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

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**CONSENT AGENDA ITEM No. 15**

**DATE:** December 5, 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 the Lanare Community Service District

**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 Pacific Municipal Consultants (PMC) to prepare MSRs and SOI Updates for numerous special districts. The attached MSR and SOI Update have been prepared for the Lanare Community Service District.

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 nine Community Service Districts within Fresno County. This report covers the Lanare Community Service District. The MSR and SOI Updates completed for the remaining Community Service Districts were adopted at prior hearings.

### **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**

Lanare Community Service District (CSD) serves the unincorporated community of Lanare, located a few miles west of Riverdale and approximately 25 miles southwest of the City of Fresno. The District encompasses approximately 346 acres.

The District provides water service and operates a community center located in the community of Lanare. The District has approximately 149 water service connections including residential

and commercial. Water service is provided to a few connections outside of the District's boundary.

The District is governed by a five-member Board of Directors, however, the District's Board has only four members at this time. Two of the Board members are serving two year terms and two are serving four year terms. The term length for the vacant position was not provided. Board meetings are held the first Tuesday of the month at 6:00 p.m. at the community center and are open to the public.

The District is administered by a full-time manager who began working for the District approximately four months ago. The District also utilizes the services of an accountant and attorney on an as-needed basis.

District infrastructure includes two water wells, a filtration system, distribution system and a community center. The District's office is located at the community center.

The District estimates the system is capable of producing 300 gallons per minute. Average daily use is estimated at 156,000 gallons per day/56,940,000 gallons annually. Peak daily usage is estimated to be 312,000 gallons per day.

The County has expressed concern related to groundwater overdraft conditions that exist throughout Fresno County and how such conditions may impact existing and future development. Also, how smaller service providers with limited resources can continue to provide water service to their customers given the groundwater situation. While these concerns have not been specifically expressed for the Lanare CSD development, LAFCo recognizes that groundwater is a vital, but finite resource for the entire County.

It is acknowledged that individual agencies each have their own interests, which sometimes compete with the interests of others for this limited resource. LAFCo encourages Lanare CSD and other affected local governmental agencies to:

- As per State law, address and mitigate as required, groundwater overdraft impacts during the mandated environmental review process for all "projects" as defined by CEQA, that would result in new or increased demands on water resources and/or intensification of urban uses; and
- Work together to collectively identify and implement feasible strategies to eliminate groundwater overdraft in the area, including territories that may be the subject of future applications to LAFCo for a change of organization and reorganization.

The provision of a dependable water supply for municipal use (i.e. residential, commercial, and industrial) will be a significant issue LAFCo will carefully consider when reviewing proposed Sphere of Influence and boundary changes.

Further, LAFCo encourages the Lanare CSD and other concerned public agencies, including the County of Fresno, to cooperatively investigate and implement strategies, to the extent feasible, that will result in a net increase in groundwater in the vicinity of Lanare CSD.

The District recently ceased operation of the water filtration system, which costs approximately \$8,895 per month to operate and maintain, due to lack of funds. The primary purpose of the filtration system, which was installed in 2007, is to bring the District's water contaminant level for

arsenic into compliance with the relatively new federal standard of no more than 10 parts per billion (ppb). Arsenic contaminant levels were below, and remain below, the prior federal standard of 50 ppb without filtration. The District is currently in compliance with all other contaminant level thresholds.

As a result of turning off the filtration system, the District can not use its newest well, which provides water through the filtration system before it enters the distribution system. Because of this the District's older well is utilized 24 hours per day/7 days per week. The District manager states that the older well is not adequate for producing water at this level indefinitely. The District is in the process of installing a by-pass system which will allow it to use its newest well without using the filter.

The District does not have a Board adopted annual budget and is currently experiencing financial difficulties. District expenses, not including operation of the filtration system, are approximately \$9,100 per month. District revenues are approximately \$8,110 per month, resulting in a monthly deficit of \$990.

These financial difficulties are due at least in part to past District management and planning practices. For example, the full cost of operating and maintaining the filtration system, approximately \$8,895 per month, was not considered before the system's installation. As a result of this and other practices, including not collecting a significant portion of monthly water service fees owed to the District, the District has incurred approximately \$107,000 in debt. The District recently hired its current Manager in an effort to straighten out its finances.

Since hiring its Manager, collection of water service fees has increased from approximately 60% to 98% of fees owed to the District. This increase in collection has increased the District's revenues to the \$8,110 per month figure identified above. The District manager is developing a plan to lower expenditures and increase revenues so that revenues and expenditures are again in balance. Part of this plan is dependent on bringing approximately 51 new users to the system, which would increase water connections from 149 to 200. It is not known when or even if new development will occur in the District, and which would connect to the water system. Any new development would be subject to Fresno County General Plan land use and zoning requirements and may require entitlement approval by the County, depending on the type of development.

Additionally, the District is considering installation of water meters to reduce costs, use of tiered rates to increase revenues, and installation of solar power to generate electricity for use by the District's wells. The District states it believes electricity costs can be reduced by approximately 60% through use of solar power. The estimated cost for purchase and installation of water meters and a solar power system is \$450,000. The District is considering submittal of a grant funding application to the USDA which may provide up to \$337,500 in funds for water meters and the solar power system. The District would be responsible for providing \$112,500 in matching funds in order to be eligible for this USDA grant funding. The District, which was recently awarded Community Development Block Grant (CDBG) funds from the County for purchase and installation of a new well back-up generator has requested that it be allowed to use those CDBG funds as its matching funds for the USDA grant. It is not known whether the County will approve this request, or if the CDBG funds are enough to meet the required match of \$112,500.

The District last adjusted its rate structure in 2007. Water service rates are: Single residential connections, \$46/month; Multiple residential connections, \$92/month; Commercial connections,

\$109/month. The District also has a \$2,500 one-time fee for new connections and charges \$200 per day for rental of the community center.

The District's community center is utilized once per month as a food distribution point for the Fresno County Food Bank. It does not appear to have any other opportunities for sharing facilities.

There do not appear to be readily available government structure alternatives for the District. As a community service district, the District is empowered to provide necessary water services to the community of Lanare. Its services do not overlap another provider, nor is another water service provider adjacent to the District. The District is experiencing financial difficulties, but it is not known how transitioning to another government structure could improve this situation. The District appears to be able to operate under its current structure, provided expenditures are reduced and/or revenues are increased so that they are balanced.

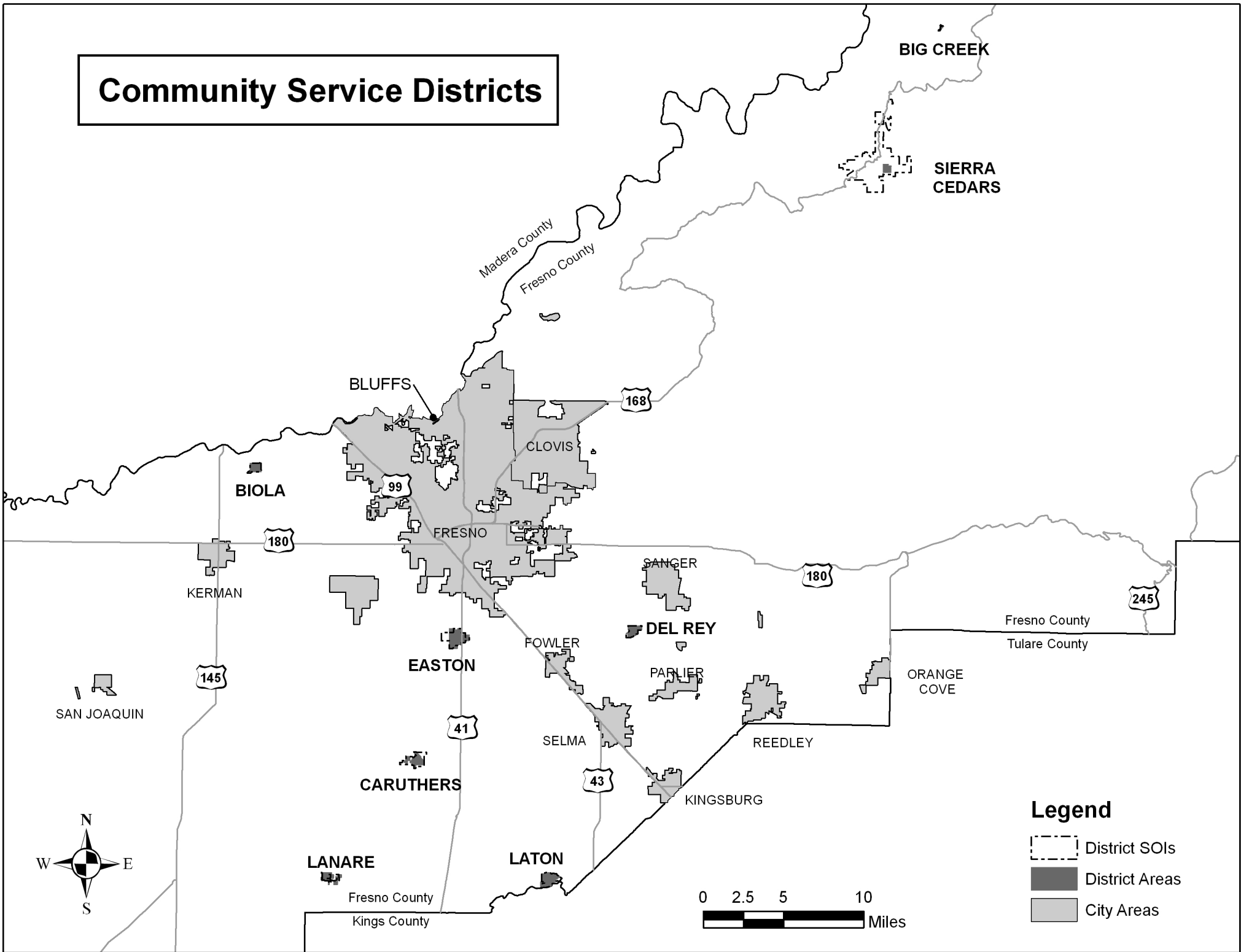
The District's Sphere of Influence is coterminous with the District's boundary. It has not been altered since it was established by the Commission in 1975. There is no indication that the District's SOI needs to be revised. Further, revising the District's SOI would not have an effect on the District's financial situation as it would not reduce or expand the District's service capabilities. Staff recommends that the Commission update the District's SOI by reaffirming its current Sphere 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 Categorically Exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306, "Information Collection" and the general exemption from environmental review, CEQA Section 15061(b)(3), and find that the SOI Update qualifies for the same general exemption from environmental review based upon CEQA Section 15061(b)(3).
- B. Find the Municipal Service Review and Sphere of Influence Update prepared for the Lanare Community Service District 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 the Lanare Community Service District and update the Sphere of Influence for said District by reaffirming its current boundary.
- E. LAFCo encourages the Lanare Community Service District, the County of Fresno, and other appropriate local governmental agencies to:
  - As required by State law, consider and mitigate groundwater overdraft during the CEQA mandated environmental review process for all "projects" as defined by CEQA, which would result in new development and/or intensification of urban uses; and

- Work together to collectively identify and implement feasible strategies to eliminate groundwater overdraft in the vicinity of Lanare CSD, including those territories subject to applications to LAFCo for a change of organization and reorganization.
- F. LAFCO encourages affected agencies, including but not limited to the Lanare Community Service District and the County of Fresno to cooperatively investigate and implement strategies that, to the extent feasible, will result in a net increase in groundwater in the vicinity of Lanare CSD.

# Community Service Districts





**Fresno Local Agency Formation Commission  
Lanare Community Service District**

District Formed: 1971  
SOI Adopted: June 25, 1975

Map Date: November 2007  
District Area: 346 Acres  
Sphere Area: 105 Acres

**Legend**

 District Area and SOI



**RESOLUTION NO. MSR-07-47**

**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 LANARE COMMUNITY SERVICE )	THE LANARE COMMUNITY SERVICE
DISTRICT )	DISTRICT

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**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 (SOI); and

**WHEREAS**, the Executive Officer prepared a Municipal Service Review (MSR) and Sphere of Influence Update for the Lanare Community Service District; 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 Review 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" and the general exemption from environmental review, CEQA Regulation Section 15061(b)(3), and finds that the SOI Update qualifies for the same general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).

**Section #2.** This Commission finds the Municipal Service Review and Sphere of Influence Update prepared for the Lanare Community Service District are 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 makes the required determinations for the Municipal Service Review and Sphere of Influence Update, adopts the Municipal Service Review prepared for the Lanare Community Service District by PMC, and updates the Sphere of Influence for said District by reaffirming its current boundary.

**Section #5.** LAFCo encourages the Lanare Community Service District, the County of Fresno, and other appropriate local governmental agencies to:

- As required by State law, consider and mitigate groundwater overdraft during the CEQA mandated environmental review process for all "projects" as defined by CEQA, which would result in new development and/or intensification of urban uses; and
- Work together to collectively identify and implement feasible strategies to eliminate groundwater overdraft in the vicinity of Lanare CSD, including those territories subject to applications to LAFCo for a change of organization and reorganization.

**Section #6.** LAFCO encourages affected agencies, including but not limited to the Lanare Community Service District and the County of Fresno to cooperatively investigate and implement strategies that, to the extent feasible, will result in a net increase in groundwater in the vicinity of Lanare CSD.

**Section #7.** 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 5<sup>th</sup> DAY OF DECEMBER, 2007, BY THE FOLLOWING VOTE:**

**AYES: Commissioners Rodriguez, Fortune, Anderson, 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 5<sup>th</sup> day of December, 2007.



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Victor Lopez, Chairman  
Fresno Local Agency Formation Commission

# **LANARE COMMUNITY SERVICE DISTRICT**

## **MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE**

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

Prepared by:

PMC  
2729 Prospect Park Drive  
Rancho Cordova, CA 95670

December 2007

## 1.0 EXECUTIVE SUMMARY

### I. ROLE AND RESPONSIBILITY OF LAFCO

The Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act (Government Code Section 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 Section 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 Community Service Districts.

### II. 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 Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (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 Cortese-Knox-Hertzberg Local Government 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 (SOI).

### III. PURPOSE OF THE MUNICIPAL SERVICE REVIEW

The MSR contains analysis and conclusions, referred 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. The topic areas represent the nine required topic areas set forth in the CKH act. 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 the existing sharing of facilities and the ability 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.

## **IV. SERVICE PROVIDERS**

This document contains the MSR/SOI Update for a Community Service District. 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 use, irrigation, sanitation, industrial use, fire protection, and recreation, street lighting, mosquito abatement, and the collection, treatment, or disposal of sewage, waste, and storm water of the district and its inhabitants. The Lanare Community Service District is analyzed in this MSR.

**LANARE COMMUNITY SERVICE DISTRICT***Water ,community center*Contact Information

**Address:** 20620 S. Grantland Avenue  
Riverdale, CA 93656

**Phone:** (559) 867-3469

Management Information

**Manager:** Ken Souza

**Governing Body:** Board of Directors

**Board Members:** Five-member Board of Directors. One position currently vacant.

**Board Meetings:** First Tuesday of each month at 6 pm in the Lanare Community Center

**Staffing:** 1 full-time Manager

Service Information

**Empowered Services:** Water

**Services Provided:** Water, community center

**Area Served:** Unincorporated community of Lanare

**Population Served:** Approximately 149 connections

**Infrastructure:** Two wells, water filtration system, community center

Fiscal Information

**Budget:** The District does not have a Board adopted annual budget, but it is currently budgeting approximately \$9,100 monthly.

**Sources of Funding:** Utility fees, connection fees, community center rental

**Rate Structure:** Water: \$46.00 per month per single residential connection; \$92 per month for multiple residential connections; \$109 for commercial connections; \$2,500 one-time fee for new connections; \$200 per day rental charge for community center

Administrative Policies

**Boundary Updated:** No revisions since District formation in 1971

**SOI adopted:** 1975. No revisions have been made.

**Other:** Fees updated 2007

## 2.8 LANARE COMMUNITY SERVICE DISTRICT

### I. SETTING

The Lanare Community Service District (District), formed in 1971, is located in the central portion of Fresno County, a few miles west of the unincorporated community of Riverdale and approximately 25 miles southwest of the City of Fresno. The District provides water service to lands within the District's boundaries. Service is generally provided within designated service boundaries, and to a few customers outside the District boundaries. **Figure 2.1-1** shows the District's boundaries.

The District owns and maintains water infrastructure and a community center. Water infrastructure includes two wells and a water filtration system which is not currently in use.

Services provided are within the District's powers as authorized in their enabling legislation, codified in Government Code 61000 – 61934, for community service districts. The District does not provide additional services outside of their enabling legislation. The District is not contracted to provide service to other service providers.

### II. GROWTH AND POPULATION

According to the 2000 US Census, the community of Lanare, which is encompassed by the District, had a population of 540. More recent figures are not available. Land within the community is designated for residential, service commercial, limited industrial, and agriculture in the Fresno County General Plan's Lanare Community Plan. The District indicates that land within the District's boundaries can accommodate additional development and that it has adequate water and production capacity available to supply such development.

### III. INFRASTRUCTURE

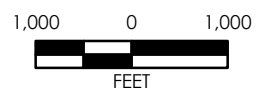
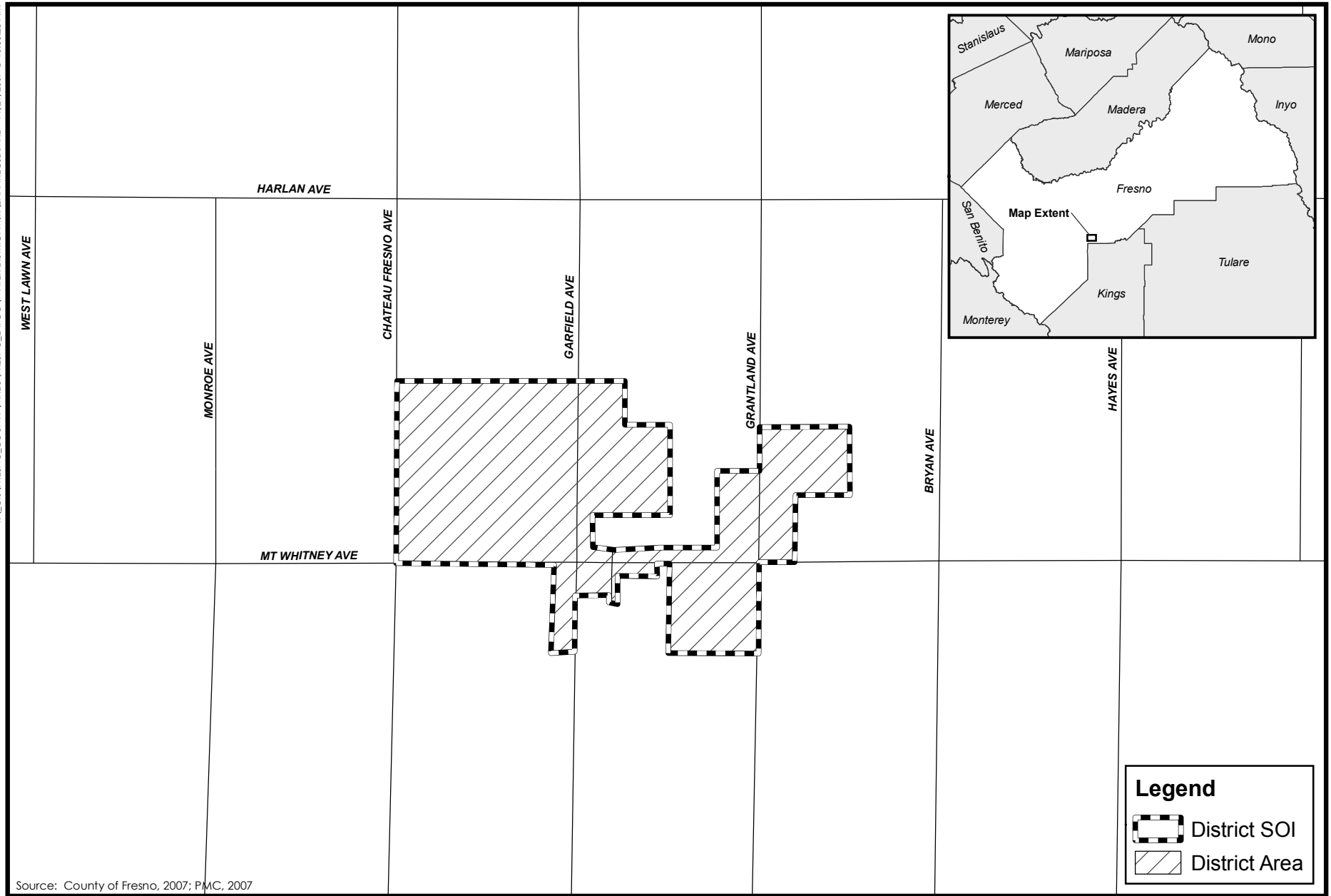
#### Existing Infrastructure Facilities and Conditions

The District's current water supply facilities include two wells, water filtration system, and distribution system. The District estimates its average daily water production is 156,000 gallons, which equates to up to 56,940,000 gallons annually. Maximum daily demand is estimated to be 312,000 gallons per day.

The District's newest well is connected to a water filtration system that was installed at the beginning of 2007. The primary purpose of the filtration system is to ensure the District can meet federal arsenic standards of less than 10 parts per billion (ppb). When operating, this filtration system allows the District to comply with this standard, among others. The filtration system is not being used at this time because the limited number of water users, at the current service rates, can not support the filtration system's significant operational costs. Without filtration arsenic levels are above 10 ppb, but are below the previous federal standard of 50 ppb. The District's water supply does not exceed standards for any other contaminant.

The District is currently supplying water through use of its oldest well, which the District states is not adequate to supply the community 24 hours a day, seven days a week, for an indefinite period of time. The District is in the process of installing a bypass system so that its newest well can supply water for the community without first being filtered. The





**Figure 2.8-1**  
Lanare CSD  
**PMC**

District estimates the water system is capable of producing approximately 300 gallons per minute. The existing system's production capacity is satisfactory for the District's current water supply needs.

The County of Fresno has expressed some concerns related to groundwater overdraft in the County and how it may impact existing and future development, especially as to how it may affect the ability of smaller service providers with more limited resources to continue to provide water service to their customers.

Water is a vital, but finite resource for the entire County. It is acknowledged that individual agencies each have their own interests, which sometimes compete with the interests of others for this limited resource.

LAFCo encourages the Lanare Community Service District and other affected local governmental agencies to:

- As required by State law, consider and mitigate groundwater overdraft during the mandated environmental review process for all "projects" as defined by CEQA, that would result in new or increased demands on water resources and/or intensification of urban uses; and
- Work together to collectively identify and implement feasible strategies to eliminate groundwater overdraft in the area, including territories that may be the subject of future applications to LAFCo for a change of organization or reorganization.

The dependable availability of water resources will be one of the issues LAFCo carefully considers when reviewing proposed Sphere of Influence and boundary changes.

Further, LAFCo encourages the Lanare Community Service District and other concerned public agencies, including the County of Fresno to cooperatively investigate and implement strategies, to the extent feasible, that will result in a net increase in groundwater in the vicinity of the District.

The District was recently awarded Community Development Block Grant (CDBG) funds for purchase of a backup generator. It is in the process of requesting that it be able to substitute these funds as matching funds for a potential USDA grant for water meters and solar power.

The District's community center is available for rent by members of the community and is utilized monthly for food distribution by the Fresno County Food Bank.

#### IV. FINANCING AND RATE RESTRUCTURING

The District submitted information indicating its operational costs exceed its revenues. Monthly costs, not including the cost to operate and maintain the water filtration system, are approximately \$9,100, whereas monthly revenues are approximately \$8,110, resulting in a deficit of \$990 per month. Costs associated with the filtration system are approximately an additional \$8,895 per month.

The District states the number of water service connections, currently 149, is not adequate to cover the cost of running the filtration system. The District manager is in the

process of developing a plan which will adequately fund the system. Part of this plan is dependent on bringing new users to the system. The District manager estimates 200 service connections are necessary to make the water filtration system financially feasible to operate. The plan also includes installation of water meters for each connection. Water meters, in conjunction with a tiered rate system, should result in use of less water, thus reducing District expenses, and may increase revenues.

Additionally, the District is considering use of solar power to lower electricity costs associated with well operations. It is in the process of applying for a USDA grant, which, if successful, would provide up to \$337,500 in funding for water meters and a solar system. Matching funds of \$112,500 are required to be eligible for this USDA funding. The District hopes to utilize CDBG funding, previously awarded for purchase and installation of a backup generator, as matching funds to the USDA grant instead.

The District restructured its rates at the beginning of 2007, raising residential water service rates with a single connection to \$46 per month; residential water service with multiple connections to \$92 per month; and commercial connections to \$109 per month. The District has also established a one-time connection fee of \$2,500 for new water service connections. Rental of the community center is \$200 daily.

The District has also recently experienced a significant increase in its successful collection of water service fees. Prior to August, 2007, approximately 60% of water users were paying their fees. Collections have increased to approximately 98%.

The District has approximately \$107,000 in debt. It plans to pay down this debt through new water connection fees, better management of its system, and possible future grants.

The District has assets totaling \$1,756,700 including property, water distribution system, and the community center.

Based on information provided by the District, it requires additional funding in order to adequately provide water service to its customers. The District Manager has been successful in collecting outstanding service fees and is actively exploring a number of options in order to further increase revenues and reduce expenditures. It appears progress is being made toward reversing the District's financial situation, but it is not known how long this might take or even if the situation can be reversed given that the plan to reduce expenditures and increase revenues are dependent on receiving competitive grant funds, increasing the number of service connections, and other variables.

## 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, potential sharing of facilities, 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 is in the process of applying for grant funding which would allow it to purchase and install water meters for each water service connection and solar power systems to generate electricity for use at its wells. If it is successful in its efforts, water

meters are expected to reduce the amount of water used by its customers, thus reducing costs. Further, solar power could reduce District electricity costs by 60%.

The District has stopped using its water filtration system, saving approximately \$8,895 per month. The District intends to begin using the system again, once adequate revenues are available for the system's ongoing operation and maintenance costs.

## **VI. OPPORTUNITIES FOR SHARED FACILITIES**

The District's community center is utilized by as a food distribution point by the Fresno County Food Bank on a monthly basis. There do not appear to be any additional opportunities for shared 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 water services and operates a community center. This District is an independent special district which has a separate board of directors not governed by other legislative bodies (either a city council or a county board of supervisors). The District is able to function under its current government structure. 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, 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 to future service provision. 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 currently employs a full-time manager and utilizes services of an accountant and an attorney as necessary. The District manager states additional staff are necessary for District operations, but funding for additional positions is not available.

## **VIII. LOCAL ACCOUNTABILITY**

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

Board meetings are held on the first Tuesday of each month at 6:00 p.m. at the community center and are open to the public. Meeting notices and agendas are posted at the community center and outside the gate 72 hours before all meetings. Meetings and notices appear to be consistent with Brown Act requirements, which include postings in public places.

## 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.

The current land use within the Lanare Community Service District includes residential, commercial, and agriculture. Future land uses are anticipated to be similar.

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

Water services and a community center are currently provided by Lanare Community Service District. The District will experience additional demands for water service if further development takes place within its service area. It is not known whether any development is currently planned for the area.

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

Current services provided the Lanare Community Service District are adequate and have sufficient capacity to serve the existing community. Present limitations are the ability to filter arsenic from the water supply to the accepted federal standard of 10 ppb. This ability is only limited by cost, however. The existing system, when operational, filters the District's water supply adequately to comply with all standards.

- 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.

The Lanare Community Service District serves the unincorporated community of Lanare.

## X. MUNICIPAL SERVICE REVIEW DETERMINATIONS

### **Growth and Population**

The Lanare Community Service District does not anticipate significant growth in the near future. The District indicates it would like to see additional growth equal to approximately 50 new water connections in order to increase revenues to adequately fund its water filtration system.

## **Infrastructure**

The Lanare Community Service District's current major infrastructure includes two wells, water filtration system, water distribution system, and a community center. Existing infrastructure is adequate to supply District needs, though additional funding is necessary to operate the water filtration system.

## **Financing Constraints and Opportunities**

Services provided by the Lanare Community Service District are financed by utility fees, connection fees, and rental fees. The District is currently operating at a deficit of approximately \$990 per month. Additional revenues of approximately \$8,895 per month are needed to operate the District's water filtration system. The District currently has approximately \$107,000 in debt.

The District is in the process of developing a plan to pay off its debt and fully fund its monthly costs. This plan includes use of grant funds, installation of water meters and solar power, and increasing the number of water system users. It is not known if this plan will be successful and it is dependent on many variables.

## **Rate Restructuring**

The Lanare Community Service District charges utility rates for water service and charges for rental of the community center. Rates have been established for single and multiple residential connections, commercial connections, one-time connection fees, and rental of the community center. Rates were last updated in 2007.

## **Cost Avoidance Opportunities**

The Lanare Community Service District appears to be searching for cost avoidance opportunities including use of water meters and solar power. Further, the District has stopped use of its water filtration system until adequate funding is available to operate and maintain the system. No additional cost avoidance opportunities have been identified.

## **Opportunities for Shared Facilities**

The Lanare Community Service District does not appear to have any opportunities for shared facilities.

## **Government Structure Options**

The Lanare Community Service District is the only public agency providing water, within its jurisdictional boundary. The overall management structure of the District is sufficient to perform necessary services and maintain operation in an efficient and effective manner.

## **Evaluation of Management Efficiencies**

The Lanare Community Service District is able to operate under its existing structure, however additional funding sources are needed.

### **Local Accountability**

The Lanare Community Service District's Board of Directors is elected by voters within the District. Board meetings are held regularly and noticed consistent with the Brown Act. There appear to be ample opportunities for public involvement and input.

### **XI. BIBLIOGRAPHY**

Correspondence and personal communication with Ken Souza, District Manager, Lanare Community Services District, contacted August 2007 to November 2007.