



Local Agency Formation Commission of Napa County
Subdivision of the State of California

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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

April 7, 2014

Agenda Item No. 6b (Public Hearing)

March 31, 2014

TO: Local Agency Formation Commission

FROM: Peter Banning, Acting Executive Officer
Brendon Freeman, Analyst

SUBJECT: **Central County Region Municipal Service Review:
Final Section on Central County Special Districts**

The Commission will receive a final section of its scheduled municipal service review on the Central County region specific to Napa Sanitation District, Congress Valley Water District, and Silverado Community Services District. The report is being presented to the Commission to file. The Commission will also consider adopting a resolution confirming the determinative statements in the report.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH”) directs Local Agency Formation Commissions (LAFCOs) to prepare municipal service reviews every five years to inform their other planning and regulatory activities. This includes preparing and updating all local agencies’ spheres of influence as needed. Municipal service reviews vary in scope and can focus on a particular agency, service, or geographic region as defined by LAFCOs. Municipal service reviews may also lead LAFCOs to take other actions under its authority such as forming, consolidating, or dissolving one or more local agencies. Municipal service reviews culminate with LAFCOs making determinations on a number of factors that include addressing infrastructure needs or deficiencies, growth and population trends, and financial standing as required by California Government Code (G.C.) Section 56430.

A. Discussion

Central County Region Study

Staff has prepared a final report representing LAFCO of Napa County’s (“Commission”) scheduled municipal service review of the Central County region; an area defined by the Executive Officer to encompass all lands extending south to Soscol Ridge, west to Congress Valley, north to Oak Knoll, and east to Silverado. The principal objective of the municipal service review is to develop and expand the Commission’s knowledge and understanding of the provision of municipal services within the region relative to present and projected needs throughout the county. The final report follows the presentation of a draft at the February 3, 2014 meeting and focuses on the level and range of governmental services provided in the

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region relative to present and projected community needs in anticipation of subsequent sphere of influence updates. This includes evaluating the availability and adequacy of municipal services provided – directly or indirectly – by the four principal local service providers operating in the Central County region subject to Commission oversight. These agencies include: (a) City of Napa; (b) Napa Sanitation District (NSD); (c) Congress Valley Water District (CVWD); and (d) Silverado Community Services District (SCSD).

It was staff's original intention to prepare a complete draft report on the municipal service review – including a regional overview paired with individual profiles on all four affected agencies – for Commission and public review. However, in consultation with the affected agencies, staff has revised its initial work plan to prepare and present the report in two phases. The first phase involved preparing the municipal service review section specific to the City of Napa. The Commission completed action on this report at its meeting on December 3, 2013. The second phase involves preparing the municipal service review section for NSD, CVWD, and SCSD. The underlying purpose in phasing the municipal service review is to enable the Commission to focus its attention first on the service and governance issues tied to the City of Napa given that its subsequent sphere of influence update will help inform the updates of the other three agencies included in the study.

Consistent with the preceding comments, the second phase of the municipal service review is attached and represents the final section for the three Central County special districts. The final section is divided into eight subsections – overview, formation and development, adopted jurisdictional boundary, sphere of influence, demographics, organizational structure, municipal services, and financial standing – and culminating with determinative statements addressing all of the factors required for consideration under CKH.

Revisions from Draft Section

Staff has made minimal revisions to the final section relative to the draft presented at the February 3rd meeting. No comments on the draft section were received and therefore all changes are considered non-substantive.

B. Summary

With regard to central issues and key conclusions identified in the final section, information independently collected and analyzed indicates municipal services provided by NSD, CVWD, and SCSD appear effectively managed and largely responsive to meeting current and projected community needs. Specific areas of interest to the Commission relative to its mandates and policy interests are memorialized in the determinations section and include the following pertinent conclusions.

- NSD's population over the next 10 years within the existing sphere of influence will generally match its principal service area – the City of Napa – and supplemented by minimal increase in the unincorporated portions of its service area, primarily Silverado. Growth rates of less than one percent per year are expected in the service areas of NSD, CVWD and SCSD.

- NSD, CVWD and SCSD are providing reliable services within their respective service areas and are expected to meet current and projected demands for service under the existing general plans of Napa County and the City of Napa.
- Each of the three special districts described in this study finished the last fiscal year in relatively good financial standing as measured by high liquidity and capital ratios. These ratios provide some assurance that each district has sufficient resources to meet short- and near-term financial obligations as highlighted by net assets exceeding long-term liabilities.
- NSD and SCSD are dependent districts, with an appointed board (NSD) or governed by an *ex officio* board of directors (SCSD). CVWD is independently governed by a directly elected board, but that board is wholly dependent on the City of Napa to provide water service. Despite the lack of direct control over services by the residents of each of the three districts service areas, the study concludes that the existing arrangements for service and governance are appropriate and/or alternative arrangements are not likely to provide net improvement.
- The MSR section for the City of Napa discussed a “...governance disconnect between the boundary of the City of Napa and its historical water service area given that the latter extends significantly beyond the City’s incorporated area and sphere of influence.” This is partly reflected in the Congress Valley Water District’s contract for service with the City. While there is no obstacle to public agencies entering into such contracts, this contract calls for the dissolution of CVWD in 2017. LAFCO may not be able to approve the dissolution under the restrictions of G.C. Section 56133. In pointing this out, the report suggests that the provisions of the contract on dissolution of CVWD be reviewed by the City and the District prior to the scheduled implementation of this provision in 2017.

C. Alternatives for Commission Action

The following two alternatives are available for Commission action.

Alternative One

- a) Approve by motion to receive and file the attached final Central County region municipal service review section on NSD, CVWD, and SCSD; and
- b) Adopt by motion the attached draft resolution making determinative statements as outlined in the final report with or without changes.

Alternative Two

- a) Continue consideration to a later date and provide direction to staff as needed regarding any additional information requests.

D. Recommendation

Staff recommends the Commission take the prescribed actions identified under Alternative One in the preceding section.

E. Procedures for Consideration

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

- 1) Receive verbal report from staff;
- 2) Open the public hearing (required);
- 3) Receive public comments, if any;
- 4) Close the public hearing; and
- 5) Discuss item and consider action on recommendation.

Respectfully submitted,

Peter Banning
Acting Executive Officer

Brendon Freeman
Analyst

Attachments:

- 1) Final Central County Region Municipal Service Review: Section on NSD, CVWD, and SCSD
- 2) Draft Resolution Approving Determinative Statements