

The Economics of Land Use



Final Report

Planada Community Services District Municipal Service Review

Prepared for:

Merced County Local Agency Formation Commission

Prepared by:

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Table of Contents

1. INTRODUCTION	1
Background and Purpose.....	4
Approach and Methodology	4
Governance and Operations.....	5
Projected Growth and Development.....	5
Infrastructure, Facilities, and Services.....	7

List of Tables

Table 1 Planada Historical Population	6
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List of Figures

Figure 1 Existing Planada Community Services District Boundaries.....	2
Figure 2 Existing and Proposed Sphere of Influence	3
Figure 3 WWTP Improvement Project Boundaries	10

1. INTRODUCTION

This Report updates the Municipal Service Review (MSR) prepared for the LAFCO of Merced County in 2007.¹ This MSR addresses the Planada Community Services District (District) and presents revised findings and conclusions along with updated research. The District is located along California State Route 140 approximately four miles east of the City of Merced. The District provides sewer and water services for approximately 5,500 people and covers a service area of approximately 945 acres, which includes the unincorporated community of Planada and a few outlying areas.

Planada Community Services District Boundaries are shown in **Figure 1**. The District has proposed expanding its sphere of influence (SOI) boundary in conjunction with its Wastewater Improvement Project, as shown in **Figure 2**. The SOI expansion area includes the land that is being acquired for the treatment plant improvements and reclamation areas which involves approximately 137 acres, along with a small (0.23 acre) District well site located north of the community on Plainsburg Road.

¹ Final Report, County of Merced Water and Sewer Service Providers Municipal Service Review, Prepared for Merced County Local Agency Formation Commission by Economic & Planning Systems, Inc., approved by LAFCO May 24, 2007.

Figure 1 Existing Planada Community Services District Boundaries

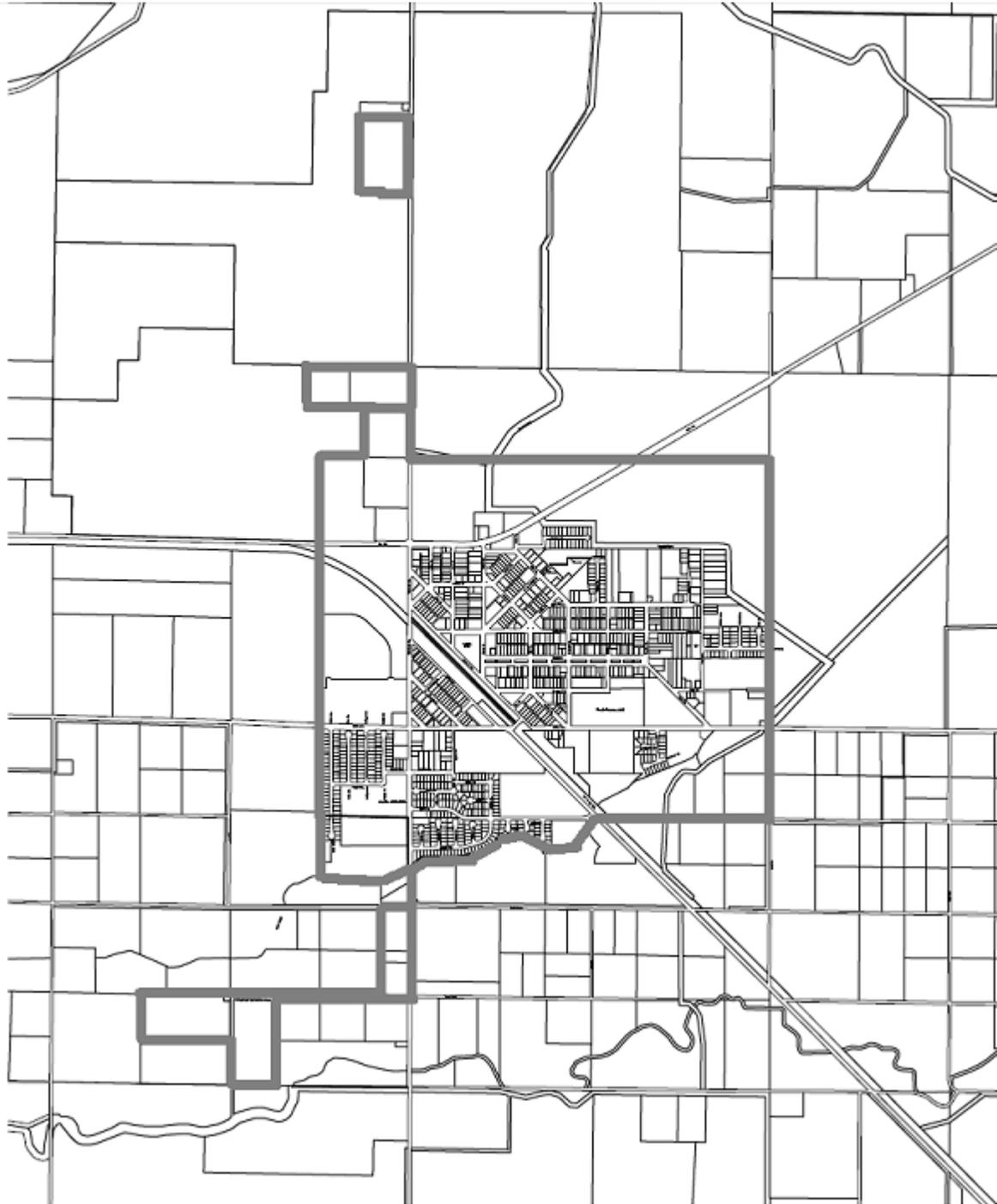
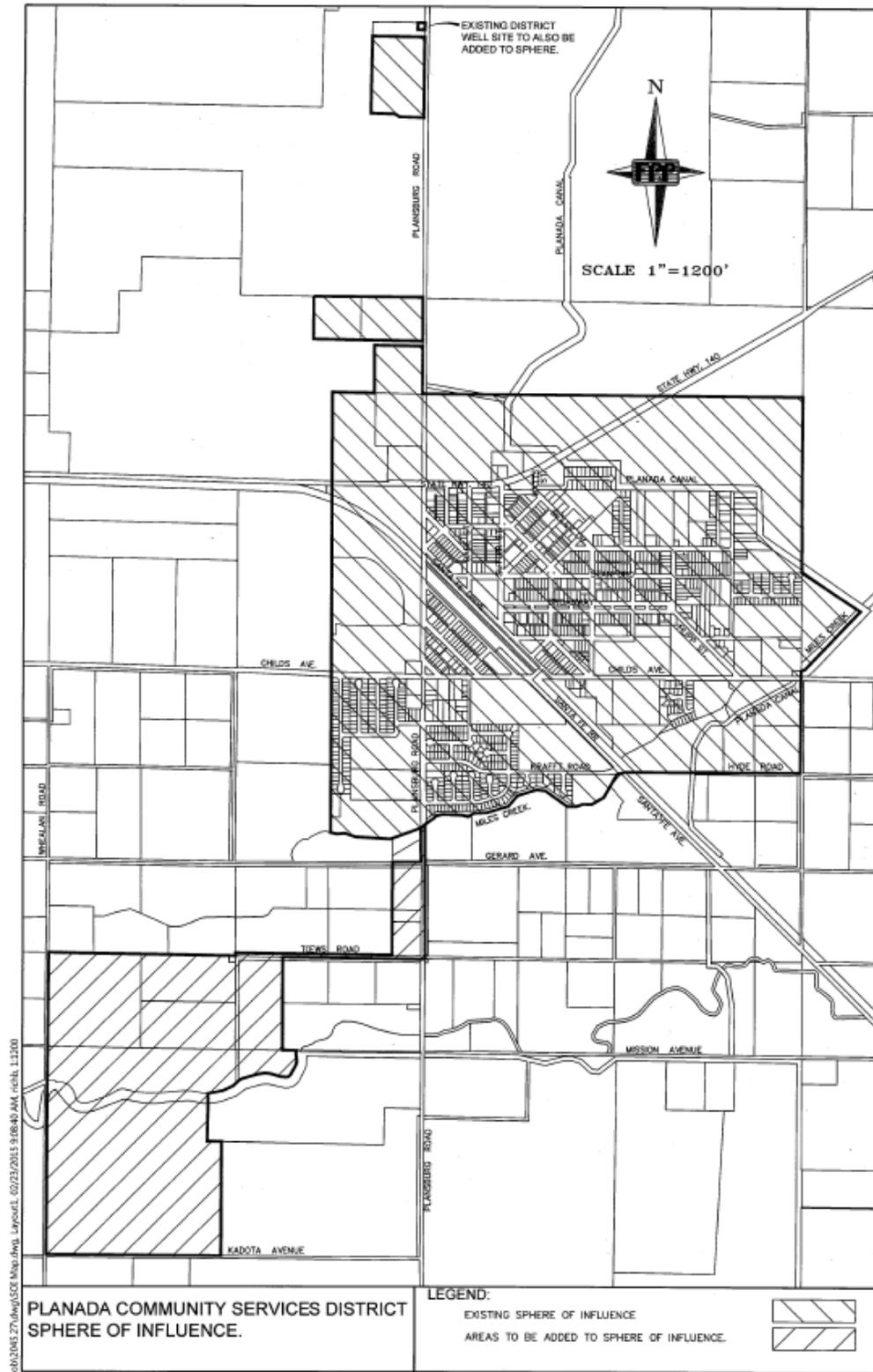


Figure 2 Existing and Proposed Sphere of Influence



Source: Lee Fremming, Quad Knopf, Inc.

Background and Purpose

In 1997, the State Legislature convened a special commission to study and make recommendations about how to accommodate California's rapidly accelerating growth. The Commission on Local Governance for the 21st Century focused on empowering the already existing County Local Agency Formation Commissions (LAFCOs) governed by the Cortese-Knox Local Government Reorganization Act of 1985. The Commission's final report, *Growth within Bounds*, recommended various changes to local land use laws and LAFCO statutes to allow LAFCOs more influence in shaping California's growth. Assembly Speaker Robert Hertzberg encompassed the recommendations of the Commission in Assembly Bill 2838, which passed into the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The law endows LAFCO with both more responsibilities and more influence to direct growth in California.

One of LAFCO's responsibilities requires regional studies of municipal services (or MSRs) every five years, in conjunction with reviews of city and district spheres of influence. Government Code Section 56425 directs LAFCOs to review and update agencies' SOIs, as necessary, every five years. Section 56430 requires MSRs to be conducted before or in conjunction with the sphere updates. The Local Government Reorganization Act requires that this MSR address the following factors:

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 and adequacy of public services, including infrastructure needs or deficiencies
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
7. Any other matter related to effective service delivery, as required by commission policy

Approach and Methodology

Economic & Planning Systems, Inc. (EPS) has been retained by LAFCO to update the MSR for the Planada Community Services District in Merced County. EPS reviewed the various plan documents provided by LAFCO and District staff, the District's current budget, the prior MSR document, and other readily available information to prepare this Report. The Report presents a summary of the District's services, issues, and trends and reviews the seven State-mandated issue areas based on the evidence presented.

Governance and Operations

The Planada Community Services District was originally formed by the Merced County Board of Supervisors in 1967 and acquired the Planada Sanitary District in 1981.² The District provides water and sewage services to the unincorporated community of Planada and a few outlying areas, covering a total area of 945 acres serving 5,500 people. The District has a seven-person staff and a five-member Board of Directors, which meets the third Tuesday of each month at 103 Live Oak Street in Planada.³

Total operating expenses for FY 2014-2015 are \$1,127,200. This includes \$621,600 for water and \$659,800 for sewer. Additional expenses include \$2,610 in vehicle payments and \$130,823 in reserve deposits, \$80,822 in water reserves and \$50,001 in sewer reserves.⁴

As of January 2015, monthly water rates are \$33 for ¾ inch to 1 inch service, \$44 for 1.5 inch services, and \$70 for 2 inch service; monthly sewer rates are \$52. According to the Planada Wastewater Treatment Plant Improvement Project Environmental Impact Report (Project EIR), Planada's 2011 sewer rates of \$46 per month were unaffordable as defined by the US Environmental Protection Agency's affordability guideline, which states that affordable sewage rates are two percent of the median household income.

Projected Growth and Development

As of 2013, the community of Planada had a population of 4,678, a 6 percent population increase from the 2000 population of 4,396. The community's growth slowed considerably from a 2.2 percent annual growth rate between 1990 and 2000 to a rate of 0.5 percent between 2000 and 2010 and 0.7 percent between 2010 and 2013, as shown in **Table 1**.

² Planada Wastewater Treatment Plant Improvement Project Draft Environmental Impact Report, prepared for the Planada Community Services District by Valley Planning Consultants, Inc., September 9, 2011

³ Personal communication from Planada Community Services District, January 16, 2015

⁴ Planada Community Services District Annual Budget FY 2014-2015.

Table 1 Planada Historical Population

Year	Population	Annual Growth Rate ¹
1990	3,531	--
2000	4,369	2.2%
2010	4,584	0.5%
2013 ²	4,678	0.7%

(1) Reflects growth rate from previous benchmark year. 2000 growth rate reflects rate from 1990 to 2000, 2010 reflects rate from 2000 to 2010, and 2013 reflects rate from 2010 to 2013

(2) The 2013 population is for the census designated place; this population estimate is less than the total service population, including areas outside the Planada urban boundaries, as reported by the County.

Sources: Census; 2009-2013 ACS 5-year survey; Economic & Planning Systems

The Planada Community Plan, adopted by the Merced County Board of Supervisors in December 2003, projects plan area population in five-year increments from 2000 to 2020 based on five different annual growth rates ranging from 0.90 percent to 5.16 percent. Based on these projections, the Community estimated that it would reach its buildout population of 8,500 by as early as 2015 depending on the economy and housing market.

The 2030 Merced County General Plan, adopted by the Merced County Board of Supervisors in December 2013, also estimates Planada's future population under six growth policy alternatives. The Plan estimates a population of 6,700 to 9,139 by 2030, a growth rate ranging from 1.5 percent to 2.8 percent annually. Under these growth scenarios, Planada would reach its build-out population as early as 2025 to 2030.

However, recent growth has been much slower, averaging 0.7 percent from 2010 to 2013. Applying this growth rate to the ACS 2013 population estimate of 4,678 results in a 2030 population of 5,249, which is less than build-out capacity.

According to the 2003 Community Plan, 62 percent of the Plan Area is zoned for residential uses, with 45 percent of total Plan Area zoned for low-density residential uses. Approximately 17 percent of land is commercial, 9 percent schools, and 8 percent parks. The remaining land is industrial and open space.

Infrastructure, Facilities, and Services

Water

The District serves approximately 1,300 water connections and its production capacity is approximately 4.32 million gallons per day (mgd). Average usage is around 0.97 mgd and 354 million gallons per year.⁵ This average usage is lower than the 2007 average usage of 1.1 mgd and 400 million gallons per year as recorded in the previous MSR despite a population increase. Current peak hour demand accounts for approximately 92 percent of well capacity.⁶

Domestic water is supplied to District customers by six groundwater wells. Water is chlorinated, pumped into the water transmission system, and conveyed to residents through a pressurized water system.⁷ District facilities include six wells, six pressure tanks, and approximately 12 miles of water main.⁸ Existing facilities are adequate to meet current demand. However, any future growth will require construction of at least one additional well in order to meet peak hour demand.⁹

Wastewater

The District provides service to 1,181 physical sewer connections. Some of these connections serve multiple dwelling units, so the total units served is estimated to be approximately consistent with the 1,383 connections as recorded in the 2011 Project EIR and 1,411 connections as recorded in the previous MSR. The District's wastewater treatment capacity totals 0.53 mgd; existing average daily wastewater flow varies from approximately .45 to 0.50 mgd.¹⁰

The District operates one wastewater treatment plant (WWTP) located approximately one-half mile southwest of the Community. The WWTP currently discharges disinfected secondary treated effluent to Miles Creek. The State of California's Central Valley Regional Water Quality Control Board (CVWB) regulates the treatment processes, capacity, and discharge of the WWTP. Between January 2000 and January 2008 the District was charged with 170 violations of wastewater discharge requirements.¹¹ The CVWB ordered the District to either bring the quality

⁵ Personal communication from Planada Community Services District, January 16, 2015

⁶ Merced County General Plan Housing Element, prepared by Mintier Harnish Planning Consultants, adopted June 22, 2010

⁷ Final Report, County of Merced Water and Sewer Service Providers Municipal Service Review, Prepared for Merced County Local Agency Formation Commission by Economic & Planning Systems, Inc., approved by LAFCO May 24, 2007.

⁸ Personal communication from Planada Community Services District, January 16, 2015

⁹ Personal communication from Lee Fremming, December 19, 2014

¹⁰ Personal communication from Planada Community Services District, January 16, 2015

¹¹ Merced County Association of Governments, Request to Fund Wastewater Treatment Facility Improvements, <http://www.mcagov.org/ArchiveCenter/ViewFile/Item/151>

of wastewater effluent discharged to Miles Creek up to quality requirements, or provide an alternative method of effluent disposal. Further, the CVWB requires public entities charged with wastewater disposal to plan for modifications to or replacement of wastewater treatment facilities when influent reaches 80 percent of WWTP treatment capacity, which Planada currently exceeds.¹²

To comply with CVWB requirements, improve wastewater treatment, and provide adequate wastewater load capacity to meet existing and future needs, the District is undertaking a WWTP Improvement Project (Project) to change the point of effluent disposal, increase its WWTP capacity, and improve and upgrade existing facilities. The District filed a "Petition for Change" with the CVWB to discontinue its effluent discharge to Miles Creek and instead direct effluent discharge to agricultural reclamation areas.¹³ The Project will be undertaken in two phases and include improvement to the existing WWTP and acquisition of land for its reclamation area.

According to the Project EIR, in Phase 1 improvements to the existing WWTP will be constructed within the boundaries of the existing WWTP site and on an additional 13.6 acres immediately south and adjacent to the existing WWTP. Proposed facility improvements include new WWTP headworks, treatment pond expansion and upgrades, and a new effluent pump station and storage ponds. In addition, 124 acres would be purchased for agricultural reclamation. In Phase 2, the District would acquire 40 additional acres for reclamation, for a total of 164 acres. According to the District, it has purchased approximately 108 acres for Phase 1 with plans to purchase approximately 35 additional acres for Phase 2.

The Project will bring the District into compliance with wastewater quality standards and expand the WWTP treatment capacity from 0.53 to 0.58 in Phase 1 and to 0.75 in Phase 2. Phase 1 will add capacity to serve an additional 150 sewer connections, which have already been committed to developers owning land within the District, but for which no project entitlements have been issued at the time this MSR was prepared. Phase 2 would add capacity for approximately 400 additional equivalent dwelling units. It should be noted that even with both Phase 1 and Phase 2 improvements, the sewer plant capacity will still be less than that required to support the community's build out as identified and mapped in the Planada Community Plan (2003). This new capacity is less than one-half of the growth in units that were planned for in the Community Plan (approximately 1,000 additional units). (Table 2.1, Page 2-8 of the Planada Community Plan).

The District used a bond obtained from Independent Cities Finance Authority as interim financing to purchase the required land for the Project, and has since received funding through grants and loans from the State Regional Water Quality Control Board (SRWQB) and the United States Department of Agriculture-Rural Development (USDA-RD). The District will use grant and loan funds from the USDA-RD to pay off the balance of \$3,185,315 to Independent Cities Finance Authority on March 19, 2015. Total Project funding includes an already paid-in District contribution (\$221,436); USDA Rural Development loan (\$2,211,000) and grant (\$2,597,000); and State Regional Water Quality Control Board loan (\$4,444,825) and grant (\$3,620,000)

¹² Planada Wastewater Treatment Plant Improvement Project Draft Environmental Impact Report

¹³ Ibid

funding. ¹⁴ By diverting discharge from Miles Creek to agricultural reclamation, the District's wastewater operating costs will decrease, as monitoring, chlorine, and personnel costs will decline. ¹⁵ The Project is also projected to provide the District with an increase in miscellaneous revenues from new connection fees, with 150 new committed connections in Phase 1 and 400 new connections in Phase 2. Given these revenues and cost savings, the District will have sufficient funds available for debt service, with projected debt service coverage of 1.54, 1.72, and 1.83 in 2014/2015, 2015/2016, and 2016/2017, respectively. ¹⁶ The District has received a signed notice to proceed on Phase 1 from the State Water Board. Construction is planned to start in the spring of 2015 and last approximately six months. Phase 2 is a long range plan that will be undertaken in accordance with the Community's growth. ¹⁷

Project boundaries and acquisition land as specified in the Project EIR are shown in **Figure 3**.

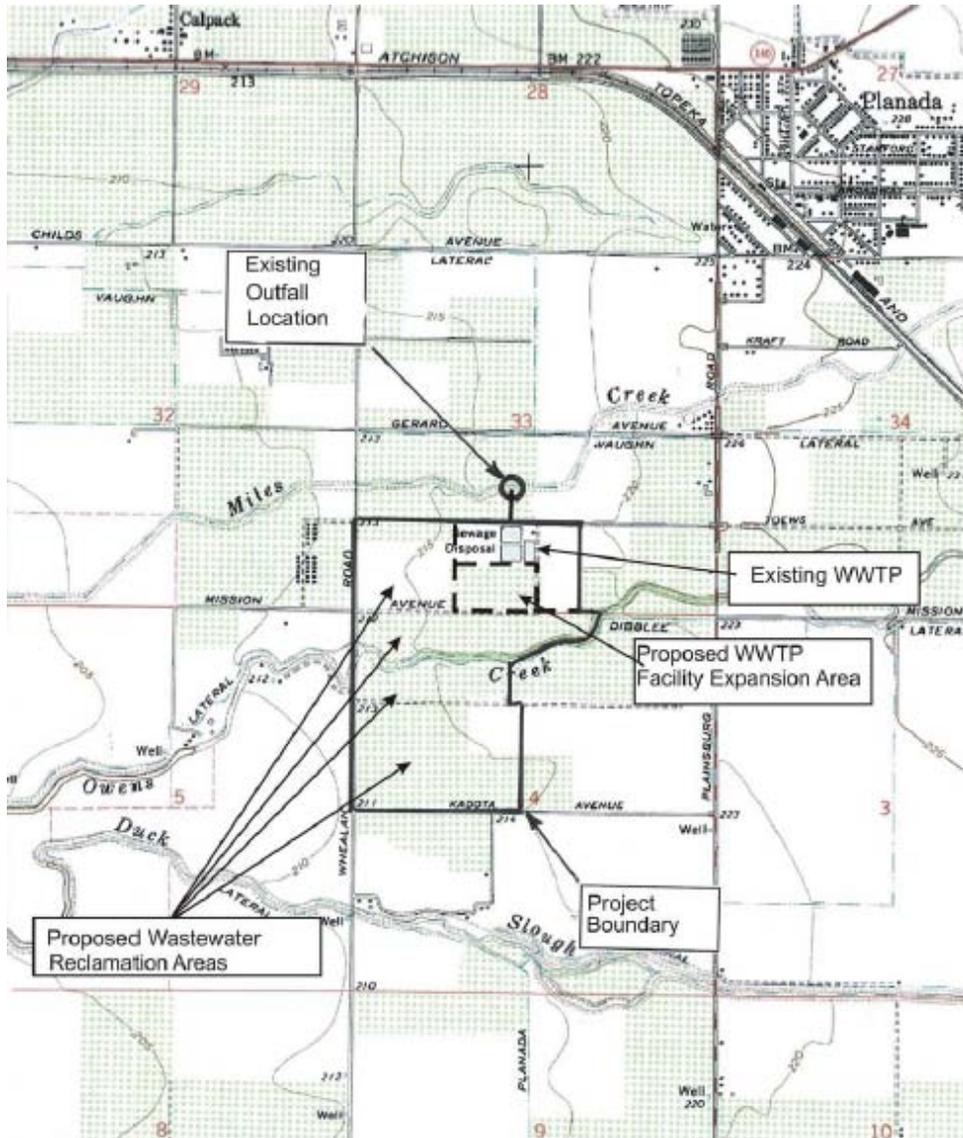
¹⁴ Personal communication from Eddie Ocampo, February 12, 2015.

¹⁵ Personal communication from Planada Community Services District, January 22, 2015

¹⁶ State Water Resources Control Board Division of Financial Assistance, Planada Community Services District – Sewer Enterprise Fund Revenues and Expenses, provided by Eddie Ocampo February 10, 2015.

¹⁷ Personal communication from Planada Community Services District, January 22, 2015

Figure 3 WWTP Improvement Project Boundaries



Source: Planada Wastewater Treatment Plant Improvement Project Draft Environmental Impact Report, September 2011

Determinations

1. Growth and population projections for the affected area

The community's growth slowed considerably from a 2.2 percent annual growth rate between 1990 and 2000 to a rate of 0.5 percent between 2000 and 2010 and 0.7 percent between 2010 and 2013. According to the 2030 Merced County General Plan, Planada would reach its buildout population as early as 2025 to 2030. However, applying the most up-to-date growth rate of 0.7 percent to the community's 2013 ACS population estimate, Planada would reach a population of 5,249 in 2030, which is less than the Community Plan build-out capacity.

In addition, it is assumed that the District will continue to serve residents outside of the urban boundaries of Planada.

Due to the District's current capacity limitations, projected growth will require expansion of WWTP capacity beyond that identified in the District's Phase 1 and Phase 2 wastewater plant expansion plans. The District also desires to include the wastewater treatment plant site and related effluent disposal property into the District over time, which would require inclusion of 137.65 acres of additional land to the District's sphere of influence.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

A report prepared by PolicyLink in 2013 identified Planada as a disadvantaged unincorporated community.¹⁸ The legislation regarding disadvantaged unincorporated communities was enacted through SB 244 in 2011, which amended various sections of the California Government Code. Of specific relevance to Planada, Government Code section 65302.10(a) defines a geographically isolated community that is inhabited and has existed for at least 50 years as a "Legacy Community." Planada qualifies as a Legacy Community as it is isolated – not located within the sphere of influence of an incorporated city. As such, the service capacity and issues identified in this Municipal Service Review address the content requirements under SB 244 as it applies to Planada.

3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

The present capacity of the WWTP is 0.53 mgd. Phase 1 of the WWTP Improvement Project will increase capacity to 0.58 mgd and Phase 2 will increase capacity to 0.75 mgd. The main sewage lift station is adequate for 0.58 mgd, but will probably need to be upgraded for any additional demand beyond 0.58 mgd. The existing water supply and distribution system is adequate at 4.32 mgd; however, any additional growth will require construction of at least one additional well.

4. Financial ability of agencies to provide services

The District presently has the financial ability to provide water and sewer services to its existing customers. Sewer rates are classified as unaffordable by the U.S. Environmental Protection Agency standard of 2 percent of median household income. The District will have sufficient funds to pay off debts accrued from the Project.

5. Status of, and opportunities for, shared facilities

No opportunities for shared facilities have been identified as Planada is an isolated unincorporated urban community. Many years ago the City of Merced investigated including capacity for Planada in their sewer plant expansion project, but the City's sewer plant is located over 10 miles away from Planada's plant site.

¹⁸ *California Unincorporated: Mapping Disadvantaged Communities in the San Joaquin Valley*, PolicyLink, 2013

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

PCSD has a five-member Board of Directors that holds public meetings on the third Tuesday of each month. While the District no longer maintains a website, the District can be reached by phone and email Monday through Friday during normal business hours and responds quickly to questions and inquiries. However, the community is low income, and delays and difficulties in planning for and funding the necessary sewer plant replacement project have resulted in over 170 violations of the State Regional Water Quality Control Board discharge requirements. To address this problem, the land required for the new treatment plant was recently purchased by the district, and grant and district funding has been obtained for construction of the Phase 1 improvements.

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

No additional matters related to effective service delivery have been identified.