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October 8, 2008 (Agenda)

Contra Costa Local Agency Formation Commission
651 Pine Street, Sixth Floor
Martinez, CA 94553

East County Sub-regional Municipal Service Review

Dear Members of the Commission:

BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires that not less than every five years LAFCO prepare municipal service reviews (MSRs) prior to or in conjunction with sphere of influence (SOI) updates.

In accordance with the MSRs, LAFCO must prepare written determinations on a range of issues. Recently enacted legislation (AB 1744) streamlines these determinations, as summarized below. Municipal service reviews initiated after January 1, 2008 will be subject to the new provisions. However, the East County Sub-regional MSR is subject to the prior nine determinations.

Prior MSR Determinations

1. Infrastructure needs or deficiencies
2. Growth and population projections for the affected area
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring
6. Opportunities for shared facilities
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers
8. Evaluation of management efficiencies
9. Local accountability

New Determinations

1. Growth and population projections for the affected area
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
3. Financial ability of agencies to provide services
4. Status of, and opportunities for, shared facilities
5. Accountability for community service needs, including governmental structure and operational efficiencies
6. Any other matter related to effective or efficient service delivery, as required by commission policy

In 2003-04, the Commission initiated the MSR/SOI update program. To date, the Commission has completed baseline service reviews for approximately 60 special districts; baseline reviews are currently underway covering the cities and a number of other special districts.

A team of consultants and LAFCO staff are preparing the MSRs and SOI updates. The approach involves countywide and sub-regional reviews. The MSRs provide an assessment of the range and adequacy of municipal services provided in the County, and serve as an important tool for LAFCO in fulfilling its legislative mandate to coordinate the logical development of local government agencies and services.

The Commission has made significant progress, having completed reviews for over 60% of the agencies. The time required preparing comprehensive MSRs/SOI updates, and the level of detail and analysis needed is greater than anticipated given the complexity of issues we are discovering. Further, we have used the MSR process as a means for correcting and digitizing agency boundary maps in GIS format. This work provides a foundation that should make future MSRs and SOI updates easier.

SUMMARY

On August 13, 2008, LAFCO held a workshop, at which time the project team including a representative from the MSR consulting firms of Graichen Consulting (Bruce Baracco) and Braitman & Associates and LAFCO staff presented the East County Sub-regional MSR report and SOI options. This report covers the following agencies: cities of Antioch, Brentwood, Oakley and Pittsburg, County Service Area (CSA) RD-4, Bethel Island Municipal Improvement District (BIMID), and Town of Knightsen Community Services District (KCSA).

At the workshop, the project team provided an overview of the local agencies and their ability to provide municipal and community services (excluding water and wastewater services). The preliminary report included the State-required determinations, along with SOI options and recommendations. The Commission was asked to provide comment, and direct staff to circulate the Public Review Draft MSR report. In addition, public comment was received.

The project team made revisions to the MSR report based on comments received at the August LAFCO meeting. The report was circulated for a public review comment period and posted on the LAFCO website. LAFCO received additional comments from BIMID and the cities of Brentwood, Oakley and Pittsburg noting various comments and corrections as shown in the Final Draft MSR report.

The purpose of the hearing on October 8 is to present the Final Draft MSR report, receive final comments; and request that the Commission accept the MSR report, adopt determinations and update agency SOIs (presented in a separate agenda item).

DISCUSSION

The East County Sub-regional MSR provides a review of services provided by agencies under LAFCO's purview, including those cities and special districts listed above. The MSR report focuses primarily on public agencies and their ability to provide a range of municipal services. The report also provides recommended MSR determinations, which are summarized in the Executive Summary of the MSR report and presented in the attachment, along with SOI options and recommendations, which are presented as a separate LAFCO agenda item.

The MSR determinations are based on the nine factors, one of which is Government Structure Options (GSOs). This factor considers the advantages and disadvantages of various government structures to provide public services. The MSR identifies various potential GSOs, as summarized in Table 1 below. Some of the GSOs may ultimately require LAFCO approval, while others can be implemented without LAFCO involvement. It should be noted that a number of the potential GSOs identified in the report would require additional study.

LAFCO may, but is not obligated to, initiate changes of organization or reorganization (i.e., consolidations, mergers, dissolutions) based on the MSR findings. In addition, pursuant to recently enacted legislation (SB 819), LAFCO now has the authority to initiate proposals for the formation of a new district or districts.

**Table 1 – Summary of Government Structure Options
East County Sub-regional MSR**

Actions Subject to LAFCO Approval	Recommended Action
1. City of Antioch a. Consolidate sewer service with Delta Diablo Sanitation District (further study needed) b. There are several unincorporated islands within the existing Antioch city limits; consideration annexation of some or all of these islands as appropriate.	- Consider annexing unincorporated islands
2. City of Brentwood a. Annex one parcel currently receiving service into the City boundaries b. Annex 140-acre island at the intersection of Lone Tree Way and Virginia Drive west of Brentwood Blvd. to eliminate island	- Annex parcel currently receiving City services -Consider annexing unincorporated island
3. City of Oakley a. The East Cypress Corridor Area III remains an unincorporated area and presents service challenges	- Consider annexing Area III
4. City of Pittsburg a. Consolidate sewer service with Delta Diablo Sanitation District (further study needed)	- None identified
5. CSA RD-4	- None identified
6. Bethel Island Municipal Improvement District a. Maintain status quo b. Consolidate with reclamation districts	- Maintain status quo pending outcome of countywide reclamation MSR
7. Knightsen Community Services District	- None identified

The MSR report provides an analysis, advantages and disadvantages regarding each of the options identified in Table 1. Any option involving reorganization through dissolution, consolidation, merger or formation of a district will require additional study to determine the level of benefit in terms of service and anticipated costs.

In support of the above recommendations, we offer the following:

- Annexation of islands, including those areas currently receiving out of agency service and areas with public health and safety issues, would support orderly growth and development through logical boundaries and the appropriate extension of municipal services in accordance with the CKH Act.
- In general, consolidation of two or more agencies offers advantages such as potential service level improvements and administrative and overhead cost reductions. Disadvantages include expenses associated with consolidation, negligible cost savings and political opposition. Several potential consolidations identified in the MSR would require a further study, which is beyond the scope of this MSR. Such analysis would typically include a fiscal impact report to determine costs/benefits of consolidation, an inventory of assets and liabilities, and other analyses, including detailed analysis of institutional impediments.

In addition to the Government Structure options summarized above, the MSR report and attached resolution of determinations include recommendations relating to the nine MSR factors. These recommendations take into consideration various external factors, such as the economy, changing climate conditions, regulatory requirements, and funding challenges; as well as a host of local factors including growth (current and anticipated) in East Contra Costa County, land use changes, aging infrastructure, needed service expansions and other improvements to meet future demands.

The MSR showcases a number of best practices in terms of operations and regional partnerships which can serve as models. Several examples are presented below:

- The City of Antioch Parks Division collaborates with the Antioch Unified School District for shared park maintenance equipment and storage buildings.
- The City of Brentwood has partnered with the local school district to help meet community recreational needs. The City has cooperative agreements with the Fire Protection District for funding fire related infrastructure, with the City of Antioch for law enforcement dispatch support, and with East Contra Costa Irrigation District and Contra Costa Water District to ensure adequate available water supplies.
- The City of Oakley partners with the local school district, East Bay Regional Park District and YMCA to meet community recreational needs. The City has partnered with the school district for use of a swim center and library facilities.
- Through the Pittsburg Redevelopment Agency, plans are being formulated for development of a 6-story mid-rise office building at the corner of Railroad Ave and Power Ave adjacent to the Pittsburg Civic Center. The building will house the branch library and school district administrative offices.
- Opportunities for shared facilities involving the cities of Antioch and Pittsburg and the Delta Diablo Sanitation District were highlighted in the East County Water and Wastewater MSR.

Environmental Analysis

The municipal service review is a study, intended to serve as an informational tool to help LAFCO, local agencies and the public better understand the public service structure in Contra Costa County.

The service review and determinations are Categorical Exempt under §15306, Class 6 of the California Environmental Quality Act (CEQA) Guidelines.

RECOMMENDATIONS

1. Determine that the MSR project is Categorical Exempt pursuant to §15306, Class 6 of the California Environmental Quality Act (CEQA) Guidelines,
2. Consider comments presented prior to and during the public hearing and any revisions to the East County Sub-regional MSR report,
3. Accept the report with any desired changes,
4. Adopt the MSR determinations by resolution attached hereto, and
5. Direct staff to prepare the Final MSR report and make available to all affected agencies and interested parties.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

c: Distribution

Attachment - Draft Resolution with MSR Determinations

RESOLUTION OF THE CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

**ADOPTING DETERMINATIONS OF THE
2008 EAST COUNTY SUB-REGIONAL MUNICIPAL SERVICES REVIEW**

WHEREAS, Government Code §56430 requires the Commission to conduct municipal service reviews (MSRs) in order to prepare and update spheres of influence (SOIs) pursuant to Government Code §56425;

WHEREAS, the Commission previously authorized the central, east and west county sub-regional MSRs to be prepared;

WHEREAS, on August 13, 2008, the Commission conducted a workshop to review the Preliminary Draft *East County Sub-regional MSR*, received comments, and directed staff to circulate the MSR for public review,

WHEREAS, following the workshop the Public Review Draft MSR was circulated for a 21-day public comment period;

WHEREAS, on October 8, 2008, the Commission conducted a public hearing to receive the Final Draft MSR;

WHEREAS, the Commission considered all comments, written and oral, received prior to and during the hearing on October 8, 2008; and

WHEREAS, the MSR report and determinations are Categorical Exempt from the California Environmental Quality Act (CEQA) pursuant to §15306 Class 6 of the CEQA Guidelines.

NOW, THEREFORE, BE IT RESOLVED that the Contra Costa Local Agency Formation Commission does hereby resolve, determine and order as follows:

The East County Sub-regional Municipal Services Review determinations attached hereto as Exhibit A and incorporated herein by reference are hereby adopted.

* * * * *

PASSED AND ADOPTED THIS 8th day of October 2008, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

GAYLE UILKEMA, VICE CHAIR, CONTRA COSTA LAFCO

I hereby certify that this is a correct copy of a resolution passed and adopted by this Commission on the date stated above

Dated: October 8, 2008

Lou Ann Texeira, Executive Officer

EXHIBIT A
EAST COUNTY SUB-REGIONAL
MUNICIPAL SERVICE REVIEW DETERMINATIONS

1. Infrastructure needs and deficiencies

General

- The agencies are planning for infrastructure needs based on projected growth, aging infrastructure, and changing regulatory requirements. The costs of improvements are to be funded through various mechanisms, including user and development fees.
- Infrastructure needs were identified for some agencies as discussed in the MSR report. Agencies will need to implement phased improvements to ensure that there adequate services for existing and future customers.

Cities

- All of the East County cities have developed capital improvement programs and master plans to reflect planned infrastructure and facilities improvements over multi-year periods.
- In conjunction with the proposed Northeast Antioch Reorganization, the City of Antioch should consider the extension of services to the surrounding areas, including the areas identified as Area 2a – 94 acres located east of the PG&E facility extending to State Route 160 (including the marina), and Area 2b – 103 acres north of East 18th Street and south of Wilbur Avenue.

Districts

- The Bethel Island Municipal Utility District (BIMID) needs to improve the levee surrounding Bethel Island and has undertaken a program for levee improvement. Long term funding issues have not been fully resolved in respect to State funds and local revenue measures.
- Bethel Island experiences water quality issues. Some wells do not meet State quality standards.
- The Knightsen Community Services District (CSD) has drainage and water quality infrastructure needs which the District should address in its master plan and secure funding necessary to ensure the needed improvements are completed.

2. Growth and population projections for the affected area

General

- Given the current land uses and anticipated growth, there will be an increased need for municipal services within East County. This will impact the cities and districts. Agencies will need to continue to maintain and enhance services as needed.
- Land use patterns in East County have created an imbalance between jobs and housing opportunities, whereby a large percent of jobs are located outside of East County and a large percent of new housing is occurring in East County - resulting in a "job poor" area. This imbalance indicates that employees are commuting to other areas. The traffic

congestion problems in East County are directly attributable to jobs/housing imbalance. Further, a jobs/ housing imbalance can result in environmental problems such as decreased air quality, as well as fiscal problems such as decreased revenues to fund public services.

Cities

- According to the projections prepared by the Association of Bay Area Governments (ABAG), the population within the four cities in eastern Contra Costa County is expected to increase to 307,150 by 2025, a 30% increase over the 2005 population.
- In 2005, the City of Antioch voters adopted an urban limit line, which among other thing, amended the City's General Plan to establish a new City ULL that includes the Horse Valley portion of Roddy Ranch; imposed a moratorium on residential development; and restricted future development in the Deer Valley portion of the "Roddy Ranch Focus Area."
- In 2005, the City of Pittsburg voters adopted an urban limit line which establishes a new ULL for the City, amends the City's General Plan, and prezones certain lands within the ULL.
- All of the East County cities, to different degrees, have vacant and underutilized land within their existing boundaries and SOIs with a potential for a variety of residential and commercial development. LAFCO encourages the development of vacant and underutilized land within existing city boundaries before pursuing boundary expansions. Further, LAFCO encourages cities to annex lands that have been developed to urban levels, particularly areas that already receive city services.
- It is projected that the City of Brentwood will experience the highest growth rate at approximately 3.72% per year with population increasing by 74% by 2025.
- There has been recent discussion regarding the potential of the Bay Point community annexing to the City of Pittsburg. As with any inhabited area (in this case 21,000 residents), there are complex governance, service and planning issues to be resolved.
- In 2006, LAFCO approved annexation of portions of the East Cypress Corridor to the City of Oakley. The East Cypress Corridor Specific Plan provides for up to 4,664 residential units, 455,600 sq. ft. of commercial space, schools, parks and other amenities. The Specific Plan and EIR for the East Cypress Corridor were legally challenged and must be revised before the City can proceed with projects in this area. This will slow development in the area and impact City costs and revenues in the short term.

Districts

- The population of Bethel Island is expected to increase by 44% between 2007 and 2010 as a result of the Delta Coves development project, which will add 495 new housing units.

3. Financing constraints and opportunities

General

- The service providers discussed in this MSR report rely on a diverse combination of revenue sources including both enterprise and non-enterprise funding, including a variety of property, parcel, sales, and use taxes, as well as various user fees and service charges. Some agencies rely more on a pay-as-you-go approach; others use various finding mechanisms such as loans, grants and debt financing to help fund services.
- Levee maintenance is becoming increasingly challenging due to regulatory constraints, lack of funding, deferred maintenance and other factors.

Cities

- All of the agencies reviewed are subject to tax and funding limitations applicable to municipalities throughout the State, including Propositions 13 and 218.
- For the past 10-15 years, East County cities have relied on new residential construction to expand their tax base. The declining economic conditions and downturn in residential construction activity has impacted city budgets; and in some cases, resulted in General Fund shortfalls and the need to reduce costs and/or services, increase fees, and utilize reserve funds to balance the General Fund.
- All of the cities have redevelopment agencies which are able to leverage tax increments to fund projects designed to eliminate blight, promote economic development, and provide affordable housing.

Districts

- BIMID relies on property taxes and other local revenues and financial support largely from State and federal sources. Limitations on this funding restrict the District's ability to rebuild and maintain the levee and provide the related drainage services on the island. Consequently, BIMID faces severe financing constraints and is considering the option of local voter-approved revenue sources. In response to a Grand Jury report, BIMID is making use of the District's enforcement authority to levy fines, assessments and liens.
- Following adoption of a master plan, Knightsen CSD will need to identify revenue sources to fund needed infrastructure improvements.

4. Cost avoidance opportunities

General

- Most of the agencies are helping to control costs through partnerships with other agencies.

Cities

- The East County cities participate in various joint powers authorities and mutual aid agreements. Several cities participate in a risk management insurance pool to purchase insurance at a more favorable rate.

- All of the East County cities receive fire and emergency services through a separate fire district, and benefit from mutual aid agreements and economies of scale.
- The City of Oakley contracts with the Contra Costa Sheriff's Office for police services and benefits from mutual aid and economies of scale.
- The East County cities, to varying degrees, require that new development pay appropriate fees and charges to provide for cost recovery and reduce impacts on existing residents and property owners.

5. Opportunities for rate restructuring

General

- Most of the agencies establish rates and fees through a public process.

Cities

- Most cities review rates and fees annually to ensure basic cost recovery, maintenance of service levels, and the provision and maintenance of adequate infrastructure.
- A number of recommendations relating to water and wastewater services and rate structure options were identified in the East County Water and Wastewater MSR report.

6. Opportunities for shared facilities

General

- The City of Antioch Parks Division collaborates with the Antioch Unified School District for shared park maintenance equipment and storage buildings.
- The City of Brentwood has partnered with the local school district to help meet community recreational needs. The City partners with other local agencies to help provide public services in a cost-effective manner. These include cooperative agreements with the Fire Protection District for funding fire related infrastructure, the City of Antioch for law enforcement dispatch support, and the East Contra Costa Irrigation District and Contra Costa Water District to ensure adequate available water supplies.
- The City of Oakley partners with the local school district, East Bay Regional Park District and YMCA to meet community recreational needs. The City has partnered with the school district for use of a swim center and library facilities.
- Through the Pittsburg Redevelopment Agency, plans are being formulated for development of a 6-story mid-rise office building at the corner of Railroad Avenue and Power Avenue adjacent to the Pittsburg Civic Center. The building will house the branch library and school district administrative offices.
- Opportunities for shared facilities involving the cities of Antioch and Pittsburg and the Delta Diablo Sanitation District were highlighted in the East County Water and Wastewater MSR.

Cities

- The MSR report identifies a number of intra-city facility sharing opportunities as discussed in each agency chapter. No inter-city facility sharing opportunities were identified.

Districts

- The districts in East County providing levee maintenance and related services should explore sharing of facilities and equipment to enhance services and maximize cost savings.

7. Government structures options, including advantages and disadvantages of consolidation or reorganization of service providers

General

- A number of government structure options relating to water and wastewater services were identified in the East County Water and Wastewater MSR.

Cities

- For the cities of Antioch, Brentwood and Pittsburg, government structure options include annexing areas within existing city SOIs to address various out of agency service and unincorporated island issues.

Districts

- Those districts providing levee maintenance and related services should explore consolidation. Possible advantages include simplification of boundaries, improved service delivery, increased economies of scale, possible reduction in costs/fees, and potential for increased State and federal funding; a possible disadvantage is that the cost and difficulty of creating one organization and dissolving the 13 reclamation districts could outweigh the benefits.
- Knightsen CSD was formed to provide flood control and water quality (drainage) services to the Knightsen community. The District is not currently providing direct services, although planning efforts are underway. The Knightsen CSD should report to LAFCO within one year on the progress made to develop a facilities improvement plan, and provide a timeline and potential funding sources to implement the plan.

8. Evaluation of management efficiencies

Cities

- In general, the management structures of the East County cities appear to be adequate to serve the present and future needs of the cities.
- The City of Antioch Finance Department has consistently received the Award of Excellence in financial reporting from the Government Finance Officers Association and the California Society of Municipal Finance Officers. The City's Park Department participates in the 'Tree City USA' program, for which the City has received awards the past three years. The City's Economic Development Department partners with the

Antioch Chamber of Commerce and PG&E to operate the Small Business Information Center.

- The City of Brentwood received a “Distinguished Budget Presentation Award” from the Government Finance Officers Association (2005) and an “Excellence in Operational Budgeting” award from the California Society of Municipal Finance Officers (2005-06).
- The cities of Antioch, Brentwood and Pittsburg utilize a two-year budget process that enhances long-term planning, allows more time for program review and evaluation, and can result in cost and time savings.

9. Local accountability and governance

Cities

- The cities encourage public participation by making agency information and documents available on their websites and holding meetings that are open and accessible to the public.

Districts

- BIMID and CSA RD-4 (through the County Board of Supervisors) encourage public participation by making agency information and documents available on their websites and holding meetings that are open and accessible to the public.
- In response to a 2004-05 Grand Jury report, BIMID has made improvements in long-range levee planning and operations, and communicating with landowners and residents.
- The Knightsen CSD should enhance its public information efforts by including meeting notices and other District information on its shared website or by establishing its own website.