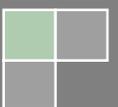


2017

FINAL
MUNICIPAL SERVICE REVIEW AND
SPHERE OF INFLUENCE STUDY
UPDATE

FOR THE

Dunnigan County Service Area (CSA)





Project Name: MSR/SOI Update for Dunnigan County Service Area (CSA)

LAFCo Project No. S-047

Conducted By: Yolo Local Agency Formation Commission
625 Court Street, Suite 203
Woodland, CA 95695

Date: Adopted by LAFCo April 27, 2017

Subject Agency: Dunnigan County Service Area

Agency Address: County of Yolo
625 Court Street, Suite 202
Woodland, CA 95695

Agency Contact Person: Beth Gabor, County Service Area Manager

Phone Number: (530) 666-8153

Date of Last MSR/SOI Adopted by LAFCo: June 26, 2014

YOLO LOCAL AGENCY FORMATION COMMISSION

Resolution № 2017-01

Adopting the Municipal Service Review (MSR) for the Dunnigan County Service Area (CSA) and Determining That an Update to the CSA's Sphere of Influence is Not Necessary at This Time (LAFCo No. S-047)

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 set forth in Government Code Sections 56000 et seq. governs the organization and reorganization of cities and special districts by local agency formation commissions established in each county, as defined and specified in Government Code Sections 56000 et seq. (unless otherwise indicated all statutory references are to the Government Code); and,

WHEREAS, Section 56425 et seq. provides that the local agency formation commission in each county shall develop and determine the sphere of influence of each local governmental agency within the county, and enact policies designed to promote the logical and orderly development of areas within the spheres of influence, as more fully specified in Sections 56425 et seq.; and,

WHEREAS, Section 56430 requires that local agency formation commissions conduct a municipal service review (MSR) prior to, or in conjunction with, consideration of actions to establish or update a sphere of influence (SOI) in accordance with Sections 56076 and 56425; and,

WHEREAS, in 2016, the Yolo County Local Agency Formation Commission (LAFCo) undertook to conduct a review of the municipal services and sphere of influence of the Dunnigan County Service Area (CSA); and,

WHEREAS, based on the results of the MSR staff has determined that the SOI for the Dunnigan CSA does not need to be updated; and,

WHEREAS, staff has reviewed the Municipal Service Review pursuant to the California Environmental Quality Act (CEQA) and determined that a Municipal Service Review is not a "project" per CEQA Guidelines Section 21065 because an MSR is not an activity which may cause a direct or indirect physical change to the environment; and

WHEREAS, the Executive Officer set a public hearing for April 27, 2017 for consideration of the draft Municipal Service Review and caused notice thereof to be posted, published and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and,

WHEREAS, on April 27, 2017, the draft Municipal Service Review came on regularly for hearing before LAFCo, at the time and place specified in the Notice; and,

WHEREAS, at said hearing, LAFCo reviewed the draft Municipal Service Review, and the Executive Officer's Report and Recommendations; each of the policies, priorities and factors set forth in Government Code Sections 56430; LAFCos Guidelines and Methodology for the Preparation and Determination of Municipal Service Reviews; and all other matters presented as prescribed by law; and,

WHEREAS, at that time, an opportunity was given to all interested persons, organizations, and agencies to present oral or written testimony and other information concerning the proposal and all related matters; and,

WHEREAS, the Commission received, heard, discussed, and considered all oral and written testimony related to the sphere update, including but not limited to protests and objections, the Executive Officer's report and recommendations, the environmental documents and determinations and the service review.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Local Agency Formation Commission of Yolo County hereby:

1. States that each of the foregoing recitals is true and correct.
2. Adopts Resolution 2017-01 adopting the Municipal Service Review for the Dunnigan County Service Area as set forth in Exhibit A attached hereto and incorporated herein by this reference, subject to the following finding and recommendations:

FINDINGS

1. Finding: Approval of the Municipal Service Review is consistent with all applicable state laws and local LAFCo policies.

Evidence: The project was prepared consistent with the requirements in the Cortese-Knox-Hertzberg Act for a MSR and all applicable Yolo LAFCo policies and adopted Standards for Evaluation. The MSR includes written determinations as required by Section 56430 of the Cortese Knox Hertzberg Local Government Act.

RECOMMENDATIONS

1. Prior to expanding the number of street lights in the CSA, the County should determine if there is public support to pass a Proposition 218 election to increase revenues to finance them.
2. If there is sufficient public support, conduct a rate study and a Proposition 218 process to increase funds.
3. Process an application with LAFCo to annex into the CSA any new parcels that may be assessed if the Proposition 218 measure is successful.
4. The CSA should consider means to reduce the CSA's professional services expenditures. The County may wish to consider whether an advisory committee is necessary to manage the street lighting contract with PG&E and/or consider transferring contract management to another local district to reduce administration costs.
5. The CSA should assess definitively whether the existing cash in treasury provides sufficient reserve or if additional funds are needed. The CSA should establish a dedicated reserve for unexpected costs by placing some of the cash in treasury into a reserve. In addition, the County Department of Financial Services should move the \$20,000 intended for a CSA lighting plan into a restricted account.
6. If the CSA chooses to move forward with expanding its lighting infrastructure, it will need to conduct Proposition 218 proceedings to increase its special assessment for street lighting,

but will first need to commission a rate study to determine the expected cost and appropriate rates for providing the service.

7. Yolo County should apply its Budget and Financial Management policies to each CSA as a separate enterprise fund. Specifically, the Dunnigan CSA's structural deficits need to be addressed, a reserve needs to be established, and Capital Improvement Planning may need to occur, if necessary depending on determination of the County's liability to replace street lights.
8. County staff needs to prioritize its plan to provide quarterly financial reports for each CSA that clarify in detail the various funds, fund balances, sources of revenue for each fund, and a more detailed list of expenditures in each fund or for each service, and provided to the Board of Supervisors and the advisory committees.
9. The County should consider transferring the CSA's services to another local district and dissolve the Dunnigan CSA accordingly.
10. The County's CSA website should be updated to post all available information, including annual budgets and quarterly financial reports specific to the particular CSA, municipal service rates, advisory committee members, all minutes of advisory committee meetings, agendas, and announcements for the next meeting in a readily apparent location.

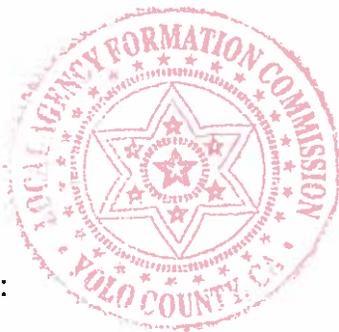
PASSED AND ADOPTED by the Local Agency Formation Commission, County of Yolo, State of California, this 27th day of April, 2017, by the following vote:

Ayes: Arnold, Cowan, Woods

Noes: None

Abstentions: None

Absent: Rexroad, Saylor



Olin Woods, Chair
Yolo County Local Agency Formation Commission

Attest:

Christine Crawford, Executive Officer
Yolo County Local Agency Formation Commission

Approved as to form:

Eric May, Commission Counsel

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MSR/SOI BACKGROUND

ROLE AND RESPONSIBILITY OF LAFCO

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (“CKH Act”) (California Government Code §§56000 et seq.), is LAFCo’s governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of “discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (§56301). CKH Act Section 56301 further establishes that “one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute, but are meant to address the “probable physical boundaries and service area of a local agency” (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies their broader county area, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo’s SOI determinations.

PURPOSE OF A MUNICIPAL SERVICE REVIEW

As described above, MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs. The CKH Act, however, gives LAFCo broad discretion in deciding how to conduct MSRs, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The purpose of a Municipal Services Review (MSR) in general is to provide a comprehensive inventory and analysis of the services provided by local municipalities, service areas, and special districts. A MSR evaluates the structure and operation of the local municipalities, service areas, and special districts and discusses possible areas for improvement and coordination. The MSR is intended to provide information and analysis to support a sphere of influence update. A written statement of the study’s determinations must be made in the following areas:

1. Growth and population projections for the affected area;
2. The location and characteristics of any disadvantaged unincorporated communities 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; and

7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

PURPOSE OF A SPHERE OF INFLUENCE

In 1972, LAFcos were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by the CKH Act, “‘sphere of influence’ means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission” (§56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development. Likewise, they are also designed to discourage urban sprawl and the premature conversion of agricultural and open space resources to urbanized uses.

The role of SOIs in guiding the State’s growth and development was validated and strengthened in 2000 when the Legislature passed Assembly Bill (“AB”) 2838 (Chapter 761, Statutes of 2000), which was the result of two years of labor by the Commission on Local Governance for the 21st Century, which traveled up and down the State taking testimony from a variety of local government stakeholders and assembled an extensive set of recommendations to the Legislature to strengthen the powers and tools of LAFcos to promote logical and orderly growth and development, and the efficient, cost-effective, and reliable delivery of public services to California’s residents, businesses, landowners, and visitors. The requirement for LAFcos to conduct MSRs was established by AB 2838 as an acknowledgment of the importance of SOIs and recognition that regular periodic updates of SOIs should be conducted on a five-year basis (§56425(g)) with the benefit of better information and data through MSRs (§56430(a)).

Pursuant to Yolo County LAFCO policy an SOI includes an area adjacent to a jurisdiction where development might be reasonably expected to occur in the next 20 years. A MSR is conducted prior to, or in conjunction with, the update of a SOI and provides the foundation for updating it. In Yolo County, a SOI generally has two planning lines. One is the 10-year boundary which includes the area that may likely be annexed within 10 years, while the 20-year boundary is anticipated to accommodate boundary expansions over a 20-year horizon.

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(c)):

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

DISADVANTAGED UNINCORPORATED COMMUNITIES

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited territories (containing 12 or more registered voters)

where the annual median household income is less than 80 percent of the statewide annual median household income.

On March 26, 2012, LAFCo adopted a “Policy for the Definition of ‘Inhabited Territory’ for the Implementation of SB 244 Regarding Disadvantaged Unincorporated Communities”, which identified 21 inhabited unincorporated communities for purposes of implementing SB 244.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo. The legislative intent is to prohibit “cherry picking” by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services. DUCs are recognized as social and economic communities of interest for purposes of recommending SOI determinations pursuant to Section 56425(c).

ORGANIZATION OF MSR/SOI STUDY

This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency while providing required LAFCo’s MSR and SOI determinations. The checklist questions are based on the Cortese-Knox-Hertzberg Act, the LAFCo MSR Guidelines prepared by the Governor’s Office of Planning and Research and adopted Yolo LAFCo local policies and procedures. This report provides the following:

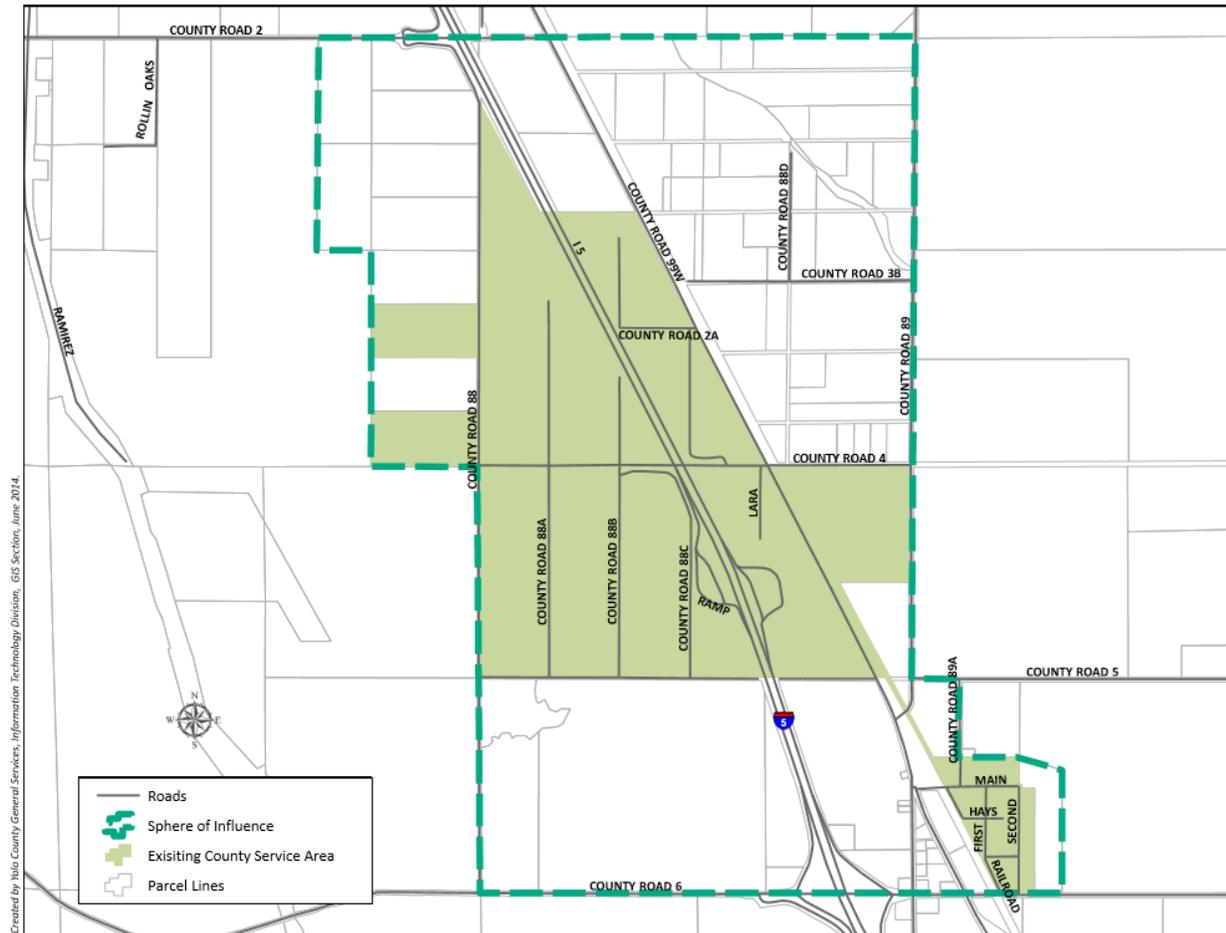
- Provides a description of the subject agency;
- Provides any new information since the last MSR and a determination regarding the need to update the SOI;
- Provides MSR and SOI draft determinations for public and Commission review; and
- Identifies any other issues that the Commission should consider in the MSR/SOI.

AGENCY PROFILE

Dunnigan County Service Area (CSA) was formed January 8, 1991 as a single function special district responsible for managing a contract with PG&E for street lighting services in the town of Dunnigan (County of Yolo, 1991). At the time of its formation, the CSA was also given the latent power to provide all services allowable for CSAs by California law, which it may activate by seeking approval of the LAFCo Commission.

The CSA covers over 600 acres of land in northern Yolo County, and its service area comprises most of the inhabited and commercial areas in the town of Dunnigan. It is bounded by County Road 6 on the south, County Road 2 on the north, Southern Pacific railroad tracks to the east, and County Road 88 to the west (refer to the map below for more details). The CSA’s sphere of influence was coterminous with its service boundaries, and both had remained the same since the time of its formation, until June 26, 2014 when LAFCo approved a sphere of influence for the Dunnigan CSA to allow for potential expansion of the CSA’s lighting network.

Dunnigan CSA Boundary and Sphere of Influence Map



Created by Yolo County General Services, Information Technology Division, GIS Section, June 2014.

Adopted by LAFCo on June 26, 2014

The CSA contracts with Pacific Gas and Electric (PG&E) to supply electricity for its public lighting system, as well as to install, maintain, and service the light poles across much of the developed area in the community of Dunnigan. Consequently, the CSA does not own or operate any equipment, although it is financially responsible for all one-time and ongoing costs associated with the street lighting network. The CSA largely functions as a pass-through agency, collecting funds from the Dunnigan residents to pay the PG&E bills for the public street lighting service.

The Yolo County Board of Supervisors governs the Dunnigan CSA. The Board receives advice from a five member advisory committee composed of local Dunnigan residents, who are appointed to the committee by the Board. As directed by California Government Code Section 25212.4, the advisory committee's role is to provide advice to the Board regarding the services and facilities of the CSA, but it is not within the authority of the advisory committee to make decisions, manage, or direct the delivery of services and facilities. On July 1, 2016, management of the CSAs transferred to the County Administrator's Office and is staffed accordingly, and is billed for the staff time of the CSA Coordinator, finance staff, and County legal counsel when such services are utilized.

AFFECTED AGENCIES

Per Government Code Section 56427, a public hearing is required to adopt, amend, or revise a sphere of influence. Notice shall be provided at least 21 days in advance and mailed notice shall be provided to each affected local agency or affected County, and to any interested party who has filed a written request for notice with the executive officer. Per Government Code Section 56014, an affected local agency means any local agency that overlaps with any portion of the subject agency boundary or SOI (included proposed changes to the SOI).

The affected local agencies for this MSR/SOI are:

County/Cities:

- City of Davis
- City of West Sacramento
- City of Winters
- City of Woodland
- County of Yolo

County Service Areas (CSAs)

- Dunnigan CSA

K-12 School Districts:

- Davis Joint Unified.
- Esparto Unified
- Pierce Joint Unified
- River Delta Unified
- Washington Unified
- Winters Joint Unified
- Woodland Joint Unified

Community College Districts

- Delta Community College District
- Los Rios Community College District
- Solano Community College District
- Yuba Community College District

Special Districts:

- Cemetery District – Mary’s
- Community Service District – Cacheville, Esparto, Knight’s Landing, Madison
- Fire Protection District – Dunnigan
- Sacramento-Yolo Port District
- Reclamation District – 150, 307, 537, 730, 765, 785, 787, 827, 900, 999, 1600, 2035, 2076, 2120
- Yolo County Resource Conservation District
- Water District – Dunnigan

Multi-County Districts:

- Reclamation District – 108 (Colusa), 2068 (Solano), 2093 (Solano)
- Water District – Colusa Basin Drainage
- Sacramento-Yolo Mosquito Vector Control District

MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a MSR update is not warranted.

- Growth and Population
- Disadvantaged Unincorporated Communities
- Capacity, Adequacy & Infrastructure to Provide Services
- Financial Ability
- Shared Services
- Accountability
- Other

1. GROWTH AND POPULATION

Growth and population projections for the affected area.	YES	MAYBE	NO
a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will population changes have a significant negative impact on the subject agency’s service needs and demands such that agency investment would be required to increase capacity?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will projected growth require a change in the agency’s sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) According to the U.S. Census (2010) the population in the town of Dunnigan was 1,416 in 2010, and the State Department of Finance estimates that the population in the Yolo County unincorporated areas grew at 5.3% from 2015-2016. The Dunnigan community is not projected to experience significant growth in the near future that would result in a significant negative impact to the CSAs ability to provide services.
- b-c) The County of Yolo was previously processing an application for the Dunnigan Specific Plan (DSP) which would have created new development and growth in the Dunnigan community. However, the project is no longer viable and the County Board of Supervisors has amended its General Plan to remove references to the specific plan in the Dunnigan area. Therefore, significant population growth and corresponding governance changes for new municipal services is no longer planned or needed (e.g. expanded powers for the CSA or potentially an independent community services district).

Growth and Population MSR Determination

Dunnigan is not projected to experience any significant development or growth that might impact the CSA's street lighting contract for PG&E services.

2. DISADVANTAGED UNINCORPORATED COMMUNITIES			
The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.			
	YES	MAYBE	NO
a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If yes, are there any "inhabited unincorporated communities" (per adopted Commission policy) within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection (if "no" to a), this question may be skipped)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) If "yes" to both a) and b), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community (if "no" to either a) or b), this question may be skipped)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

a-c) The Dunnigan CSA does not provide any public services related to sewers, municipal and industrial water, or structural fire protection. The CSA's only service is public street lighting.

Disadvantaged Unincorporated Communities MSR Determination

The Dunnigan CSA does not provide any public services related to sewers, municipal and industrial water, or structural fire protection. Therefore, the provisions of SB 244 regarding disadvantaged unincorporated communities do not apply to the Dunnigan CSA.

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

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.

	YES	MAYBE	NO
a) Are there any concerns regarding public services provided by the agency being considered adequate?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a-c) LAFCo does not have any concerns about the capacity of the Dunnigan CSA to manage the street lighting contract with PG&E for services to the town of Dunnigan. The contract is structured as a simple funding pass-through, and PG&E handles the maintenance of streetlights.
- d) The Dunnigan CSA Advisory Committee has expressed in the past the need for additional street lights in the community and has completed a lighting plan to address these issues. However, next steps of determining public support and funding additional streetlights has not yet occurred.

The Advisory Committee would like to add street lights at road intersections that serve residential and commercial areas, some of which are beyond the CSA's present boundaries. Many of the proposed additions to the Dunnigan CSA's street lighting network stem from concerns over public safety such as increased auto safety at intersections, increased visibility of pedestrians, and the deterrence of criminal activity. In addition, there had been concerns about street lights taking advantage of new LED technology, however, according to the CSA Manager, PG&E is working on a street light retrofit plan with implementation anticipated in Spring 2017.

In a Draft Dunnigan CSA Lighting Plan dated March 2014, the advisory committee identified the following six priorities for additional lighting due to public safety concerns:

1. Road 5 at Road 88A (road is narrow and dangerous)
2. Road 5 at 88B (road is narrow and dangerous)
3. Road 4 at Highway 99W (dangerous corner with poor visibility)
4. Road 89, south of its split from Highway 99 (fast moving traffic in both directions)
5. North of the post office parking lot, on the west side of Highway 99
6. West of I-5 on the south side of Road 4, between Road 88A and Road 88B

LAFCo amended the CSA's sphere of influence in 2014 to accommodate future annexation of these areas should additional lighting be funded and installed. However, additional planning by the Advisory Committee to implement the 2014 Lighting Plan has not occurred.

Should the CSA Advisory Committee move forward with adding new lighting areas proposed in the Lighting Plan, financial resources will become an issue. As evidenced in Section 4 of this MSR, the CSA is barely able to support its existing level of service at its current funding level. In order to implement the proposed street lighting plan, the CSA Advisory Committee will need to consider taking several steps aimed at expanding the CSA's service boundary and increasing its revenues.

1. Determine if there is public support for a rate increase to fund additional street lights.
 2. Conduct a rate study to determine both the one-time and ongoing revenues, and subsequent rates, which will be necessary to sustain the proposed lighting service improvements.
 3. Conduct Proposition 218 proceedings to raise the CSA's rates for lighting service.
 4. Conduct proceedings to annex additional land into the CSA service boundaries.
- e) LAFCo is not aware of any upcoming State legislative changes pertaining to public street lighting.
- f) The Dunnigan CSA's single purpose is to pay PG&E street light bills; therefore, no service needs or deficiencies relating to SB 244 that need to be addressed in this MSR.

Capacity and Adequacy of Public Facilities and Services MSR Determination

The capacity and adequacy of the County's CSA services are adequate. The Dunnigan CSA Advisory Committee has adopted a lighting plan in 2014 that would potentially add up to six more street lights to improve public safety, however, it has not yet taken necessary steps to implement the plan. It's not yet known if there is public support for funding the additional street lights. LAFCo has no concerns about the CSA's current capacity to manage the street lighting contract with PG&E, but if the street light network is expanded, revenues would need to be increased via a Proposition 218 approved rate increase.

Recommendations:

- Prior to expanding the number of street lights in the CSA, the County should determine if there is public support to pass a Proposition 218 election to increase revenues to finance them.
- If there is sufficient public support, conduct a rate study and a Proposition 218 process to increase funds.

- Process an application with LAFCo to annex into the CSA any new parcels that may be assessed if the Proposition 218 measure is successful.

4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f) Is the organization's debt at an unmanageable level?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

Dunnigan County Service Area Operating Budget					
	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues:					
Investment Earnings	\$ 43	\$ 21	\$ 21	\$ 79	\$ 402
Special Assessments	\$ 6,498	\$ 6,574	\$ 6,536	\$ 6,536	\$ 6,536
Other Financing Sources	\$ -	\$ -	\$ 20,032	\$ -	\$ 20,000
TOTAL REVENUES	\$ 6,541	\$ 6,595	\$ 26,589	\$ 6,615	\$ 26,938
Expenditures:					
Auditing & Fiscal Services	\$ 608	\$ 608	\$ 608	\$ 872	\$ 608
Legal Services	\$ -	\$ -	\$ 68	\$ -	\$ -
Professional & Specialized Services	\$ 1,722	\$ 638	\$ 2,005	\$ 1,150	\$ 121
Utilities	\$ 4,583	\$ 5,487	\$ 5,172	\$ 4,277	\$ 6,481
TOTAL EXPENDITURES	\$ 6,913	\$ 6,733	\$ 7,852	\$ 6,299	\$ 7,210
REVENUES LESS EXPENDITURES	\$ (371)	\$ (138)	\$ 18,737	\$ 316	\$ 19,728
End of Year Cash in Treasury	\$ 7,445	\$ 7,659	\$ 26,484	\$ 26,360	\$ 46,088

SOURCE: County of Yolo Budget and Revenue Status Reports

- a) The Dunnigan County Service Area routinely adopts and operates an annual budget as part of the larger Yolo County budget process, which is approved by the Yolo County Board of Supervisors. The table above provides a summary of the budget trends for Dunnigan CSA's expenditures and revenues for the last 5 fiscal years. As evidenced by the table above, the CSA did not operate within its revenues for FYs 2011-12 and 2012-13, and would not have in FYs 2013-14 or 2015-16 either if it weren't for two separate cash transfers of roughly \$20,000 each. The only year the CSA operated within the assessments collected was 2014-15. In 2013-14, the CSA received \$20,032 from a defunct road maintenance district dissolved by the County and in 2015-16 the CSA received an additional \$20,000 in funds from the County earmarked for a CSA lighting plan. It's worth noting that for all 5 fiscal years, the assessments are sufficient to cover utility bills, it's the professional services costs generated by the management costs/advisory committee that exceeds the assessment revenue. The CSA should consider means to reduce the CSAs professional services expenditures. The County may wish to consider whether an advisory committee is necessary to manage the street lighting contract with PG&E and/or continue efforts to transfer contract management to local another district to reduce administration costs.
- b) The CSA does not currently have a dedicated reserve, but there is excess cash in treasury mainly from the two transfers of approximately \$20,000 each (one of which is intended to be earmarked for a lighting plan, however these funds do not appear restricted in the accounting system). PG&E is currently retrofitting its street lights in Dunnigan to install LED technology, which is estimated to be completed in Spring 2017. It's not clear if the CSA would be liable for any unexpected street light replacement or any other significant costs, so it's difficult to state whether the cash in treasury is sufficient for reserve purposes. However, the cash in treasury does provide an approximately \$26,000 buffer for unexpected costs and another \$20,000 future planning purposes. The CSA should assess definitively whether the existing cash in treasury provides sufficient reserve or if additional funds are needed. The CSA should establish a dedicated reserve for unexpected costs by placing some of the cash in treasury into a reserve. In addition, the County Department of Financial Services should move the \$20,000 intended for a CSA lighting plan into a restricted account.

- c) The Dunnigan CSA currently collects \$19 per parcel each year to provide its street lighting service. As evidenced by the table above, the CSA did not operate within its revenues for FYs 2011-12 and 2012-13, and would not have in FYs 2013-14 or 2015-16 either if it weren't for two separate cash transfers of roughly \$20,000 each. The only year the CSA operated within the assessments collected was 2014-15. The assessments are sufficient to cover the utility bills from PG&E but are not sufficient for the County to administer the CSA and/or the Advisory Committee. See also the discussion and recommendations under 4a) for potential ways to reduce CSA administration costs. Regarding any plans to increase the lighting service area in Dunnigan, the existing fee will not support any additional street lights. If the CSA chooses to move forward with expanding its lighting infrastructure, it will need to conduct Proposition 218 proceedings to increase its special assessment for street lighting, but will first need to commission a rate study to determine the expected cost and appropriate rates for providing the service.
- d) Please see the discussion and recommendations provided under 4b).
- e) The Dunnigan CSA is a part of the County of Yolo, and is governed by the Yolo County Board of Supervisors. As such, the CSA is subject to the financial policies that have been adopted by the County. However, it's not apparent that these policies are being applied to the CSAs individually as unique enterprise funds. For example, policies regarding addressing structural deficits, use of reserves, funding contingencies, and developing Capital Improvement Plans are applied at the countywide level, but do not appear to be applied at the individual CSA level. In order to enhance transparency of the CSA's operations, the County intends to compile and provide user-friendly quarterly financial reports for each CSA. This quarterly report would be provided to the Board of Supervisors and advisory committees for each CSA that clarify in detail the various funds, fund balances, sources of revenue for each fund, and a more detailed list of expenditures in each fund or for each service.
- However, the intent for this quarterly report has been in the works for approximately one year and has not yet been created. It requires a special report to be programmed in the County's INFOR system. This report needs to be prioritized by the County and the process implemented. This process will greatly improve CSA transparency and improve communication and expectations between CSA advisory committees and County CSA staff.
- f) The CSA does not currently have any debt.

Financial Ability MSR Determination

Overall, the Dunnigan CSA appears financially stable, but that is due to two one-time cash transfers of approximately \$20,000 each. The current assessments are barely enough to cover the PG&E utility payments and do not support the County's professional services charges to administer the CSA and its advisory committee. PG&E replacing the current street lights for LED anticipated to be completed in Spring 2017 may reduce the utility payments, but any potential savings in electricity costs are unknown at this time. If the CSA chooses to expand its lighting it will need to conduct Proposition 218 proceedings to ensure that it receives adequate funding for any additional street lights. The County set an intent to create quarterly user-friendly financial reports for each CSA approximately one year ago, however, this has yet to be implemented and needs to be prioritized by the County to improve transparency and effectively communicate with CSA advisory committees.

Recommendations:

- The CSA should consider means to reduce the CSA's professional services expenditures. The County may wish to consider whether an advisory committee is necessary to manage the street

lighting contract with PG&E and/or consider transferring contract management to another local district to reduce administration costs.

- The CSA should assess definitively whether the existing cash in treasury provides sufficient reserve or if additional funds are needed. The CSA should establish a dedicated reserve for unexpected costs by placing some of the cash in treasury into a reserve. In addition, the County Department of Financial Services should move the \$20,000 intended for a CSA lighting plan into a restricted account.
- If the CSA chooses to move forward with expanding its lighting infrastructure, it will need to conduct Proposition 218 proceedings to increase its special assessment for street lighting, but will first need to commission a rate study to determine the expected cost and appropriate rates for providing the service.
- Yolo County should apply its Budget and Financial Management policies to each CSA as a separate enterprise fund. Specifically, the Dunnigan CSA's structural deficits need to be addressed, a reserve needs to be established, and Capital Improvement Planning may need to occur, if necessary depending on determination of the County's liability to replace street lights.
- County staff needs to prioritize its plan to provide quarterly financial reports for each CSA that clarify in detail the various funds, fund balances, sources of revenue for each fund, and a more detailed list of expenditures in each fund or for each service, and provided to the Board of Supervisors and the advisory committees.

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Are there any governance options that may produce economies of scale and/or improve buying power in order to reduce costs?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Discussion:

- a-b) The Dunnigan CSA currently contracts with PG&E to supply electricity as well as to install, maintain, and service its light poles. The CSA also shares many services with the County, which offers the administrative, overhead and management services necessary to keep the CSA functioning. Additionally, CSA management is shared between the various CSAs in Yolo County, which allows small CSAs who could not independently afford a dedicated staff member to receive the attention and staffing they need to function. The CSA boundaries overlap with a few other local special districts. Please see the discussion below under 5c-d) regarding potential options to reduce administration costs by transferring the CSA services to another local district.
- c-d) One governance option under consideration is transferring management of the street lighting contract with PG&E to the Dunnigan Fire Protection District (FPD) or other district and dissolving the CSA. A County Service Area is an excessive governance and administration structure for what is merely a pass-through to pay PG&E street lighting bills. In addition, transferring these services to the Dunnigan FPD would provide for local control of these funds, hopefully creating more trust with local residents.

The services an FPD may provide are listed in Health and Safety Code Section 13862:

- Fire protection services;
- Rescue services;
- Emergency medical services;
- Hazardous material emergency response services;
- Ambulance services; and
- *Any other services relating to the protection of lives and property.*

Street lighting relates to the protection of lives and property and, therefore, LAFCo suggests FPD management of the service contract with PG&E is allowable under this code section. However, when LAFCo met with the Dunnigan FPD board on April 13, 2017 it indicated that it was not interested in taking on these services and a letter to this effect was received by LAFCo dated April 15, 2017.

Shared Services MSR Determination

LAFCo staff is not aware of any opportunities for shared services that are not already being utilized, as CSAs are already essentially a shared service. One governance option that could be considered is transferring management of the street lighting contract with PG&E to another local district and dissolving the CSA. A County Service Area is an excessive governance and administration structure for what is merely a pass-through to pay PG&E street lighting bills.

Recommendations:

- The County should consider transferring the CSA's services to another local district and dissolve the Dunnigan CSA accordingly.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

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

	YES	MAYBE	NO
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any issues with staff turnover or operational efficiencies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) Is there a lack of regular audits, adopted budgets and public access to these documents?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) Is the agency involved in any Joint Powers Agreements/Authorities (JPAs)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Are there any recommended changes to the organization's governance structure that will increase accountability and efficiency, enhance services, or eliminate redundancies?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Discussion:

a-b) The Yolo County Board of Supervisors meets on various Tuesdays in Room 206 of the County Administration Building, where they make decisions regarding the Dunnigan CSA during their regular meeting agendas. The Board is in compliance with public meeting regulations, and all meeting materials (including agendas, minutes, and video recordings) can be accessed on the County's website.

Additionally, the Dunnigan CSA advisory committee sets their regular meeting time for the third Tuesday of the month at 7:00pm, however LAFCo understands from the BOS District 5 office that the advisory committee hasn't met in approximately one year. There are no requirements in the Government Code indicating how often a CSA advisory committee must hold a meeting. However, when the advisory committee does meet, the meetings are publicly noticed to comply with Brown Act regulations and to ensure that meetings are publicly accessible. The committee currently has one vacancy on its five-member committee, but does not appear to have had chronic issues with filling vacancies. The committee did report to LAFCo staff that the group was not actively meeting for several years, and only began meeting again in September 2013, and now seems to have gone somewhat dormant again. The advisory committee certainly doesn't need to meet monthly, perhaps just once or twice per year, but it may be time for the CSA to calendar a meeting.

c) At the February 25, 2014 Advisory Committee meeting, several members of the Advisory Committee and public expressed concerns to LAFCo regarding the management of the CSA particularly with regards to financial matters. The County's policy shift to a full cost recovery model has left the community feeling unreasonably charged for staff time (see the discussion under item 4a). When the Advisory Committee began actively meeting again in 2013 they requested that the CSA Coordinator no longer attend their meetings in order to realize savings in staff costs. Senior County staff and representatives of the CSA Advisory Committee have met to discuss and resolve these disagreements, and County staff has made noteworthy efforts to resolve issues with the Dunnigan residents and Advisory Committee. However, the relationship appears to remain strained, and significant efforts have been required on the part of the Director of Community Services (to attend advisory committee meetings at no charge, prior to the transfer of CSA management to the CAO) and staff from Board of Supervisors District 5 to keep the relationship with the Dunnigan residents and Advisory Committee intact; more resources than are warranted to manage a street lighting contract with PG&E.

d) The Dunnigan County Service Area is part of the County of Yolo, and is therefore subject to the same financial regulations and practices of the County. The Board of Supervisors routinely adopts a budget for the CSA as part of their annual budget process, the County Auditor-Controller provides financial reports at the close of each FY, and the County also commissions an independent audit each year. This information is all publicly available on the County Auditor-Controller website.

However, the Dunnigan CSA documentation is very difficult to pinpoint in the County's financial documents (such as adopted budgets, financial reports and audits), which often span several hundred pages and dozens of County departments. The CSA webpage currently has very little posted on it, which could instead provide an opportunity to communicate information to the Dunnigan residents. Even at the current funding levels of the CSA, spending minimal staff time maintaining the website could potentially improve communication between CSA staff and the Dunnigan residents. Additionally, providing adequate financial and operations documentation on the website would increase the overall transparency of the organization. When LAFCo prepared the last MSR in 2014, CSA staff stated that it intended to begin providing adopted budgets and third party financial audits on each CSA website beginning in fiscal year 14/15. However, as of December 2016 the information was still not available online and the webpage for the Dunnigan CSA was very outdated.

e) The Dunnigan CSA is not part of any JPA.

f-g) During LAFCo's 2014 MSR update, the Advisory Committee inquired about forming a Community Services District (CSD) so that they could have independence from the County and obtain local decision making ability, however, a CSD is an excessive form of governance for a single purpose agency that only provides a pass through function for PG&E bills and doesn't appear to be financially viable as an independent agency based on the current assessments.

One governance option that has been considered is transferring management of the street lighting contract with PG&E to the Dunnigan Fire Protection District (FPD) or another district and dissolving the CSA. A County Service Area is also an excessive governance and administration structure for what is merely a pass-through to pay PG&E street lighting bills. In addition, transferring these services to a local district would provide for local control of these funds, hopefully creating more trust with local residents.

Accountability, Structure and Efficiencies MSR Determination

The CSA has publicly accessible meetings that are publicized in accordance with the Brown Act. Although there is currently one vacancy on the advisory committee, there does not appear to be chronic issues with filing advisory committee vacancies. The CSA adopts annual budgets and completes annual audits as part of the county wide financial management policies, although more of this information needs to be transparent online. One governance option that has been considered is transferring management of the street lighting contract with PG&E to the Dunnigan Fire Protection District (FPD) or other district and dissolving the CSA. However, when LAFCo met with the Dunnigan FPD board on April 13, 2017 it indicated that it was not interested in taking on these services. A County Service Area is an excessive governance and administration structure for what is merely a pass-through to pay PG&E street lighting bills. Transferring these services to a local district would provide for local control of these funds, hopefully creating more trust with local residents.

Recommendations:

- The County’s CSA website should be updated to post all available information, including annual budgets and quarterly financial reports specific to the particular CSA, municipal service rates, advisory committee members, all minutes of advisory committee meetings, agendas, and announcements for the next meeting in a readily apparent location.

7. OTHER ISSUES			
Any other matter related to effective or efficient service delivery, as required by commission policy.			
	YES	MAYBE	NO
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) LAFCo staff met with several Dunnigan CSA stakeholders while researching this MSR, including the CSA advisory committee, the Dunnigan FPD board, staff in Supervisor Chamberlain’s office (the Board member representing District 5) and staff from the County Administrator’s Office who now manages the CSAs. None of these parties identified additional service delivery issues that need to be resolved in this MSR.

Other Issues MSR Determination

No additional issues have been identified for this MSR.

SPHERE OF INFLUENCE STUDY

On the basis of the Municipal Service Review:

- Staff recommends that the Municipal Service Review DOES NOT identify and support the need to change the agency's Sphere of Influence. Therefore, NO CHANGE to the agency's SOI is recommended and SOI determinations HAVE NOT been made.
- Staff recommends that the Municipal Service Review DOES identify and support the need to change the agency's Sphere of Influence. Therefore, A CHANGE to the agency's SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Existing Sphere

LAFCo recently approved a sphere of influence for the Dunnigan CSA on June 26, 2014 to allow for potential additional street lights. No additional lights have been installed yet, and correspondingly, none of the SOI areas have been annexed so far. Therefore, no additional areas or other changes to the SOI are needed at this time. The Dunnigan CSA has ample territory in its current SOI to grow, as desired.

REFERENCES

- County of Yolo. (2009). 2030 Countywide General Plan.
- County of Yolo. (1991). *Yolo County Board of Supervisors Resolution 91-7: Resolution Ordering the Formation of the Dunnigan County Service Area.*
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- State of California. *California Government Code, Section 25212.4.*
http://www.leginfo.ca.gov/html/gov_table_of_contents.html
- Yolo County Local Agency Formation Commission. (1990). *Resolution of the Yolo County Local Agency Formation Commission Approving the Negative Declaration and the Formation of the Dunnigan County Service Area: Resolution 90-5.*
- United States Census Bureau. (2010). Dunnigan CDP, California.
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Michael Urlaub

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DUNNIGAN FIRE PROTECTION DISTRICT
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April 15, 2017

Christine Crawford, Executive Officer
LAFCo

Dear Christine,

My fellow Dunnigan Fire Protection District (Fire District) Commissioners and I would like to thank you for attending our recent meeting held on April 13, 2017, to explain the details of Yolo LAFCO Municipal Service Review/Sphere of Influence Study for the Dunnigan County Service Area (CSA) and how it might relate to future responsibilities of our Board of Commissioners. Based on your answers to our questions, we better understood what might be required of our Fire District Board of Commissioners, if we chose to take oversight responsibility for the CSA.

Based on our clarified understanding, we concluded that it would not be a good fit for our Board to assume this CSA oversight role. Although we understand the need to have more local control over this activity, we feel that 1) the recent changes to the administrative support of the CSA may be enough to correct previous concerns of the CSA Board, and 2) the Fire District Board is not the right oversight body to assume this responsibility.

Respectfully yours,

Anita Tatum, Chairperson
Dunnigan Fire Protection District Board of Fire Commissioners