



AGENDA ITEM 7A

MEETING: September 19, 2018
TO: Humboldt LAFCo Commissioners
FROM: Colette Metz, Executive Officer
SUBJECT: **City of Ferndale Municipal Service Review and Sphere of Influence Update**
The Commission will review a draft MSR and SOI Update for the City of Ferndale. The draft report is being introduced for Commission review and feedback, with final adoption scheduled in November.

BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act directs Local Agency Formation Commissions (LAFCOs) to regularly prepare municipal service reviews (MSRs) in conjunction with establishing and updating each local agency's sphere of influence (SOI). The legislative intent of MSRs is to proactively assess the availability and sufficiency of local governmental services. MSRs may also lead LAFCOs to take other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies in addition to any related sphere changes.

DISCUSSION

The MSR reviews the city's operations, governance, ability to provide services, and opportunities for shared services in the region. In addition, the MSR identifies the services provided by other agencies. This includes the Ferndale Fire Protection District, which provides fire protection and rescue services to 29,000 acres of incorporated and unincorporated territory, and the Del Oro Water Company, which operates a water system serving the City of Ferndale and adjacent unincorporated territory. In all areas that the MSR covers, the subject agencies are providing appropriate service levels and operating in an efficient and effective manner.

The MSR also documents services provide outside agency boundaries. The City of Ferndale currently provides wastewater services to 31 parcels outside the city boundary, primarily in the Arlynda Corners area. It is believed that the majority of these parcels were served prior to January 1, 2001, and are therefore exempt from LAFCo review and approval. The continuation of service to pre-existing out of agency parcels is not constrained by the city's coterminous SOI.

The MSR concludes that no change to the city's sphere of influence is warranted at this time. The city has expressed no interest in annexing parcels that are served by the city's WWTP due to their location in the Coastal Zone. Any future proposals to extend services outside the city's boundary would be subject to LAFCo review and approval, including SOI expansion, pursuant to Government Code Section 56133 and Humboldt LAFCo policy.

Staff has distributed the Draft MSR to the city for review and comment. Additional time is needed to receive city comments, including review by the city council. Therefore, staff requests that the Commission open the public hearing to receive testimony regarding the study, then consider continuing the public hearing to November 14th for final adoption.

RECOMMENDATION

Staff recommends the Commission continue the public hearing to the November 14th LAFCo meeting.

Attachments

Attachment A – City of Ferndale MSR and SOI Update



City of Ferndale

Municipal Service Review

Administrative Draft

September 12, 2018



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Local Agency Formation Commission

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Acknowledgements:

LAFCo staff would like to thank the contributors to this Municipal Service Review. Input instrumental in completing this report was provided by Jay Parrish, Ferndale City Manager, Stephen Avis, Ferndale City Planner, Kristene Hall, City Clerk, and Donna Johnson, Finance Officer.

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1.0

MSR/SOI BACKGROUND

1.1 Role and Responsibility of LAFCo

Local Agency Formation Commissions (LAFCOs) are independent regulatory commissions that were established by the State legislature in 1963 to encourage the orderly growth and development of local governmental agencies including cities and special districts. Today, there is a LAFCo in each of California's 58 counties. Humboldt LAFCo is a seven member commission comprised of two members of the Humboldt County Board of Supervisors, two City Council members, two Special District representatives, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category.

LAFCo is responsible for implementing the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act") (California Government Code Section 56000 *et seq.*) for purposes of facilitating changes in local governmental structure and boundaries that fosters orderly growth and development, promotes the efficient delivery of services, and encourages the preservation of open space and agricultural lands. Some of LAFCo's duties include regulating jurisdictional boundary changes and the extension of municipal services. This includes city and special district annexations, incorporations/formations, consolidations, and other changes of organization. LAFCo seeks to be proactive in raising awareness and building partnerships to accomplish this through its special studies, programs, and actions.

The CKH Act outlines requirements for preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of "discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (§56301). CKH Act Section 56301 further establishes that "one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities." SOIs therefore guide both the near-term and long-term physical and economic growth and development of local agencies, and MSRs provide the relevant data to inform LAFCo's SOI determinations.

1.2 Purpose of Municipal Service Reviews

As described above, MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs. The CKH Act, however, gives LAFCo broad discretion in deciding how to conduct MSRs, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The purpose of a MSR in general is to provide a comprehensive inventory and analysis of the services provided by

local municipalities, service areas, and special districts. A MSR evaluates the structure and operation of the local municipalities, service areas, and special districts and discusses possible areas for improvement and coordination. While LAFCos have no direct regulatory authority over cities and special districts, MSR's provide information concerning the governance structures and efficiencies of service providers – and may also serve as the basis for subsequent LAFCo decisions. The MSR is intended to provide information and analysis to support a sphere of influence update. A written statement of the study's determinations must be made in the following areas:

1. Growth and population projections for the affected area
2. Location and characteristics of any disadvantaged unincorporated communities within or continuous to the sphere of influence
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies
4. Financial ability of the agency to provide services
5. Status of and opportunities for shared facilities
6. Accountability for community service needs, including governmental structure and operational efficiencies
7. Any other matter related to effective or efficient service delivery, as required by Commission policy

This MSR is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

1.3 Purpose of Spheres of Influence

In 1972, LAFCos were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by the CKH Act, "'sphere of influence' means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission" (§56076). All boundary changes, such as annexations, must be consistent with an agency's sphere of influence with limited exceptions.

Pursuant to Humboldt LAFCo policy, a MSR is conducted prior to or in conjunction with its mandate to review and update each local agency's sphere of influence every five years or as necessary. The municipal service review process is intended to inform the Commission as to the availability, capacity, and efficiency of local governmental services prior to making sphere of influence determinations.

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(c)):

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.
5. For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Service reviews may also contain recommendations for sphere of influence or government structure changes needed to implement positive service changes. Where more detailed analysis of service options is necessary, service reviews may contain recommendations for special studies where there is the potential to reduce service gaps and improve service levels.

1.4 Disadvantaged Unincorporated Communities

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination number 5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

Humboldt LAFCo has adopted DUC policy, which identifies 31 inhabited unincorporated “legacy” communities for purposes of implementing SB 244. These legacy communities were defined as part of the Humboldt County 2014 Housing Element for areas not located within the sphere of influence of a city. Therefore, additional review is needed to determine “disadvantaged unincorporated communities” within and adjacent to city spheres of influence. As such, this MSR will document DUCs associated with the City of Ferndale SOI.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services. DUCs are recognized as social and economic communities of interest for purposes of recommending SOI determinations pursuant to Section 56425(c).

1.5 Organization of MSR/SOI Study

This report focuses on key issues that may be particularly relevant to the subject agency while providing required LAFCo MSR and SOI determinations. This report provides the following:

- A description of the subject agency;
- Any new information since the last MSR and a determination regarding the need to update the SOI;
- MSR determinations for Commission review; and
- Identifies any other issues that the Commission should consider in the MSR/ SOI.

2.0 AGENCY OVERVIEW

2.1 Overview

Table 1: City of Ferndale Profile	
FORMATION	
Agency Name	City of Ferndale
Incorporation Date	August 23, 1893
Enabling Legislation	General Law City, California Constitution, Article 11, Section 2, and California Government Code §34000 et seq.
CONTACT	
Primary Contact	Jay Parrish, City Manager
E-mail	citymanager@ci.ferndale.ca.us
City Hall	834 Main Street, Ferndale, CA 95536
Mailing Address	PO Box 1095, Ferndale, CA 95536
Phone	707.786.4224
Website	www.ci.ferndale.ca.us
GOVERNANCE	
Governing Body	City Council
Meeting Schedule	Third Wednesday of every month, 7:00 PM
Meeting Location	Ferndale City Hall, 834 Main Street, Ferndale, CA 95536
SERVICES	
Municipal Services	Wastewater, stormwater drainage, law enforcement, streets and street maintenance, and parks and recreation
Areas Served	Incorporated City Limits - approximately one square mile

The City of Ferndale is located in the Eel River Valley, approximately six miles west of the City of Fortuna and U.S. Highway 101, in Humboldt County, California. The northern boundary of Ferndale is approximately two miles south of the Eel River and one-quarter mile south of the Salt River. The city's southern boundary is in the foothills which form the southern limits of the Eel River Valley.

The City of Ferndale is known as the “Victorian Village” for its classic Victorian era architecture and its historic main street. The city is also the location of the Humboldt County Fairgrounds that hosts an annual fair and many other events. The City of Ferndale was designated as a State Historic Landmark (No. 883) in 1975 by the California State Parks Office of Historic Preservation. In addition, Ferndale's Main Street Historic District was established in 1994 by the National Park Service and placed on the National Register of Historic Places.

The City of Ferndale is governed by a five-member city council whose members are elected at large. The city provides police, wastewater, and parks and recreation services within the city boundary. The city contracts with outside agencies to provide certain municipal services, such as garbage collection and street cleaning. The Ferndale Fire Protection District provides fire protection and emergency services to the city and surrounding territory. A private water company, Del Oro Water Company, operates a water system serving the City of Ferndale and adjacent unincorporated territory. A municipal service review for the City of Ferndale was previously conducted in 2008.

2.2 Jurisdictional Boundary

The City of Ferndale was incorporated on August 23, 1893 making it the fourth city established in Humboldt County. The city's boundary has largely been unchanged apart from one annexation since incorporation. In 1970, the City of Ferndale annexed 80 acres of city-owned property known as Russ Park. While Russ Park was owned by the city prior to its annexation, the majority of the park was located outside the city limits.

Today, the City of Ferndale is about one square mile (640 acres) in area¹. The city limits extend from a fork in Eugene Street up to an area just past Van Ness Street. The Eel River flood plain and the surrounding flat agricultural and wooded fields are the dominant natural features of the city. The city is bisected by State Route 211, which connects to Highway 101.

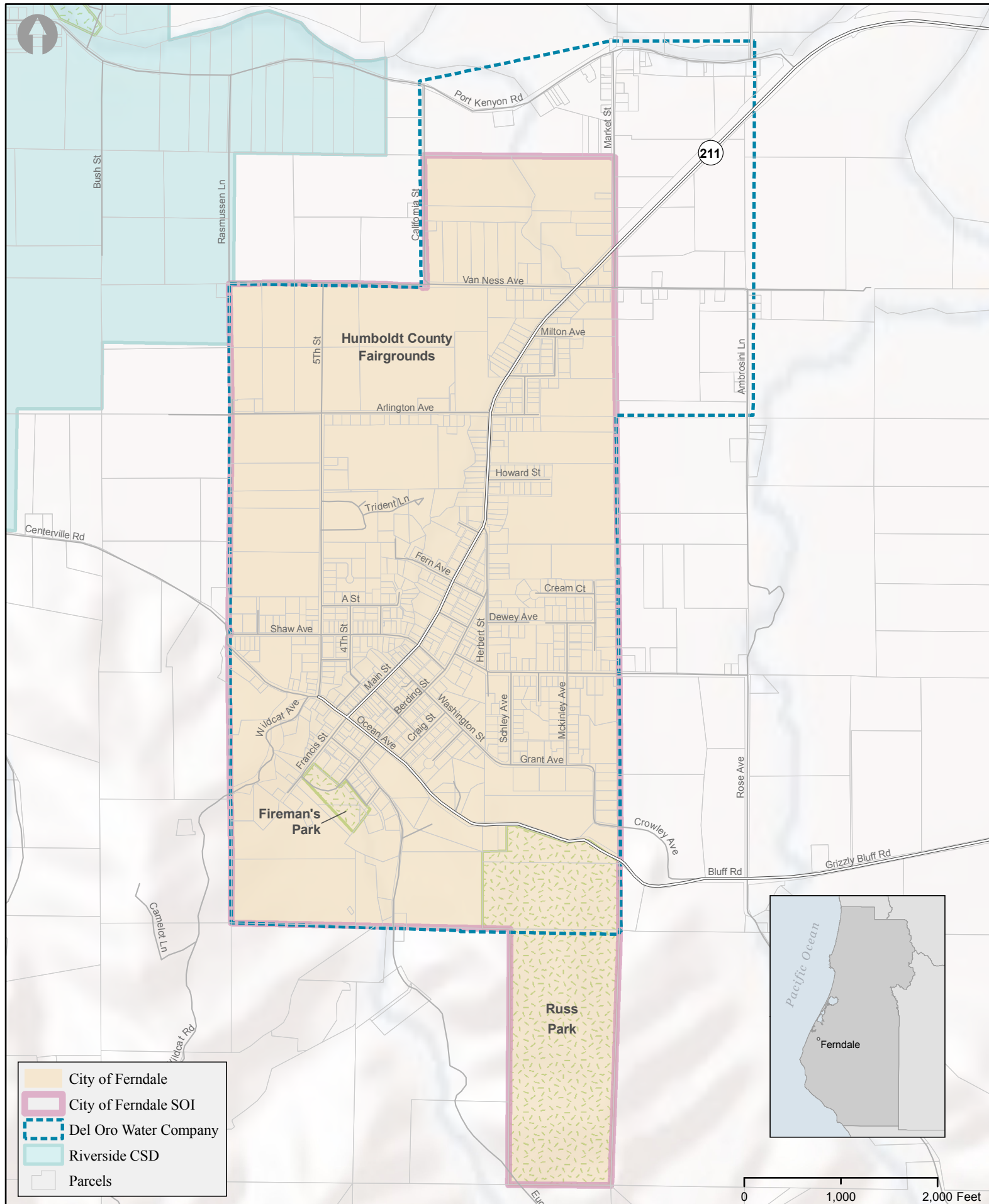
2.3 Sphere of Influence

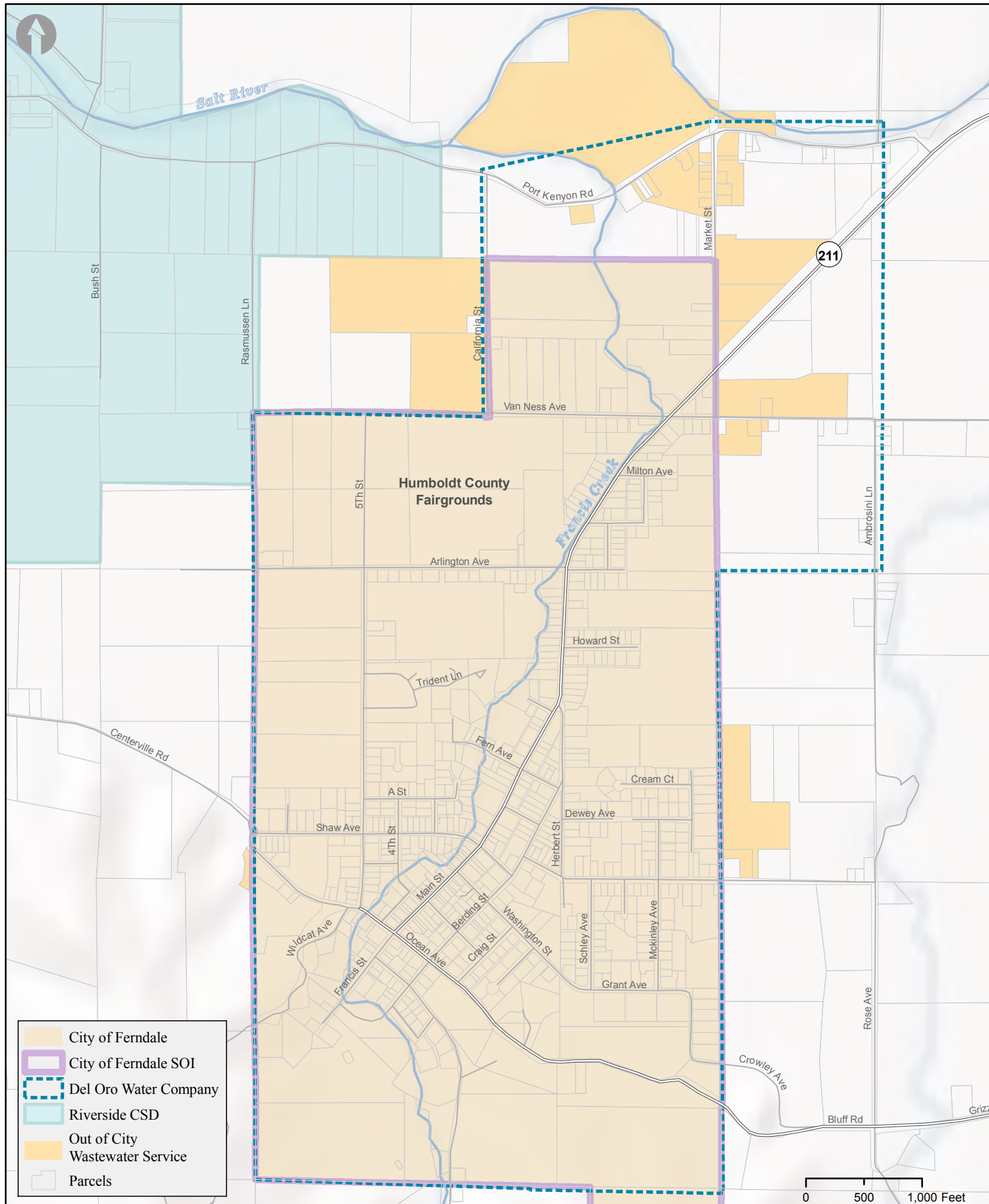
The City of Ferndale's Sphere of Influence (SOI) was established by Humboldt LAFCo in 1983 and is coterminous with the city's boundary. Previously in the 2008 MSR, the city's SOI was shown to extend south beyond the city limit. However, the SOI at the time was coterminous to the city's limit. The inaccuracy in the 2008 MSR map stems from the Russ park annexation (mentioned above) not being pictured as a part of the city limits. The city boundary and SOI were and still are coterminous and include the Russ park area (see Figure 1).

2.4 Out of Agency Services

The City of Ferndale currently provides wastewater services to 31 parcels outside the city boundary (see Figure 2), primarily in the Arlynda Corners area and to several parcels directly adjacent to the city. It is believed that the majority of these parcels were served prior to January 1, 2001, and are therefore exempt from LAFCo review and approval. The continuation of service to pre-existing out of agency parcels is not constrained by the city's coterminous SOI. The city has expressed no interest in annexing these parcels due to their location in the Coastal Zone. Any future proposals to extend services outside the city's boundary would be subject to LAFCo review and approval, including SOI expansion, pursuant to Government Code Section 56133 and Humboldt LAFCo policy.

¹ City of Ferndale website: <https://ci.ferndale.ca.us/>





3.0

SOCIO-ECONOMICS

3.1 Growth and Population

Historical Growth

Historically, dairy farming was Ferndale's primary driver for the city's establishment and growth. During the last half of the 1800's, Ferndale was also an important transportation center and the largest city in Humboldt County. It had its own port for sea-going vessels on the Salt River and was the terminus for stagecoach lines to the Bear River and Mattole regions to the south, with other daily stages going to Eureka and towns to the north and east². As the dairy industry and Humboldt County changed in the 20th century, Ferndale's population stabilized. No longer serving as a regional transport center, dairy farming and tourism have become the city's primary economic drivers. The city has maintained a very stable population for several decades. The population recorded in 1960 is identical to the population recorded in 2010 (see Table 2).

Table 2: Population Growth Trends	
Year	Population
1880	178
1900	846
1920	919
1940	901
1960	1,371
1970	1,352
1980	1,367
1990	1,331
2000	1,382
2010	1,371
2016	1,419
Average (since 1960)	1,371

² <https://www.visitferndale.com/history-of-ferndale>

Current Growth Patterns

There are approximately 717 housing units within the City of Ferndale³. The 2010 Census recorded 611 households with an average of 2.26 persons per household. In 2011, the city acquired the former Centerville Navy Housing Facility, a 52-unit housing complex vacated by the Navy in 2008. The 11.7 acre site, located east of 5th Street along Fairview Drive and Trident Lane, was acquired by the city for \$1 for the purpose of providing affordable housing for low and moderate income individuals, families, and seniors. The 52 units include 24 single family homes and 28 multi-family units, currently zoned R1H⁴. A non-profit organization, Ferndale Housing, was formed to oversee and manage the housing facility for the city.

Based the 2014 Ferndale Housing Element, there is sufficient land within city limits to meet the projected future housing needs. This includes approximately 200 acres of vacant land with a maximum dwelling unit capacity of 426 units⁵. However, over half of the vacant land area within the city limits is zoned Agriculture-Exclusive and is further constrained by 100-year flood zones, agricultural soils, and wetlands. There is a less constrained area of vacant rural residential land east of the County fairgrounds that may be suitable for future development.⁶ As noted previously, the city does not plan to annex additional land at this time⁷.

Projected Growth

The City of Ferndale and surrounding areas are not expected to experience any significant population change or development over the next 5-10 years. Recent census data indicates an annual growth of 0.1%⁸. Projecting into the future, a similar annual percent change would result in a 2030 population of 1,479, an increase of 108 residents.

3.2 Land Use and Geographic Factors

Land Uses

The City of Ferndale is a popular visitor destination drawing thousands of tourists throughout the year. Commercial land uses are located primarily along the Highway 211 corridor, which also serves as the city's main street. The city's Main Street Historic District, between Shaw Avenue and Eugene Street, is the historic, civic and cultural core of the community. All areas west of the city boundary are included in the Coastal Zone.⁹

Residential and commercial are the core uses within the city boundary. Other uses are mainly Agriculture Exclusive and Public Facilities. Areas designated Public Facility include the Humboldt County Fairgrounds, Ferndale's Elementary and High Schools, and public parks. There are no industrial zoned land within the city. See Figure 3.

³ US Census 2010

⁴ Ferndale General Plan Housing Element 2014

⁵ *ibid*

⁶ Ferndale Vacant Land Inventory Map 9.5.14

⁷ Ferndale General Plan Housing Element 2014

⁸ United States Census Bureau data from years 2000 - 2016

⁹ City of Ferndale Land Use and Zoning Map http://ci.ferndale.ca.us/pdf/Ferndale_Zoning_Districts.pdf

Agricultural Land and Open Space

Agricultural lands within the city limits surround the core commercial and residential areas on all sides. Outside the city limits, agricultural uses also dominate the area, with the Eel River flood plain providing excellent alluvial soils for livestock pasturing. Ferndale is surrounded by open space lands outside the city limits, however recreational open space land is limited to the two city parks, Fireman's Park and Russ Park. Fireman's Park is the site of the independently-operated Ferndale Community Center available for rent for both community and private functions. The park offers RV parking, picnic areas, playground, baseball field, basketball court, bocce ball and barbecue pits in a scenic location next to Francis Creek and flanked by the forested Wildcat Ridge¹⁰. Russ Park is a 105-acre preserve located at the southern edge of Ferndale that includes a mature Sitka Spruce forest and several miles of walking trails¹¹.

Recent California commercial cannabis regulations add a new dimension to agricultural-use considerations within local jurisdictions. In unincorporated territory outside Ferndale's city limits, cannabis activities are subject to Humboldt County's Commercial Cannabis Land Use Ordinances¹². Notably, any cannabis project subject to the county's ordinances located in or within one thousand feet of a city, or within the SOI of a city requires a Conditional Use Permit from the county. Within the Ferndale city limits, outdoor cannabis cultivation is prohibited, and indoor cultivation is limited to medical users or caregivers growing for personal use¹³.

Salt River Restoration

In the late 1800's the Salt River that winds through the Eel River basin near Ferndale was deep and large enough to accommodate small ocean steamers. At Port Kenyon, the Salt was approximately 200 feet wide and 15 feet deep. Over time fine sediments have eroded from the surrounding hills into the tributaries and deposited in the Salt River channel. Lack of vegetation and sediment management have reduced channel dimensions, blocking fish passage and increasing flooding on surrounding agricultural lands, roads, and residences.

The Salt River Ecosystem Restoration Project proposes an ecosystem-wide, watershed scale approach to address the range of complex land management and ecological issues that have led to reduced agricultural productivity and ecological decline. The project represents a large public-private partnership as most of the restoration activities will occur on privately owned and actively managed agricultural land. Multiple public and private agencies have

¹⁰ Ferndale CA website <https://www.visitferndale.com/firemens-park/>

¹¹ Eureka-Humboldt Visitor's Bureau Humboldt: California's Redwood Coast website. <https://www.visitredwoods.com/listing/russ-park/528/>

¹² Humboldt County Ordinance No. 2598 governs unincorporated territory within the Coastal Zone, pending Coastal Commission approval. Humboldt County Ordinance No. 2599 governs unincorporated territory not within the Coastal Zone, became effective June 8th, 2018. <https://humboldt.gov.org/2159/Commercial-Medical-Marijuana-Permitting>

¹³ Medical Marijuana Ordinance <https://ci.ferndale.ca.us/laws/2013-03%20Medical%20Marijuana%20Ordinance.pdf>

committed substantial financial and professional support to achieve the vision of restoring hydrologic processes and functions to the Salt River watershed.¹⁴

The project is comprised of four main components: 1) Salt River channel and riparian floodplain restoration, 2) tidal marsh restoration at Riverside Ranch, 3) sediment management in the channel and riparian floodplain, and 4) upslope sediment reduction. The Humboldt County Resource Conservation District (HCRCD) is the lead agency on this multi-agency land-owner driven endeavor. In addition, the Salt River Watershed Council (SRWC), a community-based 501(c)(3) nonprofit, has been working closely with HCRCD to provide a long-term monitoring and management structure for the project.

Francis Creek

Francis Creek, a tributary to the Salt River, has been the subject of frequent flooding for decades. Francis Creek parallels Main Street for about one mile through downtown Ferndale, then turns at Van Ness Avenue, and enters the Salt River west of Arylinda Corners. Increasingly frequent flooding, reduced drainage capacity, and sediment deposition has negatively impacted water quality.

The Francis Creek Watershed has previously been identified as an “area of special concern” by the city due to water quality and quantity concerns associated with increased development¹⁵. Water quality threats include discharge from sewage treatment plants, failing septic systems, non-point source urban pollution, and turbidity from sediment discharge. Another concern is the cumulative effects of surface and groundwater withdrawals in rural areas where allowed land uses, if fully developed, would require more water than what is locally available during low-flow periods.

The Del Oro Water system has springs fed by Francis Creek with a treatment facility and a large concrete reservoir above town with back up wells and hydrants throughout its service area. While no public health problems or other limitations associated with the water system have been identified, Francis Creek may still qualify to be designated as a “critical water supply area”, which is defined by the Humboldt County General Plan as “the specific area, used by a municipality or community for its water supply system, which is so limited in area that it is susceptible to a potential risk of contamination from development activities.” Should Francis Creek be designated as a critical water supply area by the county, specific performance standards to protect water resources would be adopted by ordinance, including discretionary development conformance review¹⁶.

¹⁴ Salt River Restoration Council <https://saltriverwatershed.org/projects/>

¹⁵ 1983 Ferndale Municipal Service Review

¹⁶ Humboldt County General Plan, 2017, Water Resources Element

3.3 Disadvantaged Unincorporated Communities

LAFCo is required to evaluate disadvantaged unincorporated communities (DUCs) as part of this review, including the location and characteristics of any such communities within or contiguous to the Ferndale SOI. As noted previously, a DUC is an unincorporated geographic area with 12 or more registered voters with a median household income of 80% or less of the statewide median household income. The identification of DUCs is intended to ensure that the needs of these communities are met when considering service extensions and/or annexations in unincorporated areas.

The median household income for the City of Ferndale is \$41,042, which is 64 percent of the statewide median household income of \$63,783. The city is therefore considered to be a disadvantaged community. In addition, the Port Kenyon/Arlynda/ Meridian area, located to the north and west of the City of Ferndale, qualifies as a DUC. This area can be mapped using the Riverside CSD boundary, plus the Arlynda Corners area to the west. There are approximately 113 housing units in the approximately 808 acre Port Kenyon/Arlynda/Meridian DUC based on parcel information. (See Figure 4)

Within a DUC, three basic services are evaluated: water, wastewater, and fire protection. With regard to water services, there are two water service providers within the Port Kenyon/Arlynda/Meridian DUC. The Riverside CSD provides domestic water service to approximately 100 connections from two gravity fed artesian wells and one deep well with a maximum production capacity of approximately 74,000 gallons per day. Existing maximum daily demands are estimated at 46,000 gallons per day, which is approximately 62% of source capacity. In addition, the Del Oro Water Company provides water service to the Arlynda Corners area, which is located at the end of the Del Oro distribution system.

With regard to wastewater services, community wastewater treatment and disposal is not available in the Port Kenyon or Meridian areas. The Humboldt County Department of Environmental Health reports that this area is subject to high groundwater levels that can affect the type and design of on-site septic systems. The City of Ferndale provides wastewater service to lots within the Arlynda Corners area.

With regard to structural fire protection services, the Port Kenyon/Arlynda/Meridian DUC is located within the 29,000 acre Ferndale FPD boundary. Within the DUC, the Riverside CSD water system does not have fire hydrants with adequate capacity to support fire suppression. The fire department must use water carried on fire engines and water tenders to extinguish structure fires, as well as water that may be available on site. Hydrants are available in the Arlynda Corners area on the Del Oro Water Company system. The Ferndale VFD maintains an "8B" ISO rating within the Port Kenyon/Arlynda/ Meridian DUC.

Should future annexations or service extensions be proposed, special consideration will be given to any DUCs affected by the annexation consistent with GC §56375(8)(A) and LAFCo Policy.

4.0

ACCOUNTABILITY AND GOVERNANCE

4.1 Governance

In 1893 Ferndale incorporated as a "General Law" city, meaning that the city was not granted a separate charter, but falls under the "General Law" of the California statute. The city has a Council-Manager form of government, in which legislative and policy functions are vested in the City Council, while the City Manager runs the day-to-day business of the city.

The Ferndale City Council consists of five members, four councilmembers and the mayor. Councilmembers are elected at-large by the voters to serve overlapping four-year terms. The Mayor is elected by the voters in even-numbered election years and serves a two-year term. The City Council is the policy-setting body that is responsible for enacting ordinances, establishing policy, adopting and amending the budget, and adopting resolutions. The Mayor has appointive powers, subject to council approval. The City Council appoints the City Manager to support their efforts and oversee the daily operations of the City to ensure that the Council's policies, programs, and priorities are implemented. Several boards, commissions, and committees assist in carrying out various functions of city government.

Table 3: Ferndale City Council		
Council Members	Title	Term Expiration
Don Hindley	Mayor	November 2018
Jennifer Fisk-Becker	Councilmember	November 2020*
Doug Brower	Councilmember	November 2018
Patrick O'Rourke	Councilmember	November 2020
Michael Sweeney	Councilmember	November 2018
*While the current term ends in 2020, this seat will be up for election in November 2018 to fill the remaining two-year term.		

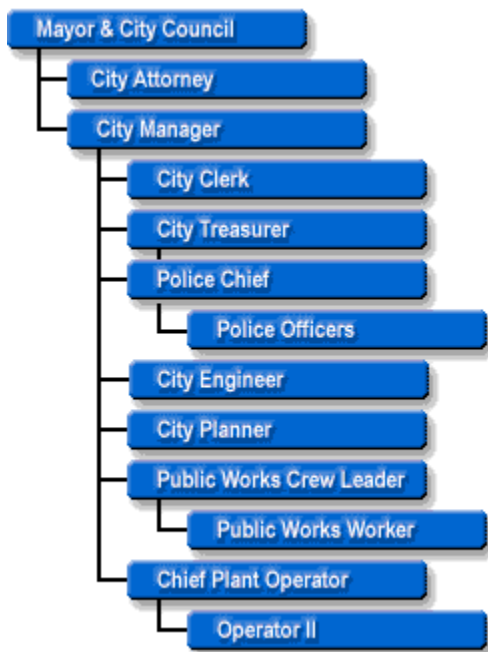
Regularly scheduled City Council meetings are held on the third Wednesday of the month at 7:00 p.m. at City Hall, located at 834 Main Street in Ferndale. Regularly scheduled Planning Commission meetings are held on the first Wednesday of every month at 7:00 p.m. at City Hall. There are two standing committees that meet once a month at Town Hall on the following regular schedule: the Design Review Committee meets at 8:30 a.m. on the fourth Tuesday and the Drainage Committee meets at 3:00 p.m. on the second Thursday.

All meetings are open to the public in accordance with the Brown Act and are publicly posted a minimum of 72 hours prior to the meeting on the public bulletin boards located at City Hall, the post office, and the library, and on the City's website.

4.2 Administration

The City Manager is responsible for directing and supervising the day-to-day administration of the city to ensure that laws, ordinances, resolutions, contracts, and leases are enforced and executed. The City Manager's Ordinance specifically outlines the duties of the City Manager, whose major responsibilities are public information, maintenance of official records, management of city personnel, risk management including insurance administration, labor relations, franchise negotiations, enforcing City Council policies, administration of community grants, and supervision of department heads. The city employs 12 full-time employees and seven part-time employees.

Figure 5: City of Ferndale Organizational Chart



4.3 Accountability

When conducting service reviews and reviewing proposals, LAFCo considers an agency's accountability for community service needs, including governmental structure, operational efficiencies, financial resources, and promoting public access.

The City offers multiple ways to keep citizens informed about services, meeting, finances and decision-making processes. Public notices are posted on the website. Past meeting agendas and meeting minutes may be found in the Archive section of the City's website. Financial reports are presented monthly at Council meetings and the Council reviews an Annual Financial Report in a special public meeting every January. The public may also provide verbal comments or complaints by phone or in person at City Hall during business hours and/or at City Council meetings during the general public comment period.

4.4 Shared Facilities

The primary public service issue facing rural communities is typically the provision of adequate public services and funding rather than issues of overlapping or duplicative services provided by another public agency. The services and facilities provided by the City of Ferndale are critical to residents of the area. The city collaborates with other public agencies to provide service more efficiently or effectively. Some of Ferndale's collaborative activities include the following:

- The city continues to collaborate with the Salt River Watershed Council and the Humboldt County Resource Conservation District to support long term Salt River Watershed management and restoration.
- The city has a long-term relationship with the Friends of the Ferndale Library, a non-profit that supports the programs and facilities of the Ferndale Library. The Ferndale Library is a branch of the Humboldt County Library system. Currently, the Ferndale Library does not meet all Americans with Disabilities Act (ADA) standards. The city is working with Friends of the Ferndale Library regarding a new ADA compliant ramp at the back entrance of the library and the many other improvements in and around the historic building.
- The city has a long-term relationship with the Ferndale Chamber of Commerce, Kiwanis, and Humboldt Visitors Bureau regarding community events, local business promotion, tourism, and other community-based programs.
- The city has a lease agreement for the Community Center with the Ferndale Senior Resource Center which will expire on June 30, 2021 unless renewed.
- The city has a long-term relationship with the Humboldt County Fair Association, the nonprofit that operates the Humboldt County Fairgrounds in Ferndale. The Fair Association leases the 65 acre fairground from the County of Humboldt.
- The city has a long-term relationship with Del Oro Water Company which operates the water system serving the City of Ferndale and limited unincorporated lands surrounding the city.
- The city has a long-term relationship with the Fortuna FPD, which provides fire protection and rescue services to 29,000 acres within the district's boundary. In addition, the Ferndale FPD owns and maintains the fire hydrants associated with the Del Oro Water system.
- The city has been working closely with Humboldt County Office of Emergency Services (OES) to develop and update an emergency response plan in coordination with the Ferndale FPD, Police, Public Works, and Elementary and High Schools.
- The city is a member of Humboldt Waste Management Authority (HWMA), a joint powers agency, which contracts with Recology Eel River to provide weekly garbage pickup and biweekly recycling service.

- The city is a member of Redwood Coast Energy Authority (RCEA), a joint powers authority founded in 2003 whose members include the seven cities, the county, and the Humboldt Bay Municipal Water District. RCEA administers Humboldt County's Community Choice Energy program, which offers local renewable energy and lower energy prices to Humboldt County residents and businesses.
- The city is a member of the Humboldt County Association of Governments (HCAOG), a JPA comprised of the seven cities and the county. HCAOG is the designated Regional Transportation Planning Agency, and is largely responsible for programming state highway, local street and road improvements, and public transportation resources.
- The city is currently not a member of the Humboldt Transit Authority (HTA), a JPA signed by Humboldt County and the cities of Arcata, Eureka, Fortuna, Rio Dell and Trinidad. As such, all cities with the exception of Ferndale are served by fixed route and dial-a-ride transit options that allow access through Humboldt County. However, the Ferndale Senior Resource Center "Bridging the Gap" program provides demand response transportation services to seniors that reside in and around Ferndale. The community transportation service is generally available Monday through Saturday in the daytime. Funding is provided by private donations and fares. There may be an opportunity to expand public transit in Ferndale with more public interest and commitment to utilize the service.

There were no additional opportunities for the city to collaborate with other public service providers to achieve management or operational efficiencies identified during the preparation of this MSR.

5.0

SERVICES AND INFRASTRUCTURE

5.1 Service Overview

The City of Ferndale provides a full range of municipal services either directly or through contracts with other governmental agencies or private companies. Municipal services provided directly by the City of Ferndale include: 1) wastewater collection, treatment and disposal; 2) stormwater drainage; 3) streets and street lighting; 4) parks and recreation; and 5) law enforcement. A private water company, Del Oro Water Company, operates a water system serving the City of Ferndale and adjacent unincorporated territory. In addition, the Ferndale Fire Protection District provides fire protection and rescue services to both incorporated and unincorporated residents within its 29,000 acre boundary.

5.2 Water

The Del Oro Water Company (Del Oro) operates as a Class B multi-district water utility regulated by the California Public Utilities Commission (CPUC). Del Oro provides water service to 19 districts throughout California, including Humboldt, Shasta, Tehama, Butte, Glenn, Colusa, Tuolumne, Fresno, Tulare and Kern Counties. Del Oro's main corporate office is located in Chico, California.

Del Oro's Ferndale District provides service to 759 customers in the City of Ferndale and adjacent areas. The Ferndale system consists of one well, one 990,000-gallon concrete storage tank, a distribution system with 65,155 feet of mains ranging in size from 1 to 10 inches in diameter, and a treatment plant located at 995 Eugene Street.

Ferndale water sources originate from groundwater and are known as the High Line Springs, Low Line Springs, and Van Ness Well. These sources have a combined maximum production capacity of approximately 518,000 gallons per day. As of 2012, existing maximum daily demands are estimated at 208,000 gallons per day, which is approximately 40% of source capacity. Approximately 70% of the water is pulled from the springs, with back up production from the Van Ness Well.¹⁷

Monthly water service rates for Ferndale are provided in Table 5. Water usage is charged at \$4.81 per 100 cubic feet. There is also a readiness-to-serve charge applicable to all metered service which is computed at the quantity rates. A 1.4% surcharge is required to be added to all customers' bills, which is calculated on all amounts due and is forwarded to the CPUC throughout the year¹⁸.

¹⁷ Ferndale General Plan Housing Element 2014

¹⁸ Del Oro water Ferndale district website <http://www.delorowater.com/deloro/water-districts/ferndale.html>

Table 5: 2018 Water Service Rates	
Rates	Per Meter Per Month
Quantity Rate: For all water delivered per 100 cu. ft.	\$ 4.81
Service Charge:	
For 5/8 x 3/4 inch meter*	\$ 22.30
For 3/4 inch meter	\$ 33.46
For 1 inch meter	\$ 55.76
For 1-1/2 inch meter	\$ 111.52
For 2 inch meter	\$ 178.44
For 4 inch meter	\$ 557.62
For 6 inch meter	\$ 1,115.25
For 8 inch meter	\$ 1,784.40
<i>*Approximately 96% of customers in Ferndale have a 5/8 x 3/4" meter size</i>	

5.3 Wastewater

The City of Ferndale provides wastewater collection, treatment, and disposal to approximately 660 connections, including 571 residential and 89 commercial. A total of 31 connections are provided outside the city boundary in the Arlynda Corners area. The city employs two full-time and one part-time Wastewater Treatment Facility (WWTF) operators.

In 2012, the city completed construction of a new WWTF that provides tertiary treated effluent using a combination of extended aeration, nutrient removal, filtration and ultraviolet disinfection. The WWTF is designed to treat up to 1.0 million gallons per day (mgd). During peak flows exceeding the design capacity, up to 5.0 mgd may be sent to a holding storage pond for a later treatment. This allows the facility to manage flow of up to 6.0 mgd¹⁹.

The city's wastewater treatment plant is regulated by the California Regional Water Quality Control Board (RWQCB) under a National Pollutant Discharge Elimination System (NPDES) waste discharge permit R1-2013-0097. The facility is located outside of the city boundary at 701 Port Kenyon Road in the Arlynda Corners area. Wastewater flows from the municipal collection system by gravity to the headworks. Within the headworks, a comminutor and bar screen provide primary treatment. Wastewater from the headworks of up to 0.95 mgd is then pumped to a selector tank flowing by gravity to one of two rectangular extended aeration basins for biological treatment. From the aeration basins wastewater flows by gravity to the adjacent rectangular clarifiers. Return activated sludge (RAS) is injected into the selector tank and aeration basins as appropriate to achieve maximum nitrogen removal efficiencies. Aerobically digested sludge is then pumped to a belt press for dewatering. The dewatered sludge is transported to the Humboldt County solid waste transfer station for disposal to a landfill. Clarified wastewater undergoes disc filtration prior to ultraviolet disinfection. A holding

¹⁹ City of Ferndale Recycled Water Engineering Report Jan 2018

basin is used at the end of the treatment train for temporary storage of treated effluent during periods of land application. Variable drive pumps are located within the basin to provide continuous flows when discharging to surface water²⁰. From October 1 through May 14, treated wastewater is discharged to Francis Creek at its confluence with the Salt River. From May 15 through September 30, treated wastewater for irrigation use is applied to neighboring agricultural land. Ferndale has been recycling its water since the new WWTF was completed in 2012²¹.

Wastewater Improvements

The city has identified several wastewater facility improvement projects and is seeking grant funding. The first is to address the collection system's high inflow and infiltration (I&I). During winter rains, flows to the treatment plant can rise to twenty times the plant's average dry weather flow, which requires diversion to the equalizing storage pond. The City's sewer pipes are very deep, and made of four-foot clay pipe sections, which allow groundwater to enter the collection system. The city intends to perform an I&I study to locate the sewer mains with the highest I&I rates, review the sewer system to investigate possible long-term modifications, and prepare a preliminary engineering report describing the recommended improvements to the collection system.

The second component is to address issues with the equalizing storage pond which stores excess water for later treatment. Storing the water allows algae to grow in the ponds, which, when directed to the treatment plant, disrupts the plant operations, and can result in discharge violations. Additionally, the intake from the pond is located at the bottom of the pond, and consequently can draw solids from the bottom which also has a detrimental impact on treatment plant operations. The City will perform a study to investigate the problem, and determine appropriate solutions.

The third component addresses the city's UV disinfection system which was licensed under drinking water standards, and requires high UV disinfection dosing. The RWQCB has modified its regulations to allow a reduction in UV dosing while still meeting State disinfection requirements provided the discharger can prove it meets the disinfection standards. The city hopes to save energy by proving it can meet the reduced standards. In addition, the city will be installing new UV lights which should allow the system to run much more efficiently.

Lastly, the city spends up to \$14,000 annually disposing of its solid waste. The city intends to prepare the design, engineering, and regulatory review of a composting system to apply it to local lands. This will reduce the load on landfills, allow a beneficial use of the wastewater treatment plant's sludge, as well as reduce the city's expenses dispensing of the waste.²²

²⁰ CA RWQCB Complaint No. R1-2017-0017 for Administrative Civil Liability; City of Ferndale Wastewater Treatment Facility Ferndale, CA WDID # 1B83186OHUM

²¹ City of Ferndale Recycled Water Engineering Report. January 2018

²² City of Ferndale Wastewater Treatment System Energy Savings and I&I Investigation Plan of Study. Lost Coast Engineering. July 2017

Wastewater Rates

Currently, wastewater rates are assessed annually by the city based on annual water consumption and determining Equivalent Dwelling Units (EDUs). The charges are levied on property tax bills collected by the Humboldt County Tax Collector. As of 2018, the city's sewer fee was \$66.02 per month per EDU. The city is in the process of conducting a Wastewater Utility Rate Study to evaluate future revenue requirements and fund capital improvements. Once the rate study is completed and accepted by the city, it will implement Proposition 218 proceedings which regulates the ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented.

5.4 Stormwater Drainage System

The City of Ferndale's stormwater drainage system consists of a series of drainage inlets and underground pipes that eventually drain into the Salt River. Annual rainfall averages between 40-60 inches. As mentioned previously, the hydraulic conditions of the Francis Creek / Salt River watershed have resulted in a higher sediment load and reduced flows that contribute to flooding during periods of peak stormwater runoff. This is further impacted by undersized drainage facilities and challenges retaining/detaining water onsite due to a high water table and relatively flat land. An example is the Washington Street drainage project for which the city is working to replace an undersized 24-inch culvert with a new storm drain able to convey the 25-year design flow.

The city's 2004 Drainage Master Plan defines two drainage areas referred to as the West Side and East Side drainages which are separated by Francis Creek. These drainages have been further subdivided into minor drainage areas based on inlet locations where flow is concentrated or accumulated. The city is currently in the early stages of updating its Drainage Master Plan to include watershed mapping, hydraulic modeling, and up-to-date stormwater infrastructure inventory to assess the current system condition and to identify drainage system improvements. This will incorporate watershed-wide restoration planning that is ongoing for Francis Creek and the Salt River.

The city's annual revenue for drainage maintenance and improvement projects does not meet expenses beyond existing system maintenance. Currently, new building permits issued by the city are charged a \$1,500 drainage fee, while commercial developments are charged \$0.50 per square foot. In addition, the city collects \$25.00 per parcel per year for drainage maintenance activities through a special tax that was approved by voters in 1997 (Measure V). As part of the Drainage Master Plan Update, the city will consider options for funding drainage improvements, including assessments, fees, and grants. In addition, the city's Drainage Ordinance should be updated to reflect the city's long-term stormwater management goals.

5.5 Streets & Roadways

The City of Ferndale maintains 9.3 miles of collector and local paved streets. Public works staff is responsible for maintaining city rights-of-way including street signage; striping and painting;

street sweeping; routine pavement, sidewalk and curb repairs; maintenance of traffic structures; street lighting; vegetation removal; and clean-up of spills and discharges. Ferndale also provides minor street repair such as potholes and patching, and maintains pedestrian and bicycle facilities within city rights-of-way.

The City of Ferndale Pavement Management Program (PMP) was updated in 2017 to examine the street network condition and identify options for improving the current network²³. According to the 2017 PMP, the street network in Ferndale had an average pavement condition index, or PCI, of “52” with a remaining service life of approximately 13 years. PCI is a measurement of the pavement condition and ranges from 0 to 100, whereas a newly constructed street will have a PCI of 100, while a failed street will have a PCI of 25 or less. The following table provide a pavement condition breakdown for Ferndale, which indicates about 48.8% of the entire city street network is in the “good” condition category. Conversely, 40.9% of the pavement area falls in the “poor” to “very poor/failed” condition categories (see Table 6 below).

Table 6: 2017 Pavement Condition Breakdown for Ferndale

Condition Category	PCI Range	Collector (%)	Residential	Entire Network (%)
Good (I)	70-100	16.5%	32.3%	48.8%
Fair (II/III)	50-69	0%	10.3%	10.3%
Poor (IV)	25-49	1.7%	9.1%	10.8%
Very Poor/Failed (V)	<25	5.9%	24.2%	30.1%
Total		24.1%	75.9%	100%

Historically, the City has utilized a program of crack sealing, base repairs, and overlays as maintenance and rehabilitation strategies. According to the NCE report, there is currently \$2.9 million of deferred maintenance associated with the City of Ferndale street network. If the maintenance needs are not addressed, the quality of the street network will inevitably decline. Furthermore, the analysis indicates that the City would need to spend approximately \$6.6 million over the next twenty years to repair essentially all streets.²⁴.

Primary funding for street related expenditures comes from Ferndale’s General Fund as well as a combination of local/regional, state and federal funding. Most recently, the city has applied for SB 1 road maintenance and rehabilitation funds for repaving Washington, Berding, Ocean and Shaw Streets, as well as other road segments. The city estimates it will receive approximately \$32,000 in funding in FY 2018-19 from SB 1. The city has used the PMS to develop the SB 1 project list to ensure revenues are being used on most high-priority and cost-effective projects that also meet communities transportation investment priorities.

²³ NCE Pavement Management Update 2016-17 Final Report:
http://hcaog.net/sites/default/files/ferndale_pmp_update_final_report_1_0.pdf

²⁴ *ibid*

5.6 Parks and Recreation

The City of Ferndale owns and operates two city parks totaling approximately 114.5 acres. City public works staff are responsible for maintaining city parking lots, street trees and benches, as well as landscaping within public rights of way and public buildings. Russ Park consists of 110 acres of closed-canopy forest with more than three miles of walking trails. Firemen's Park is 4.5 acres and includes a picnic area, playground, ball fields and bocce courts²⁵.

5.7 Law Enforcement

The City of Ferndale Police Department, located at 600 Berding Street, provides law enforcement and public safety services within the city. The Department has a police chief, one sergeant, and seven officers. The Ferndale Police Department works closely with other Eel River Valley municipal police departments, including Fortuna and Rio Dell. Fortuna Police Department provides dispatch service for all three departments. These departments provide coverage (back-up officers) to each other in a variety of critical incidents and large events.

In 2016 and 2017, the Ferndale Police Department was awarded Humboldt County Measure Z funds to purchase new patrol vehicle repeaters, a radio repeater upgrade (for all three Eel River Valley Departments), and a four-wheel drive vehicle outfitted with emergency equipment to improve the department's level of service capabilities.

5.8 Other Service Providers

Ferndale Fire Protection District

The Ferndale Volunteer Fire Department (VFD) provides fire protection services to the City of Ferndale and to the unincorporated communities of Grizzly Bluff, Arlynda Corners, Centerville, Port Kenyon, Wildcat Ridge, and the remainder of the Eel River bottoms south of the Eel River. The Ferndale VFD has one fire chief, two assistant chiefs, and four companies of volunteers, each with a captain, a lieutenant and five volunteers. The Ferndale VFD responds to over 200 fire and medical calls every year. They are part of the Ferndale Fire Protection District, which provides enhanced fire protection services in the local community for structure fire, medical aid, vehicle accidents and extraction, and similar traditionally local fire department type services. The department works closely and cooperatively with neighboring fire departments and has mutual and automatic aid agreements with them. In addition, the department is a member of the Eel River Valley Fire Chiefs Association.

Riverside Community Services District

The Riverside Community Services District was formed on June 25, 1991 with the adoption of Resolution 91-64 by the Humboldt County Board of Supervisors. Residents of the Port Kenyon area formed the District for the sole purpose of securing State grant funding to bring an

²⁵ City of Ferndale website: www.ci.ferndale.ca.us

existing water system is not compliance with the current State water system requirements. The proposed improvements are designed and intended to serve development which is consistent with the adopted Coastal Plan and Zoning regulations. Formation of the District is not intended to support the conversion of agricultural lands to non-agricultural uses. (Amended by resolution 92-15, 2/7/1992)

6.0 FINANCE

6.1 Financial Overview

The City of Ferndale prepares an annual budget which serves as the basis for the city's financial planning and budget control systems for the delivery of city services and the implementation of capital projects. Additionally, each fiscal year, the city prepares an Annual Financial Report. Contained within the Annual Financial Report is an audit prepared by a qualified Certified Public Accountant. The most recent city audit was prepared for the 2016-17 Fiscal Year.

6.2 Budget

Annual Budget Process

The City Council establishes annual budgets for the General Fund, Proprietary Funds, and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council in accordance with the municipal code.

In addition to the budget planning process, the city maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is authorized to transfer budgeted amounts within funds as deemed necessary in order to meet the city's needs and subject to adopted fiscal policies. The City Council amends the budget as needed by resolution during the fiscal year. Additionally, the city completes a mid-year budget review to ensure that the city is on target with departmental and fund budget amounts and to verify the necessity of any budget amendments.

General Fund

The City of Ferndale has three major operating fund categories: the General Fund, Transportation Special Revenue Fund, and Drainage Special Revenue Fund. The General Fund is the primary operating fund of the city and is used for all activities other than those legally or administratively required to be accounted for in other funds. The Transportation fund is used for streets and roads under the Transportation Development Act. The Drainage fund accounts for drainage fees and related activities. In addition, the major enterprise fund for the city is the Sewer Utility which accounts for all activities associated with the operation and maintenance of providing wastewater services. The following table summarizes the revenue, expenses, and changes in fund balance for the city's General Fund based on audited financial statement for fiscal year 2016-17.

Table 7: City of Ferndale Financial Summary (General Fund)		
	FY 2016-17 Adopted	FY 2016-17 Actual
Revenues		
Taxes and assessments	\$509,800	\$544,946
Licenses and Permits	\$27,650	\$35,593
Fines and forfeitures	\$2,000	\$2,113
Intergovernmental	\$286,940	\$324,585
Use of money & property	\$6,700	\$6,845
Charges for services	\$9,560	\$10,145
Reimbursements	\$3,000	\$710
Other revenues	\$7,100	\$11,943
Total revenues	\$852,750	\$936,880
Expenditures		
General Government	\$281,425	\$334,058
Public safety	\$415,124	\$410,705
Public works	\$98,166	\$142,849
Parks and recreation	\$38,920	\$40,083
Capital outlay	\$1,000	\$175
Debt service (principal and interest)	-	-
Total Expenditures	\$834,635	\$927,870
Revenues Over (Under) Expenditures	\$18,115	\$9,010
Fund balances		
Beginning of year	\$471,632	\$471,632
End of Year	\$489,747	\$480,642

Significant revenue sources for the city include property taxes, transient occupancy taxes, charges for services, operating grants and contributions, and sales tax²⁶. Major expenses include general governmental expenses including public safety and public works.

The core operations of the city are accounted for in the General Fund and the General Fund balance is a key measure of the fiscal health of the City. For FY 2016-17, the General Fund ending balance increased by \$9,105 (2%) from the beginning balance. For the year audited, the annual growth in the General Fund balance indicates that the city does not need to utilize reserve funds to balance the General Fund budget.

²⁶ City of Ferndale, CA Annual Financial Report for FY ended June 30, 2017

Special Revenue Funds

The following tables show the revenues, expenses, and changes in fund balance for the city's Transportation and Drainage Funds based on audited financial statements for FY 2016-17.

Table 8: City of Ferndale Financial Summary (Transportation Fund)		
Transportation Fund	FY 2016-17 Adopted	FY 2016-17 Actual
Revenues		
Intergovernmental	\$44,170	\$45,414
Use of money & property	-	\$1,117
Total revenues	\$44,035	\$46,531
Expenditures		
Public works	\$45,171	\$45,542
Total Expenditures	\$45,171	\$45,542
Revenues Over (Under) Expenditures	(\$1,001)	\$898
Fund balances		
Beginning of year	\$235,920	\$235,920
End of Year	\$234,919	\$236,909

Table 9: City of Ferndale Financial Summary (Drainage Fund)		
Drainage Fund	FY 2016-17 Adopted	FY 2016-17 Actual
Revenues		
Use of money & property	-	\$327
Charges for service	\$26,010	\$21,838
Total revenues	\$26,010	\$22,165
Expenditures		
Public works	\$17,529	\$23,313
Debt service – Principal	-	\$9,725
Debt service – Interest	\$13,162	\$3,529
Total Expenditures	\$30,391	\$36,567
Revenues Over (Under) Expenditures	(\$4,681)	(\$14,402)
Fund balances		
Beginning of year	\$79,551	\$79,551
End of Year	\$74,870	\$65,149

Comparing revenues to expenses is one way to measure the annual fiscal health of special revenue funds. In FY 2016-17, revenues exceeded expenses by \$898 for the Transportation Fund, and expenses exceeded revenue by \$14,402 for the Drainage fund.

Enterprise Fund

As an enterprise operation, the city's wastewater system is intended to be financed and operated such that the cost of providing services to customers is almost entirely financed or recovered through use charges or service rates. The following tables show the revenues, expenses, and changes in net position for the city's Wastewater Enterprise Fund based on audited financial statements for FY 2016-17.

Table 10: City of Ferndale Financial Summary (Sewer Enterprise Fund)	
Sewer Enterprise Fund	FY 2016-17
Operating Revenues	
Charges for service	\$685,842
Other operating revenue	\$80,343
Total Operating Revenues	\$766,185
Operating Expenses	
Salaries and benefits	\$293,583
Contractual services	\$10,652
Materials and supplies	\$13,251
Repairs and maintenance	\$89,986
Utilities	\$84,915
Insurance	\$9,044
Depreciation	\$204,605
Total Operating Expenses	\$706,036
Total Operating Income	\$60,149
Non-Operating Revenues (Expenses)	
Interest revenue	\$2,098
Interest expense	(\$105,771)
Total Non-Operating Revenues, net	(\$103,673)
Net Income/(Loss)	(\$43,524)
Net Position	
Beginning of year	\$7,015,368
End of Year	\$6,971,844

The wastewater enterprise operating revenue in FY 2016-17 consisted of \$685,842 in service charges and \$80,343 in other revenues. The wastewater enterprise operating expenditures in FY 2015-16 were \$706,036, which included depreciation. The city's net position balance is a

one way to measure the annual fiscal health of enterprise operations. In FY 2016-17, the city ended the fiscal year with \$6,971,844 reported in the sewer utility proprietary enterprise fund, a decrease of approximately \$43,524 from the beginning balance.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities for FY 2016-17 totaled \$11,189,400. This investment in capital assets includes buildings, land, equipment, utility systems, and facilities.²⁷

6.3 Long Term Financial Considerations

Outstanding Debt

The City of Ferndale borrowed \$290,757 in 2002 from Tri Counties Bank for drainage improvements. The city has renewed the outstanding principal at the beginning of each fiscal year and intends to continue to renew the agreement until the debt is fully paid. For FY 2016-17, the outstanding principal was \$73,285. The interest is set at 4.25% and the debt is paid monthly in payments of \$1,130.

On August 18, 2010, the city entered into an agreement with the US Department of Agriculture, Rural Development to borrow funds to construct a wastewater treatment facility. The total amount borrowed was up to the limit of \$5,000,000. The loan accrues interest at 2.375%, payable semi-annually on August 1 and February 1, commencing August 1, 2011 and is repayable over 40 years from wastewater fund revenues. Loan principal is payable August 1 of each year, commencing on August 1, 2011, with a maturity date of August 1, 2050.

Capital Improvement Plan

The city's Five-Year Capital Improvement Program (CIP) is a planning tool that identifies major capital projects and prioritizes capital funding needs. The City of Ferndale is in the process of updating its CIP to reflect funding needs for infrastructure construction and non-routine maintenance projects that typically have an initial individual cost of at least \$50,000 and an estimated useful life of greater than two years.

The city's 2013-2017 CIP identified capital projects in three core areas: transportation, drainage, and wastewater²⁸. The CIP identified nine street improvement projects for a total cost of \$945,000 over five years; ten wastewater collection system improvements for a total cost of \$800,000 over five years; and nine transportation projects for a total cost of \$945,000 over five years.²⁹

²⁷ City of Ferndale, CA Annual Financial Report for FY ended June 30, 2017

²⁸ Ferndale Draft CIP plan 2013-2017

²⁹ Ferndale Draft CIP plan 2013-2017

7.0

MSR DETERMINATIONS

As set forth in CKH Act Section 56430(a), in order to prepare and to update the SOI in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

(1) Growth and population projections for the affected area

- a. The City of Ferndale has maintained a very stable population for several decades. The population recorded in 1960 is identical to the population recorded in 2010 (1,371 people).
- b. The City of Ferndale and surrounding areas are not expected to experience any significant population change or development over the next 5-10 years.
- c. If growth continues at the annual rate of 0.1% per year, the 2030 population would be 1,479, an increase of 108 residents.

(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

- a. The City of Ferndale is a Census Designated Place with a Mean Household Income (MHI) of \$41,042, which is 64 percent of California's reported \$63,783 MHI, thereby qualifying the area as disadvantaged. Ferndale is incorporated, and therefore does not qualify as a DUC. However, it stands to reason that sections of unincorporated territory surrounding the City may also qualify as disadvantaged. This includes the Port Kenyon/Arlynda/ Meridian area, located to the north and west of the City of Ferndale, qualifies as a DUC, which qualifies as a DUC.

(3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

- a. A private water company, Del Oro Water Company, operates a water system serving the City of Ferndale and adjacent unincorporated territory. Ferndale water sources, known as the High Line Springs, Low Line Springs, and Van Ness Well have a combined production capacity of approximately 518,000 gallons per day. As of 2012, existing maximum daily demands are estimated at 208,000 gallons per day, which is approximately 40% of source capacity.
- b. The City's Wastewater Treatment Plant (WWTP) has a tertiary treatment level capacity of 1.0 million gallons per day (mgd) for average dry weather flow. During peak flows, up to 5.0 mgd may be sent to a holding storage pond for a later treatment. The existing

capacity of the WWTP is sufficient to meet the wastewater service demands within the planning horizon of this MSR.

- c. Infiltration and inflow (I&I) into the city's wastewater collection system has been identified as a significant problem. The city intends to perform an I&I study to locate the sewer mains with the highest I&I rates, review the sewer system to investigate possible long-term modifications, and prepare a preliminary engineering report describing the recommended improvements to the collection system.
- d. The city is in the early stages of updating its Drainage Master Plan to include watershed mapping, hydraulic modeling, and up-to-date stormwater infrastructure inventory to assess the current system condition and to identify drainage system improvements. This will incorporate watershed-wide restoration planning that is ongoing for Francis Creek and the Salt River.

(4) Financial ability of agency to provide services

- a. Based on financial audit information from Fiscal Year 2016-17, the City of Ferndale generally operates at a net income and is able to meet its ongoing financial obligations.
- b. The City of Ferndale is in the process of conducting a Wastewater Utility Rate Study to evaluate future revenue requirements and fund capital improvements. Once the rate study is completed, the city will implement Proposition 218 proceedings which requires voter approval before the new rates can be imposed.
- c. The city's annual revenue for drainage maintenance and improvement projects does not meet expenses beyond existing system maintenance. As part of the Drainage Master Plan Update, the city will consider options for funding drainage improvements, including assessments, fees, and grants.
- d. It is recommended that the City of Ferndale update its Five Year Capital Improvement Program (CIP) that serves as a planning tool to identify major capital projects and prioritize capital funding needs. This will allow the city to better identify funding sources and commit funding for specific capital projects as part of the annual budget development process.

(5) Status of and, opportunities for, shared facilities

- a. The services provided by the City of Ferndale are critical to residents of the area. The city collaborates with other public agencies to provide service more efficiently or effectively when possible. This includes collaboration on the following municipal services: fire protection services provided by the Ferndale FPD; police dispatch services provided by the City of Fortuna; water services provided by the Del Oro Water Company; and solid waste services provided by Humboldt Waste Management Authority.
- b. The Riverside Community Services District provides domestic and agricultural water service to residents in the Port Kenyon area. Residents of the Port Kenyon area formed the District in 1991 for the sole purpose of securing State grant funding to bring an

existing water system is not compliance with the current State water system requirements.

- c. The City of Ferndale is currently not a member of the Humboldt Transit Authority (HTA), a JPA signed by Humboldt County and the cities of Arcata, Eureka, Fortuna, Rio Dell and Trinidad. As such, all cities with the exception of Ferndale are served by fixed route and dial-a-ride transit options that allow access through Humboldt County. There may be an opportunity to expand public transit in Ferndale with more public interest and commitment to utilize the service.
- d. There were no additional opportunities for the city to collaborate with other public service providers to achieve management or operational efficiencies identified during the preparation of this MSR.

(6) Accountability for community service needs, including governmental structure and operational efficiencies

- a. The City is governed by a five-member City Council elected to serve a 4-year terms. Regularly scheduled City Council meetings are held on the third Wednesday of the month at 7:00 p.m. at City Hall, located at 834 Main Street in Ferndale. All meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act.
- b. The City of Ferndale maintains a website (ci.ferndale.ca.us) where it posts city information, documents and updates. Notices are also posted on public bulletin boards located at City Hall, the post office, and the library.

(7) Any other matter related to effective or efficient service delivery

- a. The City of Ferndale has confirmed the adequacy of their existing boundary and coterminous sphere of influence. The existing boundary and sphere is appropriate and no amendments are anticipated within the next five years.

8.0

SOI DETERMINATIONS

It is recommended that the Commission affirm the existing coterminous SOI for the City of Ferndale. The following statements have been prepared in support of this recommendation.

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

- a. Residential and commercial are the core land uses within the city boundary. Other uses are mainly Agriculture Exclusive and Public Facilities. There are no industrial zoned land within the city.
- b. Land uses in the unincorporated area outside the city are governed by the Humboldt County General Plan and land use codes. The area surrounding the City of Ferndale primarily consists of agricultural and open space lands, with scattered rural residential uses in the Port Kenyon/Arlynda/Meridian areas.
- c. All areas west of the city boundary are included in the Coastal Zone.

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

- a) The City of Ferndale currently provides wastewater services to 31 parcels outside the city boundary, located primarily in the Arlynda Corners area and adjacent to the city. It is believed that the majority of these parcels were served prior to January 1, 2001, and are therefore exempt from LAFCo review and approval. The continuation of service to pre-existing out of agency parcels is not constrained by the city's coterminous SOI.
- b) Based the City of Ferndale 2014 General Plan Housing Element, there is sufficient available land within city limits to meet the projected future housing needs. The city does not plan to annex additional land within the next five years.

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

- a) The current capacity of public facilities provided by the city appear to be adequate to serve current demand.
- b) The city has adequate facilities, personnel, finances, and equipment to meet current and future demands for public services within the next five years.

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

- a) The Port Kenyon/Arlynda/ Meridian area, located to the north and west of the City of Ferndale may be considered "communities of interest" due to the economic ties to the city. Specifically, the city provides wastewater services in the Arlynda Corners area while the Del Oro Water Company and the Riverside CSD provide water service to these communities.

- b) No other social or economic communities of interest have been identified in the immediate vicinity of the City of Ferndale that should be included in the city boundary or sphere of influence.

(5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.

- a) The median household income for Ferndale is \$41,042, which is 64% of the statewide median household income. The city is therefore considered to be a disadvantaged community.
- b) The Port Kenyon/Arlynda/ Meridian areas, located to the north and west of the City of Ferndale, also qualify as a DUC. This area can be mapped using the Riverside CSD boundary, plus the Arlynda Corners area to the west. There are approximately 113 housing units in the approximately 808 acre Port Kenyon/Arlynda/Meridian DUC based on parcel information.
- c) Should future annexations or service extensions be proposed, special consideration will be given to any DUCs affected by the annexation consistent with GC §56375(8)(A) and LAFCo Policy.