

**FINAL  
MUNICIPAL SERVICE REVIEWS AND  
SPHERE OF INFLUENCE PLANS**

**for the**

**LEVEE AND RECLAMATION DISTRICTS IN GLENN COUNTY**

**GLENN LOCAL AGENCY FORMATION COMMISSION  
ADOPTED FEBRUARY 11, 2019  
RESOLUTION No. 2019-01**

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FOR THE  
LEVEE AND RECLAMATION DISTRICTS IN GLENN COUNTY**

**GLENN LOCAL AGENCY FORMATION COMMISSION**  
525 WEST SYCAMORE STREET, SUITE B1, WILLOWS, CA 95988  
PHONE: 530.934.6400, FAX: 530.934.6519

**COMMISSIONERS:**

BRUCE ROUNDY, CHAIR (CITY COMMISSIONER)  
KERRI WARREN, VICE-CHAIR (CITY COMMISSIONER)  
PAUL BARR (COUNTY COMMISSIONER)  
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LEIGH MCDANIEL (COUNTY ALTERNATE)  
PHILIP ZABELL (PUBLIC ALTERNATE)

GLENN LAFCO EXECUTIVE OFFICER: ADELE LEE  
WEBSITE [HTTP://WWW.COUNTYOFGLENN.NET/COMMITTEE/LOCAL-AGENCY-FORMATION-  
COMMISSION/WELCOME](http://www.countyofglenn.net/committee/local-agency-formation-commission/welcome)  
EMAIL: [EXECUTIVEOFFICER@GLENNLAFCO.COM](mailto:EXECUTIVEOFFICER@GLENNLAFCO.COM)

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## MUNICIPAL SERVICE REVIEWS AND SPHERE OF INFLUENCE PLANS FOR LEVEE AND RECLAMATION DISTRICTS IN GLENN COUNTY

### LAFCO

Established in 1963, Local Agency Formation Commissions (LAFCo) are responsible for administering California Government Code Section 56000 *et. seq.*, which is known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). CKH charges LAFCOs with encouraging the orderly formation and development of all local governmental agencies in their respective counties in a manner that preserves agricultural and open-space lands, promotes the efficient extension of municipal services, and prevents urban sprawl. Principle duties include regulating boundary changes through annexations or detachments, approving or disapproving city incorporations; and forming, consolidating, or dissolving special districts. There is a LAFCo located in each of the 58 counties in California.

### Spheres of Influence

Under the CKH Act, LAFCOs are required to “develop and determine the sphere of influence of each local governmental agency within the county and enact policies designed to promote logical and orderly development of areas within the sphere” (Section 56425, CKH). A Sphere of Influence (SOI) is generally considered a 20-year, long-range planning tool, and is defined by Government Code Section 56425 as “. . . a plan for the probable physical boundary and service area of a local agency. . . .” The sphere indicates the logical area in which the jurisdiction anticipates services will be needed and can be provided. According to the CKH Act, LAFCOs are required to review and update SOIs every five years, or as necessary.

A Sphere of Influence is a long-range planning tool that analyzes the physical boundary of a local agency or jurisdiction, and the present and probable need for services within that area. As such, it does not give property inside the sphere boundary any more development rights than already exist as land use authority in these areas remains entirely at the discretion of the County of Glenn. Realistically, an agency's SOI is solely reactive to the land use decisions already adopted by the agencies with land use authority. Ultimately, an SOI study assists LAFCo in making decisions about a change in a jurisdiction's future service area boundary.

Various different categories of spheres of influence boundaries are allowed, including: "**growth**" spheres that are larger than an agency's jurisdictional boundaries and anticipates a need to expand services to new territory; "**coterminous**" spheres which mirror the agency's jurisdictional boundaries and indicates no additional service expansions are needed or an inability to expand services; a "**zero**" spheres, which indicate the agency cannot or does not provide any services and should be considered for a merger or dissolved altogether; and a "**minus**" sphere when an agency does or cannot provide services to the territory in question. Establishing the appropriate sphere category can be

challenging as individual circumstances can vary between agencies. City spheres, which may convey future land use entitlements, are more scrutinized for growth impacts than an agency providing limited services such as flood control or drainage. Although a helpful tool for future planning, a sphere of influence determination does not convey any specific entitlements to landowners nor require an agency to guarantee services should priorities change.

### **Municipal Service Reviews**

The Cortese-Knox-Hertzberg Act requires that a Municipal Service Review (MSR) be conducted prior to, or in conjunction with, the update of an SOI. A MSR is a comprehensive analysis of service provision by each of the special districts, cities, and the unincorporated county service areas within the legislative authority of the LAFCo. It essentially evaluates the capability of a jurisdiction to serve its existing residents and future development in its SOI. The legislative authority for conducting MSRs is provided in Section 56430 of the CKH Act, which states “. . . in order to prepare and to update Spheres of Influence in accordance with Section 56425, LAFCOs are required to conduct a MSR of the municipal services provided in the County...”

Pursuant to Section 56430, in order to update a SOI, the associated MSR must have written determinations that 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, 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.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

These determinations must be made by the Commission before, or concurrently with, the sphere review and update for county service areas in Glenn County.



## **Sphere of Influence Plan Update Process**

Glenn LAFCo is now in the process of creating an individual SOI Plan for all of the levee and reclamation districts in Glenn County. There are numerous factors to consider in reviewing an SOI Plan, including current and anticipated land uses, facilities, and services, as well as any relevant communities of interest. Updates generally involve a comprehensive review of the entire SOI Plan, including boundary and SOI maps and the District's MSR. In reviewing an agency's sphere, the Commission is required to consider and prepare written statements addressing five factors enumerated under California Government Code Section 56425(e). These factors are identified below.

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 a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Since none of the districts being reviewed provide public services or facilities related to sewers, municipal or industrial water or structural fire protection, factor number 5 listed above is not relevant to the analysis.

## **Background**

Special districts are local governments that are separate from cities and counties, yet provide public services. California has over 3,400 special districts, which provide wide range of services from airports to mosquito abatement, fire protection, water conservation and drainage, to name a few. All of the districts being reviewed in this document are independent districts, which means they are governed by an elected or appointed board of directors or board of trustees. There are over 2,109 independent special districts in the State of California.

## **Reclamation and Levee Districts Background**

The formation of reclamation districts was originally authorized in 1868 to facilitate reclamation of swamp lands by building levees and drainage systems. The formation and regulation of reclamation districts is incorporated into the California Water Code, Sections

50000-53901 and following. Levee districts are special districts established and regulated under provisions of the Water Code, Sections 70000-70272 (Levee District Law of 1959).

Reclamation districts are governed by a board of trustees that are appointed by the County Board of Supervisors or are elected directly from the populations they serve (§50650). The board of trustees can consist of three, five or seven members and have the power to do all things necessary or convenient for accomplishing the purposes for which the reclamation district was formed (50900). The owners of the majority of acreage in the district may vote to adopt governing bylaws (§50370). A district may, by resolution of the board, provide a procedure for the collection charges and fees, by way of the tax bills of the county or counties in which such district is located (§50904).

Levee districts are governed by a three-member board of directors that are appointed by the County Board of Supervisors or are elected directly from the populations they serve. Levee districts may acquire by purchase, condemnation, gift or other action, drains, canals, sluices, bulkheads, watergates, levees, embankments, pumping plants and pipelines and to purchase, construct or otherwise acquire, maintain and keep in repair all things reasonable or convenient for the protection of the lands of the district from overflow and for the purpose of conserving or adding water to the sloughs and drains in the district. The district may co-operate and contract with the United States, the State of California, or any department or agency of either, in order to accomplish any of the purposes of the district.

Reclamation and levees districts are subject to all laws generally applicable to local districts, including the Brown Act (open public meetings), the Public Records Act, the Political Reform Act, the conflict of interest laws, and public bidding. As public entities, reclamation and levee districts are also authorized to join with other entities that wish to share their "common powers" for a common purpose. Joint powers are typically exercised through a joint power agency, which is formed by an agreement of the members.

### **Levee Maintenance Issues**

Beyond budgetary constraints on the local, State and Federal levels, the conflict inherent between natural resource protection (endangered species and wetlands, in particular) and the need to maintain levees has also created problems and delayed both appropriations and repairs. Added to the mix is the issue of allowing the public to use the levees for recreational fishing. While the right to fish in public waters is guaranteed by the State Constitution, the landowners within reclamation districts are concerned about increased liability and damage to the levees.

The infrastructure challenges facing reclamation districts are substantial. The cost of vegetation removal and compliance with the California Environmental Quality Act (CEQA) add significantly to the costs and reduce the amount of money each reclamation district has available for maintenance. Reclamation districts have had to adjust their maintenance programs and bear the cost of complying with the Endangered Species Act and the Clean Water Act, legislation that did not exist when most of them were formed. They are essentially required to mitigate for environmental damage that has happened over decades throughout the region.

Despite the number of agencies regulating reclamation districts, funding is typically not associated with their oversight. Funding programs also frequently require a higher maintenance standard which adds to costs or the payment of the grants presupposes an unusual amount of working capital. As a result, the cost of maintenance primarily becomes the responsibility of individual landowners within each reclamation district even though the service provided by reclamation districts is of benefit to the region and ultimately to the large portion of California dependent on the Delta for water supply.

Irrigation, levee, and reclamation district activities along the Sacramento River can relate to riparian habitat management in several ways. Unlined irrigation and drainage ditches and canals may provide sufficient water for the growth of riparian habitat in areas that might not otherwise support it. Ditch and levee maintenance practices may also affect riparian habitat.

In some areas levee maintenance is carried out in a way that allows strips of riparian habitat to remain on levee berms; in other areas this is not the case. The siting of larger diversion structures along the Sacramento River may also have important implications for riparian habitat; structures requiring bank protection may inhibit the physical river processes which maintain riparian forest succession.

### **Central Valley Flood Protection Plan (2012/2017 Update)**

The Central Valley Flood Protection Plan (CVFPP) was adopted by the Central Valley Flood Protection Board in 2012 and updated in 2017. The CVFPP is a guide to managing flood risk in the Central Valley and it will be updated every five years. The goal of the CVFPP is to improve flood risk management with the following supporting goals:

- Improve operations and maintenance
- Promote ecosystem functions
- Improve institutional support
- Promote multi-benefit projects

Flood infrastructure is to be planned and managed centrally, but O&M, flood response, and infrastructure implementation can be implemented either regionally or locally. The CVFPP promotes regional governance via local consolidation and collaboration among partnering agencies.

### **Reclamation and Levee Districts Financing**

The State Law (California Water Code Section 50000 et seq.) allows a Reclamation or Levee District to use the following financing tools to raise money needed to pay for facilities and services:

- Special assessments based on the specific benefit each parcel receives from the improvements
- Fees or charges, including minimum and standby charges, for services provided
- User fees for the irrigation services provided to property owners

Levee and reclamation districts, as independent districts, can receive revenue from property taxes and/or individual parcel assessments as needed. If a district was levying a tax rate and receiving ad valorem taxes (property taxes based on assessed value of property) prior to the passage of Proposition 13 in 1978, they now receive a portion of the 1% levy determined by AB 8 tax allocation factors. Districts formed after Proposition 13 do not receive a portion of the 1% levy.

With the passage of Proposition 13, the amount of property taxes received by special districts was restricted. To fund expenses, direct assessment can be authorized or increased by a vote of property owners as permitted by Proposition 218.

Revenue for the districts that receive property taxes is determined by the assessed value of each parcel within that district. Property tax revenue generally increase incrementally as the assessed value of a parcel and property tax amount increases. Conversely, under certain circumstances, the assessed value of a parcel/property may decrease which is reflected in lower property tax revenue. An example of lower property values was the last recession which resulted in less property tax revenue going to those districts that receive property taxes.

Reclamation and levee districts are required to prepare annual budgets which are approved by the districts' governing body. The proposed budgets include projected revenues and projected expenditures. Revenues generally remain steady from year to year, while expenditures can vary greatly, depending on the services that will be required during the budget year. Budgets include projected expenditures for services and supplies and other charges. Projected expenditures are an estimate which in many cases is not fully utilized because the anticipated services were not needed or were less costly than what was anticipated. Any funds budgeted but not used within the fiscal year are carried over into the fund balance for the district for the next year.

All of the districts being reviewed have a positive fund balance though the amount varies greatly between entities. Fund balances can be used for various purposes, such as, funding unanticipated expenses, additional maintenance services, or improvements to a district's infrastructure. When expenditures exceed revenues, a revenue shortfall occurs and the fund balance will be utilized to cover the shortfall.

Each of the districts in this document shows the actual budgets including revenues, expenditures and fund balances for Fiscal Years 2015-16, 2016-17 as well as the adopted budget for FY 2017-18.

### **Levee and Reclamation Districts in Glenn County**

There are three levee districts and four reclamation districts in Glenn County, which are:

- Levee District No. 1
- Levee District No. 2
- Levee District No. 3
- Reclamation District No. 2047

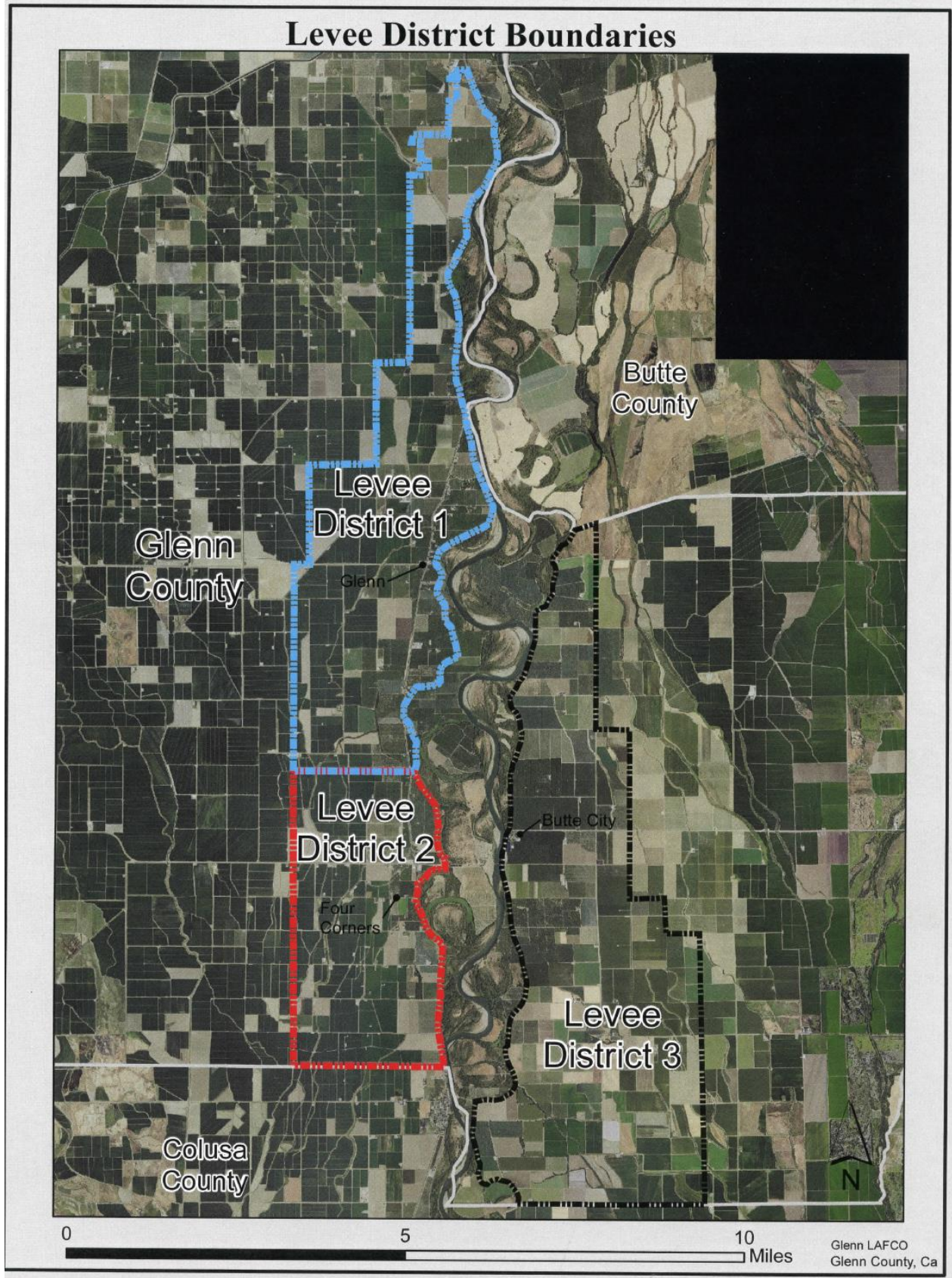
- Reclamation District No. 2106
- Reclamation District No. 2140
- Reclamation District No. 1004

Reclamation District No. 2016 is a multicounty district, extending into Butte County. The District is approximately 49,549 acres in size, with approximately 35,507 acres located in Glenn County and approximately 14,402 acres located in Butte County. The District consists of approximately 439 parcels, 408 of which are found in Glenn County and 31 of which are located in Butte County. The Glenn Local Agency Formation Commission is the principal county LAFCo for Reclamation District No. 2016 as the majority of the parcels, along with the majority of the land value, lies within Glenn County.

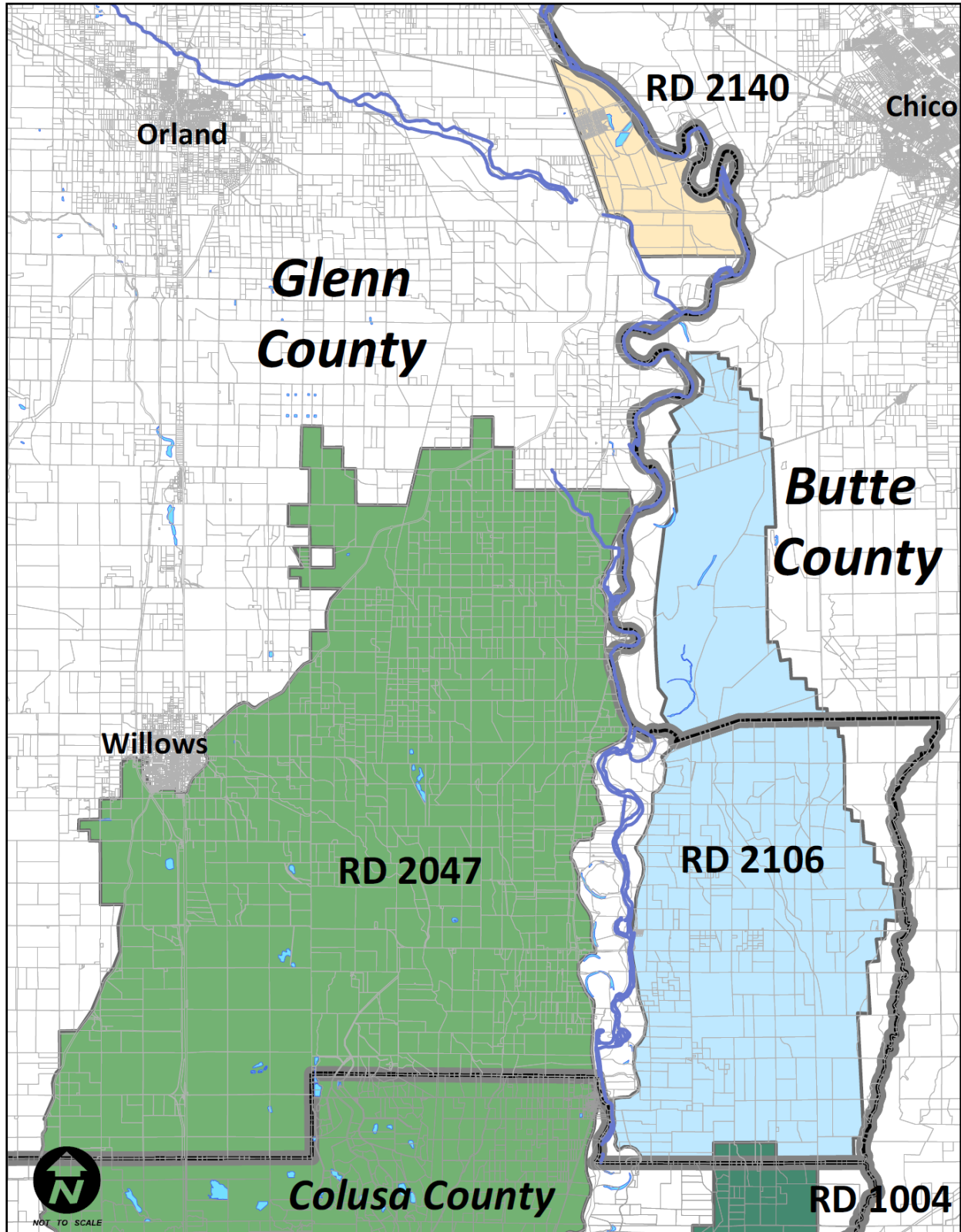
Reclamation Districts 1004 and 2047 are also multicounty districts. Only a small portion of Reclamation District No. 1004, consisting of six parcels, totaling approximately 468 acres in area, is located within Glenn County. The remaining portion of Reclamation District No. 1004 is within Colusa County. As the majority of the assessed land value of Reclamation District No. 1004 is within Colusa County, the Colusa Local Agency Formation Commission is the principal county LAFCo for this District. As the principal county LAFCo, Colusa LAFCo is the agency that would act on annexations, detachments, SOI modifications and SOI Plans, and municipal services reviews for Reclamation District No. 1004. Likewise, a large portion of Reclamation District No. 2047, consisting of approximately 1,569 parcels totaling approximately 95,605 acres in size, is located within Glenn County. Even though a large portion of Reclamation District No. 2047 is within Glenn County, Colusa LAFCo is the principal county LAFCo for this district.

In 2110, Colusa LAFCo adopted a MSR that included a review of Reclamation Districts 1004 and 2140 and on September 6, 2018, adopted an updated MSR that included a review of these two districts. The updated MSR can be accessed on Colusa LAFCo's webpage (<https://www.colusalafco.org>).

The following maps shows the location of the levee and reclamation districts in Glenn County.



### Reclamation District Boundaries



**RECLAMATION AND LEVEE DISTRICTS GOVERNMENTAL STRUCTURE - REORGANIZATION**

There are three levee districts within Glenn County and four reclamation districts (partially or wholly) within Glenn County. This MSR/SOI plan is an opportunity to evaluate and compare each district and consider any governance restructuring scenarios that may result in improved efficiencies and public health and safety outcomes.

Consolidation or reorganization of the three levee districts into one district would most likely result in: cost savings, the elimination of two governing bodies, eliminate the need for two expensive financial audits to be prepared, provide for more effective and efficient levee maintenance services, and result in much better governmental transparency.

Reorganization scenarios for the three levee districts include:

- Levee Districts 1, 2, and 3 could be consolidated into one levee district;
- Two of the three levee districts could be dissolved and their boundaries subsequently annexed into the remaining levee district. This scenario would require a sphere of influence expansion for the remaining levee district that would encompass the boundaries of the two dissolved levee districts;

Scenarios for the reclamation districts include:

- Reclamation Districts 2106 and 2140 could be consolidated into one reclamation district. However, consolidation of these districts would be problematic given that the services these two districts provide are significantly different from each other, with Reclamation District 2106 acting as a groundwater sustainability agency (GSA) and Reclamation District 2140 only performing services related to the construction and maintenance of a new levee.
- One of the two reclamation districts could be dissolved and its boundaries subsequently annexed into the remaining reclamation district. This scenario would require a sphere of influence expansion for the remaining reclamation district that would encompass the boundaries of the dissolved reclamation district. As noted above, dissolution/annexation of these districts would be problematic given that the services these two districts provide are significantly different from each other.
- The consolidation or dissolution/annexation of Reclamation Districts 2106 and 2140 with either Reclamation District 1004 or Reclamation District 2047, which are multicounty districts, would be problematic given that the Colusa County LAFCo is the principal county LAFCo for these two districts. This scenario would also be problematic given that Reclamation Districts 2106 and 2140 do not provide normal reclamation services like Reclamation Districts 1004 and 2047 do.

Potential positive impacts of a consolidation or dissolution/annexation of the subject districts may include reduced administrative and operating costs, improved reserves, and greater public transparency. A consolidation may also have negative impacts such as increased operational complexities, particularly in light of the difference in services and



philosophy between each agency. The opportunity to consolidate the districts may be affected by limited funding, inability to expand into new areas based on existing funding levels, and/or political issues, especially regarding the loss of local control. Additionally, a consolidation of the subject districts would require majority approval by the registered voters of all the districts, but such approval is not assured. Such governance reorganizations are not always readily accepted among affected constituents who may feel current services are adequate and who have type of brand loyalty to their current local agency and board of directors. Additionally, the costs to prepare a consolidation study and to hold an election could be cost prohibitive and funding would need to be secured before going forward with the consolidation process.

### **Summary Observations and Recommendations**

This MSR provides a review of levee and reclamation districts and makes individual determinations and recommendations based on the analysis of the data for each agency reviewed. The following chart lists each district name, authorized services, budgets and specific recommendations for consideration when reviewing future proposals for the subject agencies.

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**Summary of Levee and Reclamation Districts in Glenn County**

The following table summarizes each of the drainage and reclamation reviewed in this Municipal Service Review and includes the following information.

District	Authorized Powers	No. of Parcels	Fund Balance (end of FY 16-17)	FY 2016-17 Revenue	FY 2016-17 Expenditures	LAFCO MSR/SOI Recommendations
Levee District No. 1	Levee repair and maintenance	207	\$62,465	\$23,223	\$8,202	<ol style="list-style-type: none"> <li>1. Finds that the District has received an overall maintenance rating of Minimally Acceptable from the California Department of Water Resources for the last three years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.</li> <li>2. Finds that no changes to the Sphere of Influence boundary for the district are necessary.</li> <li>3. Affirms the existing Sphere of Influence coterminous boundary for Levee District No. 1 as shown on Figure 2-1 on page 2-2.</li> <li>4. The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.</li> </ol>
Levee District No. 2	Levee repair and maintenance	130	\$45,192	\$5,878	\$2,786	<ol style="list-style-type: none"> <li>1. Finds that the District has received an overall maintenance rating of Unacceptable from the California Department of Water Resources for the last two years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.</li> <li>2. Finds that no changes to the Sphere of Influence boundary for the District are necessary.</li> <li>3. Affirms the existing Sphere of Influence coterminous boundary for Levee District No. 2 as shown on Figure 3-1 on page 3-2.</li> <li>4. The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.</li> </ol>

District	Authorized Powers	No. of Parcels	Fund Balance (end of FY 16-17)	FY 2016-17 Revenue	FY 2016-17 Expenditures	LAFCO MSR/SOI Recommendations
Levee District No. 3	Levee repair and maintenance	247	\$176,585	\$25,873	\$17,375	<ol style="list-style-type: none"> <li>1. Finds that the District has received an overall maintenance rating of Unacceptable from the California Department of Water Resources for the last five years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.</li> <li>2. Finds that no changes to the Sphere of Influence boundary for the District are necessary.</li> <li>3. Affirms the existing Sphere of Influence coterminous boundary for Levee District No. 3 as shown on Figure 4-1 on page 4-2.</li> <li>4. The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.</li> </ol>
Reclamation District 2106	Groundwater sustainability agency	439	\$4,919	\$31	\$1,210	<ol style="list-style-type: none"> <li>1. Finds that the District does not provide any reclamation operation or maintenance services and that the District now functions as a groundwater sustainability agency.</li> <li>2. Finds that no changes to the Sphere of Influence and jurisdictional boundaries for the District are necessary at this time. However, the District and Glenn LAFCO should work together to determine if the District's Sphere of Influence and jurisdictional boundaries should be expanded to include all of the parcels within the District's GSA boundary.</li> <li>3. Affirms the existing Sphere of Influence coterminous boundary for Reclamation District No. 2106 as shown on Figure 5-1 on page 5-2.</li> </ol>
Reclamation District 2140	Construction and maintenance of new levee	717	\$297,857	\$1,089,335	\$1,316,666	<ol style="list-style-type: none"> <li>1. Finds that the services being provided by the district are adequate and are being provided in an effective and efficient manner for their intended purpose of reclamation services.</li> <li>2. Finds that no changes to the Sphere of Influence boundary for the district are necessary.</li> <li>3. Affirms the existing Sphere of Influence coterminous boundary for Reclamation District No. 2140 as shown on Figure 6-1 on page 6-2.</li> </ol>

**MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE PLAN**  
**FOR**  
**LEEVE DISTRICT NO. 1**

**ADOPTED FEBRUARY 11, 2019**  
**GLENN LAFCO RESOLUTION No. 2019-01**

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## **LEVEE DISTRICT NO. 1 DATA SHEET**

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Contact: Carlene Mann, Secretary  
 Address: P.O. Box 154, Glenn, CA 95943  
 Phone: (530) 934-4085  
 Webpage: None

### **GOVERNING BOARD**

<b>Board of Directors</b>	<b>Term Expires</b>
Nicholas W. Henning	1/6/2020
Donald Perez	1/1/2022
Nick Perez	1/1/2022

Normal Board Meeting Dates: As needed  
 Meetings are held at: 8089 Hwy. 162, Glenn, CA

### **FORMATION INFORMATION**

Date of Formation: Unknown

### **PURPOSE**

1. Enabling Legislation: Levee District Law of 1959.
2. Provided Services:  
Maintenance and repair of levees

### **AREA SERVED**

1. No. of Parcels: 207
2. District Size: 9,630 acres
3. Estimated Population: 300
4. Location: North and south of the unincorporated community of Glenn along the west side of the Sacramento River
5. Sphere of Influence: Coterminous with approved district boundaries.

### **FINANCIAL INFORMATION**

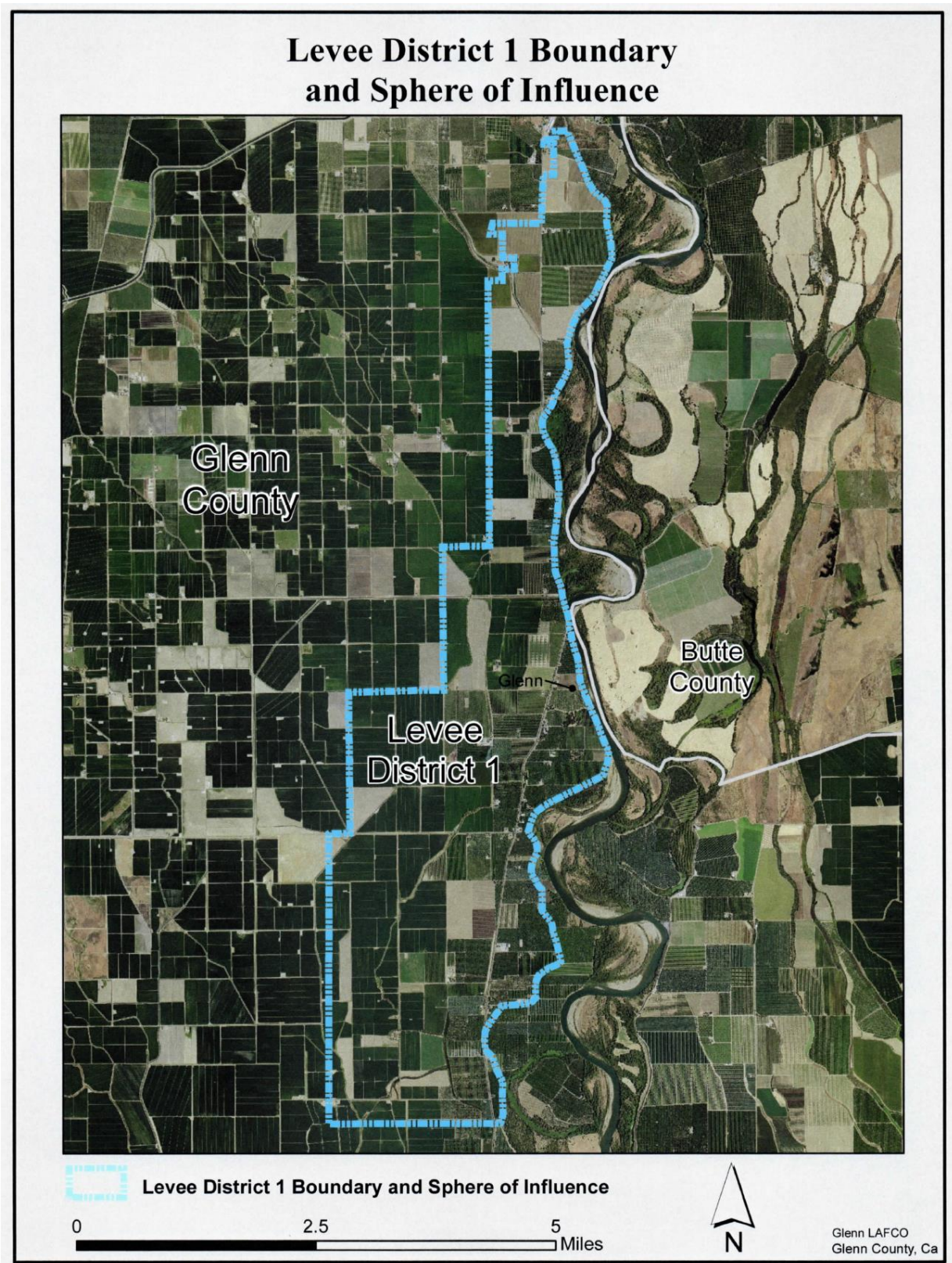
#### **Fiscal Year 2016-17**

Revenues: \$23,223  
 Expenditures: \$8,202  
 Fund Balance end of FY 2016-17: \$62,465

#### **Revenue Sources:**

- Property taxes.
- Interest on fund balance

**FIGURE 2-1 LEVEE DISTRICT NO. 1**





## DISTRICT CHARACTERISTICS

Levee District No. 1 is located north and south of the unincorporated community of Glenn along the west side of the Sacramento River (Figure 2-1). The District consists of approximately 207 parcels and totals approximately 9,630 acres in size. The predominant land use within the District boundaries is agricultural, along with some agricultural processing facilities and scattered residential uses. The majority of the district is zoned for agricultural uses. The District has an estimated population of 300. The District is responsible for maintenance of the levee located on the west side of the Sacramento River, from the north border of Levee District No. 2 northwards for approximately 12 miles.

## I. MUNICIPAL SERVICE REVIEW

### **MSR FACTOR NO. 1: GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA**

Levee District No. 1 contains approximately 102 dwellings and has a population of approximately 300. Population growth within Glenn County as a whole has been very minimal due to the rural and agricultural nature of the county. From 2010 to 2018, the population of Glenn County rose from 28,122 to 28,796, an increase of approximately 2.4 percent over an eighteen-year period.<sup>1</sup>

The following table shows the current estimated population of the county as a whole, the estimated population of the two incorporated cities within the county, and the estimated population of the unincorporated area of the county.<sup>2</sup> Additionally, the table shows the percent change in population from 2017 to 2018.

County/City	Total Population		
	1/1/2017	1/1/2018	Percent Change
Glenn	28,730	28,796	0.2
Orland	7,844	7,932	1.1
Willows	6,066	6,064	0.0
Balance of County	14,820	14,800	-0.1

The population of the District is not expected to significantly increase in the near future. No significant residential developments, which could cause an increase in population, are anticipated to be constructed within the district.

**MSR DETERMINATION NO. 1:** *The population within the District is not expected to have any significant growth based upon the historic low population growth rate of Glenn County. No significant new development is anticipated to occur within the District.*

<sup>1</sup> State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark*. Sacramento, California, May 2018.

<sup>2</sup> State of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018*. Sacramento, California, May 2018.

**MSR FACTOR NO. 2: THE LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE**

Disadvantaged unincorporated communities (DUCs) are defined by statute as inhabited territory (meaning 12 or more registered voters), or as determined by commission policy, that constitutes all or a portion of a community with an annual median household income (MHI) that is less than 80 percent of the statewide annual MHI (Water Code Section 79505.5). The statewide MHI data is obtained from the US Census American Community Survey (ACS) 5-Year Data: 2010 - 2014. California's MHI for this period was \$61,489, and 80 percent of that is \$49,191. The identification of DUCs as it relates to LAFCo is to ensure that these communities are fairly served with essential municipal services of public sewer, water and fire protection.

DUCs were identified by utilizing the Disadvantage Communities Mapping tool offered by the California Department of Water Resources at <https://gis.water.ca.gov/app/dacs/>. Based on an analysis of census block groups, no area within the district meets the definition of a DUC.

**MSR DETERMINATION NO. 2:** *None of area within Levee District No. 1 is designated as a disadvantaged community based on community block group data.*

**MSR FACTOR NO. 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**

The District is responsible for maintenance of the levee located on the west side of the Sacramento River, from the north border of Levee District No. 2 northwards for approximately 12 miles. Maintenance services include spraying to eliminate broadleaf vegetation, rodent reduction, tree trimming, slope grading, road scraping, garbage removal, and controlled burning. The District does not have any employees and utilizes private contractors or State agencies (such as inmate crews from the Valley View Conservation Camp located in Elk Creek) for levee maintenance services. Inspection of the District-maintained levee is conducted by staff of the California Department of Water Resources on a quarterly basis.

Each year the California Department of Water Resources publishes a report on the physical condition of the levees within the Central Valley. The document, entitled *Inspection and Local Maintaining Agency Report of the Central Valley State-Federal Flood Protection System*, contains an evaluation of each levee maintaining agency (LMA) found within the Central Valley. The latest report is for the year 2017 and can be found at:

[http://cdec.water.ca.gov/reportapp/javareports?name=2017\\_Report\\_Combined.pdf](http://cdec.water.ca.gov/reportapp/javareports?name=2017_Report_Combined.pdf).

The Levee District No. 1 section of the 2017 report was reviewed for the preparation of this MSR/SOI Plan. The 2017 report had the following Threat Assessment &

Recommendations for Levee District No. 1

- The LMA should focus more on backfilling rodent holes.
- The LMA should focus more on controlling woody vegetation.

The report also provides a Levee Inspection Summary for each LMA, and the inspection summary for Levee District No. 1 is found in the following figure.

SACRAMENTO SYSTEM : Levee District No. 0001 (Glenn County)												
DWR Levee Inspection Summary												LD 1G
LD0001G	Total LMA Miles : 12.23											
Rated Item	Fall 2016				Fall 2017				Change			
	M Miles	U Miles	M+4U Miles	Thresh. %	M Miles	U Miles	M+4U Miles	Thresh. %	M Miles	U Miles	M+4U Miles	Thresh. %
<i>Earthen Levee</i>												
Vegetation	0.96		0.96	7.85	0.07		0.07	0.57	-0.89		-0.89	-7.28
Trim / Thin Trees	0.13		0.13	1.06	0.13		0.13	1.06				0.00
Encroachments	0.01		0.01	0.08	0.01		0.01	0.08				0.00
Animal Control	0.21	0.21	1.05	8.58	0.31	0.20	1.11	9.07	0.10	-0.01	0.06	0.49
Slope Stability	0.02		0.02	0.16	0.01		0.01	0.08	-0.01		-0.01	-0.08
Emergency Supplies & Equipment	0.12		0.12	0.98	0.12		0.12	0.98				0.00
Flood Preparedness & Training	0.12		0.12	0.98	0.12		0.12	0.98				0.00
<i>Supplemental</i>												
DWR UCIP Field Study												0.00
DWR UCIP LMA Responsibility												0.00
<i>LMA Totals:</i>	1.57	0.21	2.41	19.70	0.77	0.20	1.57	12.84	-0.80	-0.01	-0.84	-6.87

The inspection summary for Levee District No. 1 shows that the overall LMA rating for the District for Fall 2016 and Fall 2017 was M, which stands for Minimally Acceptable. DWR defines Minimally Acceptable as one or more deficient conditions exist in the flood protection project that needs to be improved or corrected. However, the project will essentially function as designed with a lesser degree of reliability than what the project could provide. The reasons for the District’s Minimally Acceptable rating is due primarily to rodent activity and the lack of removal of woody vegetation on the levee maintained by the District.

The report also includes a table (found below) showing the overall maintenance rating for LMAs for the years 2013 to 2017. This table shows that Levee District No. 1 was given an overall rating of Acceptable for 2013 and 2014, and Minimally Acceptable for 2015, 2016, and 2017.

**Table 2-2: Overall Maintenance Rating by Area for 2013 to 2017**

Area Short Name	Area Name	Overall Rating				
		2013	2014	2015	2016	2017
LD0001G	Levee District No. 0001G (Glenn County)	A	A	M*	M	M
LD0001S†	Levee District No. 0001S (Sutter County)	A	A	M*	U	A
LD0002	Levee District No. 0002	A	A	M	U	U
LD0003	Levee District No. 0003	U	U	U	U	U

\* Overall unit threshold percentage is less than 10%; however, U (Unacceptable) rated miles are present, so the overall unit rating is M instead of A.

The District should take all measures necessary to improve their overall maintenance rating to Acceptable. This may require additional expenditures to reach this goal.

Based on material reviewed, the maintenance of the levee maintained by the District appears to be adequate. At the present time, the district has the ability and the capacity to serve the existing service area and has no unmet infrastructure needs or deficiencies.

**MSR DETERMINATION NO. 3-1:** *The District has received an overall maintenance rating of Minimally Acceptable from the California Department of Water Resources for the last three years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable, even if this requires additional expenditures to reach this goal.*

**MSR DETERMINATION NO. 3-2:** *A No portion of the District is identified as being in a Disadvantaged Unincorporated Community (DUCs).*

#### **MSR FACTOR NO. 4: FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES**

This section analyzes the financial structure and fiscal viability of the District. Included in this analysis is the consideration of revenue sources, amount of revenue, stability of revenues, and expenditure sources.

Levee District No. 1 follows the General Accounting Standard Board Statement No. 34 (GASB 34) accounting standards. The District complies with Generally Accepted Accounting Principles (GAAP).

As required by State law, the District's Board of Directors must approve a tentative budget no later than June 30 and adopt a final budget no later than October 1 of each fiscal year end for the General Fund. A public hearing must be conducted to receive comment prior to adoption. Until the adoption of this financial budget, operations are governed by the adopted proposed budget approved by the Board. The District's Board of Directors satisfied these requirements.

**Revenues**

The District's primary revenue source is from ad-valorem property taxes. Ad-valorem<sup>3</sup> property tax is a one percent general levy of the assessed market value of a property. This one percent is distributed among many agencies in the county. For cities and the county, this tax is usually deposited into their general funds, which can be used for any service. For special districts, this tax is also deposited into the district's general funds to be used for the district's sole purpose.

The level of revenue from property taxes can be considered relatively consistent, as the taxes usually remain at the same level from year to year. However, property tax revenue can decrease due to decreasing property values, which is what occurred beginning in 2008 because of the downturn in the economy and housing market. Due to the downturn in the economy, properties were reassessed to a lower value, which reduced property tax revenue flowing to cities and special districts. Revenue from property taxes has been increasing over the last few years as properties are reassessed to a higher value, but remain below pre-2008 levels. New development on a property raises the property value of that parcel, with a corresponding increase in property tax revenues.

Proposition 218 restricts local government's ability to impose assessment and property-related fees and requires elections to approve many local governmental revenue-raising methods. Any change in the amount of the assessment must be approved by a majority of the voters in the District at a duly-called election pursuant to Proposition 218 and legislation implementing its terms. The District does not collect any revenues from parcel assessments.

The District collects its share of property taxes through the County of Glenn. The District relies on the competency of the County in determining its share of the overall property tax collection. The District's cash is pooled with the Glenn County Treasurer, who acts as a disbursing agent for the District.

In accordance with Government Code Section 53901, every local agency shall file a copy of its annual budget with the County Auditor of the County in which it conducts its principal operations, unless exempted by the County Auditor 60 days after the beginning of its fiscal year. The District appears to comply with this law.

**Expenditures**

District expenditures include salaries and benefits (commission and director salaries), services and supplies (insurance, levee maintenance, office expenses, professional services), and administrative expenses.

The following table shows revenues and expenditures for Levee District No. 1 for Fiscal Years 2013-2014 to 2017-2018.<sup>4</sup> During this time period, actual revenues ranged from a low of \$18,469 (FY 2013-14) to a high of \$23,765 (FY 2015-16). Actual expenditures during this time period ranged from a low of \$2,027 (FY 2015-16) to a high of \$18,357 (FY 2014-15). Generally, District revenues exceed expenditures.

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<sup>3</sup> Latin for "according to value"

<sup>4</sup> Levee District No. 1 Financial Statements Together with the Independent Accountant's Review Report as of and for the years ended June 30, 2013, 2014, 2015, 2016, and 2017.

<b>LEEVE DISTRICT NO. 1 - REVENUES AND EXPENDITURES</b>					
<b>Detail by Revenue Category and Expenditure Object</b>	<b>2013-14 Actuals</b>	<b>2014-15 Actuals</b>	<b>2015-16 Actuals</b>	<b>2016-17 Actuals</b>	<b>2017-18 Adopted By District Board</b>
<b>REVENUES</b>					
Property Tax	18,189	18,219	23,399	22,472	22,750
Intergovernmental	219	212	254	401	250
Interest	61	62	112	350	150
<b>TOTAL REVENUES</b>	<b>\$18,469</b>	<b>\$18,493</b>	<b>\$23,765</b>	<b>\$23,223</b>	<b>\$23,150</b>
<b>EXPENDITURES</b>					
Insurance	443	500	500	438	500
Maintenance	4,258	6,629	515	6,047	16,262
Administration/Other	2,549	1,228	1,012	1,719	6,388
Debt Service	1,000	10,000	-	-	-
<b>TOTAL EXPENDITURES / APPROPRIATIONS</b>	<b>\$8,249</b>	<b>\$18,357</b>	<b>\$2,027</b>	<b>\$8,202</b>	<b>\$23,150</b>
<b>NET COSTS</b>	<b>\$10,220</b>	<b>\$136</b>	<b>\$21,738</b>	<b>\$15,021</b>	<b>\$0</b>

As shown in the above table, for Fiscal Years 2013-14 to 2016-17 District revenues exceeded expenditures, resulting in a revenue surplus for those years. The annual expenditures of a special district should generally equal, or, ideally, be less than the revenue a district receives in any given fiscal year. When expenditures exceed revenues, which is referred to as a budget deficit, a non-enterprise district, such as Levee District No. 1, must resort to the use of fund balance, if available, or borrow money to cover the shortfall in revenues.

A budget deficit, which can occasionally occur to even the best-funded special district, can be due to various factors, such as unanticipated expenses or erroneous revenue projections. An agency experiencing a budget deficit can use fund balance or other reserves, if available, to balance their budget. However, using the fund balance is a one-time course of action that cannot fix a structural imbalance. A district experiencing continuous budget deficits may be having financial difficulties that need to be identified and corrected. If the budget deficit cannot be corrected, a district may have to reduce service levels if new sources of funding cannot be obtained.

The District currently has a large unassigned fund balance, which was \$62,465 at the end of Fiscal Year 2016-17. The large fund balance is the result of revenues exceeding expenditures over numerous years. The below table shows the District's assets and liabilities for Fiscal Years 2012-13 to 2016-17.

<b>LEVEE DISTRICT NO. 1 - ASSETS AND LIABILITIES</b>					
	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>ASSETS</b>					
Cash with County	33,395	20,983	25,613	47,857	62,329
Interest Receivable	27	25	28	82	203
Due from Other Governments	-	9,834	70	5	-
<b>TOTAL ASSETS</b>	<b>\$33,432</b>	<b>\$30,842</b>	<b>\$25,711</b>	<b>\$47,944</b>	<b>\$62,532</b>
<b>LIABILITIES</b>					
Accounts Payable	71	5,270	5	500	67
Due to Other Governments	18,001	2	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$18,072</b>	<b>\$5,272</b>	<b>\$5</b>	<b>\$500</b>	<b>\$67</b>
<b>FUND BALANCES</b>					
Unassigned	15,350	25,570	25,706	47,444	62,465
<b>TOTAL FUND BALANCES</b>	<b>\$15,350</b>	<b>\$25,570</b>	<b>\$25,706</b>	<b>\$47,444</b>	<b>\$62,465</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$33,422</b>	<b>\$30,842</b>	<b>\$25,711</b>	<b>\$47,944</b>	<b>\$62,532</b>

The District does not have any outstanding debt. The District has not been party to any legal actions affecting its financial status and has no outstanding litigation. The District does have an insurance policy.

#### **FINANCIAL AUDIT/FINANCIAL AUDITS**

State Law requires that every public agency retain the services of a certified public accountant to prepare that agency's financial audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in an agency's financial statements. Financial statements include all transactions for which a public agency is financially accountable. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Levee District No. 1 is allowed to have a financial audit prepared every five years pursuant to State law and as approved by the Glenn County Board of Supervisors. The last financial audit was prepared in August 2017, which was for Fiscal Years 2012-13 to 2016-17, was prepared by Roy R. Seiler, a Certified Public Accountant in Willows. The financial audit did not note any material deficiencies in the District's financial statements.

**MSR DETERMINATION NO. 4-1:** Revenue for Levee District No. 1 provides adequate funding to cover the cost of providing levee maintenance services, with revenues normally exceeding expenditures. The district currently has a large fund balance that could be utilized for unanticipated expenses, capital improvements, or to cover revenue shortfalls.

**MSR DETERMINATION NO. 4-2:** The District has financial audits prepared every five years as allowed by State law. The last financial audit for the District showed no material deficiencies in the District's financial statements.

#### **MSR FACTOR 5: STATUS OF, AND OPPORTUNITIES FOR SHARED FACILITIES**

Levee District No. 1 has no employees and contracts with private vendors for levee maintenance services. There are two other levee districts in the area: Levee District No. 2, which lies directly to the south of Levee District No. 1, and Levee District No. 3, which is located on the east side of the Sacramento River. As these three districts provide the same type of services and are near to each other, opportunities for shared facilities exist, such as the sharing of equipment, materials, and expertise.

**MSR DETERMINATION NO. 5:** Levee District No. 1 has no employees and contracts with private vendors or State agencies for levee maintenance services. There are two other levee districts in the area – Levee District No. 2 and Levee District No. 3 - which could present opportunities for shared facilities.

#### **MSR FACTOR 6: ACCOUNTABILITY FOR COMMUNITY SERVICES NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES**

The District is an independent Special District of the State of California formed under the Levee District Law of 1959 (Water Code, Sections 70000-70272). Levee districts are governed by a board of directors that are appointed by the County Board of Supervisors or are elected directly from the populations they serve. For Levee District 1, the board of directors are appointed by the Glenn County Board of Supervisors. The directors are appointed to four-year terms.

Meetings are held on an as-needed basis and are held at 8089 Hwy. 162, Glenn, CA, which is the residence of one of the Board members. Agendas are posted for the meetings as required. The District does not have a website. On September 14, 2018, Senate Bill 929 was signed by the Governor and chaptered into law by the California Secretary of State, which added sections 6270.6 and 53087.8 to the California Government Code. This law requires, beginning on January 1, 2020, that every independent special district maintain an Internet Web site that clearly lists contact information for the special district. An exception to this requirement is allowed if, pursuant to a majority vote of its governing body at a regular meeting, the district adopts a



resolution declaring its determination that a hardship exists that prevents the district from establishing or maintaining an Internet Web site. The resolution shall include detailed findings, based upon evidence set forth in the minutes of the meeting, supporting the board's determination that a hardship prevents the district from establishing or maintaining an Internet Web site. The findings may include, but shall not be limited to, inadequate access to broadband communications network facilities that enable high-speed Internet access, significantly limited financial resources, or insufficient staff resources. The resolution shall be valid for one year. In order to continue to be exempt, the governing body of an independent special district shall adopt a resolution annually so long as the hardship exists.

Pursuant to California Government Code section 53051, every public agency is required to submit a *Statement of Facts-Roster of Public Agencies Filing* to the California Secretary of State anytime there is a change in the membership of the governing board of the agency or the agency's official mailing address. Agencies are required to also submit the *Statement of Facts-Roster of Public Agencies Filing* to the county clerk of the applicable county. It does not appear that the District has submitted the required form to the Glenn County Clerk. The District should ensure that a *Statement of Facts-Roster of Public Agencies Filing* is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change in the District's official mailing address changes. The required form can be found at: <http://bpd.cdn.sos.ca.gov/sf/forms/np-sf-405.pdf>.

**MSR DETERMINATION NO. 6-1:** *The district is managed by a board of directors appointed by the Glenn County Board of Supervisors. The directors manage service needs with independent contractors rather than full time staff, which allows for more efficiency in a small district.*

**MSR DETERMINATION NO. 6-2:** *The District does not have a website. Pursuant to Senate Bill 929 (California Government Code Sections 6270.6 and 53087.8) the District shall maintain an Internet Web site unless the District makes a determination that a hardship exists. The District is strongly encouraged to create and maintain an Internet Web site.*

**MSR DETERMINATION NO. 6-3:** *The District should ensure that a "Statement of Facts-Roster of Public Agencies Filing" is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change to the District's official mailing address.*

**MSR FACTOR NO. 7: ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY****RECLAMATION AND LEVEE DISTRICTS GOVERNMENTAL STRUCTURE - REORGANIZATION**

There are three levee districts within Glenn County and four reclamation districts (partially or wholly) within Glenn County. This MSR/SOI plan is an opportunity to evaluate and compare each district and consider any governance restructuring scenarios that may result in improved efficiencies and public health and safety outcomes.

Consolidation or reorganization of the three levee districts into one district would most likely result in: cost savings, the elimination of two governing bodies, eliminate the need for two expensive financial audits to be prepared, provide for more effective and efficient levee maintenance services, and result in much better governmental transparency.

Reorganization scenarios for the three levee districts include:

- Levee Districts 1, 2, and 3 could be consolidated into one levee district;
- Two of the three levee districts could be dissolved and their boundaries subsequently annexed into the remaining levee district. This scenario would require a sphere of influence expansion for the remaining levee district that would encompass the boundaries of the two dissolved levee districts;

Potential positive impacts of a consolidation or dissolution/annexation of the subject districts may include reduced administrative and operating costs, improved reserves, and greater public transparency. A consolidation may also have negative impacts such as increased operational complexities, particularly in light of the difference in services and philosophy between each agency. The opportunity to consolidate the districts may be affected by limited funding, inability to expand into new areas based on existing funding levels, and/or political issues, especially regarding the loss of local control. Additionally, a consolidation of the subject districts would require majority approval by the registered voters of all the districts, but such approval is not assured. Such governance reorganizations are not always readily accepted among affected constituents who may feel current services are adequate and who have type of brand loyalty to their current local agency and board of directors. Additionally, the costs to prepare a consolidation study and to hold an election could be cost prohibitive and funding would need to be secured before going forward with the consolidation process.

**MSR DETERMINATION NO. 7:** The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.

## II. SPHERE OF INFLUENCE PLAN

The existing Sphere of Influence (SOI) for Levee District No. 1 is coterminous with the District's jurisdictional boundaries. The SOI Plan recommendation is based directly on the information and discussions in the MSR and the MSR factor determinations above. In Glenn County levee, drainage and reclamation districts have all had coterminous SOI boundaries and Levee District No. 1 is no different. Unlike cities where boundaries are constantly changing because of new development that requires city services, levee districts have been based on long-standing infrastructure and topography that doesn't normally change. Furthermore, new growth is not anticipated adjacent to the District that would require an expansion of the District boundary. A coterminous SOI is recommended as appropriate.

### SPHERE OF INFLUENCE PLAN REVIEW FACTORS FOR LEEVE DISTRICT NO. 1

There are numerous factors to consider in reviewing a SOI Plan, including current and anticipated land uses, facilities, and services, as well as any relevant communities of interest. Updates generally involve a comprehensive review of the entire SOI Plan, including boundary and SOI maps and the District's MSR. In reviewing an agency's sphere, the Commission is required to consider and prepare written statements addressing five factors enumerated under California Government Code Section 56425(e). Each of the SOI review factors are listed below, with a corresponding determination.

#### **SOI FACTOR NO. 1: The present and planned land uses in the area, including agricultural and open-space lands.**

**SOI DETERMINATION NO. 1:** *Glenn County retains the responsibilities for land use decisions for all the parcels within the District. The County has zoned the majority of the district for agriculture uses on either 40-acre or 80-acre minimum parcel sizes. This will significantly limit any further land divisions and maintain agriculture as the primary use. Intensive agricultural uses are located throughout the district.*

#### **SOI FACTOR NO. 2: The present and probable need for public facilities and services in the area.**

**SOI DETERMINATION NO. 2:** *With low projected population growth and limited potential for land divisions, the present and probable need for services within the District is not expected to change. Maintenance of existing facilities will continue to be the priority of the District.*

#### **SOI FACTOR NO. 3: The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

**SOI DETERMINATION NO. 3:** *The District has received an overall maintenance rating of Minimally Acceptable from the California Department of Water Resources for the last three years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.*

**SOI Factor No. 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.**

**SOI DETERMINATION NO. 4-1:** *Levee District No. 1 provides a service essential to the agricultural economy of the area, which represents an economic community of interest in the area.*

**SOI FACTOR NO. 5:** **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

**SOI DETERMINATION NO. 5:** *Levee District No. 1 does not provide services related to sewers, municipal and industrial water, or structural fire protection.*

#### **LEVEE DISTRICT NO. 1 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE FINDINGS AND RECOMMENDATIONS**

Based on the MSR and SOI determinations as listed above, the Commission:

1. Finds that the District has received an overall maintenance rating of Minimally Acceptable from the California Department of Water Resources for the last three years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.
2. Finds that no changes to the Sphere of Influence boundary for the district are necessary.
3. Affirms the existing Sphere of Influence coterminous boundary for Levee District No. 1 as shown on Figure 2-1 on page 2-2.
4. The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.

**MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE PLAN**  
**FOR**  
**LEEVE DISTRICT NO. 2**

**ADOPTED FEBRUARY 11, 2019**  
**GLENN LAFCO RESOLUTION No. 2019-01**

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**LEVEE DISTRICT NO. 2 DATA SHEET**

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Contact: Dennis Clark, Board Chair  
 Address: 7817 County Road 66, Princeton CA 95970  
 Phone: (530) 518-2549  
 Webpage: None

**GOVERNING BOARD**

<b>Board of Directors</b>	<b>Member</b>	<b>Term Expires</b>
	Dennis Clark	1-3-2022
	Dale Imperatrice	1-3-2022
	Bill Weller	1-6-2020

Normal Board Meeting Dates: As needed  
 Meetings are held at: 7813 County Road 62 Princeton, CA

**FORMATION INFORMATION**

Date of Formation: Unknown

**PURPOSE**

1. Enabling Legislation: Levee District Law of 1959.
2. Provided Services: Maintenance and repair of levees.

**AREA SERVED**

1. No. of Parcels: 130
2. District Size: 5,620 acres
3. Estimated Population: 115
4. Location: In the Four Corners area of southeast Glenn County, along the west side of the Sacramento River
5. Sphere of Influence: Cotermious with approved district boundaries.

**FINANCIAL INFORMATION**

**Fiscal Year 2016-17**

Revenues: \$5,878  
 Expenditures: \$2,786  
 Fund Balance end of FY 2015-16: \$45,192

**Revenue Sources:**

- Parcel assessment
- Property taxes
- Interest on fund balance

**FIGURE 3-1 LEVEE DISTRICT NO. 2**





## DISTRICT CHARACTERISTICS

Levee District No. 2 is located in the Four Corners area of southeast Glenn County, along the west side of the Sacramento River (Figure 3-1). The District consists of approximately 130 parcels and totals approximately 5,620 acres in size. The predominant land use within the District boundaries is agricultural, along with some agricultural processing facilities and scattered residential uses. The majority of the district is zoned for agricultural uses. The District has an estimated population of 115. The District is responsible for maintenance of the levee located on the west side of the Sacramento River, from the Colusa County border northwards for approximately 4.9 miles.

## I. MUNICIPAL SERVICE REVIEW

### **MSR FACTOR NO. 1: GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA**

Levee District No. 2 contains approximately 45 dwellings and has an estimated population of 115. Population growth within Glenn County as a whole has been very minimal due to the rural and agricultural nature of the county. From 2010 to 2018, the population of Glenn County rose from 28,122 to 28,796, an increase of approximately 2.4 percent over an eighteen year period.<sup>5</sup>

The following table shows the current estimated population of the county as a whole, the population of the two incorporated cities with the county, and the population of the unincorporated area of the county.<sup>6</sup> Additionally, the table shows the percent change in population from 2017 to 2018.

County/City	Total Population		
	1/1/2017	1/1/2018	Percent Change
Glenn	28,730	28,796	0.2
Orland	7,844	7,932	1.1
Willows	6,066	6,064	0.0
Balance of County	14,820	14,800	-0.1

The population of the District is not expected to significantly increase in the near future. No significant residential developments, which could cause an increase in population, are anticipated to be constructed within the district.

**MSR DETERMINATION NO. 1:** *The population within the District is not expected to have any significant growth based upon the historic low population growth rate of Glenn County. No significant new development is anticipated to occur within the District.*

<sup>5</sup>State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark*. Sacramento, California, May 2018.

<sup>6</sup>State of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018*. Sacramento, California, May 2018.

**MSR FACTOR NO. 2: THE LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE**

Disadvantaged unincorporated communities (DUCs) are defined by statute as inhabited territory (meaning 12 or more registered voters), or as determined by commission policy, that constitutes all or a portion of a community with an annual median household income (MHI) that is less than 80 percent of the statewide annual MHI (Water Code Section 79505.5). The statewide MHI data is obtained from the US Census American Community Survey (ACS) 5-Year Data: 2010 - 2014. California's MHI for this period was \$61,489, and 80 percent of that is \$49,191. The identification of DUCs as it relates to LAFCo is to ensure that these communities are fairly served with essential municipal services of public sewer, water and fire protection.

DUCs were identified by utilizing the Disadvantage Communities Mapping tool offered by the California Department of Water Resources at <https://gis.water.ca.gov/app/dacs/>. Based on an analysis of census block groups, no area within the district meets the definition of a DUC.

**MSR DETERMINATION NO. 2:** *None of area within Levee District No. 2 is designated as a disadvantaged community based on community block group data.*

**MSR FACTOR NO. 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**

The District is responsible for maintenance of the levee located on the west side of the Sacramento River, from the Colusa County border northwards for approximately 4.9 miles. Maintenance services include spraying to eliminate broadleaf vegetation, rodent reduction, tree trimming, slope grading, road scraping, garbage removal, and controlled burning of weeds. The District does not have any employees and utilizes private contractors or State agencies (such as inmate crews from the Valley View Conservation Camp located in Elk Creek) for levee maintenance services. Inspection of the District-maintained levee is conducted by staff of the California Department of Water Resources on a quarterly basis.

Each year the California Department of Water Resources publishes a report on the physical condition of the levees within the Central Valley. The document, entitled *Inspection and Local Maintaining Agency Report of the Central Valley State-Federal Flood Protection System*, contains an evaluation of each levee maintaining agency (LMA) found within the Central Valley. The latest report is for the year 2017 and can be found at:

[http://cdec.water.ca.gov/reportapp/javareports?name=2017\\_Report\\_Combined.pdf](http://cdec.water.ca.gov/reportapp/javareports?name=2017_Report_Combined.pdf).

The Levee District No. 2 section of the 2017 report was reviewed for the preparation of this MSR/SOI Plan. The 2017 report had the following Threat Assessment &

Recommendations for Levee District No. 2:

1. The LMA should focus more on backfilling rodent holes.
2. The LMA should focus on repairing erosion sites.

The report also provides a Levee Inspection Summary for each LMA and the inspection summary for Levee District No. 2 is found in the following figure.

SACRAMENTO SYSTEM : Levee District No. 0002 (Glenn County)												
DWR Levee Inspection Summary												
LD0002	Total LMA Miles : 4.90											
	Fall 2016				Fall 2017				Change			
Rated Item	Overall LMA Rating : U				Overall LMA Rating : U							
	M Miles	U Miles	M+4U Miles	Thresh. %	M Miles	U Miles	M+4U Miles	Thresh. %	M Miles	U Miles	M+4U Miles	Thresh. %
<i>Earthen Levee</i>												
Vegetation	0.43		0.43	8.78					-0.43		-0.43	-8.78
Encroachments	0.05		0.05	1.02	0.04		0.04	0.82	-0.01		-0.01	-0.20
Animal Control	0.21	0.13	0.73	14.90	0.08	0.26	1.12	22.86	-0.13	0.13	0.39	7.96
Crown Surface / Depressions / Rutting	0.01		0.01	0.20	0.01		0.01	0.20				0.00
Flood Preparedness & Training	0.05		0.05	1.02	0.05		0.05	1.02				0.00
<i>Supplemental</i>												
2015 USACE Erosion Survey, DRAFT	0.21		0.21	4.29	0.21		0.21	4.29				0.00
DWR UCIP Field Study												0.00
<i>LMA Totals:</i>	0.96	0.13	1.48	30.20	0.39	0.26	1.43	29.18	-0.57	0.13	-0.05	-1.02

The inspection summary for Levee District No. 2 shows that the overall LMA rating for the District for Fall 2016 and Fall 2017 was U, which stands for Unacceptable. DWR defines Unacceptable as one or more deficient conditions exist that may prevent the project from functioning as designed, intended, or required. The reasons for the District's Unacceptable rating is due primarily to significant rodent activity on the levee maintained by the District. The reasons for the District's Unacceptable rating is due primarily to rodent activity and the lack of repairing erosion sites on the levee maintained by the District.

The report also includes a table (found below) showing the overall maintenance rating for LMAs for the years 2013 to 2017. This table shows that Levee District No. 2 was given an overall rating of Acceptable for 2013 and 2014, and Minimally Acceptable for 2015, 2016, and 2017.

**Table 2-2: Overall Maintenance Rating by Area for 2013 to 2017**

Area Short Name	Area Name	Overall Rating				
		2013	2014	2015	2016	2017
LD0001G	Levee District No. 0001G (Glenn County)	A	A	M*	M	M
LD0001S†	Levee District No. 0001S (Sutter County)	A	A	M*	U	A
LD0002	Levee District No. 0002	A	A	M	U	U
LD0003	Levee District No. 0003	U	U	U	U	U

\* Overall unit threshold percentage is less than 10%; however, U (Unacceptable) rated miles are present, so the overall unit rating is M instead of A.

The District should take all measures necessary to improve their overall maintenance rating to Acceptable. This may require additional expenditures to reach this goal.

**MSR DETERMINATION NO. 3-1:** *The District has received an overall maintenance rating of Unacceptable from the California Department of Water Resources for the last two years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable, even if this requires additional expenditures to reach this goal.*

**MSR DETERMINATION NO. 3-2:** *A No portion of the District is identified as being in a Disadvantaged Unincorporated Community (DUCs).*

#### **MSR FACTOR NO. 4: FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES**

This section analyzes the financial structure and fiscal viability of the District. Included in this analysis is the consideration of revenue sources, amount of revenue, stability of revenues, and expenditure sources.

Levee District No. 2 follows the General Accounting Standard Board Statement No. 34 (GASB 34) accounting standards. The District complies with Generally Accepted Accounting Principles (GAAP).

As required by State law, the District's Board of Directors must approve a tentative budget no later than June 30 and adopt a final budget no later than October 1 of each fiscal year end for the General Fund. A public hearing must be conducted to receive comment prior to adoption. Until the adoption of this final financial budget, operations are governed by the adopted proposed budget approved by the Board. The District's Board of Directors satisfied these requirements.

#### **Revenues**

The District's primary revenue source are from two sources: an annual parcel assessment and from ad-valorem property taxes. The District's parcel assessment is based on the size of the parcel and the District does not currently collect the maximum assessment

allowed. The parcel assessment provides the District with a significant portion of its revenue and is considered to be a steady source of revenue.

Ad-valorem<sup>7</sup> property tax is a one percent general levy of the assessed market value of a property. This one percent is distributed among many agencies in the county. For cities and the county, this tax is usually deposited into their general funds, which can be used for any service. For special districts, this tax is also deposited into the district's general funds to be used for the district's sole purpose.

The level of revenue from property taxes can be considered relatively consistent, as the taxes usually remain at the same level from year to year. However, property tax revenue can decrease due to decreasing property values, which is what occurred beginning in 2008 because of the downturn in the economy and housing market. Due to the downturn in the economy, properties were reassessed to a lower value, which reduced property tax revenue flowing to cities and special districts. Revenue from property taxes has been increasing over the last few years as properties are reassessed to a higher value, but remain below pre-2008 levels. New development on a property raises the property value of that parcel, with a corresponding increase in property tax revenues.

Proposition 218 restricts local government's ability to impose assessment and property-related fees and requires elections to approve many local governmental revenue-raising methods. Any change in the amount of the assessment must be approved by a majority of the voters in the District at a duly-called election pursuant to Proposition 218 and legislation implementing its terms. The District does not collect any revenues from parcel assessments.

The District collects its share of property taxes and the District's parcel assessment through the County of Glenn. The District relies on the competency of the County in determining its share of the overall property tax collection. The District's cash is pooled with the Glenn County Treasurer, who acts as a disbursing agent for the District.

In accordance with Government Code Section 53901, every local agency shall file a copy of its annual budget with the County Auditor of the County in which it conducts its principal operations, unless exempted by the County Auditor 60 days after the beginning of its fiscal year. The District appears to comply with this law.

### **Expenditures**

District expenditures are for levee maintenance services and supplies. The District does not appear to have any salaries/benefits and administrative expenses. The District Board of Directors do not receive any payment for their service.

The following table shows revenues and expenditures for Levee District No. 2 for Fiscal Years 2013-14 to 2017-18.<sup>8</sup> During this time period, actual revenues ranged from a low of \$5,878 in FY 2016-17 to a high of \$9,191 in FY 2015-16. Actual expenditures during this time

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<sup>7</sup> Latin for "according to value"

<sup>8</sup> Levee District No. 2 Financial Statements Together with Independent Accountant's Review Report for the years ended June 30, 2012 – 2017, dated December 12, 2017. Prepared by Matthews, Hutton & Warren, Certified Public Accountants.

period ranged from a low of \$2,786 in FY 2016-17 to a high of \$6,168 in FY 2014-15.

<b>LEVEE DISTRICT NO. 2 - REVENUES AND EXPENDITURES</b>					
<b>Detail by Revenue Category and Expenditure Object</b>	<b>2013-14 Actuals</b>	<b>2014-15 Actuals</b>	<b>2015-16 Actuals</b>	<b>2016-17 Actuals</b>	<b>2017-18 Adopted By District Board</b>
<b>REVENUES</b>					
Property Tax	2,552	2,649	2,885	2,812	2,900
Special Assessment	6,149	6,149	6,149	2,716	2,800
Interest	72	93	127	267	125
Other Revenue	60	30	30	83	30
<b>TOTAL REVENUES</b>	<b>\$8,833</b>	<b>\$8,921</b>	<b>\$9,191</b>	<b>\$5,878</b>	<b>\$5,855</b>
<b>EXPENDITURES</b>					
Services and Supplies	3,710	6,168	4,673	2,786	12,700
Other Charges					1,446
Contingency					1,000
<b>TOTAL EXPENDITURES / APPROPRIATIONS</b>	<b>\$3,710</b>	<b>\$6,168</b>	<b>\$4,673</b>	<b>\$2,786</b>	<b>\$15,146</b>
<b>NET COSTS / COSTS</b>	<b>\$5,123</b>	<b>\$2,753</b>	<b>\$4,518</b>	<b>\$3,092</b>	<b>\$9,253</b>

As shown in the above table, for Fiscal Years 2013-14 to 2016-17 District revenues exceeded expenditures, resulting in a revenue surplus for those years. The annual expenditures of a special district should generally equal, or, ideally, be less than the revenue a district receives in any given fiscal year. When expenditures exceed revenues, which is referred to as a budget deficit, a non-enterprise district, such as Levee District No. 2, must resort to the use of fund balance, if available, or borrow money to cover the shortfall in revenues.

A budget deficit, which can occasionally occur to even the best-funded special district, can be due to various factors, such as unanticipated expenses or erroneous revenue projections. An agency experiencing a budget deficit can use fund balance or other reserves, if available, to balance their budget. However, using the fund balance is a one-time course of action that cannot fix a structural imbalance. A district experiencing continuous budget deficits may be having financial difficulties that need to be identified and corrected. If the budget deficit cannot be corrected, a district may have to reduce service levels if new sources of funding cannot be obtained.

The District currently has a large unassigned fund balance, which was \$45,192 at the end of Fiscal Year 2016-17. The large fund balance is the result of revenues exceeding expenditures over numerous fiscal years. The below table shows the District's assets and liabilities for Fiscal Years 2012-13 to 2016-17.

<b>LEVEE DISTRICT NO. 2 - ASSETS AND LIABILITIES</b>					
	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>ASSETS</b>					
Cash with County	29,683	34,375	37,531	42,024	45,497
Interest Receivable	23	29	42	74	147
Due from Other Governments	-	425	9	2	-
Proposition 1A loan to State	-	8	-	-	-
<b>TOTAL ASSETS</b>	<b>\$29,706</b>	<b>\$34,829</b>	<b>\$37,582</b>	<b>\$42,100</b>	<b>\$45,644</b>
<b>LIABILITIES</b>					
Accounts Payable	-	-	-	-	452
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$452</b>
<b>FUND BALANCES</b>					
Unassigned	29,706	34,829	37,582	42,100	45,192
<b>TOTAL FUND BALANCES</b>	<b>\$29,706</b>	<b>\$34,829</b>	<b>\$37,582</b>	<b>\$42,100</b>	<b>\$45,192</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$29,706</b>	<b>\$34,829</b>	<b>\$37,582</b>	<b>\$42,100</b>	<b>\$45,644</b>

The District does not have any outstanding debt. The District has not been party to any legal actions affecting its financial status and has no outstanding litigation. The District does have an insurance policy.

#### **FINANCIAL AUDIT/FINANCIAL AUDITS**

State Law requires that every public agency retain the services of a certified public accountant to prepare that agency's financial audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in an agency's financial statements. Financial statements include all transactions for which a public agency is financially accountable. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Levee District No. 2 is allowed to have a financial audit prepared every five years pursuant to State law and as approved by the Glenn County Board of Supervisors. The last financial audit was prepared in December 2017, which was for Fiscal Years 2011-12 to 2016-17, was prepared by Matthews, Hutton & Warren, Certified Public Accountants. The financial audit did not note any material deficiencies in the District's financial statements.

**MSR DETERMINATION NO. 4-1:** Revenue for Levee District No. 2 appears to provide adequate funding to cover the cost of providing levee maintenance services, with revenues normally exceeding expenditures. The district currently has a large fund balance that could be utilized for unanticipated expenses, capital improvements, or to cover revenue shortfalls.

**MSR DETERMINATION NO. 4-2:** The District has financial audits prepared every five years as allowed by State law. The last financial audit for the District showed no material deficiencies in the District's financial statements.

#### **MSR FACTOR 5: STATUS OF, AND OPPORTUNITIES FOR SHARED FACILITIES**

Levee District No. 2 has no employees and contracts with private vendors for levee maintenance services. There are two other levee districts in the area – Levee District 1 and Levee District 3. As these three districts provide the same type of services and are near to each other, opportunities for shared facilities exist, such as the sharing of equipment, materials, and expertise.

**MSR DETERMINATION NO. 5:** Levee District No. 2 has no employees and contracts with private vendors for levee maintenance services. There are two other levee districts in the area – Levee District No. 1 and Levee District No. 3 - which could present opportunities for shared facilities.

#### **MSR FACTOR 6: ACCOUNTABILITY FOR COMMUNITY SERVICES NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES**

The District is an independent Special District of the State of California formed under the Levee District Law of 1959 (Water Code, Sections 70000-70272). Levee districts are governed by a board of directors that are appointed by the County Board of Supervisors or are elected directly from the populations they serve. For Levee District No. 2, the board of directors are appointed by the Glenn County Board of Supervisors. The directors are appointed to four-year terms.

Meetings are on an as-needed basis and are held at 8089 Hwy. 162, Glenn, CA, which is the residence of one of the Board members. Agendas are posted for the meetings as required. The District does not have a website. On September 14, 2018, Senate Bill 929 was signed by the Governor and chaptered into law by the California Secretary of State, which added sections 6270.6 and 53087.8 to the California Government Code. This law requires, beginning on January 1, 2020, that every independent special district maintain an Internet Web site that clearly lists contact information for the special district. An exception to this requirement is allowed if, pursuant to a majority vote of its governing body at a regular meeting, the district adopts a resolution declaring its determination that a hardship exists that prevents the district from establishing or maintaining an Internet



Web site. The resolution shall include detailed findings, based upon evidence set forth in the minutes of the meeting, supporting the board's determination that a hardship prevents the district from establishing or maintaining an Internet Web site. The findings may include, but shall not be limited to, inadequate access to broadband communications network facilities that enable high-speed Internet access, significantly limited financial resources, or insufficient staff resources. The resolution shall be valid for one year. In order to continue to be exempt, the governing body of an independent special district shall adopt a resolution annually so long as the hardship exists.

Pursuant to California Government Code section 53051, every public agency is required to submit a *Statement of Facts-Roster of Public Agencies Filing* to the California Secretary of State anytime there is a change in the membership of the governing board of the agency or the agency's official mailing address. Agencies are required to also submit the *Statement of Facts-Roster of Public Agencies Filing* to the county clerk of the applicable county. It does not appear that the District has submitted the required form to the Glenn County Clerk. The District should ensure that a *Statement of Facts-Roster of Public Agencies Filing* is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change in the District's official mailing address. The required form can be found at: <http://bpd.cdn.sos.ca.gov/sf/forms/np-sf-405.pdf>.

**MSR DETERMINATION No. 6-1:** *The District is managed by a board of directors appointed by the Glenn County Board of Supervisors. The directors manage service needs with independent contractors rather than full time staff, which allows for more efficiency in a small district.*

**MSR DETERMINATION No. 6-2:** *The District does not have a website. Pursuant to Senate Bill 929 (California Government Code Sections 6270.6 and 53087.8) the District shall maintain an Internet Web site unless the District makes a determination that a hardship exists. The District is strongly encouraged to create and maintain an Internet Web site.*

**MSR DETERMINATION No. 6-3:** *The District should ensure that a "Statement of Facts-Roster of Public Agencies Filing" is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change to the District's official mailing address changes.*

**MSR FACTOR NO. 7: ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY****LEVEE DISTRICTS GOVERNMENTAL STRUCTURE - REORGANIZATION**

There are three levee districts within Glenn County and four reclamation districts (partially or wholly) within Glenn County. This MSR/SOI plan is an opportunity to evaluate and compare each district and consider any governance restructuring scenarios that may result in improved efficiencies and public health and safety outcomes.

Consolidation or reorganization of the three levee districts into one district would most likely result in: cost savings, the elimination of two governing bodies, eliminate the need for two expensive financial audits to be prepared, provide for more effective and efficient levee maintenance services, and result in much better governmental transparency.

Reorganization scenarios for the three levee districts include:

- Levee Districts 1, 2, and 3 could be consolidated into one levee district;
- Two of the three levee districts could be dissolved and their boundaries subsequently annexed into the remaining levee district. This scenario would require a sphere of influence expansion for the remaining levee district that would encompass the boundaries of the two dissolved levee districts;

Potential positive impacts of a consolidation or dissolution/annexation of the subject districts may include reduced administrative and operating costs, improved reserves, and greater public transparency. A consolidation may also have negative impacts such as increased operational complexities, particularly in light of the difference in services and philosophy between each agency. The opportunity to consolidate the districts may be affected by limited funding, inability to expand into new areas based on existing funding levels, and/or political issues, especially regarding the loss of local control. Additionally, a consolidation of the subject districts would require majority approval by the registered voters of all the districts, but such approval is not assured. Such governance reorganizations are not always readily accepted among affected constituents who may feel current services are adequate and who have type of brand loyalty to their current local agency and board of directors. Additionally, the costs to prepare a consolidation study and to hold an election could be cost prohibitive and funding would need to be secured before going forward with the consolidation process.

**MSR DETERMINATION NO. 7:** The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.

## II. SPHERE OF INFLUENCE PLAN

The existing Sphere of Influence (SOI) for Levee District No. 2 is coterminous with District jurisdictional boundaries. The SOI Plan recommendation is based directly on the information and discussions in the MSR and the MSR factor determinations above. In Glenn County levee, drainage and reclamation districts have all had coterminous SOI boundaries and Levee District No. 2 is no different. Unlike cities where boundaries are constantly changing because of new development that requires city services, levee districts have been based on long-standing infrastructure and topography that doesn't normally change. Furthermore, new growth is not anticipated adjacent to the District that would require an expansion of the District boundary. A coterminous SOI is recommended as appropriate.

### SPHERE OF INFLUENCE PLAN REVIEW FACTORS FOR LEEVE DISTRICT NO. 2

There are numerous factors to consider in reviewing a SOI Plan, including current and anticipated land uses, facilities, and services, as well as any relevant communities of interest. Updates generally involve a comprehensive review of the entire SOI Plan, including boundary and SOI maps and the District's MSR. In reviewing an agency's sphere, the Commission is required to consider and prepare written statements addressing five factors enumerated under California Government Code Section 56425(e). Each of the SOI review factors are listed below, with a corresponding determination.

#### **SOI FACTOR NO. 1: The present and planned land uses in the area, including agricultural and open-space lands.**

**SOI DETERMINATION NO. 1:** *Glenn County retains the responsibilities for land use decisions for all the parcels within the district. The County has zoned the majority of the parcels within the district for agriculture uses on either 40 acre or 80 acre minimum parcel sizes. This will significantly limit any further land divisions and maintain agriculture as the primary use. Intensive agricultural uses are located throughout the district.*

#### **SOI FACTOR NO. 2: The present and probable need for public facilities and services in the area.**

**SOI DETERMINATION NO. 2:** *With low projected population growth and limited potential for land divisions, the present and probable need for services within the district is not expected to change. Maintenance of existing facilities will continue to be the priority of the District.*

**SOI FACTOR NO. 3:** The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

**SOI DETERMINATION NO. 3:** *The District has received an overall maintenance rating of Unacceptable from the California Department of Water Resources for the last two years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.*

**SOI Factor No. 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.**

**SOI DETERMINATION NO. 4:** *Levee District No. 2 provides a service essential to the agricultural economy of the area, which represents an economic community of interest in the area.*

**SOI FACTOR NO. 5:** **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

**SOI DETERMINATION NO. 5:** *Levee District No. 2 does not provide services related to sewers, municipal and industrial water, or structural fire protection.*

## **LEEVE DISTRICT NO. 2 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE FINDINGS AND RECOMMENDATIONS**

Based on the MSR and SOI determinations as listed above, the Commission:

1. Finds that the District has received an overall maintenance rating of Unacceptable from the California Department of Water Resources for the last two years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.
2. Finds that no changes to the Sphere of Influence boundary for the District are necessary.
3. Affirms the existing Sphere of Influence coterminous boundary for Levee District No. 2 as shown on Figure 3-1 on page 3-2.
4. The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.

**MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE PLAN**  
**FOR**  
**LEEVE DISTRICT NO. 3**

**ADOPTED FEBRUARY 11, 2019**  
**GLENN LAFCO RESOLUTION No. 2019-01**

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**LEVEE DISTRICT NO. 3 DATA SHEET**

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Contact: Scott Larrabee, Secretary  
 Address: PO Box 172, Butte City, CA 95920  
 Phone: (530) 982-2160  
 Webpage: None

**GOVERNING BOARD**

<b>Board of Trustees</b>	<b>Member</b>	<b>Term Expires</b>
	Eric Larrabee	1/6/2020
	Scott Larrabee	1/6/2020

Normal Board Meeting Dates: As needed.  
 Meetings are held at: Unknown

**FORMATION INFORMATION**

Date of Formation: May 7, 1909

**PURPOSE**

1. Enabling Legislation: Levee District Law of 1959.
2. Provided Services:  
Maintenance and repair of levees.

**AREA SERVED**

1. No. of Parcels: 247
2. District Size: 12,820 acres
3. Estimated Population: 115
4. Location: In the southeast Glenn County area, east of the Sacramento River and includes the unincorporated community of Butte City.
5. Sphere of Influence: Coterminous with approved district boundaries.

**FINANCIAL INFORMATION**

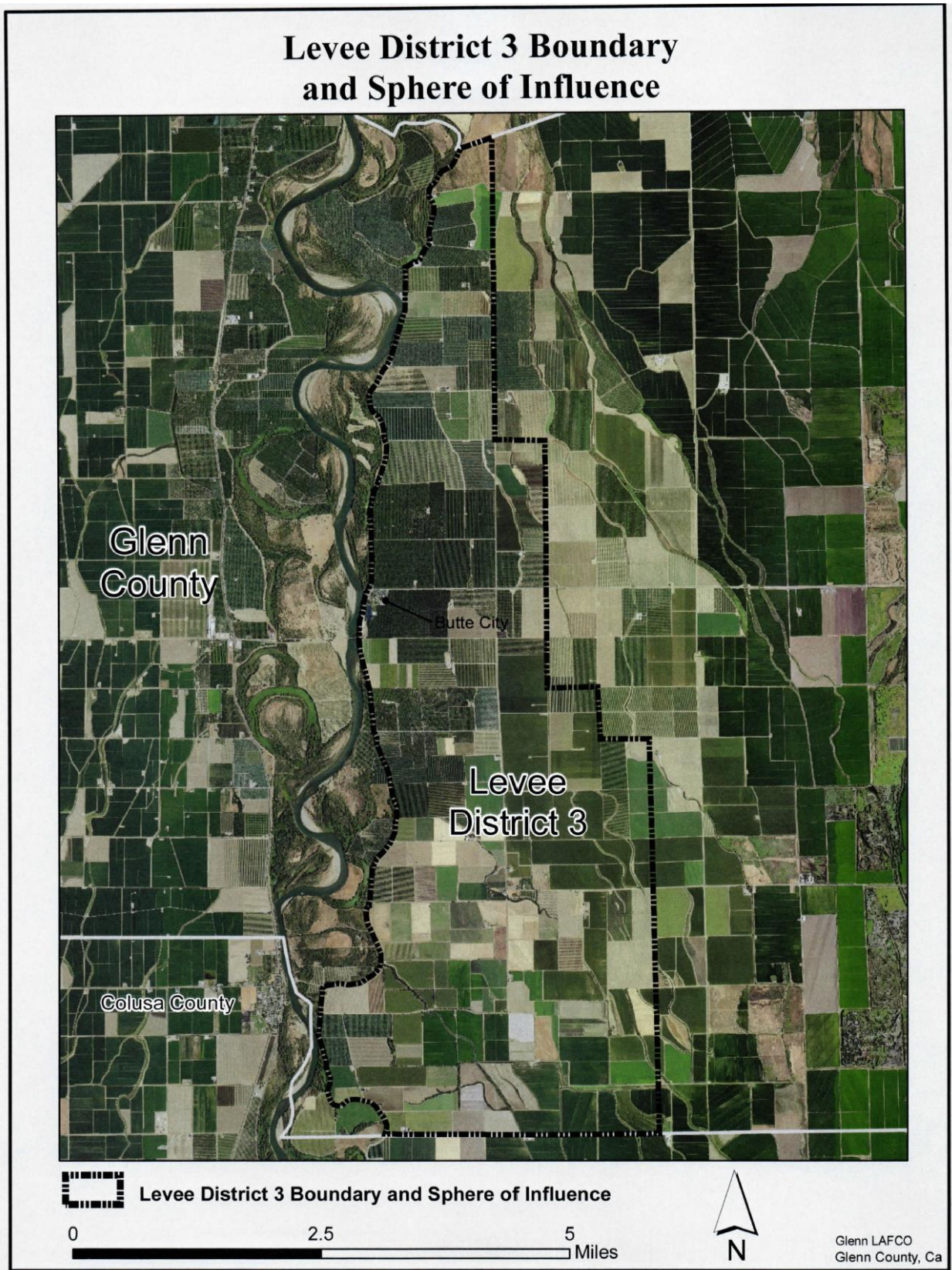
**Fiscal Year 2016-17**

Revenues: \$25,873  
 Expenditures: \$17,375  
 Fund Balance end of FY 2016-17: \$168,087

**Revenue Sources:**

- Property taxes.
- Interest on fund balance

**FIGURE 4-1 LEVEE DISTRICT NO. 3**





## DISTRICT CHARACTERISTICS

Levee District No. 3 is located in the southeast Glenn County area, east of the Sacramento River, and includes the unincorporated community of Butte City. (Figure 4-1). The District consists of approximately 247 parcels and totals approximately 12,820 acres in size. The predominant land use within the District boundaries is agricultural, along with some agricultural processing facilities. The unincorporated community of Butte City, which is developed with approximately 40 dwellings, is located within the District. The majority of the district is zoned for agricultural uses, although the Butte City area is zoned for single-family residential uses. The District has an estimated population of 115. The District is responsible for maintenance of the levee located on the east side of the Sacramento River, from the Colusa County border northwards for a distance of approximately 12 miles.

## I. MUNICIPAL SERVICE REVIEW

### **MSR FACTOR NO. 1: GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA**

Levee District No. 3 contains approximately 45 dwellings and has a population of approximately 115. Population growth within Glenn County as a whole has been very minimal due to the rural and agricultural nature of the county. From 2010 to 2018, the population of Glenn County rose from 28,122 to 28,796, an increase of approximately 2.4 percent over an eighteen year period.<sup>9</sup>

The following table shows the current estimated population of the county as a whole, the population of the two incorporated cities with the county, and the population of the unincorporated area of the county.<sup>10</sup> Additionally, the table shows the percent change in population from 2017 to 2018.

County/City	Total Population		
	1/1/2017	1/1/2018	Percent Change
Glenn	28,730	28,796	0.2
Orland	7,844	7,932	1.1
Willows	6,066	6,064	0.0
Balance of County	14,820	14,800	-0.1

The population of the District is not expected to significantly increase in the near future. No significant residential developments, which could cause an increase in population, are anticipated to be constructed within the district.

<sup>9</sup> State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark*. Sacramento, California, May 2018.

<sup>10</sup> State of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018*. Sacramento, California, May 2018.

**MSR DETERMINATION NO. 1:** *The population within the District is not expected to have any significant growth based upon the historic low population growth rate of Glenn County. No significant new development is anticipated to occur within the District.*

**MSR FACTOR NO. 2: THE LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE**

Disadvantaged unincorporated communities (DUCs) are defined by statute as inhabited territory (meaning 12 or more registered voters), or as determined by commission policy, that constitutes all or a portion of a community with an annual median household income (MHI) that is less than 80 percent of the statewide annual MHI (Water Code Section 79505.5). The statewide MHI data is obtained from the US Census American Community Survey (ACS) 5-Year Data: 2010 - 2014. California's MHI for this period was \$61,489, and 80 percent of that is \$49,191. The identification of DUCs as it relates to LAFCo is to ensure that these communities are fairly served with essential municipal services of public sewer, water and fire protection.

DUCs were identified by utilizing the Disadvantage Communities Mapping tool offered by the California Department of Water Resources at <https://gis.water.ca.gov/app/dacs/>. Based on an analysis of census block groups, no area within the district meets the definition of a DUC.

**MSR DETERMINATION NO. 2:** *None of area within Levee District No. 3 is designated as a disadvantaged community based on community block group data.*

**MSR FACTOR NO. 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**

The District is responsible for maintenance of the levee located on the east side of the Sacramento River, from the Colusa County border northwards for a distance of approximately 12 miles. Levee maintenance services provided by the District can include spraying to eliminate broadleaf vegetation, rodent reduction, tree trimming, garbage removal, slope dragging, road grading, and controlled burning. The District does not have any employees and utilizes private contractors or State agencies (such as inmate crews from the Valley View Conservation Camp located in Elk Creek) for levee maintenance services. Inspection of the District-maintained levee is conducted by staff of the California Department of Water Resources on a quarterly basis.

Each year the California Department of Water Resources publishes a report on the physical condition of the levees within the Central Valley. The document, entitled *Inspection and Local Maintaining Agency Report of the Central Valley State-Federal Flood Protection System*, contains an evaluation of each levee maintaining agency (LMA) found within the Central Valley. The latest report is for the year 2017 and can be

found at:

[http://cdec.water.ca.gov/reportapp/javareports?name=2017\\_Report\\_Combined.pdf](http://cdec.water.ca.gov/reportapp/javareports?name=2017_Report_Combined.pdf).

The Levee District No. 3 section of the 2017 report was reviewed for the preparation of the MSR/SOI Plan. The 2017 report had the following Threat Assessment & Recommendations for Levee District No. 3

- There is significant rodent activity in this Area.
- The LMA should enhance its rodent control program.
- The LMA should focus more on controlling woody vegetation.

The report also provides a Levee Inspection Summary for each LMA, and the inspection summary for Levee District No. 3 is found in the following figure.

SACRAMENTO SYSTEM : Levee District No. 0003 (Glenn County)												
DWR Levee Inspection Summary												
LD0003	Fall 2016				Fall 2017				Change			
	Overall LMA Rating : <b>U</b>				Overall LMA Rating : <b>U</b>							
Rated Item	M Miles	U Miles	M+4U Miles	Thresh. %	M Miles	U Miles	M+4U Miles	Thresh. %	M Miles	U Miles	M+4U Miles	Thresh. %
<i>Earthen Levee</i>												
Vegetation												0.00
Trim / Thin Trees	0.36	0.01	0.40	3.34	0.36	0.01	0.40	3.34				0.00
Encroachments	0.15		0.15	1.25	0.15		0.15	1.25	0.00			0.00
Animal Control	0.41	1.27	5.49	45.86	0.42	1.26	5.46	45.61	0.01	-0.01	-0.03	-0.25
Slope Stability	0.08	0.01	0.12	1.00	0.08	0.01	0.12	1.00				0.00
Erosion / Bank Caving		0.01	0.04	0.33		0.01	0.04	0.33				0.00
<i>Supplemental</i>												
2015 USACE Erosion Survey, DRAFT	0.30		0.30	2.51	0.30		0.30	2.51				0.00
DWR UCIP Field Study												0.00
<i>LMA Totals:</i>	1.30	1.30	6.50	54.30	1.31	1.29	6.47	54.05	0.01	-0.01	-0.03	-0.25

The inspection summary for Levee District No. 3 shows that the overall LMA rating for the District for Fall 2016 and Fall 2017 was U, which stands for Unacceptable. DWR defines Unacceptable as one or more deficient conditions exist that may prevent the project from functioning as designed, intended, or required. The reasons for the District's Unacceptable rating is due primarily to significant rodent activity on the levee maintained by the District.

The report also includes a table (found below) showing the overall maintenance rating for LMAs for the years 2013 to 2017. This table shows that Levee District No. 3 was given an overall rating of Unacceptable for each of these years.

**Table 2-2: Overall Maintenance Rating by Area for 2013 to 2017**

Area Short Name	Area Name	Overall Rating				
		2013	2014	2015	2016	2017
LD0001G	Levee District No. 0001G (Glenn County)	A	A	M*	M	M
LD0001S†	Levee District No. 0001S (Sutter County)	A	A	M*	U	A
LD0002	Levee District No. 0002	A	A	M	U	U
LD0003	Levee District No. 0003	U	U	U	U	U

The District should take all measures necessary to improve their overall maintenance rating to Acceptable. This may require additional expenditures to reach this goal.

**MSR DETERMINATION NO. 3-1:** *The District has received an overall maintenance rating of Unacceptable from the California Department of Water Resources for the last five years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable, even if this requires additional expenditures to reach this goal.*

**MSR DETERMINATION NO. 3-2:** *No portion of the District is identified as being in a Disadvantaged Unincorporated Community (DUCs).*

#### **MSR FACTOR NO. 4: FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES**

This section analyzes the financial structure and fiscal viability of the District. Included in this analysis is the consideration of revenue sources, amount of revenue, stability of revenues, and expenditure sources.

Levee District No. 3 follows the General Accounting Standard Board Statement No. 34 (GASB 34) accounting standards. The District complies with Generally Accepted Accounting Principles (GAAP).

As required by State law, the District's Board of Directors must approve a tentative budget no later than June 30 and adopt a final budget no later than October 1 of each fiscal year end for the General Fund. A public hearing must be conducted to receive comment prior to adoption. Until the adoption of this final financial budget, operations are governed by the adopted proposed budget approved by the Board. The District's Board of Directors satisfied these requirements.

#### **Revenues**

The District's primary revenue source are from ad-valorem property taxes. Ad-valorem<sup>11</sup> property tax is a one percent general levy of the assessed market value of a property. This one percent is distributed among many agencies in the county. For cities and the

<sup>11</sup> Latin for "according to value"

county, this tax is usually deposited into their general funds, which can be used for any service. For special districts, this tax is also deposited into the district's general funds to be used for the district's sole purpose.

The level of revenue from property taxes can be considered relatively consistent, as the taxes usually remain at the same level from year to year. However, property tax revenue can decrease due to decreasing property values, which is what occurred beginning in 2008 because of the downturn in the economy and housing market. Due to the downturn in the economy, properties were reassessed to a lower value, which reduced property tax revenue flowing to cities and special districts. Revenue from property taxes has been increasing over the last few years as properties are reassessed to a higher value, but remain below pre-2008 levels. New development on a property raises the property value of that parcel, with a corresponding increase in property tax revenues.

Proposition 218 restricts local government's ability to impose assessment and property-related fees and requires elections to approve many local governmental revenue-raising methods. Any change in the amount of the assessment must be approved by a majority of the voters in the District at a duly-called election pursuant to Proposition 218 and legislation implementing its terms. The District does not collect any revenues from parcel assessments.

The District collects its share of property taxes through the County of Glenn. The District relies on the competency of the County in determining its share of the overall property tax collection. The District's cash is pooled with the Glenn County Treasurer, who acts as a disbursing agent for the District.

In accordance with Government Code Section 53901, every local agency shall file a copy of its annual budget with the County Auditor of the County in which it conducts its principal operations, unless exempted by the County Auditor 60 days after the beginning of its fiscal year. The District appears to comply with this law.

## **Expenditures**

Normal District expenditures are for levee maintenance services and supplies, insurance and administrative expenses. The District does not appear to have any salaries/benefits expenditures and the District Board of Directors do not receive any payment for their service.

The following table shows the total revenues, total expenditures, and fund equity for Levee District No. 3 for Fiscal Years 2010 to 2017. During this time period, revenues have ranged from a low of \$14,746 (FY 2010) to a high of \$26,609 (FY 2016). Expenditures during this time period ranged from a low of \$7,666 (FY 2011) to a high of \$23,273 (FY 2014).

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Fund Equity, End of Period</b>
<b>2017</b>	\$25,873	\$17,375	\$176,585
<b>2016</b>	\$26,609	\$14,787	\$168,087
<b>2015</b>	\$19,848	\$20,748	\$156,265
<b>2014</b>	\$18,758	\$23,273	\$157,165
<b>2013</b>	\$18,392	\$14,227	\$161,680
<b>2012</b>	\$16,473	\$11,628	\$157,515
<b>2011</b>	\$16,283	\$7,666	\$152,670
<b>2010</b>	\$14,746	\$20,366	\$144,053

As shown in the above table, for Fiscal Years 2009-10 to 2016-17 District revenues have often exceeded expenditures, resulting in a revenue surplus. The annual expenditures of a special district should generally equal, or, ideally, be less than the revenue a district receives in any given fiscal year. When expenditures exceed revenues, which is referred to as a budget deficit, a non-enterprise district, such as Levee District No. 3, must resort to the use of fund balance, if available, or borrow money to cover the shortfall in revenues.

The District experienced revenue shortfalls in Fiscal Years 2009-10, 2013-14, and 2014-15. The District's fund balance was utilized to cover the shortfall in revenue. A budget deficit, which can occasionally occur to even the best-funded special district, can be due to various factors, such as unanticipated expenses or erroneous revenue projections. An agency experiencing a budget deficit can use fund balance or other reserves, if available, to balance their budget. However, using the fund balance is a one-time course of action that cannot fix a structural imbalance. A district experiencing continuous budget deficits may be having financial difficulties that need to be identified and corrected. If the budget deficit cannot be corrected, a district may have to reduce service levels if new sources of funding cannot be obtained.

The below table shows the budgets for Fiscal Years 2017-18 and 2018-19 (the current fiscal year) that were adopted by the District Board of Directors. These budgets are not actual budgets and the revenue and expenditure amounts shown in these budgets can be expected to change. While these adopted budgets show very large budget deficits, the actual expenditures may be much less than projected, which would not result in a budget deficit.

<b>LEVEE DISTRICT NO. 3 - ADOPTED BUDGETS FOR FISCAL YEARS 2017-18 AND 2018-19</b>		
<b>Detail by Revenue Category and Expenditure Object</b>	<b>2017-18 Adopted By District Board</b>	<b>2018-19 Adopted By District Board</b>
<b>REVENUES</b>		
Property Tax	24,950	27,150
Interest	450	1,100
Other Revenue	250	250
<b>TOTAL REVENUES</b>	<b>\$26,650</b>	<b>\$28,500</b>
<b>EXPENDITURES</b>		
Services and Supplies	62,174	62,174
Other Charges	1,157	1,396
<b>TOTAL EXPENDITURES / APPROPRIATIONS</b>	<b>\$63,331</b>	<b>\$65,570</b>
<b>NET COSTS / COSTS</b>	<b>\$37,681</b>	<b>\$35,070</b>

The District does not have any outstanding debt. The District has not been party to any legal actions affecting its financial status and has no outstanding litigation. The District does have an insurance policy.

#### **FINANCIAL AUDIT/FINANCIAL AUDITS**

State Law requires that every public agency retrain the services of a certified public accountant to prepare that agency's financial audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in an agency's financial statements. Financial statements include all transactions for which a public agency is financially accountable. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Levee District No. 3 is allowed to have a financial audit prepared every five years pursuant to State law and as approved by the Glenn County Board of Supervisors. The last financial audit was prepared in November 2014, which was for Fiscal Years 2012-13 and 2013-14, was prepared by Roy R. Seiler, Certified Public Accountant. The financial audit did not note any material deficiencies in the District's financial statements.

**MSR DETERMINATION NO. 4-1:** Revenue for Levee District No. 3 appears to provide adequate funding to cover the cost of providing levee maintenance services, with revenues normally exceeding expenditures. The district currently has a large fund balance that could be utilized for unanticipated expenses, capital improvements, or to cover revenue shortfalls.

**MSR DETERMINATION NO. 4-2:** The District has financial audits prepared every five years as allowed by State law. The last financial audit for the District showed no material deficiencies in the District's financial statements.

#### **MSR FACTOR 5: STATUS OF, AND OPPORTUNITIES FOR SHARED FACILITIES**

Levee District No. 3 has no employees and contracts with private vendors for levee maintenance services. There are two other levee districts in the area – Levee District 1 and Levee District 2. As these three districts provide the same type of services and are near to each other, opportunities for shared facilities exist, such as the sharing of equipment, materials, and expertise.

**MSR DETERMINATION NO. 5:** Levee District No. 3 has no employees and contracts with private vendors for maintenance service. There are two other levee districts in the area - Levee District No. 1 and Levee District No. 2 - which could present opportunities for shared facilities.

#### **MSR FACTOR 6: ACCOUNTABILITY FOR COMMUNITY SERVICES NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES**

##### **GOVERNANCE**

The District is an independent Special District of the State of California formed under the Levee District Law of 1959 (Water Code, Sections 70000-70272). Levee districts are governed by a three-member board of directors that are appointed by the County Board of Supervisors or are elected directly from the populations they serve. For Levee District 1, the three board of directors are appointed by the Glenn County Board of Supervisors. The directors are appointed to four year terms.

Meetings are held as needed and are held at the residence of one of the Board of Directors. Agendas are posted for the meetings as required. The District does not have a website. On September 14, 2018, Senate Bill 929 was signed by the Governor and chaptered into law by the California Secretary of State, which added sections 6270.6 and 53087.8 to the California Government Code. This law requires, beginning on January 1, 2020, that every independent special district maintain an Internet Web site that clearly lists contact information for the special district. An exception to this requirement is allowed if, pursuant to a majority vote of its governing body at a regular meeting, the



district adopts a resolution declaring its determination that a hardship exists that prevents the district from establishing or maintaining an Internet Web site. The resolution shall include detailed findings, based upon evidence set forth in the minutes of the meeting, supporting the board's determination that a hardship prevents the district from establishing or maintaining an Internet Web site. The findings may include, but shall not be limited to, inadequate access to broadband communications network facilities that enable high-speed Internet access, significantly limited financial resources, or insufficient staff resources. The resolution shall be valid for one year. In order to continue to be exempt, the governing body of an independent special district shall adopt a resolution annually so long as the hardship exists.

Pursuant to California Government Code section 53051, every public agency is required to submit a *Statement of Facts-Roster of Public Agencies Filing* to the California Secretary of State anytime there is a change in the membership of the governing board of the agency or the agency's official mailing address. Agencies are required to also submit the *Statement of Facts-Roster of Public Agencies Filing* to the county clerk of the applicable county. It does not appear that the District has submitted the required form to the Glenn County Clerk. The District should ensure that a *Statement of Facts-Roster of Public Agencies Filing* is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change in the District's official mailing address. The required form can be found at: <http://bpd.cdn.sos.ca.gov/sf/forms/np-sf-405.pdf>.

**MSR DETERMINATION NO. 6-1:** *The District is managed by a board of directors appointed by the Glenn County Board of Supervisors. The directors manage service needs with independent contractors rather than full time staff, which allows for more efficiency in a small district.*

**MSR DETERMINATION NO. 6-2:** *The District does not have a website. Pursuant to Senate Bill 929 (California Government Code Sections 6270.6 and 53087.8) the District shall maintain an Internet Web site unless the District makes a determination that a hardship exists. The District is strongly encouraged to create and maintain an Internet Web site.*

**MSR DETERMINATION NO. 6-3:** *The District should ensure that a "Statement of Facts-Roster of Public Agencies Filing" is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change to the District's official mailing address changes.*

**MSR FACTOR NO. 7: ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY****LEVEE DISTRICTS GOVERNMENTAL STRUCTURE - REORGANIZATION**

There are three levee districts within Glenn County and four reclamation districts (partially or wholly) within Glenn County. This MSR/SOI plan is an opportunity to evaluate and compare each district and consider any governance restructuring scenarios that may result in improved efficiencies and public health and safety outcomes.

Consolidation or reorganization of the three levee districts into one district would most likely result in: cost savings, the elimination of two governing bodies, eliminate the need for two expensive financial audits to be prepared, provide for more effective and efficient levee maintenance services, and result in much better governmental transparency.

Reorganization scenarios for the three levee districts include:

- Levee Districts 1, 2, and 3 could be consolidated into one levee district;
- Two of the three levee districts could be dissolved and their boundaries subsequently annexed into the remaining levee district. This scenario would require a sphere of influence expansion for the remaining levee district that would encompass the boundaries of the two dissolved levee districts;

Potential positive impacts of a consolidation or dissolution/annexation of the subject districts may include reduced administrative and operating costs, improved reserves, and greater public transparency. A consolidation may also have negative impacts such as increased operational complexities, particularly in light of the difference in services and philosophy between each agency. The opportunity to consolidate the districts may be affected by limited funding, inability to expand into new areas based on existing funding levels, and/or political issues, especially regarding the loss of local control. Additionally, a consolidation of the subject districts would require majority approval by the registered voters of all the districts, but such approval is not assured. Such governance reorganizations are not always readily accepted among affected constituents who may feel current services are adequate and who have type of brand loyalty to their current local agency and board of directors. Additionally, the costs to prepare a consolidation study and to hold an election could be cost prohibitive and funding would need to be secured before going forward with the consolidation process.

**MSR DETERMINATION NO. 7:** The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.

## II. SPHERE OF INFLUENCE PLAN

The existing Sphere of Influence (SOI) for Levee District No. 3 is coterminous with District jurisdictional boundaries. The SOI Plan recommendation is based directly on the information and discussions in the MSR and the MSR factor determinations above. In Glenn County levee, drainage and reclamation districts have all had coterminous SOI boundaries and Levee District No. 3 is no different. Unlike cities where boundaries are constantly changing because of new development that requires city services, levee districts have been based on long-standing infrastructure and topography that doesn't normally change. Furthermore, new growth is not anticipated adjacent to the District that would require an expansion of the District boundary. A coterminous SOI is recommended as appropriate.

### SPHERE OF INFLUENCE PLAN REVIEW FACTORS FOR LEEVE DISTRICT NO. 3

There are numerous factors to consider in reviewing a SOI Plan, including current and anticipated land uses, facilities, and services, as well as any relevant communities of interest. Updates generally involve a comprehensive review of the entire SOI Plan, including boundary and SOI maps and the District's MSR. In reviewing an agency's sphere, the Commission is required to consider and prepare written statements addressing five factors enumerated under California Government Code Section 56425(e). Each of the SOI review factors are listed below, with a corresponding determination.

#### **SOI FACTOR NO. 1: The present and planned land uses in the area, including agricultural and open-space lands.**

**SOI DETERMINATION NO. 1:** *Glenn County retains the responsibilities for land use decisions for all the parcels within the district. The County has zoned the majority of the district for agriculture uses on either 40-acre or 80-acre minimum parcel sizes and intensive agricultural uses are located throughout the district. This will significantly limit any further land divisions and maintain agriculture as the primary use. The District includes the unincorporated community of Butte City, which is zoned for and developed with single-family residential uses. Future growth within the District is expected to be within the Butte City area.*

#### **SOI FACTOR NO. 2: The present and probable need for public facilities and services in the area.**

**SOI DETERMINATION NO. 2:** *With low projected population growth and limited potential for land divisions, the present and probable need for services within the district is not expected to change. Maintenance of existing facilities will continue to be the priority of the District.*

**SOI FACTOR NO. 3: The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

***SOI DETERMINATION NO. 3:*** *The present capacity of the district's facilities is sufficient to provide acceptable levels of levee maintenance services. There is no expected significant change to the present capacity or adequacy of the services currently provided by Drainage District No. 3.*

**SOI Factor No. 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.**

***SOI DETERMINATION NO. 4-1:*** *Levee District No. 3 provides a service essential to the agricultural economy of the area, which represents an economic community of interest in the area. Additionally, the unincorporated community of Butte City, which is located within the District, is a social and economic community of interest.*

**SOI FACTOR NO. 5: For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

***SOI DETERMINATION NO. 5:*** *Levee District No. 3 does not provide services related to sewers, municipal and industrial water, or structural fire protection.*

**LEEVE DISTRICT NO. 3 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE FINDINGS AND RECOMMENDATIONS**

Based on the MSR and SOI determinations as listed above, the Commission:

1. Finds that the District has received an overall maintenance rating of Unacceptable from the California Department of Water Resources for the last five years. The District should take all measures necessary to improve their overall maintenance rating to Acceptable.
2. Finds that no changes to the Sphere of Influence boundary for the District are necessary.
3. Affirms the existing Sphere of Influence coterminous boundary for Levee District No. 3 as shown on Figure 4-1 on page 4-2.
4. The three levee districts within Glenn County, with the assistance and support of the Glenn Local Agency Formation Commission, should consider consolidating into one district.

**MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE PLAN**  
**FOR**  
**RECLAMATION DISTRICT NO. 2106**

**ADOPTED FEBRUARY 11, 2019**  
**GLENN LAFCO RESOLUTION No. 2019-01**

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## **RECLAMATION DISTRICT NO. 2106 DATA SHEET**

Contact: Joe Mendes, Board President  
 Address: Llano Seco Rancho Office, 8369 Hugh Baber Ln, Chico CA 95928  
 Phone: 530 342-0839  
 Webpage: None

### **GOVERNING BOARD**

#### **Board of Trustees**

#### **Member**

#### **Term Expires**

Charlie Edgar	12-7-2018
Ralph Keeley	12-6-2019
Joe Mendes	12-3-2021
Todd Southam	12-6-2019
Richard Thieriot	12-4-2020

Normal Board Meeting Dates: As needed

Meetings are held at: Llano Seco Rancho Office, 8369 Hugh Baber Ln, Chico CA 95928

### **FORMATION INFORMATION**

Date of Formation: Circa 1978

#### **PURPOSE**

1. Enabling Legislation: Section 5 of Act 985, State of California, "An Act to Promote Drainage"
2. Provided Services: Groundwater sustainability agency (GSA)

#### **AREA SERVED**

1. No. of Parcels: 439 (408 parcels in Glenn County and 31 parcels in Butte County)
2. District Size: 49,142 acres (35,102 acres in Glenn County and 14,040 acres in Butte County)
3. Estimated Population: 240
4. Location: In the southeast Glenn County area, east of the Sacramento River, and extends northward into western Butte County.
5. Sphere of Influence: Coterminous with approved district boundaries.

### **FINANCIAL INFORMATION**

#### **Fiscal Year 2016-17**

Revenues: \$31

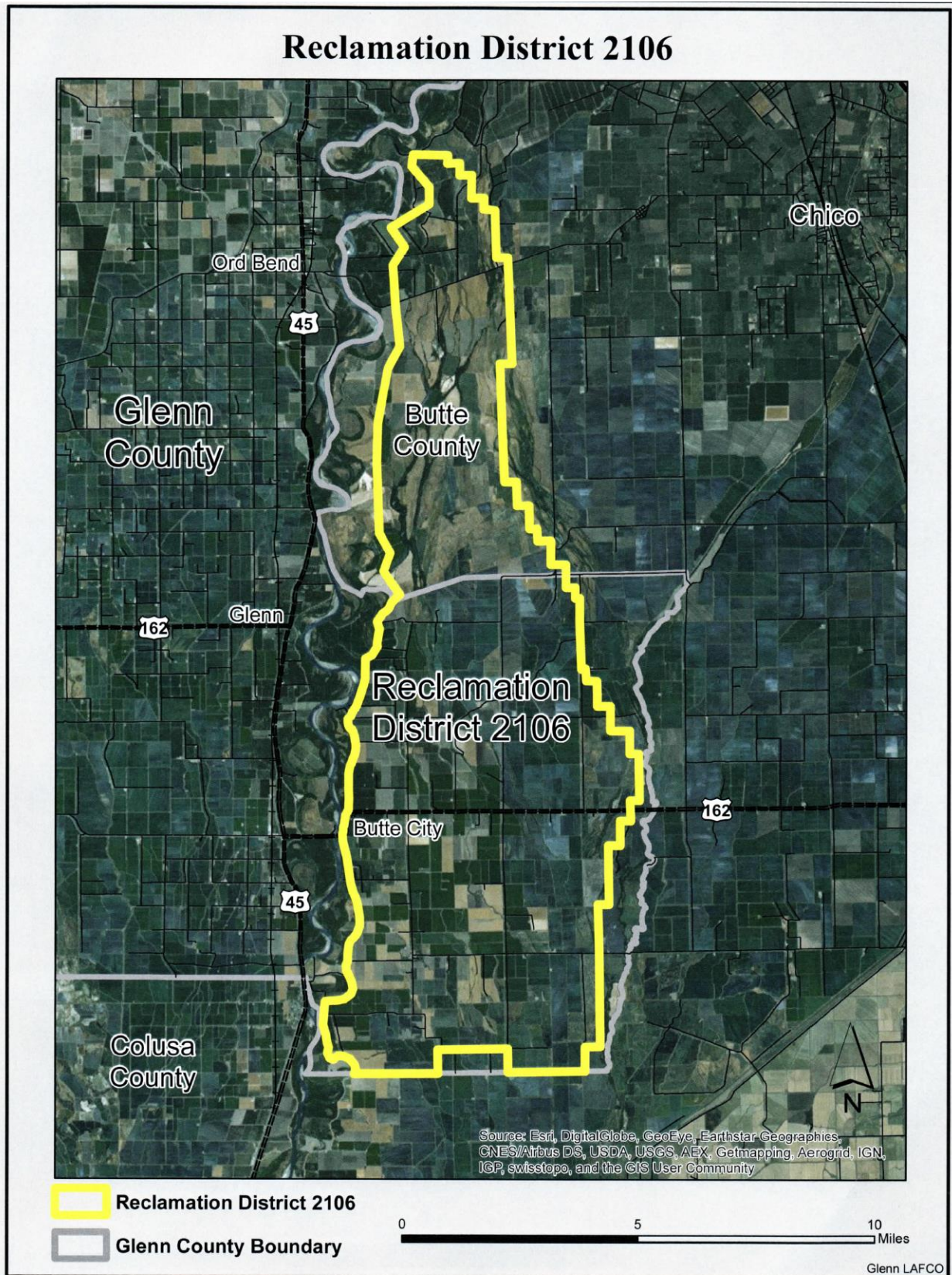
Expenditures: \$1,210

Fund Balance end of FY 2016-17: \$4,919

#### **Revenue Sources:**

- Interest on fund balance

**FIGURE 5-1 RECLAMATION DISTRICT NO. 2106**





## **DISTRICT CHARACTERISTICS**

Reclamation District No. 2106, which is a multicounty district, is located in the southeast Glenn County area, east of the Sacramento River, and extends northward into western Butte County (Figure 5-1). The Glenn Local Agency Formation Commission is the principal county LAFCo for Reclamation District No. 2016 as the majority of the assessed land value of the parcels within the District are located in Glenn County.

The District is approximately 49,142 acres in size, with approximately 35,102 acres located in Glenn County and approximately 14,040 acres located in Butte County. The District contains approximately 439 parcels, 408 of which are found in Glenn County and 31 of which are located in Butte County. The predominant land use within the District boundaries is agricultural, along with some agricultural processing facilities. The District contains approximately 92 dwellings and has an estimated population of 240 people. The unincorporated community of Butte City, which is developed with approximately 40 dwellings, is located within the District. The majority of the district is zoned for agricultural uses, although the Butte City area is zoned for single-family residential uses.

Reclamation District No. 2106 was formed circa 1978 for the purpose of the operation and maintenance of reclamation infrastructure. At the time of formation, it appears that the District was not given any share of the ad-valorem property taxes and no parcel assessment was approved. Without a source of revenue, the District would have been unable to provide any services. It is believed that the District went dormant soon after its creation, but was resurrected around 2014 with the sole purpose of being a groundwater sustainability agency (GSA) formed under the auspices of the California Sustainable Groundwater Management Act (SGMA).

On February 1, 2017, the Reclamation District No. 2106 Board of Trustees adopted Resolution 2016-001, electing to be the sole GSA for the portion of the West Butte subbasin of the Sacramento Valley groundwater basin (DWR Basin ID# 5-021.58) located within the District's jurisdictional boundary, but excluding those areas that are within the territories of Butte City and the Western Canal Irrigation District. Functioning as a GSA is the District's sole responsibility.

The boundaries of Reclamation District 2106's GSA area are not coterminous with the District's jurisdictional and sphere of influence boundaries. The District's GSA area is approximately 36,676 acres in size, with approximately 7,167 acres of that located outside of the District's jurisdictional boundaries. This is a potential issue and is discussed in MSR Factor No. 7 of this section.

## I. MUNICIPAL SERVICE REVIEW

### **MSR FACTOR NO. 1: GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA**

Reclamation District No. 2106 contains approximately 92 dwellings, and has a population of approximately 240. Population growth within Glenn County as a whole has been very minimal due to the rural and agricultural nature of the county. From 2010 to 2018, the population of Glenn County rose from 28,122 to 28,796, an increase of approximately 2.4 percent over an eighteen year period.<sup>12</sup>

The following table shows the current estimated population of the county as a whole, the population of the two incorporated cities with the county, and the population of the unincorporated area of the county.<sup>13</sup> Additionally, the table shows the percent change in population from 2017 to 2018.

County/City	Total Population		
	1/1/2017	1/1/2018	Percent Change
Glenn	28,730	28,796	0.2
Orland	7,844	7,932	1.1
Willows	6,066	6,064	0.0
Balance of County	14,820	14,800	-0.1

The population of the District is not expected to significantly increase in the near future. No significant residential developments, which could cause an increase in population, are anticipated to be constructed within the district.

**MSR DETERMINATION NO. 1:** *The population within the District is not expected to have any significant growth based upon the historic low population growth rate of Glenn County. No significant new development is anticipated to occur within the District.*

### **MSR FACTOR NO. 2: THE LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE**

Disadvantaged unincorporated communities (DUCs) are defined by statute as inhabited territory (meaning 12 or more registered voters), or as determined by commission policy, that constitutes all or a portion of a community with an annual median household income (MHI) that is less than 80 percent of the statewide annual MHI (Water Code Section 79505.5). The statewide MHI data is obtained from the US Census American Community

<sup>12</sup> State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark*. Sacramento, California, May 2018.

<sup>13</sup> State of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018*. Sacramento, California, May 2018.

Survey (ACS) 5-Year Data: 2010 - 2014. California's MHI for this period was \$61,489, and 80 percent of that is \$49,191. The identification of DUCs as it relates to LAFCo is to ensure that these communities are fairly served with essential municipal services of public sewer, water and fire protection.

DUCs were identified by utilizing the Disadvantage Communities Mapping tool offered by the California Department of Water Resources at <https://gis.water.ca.gov/app/dacs/>. Based on an analysis of census block groups, no area within the district meets the definition of a DUC.

**MSR DETERMINATION NO. 2:** *None of the area within Reclamation District No. 2106 is designated as a disadvantaged community based on community block group data.*

**MSR FACTOR NO. 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**

Reclamation District No. 2106 was formed circa 1978 for the purpose of the operation and maintenance of reclamation infrastructure. At the time of formation, it appears that the District was not given any share of the ad-variorum property taxes and no parcel assessment was approved. Without a source of revenue, the District would have been unable to provide any services. It is believed that the District went dormant soon after its creation, but was resurrected around 2014 with the sole purpose of being a groundwater sustainability agency (GSA) formed under the auspices of the California Sustainable Groundwater Management Act (SGMA).

On February 1, 2017, the Reclamation District No. 2106 Board of Trustees adopted Resolution 2016-001, electing to be the sole GSA for the portion of the West Butte subbasin of the Sacramento Valley groundwater basin (DWR Basin ID# 5-021.58) located within the District's jurisdictional boundary, but excluding those areas that are within the territories of Butte City and the Western Canal Irrigation District. Functioning as a GSA is the District's sole responsibility. The District will have to have a source of revenue to provide funding for the GSA services it will provide. The most likely source of revenue will be obtained from a parcel assessment that must be approved by the landowners within the district.

**MSR DETERMINATION NO. 3-1:** *The District does not provide any reclamation operation or maintenance services. Functioning as a groundwater sustainability agency is the District's sole responsibility. To continue to function as a groundwater sustainability agency the District will need to have a steady source of revenue, mostly likely through a parcel assessment.*

**MSR DETERMINATION NO. 3-2:** *No portion of the District is identified as being in a Disadvantaged Unincorporated Community (DUCs).*

**MSR FACTOR NO. 4: FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES****REVENUE AND EXPENDITURES**

This section analyzes the financial structure and fiscal viability of the District. Included in this analysis is the consideration of revenue sources, amount of revenue, stability of revenues, and expenditure sources.

Reclamation District No. 2106 follows the General Accounting Standard Board Statement No. 34 (GASB 34) accounting standards. The District complies with Generally Accepted Accounting Principles (GAAP).

As required by State Law the District's Board of Trustees must approve a tentative budget no later than June 30 and adopt a final budget no later than October 1 of each fiscal year end for the General Fund. A public hearing must be conducted to receive comment prior to adoption. Until the adoption of this final financial budget, operations are governed by the adopted proposed budget approved by the Board. The District's Board of Trustees satisfied these requirements.

**Revenues**

The District's only source of revenue is from interest from the District's fund balance, which was approximately \$4,919 at the end of FY 2016-17. The District does not receive any ad-valorem<sup>14</sup> property taxes or revenue from parcel assessments. The District's cash is pooled with the Glenn County Treasurer, who acts as a disbursing agent for the District.

In accordance with Government Code Section 53901, every local agency shall file a copy of its annual budget with the County Auditor of the County in which it conducts its principal operations, unless exempted by the County Auditor 60 days after the beginning of its fiscal year. The District appears to comply with this law.

**Expenditures**

Over the last eight years, District annual expenditures have been either zero or very minimal. The following table shows the total revenues, total expenditures, and fund equity for Reclamation District No. 2106 for Fiscal Years 2009-10 to 2016-17. During this time period, revenues have ranged from a low of \$13 (FY 2014) to a high of \$1,234 (FY 2011). Expenditures during this time period ranged from \$0 to \$1,120.

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<sup>14</sup> Latin for "according to value"

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Fund Equity, End of Period</b>
<b>2017</b>	\$31	\$1,120	\$4,919
<b>2016</b>	\$15	\$0	\$6,098
<b>2015</b>	\$15	\$0	\$6,083
<b>2014</b>	\$13	\$0	\$6,068
<b>2013</b>	\$14	\$0	\$6,055
<b>2012</b>	\$27	\$33	\$6,041
<b>2011</b>	\$1,234	\$0	\$6,047
<b>2010</b>	\$36	\$0	\$4,813

The below table shows the actual budgets for Fiscal Year 2016-17 and the adopted budgets for Fiscal Years 2017-18 and 2018-19 (the current fiscal year). These adopted budgets are not actual budgets and the revenue and expenditure amounts shown in these budgets can be expected to vary.

<b>RECLAMATION DISTRICT NO. 2106 - BUDGETS FOR FISCAL YEARS 2016-17 to 2018-19</b>			
<b>Detail by Revenue Category and Expenditure Object</b>	<b>2016-17 Final Budget</b>	<b>2017-18 Adopted by District Board</b>	<b>2018-19 Adopted By District Board</b>
<b>REVENUES</b>			
Property Tax	-	-	-
Interest	31	25	35
Other Revenue	-	-	-
<b>TOTAL REVENUES</b>	<b>\$31</b>	<b>\$25</b>	<b>\$35</b>
<b>EXPENDITURES</b>			
Services and Supplies	-	-	65,000
A-87 Cost Allocation	1,210	78	-
<b>TOTAL EXPENDITURES / APPROPRIATIONS</b>	<b>\$1,210</b>	<b>\$78</b>	<b>\$65,000</b>
<b>NET COSTS / COSTS</b>	<b>\$1,179</b>	<b>\$53</b>	<b>\$64,965</b>

In Fiscal Year 2016-17, expenditures exceeded revenues by \$1,179, requiring the District to use its fund balance to make up for the budget shortfall. It is not known how the District will fund the projected large budget shortfall for Fiscal Year 2018-19.

#### **FINANCIAL AUDIT/FINANCIAL AUDITS**

State Law requires that every public agency retain the services of a certified public accountant to prepare that agency's financial audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in an agency's financial statements. Financial statements include all transactions for which a public agency is financially accountable. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

No financial audits for the District were on file with Glenn County Department of Finance, although the Department of Finance had finance audits for all the other districts reviewed in the MSR. The District may not have had the required finance audit prepared for the applicable time period or may not be providing the audits to the Glenn County Department of Finance. If the District has not had financial audits prepared the District should immediately have one prepared in order to be in compliance with State law. If the District has had financial audit prepared they should submit them to the Glenn County Department of Finance.

**MSR DETERMINATION NO. 4-1:** *The District's only source of revenue is from interest from the District's fund balance. The District does not receive any ad-valorem property taxes or revenue from parcel assessments. The interest revenue is approximately \$25 to \$35 per year.*

**MSR DETERMINATION NO. 4-2:** *Annual District revenues are very minimal. However, the District does not provide any services so a revenue stream is not necessarily needed at this time. A steady and reliable source of revenue will be needed in order for the District to perform services as a groundwater sustainability agency.*

**MSR DETERMINATION NO. 4-3:** *The District's current fund balance is very low and should be significantly increased to provide adequate funding for any future revenue shortfalls or contingencies.*

**MSR DETERMINATION NO. 4-4:** *If the District has not had a financial audit prepared within the last five years the District should immediately have one prepared in order to be in compliance with State law. If the District has had financial an audit prepared they should submit it to the Glenn County Department of Finance.*

#### **MSR FACTOR 5: STATUS OF, AND OPPORTUNITIES FOR SHARED FACILITIES**

There are three other reclamation districts – Reclamation Districts 1004, 2047, and 2140 – that are located near Reclamation District No. 2106. Opportunities for shared facilities between these districts does not appear to be feasible because Reclamation District 2106's sole function is to act as a groundwater sustainability agency (GSA) and the district does not provide normal reclamation services. In addition, Reclamation 2140, located in the Hamilton City area of Glenn County, does not provide any reclamation services. Therefore, opportunities for shared facilities for Reclamation District 2106 are very limited.

**MSR DETERMINATION NO. 5:** *There are three other reclamation districts in the area - Reclamation Districts 1004, 2047, and 2140 - which could present opportunities for shared facilities. However, opportunities for shared facilities between these districts do not appear to be feasible because Reclamation 2106's sole function is to act as a groundwater sustainability agency and the District does not provide normal reclamation services.*

**MSR FACTOR 6: ACCOUNTABILITY FOR COMMUNITY SERVICES NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES**

**GOVERNANCE**

The District is an independent Special District of the State of California and operates under the provisions of Sections 50000 – 53901 of the California Water Code. Reclamation districts are governed by a board of trustees that are appointed by the County Board of Supervisors or are elected directly from the populations they serve. For Reclamation District No. 2106, the board of trustees are appointed by the Glenn County Board of Supervisors. The trustees are appointed to four year terms.

Meetings are held as needed and are held at the Llano Seco Rancho Office, 8369 Hugh Baber Ln, Chico CA 95928. The District does not have a website. On September 14, 2018, Senate Bill 929 was signed by the Governor and chaptered into law by the California Secretary of State, which added sections 6270.6 and 53087.8 to the California Government Code. This law requires, beginning on January 1, 2020, that every independent special district maintain an Internet Web site that clearly lists contact information for the special district. An exception to this requirement is allowed if, pursuant to a majority vote of its governing body at a regular meeting, the district adopts a resolution declaring its determination that a hardship exists that prevents the district from establishing or maintaining an Internet Web site. The resolution shall include detailed findings, based upon evidence set forth in the minutes of the meeting, supporting the board's determination that a hardship prevents the district from establishing or maintaining an Internet Web site. The findings may include, but shall not be limited to, inadequate access to broadband communications network facilities that enable high-speed Internet access, significantly limited financial resources, or insufficient staff resources. The resolution shall be valid for one year. In order to continue to be exempt, the governing body of an independent special district shall adopt a resolution annually so long as the hardship exists.

Pursuant to California Government Code section 53051, every public agency is required to submit a *Statement of Facts-Roster of Public Agencies Filing* to the California Secretary of State anytime there is a change in the membership of the governing board of the agency or the agency's official mailing address. Agencies are required to also submit the *Statement of Facts-Roster of Public Agencies Filing* to the county clerk of the applicable county. It does not appear that the District has submitted the required form

to the Glenn County Clerk. The District should ensure that a *Statement of Facts-Roster of Public Agencies Filing* is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change in the District's official mailing address. The required form can be found at: <http://bpd.cdn.sos.ca.gov/sf/forms/np-sf-405.pdf>.

**MSR DETERMINATION NO. 6-1:** *The District is managed by a board of trustees appointed by the Glenn County Board of Supervisors.*

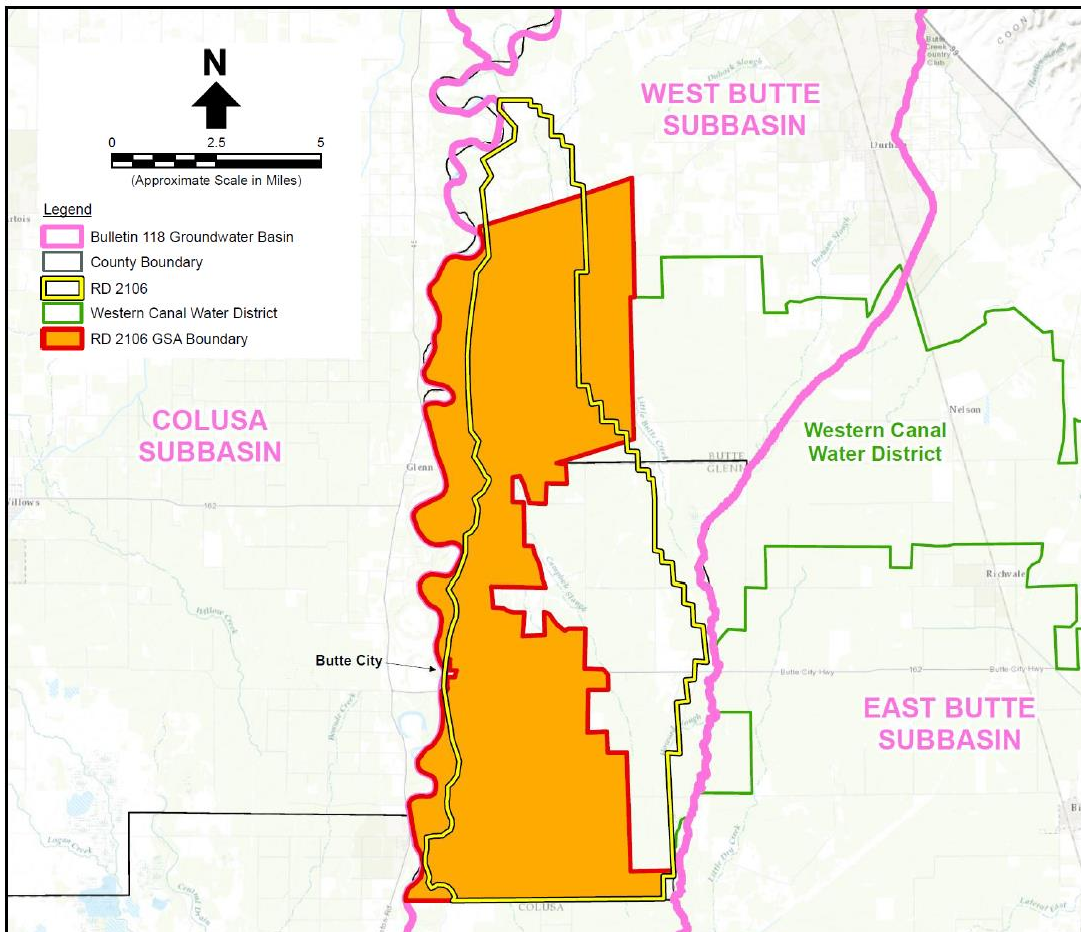
**MSR DETERMINATION NO. 6-2:** *The District does not have a website. Pursuant to Senate Bill 929 (California Government Code Sections 6270.6 and 53087.8) the District shall maintain an Internet Web site unless the District makes a determination that a hardship exists. The District is strongly encouraged to create and maintain an Internet Web site.*

**MSR DETERMINATION NO. 6-3:** *The District should ensure that a "Statement of Facts-Roster of Public Agencies Filing" is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change to the District's official mailing address changes.*

**MSR FACTOR NO. 7: ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY**

The boundaries of Reclamation District 2106's Groundwater Sustainability Agency (GSA) area are not coterminous with the District's existing jurisdictional and sphere of influence boundaries. The District's GSA area is approximately 36,676 acres in size, with approximately 7,167 acres of that area located outside of the District's jurisdictional/SOI boundaries. The following map shows the District's jurisdictional/SOI boundaries and the District's GSA boundaries.



**RECLAMATION DISTRICT NO. 2106 JURISDICTIONAL AND GSA BOUNDARIES**

According to a white paper prepared by the California Association of Local Agency Formation Commissions (CALAFCO) on the Sustainable Groundwater Management Act (SMGA) and Groundwater Sustainability Agencies (GSAs), a local agency may make the decision to become a GSA for an entire basin.<sup>15</sup> However, that agency would not be the “exclusive” GSA for any portion of the basin beyond its service area boundaries. Furthermore, a local agency is not authorized to impose fees or regulatory requirements on activities outside the boundaries of the local agency. This regulatory limitation could make implementation of a basin’s groundwater sustainability program problematic and achievement of a basin’s sustainability goal unattainable. Furthermore, the white paper states that SGMA could trigger sphere of influence amendments and/or annexations to comply with the requirements of the Act. Groundwater basins often do not conform to jurisdictional boundaries. This could result in the Sphere of Influence (SOI) of a jurisdiction being expanded to include areas within the groundwater basin along with subsequent annexations of those parcels to provide for groundwater management services.

<sup>15</sup> California Association of Local Agency Formation Commissions, CALAFCO White Paper-Sustainable Groundwater Management Act and Local Agency Formation Commissions.

Ideally, Reclamation District 2106's jurisdictional and SOI boundaries should be coterminous with the District's State-approved GSA boundaries. Doing so would require that the District:

1. Request Glenn LAFCo expand the District's SOI boundary to encompass the area of the District's GSA that is currently outside of its SOI; and
2. Initiate an annexation of those parcels within the District's GSA boundary that are currently outside of the District's jurisdictional boundary.

To ensure that the above actions are actually needed, and to ensure compliance with all applicable State laws, a legal opinion on this issue may need to be obtained.

**MSR DETERMINATION NO. 7:** *The boundaries of Reclamation District 2106's GSA area are not coterminous with the District's existing jurisdictional and sphere of influence boundaries. The District and Glenn LAFCO should work together to determine if the District's GSA boundaries should be placed with the District's Sphere of Influence and jurisdictional boundaries.*

## II. SPHERE OF INFLUENCE PLAN

The existing Sphere of Influence (SOI) for Reclamation District No. 2106 is coterminous with District jurisdictional boundaries. The SOI Plan recommendation is based directly on the information and discussions in the MSR and the MSR factor determinations above. In Glenn County levee, drainage and reclamation districts have all had coterminous SOI boundaries and Reclamation District No. 2106 is no different. Unlike cities where boundaries are constantly changing because of new development that requires city services, levee districts have been based on long-standing infrastructure and topography that doesn't normally change. Furthermore, new growth is not anticipated adjacent to the District that would require an expansion of the District boundary. A coterminous SOI is recommended as appropriate.

### SPHERE OF INFLUENCE PLAN REVIEW FACTORS FOR RECLAMATION DISTRICT NO. 2106

There are numerous factors to consider in reviewing a SOI Plan, including current and anticipated land uses, facilities, and services, as well as any relevant communities of interest. Updates generally involve a comprehensive review of the entire SOI Plan, including boundary and SOI maps and the District's MSR. In reviewing an agency's sphere, the Commission is required to consider and prepare written statements addressing five factors enumerated under California Government Code Section 56425(e). Each of the SOI review factors are listed below, with a corresponding determination.

**SOI FACTOR NO. 1: The present and planned land uses in the area, including agricultural and open-space lands.**

**SOI DETERMINATION NO. 1:** *Glenn County retains the responsibilities for land use decisions for all the parcels within the district. The County has zoned the majority of the district for agriculture uses on either 40 acre or 80 acre minimum parcel sizes and intensive agricultural uses are located throughout the district. This will significantly limit any further land divisions and maintain agriculture as the primary use. The District includes the unincorporated community of Butte City, which is zoned for residential and commercial uses. Future growth within the District is expected to be within the Butte City area.*

**SOI FACTOR NO. 2: The present and probable need for public facilities and services in the area.**

**SOI DETERMINATION NO. 2:** *With low projected population growth and limited potential for land divisions, the present and probable need for services within the district is not expected to change. The District does not provide any reclamation operation or maintenance services and the District now functions as a groundwater sustainability agency.*

**SOI FACTOR NO. 3: The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

**SOI DETERMINATION NO. 3:** *The District does not provide any reclamation operation or maintenance services and the District now functions as a groundwater sustainability agency.*

**SOI Factor No. 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.**

**SOI DETERMINATION NO. 4:** *Reclamation District No. 2106 is located with an intensive agricultural area and the agricultural economy of the area represents an economic community of interest in the area. Additionally, the unincorporated community of Butte City, which is located within the District, is a social and economic community of interest.*

**SOI FACTOR NO. 5:** For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

**SOI DETERMINATION NO. 5:** *Reclamation District No. 2106 does not provide services related to sewers, municipal and industrial water, or structural fire protection.*

### **RECLAMATION DISTRICT NO. 2106 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE FINDINGS AND RECOMMENDATIONS**

Based on the MSR and SOI determinations as listed above, the Commission:

1. Finds that the District does not provide any reclamation operation or maintenance services and that the District now functions as a groundwater sustainability agency.
2. Finds that no changes to the Sphere of Influence and jurisdictional boundaries for the District are necessary at this time. However, the District and Glenn LAFCO should work together to determine if the District's Sphere of Influence and jurisdictional boundaries should be expanded to include all of the parcels within the District's GSA boundary.
3. Affirms the existing Sphere of Influence coterminous boundary for Reclamation District No. 2106 as shown on Figure 5-1 on page 5-2.

**MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE PLAN**  
**FOR**  
**RECLAMATION DISTRICT NO. 2140**

**ADOPTED FEBRUARY 11, 2019**  
**GLENN LAFCO RESOLUTION No. 2019-01**

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**RECLAMATION DISTRICT NO. 2140 DATA SHEET**

Contact: Reclamation District No. 2140 Board of Trustees  
 Address: PO Box 758, Hamilton City CA 95951-0758  
 Phone: 530 826-3208 or 530 826-0351  
 Webpage: None

**GOVERNING BOARD**

<u>Board of Trustees</u>	<u>Term Expires</u>
Lee Ann Grigsby-Puente, President	4/4/2022
Gursewak "Gee" Singh	4/4/2020
Walter Stile	4/4/2021

Normal Board Meeting Dates: 3<sup>rd</sup> Friday of each month  
 Meetings are held at: Hamilton City Community Services District office, 211 Main Street,  
 Hamilton City, CA 95951

**FORMATION INFORMATION**

Date of Formation: 2005

**PURPOSE**

1. Enabling Legislation: Sections 50000 – 53901 of the California Water Code
2. Provided Services:  
 Construction and maintenance of a new levee

**AREA SERVED**

1. No. of Parcels: 717
2. District Size: 5,525 acres
3. Estimated Population: 2,135
4. Location: In the Hamilton City area of Glenn County area, west of the Sacramento River.
5. Sphere of Influence: Coterminous with approved district boundaries.

**FINANCIAL INFORMATION**

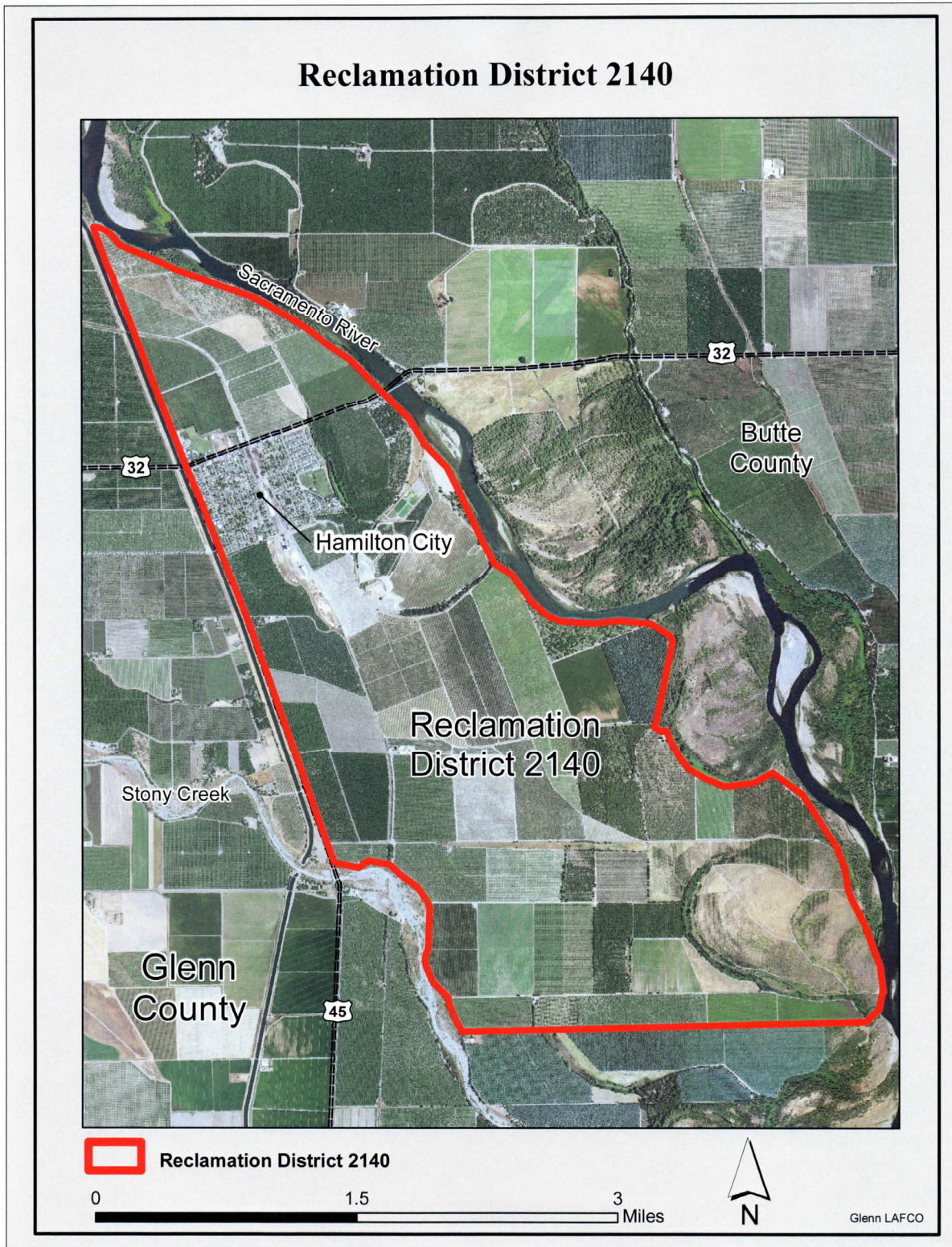
**Fiscal Year 2016-17**

Revenues: \$1,089,335  
 Expenditures: \$1,316,666  
 Fund Balance as of 9/30/2018: \$65,755

**Revenue Sources:**

- Parcel assessment
- Interest on fund balance
- State grants
- Donations

**FIGURE 6-1 RECLAMATION DISTRICT NO. 2140**





## DISTRICT CHARACTERISTICS

Reclamation District No. 2140 was formed in 2005 to be the non-federal sponsor for the design and construction of a new setback levee near the unincorporated community of Hamilton City. Reclamation District No. 2140 is located in the Hamilton City area of Glenn County area, west of the Sacramento River. The District is approximately 5,525 acres in size and contains approximately 717 parcels. The vast majority of these parcels (approximately 663 parcels) are located within the unincorporated community of Hamilton City, which is highly developed with residential and commercial uses. The predominant land use within the District boundaries outside of Hamilton City is agricultural, along with some agricultural processing facilities. The District contains approximately 590 homes, all but one of which are located within Hamilton City. The District has an estimated population of 2,135 people. The majority of the district is zoned for agricultural uses, although the parcels within Hamilton City are zoned for residential, commercial, industrial, and public uses.

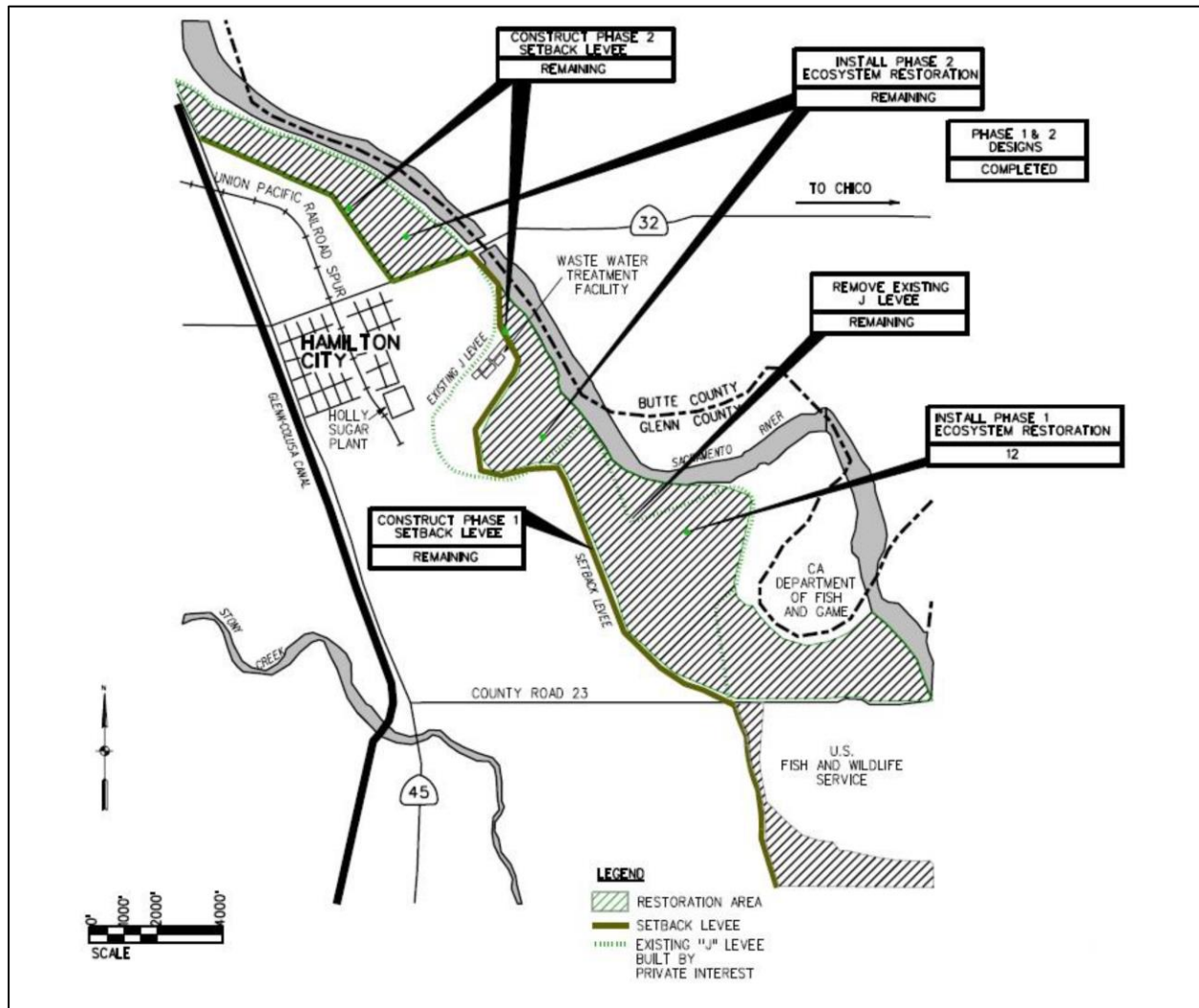
Reclamation District No. 2140 is a California reclamation district formed under Water Code section 50000 et seq. with authority and responsibility under those statutes for acquiring property, acquiring and operating water rights and irrigation systems, and constructing, maintaining, and operating drains, canals, sluices, water gates, levees, and pumping plants (among others) for the reclamation of land and control of flooding within its boundaries.

While the primary purpose of the District is to maintain the infrastructure needed to drain agricultural water, winter stormwater is also carried through the same conveyance facilities. Storm water volumes are directly related to the slope and runoff co-efficient of the land. The slope of the land within the district is generally very low 1% to 2%, which keeps drainage velocities slow. Soil types and impervious surfaces directly affect runoff volumes. More water runoff is generated from saturated soils and the introduction of impervious surfaces such as buildings, paved roads, and parking areas can have the most significant impact on increased runoff by preventing infiltration. Generally, the land within the district has a very low percentage of impervious surfaces and the likelihood of new areas of significant impervious surfaces are low due to the nature of the agricultural methods used.

The division of agricultural parcels in the District is expected to be limited due to economic and land use trends associated with the intensity of agriculture within the District. This limits the need for any expanded drainage services.

The District has recently taken on the task of constructing a new levee within the District. The existing private J Levee, which was built in 1905, is substandard and Hamilton City is at risk of flooding if the J Levee were to fail. The project entails the construction of a new 6.8 mile set-back levee, and the reconnection of 1,450 acres to floodplain between the new setback levee and the river, of which approximately 1,361 acres will be restored to native riparian habitat. When all phases of the project are completed, flood protection for Hamilton City residents will increase from the current 10-year flood protection level to a 75-year flood protection level, along with significant wildlife benefits. The project is anticipated to be completed in 2020. The estimated cost for the project is \$91 million -

levee construction is expected to cost \$17.3 million, with habitat restoration costing \$73.7 million. The federal government is expected to pick up 65 percent of the costs. Almost all of the rest of the funding is being provided through grants from the state Department of Water Resources and Wildlife Conservation Board.<sup>16</sup> On November 21, 2018, the U.S. Army Corps of Engineers added \$6.6 million to a \$6 million appropriation approved in September 2018, which will be enough to complete the levee.<sup>17</sup> The following figure shows the existing J Levee and location of the future levee along the Sacramento River near Hamilton City.



Source: Draft Glenn County Multi-Jurisdiction Hazard Mitigation Plan, February 2016

<sup>16</sup> Chico Enterprise-Record, published June 6, 2018 (accessed at <https://www.chicoer.com/2018/06/14/j-levee-gets-federal-money/>).

<sup>17</sup> Chico Enterprise-Record, published December 7, 2018 (accessed at <https://www.chicoer.com/2018/12/07/final-money-approved-for-hamilton-city-levee-habitat-project/>).

## I. MUNICIPAL SERVICE REVIEW

### **MSR FACTOR NO. 1: GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA**

Reclamation District No. 2140 contains approximately 717 parcels, and has a population of approximately 2,135. Population growth within Glenn County as a whole has been very minimal due to the rural and agricultural nature of the county. From 2010 to 2018, the population of Glenn County rose from 28,122 to 28,796, an increase of approximately 2.4 percent over an eighteen year period.<sup>18</sup>

The following table shows the current estimated population of the county as a whole, the population of the two incorporated cities with the county, and the population of the unincorporated area of the county.<sup>19</sup> Additionally, the table shows the percent change in population from 2017 to 2018.

County/City	Total Population		
	1/1/2017	1/1/2018	Percent Change
Glenn	28,730	28,796	0.2
Orland	7,844	7,932	1.1
Willows	6,066	6,064	0.0
Balance of County	14,820	14,800	-0.1

The population of the District is not expected to significantly increase in the near future. While Hamilton City contains consists of numerous parcels, almost all of these are already developed. No significant residential developments, which could cause an increase in population, are anticipated to be constructed within the district.

**MSR DETERMINATION NO. 1:** *The population within the District is not expected to have any significant growth based upon the historic low population growth rate of Glenn County. Any new development within the District is anticipated to occur within the unincorporated community of Hamilton City.*

### **MSR FACTOR NO. 2: THE LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE**

Disadvantaged unincorporated communities (DUCs) are defined by statute as inhabited territory (meaning 12 or more registered voters), or as determined by commission policy, that constitutes all or a portion of a community with an annual median household income (MHI) that is less than 80 percent of the statewide annual MHI (Water Code Section 79505.5). The statewide MHI data is obtained from the US Census American Community

<sup>18</sup>State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark*. Sacramento, California, May 2018.

<sup>19</sup>State of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018*. Sacramento, California, May 2018.

Survey (ACS) 5-Year Data: 2010 - 2014. California's MHI for this period was \$61,489, and 80 percent of that is \$49,191. The identification of DUCs as it relates to LAFCo is to ensure that these communities are fairly served with essential municipal services of public sewer, water and fire protection.

DUCs were identified by utilizing the Disadvantage Communities Mapping tool offered by the California Department of Water Resources at <https://gis.water.ca.gov/app/dacs/>. Based on an analysis of census block groups, most of the District is identified as a Disadvantaged Community (\$38,270 >MHI < \$51,026), and the unincorporated Hamilton City area is identified as a Severely Disadvantaged Community (MHI < \$38,270).

**MSR DETERMINATION NO. 2:** *Most of the area within Reclamation District No. 2140 is designated as a disadvantaged community based on community block group data.*

**MSR FACTOR NO. 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.**

The District is responsible for constructing, maintaining, and operating drains, canals, sluices, water gates, levees, and pumping plants for the reclamation of land and control of flooding within its boundaries. The District has recently taken on the task of constructing a new levee within the District. The existing private J Levee is substandard, and Hamilton City is at risk of flooding if the J Levee were to fail. The project entails the construction of a new 6.8-mile set-back levee, and the reconnection of 1,450 acres to floodplain between the new setback levee and the river, of which approximately 1,361 acres will be restored to native riparian habitat. When all phases of the project are completed, flood protection for Hamilton City residents will increase from the current 10-year flood protection level to a 75-year flood protection level, along with significant wildlife benefits.

As previously noted, most of the District is identified as being a Disadvantaged Unincorporated Community (DUC). However, the District does not provide sewer, municipal and industrial water, or structural fire protection services.

**MSR DETERMINATION NO. 3-1:** *Based on the data reviewed, the operation and maintenance of the drainage facilities appears to be adequate. At the present time, the District has the ability and the capacity to serve the existing agricultural service area and the Hamilton City area and, with the completion of the J Levee replacement project, the District would have no unmet infrastructure needs or deficiencies.*

**MSR DETERMINATION NO. 3-2:** *Most of the District is identified as being in a Disadvantaged Unincorporated Community (DUC). However, the District does not provide sewer, municipal and industrial water, or structural fire protection services.*

**MSR FACTOR NO. 4: FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES****REVENUE AND EXPENDITURES**

This section analyzes the financial structure and fiscal viability of the District. Included in this analysis is the consideration of revenue sources, amount of revenue, stability of revenues, and expenditure sources.

Reclamation District No. 2140 follows the General Accounting Standard Board Statement No. 34 (GASB 34) accounting standards. The District complies with Generally Accepted Accounting Principles (GAAP).

As required by the laws of the Health and Safety Code of the State of California, the District's Board of Trustees must approve a tentative budget no later than June 30 and adopt a final budget no later than October 1 of each fiscal year end for the General Fund. A public hearing must be conducted to receive comment prior to adoption. Until the adoption of this final financial budget, operations are governed by the adopted proposed budget approved by the Board. The District's Board of Trustees satisfied these requirements.

**Revenues**

The District's primary revenue source are from an annual parcel assessment and State grants. The District does not receive any ad-valorem property taxes. The annual per parcel assessment, which ranges from \$25.00 (the minimum authorized by Water Code Section 51335.5) to \$2,804.38, is based upon the amount of benefit from flood protection that a parcel receives from the District. Beginning in fiscal year 2017/18, the maximum authorized assessment collected by the District is subject to an annual inflationary escalator pursuant to Government Code section 53739(b).

Proposition 218 restricts local government's ability to impose assessment and property-related fees and requires elections to approve many local governmental revenue-raising methods. Any change in the amount of the assessment must be approved by a majority of the voters in the District at a duly-called election pursuant to Proposition 218 and legislation implementing its terms.

The District collects its parcel assessment through the County of Glenn. The District's cash is pooled with the Glenn County Treasurer, who acts as a disbursing agent for the District.

In accordance with Government Code Section 53901, every local agency shall file a copy of its annual budget with the County Auditor of the County in which it conducts its principal operations, unless exempted by the County Auditor 60 days after the beginning of its fiscal year. The District appears to comply with this law.

**Expenditures**

The District primary expenditures are for levee construction, maintenance services, and supplies. The District does not appear to have any salaries/benefits and the District Board of Trustees do not receive any payment for their service.

The following table shows revenues and expenditures for Reclamation District No. 2140 for Fiscal Years 2015-16 to 2018-19. The figures for Fiscal Years 2017-18 and 2018-19 (the current fiscal year) are what were adopted by the District Board of Directors. These adopted budgets are not actual budgets and the revenue and expenditure amounts shown in these budgets can be expected to differ from what will actually be received and expended.

<b>RECLAMATION DISTRICT NO. 2140 - REVENUES AND EXPENDITURES – FISCAL YEARS 2015-16 TO 2018-19</b>				
<b>Detail by Revenue Category and Expenditure Object</b>	<b>2015-16 Actual</b>	<b>2016-17 Actual</b>	<b>2017-18 Adopted By District Board</b>	<b>2018-19 Adopted By District Board</b>
<b>REVENUES</b>				
Intergovernmental Revenue (Grants)	903,924	1,021,389	2,050,000	2,050,000
Special Assessment	75,721	48,415	73,500	73,500
Interest	863	656	650	650
Other Revenue	59,293	18,875	350,000	0
<b>TOTAL REVENUES</b>	<b>\$1,039,801</b>	<b>\$1,089,335</b>	<b>\$2,474,150</b>	<b>\$2,124,150</b>
<b>EXPENDITURES</b>				
Services and Supplies	104,337	105,349	93,436	93,436
Other Charges	1,058	3,238	7,214	7,871
Fixed Assets	657,108	1,208,032	2,373,500	2,022,500
<b>TOTAL EXPENDITURES / APPROPRIATIONS</b>	<b>\$762,503</b>	<b>\$1,316,666</b>	<b>\$2,474,150</b>	<b>\$2,123,807</b>
<b>NET COSTS / COSTS</b>	<b>\$277,298</b>	<b>\$227,331</b>	<b>\$0</b>	<b>\$343</b>

As shown in the above table, for Fiscal Years 2016-17 District revenues exceeded expenditures, resulting in a revenue surplus for that year. The annual expenditures of a special district should generally equal, or, ideally, be less than the revenue a district receives in any given fiscal year. When expenditures exceed revenues, which is referred to as a budget deficit, a non-enterprise district, such as Reclamation District No. 2140, must resort to the use of fund balance, if available, or borrow money to cover the shortfall in revenues.

A budget deficit, which can occasionally occur to even the best-funded special district, can be due to various factors, such as unanticipated expenses or erroneous revenue projections. An agency experiencing a budget deficit can use fund balance or other reserves, if available, to balance their budget. However, using the fund balance is a one-time course of action that cannot fix a structural imbalance. A district experiencing continuous budget deficits may be having financial difficulties that need to be identified and corrected. If the budget deficit cannot be corrected, a district may have to reduce service levels if new sources of funding cannot be obtained.

### **FINANCIAL AUDIT/FINANCIAL AUDITS**

State Law requires that every public agency retrain the services of a certified public accountant to prepare that agency's financial audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in an agency's financial statements. Financial statements include all transactions for which a public

agency is financially accountable. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The last financial audit that was prepared for the District was for Fiscal Years 2012-13 and 2013-14, was prepared by Robert Gustafson, Certified Public Accountant. The financial audit did not note any material deficiencies in the District's financial statements. The District states that it has not had the required annual audit of its finances accomplished for the last three years. The District is in the process of correcting this omission. The District should have a financial audit prepared each year in a timely manner, especially given that the District now has a very large revenue stream and large expenditures. Having the financial audit prepared in a timely manner will ensure that the District's financial statements meet required accounting standards.

**MSR DETERMINATION NO. 4-1:** *Revenue appears to provide adequate funds to cover the cost of providing levee construction and levee maintenance services to the district, with revenues normally exceeding expenditures. The District's J Levee replacement project is being funded primarily by the U.S. Government and the State of California.*

**MSR DETERMINATION NO. 4-2:** *The District currently has a large fund balance that could be utilized for unanticipated expenses, capital improvements, or to cover revenue shortfalls.*

**MSR DETERMINATION NO. 4-3:** *The District has not had required annual financial audits prepared for the last three years. The District should take all necessary steps to correct this omission and ensure that the annual financial audit is prepared in a timely manner.*

#### **MSR FACTOR 5: STATUS OF, AND OPPORTUNITIES FOR SHARED FACILITIES**

The Hamilton City area of Glenn County is primarily an agricultural area with a myriad of water (both irrigation and reclamation) conveyance systems and structures to support the agricultural use of the land. This same infrastructure also mitigates to some extent stormwater flows from existing developed urban areas. While each component of infrastructure is unique to its purpose within in any one local agency, the water

conveyance systems have a unifying larger purpose of irrigating and draining south Glenn County. For this reason, each local agency should be cognizant of potential resource sharing opportunities with respect to maintenance, stormwater planning and related functions.

The District currently does not have any staff, including administrative staff. The District is in the process of finalizing agreements with the Hamilton City Community Services District (HCCSD) that would result in the HCCSD providing administrative/management services, clerical support, and facilities/equipment use for Reclamation District 2140. The District's efficiency could be significantly improved if this were to occur.

There are three other reclamation districts – Reclamation Districts 1004, 2047, and 2106 – that are located near the Reclamation District No. 2140. Opportunities for shared facilities between these districts do not appear to be feasible because Reclamation District 2140's sole function is to provide services related to the construction of a new levee, and the district does not provide normal reclamation services. In addition, Reclamation 2106 does not provide any reclamation services. Therefore, opportunities for shared facilities for Reclamation District 2106 are very limited.

**MSR DETERMINATION NO. 5-1:** *There are three other reclamation districts in the area - Reclamation Districts 1004, 2047, and 2106 - which could present opportunities for shared facilities. However, opportunities for shared facilities between these districts do not appear to be feasible because Reclamation 2140's sole function is to provide services related to construction of a levee and the District does not provide normal reclamation services.*

**MSR DETERMINATION NO. 5-2:** *The District is in the process of finalizing agreements with the Hamilton City Community Services District (HCCSD) that would result in the HCCSD providing administrative/management services, clerical support, and facilities/equipment use for the District. The District's efficiency could be significantly improved if this were to occur.*

#### **MSR FACTOR 6: ACCOUNTABILITY FOR COMMUNITY SERVICES NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES**

##### **GOVERNANCE**

The District is an independent Special District of the State of California and operates under the provisions of Sections 50000 – 53901 of the California Water Code. Reclamation districts are governed by a five-member board of trustees that are appointed by the County Board of Supervisors or are elected directly from the populations they serve. For Reclamation District No. 2140, the three board of trustees are appointed by the Glenn County Board of Supervisors. The trustees are appointed to four year terms.



The District's Board of Trustees meetings are normally held on the 3<sup>rd</sup> Friday of each month at the Hamilton City Community Services District Office, located at the 211 Main Street, Hamilton City, CA. Agendas are posted for the meetings as required.

The District does not currently have a website, but it did have one until recently. On September 14, 2018, Senate Bill 929 was signed by the Governor and chaptered into law by the California Secretary of State, which added sections 6270.6 and 53087.8 to the California Government Code. This law requires, beginning on January 1, 2020, that every independent special district maintain an Internet Web site that clearly lists contact information for the special district. An exception to this requirement is allowed if, pursuant to a majority vote of its governing body at a regular meeting, the district adopts a resolution declaring its determination that a hardship exists that prevents the district from establishing or maintaining an Internet Web site. The resolution shall include detailed findings, based upon evidence set forth in the minutes of the meeting, supporting the board's determination that a hardship prevents the district from establishing or maintaining an Internet Web site. The findings may include, but shall not be limited to, inadequate access to broadband communications network facilities that enable high-speed Internet access, significantly limited financial resources, or insufficient staff resources. The resolution shall be valid for one year. In order to continue to be exempt, the governing body of an independent special district shall adopt a resolution annually so long as the hardship exists.

Pursuant to California Government Code section 53051, every public agency is required to submit a *Statement of Facts-Roster of Public Agencies Filing* to the California Secretary of State anytime there is a change in the membership of the governing board of the agency or the agency's official mailing address. Agencies are required to also submit the *Statement of Facts-Roster of Public Agencies Filing* to the county clerk of the applicable county. It does not appear that the District has submitted the required form to the Glenn County Clerk. The District should ensure that a *Statement of Facts-Roster of Public Agencies Filing* is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change in the District's official mailing address. The required form can be found at: <http://bpd.cdn.sos.ca.gov/sf/forms/np-sf-405.pdf>.

**MSR DETERMINATION NO. 6-1:** *The District is managed by a board of trustees appointed by the Glenn County Board of Supervisors.*

**MSR DETERMINATION NO. 6-2:** *The District does not currently have a website, but did have one until recently. Pursuant to Senate Bill 929 (California Government Code Sections 6270.6 and 53087.8) the District shall maintain an Internet Web site unless the District makes a determination that a hardship exists. The District is strongly encouraged to create and maintain an Internet Web site.*

**MSR DETERMINATION NO. 6-3:** *The District should ensure that a "Statement of Facts-Roster of Public Agencies Filing" is filed with the California Secretary of State and with the Glenn County Clerk whenever there is a change in the District's board members or a change to the District's official mailing address changes.*

**MSR FACTOR NO. 7: ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY**

No other significant issues have been identified.

## **II. SPHERE OF INFLUENCE PLAN**

The existing Sphere of Influence (SOI) for Reclamation District No. 2140 is coterminous with District jurisdictional boundaries. The SOI Plan recommendation is based directly on the information and discussions in the MSR and the MSR factor determinations above. In Glenn County levee, drainage and reclamation districts have all had coterminous SOI boundaries and Reclamation District No. 2140 is no different. Unlike cities where boundaries are constantly changing because of new development that requires city services, levee districts have been based on long-standing infrastructure and topography that doesn't normally change. Furthermore, new growth is not anticipated adjacent to the District that would require an expansion of the District boundary. A coterminous SOI is recommended as appropriate.

### **SPHERE OF INFLUENCE PLAN REVIEW FACTORS FOR RECLAMATION DISTRICT NO. 2140**

There are numerous factors to consider in reviewing a SOI Plan, including current and anticipated land uses, facilities, and services, as well as any relevant communities of interest. Updates generally involve a comprehensive review of the entire SOI Plan, including boundary and SOI maps and the District's MSR. In reviewing an agency's sphere, the Commission is required to consider and prepare written statements addressing five factors enumerated under California Government Code Section 56425(e). Each of the SOI review factors are listed below, with a corresponding determination.

**SOI FACTOR NO. 1: The present and planned land uses in the area, including agricultural and open-space lands.**

**SOI DETERMINATION NO. 1:** *Glenn County retains the responsibilities for land use decisions for all the parcels within the district. The County has zoned the majority of the district for agriculture uses on either 40-acre or 80 acre-minimum parcel sizes and intensive agricultural uses are located throughout the district. This will significantly limit any further land divisions and maintain agriculture as the primary use. The District includes the unincorporated community of Hamilton City, which is zoned for residential and commercial uses. Future growth within the District is expected to occur within the Hamilton City area.*

**SOI FACTOR NO. 2: The present and probable need for public facilities and services in the area.**

**SOI DETERMINATION NO. 2:** *With low projected population growth and limited potential for land divisions, the present and probable need for services within the district is not expected to change. Construction of a new levee will continue to be the priority of the District.*

**SOI FACTOR NO. 3: The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

**SOI DETERMINATION NO. 3:** *The present capacity of the district's facilities is sufficient to provide acceptable levels of reclamation services. There is no expected significant change to the present capacity or adequacy of the services currently provided by Reclamation District No. 2140.*

**SOI Factor No. 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.**

**SOI DETERMINATION NO. 4:** *Reclamation District No. 2140 provides a service essential to the agricultural economy of the area, which represents an economic community of interest in the area. Additionally, the unincorporated community of Hamilton City, which is located within the District, is a social and economic community of interest.*

**SOI FACTOR NO. 5:** For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

**SOI DETERMINATION NO. 5:** *Reclamation District No. 2140 does not provide services related to sewers, municipal and industrial water, or structural fire protection.*

#### **RECLAMATION DISTRICT NO. 2140 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE FINDINGS AND RECOMMENDATIONS**

Based on the MSR and SOI determinations as listed above, the Commission:

1. Finds that the services being provided by the district are adequate and are being provided in an effective and efficient manner for their intended purpose of reclamation services.
2. Finds that no changes to the Sphere of Influence boundary for the district are necessary.
3. Affirms the existing Sphere of Influence coterminous boundary for Reclamation District No. 2140 as shown on Figure 6-1 on page 6-2.

## Adopting Resolution

### GLENN LOCAL AGENCY FORMATION COMMISSION RESOLUTION 2019-01

#### RESOLUTION APPROVING MUNICIPAL SERVICE REVIEWS AND SPHERE OF INFLUENCE PLANS FOR GLENN COUNTY LEVEE AND RECLAMATION DISTRICTS

WHEREAS, California Government Code Section 56425 requires that the Local Agency Formation Commission ("LAFCO") adopt and periodically review Sphere of Influence Plans for all agencies in its jurisdiction; and,

WHEREAS, California Government Code Section 56430 requires that LAFCO conduct a review of the municipal services provided by and within an agency prior to updating or adopting its Sphere of Influence Plan; and,

WHEREAS, the Sphere of Influence Plan is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and,

WHEREAS, at the time and in the manner provided by law, the Executive Officer gave notice of the date, time, and place of a public hearing by the Commission for the Glenn County Levee and Reclamation Districts MSRs and SOI Plans including approval of the report and adoption of the written determinations contained therein; and,

WHEREAS, the Commission hereby determines that the Municipal Service Reviews for the Glenn County Levee and Reclamation Districts and written determinations contained therein is otherwise consistent with the purposes and responsibility of the Commission for planning the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities; and,

WHEREAS, the Commission has heard all interested parties desiring to be heard and has considered the report by the Executive Officer and all other relevant evidence and information presented at said hearing;

WHEREAS, acting as Lead Agency pursuant to the California Environmental Quality Act (CEQA) Guidelines, the Commission finds that the Levee and Reclamation Districts Municipal Service Reviews/Sphere of Influence Plans are Categorically Exempt from the provisions of CEQA under Section 15306, "Information Collection" and Section 15061(b)(3) – General Rule Exemption, respectively; and

NOW, THEREFORE, the Glenn Local Agency Formation Commission hereby further resolves, orders and determines as follows:

1. That the proposed Municipal Service Reviews and Sphere of Influences for the Glenn County Levee and Reclamation Districts comply with the provisions of California Government Code Section 56000, et seq.
2. That no significant objections have been received

Resolution 2019-01

GLENN LAFCO RESOLUTION  
LEVEE AND RECLAMATION DISTRICTS MUNICIPAL SERVICE REVIEWS AND SPHERE OF INFLUENCE PLANS

3. That the Commission adopts the written determinations, findings, and recommendations as set forth in the Levee and Reclamations Districts Municipal Services Reviews/Sphere of Influence Plans, dated January 24, 2019 and adopted by the Commission on February 11, 2019

The foregoing resolution was duly passed by the Glenn Local Agency Formation Commission at a regular meeting held on Monday, February 11, 2019 by the following roll call vote:

Ayes: Commissioners Barr, Corum, Stifter, Warren, and Roundy (Chair)  
Noes: None  
Abstentions: None  
Absent: None

  
\_\_\_\_\_  
**BRUCE ROUNDY, Chairman**  
GLENN LOCAL AGENCY FORMATION COMMISSION

Attest:

  
\_\_\_\_\_  
**Adele Lee, Executive Officer**  
GLENN LOCAL AGENCY FORMATION COMMISSION

## COMMENTS RECEIVED AND RESPONSES TO COMMENTS



November 1, 2018

Ms. Adele Foley  
Executive Officer  
Glenn Local Agency Formation Commission

Dear Ms. Foley,

The Reclamation District 2140 (RD 2140) Board of Trustees and staff are pleased to provide comments on the Municipal Services Review (MSR) and Sphere of Influence (SOI). We appreciate the time and efforts required to research and prepare this report.

Our comments follow the sequence as presented in the MSR citing the specific areas that we feel should be addressed.

### **Governing Board**

- On April 3, 2018, the Glenn County Board of Supervisors reappointed Lee Ann Grigsby-Puente. Her current term expires 4/4/2022.
- Please note the correct spelling for Trustee Walter Stile (no “s” at the end of surname). On April 18, 2017, the Glenn County Board of Supervisors reappointed Mr. Stile. His current term expires 4/4/2021.
- On April 3, 2018 the Glenn County Board of Supervisors appointed Mr. Gursewak “Gee” Singh was appointed to fill Mr. Dawit Zeleke’s term. Mr. Singh’s term expires 4/4/2020.

Please note throughout the MSR for RD2140 there are various references made to a Board of Directors. The governing board is termed Board of Trustees. Correction should be made.

### **Revenue Sources:**

RD 2140 receives no property tax allocation.

### **MSR Factor No. 4: Financial Ability of Agencies to Provide Services**

#### **Revenues and Expenditures**

Page 6-7 second paragraph: Please note incorrect notation to “Levee District No. 2”.

Page 6-7 third paragraph: Please note that RD 2140 does not operate under provisions of the Health and Safety Code. Note also that the governing body is the Board of Trustees (not Directors).

RECLAMATION DISTRICT 2140  
RESPONSE TO GLENN LAFCO  
MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE  
November 1, 2018  
Page 2

### **Revenues**

- Paragraph one: the annual parcel benefit assessment ranges from \$25.00 (the minimum authorized by Water Code Section 51335.5) to \$2804.38.
- Paragraph two (second sentence): “Any change in the amount of the assessment must be approved . . .” Please note that beginning in fiscal year 2017/18, the maximum authorized assessment is subject to an annual inflationary escalator pursuant to Government Code section 53739(b).<sup>1</sup>
- The last sentence of this paragraph states “The District does not collect any revenues from parcel assessments (underline added). This is incorrect. Note the correct statement in paragraph three.

### **Expenditures**

Page 6-8. Note the incorrect reference to “Reclamation District No. 2”

### **MSR Determination No. 4-1**

- Revenue appears to provide adequate funds to cover the costs of providing drainage services to the district with revenues normally exceeding expenditures. The District’s J-Levee replacement project is being funded primarily by the U.S. Government and the State of California (underline added).

At this time RD 2140’s primary purpose is to maintain the newly constructed levee (Phases 1 and 2A) and provide local assistance to help complete the levee construction and ecosystem restoration project (Phase 2B). Any drainage issues are related to levee maintenance only and not general drainage for areas within RD 2140.

### **MSR Determination No. 4-2**

- The District currently has a large fund balance that could be used for unanticipated expenses, capital improvements, or to cover revenue shortfalls.

As of September 30, 20128, RD 2140’s “fund balance” i.e. “cash in treasury” is \$65,755.70<sup>2</sup>. This balance fluctuates as can be expected. In addition to the annual special assessment, RD 2140 receives grant monies from the California Department of Water Resources (DWR) and occasional donations from The Nature Conservancy (TNC). Monies received from DWR and TNC are earmarked to cover project-specific, construction-related and ecosystem restoration expenses.

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<sup>1</sup> “Final Engineer’s Report: Hamilton City Levee Operations and Maintenance Assessment”, Larsen Wurzel & Associates, Inc, November 17, 2016, page 44.

<sup>2</sup> General Ledger Summary, period ending 9/30/2018, Glenn County Department of Finance.



RECLAMATION DISTRICT 2140  
RESPONSE TO GLENN LAFCO  
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Page 3

**MSR Factor 5: Status of, and Opportunities for Shared Facilities.**

Page 6-9: “Southeastern Glenn County is . . .”

Please note Hamilton City is not in “southeastern Glenn County.”

- The District currently does not have any staff, including administrative staff. The District is currently working with the Hamilton City Community Services District (HCCSD) to determine if the HCCSD could perform management and administrative services for the District. The District’s efficiency could be significantly improved if this were to occur.

**MSR Determination No. 5-2**

- The District should come to an agreement with the Hamilton City Community Services District that would allow HCCSD to provide management and administrative services for the District.

RD 2140 is in the process of finalizing agreements with HCCSD to provide administrative/management services, clerical support and facilities/equipment use.

- There are three other reclamation districts – Reclamation Districts 1004, 2047, 2106 – that are located near to Reclamation District 2140. As these three nearby districts provide the same type of services and are near to each other, opportunities for shared facilities exist, such as the sharing of equipment, materials and expertise.

**MSR Determination No. 5-1**

- There are three other reclamation districts in the area – Reclamation Districts 1004, 2047, 2106 – which could provide present opportunities for shared facilities.

As explained further below, unlike opportunities with HCCSD, the relative distance between the other Reclamation Districts and Hamilton City, as well as the differing primary functions of the other districts has led RD 2140 to conclude that it is impractical to pursue opportunities for shared facilities with Reclamation Districts 1004, 2047, and 2106.

RD 2106: As noted in the MSR for RD 2106 (p 5-3) RD 2106 was formed “circa 1978”. However, without a source of revenue, the district was unable to provide services and soon “went dormant”. The district was “resurrected around 2014 for the sole purpose of being a ground water sustainability agency (GSA) formed under the auspices of the California Sustainable Groundwater Management Act (SGMA)”. GSA activities conducted under SGMA are inconsistent with RD 2140’s primary function.

RD 1004 & RD 2047: The following information is summarized from the MSR/SOI for the “Colusa County, Reclamation, Drainage, Flood Control and Levee District”, dated June 7, 2018, prepared by the Colusa LAFCo,

RECLAMATION DISTRICT 2140  
RESPONSE TO GLENN LAFCO  
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- Reclamation District No. 2047 (RD 2047) was formed in 1919 and is headquartered in Princeton. It's district boundary ranges from County Road 30 near Ord Bend in Glenn County to Grimes-Arbuckle Road near Grimes in Colusa County. RD 2047 constructed the Colusa Basin Drain (also known as the "2047 Canal") to deal with local flooding in the Colusa Basin.
- Reclamation District 1004 (RD 1004) was founded in 1912 and is headquartered in the City of Colusa. RD 1004 specializes in water supply. RD 1004 is located on the east side of the Sacramento River, approximately 2 miles east of the City of Colusa and directly west of the Sutter Buttes. The District is primarily in Colusa County, with the southeastern most portion extending into Sutter County and the extreme northern portion extending into Glenn County.

Thus, for the foregoing reasons, RD 2140 believes it is impractical to pursue opportunities for shared facilities with Reclamation Districts 1004, 2047, and 2106.

**MSR Factor 6: Accountability for Community Services Needs, Including Governmental Structure and Operational Efficiencies.**

**Governance**

- The District is an independent Special District . . . formed under the Section 5 of Act 985. . . For Reclamation District No. 2106.

As noted on page 6-3, RD 2140 was formed under the provisions Water Code section 50000 et seq. Also note the incorrect reference to RD 2106.

**MSR Determination No. 6-2**

- The District does not have a website. The District is encouraged to establish a website as a primary manner of conveying information about the District to its constituents.

Until recently, RD 2140 maintained a website. Senate Bill 929 (referenced on page 6-10) was signed into law September 14, 2018. This legislation added Government Code section 53087.8 with the mandate that all independent special districts, such as RD 2140, establish and maintain an Internet website by January 1, 2020. The website must conform to all existing requirements that local agency websites are obligated to follow, and it must clearly list the contact information of the independent special district.

An exemption is allowed with a majority vote of the governing body, adopting a resolution declaring that a hardship exists that prevents the district from establishing and maintaining a website. The resolution must include detailed findings noted in the official meeting minutes supporting the related hardship. Such hardships can include, but are not limited to, inadequate access to broadband communications, significantly limited financial resources, or insufficient staff resources. The adopted resolution is valid for one year and the district must adopt a resolution annually for the exemption to apply.

RECLAMATION DISTRICT 2140  
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The RD 2140 Board of Trustees will review its options to determine the best course of action regarding a website. It will consider two options: the “hardship exemption” or establishing a website. If the Board decides to establish a website, it will determine the type of website desired given the expenses associated with start-up, on-going maintenance and staff time for website maintenance.

Thank you for the opportunity to respond to the MSR. We hope you find our responses and comments useful as you finalize the report.

If you have any questions, please feel free to contact me at the address or telephone number listed below.

Best regards,

Lee Ann Grigsby-Puente, President  
Reclamation District 2140  
P.O. Box 758  
Hamilton City, CA 95951-0758  
(530) 826-3208 (HCCSD Office)

Cc: RD 2140 Board of Trustees  
Mr. William C. Paris III, O’Laughlin & Paris LLP  
Mr. Jose Puente, Hamilton City Community Services District

**LAFCO's response to comments from Reclamation District No. 2040:**

LAFCO thanks the District for their comprehensive comments. The District's comments pointed out errors and provided additional information that clarified several sections of the MSR/SOI Plan. The District's comments were incorporated into the final MSR/SOI Plan.

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## GLOSSARY

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<b>ADOPTED BUDGET</b>	The spending plan approved by resolution of the Board of Supervisors after the required public hearing and deliberations on the Recommended Budget. The Adopted Budget must be balanced with Total Financing Sources equal to Total Financing Uses.
<b>ANNEXATION</b>	The inclusion, attachment, or addition of a territory to a city or district.
<b>BOARD OF SUPERVISORS</b>	The elected board of supervisors of a county.
<b>BUDGET</b>	The planning and controlling document for financial operation with appropriations and revenues for a given period of time, usually one year.
<b>CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)</b>	The California Environmental Quality Act (CEQA) is intended to inform governmental decision-makers and the public about potential environmental effects of a project, identify ways to reduce adverse impacts, offer alternatives to the project, and disclose to the public why a project was approved. CEQA applied to projects undertaken, funded, or requiring issuance of a permit by a public agency.
<b>CONTINGENCY</b>	An amount appropriated for unforeseen expenditure requirements. Transfers from this budget unit to any other budget unit for specific use require a four-fifths vote of the Board of Supervisors.
<b>DISTRICT OR SPECIAL DISTRICT</b>	An agency of the state, formed pursuant to general law or special act, for the local performance of government or proprietary functions within limited boundaries. "District" or "special district" includes a county service area.
<b>EXPENDITURES</b>	Expenditures occur when the County buys goods and services and pays its employees. Expenditures can be categorized into three types: operating expenditures, capital expenditures, and debt service expenditures. Operating expenditures are the day-to-day spending

on salaries, supplies, utilities, services, and contracts. Capital expenditures are generally for acquisition of major assets such as land and buildings or for the construction of buildings or other improvements. Debt expenditures repay borrowed money and interest on that borrowed money.

<b>FISCAL YEAR</b>	Twelve-month period for which a budget is prepared. Glenn County's fiscal year is July 1 through June 30 of each year.
<b>FUND BALANCE</b>	The difference between assets and liabilities reported in a governmental fund.
<b>GENERAL PLAN</b>	A document containing a statement of development policies, including a diagram and text setting forth the objectives of the plan. The general plan must include certain state mandated elements related to land use, circulation, housing, conservation, open-space, noise, and safety.
<b>INTERFUND TRANSFER</b>	A transfer made between budget units in different funds for services rendered and received. The service rendering budget unit shows these transfers as revenue, as opposed to expenditure reduction.
<b>LAFCO</b>	Local Agency Formation Commission. A state mandated local agency that oversees boundary changes to cities and special districts, the formation of new agencies including incorporation of new cities, and the consolidation of existing agencies. The broad goals of the agency are to ensure the orderly formation of local government agencies, to preserve agricultural and open space lands, and to discourage urban sprawl.
<b>LOCAL ACCOUNTABILITY AND GOVERNANCE</b>	The term "local accountability and governance," refers to public agency decision making, operational and management styles that include an accessible staff, elected or appointed decision-making body and decision making process, advertisement of, and public participation in, elections, publicly disclosed budgets, programs, and plans, solicited public

participation in the consideration of work and infrastructure plans, programs or operations and disclosure of results to the public.

<b>MANAGEMENT EFFICIENCY</b>	The term "management efficiency," refers to the organized provision of the highest quality public services with the lowest necessary expenditure of public funds. An efficiently managed entity (1) promotes and demonstrates implementation of continuous improvement plans and strategies for budgeting, managing costs, training and utilizing personnel, and customer service and involvement, (2) has the ability to provide service over the short and long term, (3) has the resources (fiscal, manpower, equipment, adopted service or work plans) to provide adequate service, (4) meets or exceeds environmental and industry service standards, as feasible considering local conditions or circumstances, (5) and maintains adequate contingency reserves.
<b>MUNICIPAL SERVICE REVIEW (MSR)</b>	A study designed to determine the adequacy of governmental services being provided in the region or sub-region. Performing service reviews for each city and special district within the county may be used by LAFCO, other governmental agencies, and the public to better understand and improve service conditions.
<b>PRINCIPAL COUNTY</b>	"Principal county" means the county having the greater portion of the entire assessed value, as shown on the last equalized assessment roll of the county or counties, of all taxable property within a district or districts for which a change of organization or reorganization is proposed.
<b>PUBLIC AGENCY</b>	The state or any state agency, board, or commission, any city, county, city and county, special district, or other political subdivision.
<b>RESERVE</b>	(1) For governmental type funds, an account used to earmark a portion of the fund balance, which is legally or contractually restricted for a specific use or

not appropriate for expenditure. (2) For proprietary type/enterprise funds, the portion of retained earnings set aside for specific purposes. Unnecessary reserves are those set aside for purposes that are not well defined or adopted or retained earnings that are not reasonably proportional to annual gross revenues.

**REVENUE**

Funds received to finance governmental services from various sources and treated as income to the County. Examples: property taxes, sales taxes, and per parcel service charges.

**SPHERE OF INFLUENCE (SOI)**

A plan for the probable physical boundaries and service area of a local agency, as determined by the LAFCO

**SPHERE OF INFLUENCE DETERMINATIONS**

In establishing a sphere of influence the Commission must consider and prepare written determinations related to present and planned land uses, need and capacity of public facilities, and existence of social and economic communities of interest.

**ZONE OF BENEFIT**

A geographic area within a county service area that provides a particular service or services to the parcels within that area.

**ZONING**

The primary instrument for implementing the general plan. Zoning divides a community into districts or "zones" that specify the permitted/prohibited land uses.



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