



## AGENDA ITEM 7B

**MEETING:** September 16, 2020  
**TO:** Humboldt LAFCo Commissioners  
**FROM:** Krystle Heaney, LAFCo Clerk/Analyst  
**SUBJECT:** **Jacoby Creek County Water District Municipal Service Review and Sphere of Influence Update**  
The Commission will review and consider approving the Jacoby Creek County Water District Municipal Service Review and Sphere of Influence Update. Staff recommends updating the SOI to better reflect the actual service area of the District and current infrastructure limitations.

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### 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, capacity, and efficiency of local governmental services prior to making SOI determinations.

### DISCUSSION

Jacoby Creek County Water District (CWD) is a limited purpose special district located to the southeast of Arcata along portions of Old Arcata Road and Jacoby Creek Road. The District is currently responsible for providing a potable water supply to its residents. Through various service agreements, the City of Arcata operates, maintains and provides water to the District's water distribution system.

The District boundary encompasses approximately 3,120 acres including large forested areas designated as Timberland under the Humboldt County General Plan to the east and west of Jacoby Creek Road in the southern portion of the District. According to the Jacoby Creek Community Area Plan, extension of public water systems to these areas is not permitted. Additionally, the current water system only extends approximately half a mile down Jacoby Creek Road from its intersection with South Quarry Road. Due to the high cost of installing additional infrastructure it is unlikely that any additional service will be provided beyond the current service area. Based on these considerations, staff is proposing to reduce the SOI for the District in order to accurately depict the existing service area and better align with the current boundary and service area of the City of Arcata. In addition, a Future SOI Study Area has been identified to the northeast of the District that includes residential areas along Buttermilk Lane and Golf Course Road that are located outside both the City of Arcata and Jacoby Creek CWD boundaries.

In addition to the proposed SOI changes, the MSR also discusses governance of the District. Currently the District is only responsible for repayment of its Davis-Grunsky loan while all other system responsibilities are administered by the City of Arcata. Once the loan is paid off, the City has expressed an interest in turning over responsibility for the system to the District. However, the District does not currently have any employees or a

means to collect fees for services. Staff is recommending that the City and District work together on a plan for long term governance of the Jacoby Creek system to ensure that area residents continue to be provided a high level of service once the loan is paid off.

### **RECOMMENDATION**

This item has been agendaized for consideration as part of a noticed public hearing. Based on the challenges related to loan repayment, it is recommended that the SOI Update for the Jacoby Creek CWD include the following conditions:

- Once the existing Davis-Grunsky loan is fully paid, a boundary change application shall be filed with LAFCo within a year to detach those areas of the Jacoby Creek CWD that currently overlap with the City of Arcata boundary. This application can be filed by the District and/or the City as affected local agencies. In addition, further detachment of areas currently not served by the District and located outside the District's updated SOI should be considered.
- The Jacoby Creek CWD MSR (2020) identifies a 'Future SOI Study Area' to the northeast of the Jacoby Creek CWD that includes residential areas along Buttermilk Lane and Golf Course Road that are located outside both the City of Arcata and Jacoby Creek CWD boundaries. As part of any future reorganization involving the two agencies, this area should be studied in detail to determine which agency will provide services in the long-term.
- The District should develop a plan of succession for when payoff of the Davis-Grunsky loan occurs. It is uncertain whether the District will be able to maintain the system without the assistance of the City of Arcata. It is recommended that both agencies work on a plan for providing services after payoff of the loan.

### Procedures for Consideration:

The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report from staff;
- 2) Open the public hearing and invite testimony (mandatory); and
- 3) Discuss item and – if appropriate – close the hearing and consider action on recommendation:

*"I move to adopt Resolution No. 20-09, thereby approving the Jacoby Creek CWD Municipal Service Review and Sphere of Influence Update, with conditions, as described in the staff report.*

### Alternative Action:

Should the Commission wish to further discuss the MSR/SOI and receive additional information from staff, the Commission can move to continue the public hearing to the next regularly scheduled meeting on November 18.

### **Attachments**

Attachment A: Jacoby Creek CWD MSR and SOI Update

Attachment B: Resolution No. 20-09

# Jacoby Creek County Water District Municipal Services Review and Sphere of Influence Update



Public Hearing Draft MSR/SOI

September 2020



[www.humboldtlafo.org](http://www.humboldtlafo.org)

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Ali Lee, Public Member

### **Alternate Members:**

Mike Wilson, District 2 Supervisor

Sue Long, City of Fortuna

Dave Couch, McKinleyville Community Services District

Skip Jorgensen, Public Member

### **Staff:**

Colette Metz, AICP, Executive Officer

Krystle Heaney, LAFCo Analyst/Clerk

Jason Barnes, GIS Analyst

Ryan Plotz, Legal Council

### **Acknowledgements:**

LAFCo would like to thank Mr. Palmrose of the Jacoby Creek CWD Board of Directors and staff at the City of Arcata for their assistance during the preparation of this MSR and SOI update.

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## 1.0 MSR/SOI BACKGROUND

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### 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.

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).



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## 2.0 JACOBY CREEK COUNTY WATER DISTRICT

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### 2.1 Agency Overview

Jacoby Creek County Water District (CWD) is a limited purpose special district located to the southeast of Arcata along portions of Old Arcata Road and Jacoby Creek Road. The District is currently responsible for providing a potable water supply to its residents. However, the City of Arcata operates, maintains and provides water to the district's water distribution system.

Table 1: Jacoby Creek CWD Overview

FORMATION	
Formation Date	December 30, 1970
Enabling Legislation	California State Water Code Section 30000
CONTACT	
Primary Contact	Wayne Palmrose, Board Chair
E-mail	<a href="mailto:wpalmrose@suddenlink.net">wpalmrose@suddenlink.net</a>
Mailing Address	PO Box 122, Bayside, CA 95524
Phone	N/A
Website	N/A
GOVERNANCE	
Governing Body	Board of Directors
Meeting Schedule	2 <sup>nd</sup> Monday of each month
Meeting Location	Jacoby Creek School: 1617 Old Arcata Road, Bayside, CA
SERVICES	
Municipal Services	Water
Areas Served	~1.4 sq.mi. in Bayside/Jacoby Creek community

### 2.2 Formation and Development

Jacoby Creek CWD is an independent special district formed under California State Water Code Section 30000. The District was declared formed by the Humboldt County Board of Supervisors on December 30, 1970 under California Water Code Division 12 following a special election within the proposed district area. The District was formed to provide an eligible entity for receiving a grant to construct the distribution system. The District was given the power to provide water services.

Shortly after formation, in 1973, the District entered into an agreement with the City of Arcata for "management, control and maintenance of the District's water system". As part of the agreement, the City agreed to "furnish maintenance, operation, repair, replacement, additions, management and physical control pursuant to the Water Ordinance" and other

conditions set by the agreement<sup>1</sup>. The terms of the agreement were to remain in effect for the life of the loan which is scheduled to be paid off in 2033. Since then there have been two amendments to the original agreement which provides for enacting portions of the Municipal Water Code in addition to billing and maintenance for a portion of the District included in the Bayside Heights Reorganization of 1982.

### **2.3 Boundary and Sphere of Influence**

Jacoby Creek County Water District is located adjacent to the southeastern border of the City of Arcata. The District extends southeast from the Arcata Bay along Jacoby Creek for approximately four miles. The District is approximately four miles southwest of the City of Blue Lake and three miles north of Freshwater and covers approximately 3,120 acres (or 4.9 square miles). The Sphere of Influence (SOI) is currently coterminous with the boundary.

A portion of the District was annexed into the City of Arcata in 1982 as part of the Bayside Annexation (see Figure 1). This area was not detached from the District at the time due to outstanding debt from a Davis-Grunsky loan obtained to construct the distribution system<sup>2</sup>.

During the Commission's review of the Bayside Heights Reorganization in 1982, it was determined that the detachment would financially burden the Jacoby Creek CWD's ability to pay off its loan. In response, the City and District entered into a second amendment to its original agreement in 1973, which provides as follows: 1) the ownership of the infrastructure within the annexation area shall remain the property of the District; 2) the City shall assume full financial responsibility for the management, operation, and maintenance of the water system in the annexation area; 3) the City will continue to bill customers within the annexation area both regular in-city water rates and a fee to retire the existing State loan owned by the District; and 4) once the existing loan is fully paid, the annexation area shall be detached from the District and maps of the District shall be redrawn to reflect said detachment. Presently, the provisions for infrastructure, management, operation, maintenance, and billing (numbers 1-3 above) are being implemented.

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<sup>1</sup> Agreement between city of Arcata and Jacoby Creek Water District, September 24<sup>th</sup> 1973.

<sup>2</sup> Humboldt County Department of Public Works, Memorandum to City of Arcata City Manager Regarding Jacoby Creek County Water District. October 28, 1982.



Figure 1: Jacoby Creek CWD Boundary and Proposed SOI

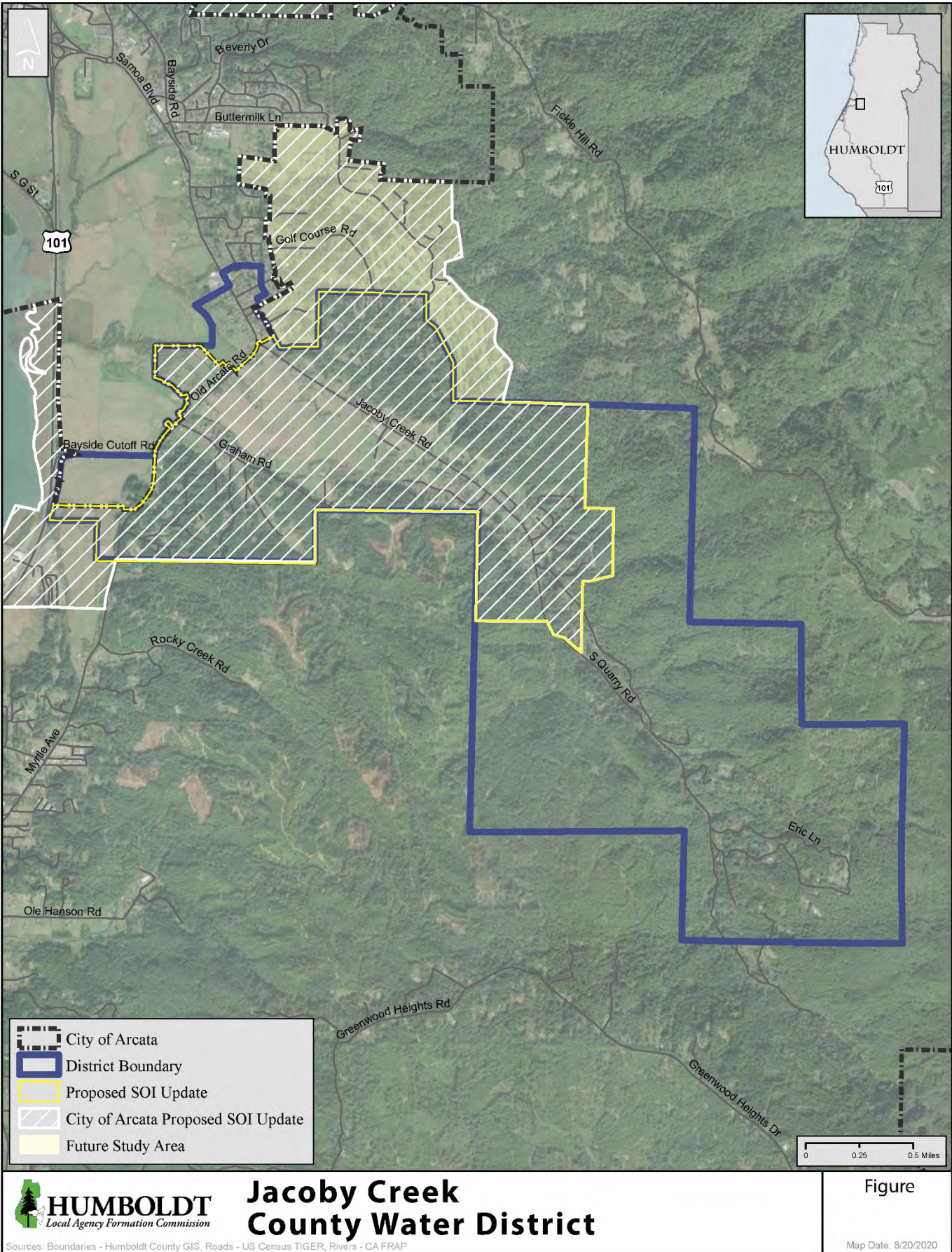
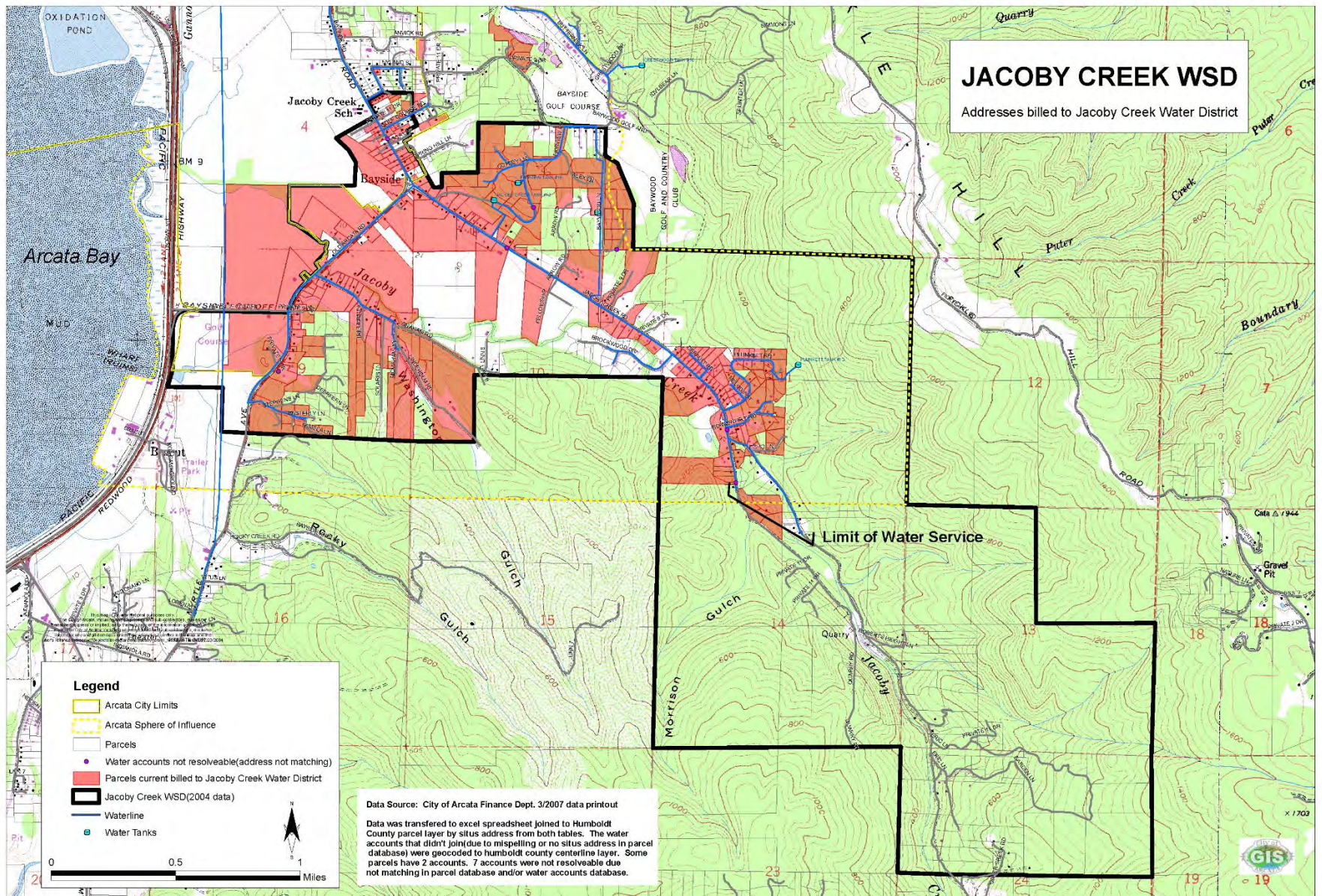




Figure 2: Jacoby Creek CWD Customers per City of Arcata Records





## Updated SOI

The current SOI for the District encompasses several large areas of land designated as Timberland under the Humboldt County General Plan. According to the Jacoby Creek Community Area Plan policy JCCP-P41, no extension of public water systems is permitted to these areas<sup>3</sup>. As such, the updated SOI has been reduced in an effort to exclude Timberlands while still maintaining logical boundaries. The SOI is also being reduced to maintain consistency with the City of Arcata SOI as the City is directly responsible for providing water to the District. The proposed SOI more closely matches the actual service area of the District and encompasses approximately 1,400 acres (or 2.1 square miles).

On the northwest edge of the District, there are two areas that are within the City of Arcata boundary. These areas are proposed for removal from the current SOI in anticipation of later detachment when the Davis-Grunsky loan is paid off. To the northeast there is a residential area along Buttermilk Lane that is between the City of Arcata and Jacoby Creek CWD boundaries. As part of any future reorganization involving the two agencies, this area should be studied in detail to determine which agency will provide services long-term.

## 2.4 Land Use and Zoning

Land uses within the District are subject to policies included in the Jacoby Creek Community Plan in addition to the Humboldt County General Plan and Zoning Regulations (Humboldt County Code Title III, Division 1). The Jacoby Creek Community Planning Area prescribes policies affecting development activity and infrastructure development by the City and District. This includes an Urban Development Area designation that includes portions of Jacoby Creek Road near Bayside and extending north to Buttermilk Lane<sup>4</sup>.

Land use within the District is primarily Residential Agriculture, Residential Estate, Agricultural Exclusive, and Timberland (Figure 2). Land use in the surrounding area includes Timberland, Commercial Recreation, Residential Agriculture, Public Lands and City of Arcata designations<sup>5</sup>. The surrounding area is largely forested and does not lend well to higher density development.

Zoning within the District is primarily Residential Single Family, Rural Residential, Agricultural Exclusive, Timberland Production, and Unclassified. Zoning around the District includes Timberland Production, Agricultural General, Residential Single Family, Unclassified, and City of Arcata classifications.

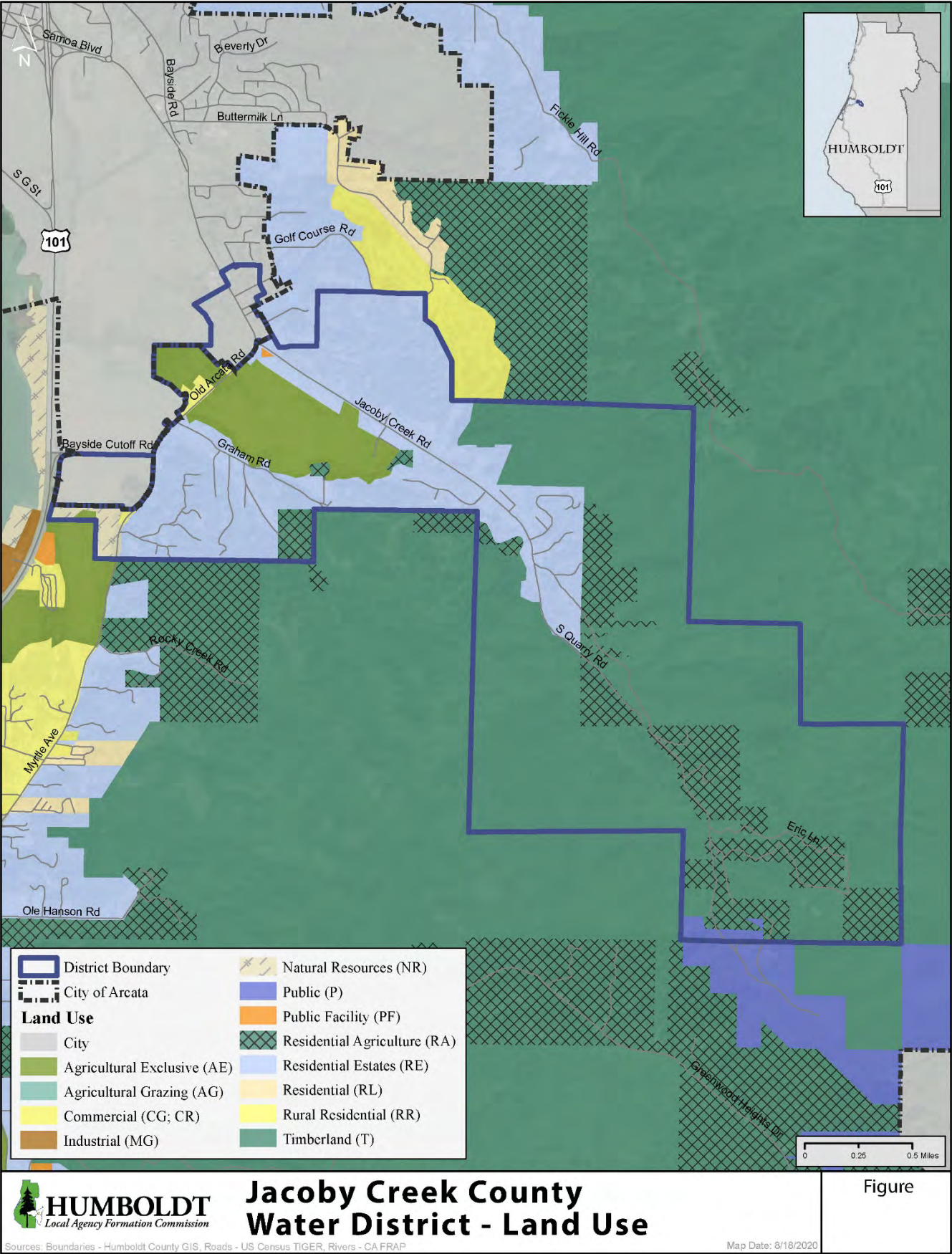
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<sup>3</sup> Humboldt County General Plan, Jacoby Creek Community Plan, Community Infrastructure and Services. Adopted October 23, 2017.

<sup>4</sup> Humboldt County General Plan, Jacoby Creek Community Plan. Adopted October 23, 2017.

<sup>5</sup> Humboldt County Web GIS, Jurisdiction Boundaries & Land Use, Planning Layers, Current General Plan Land Use. Accessed March 19, 2020.

Figure 3: Jacoby Creek CWD County Land Use Designations



## 2.5 Growth and Population

Jacoby Creek CWD is located within Humboldt County Census Tract 9, Block Groups 2 and 3. However, the size of these Block Groups is much larger than the District boundary. Utilizing 2010 US Decennial Census data and the District boundary, GIS analysis of the population provides an estimate of roughly 1,200. Like much of the county, annual growth in the area is limited. Based on the County's housing growth projections of between 0.5% and 2.5%, the Jacoby Creek area county have between 1,261 and 1,536 total residents by 2030.

## 2.6 Disadvantaged Unincorporated Communities

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. The District is considered an inhabited territory but has a 2018 MHI of \$79,531 which is 111% of the California MHI of \$71,228.

Nearby communities include the City of Arcata and the City of Eureka which are not considered DUCs because they are incorporated. However, both cities are considered disadvantaged because they have MHIs that are 44% and 58% of the California MHI, respectively<sup>6</sup>.

## 2.7 Municipal Services

Jacoby Creek CWD is authorized to provide water services to the community of Jacoby Creek. Through contractual agreement, the City of Arcata sells water directly to District customers, maintains and repairs the distribution system, and fulfills regulatory requirements for the District. Water is delivered through direct transfer at the Jacoby Creek flow meter located near the southeast city limit.

### Water Supply and Storage Capacity

Water is supplied by the City of Arcata who purchases wholesale water from the Humboldt Bay Municipal Water District (HBMWD). HBMWD has water rights permits from the SWRCB through the year 2029 for surface water storage and diversion<sup>7</sup>. Arcata has a peak rate allocation of 3.25 MGD from HBMWD and currently uses only approximately 55% of its allocation<sup>8</sup>. This includes water supplied to Jacoby Creek CWD.

In 2015, the District had 326 service connections and was supplied approximately 21 million gallons of water by the City of Arcata<sup>9</sup>. Currently the District has 323 residential and 7 commercial/institutional connections for a total of 330, an increase of only 4 connections over the past 5 years<sup>10</sup>. Based on the additional capacity available to the District and the limited amount of growth projected for the area, it is anticipated that there is sufficient water for current and future needs.

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<sup>6</sup> American Community Survey 2018 5-year Estimates, Median Income in the Past 12 Months, Table S1903 for California, Arcata, Eureka, and Humboldt County Census Tract 9 - Block Group 3.

<sup>7</sup> Arcata Urban Water Management Plan, 2016. Pg. 23. <https://www.cityofarcata.org/DocumentCenter/View/4148>

<sup>8</sup> Arcata UWMP, pg. 29.

<sup>9</sup> Arcata UWMP, pg. 7.

<sup>10</sup> City of Arcata. Environmental Services Department - GIS. Personal Communication. July 2020.



The District has four water storage tanks totaling 189,000 gallons as shown in Table 1 below. Based on an estimated daily demand of 57,000 gallons, this is enough to support water needs in the District for up to three days in the event there is an emergency shut off from the City of Arcata or other water infrastructure failure.

**Table 2: Jacoby Creek CWD Water Storage Capacity**

Tank Name	Capacity (gal)
Baywood Tank #11	10,000
Jacoby Creek Tank #12	106,000
Fairview Tank #15	14,000
Plunkett Tank #13	59,000

### Water Distribution Infrastructure

The original infrastructure for the District was installed in 1973. Since that time the system has undergone regular inspection and maintenance by the City of Arcata. The system consists of approximately 7.8 miles of water mains, 73% of which is asbestos concrete pipes that are considered near or at the end of their useful life<sup>11</sup>. The system is primarily gravity fed from the connection with the City of Arcata. In the event of a power shutoff or outage, the District can maintain pressure in the system by gravity flow and the use of backup generators. The system also supplies water to 30 fire hydrants in the area.

In the next five years, the City of Arcata will be replacing piping along Plunkett Road and upgrading the Plunkett Pump Station. This work is being funded by a grant obtained from California Office of Emergency Services and has the potential to save up to 7,500 gallons of water per week which is the estimated amount of loss from leaks in the current line<sup>12</sup>.

The District does not currently have a comprehensive water infrastructure plan. However, according to the Humboldt County General Plan Jacoby Creek Community Plan, the District is responsible for preparing and maintaining a Water Facilities Plan for all areas of its jurisdiction to which the District intends to provide water service<sup>13</sup>. The District is encouraged to work with the City on development of this plan in order to better prepare for upcoming maintenance and repair of the system.

### Service Rates

Jacoby Creek CWD customers are billed at the normal City of Arcata outside city boundary water service rates. In order to pay off the outstanding Davis-Grunsky loan, a surcharge of \$6.50 is added to standard City rates. The City recently conducted a water rate study and is set to increase water rates in Fall 2020. This is described in the City of Arcata MSR.

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<sup>11</sup> City of Arcata, Department of Environmental Services, GIS. Personal communication August 4, 2020.

<sup>12</sup> City of Arcata, City Council Meeting Staff Report, Adopt Resolution No. 189-08. August 16, 2018.

<sup>13</sup> Humboldt County General Plan, Jacoby Creek Community Plan, JCCP-P44. Adopted October 23, 2017.

## 2.8 Organizational Structure

The Jacoby Creek CWD has a five-member Board of Directors elected by its residents to oversee the district's management. The Board of Directors meets on the second Monday of each month in the multi-purpose room of Jacoby Creek School, 1617 Old Arcata Road in Bayside. Notice of meetings is posted at the Bayside Post Office located at 1836 Old Arcata Road in accordance with the Brown Act. The current members of the Board are:

Table 3: Jacoby Creek CWD Board of Directors

Name	Term
Wayne Palmrose, Chair	December 2022
Timothy Brater	December 2022
Joan Dixon	December 2020
Sam Rich	December 2020
<i>Vacant</i>	<i>December 2022</i>

### Governance Options

The Jacoby Creek CWD was originally formed with the intention of future annexation into the City of Arcata upon payoff of the loan. However, the Jacoby Creek community has remained rural in nature with limited development. Current land use designations are for low density residential and agricultural uses which is an indicator the area is likely to remain low density. As such, annexation into the City is unlikely.

The City has expressed interest in turning over responsibility of the Jacoby Creek distribution system to the District. However, the District currently does not have any staff or trained operators. In order to take over responsibility of the system the District would need to, at a minimum, hire trained staff, obtain an office location, and set up an independent rate structure. The Board of Directors would remain in place as the governing body of the District with elections of members continuing on the same staggered four-year cycle.

It is recommended that the City and the District discuss potential transition options before the payoff date of the Davis-Grunsky loan in 2033 as a plan of succession needs to be developed. This will ensure continued adequate service to customers after payoff of the loan.

## 2.9 Accountability and Transparency

The District currently does not have a website. As noted above, District notices are posted at the Bayside Post Office. Consumer confidence reports can be found on the City of Arcata's website under Water Quality Reports. Past agendas and meeting minutes are not currently available except by request to the Board of Directors. Financial information is likewise unavailable.

In order to provide a higher level of transparency, it is recommended that the Board of Directors coordinate a location, such as Arcata City Hall, where recent Board agendas and meeting minutes can be made available to the public along with approved budgets, financial audits, and other pertinent District information.

## 2.10 Financial Overview

As stated previously, the City of Arcata provides administrative services for the Jacoby Creek CWD and directly bills District customers for water service. The District has a limited budget to cover accounting services, Board of Director costs, and other minor administrative fees. A summary of the District's most recent financial audits is provided below.

**Table 4: Jacoby Creek CWD Financial Audit Summary**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<b>Operating Revenues</b>				
Water sales	\$161,422	\$174,343	-	-
Flat user fees	\$23,607	\$23,126	\$24,371	\$24,443
Miscellaneous income	\$9,118	\$9,517	\$169	\$1,042
<b>Total Operating Revenues</b>	<b>\$194,147</b>	<b>\$206,986</b>	<b>\$24,540</b>	<b>\$25,485</b>
<b>Operating Expenses</b>				
Maintenance and billing contract (City of Arcata)	\$171,025	\$184,281	\$585	\$588
Insurance	\$2,387	\$2,406	\$2,143	\$1,874
Director fees	\$1,060	\$1,090	\$990	\$1,365
Secretarial services	\$0	\$440	\$0	\$370
Accounting and professional services	\$800	\$5,250	\$5,700	\$900
Office and postage	\$48	\$56	\$60	\$64
Dues and subscriptions	\$454	\$488	\$522	\$159
Depreciation	\$10,218	\$10,218	\$10,218	\$10,218
Other	\$421	\$487	\$445	\$378
<b>Total Operating Expenses</b>	<b>\$186,413</b>	<b>\$204,716</b>	<b>\$20,663</b>	<b>\$15,916</b>
Net Operating Income (Loss)	\$7,734	\$2,270	\$3,877	\$9,569
Net Non-Operating Income (Expense)	(\$4,791)	(\$4,151)	(\$3,693)	(\$2,821)
<b>Net Income (Loss)</b>	<b>\$2,943</b>	<b>(\$1,881)</b>	<b>\$184</b>	<b>\$6,748</b>

Based on the information provided in the recently available financial audits, the District is able to provide a generally positive cash flow. This has allowed the District to continue making regular payments on its outstanding Davis-Grunsky loan. As of January 1, 2020, the outstanding balance on the loan was scheduled to be \$184,475.99<sup>14</sup>.

The original amount of the Davis-Grunsky loan was \$447,500. This amount was used to install the existing water infrastructure in the District. For the first ten years of the loan, payments were

<sup>14</sup> Jacoby Creek CWD, Payment Schedule for Loan No. D50024. Printed 08-01-2006.

deferred. As such, repayment of the loan began in 1983<sup>15</sup>. Repayments will continue in amounts ranging from \$11,000 to \$14,000 over the next ten years. The District could also choose to make several large lumpsum payments and payoff the loan early.

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<sup>15</sup> Jackson and Eklund, Jacoby Creek County Water District: Financial Statements June 30, 2017 and 2016. Dated January 3, 2019.

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### 3.0 JACOBY CREEK MSR DETERMINATIONS

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As set forth in Section 56430(a) of the CKH Act- 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 estimated population of the District is 1,200 and may grow to approximately 1,500 by 2028 based on a 1.6% growth rate.

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

- a) The community of Jacoby Creek has a MHI that is above the California MHI and is therefore not considered a DUC. The nearby communities of Arcata and Eureka are incorporated cities and are also not considered DUCs.

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

- a) The District currently receives water from the City of Arcata which utilizes approximately 55% of its contracted amount from HBMWD which indicates there is sufficient capacity to serve current and future water needs for the District.
- b) The District currently has enough water storage to continue service to residents for approximately three days in the event of an emergency water shutoff from the City of Arcata.
- c) Water mains in the District are primarily asbestos cement piping that is near or at the end of its useful life. Continued replacement will be needed to ensure continued adequate service throughout the District.
- d) The District is responsible for drafting a Water Facilities Plan. The District is encouraged to work with the City of Arcata to complete this plan.

**(4) Financing ability of agencies to provide services**

- a) The District has been able to maintain a balanced budget with a positive cash flow that allows for continued payments of the Davis-Grunsky loan.

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

- a) The District currently has an agreement with the City of Arcata for the purchase of water, and maintenance, repair, and administration of the water distribution system. This agreement is in place until the payoff date of the Davis-Grunsky loan.

- b) Some District customers are served by city wastewater. At this time there is no intent of the City to annex those parcels served.

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

- a) The District is currently served by a five-member Board of Directors that is elected to staggered four year terms. Board agendas are posted at the Bayside Post Office in accordance with the Brown Act.
- b) The District may consider coordinating a location to make District documents available to the public for review.

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

- a) The District should develop a plan of succession for when payoff of the Davis-Grunsky loan occurs. It is uncertain whether the District will be able to maintain the system without the assistance of the City of Arcata. It is recommended that both agencies work on a plan for providing services after payoff of the loan.

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## 4.0 JACOBY CREEK SOI DETERMINATIONS

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In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city, as defined by G.C. Section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to the following:

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

- a) Land uses surrounding the District are primarily Timberland and City of Arcata designations with limited probability for higher density designations.
- b) Current Humboldt County General Plan policies restrict extension of services to Timberland designated lands in the Jacoby Creek planning area.

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

- a) There is currently low density residential and agriculture uses surrounding the District which indicates that there will continue to be a need for a reliable water supply in the area.

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

- a) The City of Arcata, which supplies water to the District, currently uses approximately half of its water allocation from HBMWD indicating that there is enough supply to provide for additional growth in the District.
- b) According to the most recent Consumer Confidence Reports for the District, water quality remains high.
- c) The District currently has 189,000 gallons of water storage which is sufficient to support District needs.

**(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 City of Arcata is directly adjacent to the District boundary and continues to be an area of social and economic interest for the District.
- b) There are limited communities to the east of the District due to the densely forested and hilly terrain of the area.

**(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) There are no DUC's near the current District boundary, however, the City of Arcata and the City of Eureka are considered disadvantaged because they have MHI's that are less than 80% of the California MHI.



## **DRAFT RESOLUTION NO. 20-09**

### **APPROVING THE JACOBY CREEK COUNTY WATER DISTRICT MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE**

WHEREAS, the Humboldt Local Agency Formation Commission, hereinafter referred to as the "Commission", is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local governmental agencies whose jurisdictions are within Humboldt County; and

WHEREAS, the Commission conducted a municipal service review to evaluate the availability and performance of governmental services provided by Jacoby Creek District, hereinafter referred to as the "District", pursuant to California Government Code Section 56430; and

WHEREAS, the Commission conducted a sphere of influence update for the District pursuant to California Government Code Section 56425; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner provided by law; and

WHEREAS, the Executive Officer's report and recommendations on the municipal service review and sphere of influence update were presented to the Commission in the form and manner prescribed by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the municipal service review and sphere of influence update on September 16, 2020; and

WHEREAS, the Commission considered all the factors required under California Government Code Section 56430 and 56425.

#### **NOW, THEREFORE, BE IT RESOLVED** by the Commission as follows:

1. The Commission, as Lead Agency, finds the municipal service review is exempt from further review under the California Environmental Quality Act pursuant to Title 14 California Code of Regulations Section 15306. This finding is based on the use of the municipal service review as a data collection and service evaluation study. The information contained within the municipal service review may be used to consider future actions that will be subject to additional environmental review.
2. The Commission, as Lead Agency, finds the sphere of influence update is exempt from further review under the California Environmental Quality Act pursuant to Title 14 California Code of Regulations Section 15061(b)(3). This finding is based on the Commission determining with certainty the update will have no possibility of

significantly effecting the environment given no new land use or municipal service authority is granted.

3. This municipal service review and sphere of influence update is assigned the following distinctive short-term designation: "Jacoby Creek CWD MSR/SOI Update 2020".
4. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations included in the municipal service review, hereby incorporated by reference.
5. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations included in the sphere of influence update, hereby incorporated by reference.
6. The Executive Officer shall revise the official records of the Commission to reflect this update of the sphere of influence for the District.

**BE IT FUTHER RESOLVED** that the Jacoby Creek CWD MSR/SOI Update 2020 is hereby approved and incorporated herein by reference and the sphere of influence for the District is reduced to exclude timberland and other parcels as depicted in Exhibit "A", attached hereto with the following conditions:

- a) Once the existing Davis-Grunsky loan is fully paid, a boundary change application shall be filed with LAFCo within a year to detach those areas of the Jacoby Creek CWD that currently overlap with the City of Arcata boundary. This application can be filed by the District and/or the City as affected local agencies. In addition, further detachment of areas currently not served by the District and located outside the District's updated SOI should be considered for detachment.
- b) The Jacoby Creek CWD MSR (2020) identifies a 'Future SOI Study Area' to the northeast of the Jacoby Creek CWD that includes residential areas along Buttermilk Lane and Golf Course Road that are located outside both the City of Arcata and Jacoby Creek CWD boundaries. As part of any future reorganization involving the two agencies, this area should be studied in detail to determine which agency will provide services in the long-term.
- c) The District should develop a plan of succession for when payoff of the Davis-Grunsky loan occurs. It is uncertain whether the District will be able to maintain the system without the assistance of the City of Arcata. It is recommended that both agencies work on a plan for providing services after payoff of the loan.

**PASSED AND ADOPTED** at a regular meeting of the Humboldt Local Agency Formation Commission on the 16<sup>th</sup> day of September 2020, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Estelle Fennell, Chair  
Humboldt LAFCo

Attest:

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Colette Santsche, Executive Officer  
Humboldt LAFCo