

**MODOC LOCAL AGENCY COMMISSION**

**EXECUTIVE OFFICER'S REPORT**

**MEETING DATE:** June 8, 2021 4:00 PM

**TO:** Local Agency Formation Commission

**FROM:** John Benoit, Executive Officer

**SUBJECT:** LAFCo File 2021-0001 - Formation of a Subsidiary District and Dissolution of the Daphnedale CSD

**Attachments:**

1. Letter from the Daphnedale CSD
2. Alturas City Council Resolution 2021-15 and Plan For Services
3. Notice of Exemption
4. Resolution 2021-0003 approving the Dissolution of the Daphnedale Community Services District (CSD)
5. Resolution 2021-0004 approving the formation of the City of Alturas Municipal Sewer District

**Summary:**

The Daphnedale CSD and the City of Alturas have applied to LAFCO to dissolve the Daphnedale CSD and to form a City Subsidiary District. (See Attachments 1 and 2, letter from the Daphnedale CSD and City of Alturas Resolution 2021-15) The territory for the City Subsidiary District is to include the incorporated limits of the City of Alturas as well as adjacent unincorporated territory located within the boundaries of the Daphnedale CSD as shown on the map and geographic description included in Resolutions 2021-0003 and 2021-0004.

Since this type of district is relatively reare, the procedures for establishment of a subsidiary district are included below. Subsidiary Districts were established by the legislature in 1965 by the adoption of the District Reorganization Act of 1965, effective September 17, 1965 (Stats 1965 ch 2043 §§ 2), which added Government Code section 56073, 56401, 56405.

A subsidiary district has limited powers and the City Council adjourns as its ex-officio Board of Directors. There would be a consistent fee schedule and standards for all related activities within the District. The District would include the entire City limits and up to 30% unincorporated area contiguous to the City provided the city retains 70% of the land and registered voters within an incorporated area. The Daphnedale CSD includes 173.45 acres and 56 registered voters therefore the criteria for a Subsidiary District is met. The City of Alturas contains 1,844.84 acres.

Residents in the unincorporated area would not be eligible to sit on the City Council and the district would be formed for a limited purpose. In this case Wastewater Collection

and Treatment. The District would be called the "City of Alturas Municipal Sewer District".

There is no obligation for the residents or voters within the unincorporated portion of a subsidiary district to be annexed to the City.

User fees for this Subsidiary District would ultimately become uniform for all territory served by city sewer located within the Subsidiary District through a process normally used to set property related fees for wastewater services including a user fee protest hearing.

The City would manage the Subsidiary District as a City Department. The District would be included in the City's annual audit and all City Procedures.

The term "subsidiary district" is a district of limited powers in which a city council is designated as, and empowered to act as, the ex officio board of directors of the district. (§ 56078.) A subsidiary district may be established if, upon the date of the commission's order, the commission determines that either of the following situations exist:

- (a) The entire territory of the district is included within the boundaries of a city.
- (b) A portion or portions of the territory of the district are included within the boundaries of a city and that portion or portions meet both of the following requirements.
  - (1) Represents 70 percent or more of the area of land within the district. . . .
  - (2) Contains 70 percent or more of the number of registered voters who reside within the district as shown on the voters' register in the office of the county clerk or registrar of voters. (§ 57105.)

#### Establishment of a Subsidiary District for the City of Alturas

A City Subsidiary District to provide Wastewater Collection services is proposed for the City of Alturas. **Establishment** of a Subsidiary District must be processed concurrently with dissolution of the Daphnedale CSD.

A subsidiary district has limited powers and the City Council adjourns as the ex-officio Board of Directors of the District. There would be a consistent fee schedule and standards for all related activities within the District. The District would include the entire City limits and up to 30% unincorporated area contiguous to the City provided the city retains 70% of the land and registered voters within an incorporated area.

On or after the effective date of the establishment of the subsidiary district, the city council shall be designated as, and empowered to act as, the ex officio board of directors of the district. The district shall continue to operate as a separate legal entity with all of the powers, rights, duties, obligations, and functions provided for by the principal act, except for any provisions relating to the selection or removal of the members of the board of directors of the district.

## **Daphnedale CSD Background**

Daphnedale is located north of the City of Alturas and includes 173.45 acres. The CSD is located north of 19<sup>th</sup> Street between a line extended north of Juniper Street and East Street.

The Daphnedale CSD was formed in 1976 as a response to a moratorium on on-site disposal systems and chronic groundwater pollution hazards. The District was formed with the powers to supply water and to collect and dispose of sewage but the only power that is used is the power to collect wastewater. (In 2001 the legislature stripped all previously approved powers from CSD's excepting those powers the CSD actually was performing). The reason given for the formation of the District was that a survey of septic tank systems made by the Modoc County Sanitarian showed that the systems were not functioning correctly.

In March 1973, the Health Department stopped issuing permits for the installation of individual sewage systems in the Daphnedale area. That year, the Modoc County Health Department issued a moratorium on new sewer connections in the Daphnedale area based on water quality hazards. Attempts to remedy the hazards were unsuccessful. In 1976 a survey was conducted with the purpose of documenting existing public health hazards and nuisances created by the discharge of wastewater from individual disposal systems. This survey was initiated when concerned citizens met with the Modoc County Board of Supervisors regarding the establishment of a Wastewater Collection system in the Daphnedale area. The conclusion substantiated a serious health hazard existed in the community and further documented the need for a community sewer system.

Nevertheless, some individual sewage systems have been built in the area due to mistakes made during the building permit entitlement process and lack of communication between the Daphnedale CSD and the County in the past. This is unfortunate because it made it more difficult to develop future lots on the sewer lines. Today, the City Public Works department assists with system maintenance.

The Daphnedale CSD provides wastewater collection service for 42 residential connections more or less. The sewer lines were installed in 1980 and are connected to the City of Alturas wastewater treatment plant. Before the sewer lines were constructed an EIR was prepared by Hammond Engineering of Klamath Falls, Oregon in 1979 documenting the health and safety concerns and examining several alternatives to provide wastewater collection services in Daphnedale. Hammond Engineering then prepared an analysis of two types of sewage collection systems: gravity and low pressure. The gravity system was more expensive to install but the maintenance cost was less.

Since the District chose the gravity system for the low maintenance the District should maintain this system when adding new connections. In recent years the City has been maintaining the system. Daphnedale has not demonstrated it has the capacity to provide maintenance.

The extension of sewer lines is a technical problem that should be resolved by a professional such as a Civil Engineer. The services of a Civil Engineer when such services are for the benefit of a proposed development and the developer should pay the

entire cost. Normally, a developer pays the engineering costs for new development. This is to ensure the sewer lines are extended in a way that is acceptable to the City of Alturas.

This project is exempt from from the provisions of the California Environmental Quality Act (CEQA guideline section 15301 Class 1 existing facilities and section 15320 Class 20 Changes of Organization of Local Agencies, which includes establishment of a subsidiary district. Staff recommends approval of a Notice of Exemption based on Classes 1 and 20 – existing facilities, Changes of Organization of Local Agencies where existing and proposed structures are exempt from the California Environmental Quality Act and the General Rule exemption since this action cannot or could not have an effect upon the environment.

Staff recommends that the Modoc Local Agency Formation Commission approve the Subsidiary District Formation and the Dissolution of the Daphnedale Community Services District.

**Proposal and Justification:**

The district is failing to meet many of the requirements of state law including not auditing its financials as well as failure to comply with many State laws such as website requirements, records requirements, and many provisions of the CSD law. In addition the district desires to have the City assume its operations and requested the City to assume its responsibilities. The functions of the Daphnedale CSD would be extinguished, consolidated with the wastewater functions of the City of Alturas, participate in funding wastewater operations in the same manner as others within the City of Alturas via the establishment of a subsidiary district. The subsidiary district would be funded by revenue generated by maintenance, hookups and wastewater collection billing and participation in the funding and operation of the wastewater treatment plant.

**Location:**

The CSD is located north of 19<sup>th</sup> Street between a line extended north of Juniper Street and East Street north of Alturas

**Purpose:**

The goal of this change of organization is to have all wastewater collection and maintenance services provided by the City of Alturas as direct customers and to dissolve the Daphnedale CSD, which will no longer be needed. The justification is also to obtain reliable wastewater collection service as customers of the subsidiary district

**Accepted for filing:** May 12, 2021

**Publication and Posting:** May 12, 2021

**Compliance with CEQA:**

Lead Agency:	LAFCo at request of the City of Alturas
Responsible Agency:	City of Alturas
Environmental Finding:	Notice of Exemption (Attachment #3)

Date of Finding: June 8, 2021

**Compliance with applicable Plans:**

The proposed change of organization conforms to the County of Modoc General Plan and the City of Alturas General Plan.

**Compliance with the Sphere of Influence:**

A Sphere of Influence update will be completed for the City of Alturas Municipal Sewer District within one year after the effective date of the formation as required by the LAFCo Act.

**Existing Land Use and Zoning:**

LAND USE DESIGNATIONS:	Many Categories
ZONING:	Many Categories
DWELLINGS:	On various properties
POPULATION:	100
REGISTERED VOTERS:	56
LANDOWNERS:	91
TOTAL ASSESSED VALUE	\$3,979,930.00

**Existing Land Use for surrounding territory:**

North: Rural Residential

East: Rural Residential

South: Rural Residential

West: Rural Residential

**Proposed development:** No development is proposed.

**Fiscal data:**

The Daphnedale CSD has never had an Audit of their financial transactions. This has caused residents to criticize the District. In reviewing the files over the years there may be irregularities regarding the sewer property-related fee. Proposition 218 adopted in 1996 made significant changes to local government finance and governance requiring in this case a public hearing with specific land owner protest requirements prior to

increasing the wastewater property related fee. In recent years, the Daphnedale CSD has failed to have a property related fee increase per the requirements of Proposition 218. The City has had property related fees to keep up with regulatory requirements and the cost to provide the service.

Territory in this change of organization will not receive property tax revenue as a result of this change of organization. The City's wastewater function is an enterprise fund, which is funded by connection, maintenance and user fees. Existing fees for wastewater collection service as collected by the Modoc County Tax Collector for the Daphnedale CSD cost \$275 per year per connection, which is \$22.92 per month. The City of Alturas charges \$30.22 per month per residence. It is anticipated the discrepancy will be remedied after completion of this change of organization. According to the Auditor's office the District had a balance of \$9,490.09 as of April 19, 2021.

Currently, a share of the AB-8 property tax is allocated to the Daphnedale CSD. Upon dissolution of the CSD, the amount of base and increments will be distributed to the County General Fund. The City of Alturas Municipal Sewer District will not receive any AB-8 distribution and therefore revenue generated will not be referenced to the assessor parcels within the District. As with the City's current practice regarding sewer billing within, City sewer bills will be directly billed within the subsidiary district territory. Therefore the Subsidiary District will not require a filing with the State Board of Equalization.

**Existing service agencies:**

School District:	Modoc Jt. Unified School District
Fire Protection:	Alturas Rural and City of Alturas
General Government	County of Modoc and Daphnedale CSD
Police Protection	County of Modoc
Agricultural Water Service	N/A
Water and Wastewater:	Daphnedale CSD and Wells
Street Lighting:	N/A

**Proposed service agencies:**

School District:	No Change
Fire Protection:	No Change
General Government	County of Modoc and CAMSD
Police Protection	No Change
Agricultural Water Service	N/A

Water and Wastewater:	City Wastewater and Wells
Street Lighting:	No Change

**Governing Law and LAFCO Policy**

LAFCO is charged with applying the policies and provisions of the Cortese-Knox-Hertzberg Act to its decisions regarding detachments, annexations, incorporations, reorganizations, and other changes of government. LAFCO's policies and procedures have been adopted to be consistent with the policy directives of the Act. Specifically, Policies adopted by Modoc LAFCO are designed to:

- a) Provide Information. Give applicants for changes of organization guidance as to the information LAFCO needs to make appropriate determinations concerning their applications and provide information and notice to elected officials, governmental staff, and members of the general public as to the standards and procedures that LAFCO will use in evaluating applications.
- b) Set Criteria. Provide applicants for changes of organization with explicit guidance as to the criteria LAFCO will use in approving, disapproving, amending, or conditionally approving applications for changes of organization.
- c) Ensure Greater Consistency in LAFCO's decision-making process.
- d) Facilitate Communication among local agencies in the region.
- e) Minimize Adverse Impacts of the social, economic and environmental results of growth.
- f) Provide for Planned, Well-Ordered Efficient Urban Development Patterns with appropriate consideration of preserving open space lands within those patterns.

The following table is provided as a guide for the Commission to consider.

This proposal complies with applicable legal and proposed policy requirements, as summarized below:

1. GOVERNING LAW

LAFCO is charged with applying the policies and provisions of the Cortese-Knox-Hertzberg Act to its decisions regarding annexations, incorporations, reorganizations, and other changes of government. Section 56668 of the Government Code states the following:

Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following:

- (a) **Population, and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.**
- (b) **The Need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation; formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.**

**“Services,” as used in this subdivision, refers to governmental services whether or not the services are services, which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.**

- (c) **The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.**
- (d) **The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns, of urban development, and the policies and priorities set forth in Section 56377.**
- (e) **The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.**
- (f) **The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.**
- (g) **A regional transportation plan adopted pursuant to Section 65080, and consistency with city or county general and specific plans.**
- (h) **The proposal's consistency with city or county general and specific plans.**
- (i) **The sphere of influence of any local agency which may be applicable to the proposal being reviewed.**
- (j) **The comments of any affected local agency or other public agency.**



- (k) **The ability of the newly formed or receiving entity to provide the services which area the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.**
- (l) **Timely availability of water supplies adequate for projected needs as specified in Section 65352.5**
- (m) **The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with section 65580) of Chapter 3 of Division 1 of Title 7.**
- (n) **Any information or comments from the landowner or landowners, voters or residents of the affected territory.**
- (o) **Any information relating to existing land use designations.**
- (p) **The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.**
- (q) **Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone pursuant to Section 51178 or maps that identify land determined to be in a state responsibility area pursuant to Section 4102 of the Public Resources Code, if it is determined that such information is relevant to the area that is the subject of the proposal.**

These factors will be reviewed with regard to the proposed dissolution of the Daphnedale CSD and formation of a City of Alturas Subsidiary District for wastewater services.

- (a) **Population, and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.**

No change in population will occur as a result of this change of organization

- (b) **Need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation; formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas. "Services," as**

used in this subdivision, refers to governmental services whether or not the services are services, which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.

This project will lead to better-organized wastewater collection services.

- (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.

The Daphnedale CSD serves the 173.45-acre Community of Daphnedale. This action will not have an impact upon growth one way or another.

- (d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities set forth in (Government Code) Section 56377.

The annexation is contiguous to the city together will provide wastewater services as one agency.

- (e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.

There should be no impacts.

- (f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.

The boundary are definite and certain and includes ninety one assessor parcels

- (g) Consistency with city or county general and specific plans.

The proposed annexation is consistent with Rural Residential designation in the Modoc County General Plan and Zoning Ordinance.

- (h) The sphere of influence of any local agency, which may be applicable to the proposal being reviewed.

The proposed annexation is within the Sphere of Influence for the City of Alturas, which will be the wastewater service provider in the area through the subsidiary district. The change of organization does not conflict with the Sphere of Influence of any other district.

- (i) The comments of any affected local agency.

No comments received.

- (j) The ability of the newly formed or receiving entity to provide the services which area the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

The City has the ability to provide the area with municipal sewer service at present and in the future. The City adopted a plan for services, which states the city is currently providing services within the Daphnedale territory.

- (k) Timely availability of water supplies adequate for projected needs as specified in Section 65352.5

The Daphnedale area is served by wells.

- (l) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with section 65580) of Chapter 3 of Division 1 of Title 7.

N/A

- (m) Any information or comments from the landowner or owners.

None reported

- (n) Any information relating to existing land use designations.

The area is planned and zoned single family and Rural Residential

- (o) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

There are no issues associated with environmental justice with this proposal.

- (q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone pursuant to Section 51178 or maps that identify land

determined to be in a state responsibility area pursuant to Section 4102 of the Public Resources Code, if it is determined that such information is relevant to the area that is the subject of the proposal.

Not applicable

**General Policies**

<i>Policy</i>		<i>Comment</i>
Communication between local agencies is encouraged.	<i>Consistent</i>	<i>The City and the CSD have communicated</i>
Urban development proposals shall include annexation to a city where possible.	<i>N/A</i>	<i>This is not a City Annexation</i>
LAFCO will normally deny proposals that result in urban sprawl.	<i>N/A</i>	<i>This project will not result in urban sprawl</i>
Environmental consequences (CEQA) shall be considered.	<i>Consistent</i>	<i>Class 20 exempts establishment of a subsidiary district.</i>
LAFCO will consider the impact of a proposal on the regional supply of housing for all income levels.	<i>N/A</i>	
LAFCO will favor proposals that promote compact urban form and infill development.	<i>N/A</i>	
Government structure should be simple, accessible, and accountable.	<i>Consistent</i>	<i>There is no indication of unnecessary complexity or lack of accessibility or accountability.</i>
Agencies must provide documentation that they can provide service within a reasonable period of time.	<i>N/A</i>	<i>The city currently provides wastewater services</i>
Efficient services are obtained when proposals: Utilize existing public agencies. Consolidate activities and services. Restructure agency boundaries to provide more logical, effective, and efficient services.	<i>Consistent</i>	<i>A more logical and efficient service is proposed and an existing public agency will be used.</i>
Adverse impacts on adjacent areas, social and economic interests and the local government structure must be mitigated.	<i>Consistent</i>	
Conformance with general & specific plans required.	<i>Consistent</i>	

<p><b>Boundaries:</b>          Definite boundaries are required.          Boundaries that are favored:          Create logical boundaries &amp; eliminate islands or illogical boundaries.          Follow natural or man-made features and include logical service areas.</p> <p>Boundaries that are disfavored:          Split neighborhoods or communities.          Result in islands, corridors, or peninsulas.          Drawn for the primary purpose of encompassing revenue-producing territories.          Create areas where it is difficult to provide services.</p>	<i>Consistent</i>	
Revenue neutrality required for all proposals.	<i>Consistent</i>	
<p><b>Agricultural and Open Space Land Conservation Standards:</b>          Must lead to planned, orderly &amp; efficient development.          Approved Sphere of Influence Plan required.          Findings with respect to alternative sites required.          Impact on adjacent agricultural/open space lands assessed.</p> <p><b>Agricultural Buffers</b></p>	<i>N/A</i>	
<p><b>Need for services exists when:</b>          Public health and safety threat exists.          The residents have requested extension of non-growth-inducing community services.          Subject area is likely to be developed for urban use within 5 years.</p>	<i>N/A</i>	
<p>Exceptions are justified on the following grounds:          Unique.          Standards Conflicts.          Quality/Cost.          No Alternative.</p>	<i>N/A</i>	

***Dissolution Policies—General***

<b><i>Policy</i></b>	<b><i>Consistency/ Applicability</i></b>	<b><i>Comment</i></b>
Services Authorized are no longer necessary, or	<i>Consistent</i>	<i>The City will provide the service</i>
The services can be provided more efficiently by another agency or	<i>Consistent</i>	<i>The City of Alturas can more efficiently provide the service</i>

provider and that agency agrees to provide the services		
The agency is insolvent and unable to provide the services.	<i>Consistent</i>	<i>The CSD does not have the resources to comply with many of the requirements.</i>
Bonded Indebtedness. Where possible, LAFCO shall condition any dissolution to provide for the repayment of any bonded indebtedness or other obligations of the dissolved agency.	<i>N/A</i>	<i>The Bond has been paid off</i>
Disposition of Remaining Funds, A dissolved district shall turn over its funds to its successor as determined under 57451.	<i>Consistent</i>	<i>The City of Alturas will take over the District's finances and will directly bill those in the Daphnedale CSD in need of wastewater collection services</i>
Action options include: <ul style="list-style-type: none"> <li>• Approval.</li> <li>• Conditional approval to require only a portion of the area to be detached.</li> <li>• Denial.</li> </ul>	<i>N/A</i>	
<ul style="list-style-type: none"> <li>• Send back to the County for further negotiations with the HOA</li> </ul>	<i>N/A</i>	

***District Formation Policies***

Proposal to form a new district must be consistent with LAFCO Policies.	<i>Consistent</i>
<i>There is no inconsistency with LAFCO's Policies</i>	
Need for a new district requires	<i>Consistent</i>
<ul style="list-style-type: none"> <li>a. Documentation of a need for the proposed services</li> <li>b. Documentation that no existing agency can adequately or efficiently provide such services</li> </ul> <i>No existing agency has the ability to financially provide said services in the territory proposed.</i>	
Plan for Services required.	<i>Consistent</i>
<i>A plan for services is contained in the initiating resolution</i>	
LAFCO will establish service pattern.	<i>Consistent</i>
<i>LAFCO must establish the location and range of services that may be provided by a new district. The authorized services are to provide wastewater collection services by a subsidiary district as a replacement for services provided by the Daphnedale CSD.</i>	
Consistency with General and Specific Plans is required.	<i>Consistent</i>
Conflicts with other agencies' master plans are not allowed (unless higher quality, more efficient service provision will occur). <i>n/a</i>	<i>Consistent</i>

Public benefit must be considered.	<i>Consistent</i>
Fiscal solvency is required. <i>The City has demonstrated fiscal accountability by providing a realistic budget for the of its wastewater services</i>	<i>Consistent</i>
LAFCO may reduce or waive policy standards for county service areas. LAFCO's Tribal Land Policy <i>n/a</i>	<i>Not applicable</i>

**Conclusion:**

The above considerations are the basis to support the change of organization and Recommended actions are presented in accordance with the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Based upon the foregoing, it is recommended that the attached Resolutions making determinations and approving the dissolution of the Daphnedale CSD and the formation of the City of Alturas Municipal Sewer District as a subsidiary district be approved.

**Comments from the public and public agencies**

1. No comments received

**Recommendation**

Staff recommends the Commission take the following actions:

1. *Adopt Resolution 2021-0003 approving the Dissolution of the Daphnedale CSD. (see attachment 4)*
2. *Adopt Resolution 2021-0004 approving the formation of the City of Alturas Municipal Sewer District. (see attachment 5)*

Daphnedale Community Service District

March 3, 2021

This is to request the dissolution of the Daphnedale Service District and to begin a City Subsidiary District for sewer service. This recommendation is due to the fact that the current Daphnedale Service District only function is to transfer funds from the County to the City and the Board doesn't have the time and capability to keep with new and current Special District requirements mandated by the State. So, this Board is in favor for the City Subsidiary District and agrees with moving forward with a resolution to adopt.

Sincerely,

Stephen Riley

Joanne White

Monte White

Marcy Worch

James Worch

The block contains five handwritten signatures in cursive script, each corresponding to a name listed to its left. The signatures are: Stephen Riley (top), Joanne White, Monte White, Marcy Worch, and James Worch (bottom).



**RESOLUTION NO #2021-15**

**RESOLUTION OF APPLICATION BY THE COUNCIL OF THE CITY OF ALTURAS  
REQUESTING THE MODOC LOCAL AGENCY FORMATION COMMISSION INITIATE  
PROCEEDINGS FOR THE FORMATION OF A CITY OF ALTURAS SUBSIDIARY  
DISTRICT AND DISSOLUTION OF UNINCORPORATED TERRITORY KNOWN AS THE  
DAPHNE DALE COMMUNITY SERVICES DISTRICT**

**WHEREAS**, the City of Alturas received a request from the Board of Directors of the Daphnedale CSD (DCSD) on March 3<sup>rd</sup> 2021 to dissolve the DCSD and form a Subsidiary District for sewer services currently provided by both the City and the DCSD.

**WHEREAS**, the City Council of the City of Alturas desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 Division 3, Title 5 commencing with Section 56000 of the Government Code for a reorganization to form a city subsidiary district consisting of 2,017 acres more or less and dissolve an approximately 173.45-acre unincorporated area more or less known as the Daphnedale Community Services District located contiguous to the City of Alturas and located in the unincorporated area of Modoc County, and

**WHEREAS**, over 70% of both the territory and registered voters residing in the Subsidiary District will be located within the incorporated limits of the City of Alturas as required in Section 57105 of the Government Code; and

**WHEREAS**, The Daphnedale CSD was formed on September 29, 1977.

**WHEREAS**, a map and description of the boundaries of the approximately 173.45 acre unincorporated area and the incorporated area consisting of 1,884 acres in the City of Alturas included together will be the boundary of the Subsidiary District is attached hereto and made a part hereof as **Exhibits A and B**; and

**WHEREAS**, the Modoc Local Agency Formation Commission (“LAFCO”) is the agency with jurisdiction over such reorganizations within Modoc County (“County”); and

**WHEREAS**, a notice of intent to adopt this Resolution of Application has not been given pursuant to Government Code Section 56654; and

**WHEREAS**, it is desired to provide that all costs incurred to complete the reorganization included but not limited to Modoc LAFCo and Modoc County, unless waived, will be borne by the City of Alturas.

**WHEREAS**, The City acknowledges sewer collection bills are not referenced to the assessor’s parcel layer and therefore State Board of Equalization filings are not required; and

**WHEREAS**, a public meeting to consider this resolution was held on March 16, 2021, by the by the City Council of the City of Alturas; and

**WHEREAS**, the principal reasons for the proposed reorganization are as follows:

1. The City Council has determined that the proposed reorganization will promote the general health, safety and welfare of the community.
2. The City Council and District have determined that the reorganization is in the best interests of both the City of Alturas and the Daphnedale Community Services District and will lead to more efficient provision of sewer services.
3. The City Council has determined that the creation of a subsidiary district will benefit public safety.
4. Currently providing sewer collection services within the territory, the City Council has determined that the City is the best service provider for sewer services within the City Limits and the Daphnedale CSD territory.

**WHEREAS**, the following agency or agencies would be affected by the proposed jurisdictional changes:

<u>Agency</u>	<u>Nature of Change</u>
City of Alturas	Changing the City's sewer department to a City municipal sewer district and assume responsibility for services provided by the Daphnedale CSD
Daphnedale CSD	Dissolution of the CSD

**WHEREAS**, the City Council has complied with the requirements of the California Environmental Quality Act (the "CEQA"), Public Resources Code Section 21000 *et seq.*, the CEQA Guidelines, Cal. Code Regs, tit. 14, Section 15000 *et seq.*, and the City Council considered the proposed formation and dissolution and has determined this reorganization to be exempt from CEQA since the dissolution of the DCSD and formation of the subsidiary district consists of changes in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised (Categorical Exemption Class 20 CEQA Guidelines section 15320).

**WHEREAS**, all existing City and DCSD assets will become the assets of the new subsidiary district.

**WHEREAS**, the District shall be called the "City of Alturas Municipal Sewer District".

**WHEREAS**, on March 16, 2021, the City Council held a duly noticed meeting and took public testimony for the initiation of the dissolution of the DCSD and formation of a City Subsidiary District; and

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF ALTURAS DOES  
HEREBY RESOLVE:**

1. Recitals. That the foregoing recitals and findings are true and correct.
2. Findings of Fact. The City Council hereby finds and determines the following facts related to the proposed reorganization:
  - A. The City-DCSD reorganization conforms with the policies and guidelines of the *City of Alturas General Plan* and the *Alturas Municipal Code*.
  - B. The Project site is located contiguous to the City of Alturas boundary and less than 30% of the subsidiary district will be unincorporated , as required by Modoc LAFCO policies and the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
  - C. The proposed reorganization boundary represents a logical location of the Subsidiary District Boundaries.
3. Adoption and Approval. That this Resolution of Application is hereby adopted and approved and the Local Agency Formation Commission of Modoc County is hereby requested to take proceedings for the reorganization including the dissolution of the DCSD and formation of the City of Alturas Municipal Sewer District, as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
4. Authorization to City Public Works Director. That City staff is hereby directed to prepare all such documents as may be required to facilitate the dissolution of the Daphnedale CSD and formation of a City Subsidiary District and the City Public Works Director is hereby authorized to execute such documents, if required.
5. Notification. That the City Council shall be furnished with copies of the report by the LAFCo Executive Officer.
6. Effective Date. This Resolution shall be effective immediately.


**PASSED AND ADOPTED** by the City Council of the City of Alturas at a regular special meeting held on the 16th day of March, 2021, by the following vote:

**AYES:** Cheryl Nelson, Loni Lewis, Kelly Crosby, Samantha Wood, and Mark Steffek

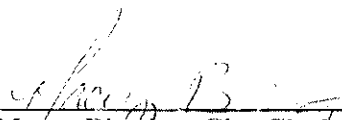
**NOES:** None

**ABSENT:** None

**ABSTAIN:** None

  
Mark Steffel, Mayor

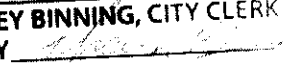
ATTEST:

  
Macey Binning, City Clerk

**EXHIBITS**

*A: Plan for Services*

*B: Annexation Geographic Description and Map*

STATE OF CALIFORNIA  
COUNTY OF MODOC...  
CITY OF ALTURAS  
I, MACEY BINNING, CITY CLERK, DO HERBY CERTIFY  
THAT THIS IS A FULL, TRUE AND CORECT COPY OF  
THE ORIGINAL DOCUMENT ON FILE IN MY OFFICE.  
WITNESS MY HAND AND OFFICIAL SEAL THIS  
\_\_\_\_ DAY OF \_\_\_\_\_ 20\_\_\_\_  
MACEY BINNING, CITY CLERK  
BY 

**EXHIBIT A**  
**PLAN FOR PROVIDING SERVICES**

**in Connection with the**  
**Formation of the City of Alturas Municipal Sewer District**

The Proposed Formation will provide services to the subject territory as outlined below:

1. *Enumerate and describe the services to be extended to the affected territory.*

This formation is for the provision of wastewater collection and treatment services within the bounds of the Subsidiary District

2. *Specify the level and range of those services.*

Services to be provided are wastewater collection and treatment and related services

3. *Indicate when those services can feasibly be extended to the affected territory.*

Services are already being provided within the area being proposed to be within the district.

4. *Indicate any improvement s or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.*

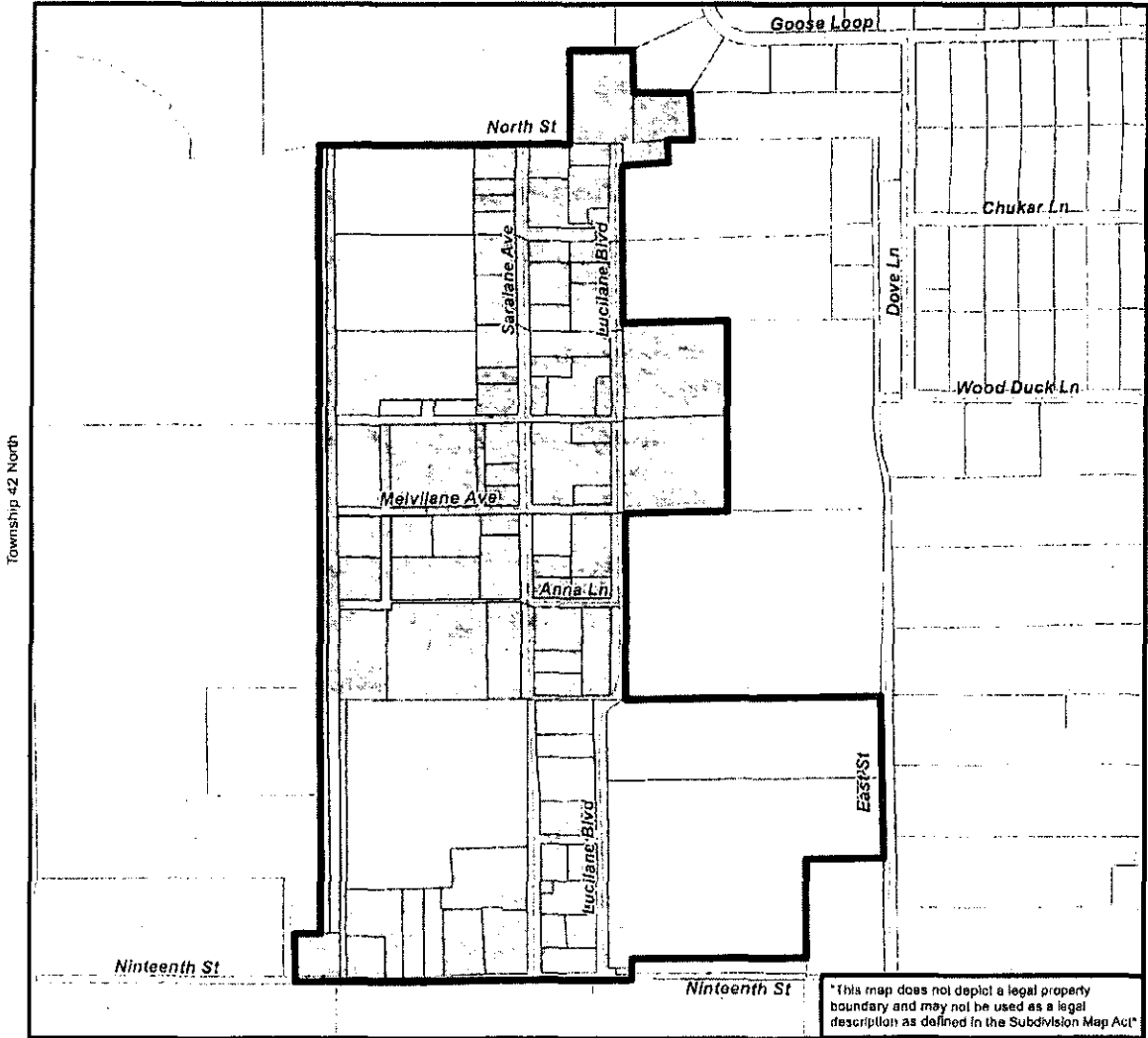
None

5. *Provide information about how each of those services will be financed.*

Services are and will be financed through direct district billing.

# MODOC LOCAL AGENCY FORMATION COMMISSION DAPHNEDEALE COMMUNITY SERVICES DISTRICT

Range 12 East

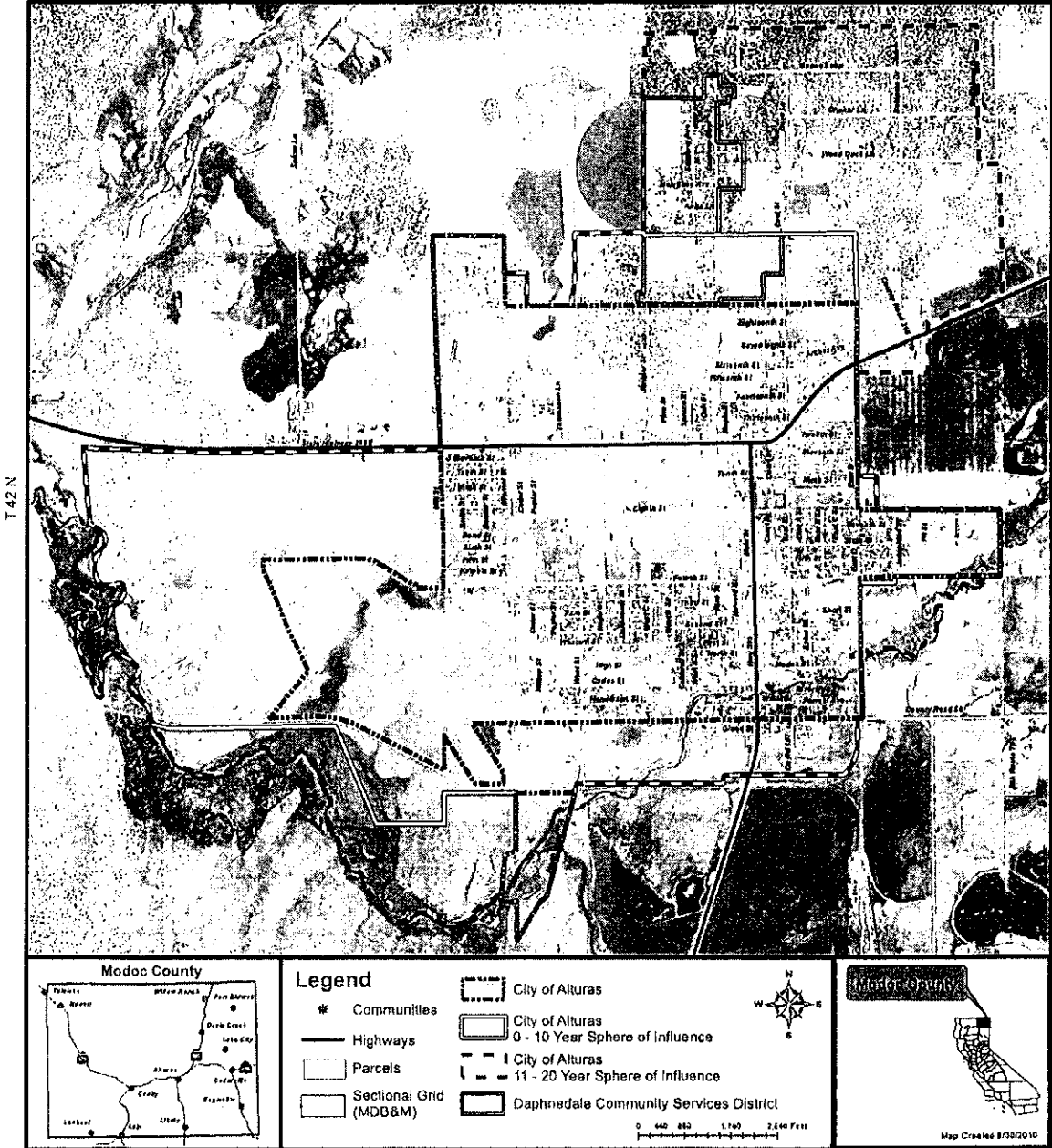


\*This map does not depict a legal property boundary and may not be used as a legal description as defined in the Subdivision Map Act\*

	<p><b>Modoc County</b></p>	<p><b>Legend</b></p> <ul style="list-style-type: none"> <li> Highways</li> <li> Parcels</li> <li> Sectional Grid (MDB&amp;M)</li> </ul> <p style="text-align: center;">0 165 330 Feet</p>	<ul style="list-style-type: none"> <li> Daphnedale Community Services District 173.45 Acres</li> <li> Daphnedale Community Services District Boundary and Sphere of Influence</li> </ul> <p style="text-align: center;"><i>Daphnedale Community Services District Sphere of Influence</i></p> <p style="text-align: center;">Modoc LAFCo Resolution: 2012-0001 Adopted: April 10, 2012</p> <p style="font-size: small;">Source: Modoc LAFCo <span style="float: right;">Map Created 9/28/2020</span></p>
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**MODOC COUNTY**  
**CITY OF ALTURAS**  
**DAPHNEDALE COMMUNITY SERVICES DISTRICT**

R 12 E



NOTICE OF EXEMPTION

**TO:** County Clerk  
County of Modoc  
Alturas, CA

**FROM:** Modoc LAFCO  
P.O. Box 2694  
Granite Bay, CA 95746

**PROJECT TITLE:** Dissolution of the Daphnedale CSD and Formation of the City of Alturas Municipal Sewer District

**PROJECT LOCATION:** North of 19<sup>th</sup> Street between a line extended north of Juniper Street and East Street north of Alturas and the entire incorporated territory within the City of Alturas

**DESCRIPTION OF PROJECT:**  
The proposed project would involve the Dissolution of the Daphnedale CSD and Formation of the City of Alturas Municipal Sewer District to provide wastewater services coterminous with the existing city and district boundaries together

**NAME OF PUBLIC AGENCY APPROVING PROJECT:**  
Modoc Local Agency Formation Commission

**NAME OF PERSON OR AGENCY CARRYING OUT THE PROJECT:**  
Modoc Local Agency Formation Commission

**EXEMPT STATUS:**  
Class 1, Existing Boundaries and Class 20 Categorical Exemption, "Changes in Organization of Local Agencies," CEQA Guidelines Section 15301 & 15320 and the General Rule Exemption.

**REASONS WHY PROJECT IS EXEMPT:**  
The proposed project involves a transfer of management of the Daphnedale wastewater collection function to a newly formed City subsidiary district whereby the City's wastewater functions will be managed by a City subsidiary district instead of the City. CEQA Guidelines Section 15301 and 15320 consists of changes in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised. There is no change to the service area boundary. The Commission also finds there is no evidence in the record that an unusual circumstance exists with respect to the Dissolution of the Daphnedale CSD and the Formation of the City of Alturas Municipal Sewer District.

**CONTACT PERSON:**  
John Benoit  
LAFCO Executive Officer

**TELEPHONE NUMBER:**  
(530) 233-9625

By: \_\_\_\_\_

Date: June 8, 2021



**Resolution # 2021-0003**

**MODOC LOCAL AGENCY FORMATION COMMISSION**

*A Resolution Making Determinations and Approving the Dissolution of the Daphnedale Community Services District*

**WHEREAS**, On March 3<sup>rd</sup>, 2021 by unanimous vote of the Daphnedale CSD Board of Directors requested the City of Alturas to initiate Dissolution and formation of a City Subsidiary District for sewer services; and

**WHEREAS** A Resolution of application (Resolution 2021-15) initiating the Dissolution of the Daphnedale Community Services District and concurrent formation of a City of Alturas Subsidiary District was adopted by the City of Alturas City Council on March 16, 2021 and was filed with the Executive Officer of the Modoc Local Agency Formation Commission pursuant to the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act (Section 56000 *et seq* of the Government Code); and

**WHEREAS**, Daphnedale CSD and the City of Alturas both support the dissolution and city subsidiary district formation; and

**WHEREAS**, the Executive Officer has provided notice of this hearing as described under Government Code Sections 56151 through 56159; and

**WHEREAS**, the Executive Officer reviewed the application and determined its completeness within 30 days of their submission and prepared and filed his report with this Commission at least five-days prior to the regularly scheduled meeting during which this application is to be considered; and

**WHEREAS**, this Commission has considered the application, the report of the Executive Officer, the applicable General Plan, and each of the factors required by Government Code Section 56668 to be considered in the review of a proposal; and

**WHEREAS**, it is desired that the proposed dissolution of the Daphnedale CSD be subject to terms and conditions as follows:

1. The Daphnedale CSD – The Daphnedale CSD and the City of Alturas shall agree to defend, indemnify, and hold harmless the Modoc Local Agency Formation Commission and its agents, officers and employees from any claim, action or proceeding against the Commission or its agents, officers, and employees; including all costs, attorney's fees, expenses and liabilities incurred in the defense of such claim. Action, or proceeding to attack, set aside, or void the approval or determinations of this Commission concerning this change of organization. The Modoc Local Agency Formation Commission shall promptly notify the applicant of any such claim, action, or proceeding and be entitled to representation by counsel of its choosing.

**WHEREAS**, all interested parties, the public and proponents of the proposal were heard at a

public hearing held on June 8, 2021.

**NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED** by the Modoc Local Agency Formation Commission as follows:

1. The foregoing recitals are true and correct.
2. Said change of organization territory is found to be inhabited.
3. Further protest proceedings are waived and the Commission orders the 173.45-acre more or less dissolution of the Daphnedale Community Services District pursuant to Part 4 of Division 3 of the California Government Code commencing with Section 57000. No affected agency has objected in writing to the waiver of conducting authority proceedings. Notice was provided to the registered voters and landowners within the Daphnedale CSD and no written protest or objection has been received by LAFCo prior to the conclusion of the public hearing. Therefore, The Commission does hereby approve and authorize the conducting authority to dissolve territory described in Exhibits "A" and "B", as amended thereby dissolving the Daphnedale Community Services District without notice and election.
4. In reviewing this application, the Commission finds that all of the services provided by Daphnedale Community Services will be provided by the City of Alturas Municipal Sewer District, a City subsidiary district upon completion of the LAFCo proceedings.
5. The City of Alturas Municipal Sewer District, a subsidiary district of the City of Alturas shall be formed concurrently with this dissolution and shall be the successor agency to all matters pertaining to the Daphnedale Community Services District.
6. In reviewing this application, this Commission has considered each of the factors required by Government Code Section 56668 and LAFCO's policies.
7. The Commission hereby adopts the Notice of Exemption included as part of the Executive Officer's report for this dissolution.
8. The subject proposal is assigned the following short form designation: Dissolution of the Daphnedale Community Services District (LAFCo File 2021-0001).
9. The Executive Officer of this Commission is instructed to mail or email a certified copy of this resolution to those persons so indicated on the application and as required by Government Code Section 56882.
10. The application for the Dissolution of the Daphnedale Community Services District (LAFCO 2021-0001) is hereby approved subject to the terms and conditions herein.
11. Upon the effective date of this dissolution control of all assets, all monies or funds including cash on hand and monies due but uncollected, and all property, real and personal, of the dissolved district is vested with the City of Alturas Municipal Sewer District as provided for in Government Code section 57457.

12. This dissolution shall not take effect until all conditions included in LAFCo Resolution 2021-0004 (Formation of the City of Alturas Municipal Sewer District) have been satisfied and a concurrent Certificate of Completion has been recorded by LAFCo.
13. The authority of the Daphnedale Community Services District to provide wastewater Collection services is hereby transferred to the City of Alturas Municipal Sewer District entirely, and the City of Alturas Municipal Sewer District is hereby designated as the "successor agency" to the Daphnedale Community Services District with respect to such sewer services. The City of Alturas Municipal Sewer District shall succeed to all licenses, permits and authorities and all obligations and responsibilities of the sewer services within the Daphnedale Community Services District.
14. The Executive Officer is directed to record a Certificate of Completion for this proposal upon completion of all proceedings and compliance with the terms and conditions in this resolution as well as Resolution 2021-0004 the formation of the Daphnedale Community Services District.
15. Completion of proceedings shall be concluded within one year after adoption date of this resolution. If the proceedings are not concluded within one year after passage of this resolution, all proceedings shall be terminated unless extended by the LAFCo Commission.

**PASSED AND ADOPTED** at a regular meeting of the Local Agency Formation Commission of the County of Modoc, State of California, on the 8th day of June 2021 by the following vote:

AYES:

NOES:

ABSTAINS:

ABSENT:

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Ned Coe, CHAIR  
MODOC LOCAL AGENCY  
FORMATION COMMISSION

ATTEST:

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JOHN BENOIT  
Executive Officer