

Palmer Creek Community Services District Municipal Services Review and Sphere of Influence Update



Final Adopted MSR/SOI

July 15, 2020



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Krystle Heaney, LAFCo Analyst/Clerk
Jason Barnes, GIS Analyst
Ryan Plotz, Legal Council

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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.

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).

2.0 PALMER CREEK COMMUNITY SERVICES DISTRICT

2.1 Agency Overview

The Palmer Creek Community Services District (PCCSD) provides water and wastewater services to a small community directly northwest of the City of Fortuna between Palmer Boulevard and Tompkins Hill Road.

Primary Contact	Kevin Farmer
E-mail	ppcsd@att.net
Address	452 N. Fortuna Blvd, Fortuna, CA 95540
Phone	707-725-0544
Website	None

2.2 Formation and Development

The PCCSD was approved in April 1988 (LAFCo Resolution No. 88-07), and officially formed in June 1988 (County Board Resolution No. 88-77) to provide wastewater services to community residents in response to fecal coliform contamination to local surface waters from onsite wastewater systems¹. The District was granted the power to provide water services to the community in 1994 in order to ensure adequate residential supply after documented health concerns and unreliable supply².

2.3 Boundary and Sphere of Influence

The original district boundary consisted of 159 parcels. Since then the District boundary has remained the same, however, two parcels crossing the Eel River were dropped from District maps. The sphere of influence has expanded minimally to allow for construction of a water storage tank on Tompkins Hill Road and to provide services to adjacent residential parcels in the area.

The current PCCSD boundary is bounded by the banks of the Eel River to the south and Tompkins Hill Road to the west. It extends eastward towards the City of Fortuna and abuts the City's boundary along Garland Road. The boundary encompasses 286.5 acres and 157 parcels. The Districts SOI includes an additional 43.2 acres in seven parcels at various points along the District boundary³.

The PCCSD is entirely within the City of Fortuna SOI. This is because the District sends its wastewater to the City of Fortuna for treatment and discharge. As such, the City must include the District when considering potential growth and treatment facility upgrades.

¹ Oscar and Larson Associates, Onsite Wastewater System Pollution Study in the Community of Palmer Creek, 1987.

² Humboldt LAFCO, Palmer Creek Activation of Water Powers, Case No. LAFCO 94-02, Background, March 30, 1994 and HLAFCO Resolution 94-02, adopted March 30, 1994.

³ ARCGIS, based on Humboldt County GIS shapefiles for parcels.

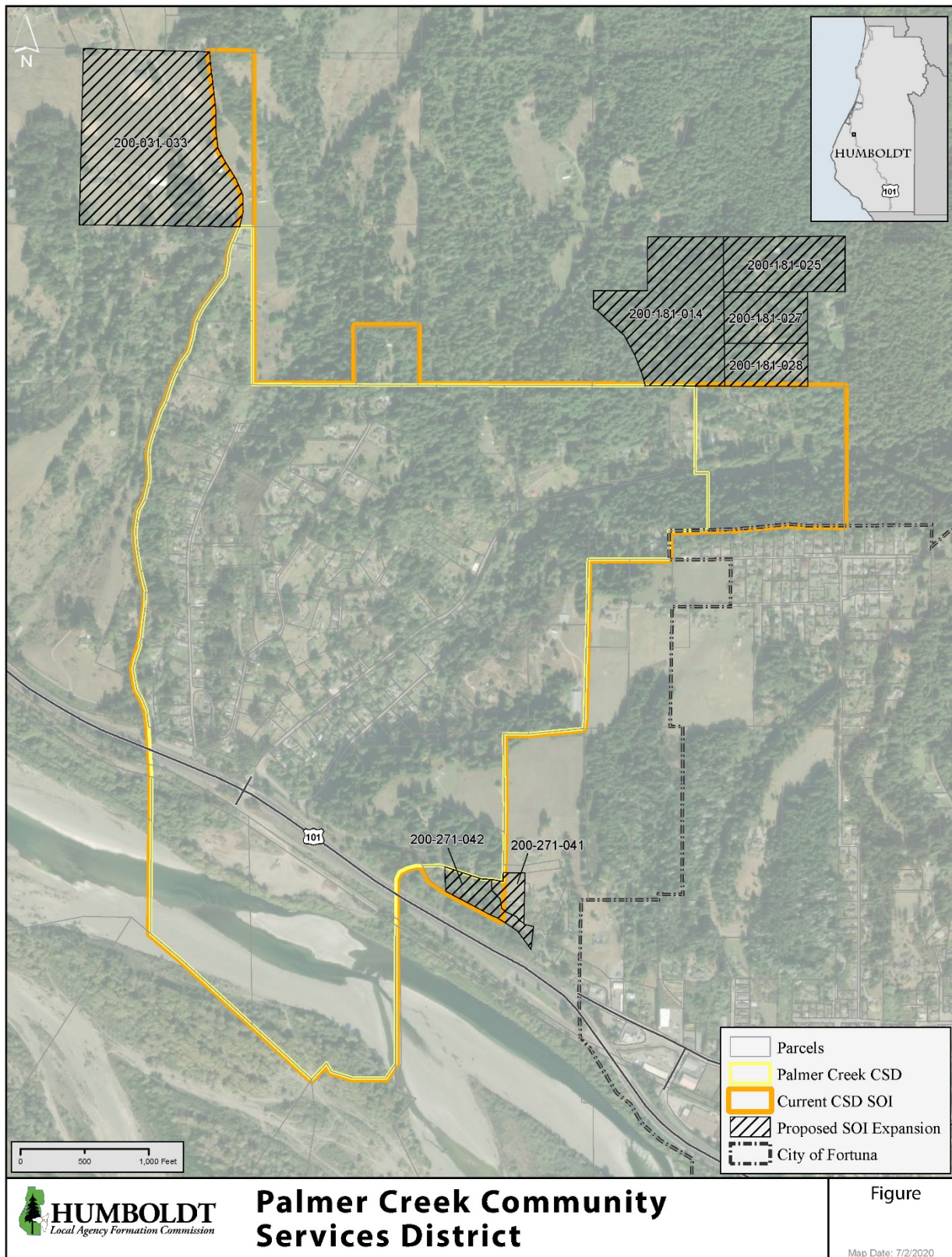
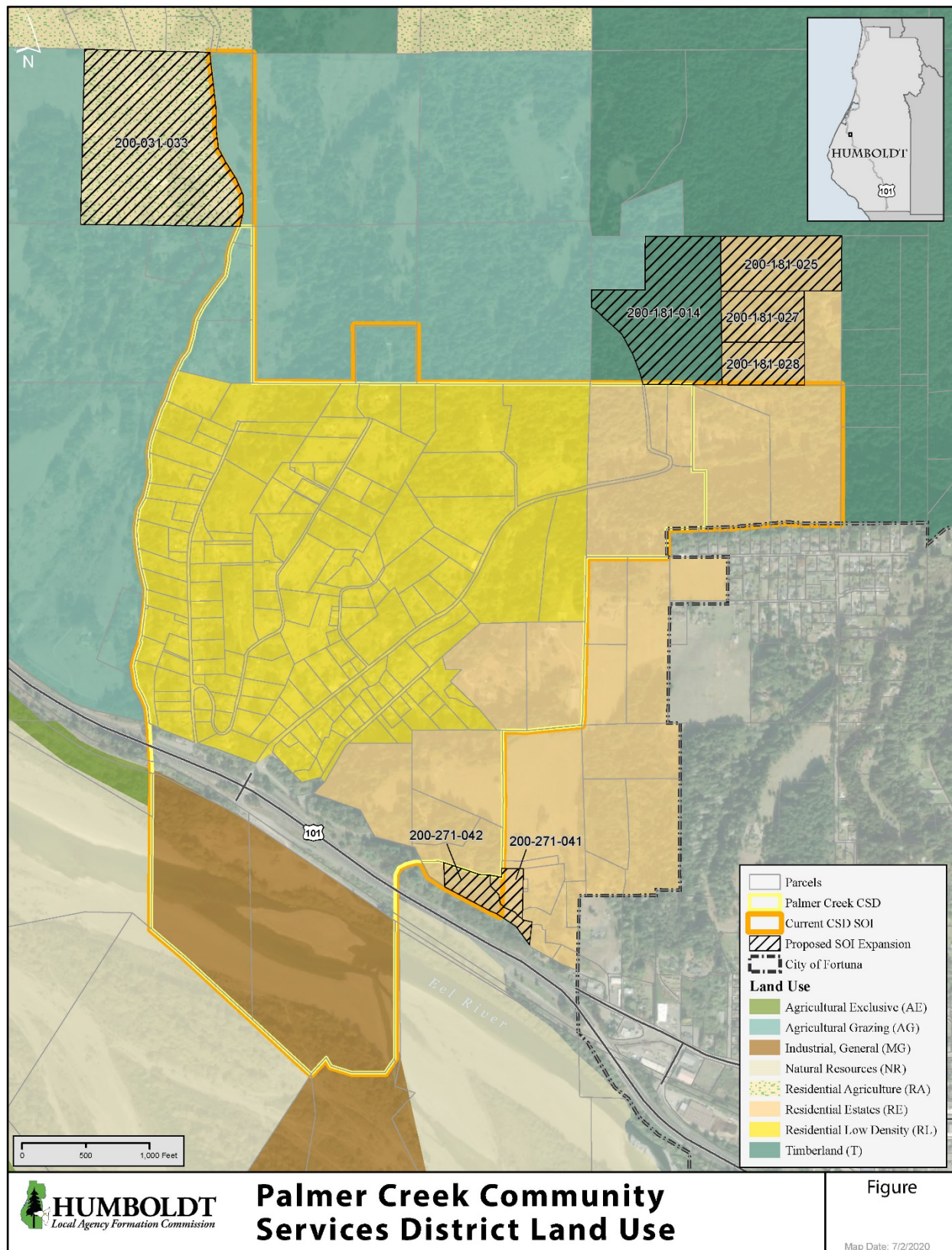


Figure 1: PCCSD Boundary and SOI

Figure 2: PCCSD Land Use Designations



PCCSD has requested to expand the SOI to include APN 200-031-033. This 34 acre parcel is the site of the District's water storage tank and has been served with water since 1997. This parcel is subject to a major subdivision, which was approved by the Humboldt County Planning Commission in September 2019 (Application Number 14101). The subdivision will create six separate residential parcels. The subject lots are not proposed for inclusion in the District boundary as no sewer service is being proposed for the area. The District has agreed to provide water service to the subdivision through the existing meter⁴. Wastewater will be provided by onsite systems.

The proposed system for the APN -003 will include one low flow booster pump with an automatic standby. A 5,000-gallon storage tank will be located near the pump which will serve the parcels on the property. The distribution system will consist of one water main with six service laterals. A standby fire pump will also be incorporated into the system. It will have a maximum production capacity of 15,000 gallons per day with an average water use of approximately 1,500 per day⁵. Extension of water from PCCSD to this system will require LAFCo approval before service can begin.

In order to update the District boundary to match the original boundary set in 1988 and the current Board of Equalization Tax Rate Area maps, the two parcels crossing the Eel River are proposed for inclusion in the boundary. Additionally, APNs 200-031-033, 200-181-014, 200-181-025, 200-181-027, 200-181-028 are proposed for inclusion in the District SOI along with the remainder portions of APNs 200-271-041 and 200-271-042. APNs -014, -025, and -027 are currently served by the District. APN -028 is being included to create a logical boundary and because it is likely that water service will be requested in the future.

2.4 Land Use and Zoning

Land uses within the District are currently subject to the Humboldt County Framework General Plan (Volume 1), Fortuna Area Community Plan (Volume II), and Zoning Regulations (Humboldt County Code Title III, Division 1).

Under the Humboldt County General Plan, land use within the District is almost entirely Residential Low Density (RL) with some Residential Estate (RE) and Agricultural (AG) as shown in Figure 2. Lands within the District's SOI include RE and AG designations⁶. The surrounding area is predominantly agricultural and timber production which are both low density, growth limiting designations. To the east of the District is the City of Fortuna which has higher density and is regulated by the Fortuna General Plan.

Under Humboldt County Zoning Regulations, zoning within the District is a mix of Agricultural (AG), Residential One-Family (R-1) with combining zones Special Building Site (B-4(1)) and Manufactured Home (T), and Agricultural Exclusive (AE) with B-5(40

⁴ PCCSD, Letter to Humboldt County Planning and Building, RE: Conditional Letter of Intent to Serve, July 6, 2018.

⁵ Humboldt County Department of Health and Human Services, Application – New – to Operate a Water System, Goselin Pump Station, September 16, 2019.

⁶ Humboldt County Web GIS, Jurisdiction Boundaries & Land Use, Planning Layers, Current General Plan Land Use. Accessed April 3, 2020.

acres). Zoning in the District's SOI is AG and AE-B-4(1)⁷. These zoning designations indicate low density development and limited growth.

The District is also entirely within the City of Fortuna General Plan 2030 planning area and Sphere of Influence. The primary land use designation for this area under the Fortuna General Plan is Rural Residential. Development in Rural Residential areas is generally limited due to extreme slopes, natural habitat, or other geologic and biologic constraints⁸.

2.5 Growth and Population

The PCCSD boundary includes 157 parcels that are primarily developed with single family residential uses. Based on an average household size of 2.53⁹ it is estimated that there are approximately 400 persons residing in the District.

The Fortuna General Plan Housing Element estimates an annual average growth rate of 0.8%¹⁰. With the estimated population and growth rate, there is a potential for the 2025 population to reach 416. However, the PCCSD was created to provide services to an existing community and it is unlikely that substantial growth will occur.

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 (MHI) is less than 80 percent of the statewide annual median household income.

PCCWD is within Humboldt County Census Block Group 108.2 which in 2018 had an estimated MHI of \$48,292. This is 68 percent of the estimated California MHI of \$71,228¹¹ and qualifies the District as a DUC. In 2014 the District conducted a door to door survey of household size and income. This survey reported a MHI of approximately 35,000 which is 49% of the California MHI and qualified the District as severely disadvantaged¹².

To the north of the District is the small community of the Bear River Band of the Rohnerville Rancheria. This community is within the same Block Group and can also be considered a DUC. However, they are a federally recognized tribe and have independent service systems. Directly east of the District is the City of Fortuna. The estimated 2018 MHI for Fortuna is \$45,893 which is 64 percent of the California MHI¹³. While it does not qualify as a DUC since it is incorporated, it can be considered disadvantaged.

⁷ Humboldt County Web GIS, Jurisdiction Boundaries & Land Use, Planning Layers, Zoning. Accessed April 3, 2020.

⁸ City of Fortuna, General Plan 2030, Chapter 1 – Land Use (Revised), January 6, 2014.

⁹ US Census, American Community Survey 2018 5-year Estimates, Census Tract 108, Table S1101. Accessed April 6, 2020.

¹⁰ City of Fortuna, 2019-2027 Housing Element – Public Review Draft, pg. 31. August 2019.

¹¹ US Census, American Community Survey 2018 5-year Estimates, State of California and Humboldt County Block Group 108.2, Table S1903 and B19013. Accessed April 7, 2020.

¹² Palmer Creek CSD, Community Development Block Grant Income Survey, August to December 2014.

¹³ US Census, ACS 2018, City of Fortuna, Table S1903. Accessed April 7, 2020.

2.7 Municipal Services

PCCSD is authorized to provide water and wastewater services to the community of Palmer Creek. Through contractual agreement, the City of Fortuna receives wastewater from the CSD which is then processed at City's wastewater treatment plant before being discharged to one of three discharge points.

Water Services

PCCSD obtains water from two active groundwater wells within the area. Well #1 was constructed in 1990 and was originally used to wash down the sewer lift station. Well #2 was constructed in 1997 and has an estimated yield of 140 gallons per minute (gpm)¹⁴. Groundwater is treated and stored in a 210,000 gallon water tank on Tompkins Hill Road which then provides water to residents within the District. The tank was recently recoated and has a current expected lifespan of 30 years. The District's treatment plant can process up to 80 gpm, or 115,200 gallons per day which equals approximately 48.0048 million gallons per year¹⁵.

The District currently has 133 residential service connections¹⁶, of which three are outside the current district SOI. Not all properties in the District are served since some residences rely on private wells. Based on average consumption from April 1 to April 15, 2020, the average water use in the District is approximately 16,700 gallons per day which is 14 percent of the District's daily treatment capacity. During 2019, the total amount of water pumped from the treatment plant to the storage reservoir was 7.938 million gallons¹⁷. This indicates that the District has ample capacity to serve additional demand should it arise.

Wastewater Services

The wastewater collection system was originally constructed in the late 1980s in order to address pollution concerns from onsite wastewater treatment systems. It consists of collection pipes and a lift station that pumps wastewater to the City of Fortuna's collection system. PCCSD and the City have an existing agreement for transfer and treatment of wastewater from the District which states that the City "shall be obligated to provide capacity of the lesser of (a) 42,120 gallons per average day dry month..., or (b) a Peak Wet Weather Monthly Flow (PWWMF) capacity of 2,527,200 gallons per month" ¹⁸.

There are currently 166 existing wastewater service connections¹⁹. Due to the agreement with the City of Fortuna, there is a moratorium on new connections. In the event a new connection is requested, the applicant is responsible for a connection fee to both the City and PCCSD.

¹⁴ State of California, Well Completion Report, July 31, 1997.

¹⁵ Palmer Creek CSD, General Manager, Personal Communication, May 7, 2020. E-mail.

¹⁶ Rural Community Assistance Corporation, Palmer Creek Community Services District Water System #1206004, Assistance Referral Number 6012. May 2020.

¹⁷ Palmer Creek CSD, General Manager, Personal Communication, May 7, 2020. E-mail.

¹⁸ Sewer Treatment Agreement between City of Fortuna and Palmer Creek Community Services District, June 7, 1988.

¹⁹ Bartle Wells Associates, Palmer Creek Community Services District: 2019 Wastewater Rate Study Report. November 12, 2019.

The system has an approximate wet weather demand of 32,000 gallons per day and an average dry weather demand of 13,000 gallons per day. In 2019, the District conveyed a total of 6.996 million gallons of wastewater to the City of Fortuna system which is roughly 46% of the contracted capacity (for dry months)²⁰. As such, there is adequate capacity to serve the existing connections. Since there is an existing moratorium on additional connections and the system has adequate capacity to meet current demands, the District is not planning on any major upgrades at this time. However, regular maintenance and smaller projects continue to take place as need arises and funding is available.

Water and Wastewater System Needs

PCCSD has several planned projects for both service systems which are summarized below:

- Install new SCADA and SCADA telemetry
- Purchase HURCO smoker for pipe inspections
- Rent or purchase camera for sewer inspections
- Install new lift station pumps
- Install 150 new water meters

2.8 Organizational Structure

The PCCSD is an independent special district that is served by a five member Board of Directors elected to staggered four year terms. Meetings are held on the second Thursday of every month at 7:00pm at the District office located at 452 N. Fortuna Blvd in Fortuna.

Table 1: PCCSD Board of Directors

Board Member	Title	Term Expiration
Lowell Wallace	Chairman	December 2022
Lewis McCrigler	Member	December 2022
Ken Pinkerton	Member	December 2020
Don Brown	Member	December 2020
Shawn Barsanti	Member	December 2022

The District is currently staffed by a part-time operations manager and a part-time administrative manager. The District office is open from 8:00am to 12:00pm on Mondays and Fridays.

2.9 Accountability and Transparency

The District currently does not have a website and annually adopts a resolution (most recent 2020-01) declaring a hardship for the District in compliance with SB 929 which requires all special districts to maintain a website with basic information. The resolution

²⁰ PCCSD, General Manager, Personal Communication May 7, 2020. Email.

provides evidence for limited internet access, financial hardship, and limited staff time for maintaining the website as reason for the hardship.

In order to provide transparency, Board agendas and notices are posted at the District office at least 72 hours in advance of scheduled Board meetings. Other public information about the District can also be obtained by contacting District staff. A Public Notice Board is also located at the water plant located at 369 Palmer Creek Road.

2.10 Financial Overview

Fees for Services

PCCSD is funded primarily by fees for services. The District currently charges a monthly service charge of \$38.75 for water which includes the first 800 cubic feet used. An additional \$2.16 per 100 cubic foot is charged for water use over 800 cubic feet. For metered sewer accounts there is a monthly service fee of \$24.72 for a single sewer connection with a volume charge of \$6.49 per hundred cubic feet. For non-metered accounts, those with a sewer connection but no water connection, there is a monthly flat rate of \$61.80 with additional charges for each subsequent sewer connection.

In fall 2019, Bartle Wells Associates conducted a sewer rate study for the District. According to the report, current operation costs are anticipated to deplete the wastewater reserve fund by FY 2023/24. The study recommends an annual 9% increase in fees for the next five years to accommodate regular operational costs and future capital improvement projects. This rate increase would allow for a minimal increase of the sewer reserve fund over time²¹. The proposed sewer rates are listed below in Table 2.

Table 2: PCCSD Proposed Sewer Rates

		2018/2019	2019/2020	2020/21	2021/22	2022/23	2023/24
Proposed Rate Revenue Increase			9%	9%	9%	9%	9%
<u>Metered Accounts</u>							
Fixed Charge	Flat Monthly	\$24.72	\$34.03	\$37.09	\$40.43	\$44.07	\$48.04
			49%	9%	9%	9%	9%
Volume Charge	\$/hcf	\$6.49	\$6.30	\$6.87	\$7.49	\$8.16	\$8.90
			-3%	9%	9%	9%	9%
<u>Non-Metered Accounts</u>							
Flat Rate	Flat Monthly	\$61.80	\$66.77	\$72.78	\$79.33	\$86.47	\$94.25
			8%	9%	9%	9%	9%

²¹ Bartle Wells Associates, Palmer Creek Community Services District: 2019 Wastewater Rate Study Report. November 12, 2019.

Table 3: PCCSD Water Rate Study Summary and Affordability Index

Palmer Creek CSD Current Rate - 800 CF Included in Base Rate									
Percent of Customers		47.06%	38.97%	10.29%	1.47%	2.21%	100.00%		
FYE	Monthly Base Fee	Up to 500 CF	501 - 1,000 CF	1,001 - 1,500 CF	1,501 - 2,000 CF	Over 2,000 CF	Total Monthly Bill	MHI	Affordability Index
6/30/2020	\$ 38.75					Varies according to usage	\$ 38.75	\$ 37,000	1.26%
6/30/2020	\$ 38.75	\$ -	\$ 4.32				\$ 43.07	\$ 37,000	1.40%
6/30/2020	\$ 38.75	\$ -	\$ 4.32	\$ 10.80			\$ 53.87	\$ 37,000	1.75%
6/30/2020	\$ 38.75	\$ -	\$ 4.32	\$ 10.80	\$ 10.80		\$ 64.67	\$ 37,000	2.10%
Palmer Creek CSD Option #1 - No Usage Included in Base Rate									
Percent of Customers		47.06%	38.97%	10.29%	1.47%	2.21%	100.00%		
FYE	Monthly Base Fee	Up to 500 CF	501 - 1,000 CF	1,001 - 1,500 CF	1,501 - 2,000 CF	Over 2,000 CF	Total Monthly Bill	MHI	Affordability Index
6/30/2021	\$ 63.55	\$ 17.71				Varies according to usage	\$ 81.26	\$ 37,000	2.6%
6/30/2021	\$ 63.55	\$ 17.71	\$ 17.71				\$ 98.97	\$ 37,000	3.2%
6/30/2021	\$ 63.55	\$ 17.71	\$ 17.71	\$ 17.71			\$ 116.69	\$ 37,000	3.8%
6/30/2021	\$ 63.55	\$ 17.71	\$ 17.71	\$ 17.71	\$ 17.71		\$ 134.40	\$ 37,000	4.4%
Palmer Creek CSD Option #2 - No Usage Included in Base Rate									
Percent of Customers		47.06%	38.97%	10.29%	1.47%	2.21%	100.00%		
FYE	Monthly Base Fee	Up to 500 CF	501 - 1,000 CF	1,001 - 1,500 CF	1,501 - 2,000 CF	Over 2,000 CF	Total Monthly Bill	MHI	Affordability Index
6/30/2021	\$ 51.54	\$ 14.36				Varies according to usage	\$ 65.90	\$ 37,000	2.1%
6/30/2021	\$ 51.54	\$ 14.36	\$ 14.36				\$ 80.27	\$ 37,000	2.6%
6/30/2021	\$ 51.54	\$ 14.36	\$ 14.36	\$ 14.36			\$ 94.63	\$ 37,000	3.1%
6/30/2021	\$ 51.54	\$ 14.36	\$ 14.36	\$ 14.36	\$ 14.36		\$ 108.99	\$ 37,000	3.5%
Palmer Creek CSD Option #3 - No Usage Included in Base Rate									
Percent of Customers		47.06%	38.97%	10.29%	1.47%	2.21%	100.00%		
FYE	Monthly Base Fee	Up to 500 CF	501 - 1,000 CF	1,001 - 1,500 CF	1,501 - 2,000 CF	Over 2,000 CF	Total Monthly Bill	MHI	Affordability Index
6/30/2021	\$ 48.83	\$ 13.61				Varies according to usage	\$ 62.43	\$ 37,000	2.0%
6/30/2021	\$ 48.83	\$ 13.61	\$ 13.61				\$ 76.04	\$ 37,000	2.5%
6/30/2021	\$ 48.83	\$ 13.61	\$ 13.61	\$ 13.61			\$ 89.65	\$ 37,000	2.9%
6/30/2021	\$ 48.83	\$ 13.61	\$ 13.61	\$ 13.61	\$ 13.61		\$ 103.26	\$ 37,000	3.3%
Palmer Creek CSD Option #4 (Kevin's Suggestion) - No Usage Included in Base Rate									
Percent of Customers		47.06%	38.97%	10.29%	1.47%	2.21%	100.00%		
FYE	Monthly Base Fee	Up to 500 CF	501 - 1,000 CF	1,001 - 1,500 CF	1,501 - 2,000 CF	Over 2,000 CF	Total Monthly Bill	MHI	Affordability Index
6/30/2021	\$ 44.56	\$ 12.42				Varies according to usage	\$ 56.98	\$ 37,000	1.8%
6/30/2021	\$ 44.56	\$ 12.42	\$ 12.42				\$ 69.40	\$ 37,000	2.3%
6/30/2021	\$ 44.56	\$ 12.42	\$ 12.42	\$ 12.42			\$ 81.82	\$ 37,000	2.7%
6/30/2021	\$ 44.56	\$ 12.42	\$ 12.42	\$ 12.42	\$ 12.42		\$ 94.24	\$ 37,000	3.1%
Palmer Creek CSD Option #5									
Percent of Customers		47.06%	38.97%	10.29%	1.47%	2.21%	100.00%		
FYE	Monthly Base Fee	500 CF	1,000 CF	1,500 CF	2,000 CF	Over 2,000 CF	Total Monthly Bill	MHI	Affordability Index
7/01/2020	\$ 44.56	\$ 12.42				Varies according to usage	\$ 56.98	\$ 37,000	1.8%
7/01/2020	\$ 44.56	\$ 12.42	\$ 12.42				\$ 69.40	\$ 37,000	2.3%
7/01/2020	\$ 44.56	\$ 12.42	\$ 12.42	\$ 12.42			\$ 81.82	\$ 37,000	2.7%
7/01/2020	\$ 44.56	\$ 12.42	\$ 12.42	\$ 12.42	\$ 12.42		\$ 94.24	\$ 37,000	3.1%

In spring 2020, the Rural Community Assistance Corporation (RCRA) conducted a rate study for PCCSD's water services. Based on the current rate structure there is not enough revenue to cover prolonged costs of water service. The study reviewed five different alternatives which are summarized below. The study also looked at the affordability of each option which is also present in Table 3. Rate alternative #1 would

provide the greatest sustainability over time but is also the least affordable for District residents. The other rate options vary slightly in affordability²².

PCCSD is currently going through the Proposition 218 process for service fees increases. The scheduled hearing date for the proposed increases is set for August 2020.

District Audits

Due to the limited budget for the District, biannual audits are conducted. The last audit was completed for FY17-18 and FY18-19. Information from the audit is included in the Table 3.

Figure 3: PCCSD Audit Summary

Category	FY15-16	FY16-17	FY17-18	FY18-19
Operating Revenues	\$172,984	\$160,750	\$169,498	\$173,942
Non-operating Revenue	\$27,844	\$125,875	\$28,096	\$30,478
Operating Expense	(\$271,551)	(\$264,580)	(\$262,782)	(\$254,666)
Non-operating Expense	(\$17,485)	(\$16,800)	(\$15,900)	(\$15,694)
Change in Net Position	(\$88,208)	\$5,245	(\$78,706)	(\$68,322)
Net Position – End of Year	\$2,551,852	\$2,557,097	\$2,478,391	\$2,410,069

The audits show that the overall net position of the District has been decreasing. This is largely due to the depreciation of the Districts infrastructure which is included as a line item under Operating Expense. When looking at the Cash and Cash Equivalents of the District, there has been a net increase from \$288,002 at the beginning of FY15-16 to \$317,941 at the end of FY18-19²³. This indicates that the District is able to cover expenses with revenues generated. However, this does not account for future capital improvement projects which will likely deplete District reserves over the next five years as discussed under Fees for Services. As such, PCCSD is encouraged to continue with the Proposition 218 process and to reevaluate fees every five years or as necessary to adequately cover regular operating and non-operating costs along with capital improvement projects.

²² Rural Community Assistance Corporation, Palmer Creek Community Services District, Water System #1206004, Assistance Referral Number 6012. May 20, 2020.

²³ Anderson, Lucas, Somerville & Borges, LLP, Palmer Creek CSD Financial Statements, June 30, 2019 and 2018.

3.0 PALMER CREEK MSR DETERMINATIONS

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 400. Based on the limited potential for development and fluctuating growth rate, it is unlikely that the population will grow beyond this in the next 5 to 10 years.

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

- a) The community of Palmer Creek has a MHI that is 68 percent of the California MHI and is considered a DUC.

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

- a) The District currently pumps water from one well with a capacity of 140 gpm and the treatment plant is currently able to process 80 gpm. This is sufficient to accommodate the current demand of approximately 16,700 gallons per day.
- b) The District currently conveys wastewater to the City of Fortuna for treatment and disposal. Based on an agreement with the City, no further connections are allowed in the District without City approval. However, there is adequate capacity to serve current demand.

(4) Financing ability of agencies to provide services

- a) The District is currently funded by charges for services including base connection rates and consumption charges.
- b) The District is currently operating with a net inflow of cash indicating there is adequate revenue to support current services.
- c) The District does not currently generate enough revenue to support continued capital improvement projects. It is recommended that the District continue to assess rates for services in order to adequately plan for needed system improvements.

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

- a) The District currently sends wastewater to the City of Fortuna for treatment and disposal. The currently agreement provides for adequate service to the District but does not allow any additional connections without City approval.

(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 are elected at large for staggered four year terms.

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

- a) There are no other matters affecting services at this time.

4.0 PALMER CREEK SOI DETERMINATIONS

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 agricultural and timber production which limits the potential for future development in the area.

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

- a) There are currently 6 outside area service connections which indicates a current and probable need for continued services.
- b) There are currently low density residential and agricultural zones surrounding the District. There is likely a limited need for public facilities in these areas as most residences are served by onsite water and wastewater systems. However, individual properties may request services from the District should health and safety concerns arise due to failing on site systems.

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

- a) There is currently adequate water capacity to serve additional individual connections. However, based on the founding premise of the District, additional connections are discouraged.
- b) There is currently adequate capacity to serve additional wastewater connections. However, base on an agreement with the City of Fortuna, no additional connections are allowed without first obtaining approval from the City.

(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 Fortuna is directly adjacent to the District boundary and continues to be an area of social and economic interest for the District.
- b) The Bear River Band of the Rohnerville Rancheria is just north of the District boundary and provides an area of economic interest for the District.

(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) Unincorporated territory surrounding the District may qualify as disadvantaged. 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.