

FINAL

**TOWN OF DISCOVERY BAY
COMMUNITY SERVICES
DISTRICT**

**MUNICIPAL SERVICE REVIEW AND
SPHERE OF INFLUENCE UPDATE**

Report to the
**Contra Costa Local Agency
Formation Commission**

APRIL 2005

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1. INTRODUCTION

This report regarding the Town of Discovery Bay Community Services District (CSD) was prepared for the Contra Costa Local Agency Formation Commission (“LAFCO”) in accordance with Section 56430 of the California Government Code. It responds to the requirement that LAFCO conduct a Municipal Service Review (MSR) to study the delivery of municipal services and update spheres of influence.

The MSR evaluates services provided by the CSD and issues regarding its sphere of influence. MSR Guidelines prepared by the State Office of Planning and Research and our local policies and procedures were referred to in developing information, performing analysis and organizing this study.

This report describes service delivery and related issues for LAFCO to consider and presents determinations as required by law. The decision to approve or disapprove any determinations or policies rests entirely with the Commission.

Written determinations regarding the MSR and sphere of influence update are provided for the Commission’s consideration. This report is an informational document and does not substitute for discretionary decisions that can only be made by the Commission.

This report is subject to reconsideration and revision as directed by the LAFCO staff or by the Commission during the course of its deliberations.

2. MUNICIPAL SERVICE REVIEW

Description of District

The CSD was formed in 1998 as an independent district and operates pursuant to the Community Services District Act (Government Code, Section 61000 et seq.).

The CSD is located in eastern Contra Costa County, north of Highway 4, approximately one mile east of the Byron Highway. It encompasses the developed and developing unincorporated community of Discovery Bay of approximately 3,955 acres.

A five-member board of directors, elected at-large, governs the CSD. A General Manager is responsible for administrative functions. The CSD has six employees, but maintains contracts operation and maintenance of its water and wastewater facilities and other services provided by the CSD.

The CSD's boundaries and sphere of influence are coterminous. A map of the CSD and its sphere is included as Exhibit A.

District Services

Commission records show that the CSD was originally formed to provide retail water service and to deliver, collect, treat and dispose of wastewater.

As a type of local agency Community Services Districts can provide an array of services. The statute creates a procedure, involving review and approval by LAFCO, for a CSD to activate what is called a "latent power."

In 1998 the Commission authorized the CSD to provide recreation services and in 2002 and 2003 it authorized the CSD to provide flood protection in specified areas. The CSD provides public parks. It plans to provide recreation services and a community center.

The CSD provides street lighting though a CSD-governed Lighting and Landscape Maintenance District previously governed by the Board of Supervisors. The CSD reports that it could also manage the remaining County-governed lighting districts in Discovery Bay. Also, the Board of Supervisors has assigned the District the responsibility to advise the County on land use and other issues, similar to the activities of a Municipal Advisory Council (MAC).

The CSD provides water and wastewater services to approximately 5,600 customers. The Community is relatively newly built and occupied, and there are no septic systems.-The CSD also provides and park and recreation services for approximately 15,500 residents. It is a relatively newly built and occupied community and there are no septic systems.

All CSD services are provided within its boundaries, except for an out-of-agency service agreement approved by LAFCO on October 10, 2001 (LAFCO 01-29 –

Driscoll). This property is located immediately south of the District, across Highway 4 and the service agreement resulted from a failed on-site septic system. Consideration should be given to annexing this contiguous parcel to the CSD.

In October 2005 the County Administrator wrote the CSD, inquiring if is in a position to provide sanitation services to the Orrin Allen Youth Rehabilitation Facility, a nearby County-owned and operated juvenile correctional facility, should Byron Sanitary District services to this property “be interrupted for any reasons.”

The CSD responded, indicating it would appropriate for the County to make a deposit or agree to reimburse the CSD for any expenditure in investigating this potential. We are aware of no response from the County.

3 . M S R D E T E R M I N A T I O N S

This report addresses the MSR factors specified in LAFCO’s governing statute.

Infrastructure Needs and Deficiencies

The CSD’s major facilities consist of two wastewater treatment plants, with headworks, clarifiers, numerous pumps and motors and related facilities; 13 sewage lift stations of various sizes located through out the CSD, more than 32 miles of sewer mains and force mains and in exceed of 500 manholes; two water treatment facilities with a combined total of 2.5 million gallons of water storage tanks; more than 32 miles of water mains and over 500 fire hydrants; and park lands and landscaped areas.

The CSD’s National Pollution Discharge Elimination System (NPDES) permit allows a daily average flow of 2.1 million gallons per day (GPD) through the waste treatment plant. The CSD reports it presently treats about 1.5 to 1.7 GPD, but known new developments in the Discovery Bay area will require the remainder of the permitted capacity in the treatment plant within the next few years if development continues at as the current rate of growth.

The CSD staff reports that if the CSD’s treatment plant were to accept and treat effluent from the Byron Sanitary District collection system, it may request the Regional Water Quality Control Board (RWQCB) to modify the existing NPDES permit to treat and dispose of 2.3 MGD, which would also allow Bryon to grow somewhat as well.

The NPDES permit is scheduled for renewal in 2007. The CSD staff believes that the ~~Regional Water Quality Control Board~~ may at that time seek further improvements to the quality of the CSD’s treated wastewater.

The CSD reports that it has been fined by the RWQCB for exceeding permit standards for copper in the wastewater (Civil Liability Complaint R5—2004-0523). Since there is no copper in the water delivered to the community, the problem has been diagnosed as

coming from the CSD's customers' home plumbing systems. Corrective actions are being taken to address this matter.

The CSD has a detailed 2005/2006 Capital Improvement Plan (CIP) and five-year CIP (2004-2010). These reports project capital improvements needed to serve existing and projected land uses that would be a continuation of the Town of Discovery Bay, and estimate funds needed for future capital improvements. The CIP costs budgeted for Fiscal Year 2005-06 total \$1,044,336. Based on this plan, the CSD will be prepared to accommodate demands for water and wastewater services.

The CSD has a Master Plan of Public Facilities and Groundwater Management Plan, and reports it is currently developing a Strategic Plan. Copies of these documents are available in the LAFCO office.

The CSD is responsible for two of the four public parks that are in Discovery Bay, with the County being responsible for the other two and additional landscaping parcels. The District maintains about 24 landscape easements.

The District is considering two or three sites for a Community Center and has developed a Community Center Business Plan. The Hofmann Companies, the major developer of Discovery Bay, is obligated as a condition of development to provide land and half of the building, landscaping and paving costs. The other half will be provided by developer fees, community donations and fund raising. The CSD has no plans to levy assessments or taxes at this time for the community center.

Growth and Population Projections

Based on ABAG population and job growth figures provided by the County for the Rural East Contra Costa County area, the Discovery Bay planning area had a population in 2000 of approximately ~~9,000~~ 9,000. Population projected for the area for 2005 is 12,395, for 2010 and 2015 is 15,614. Completed buildout after 2015 is projected to be 15,746.

Much of the initial Discovery Bay project has been developed but additional subdivisions are being processed by the County on undeveloped lands within the "urban limit line" of the County General Plan, immediately west of the existing waterway community. The existing land use plan ~~calls for~~ calls for continued agriculture outside of the Urban Limit Line.

The County General Plan's Urban Limit Line encompasses the Town of Discovery Bay as well as some agricultural land to the east, extending to San Joaquin County. The remainder of the area surrounding Discovery Bay is remaining in agriculture.

Financing Constraints and Opportunities

Financing constraints and opportunities compare an agency's needs with the resources available to fund services. Some considerations include revenue sources compared to anticipated costs, reserve levels and debt.

CSD revenue is derived primarily from charges for service. This source represented \$3,504,824 (or 89%) of total operating revenues of \$4,908,312 in FY 2004-05, the most current revenue figures provided. Other revenues were from connection fees and permits (\$831,532), property taxes (\$438,732) and interest and miscellaneous revenue (\$104,870). Revenues annually exceed expenditures.

The CSD has borrowed funds to construct facilities including a discharge pipeline and biosolids building. Current CSD debt is \$1,769,343, which is payable in annual installments of \$442,336 through 2009. The CSD is able to retire this debt with the level of its current charges for service.

The CSD has prepared a five-year Revenue and Expense Plan (2005-2010) which projects needed revenues from rates and capacity charges. It is reasonable to conclude these endeavors will avoid long-term, unfunded financial obligations for improvements or ongoing maintenance and operations.

Projected costs and revenues to operate recreation programming will need to be factored into the CSD's financial program when those services are initiated and the CSD prepares a financial operations plan.

Cost-Avoidance Opportunities

The CSD "outsources" maintenance and operations of its water and wastewater facilities, and contracts with a private company to maintain parks and common landscape areas, both of which have produced cost savings. There are no other obvious cost avoidance opportunities since the most significant costs are related to obtaining and treating water supplies and treating and discharging wastewater effluent.

To maintain low utility rates the CSD has expended significant efforts to design facilities such as its water treatment facility and has purchased "thermo" greenhouse system to dry and purify sewage sludge as means to reduce ongoing costs. Another example is being reimbursed from the State's energy savings program related to design and construction of CSD improvements.

The CSD participates in a Water/Wastewater Response Network (WARN), a voluntary program of public utility agencies to share equipment and staff during emergencies.

Opportunities for Rate Restructuring

The CSD's total monthly charges for a single-family home are \$51.84, which includes both water and wastewater services.

Connection fees and permits are not a significant revenue source in comparison with services charges.

The CSD has the opportunity for rate restructuring during the annual budget process and with the adoption of each rate ordinance.

Opportunities for Shared Facilities

There are no obvious opportunities for shared facilities in the operations of the CSD; other than perhaps to accept and treat wastewater from the community of Byron, provided the two agencies can reach an acceptable understanding or agreement. Other communities are about ten miles away.

Discovery Bay has experienced significantly greater population growth in recent years than Byron and there may be concerns by some in Byron that their community may be “subsumed” by the neighboring community if it shares sewage treatment services.

There are many examples where wastewater generated by separate communities is treated by a single “regional” treatment plant without diminishing the separate “identity” of each community. It is clear from discussions with CSD Directors and others that the Byron community has a long history and they wish to maintain the “Byron identity.”

One option for the Commission is to encourage productive discussions between the District and CSD relative to the treatment and disposal of Byron wastewater.

Alternatively, the Commission may wish to form an ad hoc committee of LAFCO staff and/or Commissioners to explore this matter with both agencies and determine any obstacles to such an arrangement.

Government Structure Options

There may be possible overall savings by sharing administrative and field staff and/or facilities with the Byron Sanitary District. Two possible governmental structure options to achieve the end of having sewage from Byron processed at the CSD’s treatment plant would be:

- A service agreement between the CSD and the Byron District to treat and dispose of the sewage from the Byron Sanitary District, or
- A reorganization to dissolve the Byron District and concurrently annex its service area to the CSD. This may necessitate creating separate zones (a Byron Zone and a Discovery Bay Zone) in the CSD to insulate the costs to maintain and operate each collection system, while still allowing the economies of a common treatment and disposal facility.

A “consolidation” of the agencies may be legal under recent changes in the Government Code but does not appear to be the best option since the CSD provides a broader array of services than does the District.

Management Efficiencies

Management efficiencies relate to the ability of the agency to provide economical and efficient public services. Efficiently managed agencies consistently implement plans to improve service delivery, reduce waste, eliminate duplication of effort, contain cost, maintain qualified personnel and building and maintain adequate reserves;

The District appears to exhibit the characteristics of a well-managed agency operating efficiently and serving its residents and customers effectively.

Local Accountability and Governance

The District is a relatively compact government, which enhances the ability of the public to participate in its activities. The Board of Directors is elected by and accountable to the voters who reside in the District. The District maintains a website and solicits customer comments through an annual Consumer Confidence Report.

4 . SPHERE OF INFLUENCE REVIEW AND UPDATE

Description of Current Sphere of Influence

The District's boundaries and sphere of influence are coterminous. A map of the District and its sphere are included.

No Proposed Sphere Changes

In response to the portion of the MSR Request for Information that concerns the correctness of its boundaries, the District responded that its boundaries are not correct now and should encompass additional areas. It did not however indicate where it's SOI or boundaries should be expanded. The majority of the land surrounding the District is outside of the Urban Limit Line of the County General Plan and is planned at this time to remain in agricultural production.

The appropriate time to consider expanding the District Sphere of Influence is when the County plans for the area are amended from agriculture to a more urban designation.

The SOI could be expanded to include the community of Byron if it is decided that the District should accept and treat sewage effluent from that area. Such an expansion would be categorically exempt from CEQA, Class 20 (Changes in Governmental Organization), provided only lands within the current service area of each agency were included.

Sphere of Influence Determinations

Inasmuch as no changes in the sphere of influence are proposed at this time it is not necessary for the Commission to adopt or approve any determinations.

5. ACKNOWLEDGEMENTS & REFERENCES

This draft report was prepared by Braitman & Associates. Contra Costa LAFCO Executive Officer Lou Ann Texeira oversaw preparation of the report and provided guidance and review. Responsibility for any errors or omissions rests with those who prepared the report.

The Town of Discovery Bay CSD provided the basic information and documents upon which the evaluation is based. The District staff, notably General Manager Virgil Koehne was instrumental in providing data.

Available Documentation

The “Request for Information for Municipal Service Reviews” submitted by the District is attached as Exhibit B and ~~other~~ supporting documents ~~referred to therein~~ are available in the LAFCO office.

6. RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review it is recommended the Commission affirm the current Sphere of Influence and that it not be expanded or revised at this time.

It is further recommended that the District be encouraged to file a proposal to amend its Sphere of Influence and concurrently annex the Bowman property currently being served by the District by an out-of-agency service agreement.

It is further recommended that consideration for sphere changes be held in abeyance until either the County General Plan for the Discovery Bay area is amended, or the Byron Sanitary District and District reach an agreement regarding treatment of sewage, and an application to expand the sphere is received.

Last, it is recommended the Commission consider whether to create an ad hoc committee, of LAFCO Commissioners and/or staff to work with the District and CSD to determine the feasibility of connecting the District collection system to the CSD’s treatment plant.