

MODOC LAFCO

Hafer Hills Estates County Service Area (CSA)

MUNICIPAL SERVICE REVIEW (MSR) AND SPHERE OF INFLUENCE (SOI)

***Adopted October 6, 2015
Resolution 2015-0007 Service Review
Resolution 2015-0008 Sphere of Influence Update***



EXECUTIVE SUMMARY

The Hafer Hills Estates CSA was formed in 2006 to provide Interior Road Services for a 16-lot subdivision consisting of Lots between 15 acres on 35 acres on approximately 334 acres of land. The Hafer Hills CSA is located approximately two miles southwest of the City of Alturas. A condition of the Tentative Map was to require a funding mechanism to fund long-term road maintenance services for the subdivision and to form a County Service Area to manage the service. A Sphere of Influence for the Hafer Hills CSA was established as a Coterminous Sphere of Influence in 2006 and remains in 2015. This means that services provided by the Hafer Hills CSA would be contained within the CSA boundary.

As a dependent district, the CSA receives assistance from the County for both short-term and long-term road maintenance services and the County Board of Supervisors serves as its Board of Directors.

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1 INTRODUCTION

1.1 LAFCO's Responsibilities

Local Agency Formation Commissions (LAFCOs) in California are independent agencies created by the California Legislature in 1963. The major purposes of each LAFCO include encouraging the orderly formation of local governmental agencies and conserving and preserving natural resources.

Statewide there are 58 LAFCOs working with nearly 3,500 governmental agencies (400+ cities, and 3,000+ special districts). Agency boundaries are often unrelated to one another and sometimes overlap at random, often leading to higher service costs to the taxpayer and general confusion regarding service area boundaries. LAFCO decisions strive to balance the competing needs in California for efficient services, affordable housing, economic opportunity, and conservation of natural resources.

LAFCOs are responsible for coordinating logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, preparing a review of services called a Municipal Service Review (MSR) and preparing a Sphere of Influence (SOI) thereby determining the future “probable” boundary for each city and special district within each county. The Commission's efforts are directed toward seeing that services are provided legally, efficiently and economically while agricultural and open-space lands are protected.

LAFCOs do not have enforcement authority nor do they have the authority to initiate a city or district annexation or detachment proceeding. LAFCOs may initiate consolidation, formation or dissolution proceedings in some cases; however, these proceedings may be subject to the voter approval or denial. The Legislature has given LAFCOs the authority to modify any proposal before it to ensure the protection of agricultural and open space resources, discourage urban sprawl and promote orderly boundaries and the provision of adequate services.

1.2 Municipal Service Review Requirements

The statute as amended by AB1744 and regulations call for a review of the municipal services provided in the county or other appropriate area designated by the LAFCO. The LAFCO is required to prepare a written statement of its determinations with respect to each of the following six areas:

1. Growth and population projections for the affected area
2. The location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to the sphere of influence
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence
4. Financial ability of agencies to provide services
5. Status of, and opportunities for, shared facilities

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

Additional information on the background and history of MSRs is found in Appendix A at the end of this report.

1.3 Preparation of the MSR

Research for this Municipal Service Review (MSR) was conducted in 2015. This MSR is intended to support the preparation and update of the Sphere of Influence, in accordance with the provisions of the Cortese-Knox-Hertzberg Act. The objective of this Municipal Service Review (MSR) is to develop recommendations that will achieve the following:

- Promote more efficient and higher quality public service patterns.
- Identify areas for public service improvements.
- Assess the adequacy of service provision as it relates to determination of appropriate sphere of influence boundaries.

While LAFCO prepared the MSR document, LAFCO did not engage the services of experts in engineering, accounting or other specialists in related fields, but relied upon available reports for information.

Therefore, this MSR reflects LAFCO's recommendations, based on available information during the research period and provided by the County of Modoc staff to assist in its determinations related to promoting more efficient and higher quality service patterns; identifying areas for service improvement; and assessing the adequacy of service provision.

This MSR includes relevant information from the various reports. Since the reports were prepared at different times there may be occasional differences in data. Additional information on California tax laws and good governance is found in Appendix B at the end of this report.

1.4 Description of Public Participation Process

Modoc LAFCO is a legislative body authorized by the California Legislature and is delegated powers as stated in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the Act). The LAFCO proceedings are subject to the provisions of California's open meeting law, the Ralph M. Brown Act (Government Code Sections 54950 et seq.)

The Brown Act requires advance posting of meeting agendas and contains various other provisions designed to ensure that the public has adequate access to information regarding the proceedings of public boards and commissions. Modoc LAFCO complies with the requirements of the Brown Act.

The State MSR Guidelines provide that all LAFCOs should encourage and provide multiple public participation opportunities in the municipal service review process. MSR policies have been adopted by the Modoc LAFCO. Modoc LAFCO has discussed and considered the MSR process in open session, and has adopted a schedule for completing the various municipal service reviews and sphere of influence updates for Modoc County.

Each Municipal Service Review will be prepared as a Draft, and will be subject to public and agency comment prior to final consideration by the Modoc LAFCO.

1.5 California Environmental Quality Act (CEQA)

The Municipal Service Review is a planning study that will be considered by Modoc LAFCO in connection with subsequent proceedings regarding the Hafer Hills Estates CSA and the Sphere of Influence. The Sphere of Influence review or update that will follow has not yet been approved or adopted by LAFCO.

This MSR is funded in the Modoc LAFCO's 2015-2016 Budget. This MSR includes an analysis, to the extent required by Section 15262 of the CEQA Guidelines, of the environmental factors that may be affected by the Municipal Service Review process, but will not include the preparation of an environmental review document.

1.6 Sphere of Influence Requirements

In determining the Sphere of Influence for each local agency, LAFCO must consider and prepare a written statement of determinations with respect to each of the following five areas:

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 which 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. Present and probable need for public facilities and services of any disadvantaged unincorporated communities within the existing Sphere of Influence

2. SETTING

2.1 Hafer Hills Estates History

The Hafer Hills Estates Subdivision is located two miles southwest of Alturas, California on County Road 54. This development is within a Rural Residential General Plan designation and includes 16 lots ranging in size from 15-34 acres more or less each. This subdivision includes 0.8864 miles of roads in the 333.96-acre area. Formation of a County Service Area (CSA) was a requirement of Modoc County to ensure long-term road maintenance for subdivision roads would occur in a consistent manner. The County Service Area was formed on May 25, 2006.

2.2 Hafer Hills Estates Board of Directors.

The Governing Body, which is established by law to administer the operation of the Hafer Hills Estates County Service Area is the Board of Supervisors. The Modoc County Road Department manages the day to day affairs of the CSA and the Modoc County Auditor's office oversees the CSA's finances.

2.3 Hafer Hills Estates Finances.

A condition of the Tentative Subdivision Map was to raise enough funds to perform long-term maintenance of the .8864 miles of Roads within the CSA. The .8864 miles were developed to county standards and accepted into the County's Road system provided funds were allocated to pay for the long-term road maintenance. In June 2015, Modoc County fund 4516 showed a cash balance of \$37,163.81 with anticipated revenue in 2014-2015 of \$8,291. Annual revenues are anticipated to increase with the Cost of Living index as provided for in Modoc County Resolution 07-27, which established Zone of Benefit No. 001 and established a charge on each of the parcels within the zone adopted on June 19, 2007. The original amount charged was \$508.93 per parcel/dwelling unit commencing with the 2007-2008 tax year. Increases or Decreases in this amount are subject to the change in the State of California San Francisco/Oakland/San Jose Metropolitan Area Consumer Price Index provided an increase in charges do not exceed 5% in any one year.

3. HAFER HILLS ESTATES COUNTY SERVICE AREA (CSA)

A County Service Area (CSA) was determined as the best available funding mechanism if a road were to be accepted into the County's Maintained Road system. A County Service Area (CSA) is formed pursuant to Sections 25210.1-25338 of the Government Code. The Governing Body, which is established by law to administer the operation of a CSA is the Board of Supervisors. The original intent of the CSA law was to provide an alternative method for the delivery of governmental services by counties within unincorporated areas, many of which have had large population growth as well as commercial and industrial development since 1940. A CSA may provide any governmental services and facilities that the county is authorized to perform and which the county does perform to the same extent on a county-wide basis, including the "Acquisition, construction, improvement, and maintenance, including, but not limited to, street sweeping and snow removal, of public streets, roads, bridges, highways, rights of way, easements, and any incidental works." A CSA may also perform "Flood Control and Drainage".

The formation of a CSA is initiated by a resolution of the County Board of Supervisors, a resolution adopted by a majority of members of the governing body of any city in a county, or a petition, submitted to LAFCo signed by not less than 25% of the registered voters or landowners residing within the area. The Hafer Hills Estates CSA was initiated by a landowner petition. A condition in the CSA law is a LAFCo Commission may not approve the formation of a CSA without an adequate funding source. In the case of the Hafer Hills Estates CSA, the landowner authorized an assessment with a 100% cost recovery rate and the Board of Supervisor's passed Resolution 07-27 establishing a charge on parcels within a zone of benefit coterminous with the boundaries of the Hafer Hills Estates CSA.

As previously mentioned, formation of a County Service Area was a requirement of the County to ensure long-term road maintenance throughout the subdivision would occur. The County Service Area was formed on May 25, 2006. The CSA collects long-term maintenance fees from the individual landowners within subdivision and those fees are used for the long term maintenance of those roads according to a maintenance schedule. Long-term maintenance costs are billed directly to the owner of each parcel/dwelling. The funds are collected and deposited into a special account in the County Treasury on behalf of the Modoc County Road Department.

The Hafer Hill Estates Subdivision is a subdivision where a Tentative Subdivision Map was approved by the Board of Supervisors on December 20, 2005. Prior to its finalization, the Modoc County Planning Commission approved a Tentative Subdivision map with terms and conditions including acceptance of Heard Lane and Rob's Court into the County's maintained road system subject to the formation of a County Service Area to be used as an administrative unit to oversee long-term street surface maintenance. Initially, the roads were funded at a cost of \$508.93 per parcel, which is less than the \$603.15 originally estimated by the Road Department, which at that time represented 100% cost recovery rate. An engineers report was subsequently prepared that resulted in the lower \$508.93 annual assessment per parcel/dwelling. The Board of Supervisors also adopted a Consumer Price Index increase of up to a 5% annual increase. The assessment fees are subject to review and recalculation by the Board of Supervisors every five years. A Benefit Zone (Zone of Benefit) was established per condition No. 1a of the Tentative Map to be recorded concurrently with the Tentative Map and located within the County Service Area (subdivision). The purpose of the CSA is to collect funds and deliver long-term road maintenance services.

In determining the fees for Hafer Hills Estates the County Road Department looked at long-term vs. basic maintenance. Basic maintenance activities include snow plowing, pothole patching, sign maintenance, drainage maintenance, weed spraying and other normal maintenance activities. Long-Term maintenance was deemed to be activities such as chip sealing, striping and asphalt overlay. It was determined by Modoc County staff, as is the practice in other counties, that the "normal maintenance" activities would be paid for out of gas tax monies allocated to the County and that long-term maintenance would be paid for from funds collected by the County Service Area.

The County Road Department's methodology for long-term road maintenance included a review of maintenance requirements for similar roads in Modoc County. Normal Roads would receive a chip seal after 5 years and asphalt overlay occurring at 10 years. Taking into account the specific road needs of a subdivision road, such as the roads in the Hafer Hills Estates subdivision, for example, there would be lower speeds and fewer heavy trucks. As a result it was determined a Chip Seal would be required at 7-10 years and an asphalt overlay at 15 years. Striping would take place after the chip seal and the overlay, so that activity was calculated twice over a 15-year period.

A financial analysis was prepared by the County Road Department, which based on its assumptions the cost of providing the service would be \$144,750.00. By spreading these costs over a 15-year period the required cost recovery amount for 16 lots would be \$603.15 per parcel per year. This amount would recover 100 percent of the materials costs for long-term maintenance. This figure was subsequently revised and reduced to \$508.93 per parcel per year upon completion of an engineer's report for the County Service Area.

Modoc County as with other counties performing road maintenance services is aware that while revenues for the road fund are remaining flat, the cost of materials is continuously increasing resulting in the inability of the road department to maintain the County's maintained road system. By adding more miles into the County's maintained road system without funding would further decrease the ability of the county to perform adequate road maintenance throughout the County. As with other counties, the state reimburses for a given amount of miles with a decreasing amount of funds. Additional miles in the system must therefore be supported by funds other than state road monies. This provided the justification to require long-term road maintenance funds for the Hafer Hills Estates Subdivision.

On *December 20, 2005* the Modoc County Board of Supervisors conditionally approved the tentative subdivision map. The condition of approval No. 1a required a Community Service Area (CSA) Zone of Benefit be created and be established concurrently with the recordation of the final map. As per condition No. 1a, the CSA is to be established to fund long-term road maintenance.

Long-term Maintenance is defined as Street Surface Maintenance which is scheduled every 7 years, with chip seals being applied at 7 and 14 years after initial construction and a complete overlay being performed at 21 years with each surface treatment being striped for lane delineation for the 0.8864 miles of roads, as shown below.

- 1) *Chip seal paving with striping after 7 years.*
- 2) *Chip seal paving with striping after 14 years.*
- 3) *Asphalt concrete overlay with striping after 21 years.*

Storm drainage facilities located within the street right-of-way is maintained as a function of the Street Surface Maintenance.

A homeowners association will provide storm water detention facility maintenance as well as storm drain maintenance facilities located outside of street rights-of-way and public easements including storm water enhancement facilities using best management practices (BMP's). Road encroachments for individual driveways will be maintained by individual property owners.

Pot hole patching, snow removal, culvert cleaning and sign repair are conducted as normal road department functions, which are funded by road department revenue and are not considered to be a part of the CSA function. These are funded from gas tax monies

Should the Board of Supervisors abolish the CSA, the project homeowners association or landowners would be responsible for these services.

Since Street Surface Maintenance services are being conducted by the Modoc County Road Department the Operational Budget for the CSA is part of the Modoc County Road Department's budget.

4 MUNICIPAL SERVICE REVIEW

4.1 Growth and Population Projections for the Hafer Hills Estates Area

4.1.1 Population Growth in the Hafer Hills Estates CSA Area

The US Census Bureau reports that Modoc County lost 3.7 % population between 2010 and 2012.¹ The same trend continues for Modoc County according to the State Department of Finance Report P-1 for July 1, 2015 through 2060.²

4.1.2 MSR Determinations on Growth and Population for the Hafer Hills Estates CSA Area

- 1-1) The population within the ***Hafer Hills Estates CSA*** and the Alturas area is not expected to grow significantly. To date, one house has been developed in the subdivision. At this time there is no anticipated development.

4.2 Location and Characteristics of any Disadvantaged Unincorporated Communities (DUC) within or Contiguous to the District's SOI

4.2.1 Determination of Hafer Hills Estates CSA Disadvantaged Unincorporated Community Status

In addition to a consideration of population growth, the State Law requires LAFCO to consider whether or not an area is a Disadvantaged Unincorporated Community (DUC). A DUC is an area where the Median Household Income is less than 80% of the State of California Median Household Income.

The Median Household Income for Modoc County (2007-2011) was \$35,402 per year. This is only 58% of the State of California Median Household Income of \$61,632.³

4.2.2 MSR Determinations on Disadvantaged Unincorporated Communities near Alturas and the Hafer Hills Estates CSA

- 2-1) Modoc County and the City of Alturas are Disadvantaged Unincorporated Communities (DUC). With one dwelling in the CSA there is no data with which to determine if the Hafer Hills Estates is a Disadvantaged Community or not.

¹ US Census Bureau, <http://quickfacts.census.gov/qfd/states/06/06049.html>, July 23, 2013

² California Department of Finance Table P-1 State and County Population Projections December 15, 2014

³ US Census Bureau, <http://quickfacts.census.gov/qfd/states/06/06049.html>, July 23, 2013

4.3 Capacity and Infrastructure

4.3.1 Infrastructure Background

The roads within the Hafer Hills Estates CSA have been brought up to County maintained road standards and a funding mechanism to fund long-term maintenance has been established.

4.3.2 MSR Determinations Regarding Capacity and Infrastructure for the Hafer Hills Estates CSA

- 3-1) The Hafer Hills Estates CSA infrastructure is new and meets County maintained road standards.
- 3-2) The Hafer Hills Estates CSA has an established funding mechanism to ensure sustainable long-term maintenance of the roads.

4.4 Financial Ability

4.4.1 Financial Considerations

Because the Hafer Hills CSA was formed in 2006, well after the 1978 passage of Proposition 13, the CSA receives no share of the 1% property tax. While this is a problem for many independent districts and cities formed after 1978, the Hafer Hills Estates CSA has a long-term funding mechanism in place.

4.4.2 MSR Determinations on Financial Ability for the Hafer Hills Estates CSA

- 4-1) The Hafer Hills Estates CSA has the financial capacity to fund scheduled long-term road maintenance as shown in the CSA's financials.

4.5 Opportunities for Shared Facilities

4.5.1 Hafer Hills Estates CSA Facilities

The Hafer Hills Estates CSA has county-maintained road facilities.

4.5.2 MSR Determinations on Shared Facilities for Hafer Hills Estates CSA

- 5-1) Sharing facilities is not needed for this CSA since the County Road Department provides the necessary road maintenance.

4.6 Government Structure and Accountability

4.6.1 Government Structure

The Hafer Hills Estates CSA is governed by the Modoc County Board of Supervisors. The Board of Supervisor's convenes as necessary to discuss and take action as the CSA Board of Directors. In the case of larger CSA's, citizens are appointed to serve as advisory committees to provide input to the Board of Supervisors on a variety of matters.

4.6.2 *MSR Determinations on Government Structure and Accountability for the Hafer Hills Estates CSA*

- 6-1) The Modoc County Board of Supervisors acts as the Board of Directors for the CSA as required by law.
- 6-2) There is no CSA advisory committee within the Hafer Hills Estates CSA. No advisory committee is recommended due to there being only 16 parcels within the CSA.

5 HAFER HILLS ESTATES CSA SPHERE OF INFLUENCE

5.1 Sphere of Influence Requirements and Options

5.1.1 Sphere of Influence Requirements

In determining the Sphere of Influence for each local agency, LAFCO must consider and prepare a written statement of determinations with respect to each of the following:

1. The present and planned land uses in the area, including agricultural and open space lands
2. The present and probable need for public facilities and services in the area
3. The present capacity of public facilities and adequacy of public services, which 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. Present and probable need for public facilities and services of any disadvantaged unincorporated communities within the existing Sphere of Influence. This determination is not required for the Hafer Hills Estates CSA since the CSA does not provide domestic water, wastewater or fire services.

5.1.2 LAFCO Policies and Procedures Related to Spheres of Influence

Modoc LAFCO has adopted policies and procedures related to spheres of influence that are included as part of an overall Modoc LAFCO policy, standards and procedures document.

Modoc LAFCO has discussed and considered the SOI process in open session, and has adopted a schedule notwithstanding budget appropriations for completing the various municipal service reviews and sphere of influence updates for Modoc County.

5.1.3 Description of Public Participation Process

Modoc LAFCO is authorized by the California Legislature and delegated powers as stated in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the Act). LAFCO proceedings are subject to the provisions California's open meeting law, the Ralph M. Brown Act (Government Code Sections 54950 et seq.)

The Brown Act requires advance posting of meeting agendas and contains various other provisions designed to ensure that the public has adequate access to information regarding the proceedings of public boards and commissions. Modoc LAFCO complies with the requirements of the Brown Act.

5.1.4 Possible Approaches to the Sphere of Influence

LAFCO may recommend government reorganizations to particular agencies in the county, using the SOIs as the basis for those recommendations. Based on review of the guidelines of Modoc LAFCO as well as other LAFCOs in the State, various conceptual approaches have been

identified from which to choose in designating an SOI. These seven approaches are explained below:

1) Coterminous Sphere:

A Coterminous Sphere means that the Sphere of Influence for a city or special district that is the same as its existing boundaries of the city or district. **This is the recommendation for the Hafer Hills Estates CSA**

2) Annexable Sphere:

A sphere larger than the agency's boundaries identifies areas the agency is expected to annex. The annexable area is outside the district boundaries and inside the sphere of influence.

3) Detachable Sphere:

A sphere that is smaller than the agency's boundaries identifies areas the agency is expected to detach. The detachable area is the area within the agency bounds but not within its sphere of influence.

4) Zero Sphere:

A zero sphere indicates the affected agency's public service functions should be reassigned to another agency and the agency should be dissolved or combined with one or more other agencies.

5) Consolidated Sphere:

A consolidated sphere includes two or more local agencies and indicates the agencies should be consolidated into one agency. One of the goals of LAFCO is to consider consolidation of districts.

6) Limited Service Sphere:

A limited service sphere is the territory included within the SOI of a multi-service provider agency that is also within the boundary of a limited purpose district which provides the same service (e.g., fire protection), but not all needed services. Territory designated as a limited service SOI may be considered for annexation to the limited purpose agency without detachment from the multi-service provider.

This type of SOI is generally adopted when the following conditions exist:

- a) The limited service provider is providing adequate, cost effective and efficient services
- b) The multi-service agency is the most logical provider of the other services
- c) There is no feasible or logical SOI alternative
- d) Inclusion of the territory is in the best interests of local government organization and structure in the area

Government Code §56001 specifically recognizes that in rural areas it may be appropriate to establish limited purpose agencies to serve an area rather than a single service provider, if multiple limited purpose agencies are better able to provide efficient services to an area rather than one service district.

Moreover, Government Code Section §56425(i), governing sphere determinations, also authorizes a sphere for less than all of the services provided by a district by requiring a district affected by a sphere action to “establish the nature, location, and extent of any functions of classes of services provided by existing districts” recognizing that more than one district may serve an area and that a given district may provide less than its full range of services in an area.

7) Sphere Planning Area:

LAFCO may choose to designate a sphere planning area to signal that it anticipates expanding an agency’s SOI in the future to include territory not yet within its official SOI. There are no anticipated sphere planning areas within Modoc County at this time.

5.1.5 SOI Update Process

LAFCO is required to establish SOIs for all local agencies and enact policies to promote the logical and orderly development of areas within the SOIs. Furthermore, LAFCO must update those SOIs every five years, as necessary. In updating the SOI, LAFCO is required to conduct a Municipal Service Review (MSR) and adopt related determinations.

LAFCO must notify affected agencies 21 days before holding a public hearing to consider the SOI and may not update the SOI until that hearing is closed. The LAFCO Executive Officer must issue a report including recommendations on the SOI amendment and update under consideration at least five days before the public hearing.

5.1.6 SOI Amendments and CEQA

LAFCO has the discretion to limit SOI updates to those that it may process without unnecessarily delaying the SOI update process or without requiring its funding agencies to bear the costs of environmental studies associated with SOI expansions. Any local agency or individual may file a request for an SOI amendment. The request must state the nature of and reasons for the proposed amendment, and provide a map depicting the proposal.

LAFCO may require the requester to pay a fee to cover LAFCO costs, including the costs of appropriate environmental review under CEQA. LAFCO may elect to serve as lead agency for such a review, may designate the proposing agency as lead agency, or both the local agency and LAFCO may serve as co-lead agencies for purposes of an SOI amendment.

Local agencies are encouraged to consult with LAFCO staff early in the process regarding the most appropriate approach for the particular SOI amendment under consideration.

Certain types of SOI amendments are likely exempt from CEQA review. Examples are SOI expansions that include territory already within the bounds or service area of an agency, SOI reductions, zero SOIs and coterminous SOI’s. SOI expansions for limited purpose agencies that provide services (e.g., fire protection, levee protection, cemetery, and resource conservation) needed by both rural and urban areas are typically not considered growth-

inducing and are likely exempt from CEQA. Similarly, SOI expansions for districts serving rural areas (e.g., irrigation water) are typically not considered growth inducing.

Remy et al. write:

“In *City of Agoura Hills v. Local Agency Formation Commission* (2d Dist.1988) 198 Cal.App.3d480, 493-496 [243 Cal.Rptr.740] (*City of Agoura Hills*), the court held that a LAFCO’s decision to approve a city’s sphere of influence that in most respects was coterminous with the city’s existing municipal boundaries was not a “project” because such action did not entail any potential effects on the physical environment.”⁴

5.1.7 Sphere of Influence Recommendation for Hafer Hills Estates CSA

The Sphere of Influence is a plan and is required to be revised every five years as determined necessary. Information contained in this Sphere of Influence is only current as of the date of adoption.

The recommendation for Hafer Hills Estates CSA is that a coterminous sphere be adopted and the Sphere be limited to the function of providing long-term road maintenance.

5.2 Present and Planned Land Uses in the Area, Including Agricultural and Open Space Lands Land Use

5.2.1 Land Use in the Hafer Hills Estates CSA Area

Land Use Designations for the Hafer Hills CSA are as follows:

Residential 334 acres Designated as low density residential

5.2.2 SOI Determinations Present and Planned Land Use for Hafer Hills Estates CSA

1-1] The Hafer Hills Estates area is designated for single-family residential development on lots ranging from 15 to 30 acres more or less in size.

5.3 Municipal Services: Present Need

5.3.1 Service Need for Hafer Hills Estates CSA

There is a need for the Hafer Hills Estates CSA for the long-term maintenance of roads within the subdivision.

⁴ Remy, Michael H., Tina A. Thomas, James G. Moose, Whitman F. Manley, Guide to CEQA, Solano Press Books, Point Arena, CA, February 2007, page 111.

5.3.2 *SOI Determinations for Facilities and Services: Present and Probable Need*

- 2-1] The Hafer Hills Estates CSA has road facilities within the County's maintained road system.
- 2-2] Owners of the 16 parcels pay into a Hafer Hills Estates CSA road fund to ensure the long-term maintenance of subdivision roads for maintained county roads.

5.4 *Public Facilities Future Capacity*

5.4.1 *Facilities and Capacity*

The Hafer Hills Estates CSA has county maintained roads located within its boundaries. Fees have been assessed for the long-term maintenance interior roads within the CSA.

5.4.2 *SOI Determinations for Public Facilities*

- 3-1] The public facilities (roads) are in a long-term funded road maintenance system.

5.5 *Social or Economic Communities of Interest*

5.5.1 *Hafer Hills Estates*

Hafer Hills Estates is a recorded subdivision 2 miles south of Alturas.

5.5.2 *SOI Determinations on Social or Economic Communities of Interest for Hafer Hills Estates CSA*

- 4-1] As a CSA road long-term maintenance services are provided to those paying for the service.

APPENDIX A MUNICIPAL SERVICES REVIEW ORIGINS

The MSR requirement was enacted by the Legislature months after the release of two studies recommending that LAFCOs conduct reviews of local agencies. The “Little Hoover Commission” focused on the need for oversight and consolidation of special districts, whereas the “Commission on Local Governance for the 21st Century” focused on the need for regional planning to ensure adequate and efficient local governmental services as the California population continues to grow.

1 Little Hoover Commission

In May 2000, the Little Hoover Commission released a report entitled *Special Districts: Relics of the Past or Resources for the Future?* This report focused on governance and financial challenges among special districts, and the barriers to LAFCO’s pursuit of district consolidation and dissolution. The report raised the concern that “the underlying patchwork of special district governments has become unnecessarily redundant, inefficient and unaccountable.”

In particular, the report raised concern about a lack of visibility and accountability among some independent special districts. The report indicated that many special districts hold excessive reserve funds and some receive questionable property tax revenue. The report expressed concern about the lack of financial oversight of the districts. It asserted that financial reporting by special districts is inadequate, that districts are not required to submit financial information to local elected officials, and concluded that district financial information is “largely meaningless as a tool to evaluate the effectiveness and efficiency of services provided by districts, or to make comparisons with neighboring districts or services provided through a city or county.”⁵

The report questioned the accountability and relevance of certain special districts with uncontested elections and without adequate notice of public meetings. In addition to concerns about the accountability and visibility of special districts, the report raised concerns about special districts with outdated boundaries and outdated missions. The report questioned the public benefit provided by healthcare districts that have sold, leased or closed their hospitals, and asserted that LAFCOs consistently fail to examine whether they should be eliminated. The report pointed to service improvements and cost reductions associated with special district consolidations, but asserted that LAFCOs have generally failed to pursue special district reorganizations.

The report called on the Legislature to increase the oversight of special districts by mandating that LAFCOs identify service duplications and study reorganization alternatives when service duplications are identified, when a district appears insolvent, when district reserves are excessive, when rate inequities surface, when a district’s mission changes, when a new city incorporates and when service levels are unsatisfactory. To accomplish this, the report recommended that the State strengthen the independence and funding of LAFCOs, require districts to report to their respective LAFCOs, and require LAFCOs to study service duplications.

2 Commission on Local Governance for the 21st Century

The Legislature formed the Commission on Local Governance for the 21st Century (“21st Century Commission”) in 1997 to review statutes on the policies, criteria, procedures and precedents for city, county and special district boundary changes. After conducting extensive research and holding 25 days of public hearings throughout the State at which it heard from over 160 organizations and individuals, the 21st Century Commission released its final report, *Growth within Bounds: Planning California Governance for the 21st Century*, in January 2000.⁶ The report examines the way that government is organized and operates, and establishes a vision of how the State will grow by “making better use of the often invisible LAFCOs in each county.”

⁵ Little Hoover Commission, 2000, page 24.

⁶ The Commission on Local Governance for the 21st Century ceased to exist on July 1, 2000, pursuant to a statutory sunset provision.

The report points to the expectation that California's population will double over the first four decades of the 21st Century, and raises concern that our government institutions were designed when our population was much smaller and our society was less complex. The report warns that without a strategy open spaces will be swallowed up, expensive freeway extensions will be needed, job centers will become farther removed from housing, and this will lead to longer commutes, increased pollution and more stressful lives. Growth within Bounds acknowledges that local governments face unprecedented challenges in their ability to finance service delivery since voters cut property tax revenues in 1978 and the Legislature shifted property tax revenues from local government to schools in 1993. The report asserts that these financial strains have created governmental entrepreneurship in which agencies compete for sales tax revenue and market share.

The 21st Century Commission recommended that effective, efficient and easily understandable government be encouraged. In accomplishing this, the 21st Century Commission recommended consolidation of small, inefficient or overlapping providers, transparency of municipal service delivery to the people, and accountability of municipal service providers. The sheer number of special districts, the report asserts, "has provoked controversy, including several legislative attempts to initiate district consolidations,"⁷ but cautions LAFCOs that decisions to consolidate districts should focus on the adequacy of services, not on the number of districts.

Growth within Bounds stated that LAFCOs cannot achieve their fundamental purposes without a comprehensive knowledge of the services available within its county, the current efficiency of providing service within various areas of the county, future needs for each service, and expansion capacity of each service provider. Comprehensive knowledge of water and sanitary providers, the report argued, would promote consolidations of water and sanitary districts, reduce water costs and promote a more comprehensive approach to the use of water resources. Further, the report asserted that many LAFCOs lack such knowledge and should be required to conduct such a review to ensure that municipal services are logically extended to meet California's future growth and development.

MSRs would require LAFCOs to look broadly at all agencies within a geographic region that provide a particular municipal service and to examine consolidation or reorganization of service providers. The 21st Century Commission recommended that the review include water, wastewater, and other municipal services that LAFCO judges to be important to future growth. The Commission recommended that the service review be followed by consolidation studies and be performed in conjunction with updates of SOIs. The recommendation was that service reviews be designed to make nine determinations, each of which was incorporated verbatim in the subsequently adopted legislation. The legislature since consolidated the determinations into six, and most recently seven required findings.

3 Municipal Services Review Legislation

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCO review and update SOIs not less than every five years and to review municipal services before updating SOIs. The requirement for service reviews arises from the identified need for a more coordinated and efficient public service structure to support California's anticipated growth. The service review provides LAFCO with a tool to study existing and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently.

Effective January 1, 2008, Government Code §56430 requires LAFCO to conduct a review of municipal services provided in the county by region, sub-region or other designated geographic area, as appropriate, for the service or services to be reviewed, and prepare a written statement of determination with respect to each of the following topics:

- ❖ Growth and population projections for the affected area;

⁷ Commission on Local Governance for the 21st Century, 2000, page 70.

- ❖ Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies;
- ❖ Financial ability of agencies to provide services;
- ❖ Status of, and opportunities for shared facilities;
- ❖ Accountability for community service needs, including governmental structure and operational efficiencies; and
- ❖ Any other matter related to effective or efficient service delivery, as required by commission policy.

As of July 1st, 2012, SB 244 signed by the governor on October 7, 2011 requires an additional written statement of determination to be included in a municipal service review regarding:

- ❖ The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI.

In addition, for those agencies that provide water wastewater and/or structural fire protection the new law mandates the determination on the present and planned capacity of public facilities, adequacy of public services and infrastructure needs or deficiencies to include needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated community within or contiguous to the sphere of influence.

4 Municipal Services Review Process

For local agencies, the MSR process involves the following steps:

- ❖ Outreach: LAFCO outreach and explanation of the project
- ❖ Data Discovery: provide documents and respond to LAFCO questions
- ❖ Map Review: review and comment on LAFCO draft map of the agency's boundary and sphere of influence
- ❖ Profile Review: internal review and comment on LAFCO draft profile of the agency
- ❖ Public Review Draft MSR: review and comment on LAFCO draft MSR
- ❖ LAFCO Hearing: attend and provide public comments on MSR

MSRs are exempt from California Environmental Quality Act (CEQA) pursuant to §15262 (feasibility or planning studies) or §15306 (information collection) of the CEQA Guidelines. LAFCO's actions to adopt MSR determinations are not considered "projects" subject to CEQA.

The MSR process does not require LAFCO to initiate changes of organization based on service review findings, only that LAFCO identify potential government structure options. However, LAFCO, other local agencies, and the public may subsequently use the determinations to analyze prospective changes of organization or reorganization or to establish or amend SOIs. Within its legal authorization, LAFCO may act with respect to a recommended change of organization or reorganization on its own initiative (e.g., certain types of consolidations), or in response to a proposal (i.e., initiated by resolution or petition by landowners or registered voters).

Once LAFCO has adopted the MSR determinations, it must update the SOI for the special district. The LAFCO Commission determines and adopts the spheres of influence for each agency. A CEQA determination is made by LAFCO on a case-by-case basis for each sphere of influence action and each change of organization, once the proposed project characteristics are sufficiently identified to assess environmental impacts.

5 Sphere Of Influence Updates

The Commission is charged with developing and updating the Sphere of Influence (SOI) for each city and special district within the county.⁸

An SOI is a LAFCO-approved plan that designates an agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services and prevent duplication of service delivery. Territory cannot be annexed by LAFCO to a city or district unless it is within that agency's sphere.

The purposes of the SOI include the following: to ensure the efficient provision of services, discourage urban sprawl and premature conversion of agricultural and open space lands, and prevent overlapping jurisdictions and duplication of services.

LAFCO cannot directly regulate land use, dictate internal operations or administration of any local agency, or set rates. LAFCO is empowered to enact policies that indirectly affect land use decisions. On a regional level, LAFCO promotes logical and orderly development of communities as it considers and decides individual proposals. LAFCO has a role in reconciling differences between agency plans so that the most efficient urban service arrangements are created for the benefit of current and future area residents and property owners.

The Cortese-Knox-Hertzberg (CKH) Act requires to develop and determine the SOI of each local governmental agency within the county and to review and update the SOI every five years. LAFCOs are empowered to adopt, update and amend the SOI. They may do so with or without an application and any interested person may submit an application proposing an SOI amendment.

While SOIs are required to be updated every five years, as necessary, this does not necessarily define the planning horizon of the SOI. The term or horizon of the SOI is determined by each LAFCO. In the case of Modoc LAFCO, the Commission's policies state that an agency's near term SOI shall generally include land that is anticipated to be annexed within the next five years, while the agency's long-term SOI shall include land that is within the probable growth boundary of an agency and therefore anticipated to be annexed in the next 20 years.

LAFCO may recommend government reorganizations to particular agencies in the county, using the SOIs as the basis for those recommendations.

In determining the SOI, LAFCO is required to complete an MSR and adopt the six determinations previously discussed.

In addition, in adopting or amending an SOI, LAFCO must make the following determinations:

- ❖ Present and planned land uses in the area, including agricultural and open-space lands;
- ❖ Present and probable need for public facilities and services in the area;
- ❖ Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide;
- ❖ Existence of any social or economic communities of interest in the area if the Commission determines these are relevant to the agency; and
- ❖ Present and probable need for public facilities and services of any disadvantaged unincorporated communities within the existing Sphere of Influence for those agencies that provide water, wastewater and/or structural fire protection.

⁸ The initial statutory mandate, in 1971, imposed no deadline for completing sphere designations. When most LAFCOs failed to act, 1984 legislation required all LAFCOs to establish spheres of influence by 1985.

The CKH Act stipulates several procedural requirements in updating SOIs. It requires that special districts file written statements on the class of services provided and that LAFCO clearly establish the location, nature and extent of services provided by special districts.

By statute, LAFCO must notify affected agencies 21 days before holding the public hearing to consider the SOI and may not update the SOI until after that hearing. The LAFCO Executive Officer must issue a report including recommendations on the SOI amendments and updates under consideration at least five days before the public hearing.

APPENDIX B - LOCAL GOVERNMENT ISSUES

1 Municipal Financial Constraints

Municipal service providers are constrained in their capacity to finance services by the inability to increase property taxes, requirements for voter approval for new or increased taxes, and requirements of voter approval for parcel taxes and assessments used to finance services. Municipalities must obtain majority voter approval to increase or impose new general taxes and two-thirds voter approval for special taxes.

Limitations on property tax rates and increases in taxable property values are financing constraints. Property tax revenues are subject to a formulaic allocation and are vulnerable to State budget needs. Agencies formed since the adoption of Proposition 13 in 1978 often lack adequate financing.

1.1 California Local Government Finance Background

The financial ability of the cities and special districts to provide services is affected by financial constraints. City service providers rely on a variety of revenue sources to fund city operating costs as follows:

- Property Taxes
- Benefit Assessments
- Special Taxes
- Proposition 172 Funds
- Other contributions from city or district general funds.

As a funding source, property taxes are constrained by Statewide initiatives that have been passed by voters over the years and special legislation. Seven of these measures are explained below:

A. Proposition 13

Proposition 13 (which California voters approved in 1978) has the following three impacts:

- Limits the *ad valorem* property tax rate
- Limits growth of the assessed value of property
- Requires voter approval of certain local taxes.

Generally, this measure fixes the *ad valorem* tax at one percent of value; except for taxes to repay certain voter approved bonded indebtedness. In response to the adoption of Proposition 13, the Legislature enacted Assembly Bill 8 (AB 8) in 1979 to establish property tax allocation formulas.

B. AB 8

Generally, AB 8 allocates property tax revenue to the local agencies within each tax rate area based on the proportion each agency received during the three fiscal years preceding adoption of Proposition 13. This allocation formula benefits local agencies, which had relatively high tax rates at the time Proposition 13 was enacted.

C. Proposition 98

Proposition 98, which California voters approved in 1988, requires the State to maintain a minimum level of school funding. In 1992 and 1993, the Legislature began shifting billions of local property taxes to schools in response to State budget deficits. Local property taxes were diverted from local governments into the Educational Revenue Augmentation Fund (ERAF) and transferred to school districts and community college districts to reduce the amount paid by the State general fund.

Local agencies throughout the State lost significant property tax revenue due to this shift. Proposition 172 was enacted to help offset property tax revenue losses of cities and counties that were shifted to the ERAF for schools in 1992.

D. Proposition 172

Proposition 172, enacted in 1993, provides the revenue of a half-cent sales tax to counties and cities for public safety purposes, including police, fire, district attorneys, corrections and lifeguards. Proposition 172 also requires cities and counties to continue providing public safety funding at or above the amount provided in FY 92-93.

E. Proposition 218

Proposition 218, which California voters approved in 1996, requires voter- or property owner-approval of increased local taxes, assessments, and property-related fees. A two-thirds affirmative vote is required to impose a Special Tax, for example, a tax for a specific purpose such as a fire district special tax.

However, majority voter approval is required for imposing or increasing general taxes such as business license or utility taxes, which can be used for any governmental purpose. These requirements do not apply to user fees, development impact fees and Mello-Roos districts.

F. Proposition 26

Proposition 26 approved by California voters on November 2, 2010, requires that certain state fees be approved by two-thirds vote of Legislature and certain local fees be approved by two-thirds of voters. This proposition increases the legislative vote requirement to two-thirds for certain tax measures, including those that do not result in a net increase in revenue. Prior to its passage, these tax measures were subject to majority vote.

However, majority voter approval is required for imposing or increasing general taxes such as business license or utility taxes, which can be used for any governmental purpose. These requirements do not apply to user fees, development impact fees and Mello-Roos districts.

G. Mello-Roos Community Facilities Act

The Mello-Roos Community Facilities Act of 1982 allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (a "CFD") which allows for financing of public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities. By law, the CFD is also entitled to recover expenses needed to form the CFD and administer the annual special taxes and bonded debt.

A CFD is created by a sponsoring local government agency. The proposed district will include all properties that will benefit from the improvements to be constructed or the services to be provided. A CFD cannot be formed without a two-thirds majority vote of residents living within the proposed boundaries. Or, if there are fewer than 12 residents, the vote is instead conducted of current landowners.

In many cases, that may be a single owner or developer. Once approved, a Special Tax Lien is placed against each property in the CFD. Property owners then pay a Special Tax each year.

If the project cost is high, municipal bonds will be sold by the CFD to provide the large amount of money initially needed to build the improvements or fund the services. The Special Tax cannot be directly based on the value of the property. Special Taxes instead are based on mathematical formulas that take into account property characteristics such as use of the property, square footage of the structure and lot size. The formula is defined at the time of formation, and will include a maximum special tax amount and a percentage maximum annual increase.

If bonds were issued by the CFD, special taxes will be charged annually until the bonds are paid off in full. Often, after bonds are paid off, a CFD will continue to charge a reduced fee to maintain the improvements.

H. Development Impact Fees

A county, cities, special districts, school districts, and private utilities may impose development impact fees on new construction for purposes of defraying the cost of putting in place public infrastructure and services to support new development.

To impose development impact fees, a jurisdiction must justify the fees as an offset to the impact of future development on facilities. This usually requires a special financial study. The fees must be committed within five years to the projects for which they were collected, and the district, city or county must keep separate funds for each development impact fee.

1.2 *Financing Opportunities that Require Voter Approval*

Financing opportunities that require voter approval include the following five taxes:

- Special taxes such as parcel taxes
- Increases in general taxes such as utility taxes
- Sales and use taxes
- Business license taxes
- Transient occupancy taxes

Communities may elect to form business improvement districts to finance supplemental services, or Mello-Roos districts to finance development-related infrastructure extension. Agencies may finance facilities with voter-approved (general obligation) bonded indebtedness.

1.3 *Financing Opportunities that Do Not Require Voter Approval*

Financing opportunities that do not require voter approval include imposition of or increases in fees to more fully recover the costs of providing services, including user fees and Development Impact Fees to recover the actual cost of services provided and infrastructure.

Development Impact Fees and user fees must be based on reasonable costs, and may be imposed and increased without voter approval. Development Impact Fees may not be used to subsidize operating costs. Agencies may also finance many types of facility improvements through bond instruments that do not require voter approval.

Water rates and rate structures are not subject to regulation by other agencies. Utility providers may increase rates annually, and often do so. Generally, there is no voter approval requirement for rate increases, although notification of utility users is required. Water providers must maintain an enterprise fund for the respective utility separate from other funds, and may not use revenues to finance unrelated governmental activities.

2 Public Management Standards

While public sector management standards do vary depending on the size and scope of an organization, there are minimum standards. Well-managed organizations do the following eight activities:

1. Evaluate employees annually.
2. Prepare a budget before the beginning of the fiscal year.
3. Conduct periodic financial audits to safeguard the public trust.
4. Maintain current financial records.
5. Periodically evaluate rates and fees.
6. Plan and budget for capital replacement needs.
7. Conduct advance planning for future growth.
8. Make best efforts to meet regulatory requirements.

Most of the professionally managed and staffed agencies implement many of these best management practices. LAFCO encourages all local agencies to conduct timely financial record-keeping for each city function and make financial information available to the public.

3 Public Participation in Government

The Brown Act (California Government Code Section 54950 et seq.) is intended to insure that public boards shall take their actions openly and that deliberations shall be conducted openly. The Brown Act establishes requirements for the following:

- Open meetings
- Agendas that describe the business to be conducted at the meeting
- Notice for meetings
- Meaningful opportunity for the public to comment
- Few exceptions for meeting in closed sessions and reports of items discussed in closed sessions.

According to California Government Section 54959

Each member of a legislative body who attends a meeting of that legislative body where action is taken in violation of any provision of this chapter, and where the member intends to deprive the public of information to which the member knows or has reason to know the public is entitled under this chapter, is guilty of a misdemeanor.

Section 54960 states the following:

(a) The district attorney or any interested person may commence an action by mandamus, injunction or declaratory relief for the purpose of stopping or preventing violations or threatened violations of this chapter by members of the legislative body of a local agency or to determine the applicability of this chapter to actions or threatened future action of the legislative body.

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ABBREVIATIONS

AB	Assembly Bill
CDBG	Community Development Block Grants
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CFD	Community Facilities District
CIP	Capital Improvement Plan
CKH Act	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CSA	County Service Area
CSD	Community Services District
District	Hafer Hills Estates CSA
DUC	Disadvantaged Unincorporated Community
ERAF	Educational Revenue Augmentation Fund
FY	Fiscal Year
LAFCO	Local Agency Formation Commission
MSR	Municipal Service Review (LAFCO)
SOI	Sphere of Influence (LAFCO)
USDA	United States Department of Agriculture

DEFINITIONS

California Environmental Quality Act (CEQA): A State Law requiring State and local agencies to regulate activities with consideration for environmental protection. If a proposed activity has the potential for a significant adverse environmental impact, an environmental impact report (EIR) must be prepared and certified as to its adequacy before taking action on the proposed project.

Capital Improvement Plan (CIP): is a short-range plan, usually four to ten years, which identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan. Essentially, the plan provides a link between a municipality, school district parks and recreation department and/or other local government entity and a comprehensive and strategic plans and the entity's annual budget.

Census-Designated Place (CDP): a concentration of population identified by the US Census Bureau for statistical purposes. CDPs are delineated for each decennial census as the statistical counterparts of incorporated places such as cities, towns and villages. CDPs are populated areas that lack separate municipal government, but which otherwise physically resemble incorporated places. CDPs are delineated solely to provide data for settled concentrations of population that are identifiable by name but are not legally incorporated under the laws of the state in which they are located. They include small rural communities, colonias located along the U.S. border with Mexico, and unincorporated resort and retirement communities. The boundaries of a CDP have no legal status. Thus, they may not always correspond with the local understanding of the area or community with the same name. However, criteria established for the 2010 Census require that a CDP name "be one that is recognized and used in daily communication by the residents of the community" (not "a name developed solely for planning or other purposes") and recommend that a CDP's boundaries be mapped based on the geographic extent associated with residents' use of the place name.⁹

Community Facilities District (CFD): Under the Mello-Roos Community Facilities Act of 1982 (Section 53311, et seq.) a legislative body may create within its jurisdiction a special tax district that can finance tax-exempt bonds for the planning, design, acquisition, construction, and/or operation of public facilities, as well as public services for district residents. Special taxes levied solely within the district are used to repay the bonds.

Community Services District (CSD): A geographic subarea of a county used for planning and delivery of parks, recreation, and other human services based on an assessment of the service needs of the population in that subarea. A CSD is a taxation district with independent administration.

Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act): establishes procedures for local government changes of organization, including city incorporations, annexations to a city or special district, and city and special district consolidations.¹⁰

County Service Area (CSA): A County Service Area (CSA) is a special taxing area created by the Board of Supervisors, which bears a special assessment or service charge for particular types of extended services to rural parts of the county.

Disadvantaged Unincorporated Community: inhabited territory with 12 or more registered voters, or as determined by LAFCO policy, that constitutes all or a portion of a "disadvantaged community", as defined in the Water Code to be "a community with an annual median household income that is less than 80% of the statewide annual median household income.

⁹ http://en.wikipedia.org/wiki/Census-designated_place, April 2, 2012

¹⁰ Assembly Committee on Local Government, Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, November 2011, <http://www.co.monterey.ca.us/lafrco/Updates/2011LAFCOGUIDE.pdf>, March 29, 2012

Dissolution: the disincorporation, extinguishment, or termination of the existence of a district and the cessation of all its corporate powers, except as the commission may otherwise provide pursuant to California Government Code Section 56886 or for the purpose of winding up the affairs of the district.

Land Use Classification: A system for classifying and designating the appropriate use of properties.

Leapfrog Development; New development separated from existing development by substantial vacant land.

Local Agency Formation Commission (LAFCO): A five-or seven-member commission within each county that reviews and evaluates all proposals for formation of special districts, incorporation of cities, annexation to special districts or cities, consolidation of districts, and merger of districts with cities. Each county's LAFCO is empowered to approve, disapprove, or conditionally approve such proposals. The LAFCO members generally include two county supervisors, two city council members, and one member representing the general public. Some LAFCOs include two representatives of special districts.

Proposition 13: (Article XIII A of the California Constitution) Passed in 1978, this proposition enacted sweeping changes to the California property tax system. Under Prop. 13, property taxes cannot exceed 1% of the value of the property and assessed valuations cannot increase by more than 2% per year. Property is subject to reassessment when there is a transfer of ownership or improvements are made.¹¹

Proposition 218: (Article XIII D of the California Constitution) This proposition, named "The Right to Vote on Taxes Act", filled some of the perceived loopholes of Proposition 13. Under Proposition 218, assessments may only increase with a two-thirds majority vote of the qualified voters within the District. In addition to the two-thirds voter approval requirement, Proposition 218 states that effective July 1, 1997, any assessments levied may not be more than the costs necessary to provide the service, proceeds may not be used for any other purpose other than providing the services intended, and assessments may only be levied for services that are immediately available to property owners.¹²

Special Districts: independent government units that exist separately from, and with substantial administrative and fiscal independence from, general purpose local governments such as county, municipal, and township governments. As defined by the U.S. Census Bureau, the term *special district governments* excludes school districts.

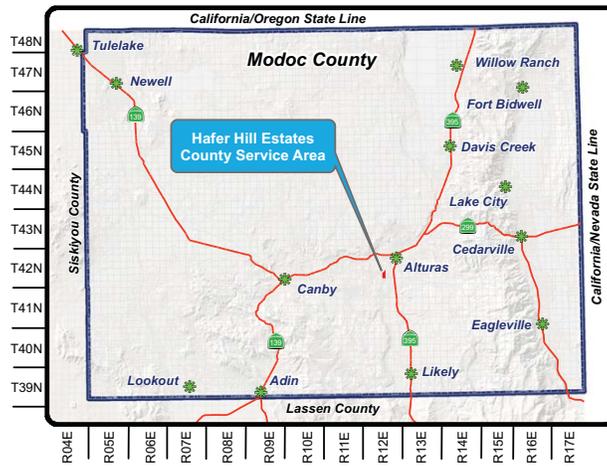
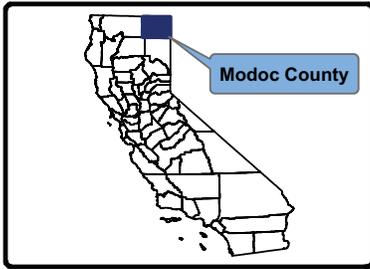
Sphere of Influence (SOI): The probable physical boundaries and service area of a local agency, as determined by the Local Agency Formation Commission (LAFCO) of the county.

¹¹ http://www.californiataxdata.com/A_Free_Resources/glossary_PS.asp#ps_08

¹² http://www.californiataxdata.com/A_Free_Resources/glossary_PS.asp#ps_08

HAFER HILLS ESTATES CSA BOUNDARY AND SPHERE OF INFLUENCE MAP

Modoc LAFCo Hafer Hill Estates County Service Area



Communities	County Boundary	Hafer Hill Estates County Service Area	
Highways	Parcels	Hafer Hill Estates CSA Sphere of Influence	
Roads	Sectional Grid (MDB&M)		

0 330 660 1,320 1,980 2,640 Feet

Hafer Hill Estates County Service Area
 Municipal Service Review
 Resolution:
 Adopted:
 Sphere of Influence
 Resolution:
 Adopted:
 Source: Modoc LAFCo

Map Created 7/28/2015