for development adjacent to the west of the District's boundary and Sphere of Influence boundary. The District is interested in amending its Sphere of Influence to include this area and to annex the area so that it can provide service to the proposed development.

Prior to development of this area, the Del Rey Community Plan portion of Fresno County's General Plan must be amended. If the proposed development comes to fruition and is to be provided services by the District, an additional well and upgrades to the wastewater treatment plant will be necessary. New and upgraded infrastructure will be required to be financed by the developer. The District believes it can provide adequate services to the proposed development without impacting its current users.

District operational revenues for FY 2004-05 totaled \$529,688. Revenues came primarily from sewer and water service fees. Operating expenses for FY 2004-05 totaled \$765,683, for a net operational loss of \$235,995. Accounting for "Other Income" and interest income, total net operational losses were \$41,947. Water fees were last updated in 1999. Wastewater fees, which had not generated sufficient revenue to cover costs for a number of years, were approved for an increase in January, 2007, totaling 60% over the next three years. The District has long-term debt in the form of a sewer bond that is being paid down through sewer rate fees.

As indicated, the District anticipates growth in the near future from development proposed adjacent to the western edge of the District's boundary and Sphere of Influence. The District has not proposed an amendment to its Sphere at this time.

4. Easton Community Service District

- A. Maintain the District's existing Sphere of Influence boundary.

The Easton Community Service District serves the unincorporated community of Easton, located approximately four miles south of the City of Fresno and along State Route 41. Services provided by the District include street lighting and storm drainage. The population served is estimated to be 1,966. The District's boundary and Sphere of Influence are not coterminous. The District's SOI extends beyond its boundary in three areas. Additionally, the District's boundary at its northwestern, northeastern, and southern edges extend beyond the District's SOI.

The District is administered by a five-member elected Board of Directors. Meetings are held monthly. Meeting notices are posted at the Easton Library and two other locations located within the District.

Street lighting services are provided through a contract with PG&E to install and maintain light poles and street lights within the District's boundary. The District does not own any of the lighting infrastructure. Storm drainage services are provided to that portion of the community known as Easton Village, which is located east of State Route 41. The District maintains a storm drainage basin.

The District does not own any buildings. District meetings are held at the Immanuel Lutheran Church.

The District's FY 2006-07 budget projects revenues of \$31,505 and expenses of \$23,710. Revenues are derived from property taxes, special assessments, and interest income. Expenses include lighting costs, insurance, accounting fees, operating expenses, and legal fees. A special assessment for the drainage basin is levied only on those properties served by the drainage system. Revenues are currently sufficient to provide adequate services.

The District utilizes its contract with PG&E to avoid costs that would be incurred if it owned and maintained this infrastructure on its own. The District has contracted a part-time staff person to perform general management and community fundraising functions. The District has no employees. There are no opportunities for shared facilities as the District does not own any facilities. The District participates in pooled risk insurance. No additional cost avoidance opportunities were identified in this review.

As indicated above and as shown on the attached map, the District's boundary extends beyond its SOI boundary at its northwestern, northeastern, and southern edges. Though the District did not express a desire or need to amend its Sphere of Influence at this time, staff believes it would be appropriate to extend the District SOI to include all of those areas currently within the District's boundary. Staff believes it would be appropriate to waive LAFCo fees normally associated with this proposed change.

5. Laton Community Service District

The Laton Community Service District serves the unincorporated community of Laton. Laton is located in the south-central portion of Fresno County adjacent to the Kings County boundary between State Routes 41 and 43. Services provided by the District include street lights, water, sewer, solid waste, and fire protection. The District has 461 water and sewer connections and serves a population of approximately 1,236 people. The District's boundary and Sphere of Influence are not coterminous. Its SOI extends beyond its boundary to the east. Additionally, the District's boundary extends beyond its SOI to the southwest.

The District is administered by a five member appointed Board of Directors and employs two full-time operations/maintenance staff, one part-time and one full-time clerical staff.

District infrastructure includes groundwater wells and associated mains; wastewater collection and treatment system including sewer mains, pumps, and a treatment plant; the District office; a firehouse; fire engines; and equipment.

Growth in the District is estimated to have been approximately 1% annually for the last 10 years and is anticipated to remain at approximately the same level for the near future. The last major growth in the District occurred in 1986 with development of 96 homes. Any future growth is anticipated to occur to the west of the District, as the District is bounded on the north and east by Murphy Slough and to the south and east by the Kings River.

District revenues are derived from utility fees, property taxes, and connection fees. The District provided audited financial statements from FY 2004-05 which identified total revenues of \$350,714 and expenses of \$550,974 (including \$123,530 depreciation costs). Rates for services were last updated in 2004. District water use is metered. Water rates are based on an upward sliding scale. The District has outstanding debt resulting from a 1980 bond for water system improvements. As of June 30, 2005, this debt totaled \$40,500.

Cost avoidance measures include utilizing volunteer firefighters and maintaining mutual aid agreements with Kings County and Fresno County Fire Protection Districts. The District also participates in the Joint Powers Insurance Authority (a pooled risk insurance managed by the Association of California Water Agencies) for general liability insurance. There are no known opportunities for shared facilities. No additional cost avoidance opportunities were identified in this review.

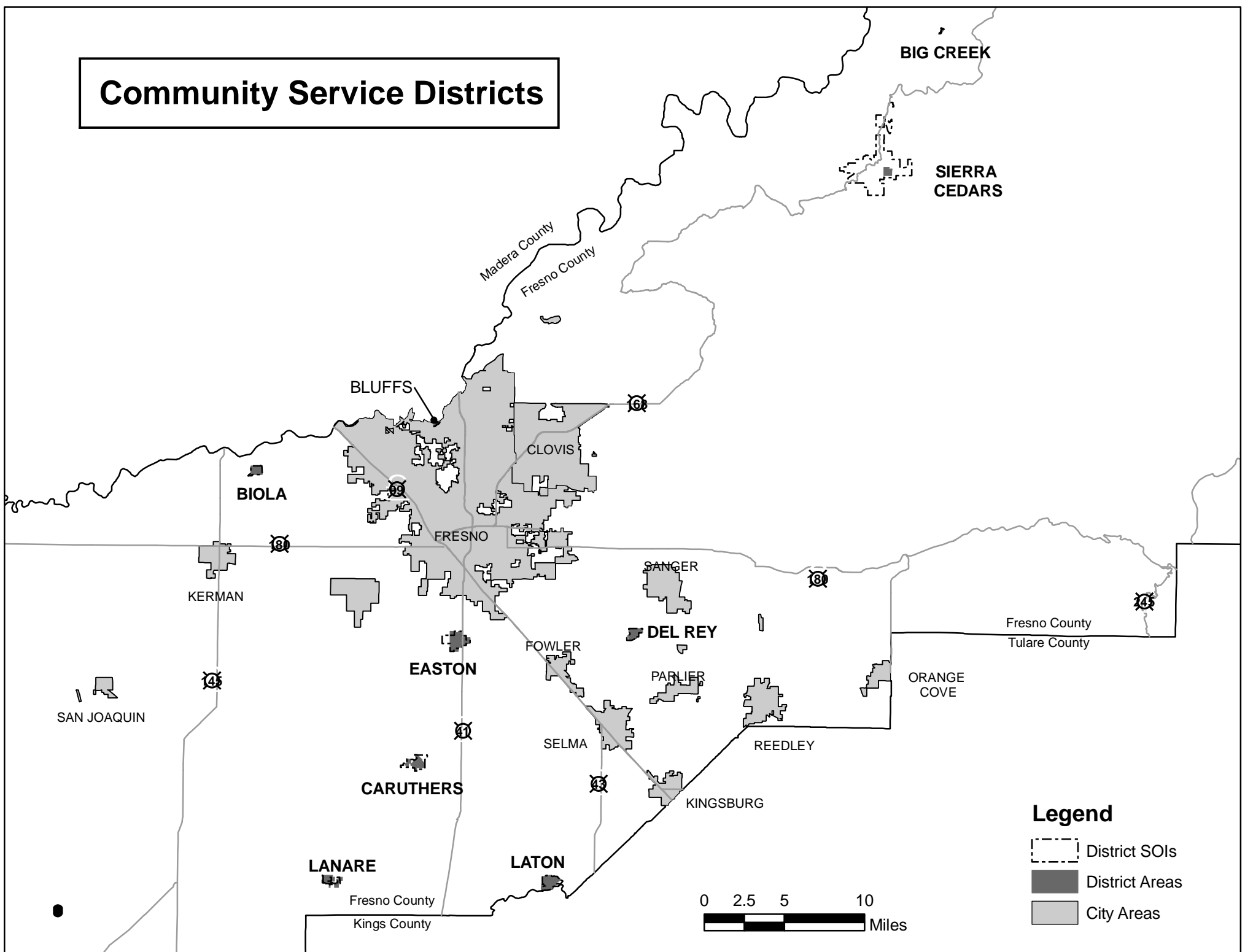
From information provided, it appears that the District is operating efficiently.

As indicated above and as shown on the attached map, the District's boundary extends beyond its SOI at its southwestern edge. Though the District did not express any desire or need to amend its Sphere of Influence at this time, staff believes it would be appropriate to extend the District's SOI to include all of those areas currently within the District's boundary. Staff believes it would be appropriate to waive LAFCo fees normally associated with this proposed change.

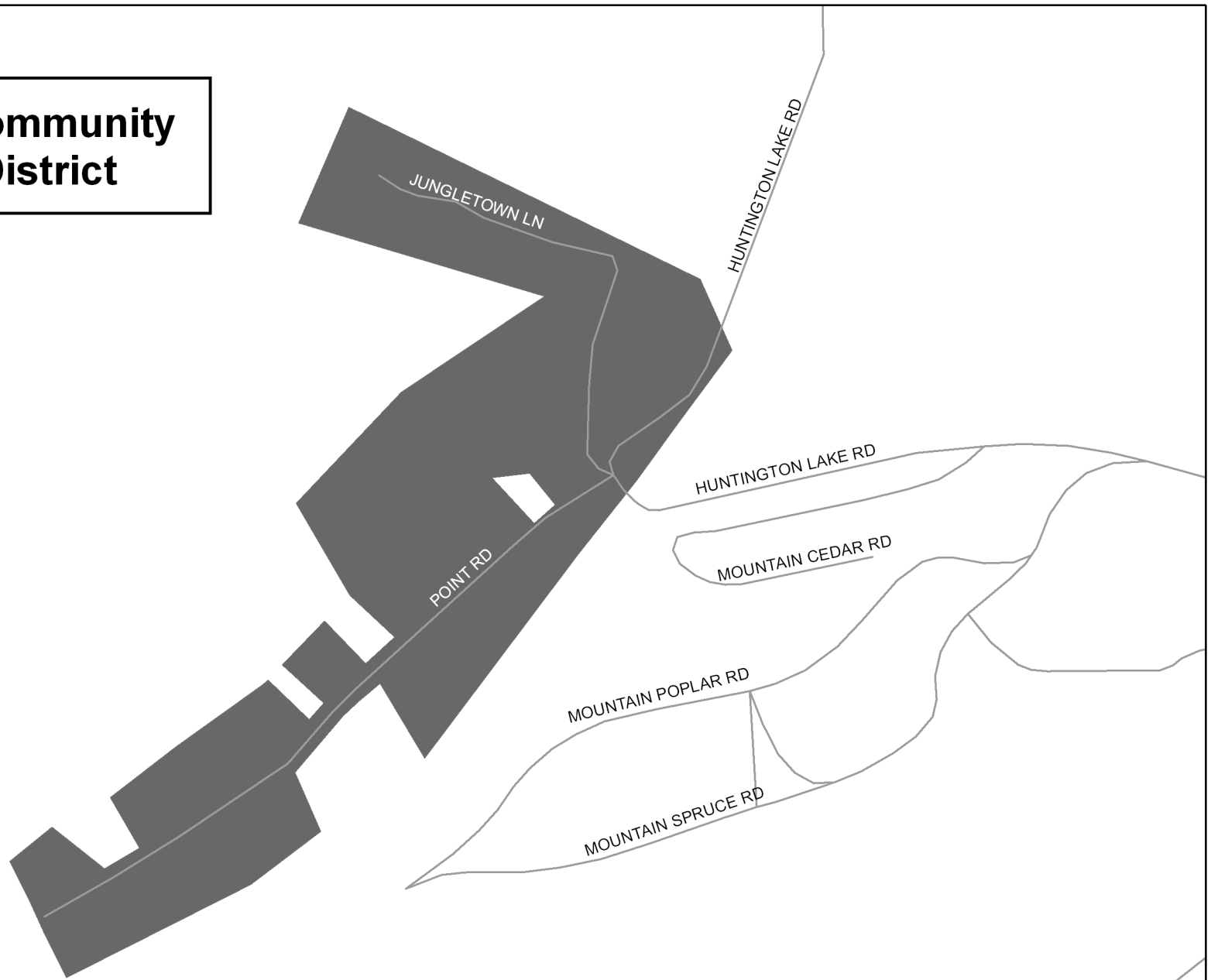
Recommendations:

- A. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, find that prior to adopting the written determinations, the Municipal Service Reviews 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".
- B. Find the Municipal Service Reviews and Sphere of Influence Updates prepared for the Big Creek, Biola, Del Rey, Easton, and Laton, Community Service Districts are complete and satisfactory.
- C. Find that the written determinations within the Municipal Service Reviews and Sphere of Influence Updates satisfy State Law.
- D. Pursuant to Government Code Sections 56425 and 56430 adopt the determinations as presented in the Municipal Service Review and Sphere of Influence Update documents.
- E. Update the Easton Community Service District's Sphere of Influence to include those areas located within the District's boundary, but outside its Sphere of Influence and waive LAFCo Sphere of Influence Update fees associated with this action.
- F. Update the Laton Community Service District's Sphere of Influence to include those areas located within the District's boundary, but outside its Sphere of Influence and waive LAFCo Sphere of Influence Update fees associated with this action.

Community Service Districts



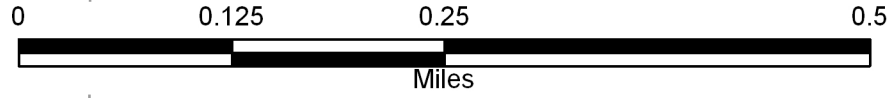
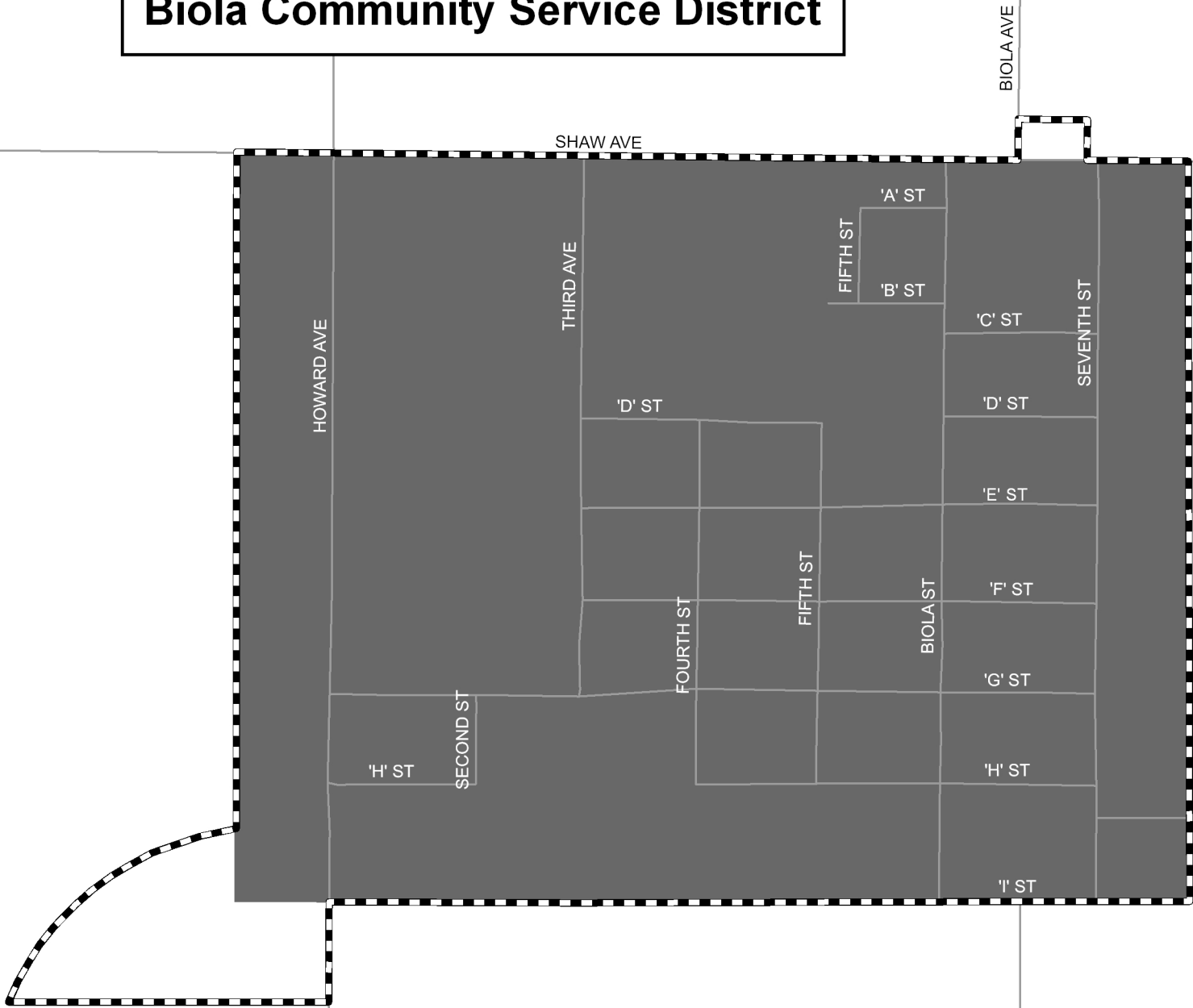
Big Creek Community Service District



Legend

■ District Area and SOI

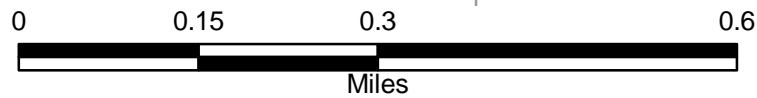
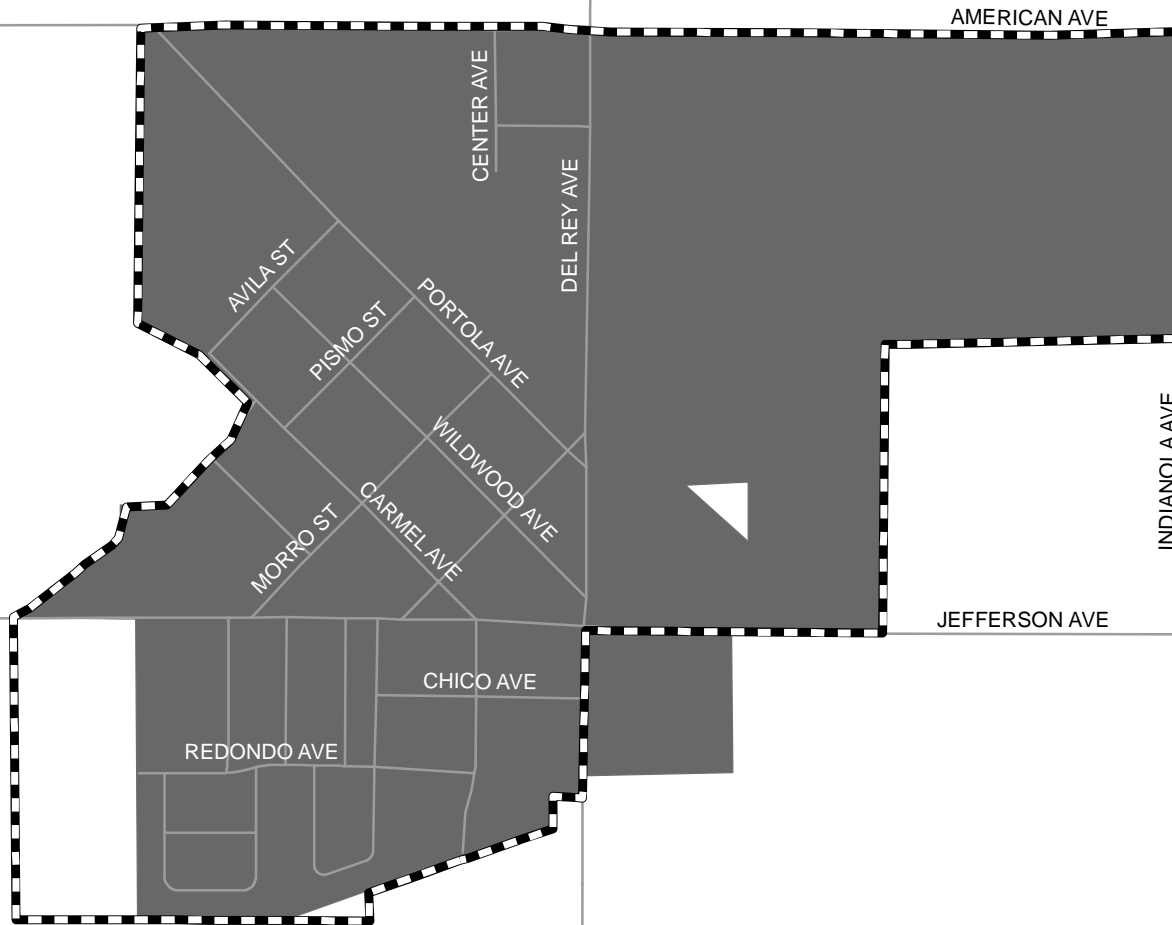
Biola Community Service District



Legend

-  District SOI
-  District Area

Del Rey Community Service District



Legend

-  District SOI
-  District Area

Easton Community Service District

AMERICAN AVE

CHERRY AVE

JEFFERSON AVE

FRUIT AVE

WALNUT AVE

FIG AVE

CLARA AVE

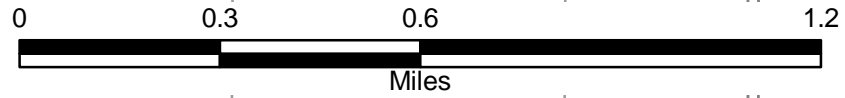
ELM AVE

LILY AVE



EAST AVE

LINCOLN AVE

CLAYTON AVE

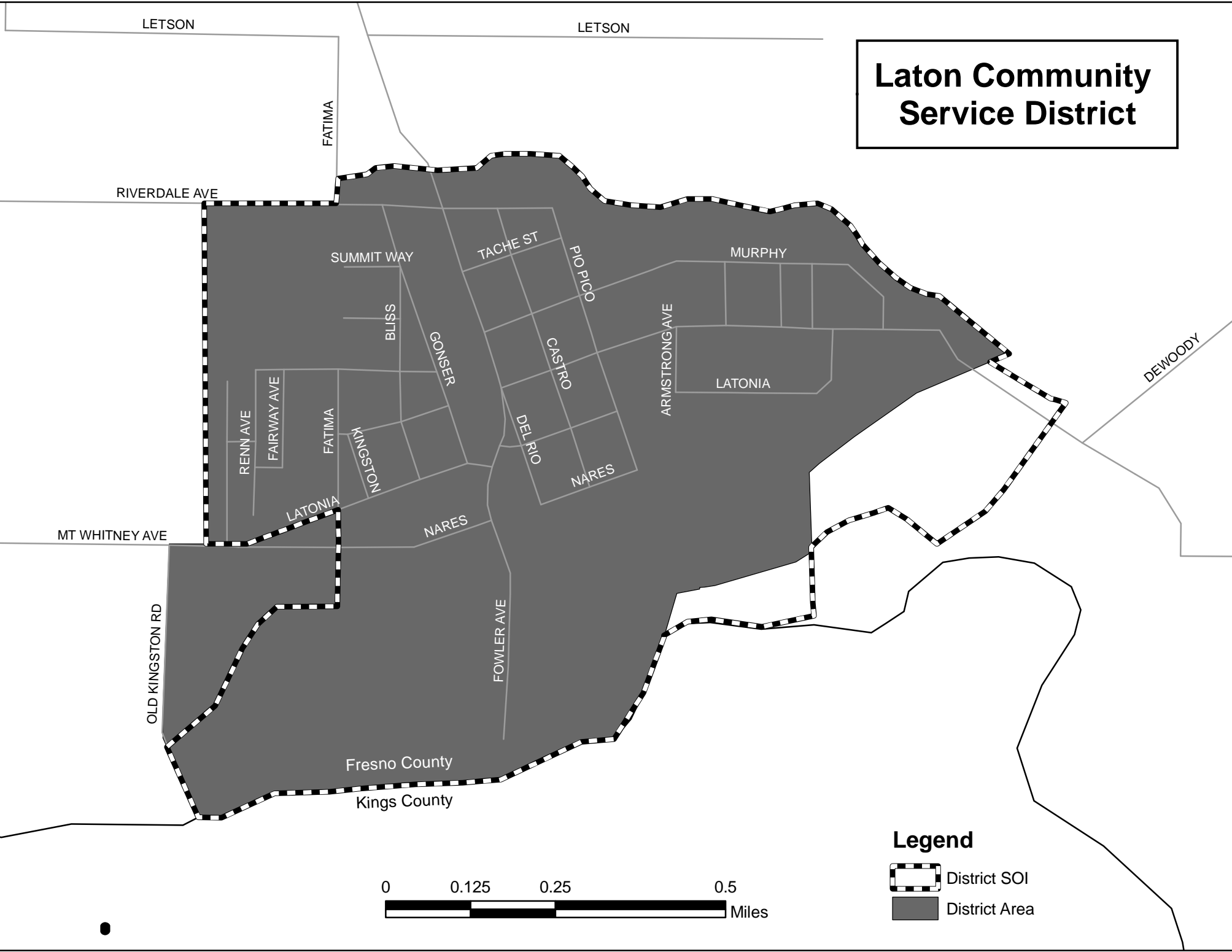


Legend

-  District SOI
-  District Area



Laton Community Service District



MT WHITNEY AVE

RIVERDALE AVE

OLD KINGSTON RD

RENN AVE

FAIRWAY AVE

FATIMA

KINGSTON

SUMMIT WAY

BLISS

NARES

GONSER

TACHE ST

DEL RIO

NARES

FIO PICO

CASTRO

MURPHY

LATONIA

ARMSTRONG AVE

FOWLER AVE

DEWOODY

LETSON

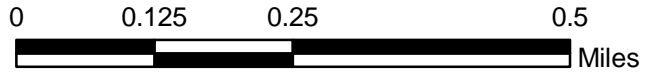
LETSON

Fresno County

Kings County

Legend

-  District SOI
-  District Area



RESOLUTION NO. MSR-07-9B

**FRESNO LOCAL AGENCY FORMATION COMMISSION
FRESNO COUNTY, CALIFORNIA**

In the Matter of

LAFCo Determination

RESOLUTION MAKING DETERMINATIONS)	MAKE DETERMINATIONS AND ADOPT
AND ADOPTING MUNICIPAL SERVICE)	MUNICIPAL SERVICE REVIEW; AND
REVIEW; AND MAKING DETERMINATIONS)	MAKE DETERMINATIONS AND
AND UPDATING SPHERE OF INFLUENCE)	UPDATE SPHERE OF INFLUENCE FOR
FOR THE DEL REY COMMUNITY SERVICE)	THE DEL REY COMMUNITY SERVICE
DISTRICT)	DISTRICT

WHEREAS, pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56425 et. Seq.) the Fresno Local Agency Formation Commission is required to review and update, as necessary, Spheres of Influence of local agencies not less than once every five years; and

WHEREAS, Government Code Section 56430 directs the Commission to conduct a review of municipal services not later than the time it considers an action to establish or update a Sphere of Influence; and

WHEREAS, notice of this Commission's hearing of said request was duly given in a publication of general circulation as required by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and State law, and at the time and in the form and manner provided by law; and

WHEREAS, the Commission has heard, discussed and considered all relevant evidence, including but not limited to the Executive Officer's *Municipal Service Review and Sphere of Influence Update Report*, environmental documentation, applicable land use plans and all testimony, correspondence and exhibits received during the public hearing process, all of which are included herein by reference.

NOW, THEREFORE, BE IT RESOLVED that the Local Agency Formation Commission of the County of Fresno does HEREBY STATE, FIND, RESOLVE, DETERMINE, AND ORDER as follows:

Section #1. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, this Commission finds that prior to adopting the written determinations, the Municipal Service Reviews and Sphere of Influence determinations under consideration are Categorically Exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306, "Information Collection".

Section #2. This Commission finds the Municipal Service Review and Sphere of Influence Update prepared for the Del Rey Community Service District is complete and satisfactory.

Section #3. This Commission finds that the written determinations within the Municipal Service Review and Sphere of Influence Update satisfy State Law.

Section #4. Pursuant to Government Code Sections 56425 and 56430 this Commission hereby adopts the determinations as presented in the Municipal Service Review and Sphere of Influence Update documents.

Section #5. - The Executive Officer is hereby authorized and directed to mail certified copies of this resolution as provided in Government Code Section 56882 and 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.

* * * * *

ADOPTED THIS 11th DAY OF JULY, 2007, BY THE FOLLOWING VOTE:

AYES: Commissioners Rodriguez, Anderson, Fortune, Larson, Lopez

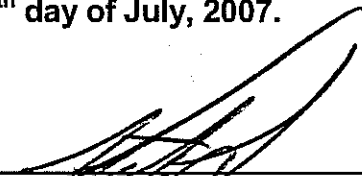
NOES: None

ABSENT: None

STATE OF CALIFORNIA)
COUNTY OF FRESNO)

CERTIFICATION

I, Victor Lopez, Chairman of the Fresno Local Agency Formation Commission (LAFCo), Fresno County, State of California, hereby certify that the foregoing resolution was adopted by the Commission on the 11th day of July, 2007.



Victor Lopez, Chairman
Fresno Local Agency Formation Commission

COMMUNITY SERVICE DISTRICTS

MUNICIPAL SERVICE REVIEWS AND SPHERES OF INFLUENCE UPDATE

Report to the
Fresno Local Agency Formation Commission

July 2007

1.0 EXECUTIVE SUMMARY

ROLE AND RESPONSIBILITY OF LAFCO

The Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH Act), (Government Code § 56000 *et seq.*) requires all Local Agency Formation Commissions (LAFCOs), including Fresno LAFCo, to conduct municipal service reviews (MSR) prior to updating the spheres of influence (SOI) of the various cities and special districts in the County, excluding community facility districts and school districts (Government Code § 56430). The fundamental role of a LAFCo is to implement the CKH Act, providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. The focus of this MSR is to provide LAFCo with all necessary and relevant information related to the provision of services by the County's Waterworks Districts.

MUNICIPAL SERVICE REVIEW PROCESS

The Municipal Service Review (MSR) and Sphere of Influence Update (SOI Update) process is a comprehensive assessment of the ability of government agencies to effectively and efficiently provide services to residents and users. The form and content of the MSR/SOI Update is governed by requirements of the CKH Act and the State of California's LAFCo MSR Guidelines (Guidelines), published in August 2003.

This MSR/SOI Update evaluates the structure and operation of the service providers and discusses possible areas for improvement or coordination. Key sources for this study were information gathered through research and interviews, as well as the Municipal Service Review Guidelines published by the Governor's Office of Planning and Research (OPR). This MSR/SOI Update has been prepared for Fresno LAFCo in accordance with the requirements of the CKH Local Reorganization Act of 2000 as a means of identifying and evaluating public service providers within Fresno County and possible changes to their Sphere of Influence.

PURPOSE OF THE MUNICIPAL SERVICE REVIEW

The MSR contains analysis and conclusions, referred to in this document as determinations, regarding nine topic areas set forth in the CKH Act. These areas of analysis contain the essential operational and management aspects of each service provider, and together constitute a review of the ability of each provider to meet the service demands of the residents within their existing and potentially expanded boundary. Each report contains the following sections:

Growth and Population

This section reviews projected growth within the existing service boundaries of the special district and analyzes the growth potential within the service area and surrounding areas.

Infrastructure

This section analyzes whether sufficient infrastructure and capital are in place, and reviews capabilities for accommodating future growth in service demands.

Financing Constraints and Opportunities

This section evaluates the way the district is funded and possible opportunities to increase funding if needed.

Cost Avoidance Opportunities

This section evaluates factors affecting the financing of needed improvements, including outstanding opportunities and utilized opportunities for service providers to reduce costs.

Rate Restructuring

The fiscal history of the service provider and rate structure is evaluated to determine viability and ability to meet existing and expanded service demands.

Opportunities for Shared Facilities

This section evaluates existing arrangements with other service providers for the shared use of facilities and identifies additional opportunities to share facilities with other service providers.

Evaluation of Management Efficiencies

This section evaluates the overall managerial practices.

Government Structure

This section evaluates the ability of the service provider to meet its demands under its existing government structure. This includes discussion of potential reorganizations or other forms of governance that may result in the more efficient provision of services to local residents.

Local Accountability

This section examines how well the service provider makes its processes transparent to the public and invites and encourages public participation.

SERVICE PROVIDERS

This document contains MSRs/SOI Updates for Community Service Districts within Fresno County. The determinations and findings reached are based upon surveys of agency representatives, meetings, and assessments of existing documents.

Community Service Districts

The Community Services District Act of California (California Government Code § 61000) *provides for the creation of Community Service Districts (CSDs)*. The Act Defines the powers and services that a community service district may provide. Such powers include, but are not limited to, supplying the inhabitants of the district with water for domestic and industrial use, irrigation, sanitation, fire protection, recreation, street lighting, mosquito abatement and the collection, treatment, or disposal of sewage,

waste, and storm water of the district and its inhabitants. Community Service Districts analyzed in this MSR/SOI include: Big Creek, Biola, Del Rey, Easton, and Laton.

DEL REY COMMUNITY SERVICE DISTRICT

MUNICIPAL SERVICE REVIEW

Report to the
Fresno Local Agency Formation Commission

Prepared by:
PMC
1590 Drew Ave., Suite 120
Davis, CA 95616

July 2007

DEL REY COMMUNITY SERVICE DISTRICT

Street lights, water, sewer, solid waste, storm drainage, park maintenance

Contact Information		
Address:	P.O. Box 186 Del Rey, CA 93616	
Phone:	(559) 888-2272	
Website:	None	
Management Information		
Manager:	Liza Ruiz	
Governing Body:	Board of Directors	
Board Members:	Juan H. Leija Andrew Holguin Paul Hernandez Walter Villarreal Eduardo Rodriguez	Elected 2006, Expires 2008 Elected 2004, Expires 2008 Elected 2006, Expires 2010 Elected 2006, Expires 2010 Elected 2006, Expires 2010
Board Meetings:	Board meetings are held at 7 pm the first Thursday of each month	
Staffing:	Manager, Plant Supervisor, Office Manager/ Board Secretary, two maintenance personnel and two Administrative Assistants	
Service Information		
Empowered Services:	Street lights, water, sewer, solid waste, storm drainage, and park maintenance	
Services Provided:	Street lights, water, sewer, solid waste, storm drainage, and park maintenance	
Latent Powers:	None	
Area Served:	Community of Del Rey	
Population Served:	1,200	
Infrastructure:	Community/Senior Center, a wastewater treatment plant (WWTP), an equipment building, and three pump houses which also store equipment as well as the water and sewer lines	
Fiscal Information		
Budget:	\$536,351	
Sources of Funding:	User fees and property assessments	
Rate Structure:	Updated January 2007	
Administrative Policies		
Master Plan: None	Policies/Procedures: Yes	By-laws: None
Boundary Updated: Soon	SOI Updated: Soon	Other: None

2.4 DEL REY COMMUNITY SERVICE DISTRICT

I. SETTING

The Del Rey Community Service District (DRCSD) was established in 1963 under the Municipal Water District Act of 1911 (California Water Code 7100). The District was formed to provide sewer, solid waste, street lighting, storm drainage, recreation services, and water to the members of the District. These services are provided on a continuing basis.

Area Served

The DRCSD, in addition to providing services to the District's residents, also provides water service to two properties outside the District boundaries.

The boundaries of the District are shown on the map attached as **Figure 2.4-1**.

Services Provided

The DRCSD provides street lighting, water, sewer, storm drainage, solid waste, and park maintenance.

II. GROWTH AND POPULATION

According to District staff, there are about 1,200 residents within the District's boundary.

Currently "Union Community," a proposed development consisting of 470 homes, is being planned adjacent to the District's boundary/Sphere of influence. District staff has stated an interest in annexing the development and expanding its current SOI should the development come to fruition. The Del Rey Community Plan (a portion of the Fresno County General Plan) must be amended before this can happen. The District anticipates that the Community Plan will be amended in 2007. Approval of the development would require installation of a water well and a lift station for the wastewater to ensure that the District will be able to continue to provide adequate service to the residents. District staff believes that the quality of services provided to the residents would not be affected by the inclusion of Union Community into the District.

III. INFRASTRUCTURE

Existing Infrastructure Facilities and Conditions

District infrastructure includes a Community/Senior Center, a wastewater treatment plant (WWTP), an equipment building, and three pump houses which also store equipment as well as the water and sewer lines. Additionally the District maintains a Senior Center. The District staff did not provide information related to the existence of infrastructure for parks, street lighting or storm drains.

The District repairs are performed in-house on a day to day basis; however, there is no formal maintenance schedule.

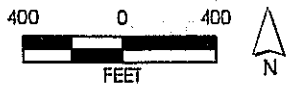
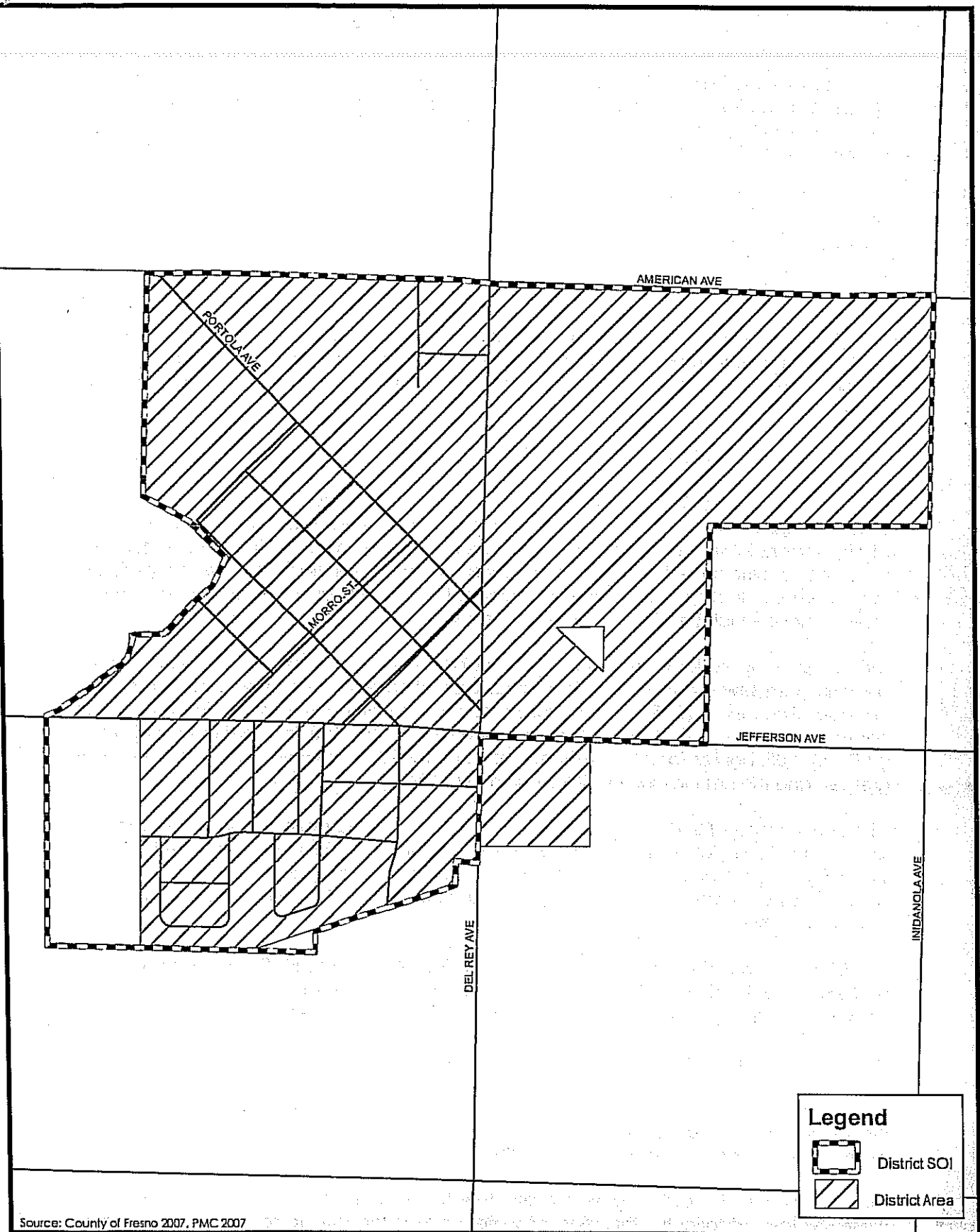


Figure 2.4-1
Del Rey Community Service District
PMC

The District operates under permit #96-284, from the Central Valley Regional Water Quality Control Board. District staff were not able to provide figures related to average wet and dry flow, the capacity of the WWTP, or the permitted flows of the District. However staff did state that the District has been in compliance with all regulations for the last 10 years.

The WWTP is between 10 and 15 years old, and the water and sewer lines are in excellent condition, according to District staff.

Recycling services are included with solid waste services provided by the District.

Planned Facilities

The District is currently building an industrial wastewater treatment plant next to the existing domestic wastewater treatment plant. The plant is located at 11495 E. American Avenue. The total project cost is \$379,000. The project will be funded by grants and developer contributions.

IV. FINANCING AND RATE RESTRUCTURING

The District provided financial statements for the Fiscal Years (FYs) ending in 2004 and 2005. In addition, the District provided their operating budget for the FY 2006-2007. The District's financial statements as well as the projected operating FY 2006-07 budget were reviewed to determine the fiscal status, assess financial practices, and review pertinent management findings. In addition, information provided in response to PMC's questionnaire is included in the discussion below.

The District's operational revenues for FY 2004-05 totaled \$529,688. Revenues came primarily from sewer and water operations. Operating expenses totaled \$765,683, for a net operating loss of \$235,995. This was partially off-set by non-operating income; which consisted of "other"; \$172,688 and interest income; \$21,361. The total net loss was \$41,947 for FY 2004-05. Figures for 2004 are similar to those for 2005, however "other income" was greater, and the net income in 2004 totaled \$115,536.

At the beginning of 2004, the District's net assets were at a deficit of \$310,600. This was brought up to a deficit of \$87,224 at the beginning of 2005 through the net income shown above, totaling \$115,336, and reserve transfers totaling \$107,840. At the end of 2005, net assets were brought up further, to a deficit of \$27,305, due to reserve transfers totaling \$101,886.

The District's assets include current assets, totaling \$927,565 in FY 2005; property, plant and equipment, totaling \$3,777,859 in FY 2005; and other assets, totaling \$380,740 in FY 2005. Total assets for 2005 were \$5,086,164. Total assets in 2004 were \$4,589,308.

The operating budget for FY 2006-07 reveals District income was projected at \$536,351. Revenues are expected to come from the service areas as follows: 27% from water, 53% from sewer, 11% from waste, 8% from recreation and 1% from lighting. The expenses for the District are estimated to be equal to the total revenue, \$536,351. Additionally the expenditures for each department were the same as the revenues.

The District charges water and wastewater fees to generate revenue for the operation of these services. Historically, the fees for water were adequate to recover costs. Water

fees were last updated in January of 1999. Wastewater fees have not been generating adequate revenue to cover expenses. On January 1, 2007 the Board of Directors for DRCSD approved a 60% increase in fees over a three-year period. Other fees include a special assessment for each parcel in the District to recover costs for street lighting, and a fee for solid waste services.

The District has long term debt in the form of a sewer bond debt that is being paid down through the sewer rate fees.

See **Table 2.4-1** below for the District's WWTP rate schedule.

TABLE 2.4-1: DEL REY CSD WASTEWATER TREATMENT PLAN RATE SCHEDULE

Discharger	\$/EDU/Month			EDU's ¹
	2006	2007-08	2008-09	
Single Family Residents	\$31.06	\$37.05	\$42.47	1
Multi-family Residents	\$31.06	\$37.05	\$42.47	1 Per Unit
Small Business	\$60.67	\$72.37	\$82.95	1
Post Office	\$60.67	\$72.37	\$82.95	1
Restaurant/ Bar	\$60.67	\$72.37	\$82.95	1 EDU = Monthly Water Usage 10,500
School	\$60.67	\$72.37	\$82.95	1 EDU = Number of students 15
Churches with Parsonage	\$60.67	\$72.37	\$82.95	3
Churches without Parsonage	\$60.67	\$72.37	\$82.95	1

1 - Industrial Domestic rates for facilities that discharge wastewater are based upon the formula of six employees being equivalent to one dwelling unit (EDU).

For each Equivalent Dwelling Unit (EDU) or fraction thereof in excess of the base, there is an additional charge of \$60.67 per month effective February 1, 2007, \$72.37 per month effective July 1, 2007, and \$82.95 per month effective July 1, 2008. As of April 2007, residents pay a total of \$63.19/ EDU. Of this, \$16.73 is for water, \$31.06 for sewer, and \$15.40 for solid waste.

The water charges for a resident's or government housing center is a flat rate of \$16.73 per dwelling unit. Additionally the District's commercial rates are established for a variety of uses ranging from a service station to a video store. Finally the base rates for metered charges are based on the size of the meter in inches with a consumption rate of 0.66/100ft³. These rates were established in January 1999.

V. COST AVOIDANCE OPPORTUNITIES

This section of the MSR considers the potential cost avoidance opportunities available to each service provider. Cost avoidance opportunities include any potential sources of reduction in costs associated with service provision, and any other capital or operational actions or programs which may result in a more efficient and streamlined provision of services to the properties within the service area. This analysis includes both potential and previously implemented cost avoidance measures.

The District does not overlap with other agencies that provide similar services. The District is able to reduce the cost of maintaining the senior center through a mutual service agreement with the City of Sanger. The City of Sanger employs a senior coordinator, provides maintenance supplies and funding for senior events. Additionally Fresno Madera Aging Agency provides transportation and hot meals to seniors.

The District released a competitive bid for solid waste service and as a result is contracted with Industrial Waste and Salvage (IWS).

The District also applies for grants including: one to refurbish the Senior Center's electrical system, the Community Development Block Grant (CDBG), one to upgrade the WWTP sludge beds, and one for water and sewer safety.

VI. OPPORTUNITIES FOR SHARED FACILITIES

The District does not share any facilities.

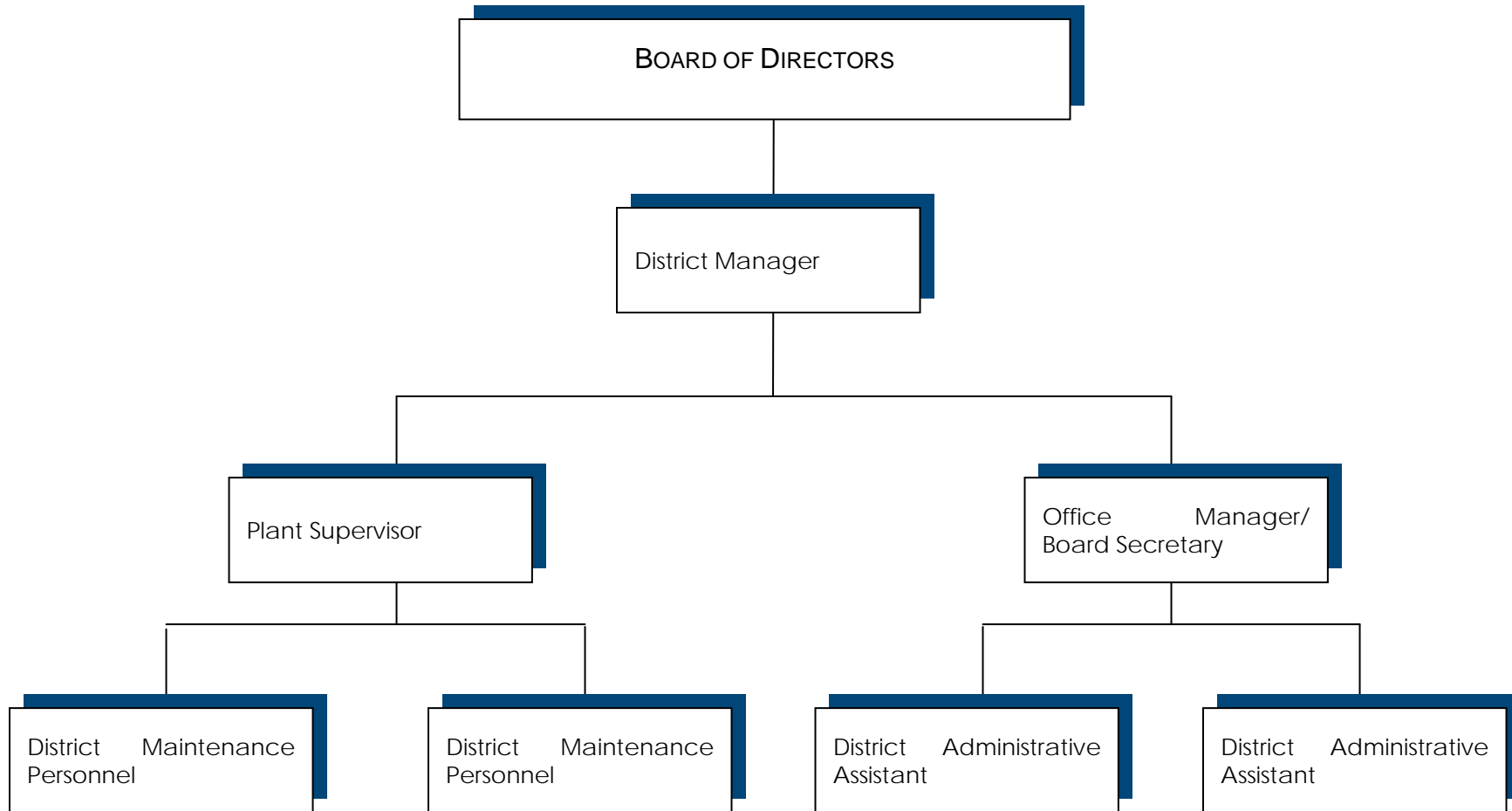
VII. GOVERNMENT STRUCTURE AND MANAGEMENT EFFICIENCIES

California Government Code section 61000 - 61934 enables the formation of Community Service Districts to provide various services to the community. The District currently provides street lights, water, sewer, solid waste, storm drainage and park maintenance. 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, under its current legal form, is able to function under its current government structure. Transitioning the CSD to an alternative service provider, such as another district or other form of local government, would be unlikely to result in significant efficiencies. Additionally such a transition to an alternative government structure would be extremely difficult due to the cost, time, and administrative complexity. The existing structure of the District as a community service district is sufficient to allow the District to continue service provision in the foreseeable future. There are no legal or administrative limitations on the District that would affect the provision of service in the future. Therefore, a reorganization of the current government structure is not likely to significantly improve services. The current government structure is able to provide adequate service within district boundaries.

The District is run by a five-member Board of Directors. Each member has a four-year term. Three members' terms will expire in 2010 and two members' terms expire in 2008. The County and the District have a good working relationship. The District believes that the County staff has been very supportive in matters ranging from grants, annexations, and zone changes.

The District employs a Manager, Plant Supervisor, Office Manager/ Board Secretary, maintenance personnel, of which there are two and two Administrative Assistants. See **Figure 2.4-2** for the District's organizational chart.

FIGURE 2.4-2: DEL REY COMMUNITY SERVICE DISTRICT ORGANIZATIONAL CHART



VIII. LOCAL ACCOUNTABILITY

Board meetings are held at 10649 E. Morro, the Legion Hall, in Del Rey. The meetings are at 7:00 pm the first Thursday of each month. The meeting notices are posted at the meeting site and the post office in Del Rey.

The District also holds annual community meetings to give residents the opportunity to voice concerns and make any other comments that they have. All customers in the District are provided with the same acceptable level of service.

IX. SPHERE OF INFLUENCE RECOMMENDATIONS

The Sphere of Influence (SOI) recommendations analyzes the appropriateness of the District's SOI boundaries, relative to the capabilities of the service provider and future growth.

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

Current and planned uses in the District include residential and some commercial.

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

The WWTP will need to be upgraded and an additional well will be needed to allow service to be provided if Union Community is developed. Future development will be required to finance any additional infrastructure necessary to provide it with required services.

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

According to District Staff the current capacity and service are adequate to provide required services to the District's residents.

- 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 no communities of interest in the District.

X. MUNICIPAL SERVICE REVIEW DETERMINATIONS

Pursuant to the Cortese-Knox-Hertzberg Act, determinations must be made for each factor analyzed above. Determinations are based on analysis of information provided by surveys completed by agency staff, agency documents, meetings with agency staff, and Internet research. Accordingly, staff recommends that the Commission adopt the determinations that follow.

Growth and Population

The Del Rey Community Service District's infrastructure is sufficient to provide the existing residents with required services. There is the potential for growth in the District if Union

Community is built and annexed into the District. Future and planned development will incur the total costs for the establishment of necessary infrastructure.

Infrastructure

The Del Rey Community Service District currently maintains adequate infrastructure and facilities to serve its residents. Additional infrastructure will be needed to serve any new development and will be paid for by the developer as a condition of development.

Financing Constraints and Opportunities

The Del Rey Community Service District is recovering its annual costs through the rate structure it charges its customers. The District has long term debt in the form of a sewer bond; this is being paid down through the sewer rate fees.

Rate Restructuring

The utility rates of the Del Rey Community Service District were updated in January 2007 and are adequate to continue services to the District at the current levels.

Cost Avoidance Opportunities

The Del Rey Community Service District applies for grants and has mutual service agreements to avoid costs.

Opportunities for Shared Facilities

The Del Rey Community Service District does not currently share any facilities.

Government Structure Options

The Del Rey Community Service District is an independent District and is operating efficiently. The overall management structure of the District is sufficient to account for necessary services and maintain operations in an effective manner.

Evaluation of Management Efficiencies

The Del Rey Community Service District appears to operate efficiently and to provide adequate service to the District.

Local Accountability

The Del Rey Community Service District appears to maintain a sufficient level of accountability in its governance and public meetings appear to be held in compliance with the Brown Act. The Board is elected and holds regular meetings at which time the public has the opportunity to comment. Information regarding the District is readily available to members of the public.

XI. BIBLIOGRAPHY

Pacific Municipal Consultants, *Survey Response from Liza Ruiz*, February 2007.

Personal Interview, *Liza Ruiz*, April 2007.

Personal Interview, *Mark Reitz*, April 2007.

Del Rey Community Service District Financial Statements with Accountant's Report for the Years Ended June 30, 2005 and 2004, Paula A, Dictos Accountancy Corporation.

DEL REY COMMUNITY SERVICES DISTRICT

Street lights, water, sewer, solid waste, storm drainage, park maintenance

Contact Information

Address: P.O. Box 186
Del Rey, CA 93616
Phone: (559) 888-2272
Website: None

Management Information

Manager: Myriam Mota (as of 2008)
Governing Body: Board of Directors
Board Members: Martina C. Ledesma Elected 2008, Expires 2012
Kimberly Ozuna Elected 2008, Expires 2012
Paul Hernandez Elected 2006, Expires 2010
Walter Villarreal Elected 2006, Expires 2010
Eduardo Rodriguez Elected 2006, Expires 2010
Board Meetings: Board meetings are held at 7 pm the first Thursday of each month
Staffing: Manager, Plant Supervisor, Office Manager/ Board Secretary, two maintenance personnel and two Administrative Assistants

Service Information

Empowered Services: Street lights, water, sewer, solid waste, storm drainage, and park maintenance
Services Provided: Street lights, water, sewer, solid waste, storm drainage, and park maintenance
Latent Powers: None
Area Served: Community of Del Rey
Population Served: 1,200
Infrastructure: Community/Senior Center, a wastewater treatment plant (WWTP), an equipment building, and three pump houses which also store equipment as well as the water and sewer lines

Fiscal Information

Budget: \$536,351
Sources of Funding: User fees and property assessments
Rate Structure: Updated January 2007

Administrative Policies

Master Plan:	None	Policies/Procedures:	Yes	By-laws:	None
Boundary Updated:		SOI Updated:	2007	Other:	None

2.4 DEL REY COMMUNITY SERVICES DISTRICT

Note: The original Municipal Service Review (MSR) for the Del Rey Community Services District, completed in June, 2007, has been revised to include additional information provided in late 2008 and early 2009 following a 2007-2008 Grand Jury investigation, which culminated in the Grand Jury's "Final Report No. 9". The Grand Jury found the original June 2007 MSR and SOI Update analysis to be inaccurate, as the District furnished incomplete records and provided an inaccurate account of the District's finances, operations, and administration during data collection efforts, questionnaire response, and phone interviews. The Grand Jury's specific Findings F910 and F911, and Recommendations R908 and R909, which refer to the LAFCO approved MSR and SOI Update, state:

- F910: The LAFCO MSR pertaining to Del Rey is inadequate in that it does not show the real financial condition of the District when compared to the reports of the District's own auditor.
- F911: The LAFCO SOI could evaluate evidence for the merger of special districts where appropriate.
- R908: LAFCO take a more aggressive stance in recommending merger of small special districts to achieve economies of scale. (F911)
- R909: LAFCO require all MSRs of special districts accurately reflect the financial status and management of the public's funds. (F910)

Pursuant to the Grand Jury's Findings and Recommendations, major revisions have been made to the Financing and Rate Restructuring, and Government Structure and Management Efficiencies sections of the MSR and SOI Update, with additional, minor revisions being made in other sections to reflect these changes.

Discussed in further detail below, Finding F910 and Recommendation R909 are addressed in the Financing and Rate Restructuring Section, which identifies a number of deficiencies in the District's financial operations, including the incurring of losses during 13 of the past 14 years, failure to accumulate funds to account for depreciation of infrastructure and other facilities, and improper comingling of special funds.

Finding F911 and Recommendation R908, are addressed in the Government Structure and Efficiencies Section, which analyzes the feasibility of modifying the District's government structure through consolidation with other community services districts and other types of special districts, merger with the City of Sanger, and other changes of organization.

For reasons discussed in detail, this Section concludes that the existing structure of the District as an independent special district may be the most feasible and appropriate structure for continued provision of necessary services at this time and that the District should undertake other steps recommended by the Grand Jury to resolve the deficiencies identified in the Grand Jury's Final Report No. 9.

The revisions to this MSR are intended only to address the deficiencies identified by the Grand Jury, and are not intended to fully update the MSR or provide a comprehensive, current picture of the District, as information beyond 2007 was not reviewed. It must be noted, as well, that the analysis may still not fully represent the District's situation in 2007, due to inadequate recordkeeping and staffing issues on the part of the District.

The Board of Directors and Manager listings have been updated, as identified above.

I. SETTING

The Del Rey Community Services District (DRCSD) was established in 1963 under the Municipal Water District Act of 1911 (California Water Code 7100). The District was formed to provide sewer, solid waste, street lighting, storm drainage, recreation services, and water to the members of the District. These services are provided on a continuing basis.

Area Served

The DRCSD, in addition to providing services to the District's residents, also provides water service to two properties outside the District boundaries.

The boundaries of the District are shown on the map attached as **Figure 2.4-1**.

Services Provided

DRCSD provides street lighting, water, sewer, storm drainage, solid waste, and park maintenance.

II. GROWTH AND POPULATION

According to District staff, there are about 1,200 residents within the District's boundary.

Currently "Union Community," a proposed development consisting of 470 homes, is being planned adjacent to the District's boundary/Sphere of Influence. District staff has stated an interest in annexing the development and expanding its current SOI should the development come to fruition. The Del Rey Community Plan (a portion of the Fresno County General Plan) must be amended before this can happen. The District anticipates that the Community Plan will be amended in 2007. Approval of the development would require installation of a water well and a lift station for the wastewater to ensure that the District will be able to continue to provide adequate service to the residents. District staff believes that the quality of services provided to the residents would not be affected by the inclusion of Union Community into the District.

Insert Figure 2.4-1: Del Rey Community Services District Boundaries

III. INFRASTRUCTURE

Existing Infrastructure Facilities and Conditions

District infrastructure includes a Community/Senior Center, a wastewater treatment plant (WWTP), an equipment building, and three pump houses which also store equipment as well as the water and sewer lines. The District staff did not provide information related to the existence of infrastructure for parks, street lighting or storm drains.

The District repairs are performed in-house on a day to day basis; however, there is no formal maintenance schedule.

The District operates under permit #96-284, from the Central Valley Regional Water Quality Control Board. District staff were not able to provide figures related to average wet and dry flow, the capacity of the WWTP, or the permitted flows of the District. However staff did state that the District has been in compliance with all regulations for the last 10 years.

The WWTP is between 10 and 15 years old, and the water and sewer lines are in excellent condition, according to District staff.

Planned Facilities

The District is currently building an industrial wastewater treatment plant next to the existing domestic wastewater treatment plant. The plant is located at 11495 E. American Avenue. The total project cost is \$379,000. The project will be funded by grants and developer contributions.

IV. Financing and Rate Restructuring

This section has been substantially revised from the original 2007 MSR. See note at the beginning of this MSR on page 2.4-2. The following is based on updated and previously unknown information provided by the District in late 2008 and early 2009 and seeks to address the Grand Jury's Finding F910 and Recommendation R909.

The Grand Jury's Final Report No. 9, Finding F910 stated, "The LAFCo MSR pertaining to Del Rey is inadequate in that it does not show the real financial condition of the District when compared to the District's own auditor. Recommendation R909 recommended that "LAFCo require that all MSRs of special districts accurately reflect the financial status and management of the public's funds."

In its August 20, 2008 response to the Grand Jury's Finding F910, the Commission agreed that the MSR "did not show the current financial condition of the Del Rey CSD when compared to the District's own audit", though it was also noted that the District did not supply LAFCo with its most recent audits.

With respect to Recommendation R909, the Commission stated that greater efforts would be made in the next round of MSRs, which are required to be completed by January 1, 2013, to more thoroughly assess the financial conditions of the various special districts. The information/discussion below is intended to fulfill the Commission's commitment to accurately reflect Del Rey CSD's financial condition at the time of the MSR's completion in 2007.

The District has been operating at a loss and the District's auditor has indicated "deficiencies in the design or operation of internal control" of the District's operations (Management Letters, Paul A. Dictos Accountancy Corporation to Del Rey Community Services District Board of Directors, dated 10/31/06, 8/31/07, & 1/31/08). The District has been operating at a loss for 13 out of the last 14 years with losses ranging from a low of \$39,000 to a high greater than \$391,000. For the year ending June 30, 2007, the District incurred an operating loss of \$154,269 after depreciation. For the year ending June 30, 2006, the District incurred an operating loss of \$391,451.

In May 2006, the District had a balance of \$319,000 invested with the Local Agency Investment Fund (LAIF), which serves as the bulk of the District's reserve cash. Five years prior, in May 2001, the District had a balance of \$536,000 invested in the LAIF, and a similar amount of \$537,000 in May 1996, ten years prior. In a five-year time period, the District had used up more than \$200,000 of its cash reserves.

The District's Financial Auditor has repeatedly informed the District's Board of Directors of significant deficiencies in the internal control and operation that could adversely affect the District's ability to initiate, process, and report financial data consistent with the assertions of management in the financial statements. The Auditor provided numerous notices and warnings via information contained in the District's annual Financial Statements with the Accountant's Report, along with the above identified Management Letters to the Board (dated October 31, 2006, August 31, 2007, and January 31, 2008), and communication with staff. Each of the referenced Management letters included the statement "losses of this magnitude are unsustainable". The Auditor noted improper commingling of special funding, lack of adequate documentation and recordkeeping, inadequate financial reserves, and a failure to create a budget. The Auditor also recommended the Board seek legal counsel regarding the use of restricted funds for financing operations.

Besides operating at a loss, the District has not been accumulating funds to account for depreciation of the District's facilities. Depreciation accounts for the loss in value of the facility of equipment over its expected lifespan. In 2007, the District's total deficit was \$492,301 (which includes the annual operating loss and depreciation). In the prior year, 2006, the District's total deficit was \$363,212. If the District does not accumulate enough funds to offset depreciation, it will not have sufficient funding for needed infrastructure replacement. The Auditor has pointed out to the District that operating in a deficit in net assets is in violation of state statutes.

The following information included within this section was included in the original 2007 MSR.

The District charges water and wastewater fees to generate revenue for the operation of these services. Historically, the fees for water were adequate to recover costs. Water fees were last updated in January of 1999. Wastewater fees have not been generating adequate revenue to cover expenses. On January 1, 2007 the Board of Directors for DRCSD approved a 60% increase in fees over a three-year period. Other fees include a special assessment for each parcel in the District to recover costs for street lighting, and a fee for solid waste services.

The District has long term debt in the form of a sewer bond debt that is being paid down through the sewer rate fees.

See **Table 2.4-1** below for the District's WWTP rate schedule (as of 2007).

TABLE 2.4-1: DEL REY CSD WASTEWATER TREATMENT PLAN RATE SCHEDULE

Discharger	\$/EDU/Month			EDU's ¹
	2006	2007-08	2008-09	
Single Family Residents	\$31.06	\$37.05	\$42.47	1
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V. COST AVOIDANCE OPPORTUNITIES

This section of the MSR considers the potential cost avoidance opportunities available to each service provider. Cost avoidance opportunities include any potential sources of reduction in costs associated with service provision, and any other capital or operational actions or programs which may result in a more efficient and streamlined provision of services to the properties within the service area. This analysis includes both potential and previously implemented cost avoidance measures.

The District currently expends significantly more in costs than it takes in from revenues. Expenditures for the provision of services at current levels is not sustainable without significant cost reductions. The District has not conducted a comprehensive review of costs associated with service provision, and operational costs are the most likely source of available cost reduction to the District.

The District does not overlap with other agencies that provide similar services. The District is able to reduce the cost of maintaining the senior center through a mutual service agreement with the City of Sanger. The City of Sanger employs a senior coordinator,

provides maintenance supplies and funding for senior events. Additionally Fresno-Madera Area Agency on Aging provides transportation and hot meals to seniors.

The District released a competitive bid for solid waste service and as a result is contracted with Industrial Waste and Salvage (IWS).

The District also applies for grants including: one to refurbish the Senior Center's electrical system, the Community Development Block Grant (CDBG), one to upgrade the WWTP sludge beds, and one for water and sewer safety.

VI. OPPORTUNITIES FOR SHARED FACILITIES

The District does not share any facilities.

VII. GOVERNMENT STRUCTURE AND MANAGEMENT EFFICIENCIES

This section has been substantially revised from the original 2007 MSR. See note at the beginning of this MSR on page 2.4-2. The following more thoroughly evaluates the feasibility of consolidation, merger, or other change of organization/reorganization options and seeks to address the Grand Jury's Finding F911 and Recommendation R908.

Pursuant to Government Code Section 56430, prior to January 1, 2008, one of the nine factors for which the Commission was required to make Municipal Service Review determinations was: "Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers." As discussed in the executive summary, above, the purpose of this factor is to evaluate the ability of the service provider to meet its demands under its existing government structure and to identify whether consolidation or reorganization with another service provider(s) may result in more efficient provision of service to local residents.

California Government Code section 61000 - 61934 enables the formation of Community Services Districts to provide various services to the community. The District currently provides street lights, water, sewer, solid waste, storm drainage and park maintenance.

Del Rey Community Services District is an independent special district governed by a five-member board of directors elected from within the District, and which is not governed by other legislative bodies (either a city council or a county board of supervisors). Each member has a four-year term. Three members' terms will expire in 2010 and two members' terms expire in 2012.

The District employs a Manager, Plant Supervisor, Office Manager/ Board Secretary, maintenance personnel, of which there are two, and two Administrative Assistants. See **Figure 2.4-2** for the District's organizational chart.

The MSR completed in June, 2007, contained the following statement:

The District, under its current legal form, is able to function under its current government structure. Transitioning the CSD to an alternative service provider, such as another district or other form of local

government, would be unlikely to result in significant efficiencies. Additionally, such a transition to an alternative government structure would be extremely difficult due to the cost, time, and administrative complexity. The existing structure of the District as a community service district is sufficient to allow the District to continue service provision in the foreseeable future. There are no legal or administrative limitations on the District that would affect the provision of service in the future. Therefore, a reorganization of the current government structure is not likely to significantly improve services. The current government structure is able to provide adequate service within district boundaries.

With respect to these determinations, the Grand Jury's Finding F911 states: "The LAFCO SOI could evaluate for the merger of special districts where appropriate." Further, Recommendation R908 recommends that "LAFCO take a more aggressive stance in recommending the merger of small special districts to achieve economies of scale."

In its August 20, 2008 response to the Grand Jury's Finding F911 and Recommendation R908, respectively, the Commission stated that "the MSR for Del Rey CSD should have more fully evaluated the possibility of merging all or some of its functions with another agency", and that "Fresno LAFCo is amending the MSR and will determine whether or not merging that District is feasible and beneficial to the residents served by the District." The information/discussion below is intended to fulfill the Commission's commitment to more fully evaluate the possibility of consolidation, merger, or other government structure options for the District.

The purpose of any recommendation for consolidation, merger, or other alternative government structure options should be betterment of the District's financial condition and operational efficiencies, and improving management competencies. Analysis leading to such a recommendation should also acknowledge limitations of the Commission's power to effect such changes of organization, address the statutory restrictions placed on various types of special districts to provide the services currently provided by Del Rey CSD, and recognize geographical and other constraints associated with a consolidation or other change of organization, as discussed below.

Government Code Section 56375 states that the Commission may initiate proposals for any of the following: consolidation of a district, dissolution of a district, a merger, the establishment of a subsidiary district, the formation of a new district or districts, and a reorganization that includes any of these changes. In order to initiate any of these changes of organization, the change of organization must be consistent with a recommendation or conclusion of either a Municipal Service Review, Sphere of Influence update, or pursuant to Government Code Section 56378, which grants the Commission the power to initiate and make studies of existing governmental agencies.

The Commission is limited in its ability to unilaterally effect these changes of organization, however, even when they are initiated by the Commission. Where an action is initiated by the Commission, pursuant to Government Code Sections 56854, 57081, 57102, or 57107, if sufficient protest is received, an election is required for a proposed change of organization to take place. Therefore, while the Commission

can initiate a change of organization, final approval of such a change may require an election. Where merger or establishment of a subsidiary district with a city are proposed, consent of the affected city is required (Government Code Section 56854(b)).

Additionally, a successor district(s) must also be able to carry out the functions of the existing district. If a change of organization resulted in consolidation of Del Rey CSD and another district, the successor district must be able to carry out Del Rey CSD's existing street light, water, sewer, solid waste, storm drainage and park maintenance service functions as well as all functions of the other consolidating district. Any recommendations for a new government structure option are therefore necessarily limited because few, if any, other types of special districts are authorized under State law to provide the range of services provided by community services districts.

Any recommendations for new government structure options are also limited due to such constraints as Del Rey CSD's proximity to other special districts that have the expertise and experience to provide services currently provided by Del Rey CSD and the desire of another district to consolidate with Del Rey CSD. Further, any merger with a city or establishment of Del Rey CSD as a subsidiary district to a city has limitations proscribed by law, as a significant portion of a district must be within a city's corporate boundaries to merge with that city or for its establishment as a subsidiary district. In this case, Del Rey CSD is 3 ½ miles from the City of Sanger, the nearest city to the District.

With these limitations in mind, LAFCo staff have evaluated for the potential "consolidation", "merger", or other potential change of organization of the Del Rey Community Services District with other special districts and nearby cities. Staff has reviewed the boundaries and active powers possessed for the nearest community services districts, districts which overlie the Del Rey CSD service area, the possibility of merger with a city, or Del Rey CSD becoming a subsidiary district to a city.

There are no Community Services Districts adjacent to the Del Rey CSD. The three nearest CSDs are the Easton, Laton, and Caruthers CSDs, which are located approximately 11, 20, and 23 miles from Del Rey CSD, respectively.

Easton CSD is empowered to provide street lighting, drainage, recreation and park, and landscape maintenance services. Easton CSD has a part-time manager and does not have any other staff. It is believed that, due to the limited staffing and nature of services provided by Easton CSD, that Easton CSD does not have the capacity or expertise to take on Del Rey CSD's service responsibilities.

Further, given that the communities of Easton and Del Rey are quite distinct due to their separation distance, 11 miles, LAFCo staff questions whether a board of directors elected from within the boundaries of both districts would have the same level of interest in ensuring efficient delivery of services in the community where they do not reside. For these reasons, staff is concerned that consolidation between Del Rey CSD and Easton CSD would not resolve the problems addressed by the Grand Jury and that such a consolidation may not be feasible.

Laton CSD is empowered to provide street lighting, water, sewer, solid waste, and fire protection services. The District has two full-time maintenance staff, one full-time clerical staff, and one part-time clerical staff. Considering that Laton CSD provides a number of the same services as Del Rey CSD, including the more technically

complicated water and sewer services, it is possible that Laton CSD has the expertise to undertake management of Del Rey CSD's service activities if the two districts were to be consolidated. Given the distance separating the two communities (20 miles), however, physical infrastructure could not be connected, lessening the economies of scale that might be present if adjacent districts were to link operations. Additionally, given existing operational requirements and the distance separating the communities, it may not be possible to utilize the same staff for both facilities, further reducing possible economies of scale.

LAFCo staff also share the same concern expressed above in the Easton CSD discussion, in that the two communities are separated by a significant distance and the respective districts' boards may have no interest in being involved with managing/providing services to a community where they do not reside. Additionally, given the concerns documented in the Grand Jury's Final Report No. 9, it is unknown what incentive exists for Laton CSD, as part of a successor district, to take on the deficiencies and potential liabilities associated with Del Rey CSD. For these reasons, staff is concerned that consolidation between Del Rey CSD and Laton CSD may not be a feasible alternative to Del Rey CSD's current structure as an independent special district.

Caruthers CSD is empowered to provide street lighting, water, and sewer services. The District employs a full-time manager, one additional full-time employee, and a part-time employee. As with the Laton CSD, given that Caruthers CSD operates water and sewer facilities, its staff may already have the expertise and experience to improve efficiencies of Del Rey CSD's current operations.

LAFCo staff has the same concerns with consolidation between Caruthers CSD and Del Rey CSD, as those expressed above, however. The distance separating Caruthers CSD and Del Rey CSD makes linking of the physical infrastructure of the two districts impossible, reducing potential economies of scale that would exist if the two districts were adjacent to each other. Due to this separation distance, and the operational requirements of each district, a successor district may also require the same staffing levels currently used for operating the two districts. If this is the case, the possibility of utilizing economies of scale to reduce costs and improve efficiencies through consolidation may be further limited.

Additionally, given that the districts operate in widely separated, distinct communities, the district's respective boards may not have an interest in being involved with managing/providing services to a community where they do not reside. As with Laton CSD, it is questionable whether there would be any incentive for Caruthers CSD, as part of the successor district, to take on the liabilities associated with Del Rey CSD. For these reasons, staff is concerned that consolidation between Del Rey CSD and Caruthers CSD may not be a feasible alternative to Del Rey CSD's current structure as an independent special district.

The possibility of consolidating with a special district which is not a Community Services District is also limited. This is because: 1) There are a limited number of other special districts encompassing or adjacent to Del Rey CSD's service area; and 2) other special districts in the vicinity have been formed under different principal acts and are not statutorily authorized to provide the wide range of service types provided by Del Rey CSD.

Special districts that have service areas overlapping or adjacent to Del Rey CSD include Sanger/Del Rey Cemetery District, Fresno County Library District, Kings River Conservation District, Fresno County Fire Protection District, and Consolidated Mosquito Abatement District. Since these districts are single function districts and none are authorized under their principal acts to provide any of the services provided by Del Rey CSD, consolidation with any of these districts does not appear to be feasible or advantageous to these districts or Del Rey CSD.

Consolidated Irrigation District, which also overlaps Del Rey CSD's service area, is an agricultural irrigation district that provides water for irrigation use and the use of its canals to facilitate flood control for cities within its boundaries. CID's principal act (Water Code Section 20500), allows irrigation districts to provide water for irrigation and domestic purposes, sewage disposal, electric power, flood control, and recreational facilities. (Recreational facilities appear to be limited to those that are in connection with "any dams, reservoirs, or other works owned or controlled by the district" (Water Code Section 22185)).

While CID could provide water and sewer services under its principal act, it does not currently provide these services and likely lacks the expertise to do so. Additionally, CID could not provide the street light, park maintenance, drainage, and solid waste services currently provided by Del Rey CSD because it is not authorized to do so. Further, in order to consolidate districts formed under different enabling acts, among other things, the Commission must be "Able to designate a successor or successors or form a new district or districts authorized by their principal acts to deliver all of the services provided by the consolidating districts at the time of consolidation" (Government Code Section 56826.5(1)). An irrigation district, therefore, could not be the successor district.

Given the wide range of services provided by Del Rey CSD, the logical successor district would be a community services district rather than another type of district. Additionally, there is no certainty that consolidating CID into what is the existing structure of Del Rey CSD would achieve the objective of improving Del Rey CSD's operational efficiencies and accountability, nor is there any indication that this would be advantageous to CID. Consolidation of Del Rey CSD and CID therefore does not appear to be a feasible alternative to Del Rey CSD's current structure.

The City of Sanger is located approximately 3 ½ miles from Del Rey CSD and is the nearest city to the District. While Sanger does provide a full range of services to its citizens and may have the expertise among its staff to conduct operations performed by Del Rey CSD, it is not possible to merge Del Rey CSD with the City or to make Del Rey CSD a subsidiary district of the City due to the distance separating the two.

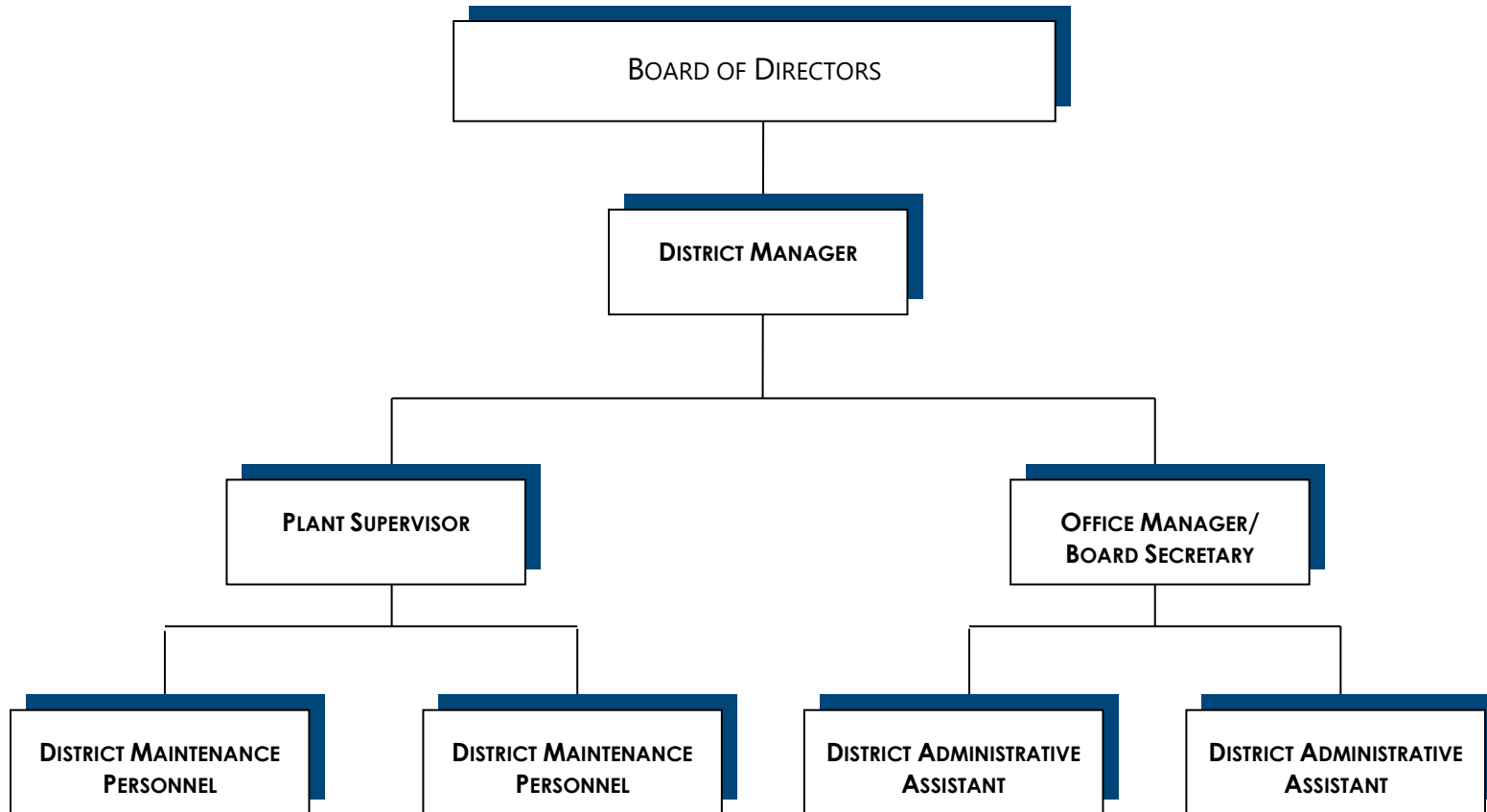
This is because at least 70% of a district's area must be within the boundaries of the city in order to establish it as a subsidiary district. Merging a district with a city would also require the district to be within a city's boundaries. Annexing Del Rey CSD to the City of Sanger in order to facilitate either creation of a subsidiary district or merger is not feasible because, pursuant to Government Code Section 56741, "territory may not be annexed to a city unless it is contiguous to the city". Due to the distance separating Del Rey CSD and the City of Sanger, annexing intervening lands in order to create contiguity is also not considered feasible.

Another alternative to retaining Del Rey CSD as an independent district would be to dissolve the district and form a County Service Area (CSA) which would assume the responsibilities of Del Rey CSD. This would allow continued provision of existing services by a single agency, but under a different structure and a new governing body – the County Board of Supervisors. In order for a CSA to be a successor to Del Rey CSD, however, the County of Fresno would have to be willing to assume the District's responsibilities as well as its liabilities. The County of Fresno may not consider this to be a feasible alternative to the District's current structure. Additionally, such a proposal may require an affirmative vote of registered voters, or may be abandoned if sufficient protest is received by registered voters or property owners.

A final alternative could be to divide services currently provided by Del Rey CSD among multiple successor districts, including existing districts and/or districts newly formed for this purpose. This would appear to be antithetical to the Grand Jury's desire for LAFCo to "take a more aggressive stance in recommending the merger of small special districts to achieve economies of scale", however, and many of the same arguments concerning the infeasibility of consolidation expressed above would still apply.

Based on the above information, LAFCo staff believes that the existing structure of Del Rey CSD as an independent Community Services District may be the most feasible and appropriate governmental structure for continued provision of necessary services. Staff recommends that the District take steps to implement the Grand Jury's Recommendations R901 through R907. Staff believes it may also be appropriate for the District to consider contracting for management services from a company/agency that has the experience and capacity necessary to resolve the District's identified deficiencies.

FIGURE 2.4-2: DEL REY COMMUNITY SERVICES DISTRICT ORGANIZATIONAL CHART



VIII. LOCAL ACCOUNTABILITY

Board meetings are held at 10649 E. Morro, the Legion Hall, in Del Rey. The meetings are at 7:00 pm the first Thursday of each month. The meeting notices are posted at the meeting site and the post office in Del Rey.

The District also holds annual community meetings to give residents the opportunity to voice concerns and make any other comments that they have. All customers in the District are provided with the same acceptable level of service.

When requested, copies of the District's prior years' budgets and other financial information were not available.

IX. SPHERE OF INFLUENCE RECOMMENDATIONS

The Sphere of Influence (SOI) recommendations analyzes the appropriateness of the District's SOI boundaries, relative to the capabilities of the service provider and future growth.

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

Current and planned uses in the District include residential and some commercial.

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

The WWTP will need to be upgraded and an additional well will be needed to allow service to be provided if Union Community is developed. Future development will be required to finance any additional infrastructure necessary to provide it with required services.

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

The capacity of public facilities and adequacy of the physical resources associated with public services are adequate to accommodate projected growth. Financial uncertainties with the operations and long-term viability of the District remain unresolved and may affect the ability of the District to continue adequate service provision.

- 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 no communities of interest in the District.

X. MUNICIPAL SERVICE REVIEW DETERMINATIONS

Pursuant to the Cortese-Knox-Hertzberg Act, determinations must be made for each factor analyzed above. Determinations are based on analysis of information provided by surveys completed by agency staff, agency documents, meetings with agency staff,

and Internet research. Accordingly, staff recommends that the Commission adopt the determinations that follow.

This section has been revised from the original 2007 MSR. Revised determinations are denoted with an asterisk (). See note at the beginning of this MSR on page 2.4-2.*

Growth and Population

The Del Rey Community Services District's infrastructure is sufficient to provide the existing residents with required services. There is the potential for growth in the District if Union Community is built and annexed into the District. Future and planned development will incur the total costs for the establishment of necessary infrastructure.

Infrastructure

The Del Rey Community Services District currently maintains adequate infrastructure and facilities to serve its residents. Additional infrastructure will be needed to serve any new development and will be paid for by the developer as a condition of development.

Financing Constraints and Opportunities*

The Del Rey Community Services District does not have adequate financial management practices to ensure sufficient funding for continued long-term operations.

Rate Restructuring*

The utility rates of the Del Rey Community Services District were updated in January 2007, and included an overall 60% rate increase, to be implemented in three 20% increases over three years. The first 20% increase in 2007 was not sufficient to adequately fund District operations. It is not known whether the latest two increases, to have been implemented in 2008 and 2009, have met the District's revenue expectations and are now generating revenue sufficient to adequately fund District operations.

Cost Avoidance Opportunities

The Del Rey Community Services District applies for grants and has mutual service agreements to avoid costs. Cost avoidance measures sufficient to address budgetary concerns have not been identified by the District.

Opportunities for Shared Facilities

The Del Rey Community Services District does not currently share any facilities.

Government Structure Options*

The Del Rey Community Services District is an independent District and is operating with documented budgetary concerns. The overall management structure of the District is sufficient to account for necessary services and maintain operations in an effective manner, provided steps are taken to correct operational and financial practices which have resulted in the identified deficiencies. There do not appear to be feasible alternatives to the existing government structure, including consolidation or merger, at this time.

Evaluation of Management Efficiencies*

The Del Rey Community Services District appears to be experiencing management and staffing deficiencies. Board actions have resulted in questionable financial recordkeeping and budgeting, and the District is facing significant revenue shortages which threaten the ability of the District to continue high quality service provision. It may be appropriate for the District to consider contracting for management services with a company/agency that has the experience and capacity necessary to address and resolve the District's financial and operational deficiencies. It is recommended that the District take steps to follow Recommendation's R901 through R907 identified in the 2007-2008 Grand Jury's Final Report No. 9.

Local Accountability*

The Del Rey Community Services District appears to maintain a sufficient level of accountability in its governance and public meetings appear to be held in compliance with the Brown Act. The Board is elected and holds regular meetings at which time the public has the opportunity to comment. District records should be readily available upon request to members of the public and other agencies.

XI. BIBLIOGRAPHY

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