

ADOPTED

**MUNICIPAL SERVICE REVIEW OF SERVICES PROVIDED
BY THE HIDDEN VALLEY LAKE CSD**

1. EXECUTIVE SUMMARY

This Municipal Service Review was undertaken in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and is in response to the requirement that LAFCO complete a Municipal Service Review and make written determinations prior to updating the Sphere of Influence plan for an agency who provides that particular service and who is subject to LAFCO's jurisdiction.

This Municipal Service Review (MSR) has been prepared for the Lake County Local Agency Formation Commission (LAFCO), and consists of a review of the water and wastewater services provided within Lake County by the Hidden Valley Lake Community Services District (Hidden Valley Lake CSD). This MSR considers only the water and wastewater services provided by the Hidden Valley Lake CSD.

Water and wastewater treatment service capacity are the chief determinants of growth within a given community or region. Because of their strategic importance, it is essential that these services receive a thorough and independent analysis.

In many cases, provision of these services also has regional impacts that require analysis on a regional basis rather than looking at each agency separately. For example, two cities may both rely primarily on pumping from the same underground water aquifer for their domestic water, while the surrounding irrigation district also pumps from the aquifer for agricultural water. In such case, it is the capacity of the aquifer that must be analyzed and compared to the existing and projected demands of the agencies that pump from it. Otherwise no meaningful information can be determined as to the capacity of each agency since they all draw from the same resource.

2. INTRODUCTION

The purpose of this report is to perform a Municipal Service Review of municipal wastewater collection and treatment services and potable water distribution in the Hidden Valley Lake area of Lake County. The service area for this study includes the community of Hidden Valley Lake and the immediate vicinity. The Hidden Valley Lake Community Services District (Hidden Valley Lake CSD) is the only wastewater treatment and collection and potable water service provider within the Municipal Service Review project service area. The Existing boundaries and sphere of influence for the community of Hidden Valley Lake and the Hidden Valley Lake CSD are the same.

3. LAFCO's FUNDAMENTAL PURPOSE AND ROLE

Local Agency Formation Commissions (LAFCOs) are quasi-legislative local agencies created in 1963 to assist the state in encouraging the orderly development and formation of local agencies. Since WWII California has experienced explosive growth. In the 1950's urbanization was occurring in an inefficient manner. A number of new or expanded cities had such irregular boundaries that service provision to some areas was infeasible. Numerous special districts were being formed to serve small or difficult to serve areas leading to inefficient or expensive service provision.

Farmers and others were also concerned about the unprecedented loss of productive farmland particularly in Southern California. To address this concern, LAFCOs were created to act, where appropriate, to minimize the effects of unchecked urban sprawl upon finite prime agricultural and open space land resources, inefficient service delivery systems and to promote orderly development. To accomplish this goal, LAFCOs needed to balance a number of factors including the need to provide the infrastructure for healthy growth with the need to conserve the state's precious resources.

There is a LAFCO in each California County. Their decisions are guided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), which contains the following major policy elements (Government Code Sections 56000, 56001 and 56301):

1. To encourage orderly growth and development which are essential to the social, fiscal, and economic well being of the state;
2. To promote orderly development by encouraging the logical formation and determination of boundaries and working to provide housing for families of all incomes;
3. To discourage urban sprawl;
4. To preserve open-space and prime agricultural lands by guiding development in a manner that minimizes resource loss;
5. To independently exercise its authority to ensure that affected populations receive efficient governmental services; To promote logical formation and boundary modifications that direct the burdens and benefits of additional growth to those local agencies that are best suited to provide necessary services and housing;
6. To make studies and obtain and furnish information that will contribute to the logical and reasonable development of local agencies and to shape their development so as to advantageously provide for the present and future needs of each county and its communities;

7. To establish priorities by assessing and balancing total community services needs with financial resources available to secure and provide community services and to encourage government structures that reflect local circumstances, conditions and financial resources; and

8. To determine whether new or existing agencies can feasibly provide needed services in a more efficient or accountable manner and, where deemed necessary, consider reorganization with other single purpose agencies that provide related services.

In order to carry out these legislative policies, LAFCO has the power to conduct studies, approve or disapprove applications, modify boundaries of a proposal, and impose reasonable terms and conditions on approval. However, LAFCO may not exercise direct land use authority. When considering a proposed project, LAFCO is expected to weigh, balance, deliberate and set forth the facts and findings regarding the specific action taken.

4. Sphere of Influence Policies and Procedures

Section III of Lake LAFCO's Policies and Procedures distinguish between a Sphere Update and a Sphere Amendment and set general review standards. LAFCO of Lake County adopted Local Procedural Guidelines for Municipal Service Reviews are incorporated by reference. As stated in the Municipal Service Review (MSR) Policies, the purpose of an MSR is to support preparation and update of Spheres of Influence, in accordance with the provisions of the Cortese-Knox-Hertzberg Act. The objective of an MSR is to develop recommendations that will promote more efficient and higher quality service patterns; identify areas for service improvement; and assess the adequacy of service provision as it relates to determination of appropriate sphere boundaries based on a specific growth period and a realistic growth rate adopted for that period. This is particularly troublesome since, absent State Department of Finance projections, there exists no current credible population projections.

5. General Legislative Policies for Spheres of Influence

LAFCO is required to adopt a sphere of influence for each city and each district in its jurisdiction, and all LAFCO actions must be consistent with a sphere plan. A Sphere of Influence is defined in Section 56425 of the Government Code as "a plan for the future probable physical boundary and service area of a local agency or municipality as determined by the commission."

The determination of Sphere of Influence Plans is perhaps the most important planning function given to LAFCOs by the state legislature. Spheres of Influence are described by the Cortese-Knox-Hertzberg Act as an important tool for "planning and shaping 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." Spheres serve a similar function in LAFCO determinations as general plans do for cities and counties. Consistency with the adopted sphere plan is mandatory, and changes to the plan require careful review.

While LAFCO encourages the participation and cooperation of the subject agency, the sphere of influence plan is a LAFCO responsibility, and the Commission is the sole authority as to the

sufficiency of the documentation and the plan's consistency with law and LAFCO policy. Staff of LAFCO will work closely with agencies in developing sphere of influence plans. In determining the sphere of influence of each agency, LAFCO must consider and prepare a written statement of its determinations with respect to the following four factors as stated in Section 56425 (e) of the Cortese-Knox-Hertzberg Act:

- a) The present and planned land use in the area, including agricultural and open-space lands.
- b) The present and probable need for public facilities and services in the area.
- c) The present capacity of public facilities and adequacy of public services provided by the agency.
- d) Any social or economic communities of interest in the area that the Commission determines are relevant to the agency.

In order to prepare and update spheres of influence, LAFCO is required to conduct a review of the municipal services provided in the county, region, sub region, or other appropriate designated area. The policies and standards Lake LAFCO applies to service reviews will be contained in a subsequent section of these policies and standards. Spheres of influence must be consistent with the determinations of the municipal service reviews, and will be modified if necessary.

- a) Consistency Requirement. Every sphere of influence plan must be consistent with LAFCO's Policies and Standards, the state legislature's policy direction to LAFCO, the sphere plans of all other agencies in the area, the Commission's statement of written determinations with respect to its review of municipal services in the applicable area, and with the long range planning goals for the area.
- b) Sphere Boundaries. In establishing the boundaries of a sphere of influence plan for an agency, LAFCO will consider the factors listed in Section 56425 (e) of the Government Code as noted above.

With respect to Factor 3.1(b) above, LAFCO will not include lands that are unlikely to require the services provided by the agency, for example, lands not designated for development by the applicable General Plan, areas where development is constrained by topographical factors, or areas where the projected and historical growth rates do not indicate a need for service within the timeframe of the sphere plan.

With respect to Factor 3.1(c) below, LAFCO will not include areas in an agency's sphere of influence, which cannot feasibly be served by the agency within a time frame consistent with the sphere plan.

- c) No Concurrent Amendment. LAFCO will generally not amend a Sphere of Influence concurrently with its action on a proposal.
- d) Time Factor. Sphere of Influence amendments will ordinarily take longer to process than applications for a change of organization or reorganization and will generally require more detailed information.

- e) Updated Plans Encouraged. Agencies are encouraged to keep the supporting documentation for their Sphere of Influence plans up to date so that individual applications for changes of organization or reorganization are not burdened with time delays.
- f) Areas of Concern. LAFCO may, at its discretion, designate a geographic area beyond the Sphere of Influence as an Area of Concern to any local agency.
- i. An Area of Concern is a geographic area beyond the Sphere of Influence in which land use decisions or other governmental actions of one local agency (the "Acting Agency") impact directly or indirectly upon another local agency ("the Concerned Agency"). For example, approval of a housing project developed to urban densities on septic tanks outside the community limits of Hidden Valley Lake and its Sphere of Influence as well as the Hidden Valley Lake CSD boundaries and its sphere of influence may result in the Hidden Valley Lake CSD being forced subsequently to extend sewer services to the area to deal with septic failures and impact county roads that provide access to the development. The community and Hidden Valley Lake CSD in such situation would be the Concerned Agencies with appropriate reason to request special consideration from the Acting Agency in considering projects adjacent to the community.
 - ii. LAFCO will notify any Concerned Agency when LAFCO receives notice of a proposal of another agency in the Area of Concern to the Concerned Agency, and will give great weight to its comments.
 - iii. If requested, LAFCO will seek to obtain a Joint Powers Agreement or other commitment between the agencies so that the Acting Agency provides advance notice to the Concerned Agency of any actions, or projects being considered within the area of concern, and commits to considering any comments made by the Concerned Agency.
- g) Internal Consistency Required. Sphere of Influence Plans shall be internally consistent.
- h) Agency Incapable of Providing Services. If the evidence demonstrates that an agency is unable to provide an adequate level of service within a portion of its service area boundaries within the time frame provided for that boundary, the Sphere of Influence Plan shall be amended pursuant to the procedures for periodic review such that the probable service boundaries are consistent with the Master Services Element. If the Master Services Element projections demonstrate an adequate level of service beyond the service boundary within the time frame for that boundary, the Sphere of Influence Plan may be amended accordingly.
- i) Adoption and Revision. LAFCO will adopt, amend, or update Sphere of Influence Plans after a public hearing and pursuant to the procedures set forth in Section 56427 of the Cortese-Knox-Hertzberg Act. Sphere actions are subject to the provisions of the California Environmental Quality Act. Sphere of Influence Plans shall be updated every five years or more frequently if deemed necessary by the Commission. Wherever possible, the Hidden Valley Lake CSD sphere update shall be scheduled to coincide with its general plan update.

6. Municipal Service Reviews

In 1997, the State Legislature enacted AB 1484, establishing the Commission on Local Governance for the 21st century (CLG). The members of the CLG were appointed by the Governor and represented a broad spectrum of constituent groups and perspectives including counties, cities, special districts, educators, industry, and elected officials. “The Commission was asked to assess governance issues and make appropriate recommendations, directing special attention to the Cortese-Knox Local Government Reorganization Act of 1985, the 57 Local Agency Formation Commissions (LAFCOs) governed by the Act, and citizen participation in local government (GWB, p. ES-1).”

The results of those efforts were published in *Growth Within Bounds* (GWB), which was published in January 2000. In GWB, the Commission reported that a LAFCO’s legislated:

Directives imply that each LAFCO has comprehensive knowledge of the services available within its county, the current efficiency of providing service within various areas of the county, future needs for each service, and expansion capacity of each service provider. Although some LAFCOs may have access to such essentials, many do not, and the Cortese-Knox Act offers no mechanism for assisting and encouraging them to gather the basic necessary information. The Commission believes that such provision should be added to the statute.

Information on public service capacity could be gathered as part of the implementation of a new requirement for periodic service reviews. LAFCOs could conduct such reviews prior to or in conjunction with amendments to a sphere of influence. A service review would encompass a comprehensive study of each identifiable public service provided by counties, special districts, and the cities in the region. The review would not focus exclusively on an individual jurisdiction to determine its future boundary or service areas. Rather, it would require LAFCO to look broadly at all agencies within a geographic region that provide a service. The review would also include a component that examines the benefits or disadvantages of consolidation or reorganization of service providers. LAFCOs should be provided flexibility in designating the geographic area to be analyzed, the timing of conducting particular reviews, and the scope of the reviews (GWB, pp. 98-99).

The State Legislature recognized the validity of the Commission’s findings and codified a tool that could be used to collect information and evaluate service provision from a broader perspective. The tool for conducting service reviews is provided in Section 56430 of Government Code. Section 56430 requires “that in order to prepare and to update Sphere of Influence’s in accordance with section 56425; LAFCOs are required to conduct a service review of the municipal services provided in the county or other appropriate designated area.

LAFCOs must include in the area designated for service review the county, the region, the sub-region, or other geographic area as is appropriate for an analysis of the service or services to be reviewed and, as noted previously, must prepare a written statement of its determination with respect to each of the following:

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

In conducting a service review, LAFCOs must comprehensively review all of the agencies that provide the identified service or services within the designated geographic area. In addition, service reviews are to be conducted before, or in conjunction with, but no later than the time it is considering an action to establish (Section 56430, CKH)” or update an SOI pursuant to Sections 56425 or 56426.5. The CLG advised and recommended that: “A service review should not replace designations or updates of spheres of influence, but should be conducted in the establishment or amendment of any spheres (Growth Within Bounds, Report of the Commission on Local Governance for the 21st Century, p. 99, January 2000).”

Although not applicable in all Municipal Service Reviews and (or) services, some of the general outcomes or objectives envisioned in the completion of this Municipal Service Review are as follows:

1. A comparison of each agency’s existing service levels with identified minimum acceptable, minimum desired, or appropriate levels of service.
2. The generation of the information necessary to develop achievable policies targeted at specific services.
3. Development of a means for identifying opportunities for service improvements through appropriate changes in government organization, identification and acquisition of additional

revenues, decreases in service costs, improved communication and coordination, more efficient management practices and use of physical and financial resources.

4. Prudent and achievable strategies and service alternatives that will enable the improvement and enhancement of levels of service.

5. Development of specific recommendations of options for alternative service delivery systems.

6. Provide LAFCO with the background information necessary to make necessary Spheres of Influence determinations pursuant to Section 56425 of the CKH Act.

7. Provide LAFCO with the background information necessary to evaluate and render decisions on various organizational changes or reorganization proposals.

7. HIDDEN VALLEY LAKE CSD-BACKGROUND

The Hidden Valley Lake CSD lies approximately 4 miles to the north of Middletown on the east side of State Highway 29 in southern Lake County, California. The Hidden Valley Lake CSD is bounded by this highway to the west, Putah Creek to the south, a subdivision of 5-acre ranchettes, known as the Ranchos to the east, and undeveloped lands to the north. The dominant features of the area are Hidden Valley Lake, which is impounded behind an earthen dam constructed across Coyote Creek (a tributary to Putah Creek), an 18-hole golf course, and the Hidden Valley Lake subdivision (Wastewater Facilities Plan, 1987).

The subdivision title for Hidden Valley Lake was originally held by the U.S. Land Company; the Land Company started development of the subdivision in 1968, subsequently selling the property prior to the completion of the improvements. The Boise Cascade Company purchased the subdivision around 1970 and ended its construction activities in 1973. Subdivision improvements included the lake, golf course, roads, water system and partial sewer system. Today, the Hidden Valley Lake subdivision consists of 3,551 residential home sites, an 18-hole 135-acre public golf course, campgrounds, riding stables, a lake for swimming and boating, tennis facilities, a clubhouse facility with meeting rooms and park and open space areas on approximately 3,500 acres. Treated effluent from the Hidden Valley Lake CSD's wastewater treatment plant is used to supplement irrigation requirements for the golf course and parks. The golf course is owned and operated by the Hidden Valley Lake Association, a private association consisting of landowner-residents.

This Municipal Service review includes the geographic area in the Coyote Valley area. The Hidden Valley Lake CSD is the only service provider within this geographic area that provides collection and transport of wastewater to its treatment facilities located south of the Hidden Valley Lake subdivision, and distributes potable water to the Hidden Valley Lake subdivision. The LACOSAN serves the community of Middletown in the Callayomi Valley to the South for wastewater service. Together, the Hidden Valley Lake CSD and the LACOSAN are the two wastewater treatment and collection operators in Lake County's Middletown Planning Area.

The Hidden Valley Lake CSD was formed in 1984 under sections 61000-61934 of the Government Code with a five-member board of directors elected by voters residing within the district. The Hidden Valley Lake CSD was formed with the intention of providing and maintaining public improvements, namely sewer and water services to residents within its boundaries. The specific powers that the Board of Directors of the Hidden Valley Lake CSD may exercise under Government Codes 61000-61934 are:

Supply inhabitants of the Hidden Valley Lake CSD with water for domestic, irrigation, sanitation, industrial, fire protection, and recreation use; collection, treatment, or disposal of sewage, and waste and storm water; collection or disposal of garbage or refuse matter; protection against fire; public recreation and parks, playgrounds, golf courses, etc.; street lighting; mosquito abatement; police protection and other security services; library buildings and services; street improvement, maintenance, and repair (subject to consent of governing body of city or county in which improvements are made); construction and improvement of bridges, culverts, curbs, gutters and drains; conversion of overhead electric and communications facilities to underground locations when such facilities are owned and operated by a "public utility" or "public agency" subject to consent of the public utility or public agency responsible for such facilities; contract for ambulance service if a majority of the voters in the district voting in an election thereon, approve; provide and maintain public airports and landing places for aerial traffic; provide transportation services; abate graffiti; construct, maintain, and operate flood control facilities; establish improvement districts.

Currently, the Hidden Valley Lake CSD provides only potable water and wastewater collection and treatment services. Due to recent changes in the LAFCO Act, LAFCO approval will be required prior to providing the additional services listed above.

Population

The Hidden Valley Lake development is rapidly growing into a community. It has the second largest population as a community in Lake County. Hidden Valley Lake is almost as large as Lakeport and currently has a population of 6,500 (Coyote Valley/Hidden Valley Lake Strategic Economic Development Area Plan, 2000).

Population in Lake County was 58,300 in 2000, according to the 2000 U.S. Census. This represents an approximately 15 percent increase over the 1990 population. The California Department of Finance projects the County population to grow to 77,600 by 2010, producing an additional 33 percent growth. The Hidden Valley Lake CSD serves an estimated 2,200 active water connections, and 1,253 residential sewer connections with two commercial sewer connections in the Hidden Valley Lake subdivision. At present, there are a total of 3,551 residential lots total within the Hidden Valley Lake Subdivision.

Existing Management Structure

Hidden Valley Lake CSD operates as a special district under California law. The Hidden Valley Lake CSD is a public corporation formed in 1984 under the provisions of the

Community Services District enabling legislation, codified in §61000 *et seq* of the California Government Code. The Hidden Valley Lake CSD is managed by an elected five-member Board of Directors.

Service Areas and Spheres of Influence

The Hidden Valley Lake CSD has a boundary and Sphere of Influence set by LAFCO. Maps showing exact locations and boundaries of the Hidden Valley Lake CSD are available for review at the offices of Lake LAFCO.

Land Use and Zoning

Existing land uses in the Middletown Planning Area are predominately of a rural character with the exceptions of the community of Middletown, the Hidden Valley Lake subdivision and the Anderson Springs subdivision. Principal rural land uses include extensive grazing, watershed and undeveloped lands, rural residences, agricultural and geothermal development.

Zoning within the 3,551 lot Hidden Valley Lake subdivision is single-family residential. Rural residential zoning is located in the 286-lot area known as the “Ranchos”, which consists of rural residential lands.

Zoning surrounding the Hidden Valley Lake subdivision include residential lands zoned and planned for 1 acre minimum lots (suburban residential), service commercial, rural residential, single family residential and open space (the golf course) to the south and south-west as well as agricultural uses and lands in the areas to the south and to the west. An agricultural preserve exists south of the eastern portion of the Hidden Valley Lake CSD. Rural lands, rural residential and resource conservation (open space) lands are located to the north of the existing Hidden Valley Lake CSD boundaries.

The Lake County Zoning ordinance contains many combining districts that are zoned floodway fringe (FF) and scenic combining (SC where all architecture must be “pleasing to the eye”). These overlay zoning districts act to protect specific resources or prevent conflicts with potential safety hazards (Middletown Area Plan, December 1989).

Within the Hidden Valley Lake CSD (‘FF’ combining district), no development shall take place except in accordance with the regulations of the base-zoning district, with the regulations of this article, and the regulations of “Floodplain Management.” Where the “FF” imposes a greater restriction upon the use of buildings, structures or premises than are required by the base-zoning district, the provisions of the “FF” Hidden Valley Lake CSD shall control. The Director of the Lake County Flood Control and Water Conservation District shall review all uses for compliance prior to any development or issuance of any permit pursuant to this code.

Lake County zoning ordinances call for restrictions on development within designated floodway and floodway fringe areas and recommend the following guidelines:

1. Critical facilities (those facilities which should be open and accessible during emergencies) should not be permitted.
2. Commercial, industrial and residential uses should generally not be permitted, and only if all standards regarding elevation, anchoring, and flood proofing have been satisfied.

Existing Sphere of Influence

LAFCO of Lake County adopted a Sphere of Influence for Hidden Valley Lake CSD in 1985. The adopted Sphere of Influence corresponds to the Hidden Valley Lake CSD boundaries, which do not include the Hidden Valley Lakes Ranchos. The current Sphere of Influence boundaries include those areas served or likely to be served by the Hidden Valley Lake CSD in 1985. An additional 105 acres along Hartmann Road was added to the Sphere of Influence in January 2005. As stated in the original Sphere of Influence report, the Hidden Valley Lakes CSD was formed with the intention of eventually providing sewer and water services to residents within its boundaries. After the adoption of the 1985 Sphere, the Hidden Valley Lake CSD has taken over water services from the Stonehouse Mutual Water Company as of late 1992, and has developed a wastewater collection system and treatment facility to provide wastewater services. The Hidden Valley Lake CSD continues to remain within the LACOSAN Sphere of Influence and district boundaries.

The Hidden Valley Lake CSD does not have any special billing districts within its boundaries.

The area within the Hidden Valley Lake CSD has not been detached nor removed from the LACOSAN Sphere of Influence boundaries.

8. WRITTEN DETERMINATIONS

1. INFRASTRUCTURE NEEDS AND DEFICIENCIES

Purpose: To evaluate the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities and service quality.

LAFCO is responsible for determining that an agency is reasonably capable of providing needed resources and basic infrastructure to serve areas within the Hidden Valley Lake CSD and later in the Sphere of Influence. It is important that such findings of infrastructure availability occur when revisions to the Sphere of Influence and annexations occur. In the case of this Sphere of Influence Update/Service Review, it is prudent for LAFCO to evaluate the present and long-term infrastructure demands and resource availability of the district and see that resources and services are available at needed levels and orderly maintenance and expansion of such resources and services are made inline with increasing demands.

The *Municipal Service Review Guidelines* prepared by the Governor's Office of Planning and Research recommend that issues relevant to the jurisdiction be addressed through written determinations called for in the Cortese-Knox-Hertzberg Act. Written determinations are

provided for each of the nine factors, based on the information provided in this Municipal Service Review.

Wastewater

In addition to being within LACOSAN Sphere of Influence boundaries, the Hidden Valley Lake CSD is not the only purveyor of wastewater collection and treatment services in Lake County. In addition to LACOSAN, there are three other purveyors of wastewater services in Lake County: the Kelseyville County Waterworks District (KCWD), the Clearlake Oaks County Water District (CLOWD), and the City of Lakeport Municipal Sewer District (CLMSD). However, the Hidden Valley Lake CSD is the only purveyor of wastewater collection and treatment services in the Hidden Valley Lake area—LACOSAN provides wastewater treatment and collection for Middletown about 5 miles south of the Hidden Valley Lake CSD boundaries.

At present, the Hidden Valley Lake subdivision consists of 3,551 residential home sites, an 18-hole 135-acre public golf course, campgrounds, riding stables, a lake for swimming and boating, tennis facilities, a clubhouse facility with meeting rooms and park and open space areas on approximately 3,500 acres. Treated effluent from the Hidden Valley Lake CSD's wastewater treatment plant is used to supplement irrigation requirements for the golf course and parks. The golf course is owned and operated by the Hidden Valley Lake Association, a private association consisting of landowner-residents. Wastewater collection and treatment services are available to 1,848 residences and 2 commercial buildings to date. The remainder of the subdivision consists of undeveloped residential lots.

Problems with soil conditions, steep slopes, and high groundwater have precluded the use of conventional septic systems in most of these areas. A few lots have been successful in obtaining the required permits from the County Health Department for alternative on-site systems. The alternatives, which may be applicable to the project area, include capped fill systems, sand filter systems, and steep slope systems. Alternative systems can be very costly to construct, require careful monitoring to insure proper operation, and cannot be considered feasible for every parcel (Wastewater Facilities Plan, 1987). These issues persist today thereby effectively requiring new development in the subdivision to connect to a public wastewater system.

Although there have been annexation proposals before the Hidden Valley Lake CSD since its formation in 1984, no annexation has ever been completed. The territory within the Hidden Valley Lake CSD remains within LACOSAN, a County Sanitation District and was not detached in Board of Supervisor's Resolution 83-350 approving formation of the district.

Before development of the current system, the sewer collection and treatment system had been wrought with problems almost from its inception approximately 34 years ago. Excessive infiltration/inflow (I&I) during winter months was the primary problem affecting both facilities. In the past, the I&I problem contributed to treatment plant overflows to surface drainage courses tributary to Putah Creek, in violation of waste discharge requirements

resulting in the issuance of a Clean-up and Abatement Order from the RWQCB in March, 1985 (Wastewater Facilities Plan, 1987).

The existing treatment facility became operational on February 15th, 1996 to replace the inadequately sized Treatment Plant No. 1 and Treatment Plant No. 2, which had been discharging chlorinated effluent into a tributary of Gallagher Creek, Coyote Creek and Putah Creek during excessive wet weather.

The existing treatment system consists of a conventional gravity collection system and pump stations, and an extended aeration process that includes primary screening, secondary treatment by extended aeration activated sludge, secondary clarification, chemical addition (chlorine, alum and polymer), direct tertiary filtration, chlorination, six sludge drying beds, a concrete-lined equalization basin and an effluent storage basin. Denitrification can be operationally accomplished in the aeration basin through the establishment of oxic and anoxic conditions. Fully treated, recycled water is impounded in a 412-acre-feet, clay and bentonite lined effluent storage pond adjacent to the reclamation plant. Monitoring wells are in place at the treatment site to measure any potential effect of the impounded wastewater to groundwater.

Recycled water is delivered from the 412-acre-feet impoundment for storage in two irrigation ponds on the golf course. Ultimate disposal of the recycled water is through spray irrigation onto the golf course located within the Hidden Valley Lake subdivision and a 45 acre supplemental spray irrigation field adjacent to the wastewater treatment facility. The irrigated golf course area has a high degree of public contact. The tertiary treatment meets the effluent standards required by Title 22 for reclamation purposes as a requirement of its RWQCB permit. A maximum of 1.3 mgd may be discharged to the golf course and supplemental field, weather permitting (RWQCB Order 5-00-019).

Most of the valley area along the golf course experiences problems with high ground water, slow permeability and small lot size; however, the eastern valley area “back nine” lies over old stream gravel deposits and as a result has experienced problems with excessively fast permeabilities. Soil types in the Hidden Valley Lake area include shallow loamy soils on the hillsides and in the valley. The west end of the valley has soils with poor permeability; the east end has coarser soils with more rapid permeability. The hillside areas above the golf course generally can expect problems with steep rocky soils (Wastewater Facilities Plan, 1987). Hidden Valley Lake CSD is currently under RWQCB Revised Monitoring and Reporting Program 5-00-019 which requires monitoring and reporting of recycled water and sludge treatment, storage and disposal processes by the Hidden Valley Lake CSD for volume and constituencies.

The design capacity of the existing activated sludge-extended aeration wastewater treatment plant is 0.350 million gallons per day (mgd) average dry weather flows and a peak wet weather flow of 0.894 mgd. Permitted wastewater flows by the RWQCB for the Hidden Valley Lake CSD include an average monthly dry weather flow discharge from the treatment plant not to exceed .350 MGD and the maximum wet weather discharge from the treatment shall not

exceed 0.894 mgd during wet weather periods (RWQCB Order #5-00-019). Currently, the wastewater treatment facility is operating at approximately 0.180 mgd.

Collection System

Wastewater is transported through a series of sanitary sewer main pipelines of various sizes within subdivision streets, and force mains (pressure pipelines associated with pump stations). The Collection system includes pump stations, manholes and several miles of Collection pipe. These pipelines convey wastewater to the Hidden Valley Lake Water Reclamation Plant sewer pipeline, which leads to the spray irrigation area.

The collection system primarily serves residential customers. Two small businesses comprise a small percentage of total wastewater flow. The Hidden Valley Lake CSD Water Reclamation Plant does not service any heavy industrial customers.

Regulatory Setting

The regulatory setting for Hidden Valley Lake CSD is similar to other collection and treatment providers in terms of water quality and natural resources protection requirements for construction and operations. The Hidden Valley Lake CSD is subject to Waste Discharge Requirements issued by the RWQCB and hazardous materials storage permits and Risk Management Plans required by the Lake County Department of Environmental Health. The Water Treatment Plant and Collection System are in compliance with these requirements.

The Hidden Valley Lake CSD is under Waste Discharge order # 5-00-019. This order applies to the Hidden Valley Lake Association and Hidden Valley Lake CSD and was issued in May 1999. This order requires an average monthly dry-weather discharge from the treatment plant not to exceed 0.350 mgd. The maximum wet weather discharge from the treatment plant shall not exceed 0.894 mgd. The treatment facility consists of an activated sludge-extended aeration treatment facility, recycled water spray irrigation and biosolid application area. Order #5-00-019 sets constituent limits on effluent from the treatment facility, Irrigation water requirements on the 135 acre golf course and supplementary 45 acre field, biosolids application requirements on the 45 acre supplemental field, biosolids storage specifications, water quality specifications and a monitoring and reporting program, as revised on July 14, 2003.

Based on ADWF (.180mgd) in 2003, wastewater flows for dry weather are approximately 143 gallons per connection per day (gpd) (1,253 residences/180mgd).

The Hidden Valley Lake CSD has a Wastewater Facilities Plan. Assuming an average single family dwelling equivalent generates 143 gpd during dry weather and there are 1,253 single-family dwellings and two commercial connections in the Hidden Valley Lake subdivision, at full buildout the subdivision would be near its present treatment plant capacity. Currently, the Hidden Valley Lake CSD has 2,298 units before full buildout is reached. If these units were built, an additional 328,614 gallons (.328 mgd) would be added to daily flows. The Hidden

Valley Lake CSD contains approximately 1,450 vacant parcels not all of which are developable due to a variety of factors.

Assuming full buildout of the subdivision, which is unlikely due to other development constraints, a plant capacity expansion would not be necessary to accommodate additional growth. However, beyond the limits of the subdivision, it is likely there will be additional wastewater treatment capacity.

Hidden Valley Lake CSD Finances –Sewer Operations

The Hidden Valley Lake CSD's manager and staff manage the Hidden Valley Lake CSD's finances and perform all financial functions for the Hidden Valley Lake CSD. The Hidden Valley Lake CSD has three budgets: an operating budget, a capital reserve budget and a Bond and loan redemption budget. In fiscal year 2004-2005, the operating budget for Hidden Valley Lake CSD's sewer operations was \$737,382 of the Hidden Valley Lake CSD's total budget of \$2,183,784 operating budgets. Major expenses were salaries and wages, employee benefits, electricity and fuel, and general maintenance. Operating income for the same period was \$741,652. Income generated comes from permit and availability fees, reclaimed water and other water sales, use charges, late fees, and misc. income and interest. There was a transfer of \$4,270 from sewer general operating expenses to Flood Control. The Hidden Valley Lake CSD's operational budget has increased with increasing development within the Hidden Valley Lake CSD's service area.

The district budgets for capital expenditures through its capital expenditure funds which are generated by water connection fees, carry over funds and a CIEDB (California Infrastructure Economic and Development Bank) loan. The district has sufficient income to cover reserve expenses and a contingency of \$262,500.

The Hidden Valley Lake CSD's bond and loan redemption budget is used to pay outstanding debts. Outstanding debts are through the State Revolving Loan Fund, four bonds, and the California Infrastructure Economic and Development Bank. However, these debts pertain to the Hidden Valley Lake CSD's sewer and water system.

Wastewater Facilities Plan

The Hidden Valley Lake CSD has a wastewater Facilities Plan, developed in February 1987. The Hidden Valley Lake CSD maintains the Facility Plan for its facilities and follows the prescribed Wastewater Discharge and Monitoring Requirements for its facility as prescribed by the RWQCB.

Hidden Valley Lake CSD has developed a formal capital improvements plan. The Hidden Valley Lake CSD has a capital expenses budget to pay for budgeted capital improvements included in its annual budget. Depending upon the type of capital expenditure, the Hidden Valley Lake CSD uses its water or sewer capital reserve budget to pay for capital improvements.

The Hidden Valley Lake CSD maintains wastewater flow projections. Though a large portion of the Hidden Valley Lake development is sewerred, there are still some septic systems. Development within the Hidden Valley Ranchos to the east of the Hidden Valley Lake subdivision also (and the Hidden Valley Lake CSD) uses septic systems. The Hidden Valley Lake Ranchos consist largely of 5-10 acre lots and also contains on-site wells. As described in Section 3.2, the Lake County General Plan allows only very limited development outside of community areas. Normally septic systems are permitted in these areas provided county septic system requirements are met. There appears to be limited population projections contained in the community plans. In the Middletown Area Plan, for example, there is a preferred growth scenario. However, actual growth in the area has not been consistent with growth projections stated in the plan in 1989. The area surrounding Hidden Valley Lake CSD is planned for a variety of uses including Rural Residential, Medium Density Residential, Rural Lands, Local Commercial, Community Commercial, Service Commercial and Agriculture. These land use designations may need to be changed to accommodate growth in the area.

Wastewater System Maintenance

Hidden Valley Lake CSD has a preventive maintenance program, including systematic inspecting, cleaning, exercising, lubricating, adjusting, and testing components of the wastewater collection and treatment system including a schedule for various routine maintenance activities, including service lateral testing, smoke testing, inspect/clean easements, manhole inspection, root control, mainline cleaning, valve exercising, wet well cleaning, auxiliary generators, alarm testing, by-pass equipment testing, and grease control.

Corrective maintenance involves the immediate repair of system defects as their presence becomes known. Corrective maintenance scheduling is dependent upon the severity of the defect. Customer-related issues and issues threatening the environment are of the highest priority and are scheduled immediately. Since repair of system defects cannot, by definition, be scheduled, planning for corrective maintenance involves budgeting adequate funds for system repair, based on historical costs. The Hidden Valley Lake CSD does have a plan for Master Plan that was developed in 1989 for build out of the Hidden Valley Lake subdivision. However, the District cannot legally develop plans of expansion outside of its boundaries. The Hidden Valley Lake CSD has established a contingency budget equal to a given percentage of the District's replacement value for all buildings, property, pipelines, lift stations, equipment, treatment facilities, and vehicles (total replacement cost). This capital contingency fund could be used as an emergency fund in the event of unforeseen or catastrophic failure/loss of Hidden Valley Lake CSD facilities, including major system damage resulting from seismic events.

Water

This MSR refers, at times to the Hidden Valley Lake CSD as a special district. A "special district" is defined in the Cortese-Knox-Hertzberg Act as an agency of the state, formed pursuant to general law or specific act, for the local performance of governmental or proprietary functions within limited boundaries to meet a specific need.

In addition to the County of Lake and the cities of Clearlake and Lakeport, the following water purveyor entities also provide water service within the County, and are under purview of LAFCO. A full review of the operations of these districts is found in a separate Water Services MSR, currently under preparation in Lake County.

- | | |
|---|---|
| <input type="checkbox"/> Adams Springs Water District | <input type="checkbox"/> Lake County, CSA No. 7: Bonanza Springs |
| <input type="checkbox"/> Anderson Springs Community Services District | <input type="checkbox"/> Lake County, CSA No. 13: Kono Tayee |
| <input type="checkbox"/> Buckingham Park County Water District | <input type="checkbox"/> Lake County, CSA No. 16: Paradise Valley |
| <input type="checkbox"/> Callayomi County Water District | <input type="checkbox"/> Lake County, CSA No. 18: Starview (Cobb) |
| <input type="checkbox"/> Clearlake Oaks County Water District | <input type="checkbox"/> Lake County, CSA No. 19: Park Water |
| <input type="checkbox"/> Cobb Area County Water District | <input type="checkbox"/> Lake County, CSA No. 20: Soda Bay |
| <input type="checkbox"/> Konocti County Water District | <input type="checkbox"/> Lake County, CSA No. 21: North Lakeport |
| <input type="checkbox"/> City of Lakeport | <input type="checkbox"/> Lake County, CSA No. 22: Mt. Hannah |
| <input type="checkbox"/> Lower Lake County Waterworks District No. 1 | <input type="checkbox"/> Lake County, CSA No. 23: Konocti Bay |
| <input type="checkbox"/> Lake County Waterworks District No. 3 | |
| <input type="checkbox"/> Upper Lake County Water District | |
| <input type="checkbox"/> Villa Blue Estates Water District | |
| <input type="checkbox"/> Lake County, CSA No. 2: Spring Valley | |
| <input type="checkbox"/> Lake County, CSA No. 6: Finley | |

The California Health and Safety Code defines a “public water system” as follows:

“Public water system” means a system for the provision of water for human consumption through pipes or other constructed conveyances that has 15 or more service connections or regularly serves at least 25 individuals daily at least 60 days out of the year...

A public water system may be operated by a private entity, but any such entity (e.g., a private corporation or mutual water company) would not be subject to the jurisdiction or oversight of the LAFCO of Lake County. While this report identifies the various private entities that are operating public water systems in Lake County, such operators are discussed only to the extent their operations may have an impact on the agencies subject to LAFCO oversight, or on the LAFCO decision-making process. Again, this MSR considers the operations of only one public water provider, the Hidden Valley Lake CSD. All other water districts are mentioned only in their relation to the provision of water service by this district.

Table 1-1 identifies the public water systems in Lake County, and indicates whether the system is operated by a public agency or district. Following Table 1-1 is a list of all water providers serving within Lake County.

**Table 1-1
Water Service Provider Matrix**

Provider		Connections	Ownership	Dependent/ Independent	Included in MSR
1	Anderson Springs Community Services	--	Public	Ind.	Yes
2	Hidden Valley Lake Community Services	1,300	Public	Ind.	Yes
3	Lake County Sanitation, County Service Area No. 2 - Spring Valley	347	Public	Dep.	Yes
4	Lake County Sanitation, County Service Area No. 6 - Finley	215	Public	Dep.	Yes
5	Lake County Sanitation, County Service Area No. 7 - Bonanza Springs	151	Public	Dep.	Yes
6	Lake County Sanitation, County Service Area No. 13 - Kono Tayee	125	Public	Dep.	Yes
7	Lake County Sanitation, County Service Area No. 16 - Paradise Valley	58	Public	Dep.	Yes
8	Lake County Sanitation, County Service Area No. 18 - Starview (Cobb)	131	Public	Dep.	Yes
9	Lake County Sanitation, County Service Area No. 20 - Soda Bay	534	Public	Dep.	Yes
10	Lake County Sanitation, County Service Area No. 21 - North Lakeport	988	Public	Dep.	Yes
11	Lake County Sanitation, County Service Area No. 22 -Mt. Hannah	<	Public	Dep.	Yes
12	Adams Springs Water	--	Public	Ind.	Yes
13	Villa Blue Estates Water	--	Public	Ind.	Yes
14	Buckingham Park, County Water	800	Public	Ind.	Yes
15	Callayomi County Water	315	Public	Ind.	Yes
16	Clearlake Oaks County Water	1,602	Public	Ind.	Yes
17	Konocti County Water	1,474	Public	Ind.	Yes
18	Upper Lake County Water	327	Public	Ind.	Yes
19	Scotts Valley Water Conservation	--	Public	Ind.	Yes
20	County Waterworks No. 1 - Lower Lake	1,037	Public	Ind.	Yes
21	County Waterworks No. 3 - Kelseyville	1,035	Public	Dep.	Yes
22	Lake County County Service Area No. 19 - Park Water	<	Public	Dep.	Yes
23	Lake County County Service Area No. 23 - Konocti Bay	<	Public	Dep.	Yes
24	Richmond Park Resort	<	Private	Ind.	No
25	Riviera West Mutual Water Company	<	Mutual	Ind.	No
26	Westwind Mobile Home Park	<	Private	Ind.	No
27	California Cities Water Company (So. Calif)	2,171	Private	Ind.	No
28	Cobb Area County Water District	596	Public	Ind.	Yes
29	Highlands Mutual	2,470	Private	Ind.	No
30	City of Lakeport	2,108	Public	Dep.	Yes
31	Le Trianon Resort	221	Private	Ind.	No
32	Loch Lomond Mutual Water Company	200	Mutual	Ind.	No
33	Lucern Water Company (Cal Water Service)	1,225	Private	Ind.	No

Provider		Connections	Ownership	Dependent/ Independent	Included in MSR
34	Mt. Konocti Mutual Water Company	1,120	Mutual	Ind.	No
35	Nice Mutual Water Company	2,200	Mutual	Ind.	No
36	Lake County Flood Control & Water Conservation		Public	Dep.	Yes
37	Lake County Sanitation		Public	Dep.	Yes
Note: According to LAO March 2002 report on Water Special Districts: A Look at Governance and Public Participation, in 2002, there were 24 in Lake County (12 under the Board of Supervisors, 1 under City Council, 11 Independents)					

The Hidden Valley Lake CSD provides sanitary sewer service, including collection, treatment, and disposal, to the Hidden Valley Lake Community within Hidden Valley Lake. The service area of the Hidden Valley Lake CSD includes approximately 3,300 residential lots, as well as a golf course. The Hidden Valley Lake CSD serves approximately 2156 water connections as of September 2004. The Hidden Valley Lake CSD was formed in 1984.

The Hidden Valley Lake CSD provides water services to approximately 2,200 connections, while an additional 800-1,000 connections are possible within the existing Hidden Valley Lake CSD boundaries and Sphere of Influence. Provision of water service involves a significant amount of infrastructure, including equipment, facilities, and structures needed to draw water from underground sources, distribute water to treatment and storage facilities, store and treat residential and commercial water, and finally distribute to individual customers. Additionally, the Hidden Valley Lake CSD maintains infrastructure related to its management, including offices, computer and office equipment, vehicles, and supplies related to maintenance and operation of the water system.

As of September 2004, the Hidden Valley Lake CSD provides an estimated 820.68 acre feet of water annually to its 2,156 water connections, resulting in an average consumption rate of .38 acre feet of water per year for each active connection. The Hidden Valley Lake CSD draws all its water from underground aquifers, and currently has significant water rights within the area. As of September 2004, the Hidden Valley Lake CSD has secured water rights for 2,300 acre feet per year (af/yr), which is well above the amount of water needed to meet present demands. Additionally, the Hidden Valley Lake CSD has the ability to produce up to 300 af/yr of water through reclamation projects. This totals 2,600 af/yr of exiting water supplies which may be used by the Hidden Valley Lake CSD in provision of water services. Additionally Hidden Valley Lake CSD has riparian rights for water usage in units 4 and 5. This water right does not count towards the District's 2,300 af permit. In 2004 this water right use was 197.044056 af and will continue to grow until complete build out of units 4 and 5.

The application for 1,500 af is proposed to come from pumping of Putah Creek surface flow during heavy winter flow periods and stored behind an off-stream dam. To draw water from the aquifer, the Hidden Valley Lake CSD utilizes a series of four wells. The four wells operate in concert with one another to feed the Hidden Valley Lake CSD's storage tanks. The wells have the ability to draw approximately 2,650 gallons of water per minute, with a cumulative

ability to draw 3,600 gallons of water per minute during full operation. The wells pump water from the aquifer to one of two mixing tanks, which use chlorination to treat the water, making it safe for human consumption. The two mixing tanks have the ability to hold up to 46,000 gallons of water at any given time. The amount of time water is spent in the chlorination tanks varies depending on the demand at the time and minimum necessary time required to ensure safety in the water supply is 30 minutes. From the mixing tanks, the water is sent via water mains to one of seven storage tanks. The seven storage tanks have the capacity to accommodate 2.25 million gallons of water, equal to just over three days worth of water supply. This storage capacity is considered sufficient to ensure a reliable water supply during peak demand periods and during a breakdown in the supply side of the water system.

From the storage facilities, the water within the Hidden Valley Lake CSD system is distributed through a water system of mains and lateral lines to individual connections, servicing residential and commercial customers. The water service is metered, and individual connections are charged for the amount of water used.

The Hidden Valley Lake CSD is in a high growth mode, and information relative to the amount of water usage and peak demand is constantly evolving. As of December 31, 2004, the Hidden Valley Lake CSD was averaging .9 million gallons per day of water usage, with a peak demand of 2.1 million gallons on July 31, 2004. The average usage of .9 MGD equates to an annual demand of 1,007.4 af/yr. Peak service demand times generally occur from late September to early October.

The infrastructure system within the Hidden Valley Lake CSD is appropriate and sufficient to ensure water services to its customers. There are no identified deficiencies in the system which limit the ability of the Hidden Valley Lake CSD to provide safe, reliable water supply, and the system has sufficient water rights, infrastructure, and distribution systems in place to ensure continued services. For a full analysis of the ability of the infrastructure system to accommodate projected growth within the Hidden Valley Lake CSD, refer to the Growth and Population section of the analysis.

Water Connections

The Hidden Valley Lake CSD has experienced significant recent growth. The Hidden Valley Lake CSD has grown from approximately 1,940 active connections in 2002 to more than 2,200 as of September 2004. New connections occur daily, and land use development activity and speculation have been significant in recent years.

Water Quality

Consistent monitoring enables water providers to adjust filtering, treatment and other activities to deliver good quality water, safe for human consumption. The Hidden Valley Lake CSD has a State permit (#1710015) verifying its compliance with water quality standards, and has no outstanding issues or suits related to water quality.

Additional Municipal Service Providers

Other municipal service providers within the Hidden Valley Lake subdivision are:

Fire Protection and EMS

According to the 1981 Lake County General Plan, fire protection agencies serving the Middletown area include the California Department of Forestry (CDF) which covers the entire planning area (a state responsibility area) from its Middletown Ranger District Station on Lake Street in Middletown, and the South Lake County Fire District (SLCFD) which includes 200 square miles (some in Cobb Mountain Planning area). The SLCFD responds to calls in Jerusalem Valley yet this area is not within the district. The SLCFD is responsible for structural fire protection, with CDF assuming the primary wild land fire fighting responsibilities during annual fire season. The CDF, through a contract with the SLCFD, provides full year-around fire protection and EMS services to the Hidden Valley Lake Area and operates from a full service station located at 19278 Hartmann Road with an ISO rating of six established in 1992.

Circulation

Most roadways in the Middletown Planning area are county facilities, funded entirely from local sources. However, the road systems in the Hidden Valley Lake subdivision are private, funded by the Hidden Valley Lake Association through association fees and special road assessments placed on each of the 3,551 lots.

Law Enforcement

The Lake County Sheriff's Department is the local law enforcement provider in the Middletown area. The substation closest to Hidden Valley Lake subdivision is in the community of Middletown.

Electricity

Pacific Gas and Electric Company provide electricity to each lot. Natural gas is not provided. Pacific Telephone provides telephone service.

Written Determinations:

The following are the written determinations for infrastructure needs and deficiencies:

Wastewater

1. Existing sewer infrastructure is adequate to accommodate planned growth within the subdivision (the district boundaries). Additional sewer infrastructure will be required as development occurs outside the community (assuming full buildout of the 3,551 lots which is

highly unlikely due to development constraints such as slope). The Hidden Valley Lake CSD has the ability to accommodate additional development to serve additional territory, especially since the design of the wastewater treatment facility can be expanded to accommodate growth by readily adding additional modules. An amendment to the Waste Discharge Requirements will be necessary to increase dry weather flows beyond the .350 average daily monthly flow. Financing for additional infrastructure will be paid by developers as growth occurs according to district policy.

2. The County is updating its Middletown Area Plan and its overall General Plan, which may have a significant impact upon growth in the Hidden Valley Lake vicinity. Additional growth in the Hidden Valley Lake area will be contingent upon the outcomes of these plans.

3. The Hidden Valley Lake CSD has an adequate contingency budget. This fund should be equal to a given percentage of the Hidden Valley Lake CSD replacement value for all buildings, property, pipelines, lift stations, equipment, treatment facilities, and vehicles (total replacement cost). This capital contingency budget could be used as an emergency fund in the event of unforeseen or catastrophic failure/loss of District facilities, including major system damage resulting from seismic events.

4. The territory within the Hidden Valley Lake CSD needs to be detached from LACOSAN and removed from its Sphere of Influence boundaries. LACOSAN provides municipal services to Middletown, but does not provide any municipal service to the community of Hidden Valley Lake.

5. To plan for additional growth, Hidden Valley Lake CSD should prepare and update its Master (facilities) Plan every five years and continue to maintain and update its capital improvements budget annually. Hidden Valley Lake CSD should prepare a similar five-year plan upon which to base its capital improvements budgeting, including rehabilitation, replacement and expansion needs. We have, for the water system.

Water

1. The Hidden Valley Lake CSD has sufficient infrastructure to ensure the adequate provision of water services to its residents in both the near- and long-term. The Hidden Valley Lake CSD has adequate water rights to ensure available supply sufficient to serve anticipated growth and expansions. The Hidden Valley Lake CSD has sufficient water storage, treatment, and distribution facilities to meet the health and service demands of its residents. The overall infrastructure system is adequate for the provision of water services in the area.

2. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

Purpose: To evaluate service needs based on existing and anticipated growth patterns and population projections.

Between 1980 and 1985, Lake County had the fastest percentage growth rate of any California county, as the countywide population growth rate averaged nearly 5.6% and ranged between 4.9% and 6.0% annually. This five-year growth rate is, in fact, very close to the middle of the range forecasted in the General Plan (Middletown Area Plan, Lake County Planning Department, December, 1989).

The 1992 Water Master Plan provides a synopsis of historical water connections for Hidden Valley Lake. This report indicated that homes had been built on 1,245 of the approximately 3,366 available lots in the subdivision and predicted a future growth rate of 9% per year. At this growth rate, by 2000 there should have been 2,700 homes in the subdivision and full build out of the subdivision should have been reached by 2003. As stated above, 1,585 homes have currently been built in the subdivision which indicates that the growth rate since 1992 has actually been much smaller than was originally predicted. Residential connection figures between 1990 and 2000 are shown below:

Historical Residential Connections

Year	Number of Residential Connections as of December 31st	Percentage Growth From Previous Year
1990	1,204	---
1991	1,240	3.0%
1992	1,312	5.8%
1993	1,365	4.0%
1994	1,411	3.4%
1995	1,430	1.3%
1996	1,444	1.0%
1997	1,464	1.4%
1998	1,488	1.6%
1999	1,529	2.8%
2000	1,585	3.7%
		Avg.: 2.8%

Source: Annual Reports to the Department of Health Services by the District, Water Master Plan Update, Revised June 2001

The residential growth rate during the past decade has averaged slightly less than 3% per year with the largest yearly growth rate being almost 6%. Growth seems to have decreased from late 1980s; the Water Master Plan showed that from 1986 to 1990, the number of residential service connections grew at an average rate of 9.7% per year.

The Water System Master plan provided a conservative prediction of future residential growth in the Hidden Valley Lake subdivision at an annual rate of 6.0%. This figure is slightly greater than the greatest annual growth rate over the past decade. Therefore, with these assumptions, the number of residential service connections in the subdivision is expected to grow each year as follows:

Projected Future Residential Connections

Year	Number of Residential Connections on cember 31st
2000	1,585
2001	1,680
2002	1,781
2003	1,888
2004	2,001
2005	2,121
2006	2,248
2007	2,383
2008	2,526
2009	2,678
2010	2,838
2011	3,009
2012	3,189
2013	3,281

Source: Hidden Valley Lake CSD Water Master Plan Update, June 2001

It is important to note that as of 2003 there were 1,253 residential sewer hookups, as opposed to the above projection of 1,888. A more conservation prediction of future residential growth (lower than 6%) may be necessary when developing future population projections.

Full build out of the subdivision, with 3,551 service connections (this number has been revised downward from the previous plan due to known development constraints), is predicted to occur mid-year in 2013 at the current predicted growth rate of 6%.

Build out projections for Lake County by community do not exist at this time. This would have been a useful tool to project increases in wastewater generation. As stated earlier, the State Department of Finance has developed population projections for Lake County, which reflect an annual +2.76% change in population between the years 2000 and 2010, and an annual +1.83% change in population between the years 2010 and 2020. Assuming this amount is realized, the population of Lake County will increase by 31.3% between 2000 and 2010 and by an additional 19.8% between 2010 and 2020. Since this portion of Lake County is growing at a much more rapid pace than the remainder of the County and the projections stated in the June 2001 Water Master Plan update are reasonable, the following projections for the amount of dry weather wastewater flow can be made.

Flow Projections 2003-2020	2004 *	2008	2012
Existing SFD Equivalents/	1,253	2526	3189

ADWF (mgd)			
Hidden Valley Lake ADWF (mgd)	1.8 mgd	.222 mgd	.281 mgd

*Existing Number of residences.

Note: Existing Average Dry Weather Flow in 2004 is .180 mgd or 88 gallons per day per household.

Note: There are several factors influencing wastewater flow rates. These figures are for planning purposes only and are based on a set of assumptions that could change the projected amounts. The data is based on current SFD equivalents and ADWF flows based on the projection percentages stated in the Water Master Plan Revision of 2001. Note the average wastewater flow per dwelling unit is lower than other parts of the County due to the number of residents who commute to other areas for employment.

For non-connected areas, the above table does not assume the connection of all existing dwellings (i.e. the Hidden Valley Lake Ranchos). Projections show a cumulative total dry weather flow of about .222 mgd in 5 years and .281 in 10 years. Also note: Remaining capacity is normally not reserved but given on a first come first served basis.

Water

The Hidden Valley Lake CSD is the sole water provider in the greater Hidden Valley Lake area, and the District has ambitious plans for expansion of its Sphere of Influence. In order to accommodate the water demands of such expansion and growth, the Hidden Valley Lake CSD has undertaken various long-range planning efforts to project population and demand growth among its users, and to ensure that its water rights and systems are expanded to meet such demands. The analysis contained within this section assesses the ability of the Hidden Valley Lake CSD to meet the likely water demands associated with projected population growth in the Hidden Valley Lake CSD and Sphere of Influence.

The Hidden Valley Lake CSD projects population and demand through its *Water Master Plan Update* (June 2001), prepared by Winzler & Kelly Engineering. The *Water Master Plan Update 2001* projects likely population increases based on recent development patterns and land use designations found in the County's General Plan. Table 3-1 below provides an annual system demand projection for Hidden Valley Lake CSD, based on projected increases in resident and visitor population, as well as changing factors related to average household demand.

**Table 3-1
Projected Water Demand: Hidden Valley Lake CSD**

Year	Average Day Demand for Total System* (MGD)	Peak Day Demand for Total System* (MGD)
2000	0.612	1.18
2001	0.651	1.26
2002	0.691	1.34

2003	0.733	1.43
2004	0.777	1.51
2005	0.825	1.60
2006	0.871	1.69
2007	0.921	1.78
2008	0.974	1.88
2009	1.03	1.99
2010	1.08	2.10
2011	1.15	2.22
2012	1.21	2.35
mid-2013 (buildout)	1.25	2.41
*Demand for Total System = Total Non-residential Demand + Residential Demand		
Source: Hidden Valley Lake Community Services District, Lake County, CA <i>Water Master Plan Update</i> , June 2001.		

The projections for system demand, developed in 2000, attempted to accurately project likely demand for water within the Hidden Valley Lake CSD’s system. The projections estimated a 2004 average daily demand of 0.777 MGD, with a peak demand of 1.51 MGD. Through October 2004, the Hidden Valley Lake CSD has averaged .9 MGD daily water usage, with a peak demand of 2.1 MGD on July 31, 2004. This illustrates that the projected demands are below the actual demand that has occurred. The Hidden Valley Lake CSD has been able to implement planned improvements to the system faster than projected to make up for the rapid increase in demand, although it is not clear the extent to which the increased demand will affect future improvements called for in the *Water Master Plan Update 2001*.

The following recommended improvements were itemized and prioritized in the Hidden Valley Lake CSD’s *Water Master Plan Update 2001*, and are considered necessary to address system capacity requirements in response to anticipated growth and to address reliability of the system for existing customers (see Table 3-2). Growth improvements are indicated by a “G”. Reliability improvements are indicated by an “R”. The total cost in each category is included.

Table 3-2
Recommended Improvements – High Priority

High Priority	Cost
Upgrade electrical at well sites – R	\$52,000
Zone 9: Replace 6-inch main on Deer Hill Road from Eagle Rock to Fire Thorne Road with 8-inch main – G	\$133,000
Zone 9: 6-inch PRV on Deer Hill Road below Conestoga Road – R	\$9,000 completed
Zone 1: 6-inch tie from Zone 9 to Zone 1 at Zone 1 Tanks site (This improvement should only be completed once additional storage has been installed in Zone 9 to improve pressures in the vicinity of the proposed tie.) – G	\$73,000
Replace existing Zone 1 and Zone 4 booster pumps at the Treatment Plant Booster Station. Reconstruction of building. G, R (50/50)	\$286,000 completed

Replace existing Zone 9 booster pumps at the Greenridge Booster Station. Reconstruction of building included. –G	\$175,000 completed
Upgrade electrical at each booster pump station including rehabilitation of the Little Peak hydropneumatic system. – G, R (50/50)	\$538,000 completed
Zone 1: 550,000 gallon tank at existing Zone 1 tank site.	\$424,000 completed
Zone 4: 500,000 gallon tank at existing Zone 4 tank site – G Welded Steel	\$377,000 completed
Zone 9: 500,000 gallon tank above Ravehill Road at 1,600 foot contour elevation (no specific site selected at this time) – G	\$480,000
Apply new epoxy coating to interior and exterior of 500,000 gallon welded steel Little Peak Tank – R	\$106,000
Install backup generators and auto transfer switches at the wells site and booster stations – R	\$373,000
Improve SCADA system – G	\$700,000 completed
Subtotal:	\$952,000-R \$2,774,000-G
Total:	\$3,726,000
Medium Priority	Cost
Replace existing Little Peak booster pumps at the Eagle Rock Booster Station (leave 80 gpm pumps for electrical rehabilitation). Reconstruction of building. – G	\$196,000 completed
Subtotal:	\$0-R \$196,00-G
Total:	\$196,000
Low Priority	Cost
Drill a fourth domestic well along Putah Creek – G	\$104,000 completed
Upgrade 4-inch mains in system (estimated 3,000 LF) – G	\$404,000
Replace 350 wharf hydrants with full size hydrants – G	\$1,500,000
Replace leaking 15,000 gallon redwood chlorine contact tank (not a recommendation if chlorination facility is moved to the wells site) – R	\$42,000
Replace gas chlorination system with sodium hypochlorite injection system at Well 1 site, possible with an on-site generation system, and install on-line chlorine analyzer for automatic dosing and alarm capability. New treatment building at Well 1 site – R	\$124,000
Have the water system mapped using AutoCAD – R	\$30,000
Subtotal:	\$196,000 – R \$2,008,000 – G
Total:	\$2,204,000

Subtotal:	\$1,148,000 – R \$4,978,000 – G
Grand Total:	\$6,126,000

The Hidden Valley Lake CSD has implemented approximately two-thirds of the high priority improvements called for, and is on schedule to complete the system-wide improvements faster than the Plan calls for. The improvements have allowed the Hidden Valley Lake CSD to meet its rapidly growing demands without major shortages or interruptions in service.

Since 2001, the Hidden Valley Lake CSD has followed the recommendations and guidelines contained in the Water Master Plan Update. The Hidden Valley Lake CSD has communicated that this is the plan for its boundaries, which is the Hidden Valley Lake subdivision. The Hidden Valley Lake CSD will continue to follow the timeline contained in this document for facility expansion and improvement projects, such as supply and service requirements for buildout.

Written Determinations:

Wastewater

1. LAFCO recommends that growth and population projections be continuously maintained for the Hidden Valley Lake CSD as well as other areas throughout the county.
2. Based on the population projections above the Hidden Valley Lake CSD will have capacity in its treatment facility until shortly after the year 2012. However, stated flow figures may be low since the majority of residents in Hidden Valley Lake commute elsewhere for employment and generate less daily wastewater flow.

Water

1. The Hidden Valley Lake CSD has projected its anticipated growth in service demand through its *Water System Master Plan Update*, adopted in 2001. The long-range plan projects demand for water services, identifies necessary improvements, expansions, and upgrades necessary to support population growth, and establishes priorities for system improvements. The service demand projections are consistent with land use designations in the area, and with planned land uses and community growth within the community of Hidden Valley Lake.

3. FINANCING CONSTRAINTS AND OPPORTUNITIES

Purpose: To evaluate factors that affect the financing of needed improvements.

LAFCO should consider the ability of a district to pay for improvements or services associated with annexed sites. This planning can begin at the Sphere of Influence stage by identifying infrastructure and maintenance needs associated with future annexation and development, and identifying limitations on financing such improvements, as well as the opportunities that exist to construct and maintain those improvements.

Fiscal audits are performed annually by licensed CPAs and available for public review. Reviews of the most recent financial audits reveals that the Hidden Valley Lake CSD is complying with financial auditing requirements set forth in State law. In addition, the District gives a complete financial report at every monthly meeting to the community.

The Hidden Valley Lake CSD appears to comply with financial reporting and monitoring requirements set forth in State law. Financial audits are conducted annually, and all funds appear to be accounted for in accordance with accepted accounting practices. The Hidden Valley Lake CSD implemented a Capital Improvement Policy in 2002.

The Hidden Valley Lake CSD is in sound financial condition. Using the 2003-2004 fiscal year budget as the basis for this discussion, the Hidden Valley Lake CSD had a total budget of \$1,972,001. This includes the sewer budget of \$687,281, a flood control budget of \$9,728, an operating contingency budget of \$4,509 and a capital contingency budget of \$232,500. Moreover, the district has sufficient sustainable revenues to maintain an acceptable level of service. As reported in this audit, the Hidden Valley Lake CSD maintained \$23,341,310 in total assets. Approximately 70 percent of the assets in the Hidden Valley Lake CSD are fixed assets, generally consisting of the infrastructure and facilities present in the water system. The Hidden Valley Lake CSD had liabilities of \$17,278,952 in the same year, with just over \$4 million in unreserved funds. Based on financial statements from FY 2003/04, the Hidden Valley Lake CSD maintains a significant operating reserved fund with which to program and implement system improvements and upgrades.

Most of the Hidden Valley Lake CSD daily operating revenue funding operation and maintenance comes from a bimonthly sewer use charge of \$77.00 (Ordinance No. 36 raises the bi-monthly fee to \$79.00 (\$39.50 per month) for fiscal year 2004-2005), and bimonthly base water charges of \$55.00 (Ordinance No. 37 raises the fee to \$60.00 for fiscal year 2004-2005)—total income solely from water and sewer use charges rounded out to \$1,427,311. Capital improvements are funded through a portion of the connection fees and sewer capital facility fee of \$3,800 (Ordinance No. 35). If a parcel of property is not located within the Hidden Valley Lake CSD boundaries, the sewer hook-up fee will be \$6,681.50. New development funds all additional infrastructure needed to accommodate increased growth.

A comparison of the cost of wastewater services with that of other districts depends upon a variety of factors. Each area is different in terms of topography, state requirements for treatment facilities, willingness to charge adequate rates for wastewater services, amortization of loans may vary and cost of labor to mention a few factors. Other wastewater providers in Lake County such as the Clearlake Oaks County Water District provides water and wastewater services and charges a \$26.90 monthly service fee, the City of Lakeport charges \$29.55 for a single family dwelling and LACOSAN charges vary from \$11.15 to over \$30.00 per single family dwelling depending upon the location and amount of required loan repayments.

Regarding the water system specifically, as noted earlier the Hidden Valley Lake CSD has significant upgrades needed to ensure long-term adequacy in its system. These improvements and upgrades are called out in the *Water Master Plan Update 2001*, and are prioritized based

on importance to the system and degree of deficiency. Maintenance and improvements to increase the system reliability for existing customers would typically be funded from increases in rates and connection fees. The Hidden Valley Lake CSD rose its' fees to meet the \$6,126,000 needed for build out improvements.

Of the \$6,126,000 in necessary improvements, \$1,148,000 is required as maintenance or reliability improvements to the existing system. Financing these improvements at three percent interest for a 30-year term results in an annual loan payment of \$58,570. It appears that current system revenues are sufficient to cover this debt service without a rate increase. A rate increase of exactly \$3.00 was implemented one year ahead of the start of construction to pay for the improvements.

The Hidden Valley Lake CSD rose its' capitol water connection fee to \$3,500 per connection which will generate the exact amount of funds needed to build all facilities in the *Water Master Plan Update 2001*.

Written Determinations:

The Draft Service Review Guidelines prepared by the State's Office of Planning and Research recommend that issues relevant to the jurisdiction be addressed through written determinations called for in the Cortese-Knox-Hertzberg Act. Based upon the above information, the following are the written determinations Financing Constraints and Opportunities for the Hidden Valley Lake Community Services District.

Wastewater

1. Development costs within the Hidden Valley Lake CSD are paid for by private developers and new development. Costs for infrastructure benefiting the Hidden Valley Lake CSD as a whole are paid through capacity expansion fees. Costs for emergency repairs are covered by the Hidden Valley Lake CSD capital contingency budget.
2. There appears to be no institutional or financial obstacles to funding necessary maintenance and operation of the collection and wastewater treatment systems. Operational costs for the Hidden Valley Lake CSD are covered by ratepayers based on the type of use, though use fees may need to be increased from time to time due to additional requirements imposed by RWQCB or the cost of operations.
3. Capacity expansion and operations are sufficiently financed through the capital contingency budget.

Water

1. The Hidden Valley Lake CSD has financing practices and procedures which are appropriate for use by a special district. The Hidden Valley Lake CSD has annual audits performed by licensed Certified Public Accountants, and makes such audits available for

public review. The Hidden Valley Lake CSD conducts public meetings covering the audits and Board approval. The Hidden Valley Lake CSD finances operations and improvements through a series of user fees, grants, and bonds. This system of finance is considered appropriate for the services offered and improvements made. The Hidden Valley Lake CSD has a good financial structure, with an acceptable ratio of debts to revenues, and has sufficient reliable income to meet its debt service obligations.

4. COST-AVOIDANCE OPPORTUNITIES

Purpose: To identify practices or opportunities that may help eliminate unnecessary costs.

LAFCO should consider the relative burden of new annexations to the Hidden Valley Lake CSD when it comes to its ability to provide wastewater service, as well as capital maintenance and replacements required as a result of expanding the district boundary.

The Hidden Valley Lake CSD budget is designed to screen out unnecessary costs. A draft budget is submitted to the Hidden Valley Lake CSD board for review and approval, a public hearing is concluded, the Board of Directors amends the draft budget as necessary and adopts a budget by Resolution.

Overall, the Hidden Valley Lake CSD takes advantage of every cost avoidance method available. All Hidden Valley Lake CSD finances and reserves are handled exclusively by the Board of Directors. The Hidden Valley Lake CSD seeks and administers its own grants and performs its own payroll and billing functions. The majority of the District's services are done in-house, with bills sent electronically for printing and mailing, along with the District's newsletter. In addition, the District takes advantage of a competitive bid process to ensure all contracts are cost-effective.

The Hidden Valley Lake CSD has a competitive bid process, utilized for all potential work with an estimated cost of more than \$5,000. The process requires that any improvements, construction, or other project which is to be contracted out to the private sector be put through a formal bid process, with no contract awarded unless multiple bids are received and considered.

Hidden Valley Lake CSD uses a pooled insurance system for Workers' Compensation and Liability Insurance to reduce overall insurance costs. The Hidden Valley Lake CSD is a member of the Special Districts Risk Management Authority insurance pool, which provides group insurance for all its members. This serves to reduce overall costs through economies of scale.

The Hidden Valley Lake CSD has an adopted Personnel Policy Manual, which encourages various costs savings in the training, monitoring, and administrative oversight of employees. Salaries of the employees are set forth in an adopted salary schedule, approved by the Hidden

Valley Lake CSD Board of Directors. This provides both public accountability for employees, as well as fiscal constraint in the hiring and promoting of employees.

Taken as a whole, the Hidden Valley Lake CSD appears to have suitable and sufficient cost avoidance measures in place to reduce costs associated with operation and management.

Wastewater

The spraying of treated effluent onto the 18-hole golf course could be considered a cost savings measure in that pumping costs to irrigate the Golf Course are reduced and since California's adoption of the toxic source rules for heavy metals, a modification of wastewater treatment would become necessary at a great expense to the rate-payers.

The District currently operates water and wastewater operations with a total of 12 employees including the General Manager overseeing one Administrative Assistant, three Accounts Representatives, an Accountant/Controller, a Utility Supervisor, an Operator II, a Maintenance/Utility Worker and four Utility Workers.

Water

With significant planned costs in the near future expected, the Hidden Valley Lake CSD's ability to utilize cost avoidance measures is of particular importance at present. The analysis of potential cost avoidance measures considers the practices and procedures of the Hidden Valley Lake CSD in saving money in its planning and operations. The intent of the analysis is not to identify potential cost saving measures, but rather to assess the use of existing cost-saving measures in daily operations.

The Hidden Valley Lake CSD has also participated in the National Rural Water Association's Fleet Vehicle Purchase Program and has saved thousands of dollars.

The Hidden Valley Lake CSD has re-implemented time-of-use on 2/3 of the facilities for the 1st 6 months savings of \$46,000.

Written Determinations:

The Draft Service Review Guidelines prepared by the State's Office of Planning and Research recommend that issues relevant to the jurisdiction be addressed through written determinations called for in the Cortese-Knox-Hertzberg Act. Based upon the above information, the following are the written determinations for Cost-Avoidance Opportunities for the Hidden Valley Lake Community Services District.

Wastewater

1. New development pays the entire cost of development of new infrastructure including inspection and engineering fees for district personnel and consultants. There is little additional opportunity to eliminate costs to accommodate additional growth.

2. The District's budgeting process provides a forum for cutting unnecessary costs and placing resources where most needed.

3. The District's policies set forth a reasonable program for both developer and district paid capital expenditures based on anticipated growth and need.

Water

1. The Hidden Valley Lake CSD employs a variety of cost avoidance measures, including use of pooled insurance, competitive bid processes for large projects, use of an adopted salary schedule, and miscellaneous internal mechanisms to reduce overall system costs. There are no identified opportunities for outsourcing or downsizing which would reduce costs without impairing service levels.

5. OPPORTUNITIES FOR RATE RESTRUCTURING

Purpose: To identify opportunities to positively impact rates without decreasing service levels.

LAFCO should evaluate the impact of Sphere of Influence and Annexation decisions on existing community rates for public services.

Wastewater

The Hidden Valley Lake CSD does not have an annexation fee, but is in the process of developing one. However, the district has recently amended its Capital Facilities Ordinance to ensure new development pays its fair share of the costs of financing wastewater treatment and collection based on whether or not the a parcel or property was identified receiving capacity as part of Sewer Assessment District #1 (SAD #1) based upon the 1987 Wastewater Facilities Plan. If a property was not identified as receiving capacity in the 1987 plan, the fee is \$6,681.50 compared to 3,800 if the parcel or property were in the original SAD #1. All fees are to be adjusted annually to reflect changes in actual costs. As a basis for Hidden Valley Lake CSD Ordinance 35, the district conducted fee calculations based on the cost of providing services both within and outside SAD #1. Therefore, in effect, all persons requesting annexation must bear costs related to any enlargement required of the wastewater mains, the treatment facility and disposal system. The District's connection fee therefore includes funds for wastewater treatment facility expansion.

The capital facilities fee and the infrastructure requirements to service new areas cover the costs of serving additional areas both within the Hidden Valley Lake CSD and potentially outside the Hidden Valley Lake CSD boundaries without placing a burden upon existing ratepayers.

The Hidden Valley Lake CSD has revised its sewer user rate structure in 2003 and again in 2004. Hidden Valley Lake CSD adopts rates and other fees by ordinance of the District Board based on the costs of providing the service based on House Equivalent Units (HEU). The purpose of Hidden Valley Lake CSD sewer user fees is to meet operating expenses, including employee's wage rates and fringe benefit; to purchase or lease supplies, equipment, or materials; to meet financial reserve needs and requirements and to obtain funds for capital projects necessary to maintain service within existing service areas.

Currently, there are no special zones of benefit within the Hidden Valley Lake CSD excepting SAD #1, nor any billing districts.

Water

The analysis of rates considers the appropriateness of current rates, given the quality and volume of product, as well as comparatively relative to other water providers in the area. This subsection provides an analysis of the current rate structure for water services in the Hidden Valley Lake CSD, as well as providing information on historical rates and likely changes in rates in the foreseeable future. This analysis is based on information obtained from the Hidden Valley Lake CSD.

The Hidden Valley Lake CSD's current water rates are \$60.00 bimonthly (\$30.00 per month) for use of up to 4,000 cubic feet of water. Water usage over 4,000 cubic feet is charged at a rate of \$0.015 per cubic foot. The base rate of \$30.00 monthly is considered average relative to other water districts in Lake County.

In addition to rate charges, the Hidden Valley Lake CSD has a fee assessed on new development for connection to the water system. The Hidden Valley Lake CSD current \$3,500 water service hook-up fee is higher than the average water service hook-up fee of other Lake County water suppliers. The average water service hook-up fee of the Lake County water suppliers appears to be almost \$2,600. The water service hook-up fee reimburses the Hidden Valley Lake CSD for the incremental cost of the capital investment and funds the improvements necessary to provide capacity for growth.

Increases in rates and connection fees were implemented in July 2003 and 2004. The current rate and fee structure are considered sufficient to meet the financial liabilities of the Hidden Valley Lake CSD, including debt service and operational costs. The Hidden Valley Lake CSD maintains the option of raising rates as necessary to ensure a balanced budget and meet capital improvement needs. Rate revisions are subject to approval by the Hidden Valley Lake CSD Board of Directors, and must be considered in a Public Hearing.

Written Determinations:

The following are the written determinations for opportunities for rate restructuring for the wastewater service providers in and adjacent to the Hidden Valley Lake CSD service area:

Wastewater

1. The Hidden Valley Lake CSD has established a fee schedule that segregates the costs of new development from operations and maintenance.
2. LAFCO should evaluate the impact of future annexation decisions on existing rates for wastewater collection and treatment services. Information regarding impacts of annexations on rate structure should be provided by the district and considered by LAFCO as part of the decision-making process for both the Hidden Valley Lake CSD and LAFCO. Hidden Valley Lake CSD operation codes protect existing ratepayers. Where annexation proposals could affect the cost of service to existing ratepayers, appropriate conditions shall be attached to the annexation to ensure protection of existing ratepayers.

Water

The Hidden Valley Lake CSD employs a variety of cost avoidance measures, including use of pooled insurance, competitive bid processes for large projects, use of an adopted salary schedule, and miscellaneous internal mechanisms to reduce overall system costs. There are no identified opportunities for outsourcing or downsizing which would reduce costs without impairing service levels.

6. OPPORTUNITIES FOR SHARED FACILITIES

Purpose: To evaluate the opportunities for a jurisdiction to share facilities and resources to develop more efficient service delivery systems.

The Hidden Valley Lake CSD is the only major water/wastewater treatment provider in the Hidden Valley Lake area.

Wastewater

The Lake County Sanitation District disposes of treated effluent to the Geysers in which treated effluent from three of its facilities as well as those of the Clearlake Oaks County Water District is transported via a pipeline connecting three of the LACOSAN treatment plants to the Geysers. The Hidden Valley Lake CSD has opted to not participate in this program.

Water

The opportunity for sharing of facilities, specific to water providers, generally consists of potential options for sharing water treatment or storage facilities, sharing water resources within an aquifer or surface water body, and administrative sharing opportunities, such as shared office space, management duties, or equipment.

The Hidden Valley Lake CSD has established a relationship with the Callayomi County Water District (CCWD) and until recently shared responsibilities and efforts to ensure environmental

protections for Putah Creek. Hidden Valley Lake CSD has received a water right (Permit #20770) and receives a water right appropriation from Putah Creek for municipal and industrial uses. The Hidden Valley Lake CSD application for an appropriative water right was protested by the California Department of Fish and Game (CDFG) on the grounds that groundwater (Putah Creek underflow) extraction might tend to cause downstream wetlands to dry up earlier in the year than if the extractions were not made. As a result of this protest, Condition #18 was placed on the Hidden Valley Lake CSD's permit to require that the Hidden Valley Lake CSD provide supplemental water downstream from the points of diversion. For the period July 15 to October 31 of each year, Hidden Valley Lake CSD is required to make-up the difference between actual discharges, as measured at the site of the former Guenoc U.S.G.S. gaging station on Putah Creek at Guenoc, and the median daily discharge at amounts listed in Condition #18. The Hidden Valley Lake CSD was required to install and maintain a measuring device to measure the amount of supplemental water discharged into the creek.

The Hidden Valley Lake CSD and the CCWD entered into an agreement in February 1998 to assist Hidden Valley Lake CSD in its compliance with Condition 18 for a variety of reasons including that water extractions from the CCWD would have similar types of environmental affects on Putah Creek as do extractions from Hidden Valley Lake. CCWD, by this agreement, paid the Hidden Valley Lake CSD 40 percent of the capital costs associated which Hidden Valley Lake CSD incurs in complying with Condition 18 requirement and 20 percent of the costs incurred in operation, maintenance and repair, and replacement of the facilities used to comply with the requirements.

CCWD does not participate in this program due to a recent action taken by the State Water Resources Control Board (SWRCB) concluded that CCWD does not need appropriative water rights permit for its well since the SWRCB determined that the well is obtaining water from percolating groundwater and not from Putah Creek.

This arrangement was an effective tool in cost-sharing and overall disbursement of costs associated with implementation of the agreement with CDFG, and reduced costs on the residents of each district.

The Hidden Valley Lake CSD also shares an agreement for the construction, operations and maintenance costs of the Guenoc Gauging Station with CCWD and Solano County Water Agency. The last two years United States Geological Survey has received a grant that paid 50% of the costs associated with monitoring requirements.

There does not appear to be additional opportunities available for sharing of physical facilities and infrastructure, such as storage or treatment facilities, with other water districts or providers. The water system of Hidden Valley Lake CSD is self-contained, and could not easily connect with other systems, a necessary precondition of such a sharing arrangement. If the off stream dam project is built the Hidden Valley Lake CSD will share facility with Comstock family, Luchetti family, and CCWD.

Written Determinations:

Wastewater

1. Sharing other facilities, infrastructure, offices, or equipment is not practicable. There appears to be limited opportunities to specifically share facilities or services with LACOSAN who provides wastewater services since LACOSAN does not provide water service.
2. The Hidden Valley Lake CSD should consider participation in LACOSAN's full circle project in the event costs of on-site or off-site wastewater exceed those of participation in this effort.

Water

1. The Hidden Valley Lake CSD is engaged in a joint use venture with the Callayomi County Water District, Solano County Irrigation and United States Geological Survey (USGS) to provide environmental protections to Putah Creek. USGS developed the agreement between the agencies. This is a condition of an agreement to pull water from area aquifers, and serves to benefit both districts. There are no additional facilities sharing arrangements that appear to be feasible or possible at present. The isolated function of water service provision limits the ability of the Hidden Valley Lake CSD to share facilities or resources, and the CWD has not been presented with additional opportunities for sharing which could lower costs or improve services to its residents.

7. GOVERNMENT STRUCTURE OPTIONS

Purpose: To consider the advantages and disadvantages of various government structures that could provide public services.

One of the most critical elements of LAFCO's responsibilities is in setting logical service boundaries for districts and communities based on their capability to provide services to affected lands.

Wastewater

Options for change in government structure are very limited in the vicinity of the Hidden Valley Lake CSD. The Hidden Valley Lake CSD is the only purveyor of wastewater services in the Hidden Valley area and Sphere of Influence. Though the Hidden Valley Lake CSD resides within Lake County Sanitation District (LACOSAN) boundary, LACOSAN is only a wastewater purveyor whose district Board is the County Board of Supervisors. As stated earlier, a Community Services District has the ability to provide many other services within its territory and the Community of Hidden Valley Lake.

In Section 56001 of the Cortese-Knox-Hertzberg Act, the Legislature found and declared that a single multipurpose governmental agency is accountable for community service needs and

financial resources, and therefore may be the best mechanism for establishing community service priorities, especially in rural communities. The Legislature also found that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

Other service providers in the area include fire protection through the South Lake County Fire District (SLCFD), law enforcement through the Lake County Sheriff Department, road/circulation maintenance through Lake County (roads and parks within the Hidden Valley Lake subdivision are privately funded through the Hidden Valley Lake Association), electricity through P.G.&E., and phone services through the Pacific Telephone Company.

The level of service from the phone, law enforcement, and electric providers is considered adequate. The level of service for fire protection and roads/circulation have improved since the adoption of Hidden Valley Lake's Sphere of Influence in 1985.

Water

Government structure refers to the legal and institutional structure of the District, and an assessment of this structure involves consideration of how best to provide water services to residents in the area. Government structure involves several major components, including the appropriateness of a special district as the preferred agency provider, as assessment of the adequacy and appropriateness of current boundaries and Sphere of Influence, and legal factors related to the overall provision of service within the area.

Hidden Valley Lake CSD operates as a special district under California law. The Hidden Valley Lake CSD is a public corporation formed in 1984 under the provisions of the Community Services District enabling legislation, codified in §61000 *et seq* of the California Government Code. The current Hidden Valley Lake CSD boundaries are the result of a merger with the Stonehouse Mutual Water Company in January of 1993 and the enabling of legislation AB 1504 by vote of the Hidden Valley Lake community. The combined district retained the Hidden Valley Lake CSD name with an estimated \$300,000 administrative overhead cost savings to the Hidden Valley Lake community.

Provision of water services is within the charter services for the Hidden Valley Lake CSD, and thus is appropriate for the government body to provide. Water services in the County are provided by a variety of governmental agencies, including various special district types (water district, community services district, and waterworks district), cities, County Service Areas (CSAs), and privately owned and operated mutual water companies. There are various benefits and liabilities associated with each of these types of providers, generally related to the limitations and abilities set forth in their enabling legislation. The provision of water by a Hidden Valley Lake CSD is common among rural and suburban areas, and its popularity within the State is indicative of its ability to effectively provide service. There are no identified operational or managerial issues related to the government type that have been shown to limit or impair the provision of water services. The provision of water in the area by a Community Services District is considered appropriate and adequate.

The Hidden Valley Lake CSD generally includes the properties within the unincorporated community of Hidden Valley Lake. The Hidden Valley Lake CSD boundaries include all of the highly developed areas of the community. To the east of the existing Hidden Valley Lake CSD boundaries are a significant number of rural residential lots, as well as larger parcels of non-economic rural residential and agricultural lands. It is anticipated in the *Water Master Plan Update 2001* that these properties will accommodate additional residential development in coming years, and will convert to more intensive residential uses as demand for residential homes in the area increases. To the west of the existing Hidden Valley Lake CSD boundaries lies a significant amount of undeveloped agricultural lands, listed as economically viable agricultural lands. Additionally, to the south of the Hidden Valley Lake CSD are a variety of commercial and residential lands, generally fronting on SR 29.

The Hidden Valley Lake CSD has indicated a desire to add these lands to its Sphere of Influence, from McCreary Lake on the southeast to Middletown on the southwest and small expansions to the northeast and west as well. This would add a significant amount of new land into the District's Sphere of Influence, and is consistent with the long-range planning documents and projections of the District. Based on information contained in the *Water Master Plan Update 2001*, as well as the financial and regulatory analysis contained in this MSR, the Hidden Valley Lake CSD appears able to accommodate projected service demands within this expanded Sphere of Influence.

Written Determinations:

Wastewater

1. There are no other municipal water/wastewater service providers in the community of Hidden Valley Lake and the surrounding area. Hidden Valley Lake is a distinct community separate from the any adjacent areas served by municipal wastewater providers. It would serve no purpose to consolidate nearby wastewater service providers into one water service provider entity.
2. There are no other service providers operating in the Hidden Valley Lake Area. It is reasonable to conclude that municipal wastewater services provided in the Hidden Valley Lake area will be provided by the Hidden Valley Lake CSD.
3. The Hidden Valley Lake CSD has a functional elected governing board, a management structure, employees, administrative overhead, vehicles and equipment. The Hidden Valley Lake CSD as a Wastewater Facilities Plan albeit outdated and provides both wastewater and collection services in its service area and has ability to expand its services to areas outside its service area, and based on its fee structure and policies, at no cost to the existing ratepayers. Hidden Valley Lake CSD currently has a Sphere of Influence equal to its existing boundaries.
4. Having one agency that performs both wastewater collection and treatment services results in an overall reduced cost of providing services since the Hidden Valley Lake CSD has centralized maintenance and administration. Many regional wastewater treatment facilities

only provide wastewater treatment or collection which increases overall administrative costs because separate entities perform the service. A centralized billing system allocates costs. Efficiencies in maintenance personnel costs are realized.

Water

1. The Hidden Valley Lake CSD is a public corporation formed in 1984 under the provisions of the Community Services District enabling legislation, codified in §61000 *et seq* of the California Government Code. The Hidden Valley Lake CSD has a demonstrated ability to meet service demands at a reasonable cost within its current boundaries. The Government structure of a Community Services District is appropriate and reasonable for the type of service provided.
2. The Hidden Valley Lake CSD appears to have the financial, physical, and administrative capabilities to expand its boundaries and Sphere of Influence. The Hidden Valley Lake CSD has been proactive in planning for its expansion and growth, and has financial, administrative, and structural capabilities beyond those of most districts in the area. Of the water providers in the immediate vicinity (Hidden Valley Lake CSD, CCWD, ASCWD), the Hidden Valley Lake CSD appears best able to expand services into the planned growth areas surrounding the existing Hidden Valley Lake CSD boundaries.

8. MANAGEMENT EFFICIENCIES

Purpose: To evaluate the management capabilities of the organization.

Wastewater

Based on interviews with Hidden Valley Lake CSD staff and a review of their plans, it appears that the provision of wastewater collection and treatment is managed in a cost-effective, efficient manner meeting the needs of the community and ratepayers. Hidden Valley Lake CSD has accounting and finance functions, current personnel regulations and ordinances. The Hidden Valley Lake CSD has up-to-date audits in compliance with auditing standards.

The Hidden Valley Lake CSD is governed by a five-member Board of Directors elected at large from within its boundaries. The Hidden Valley Lake CSD's Board of Directors is responsible for setting policies, resolutions and ordinances.

The Hidden Valley Lake CSD staff is very well trained and possess the proper certifications (OIT Level III) for operating wastewater collection and treatment systems. The agency is responsive to complaints and responds promptly to problems. The Hidden Valley Lake CSD is responsive to complaints, though receive virtually none, and responds promptly to problems. If problems occur when the District Office is closed, emergency assistance is available 24-hours a day.

Hidden Valley Lake CSD staff is actively involved in State and national professional associations and participate in activities that provide value to the manner in which the district is managed and operated. Staff remains current on new technologies, methods and techniques and has a voice in state and national issues related to water and wastewater.

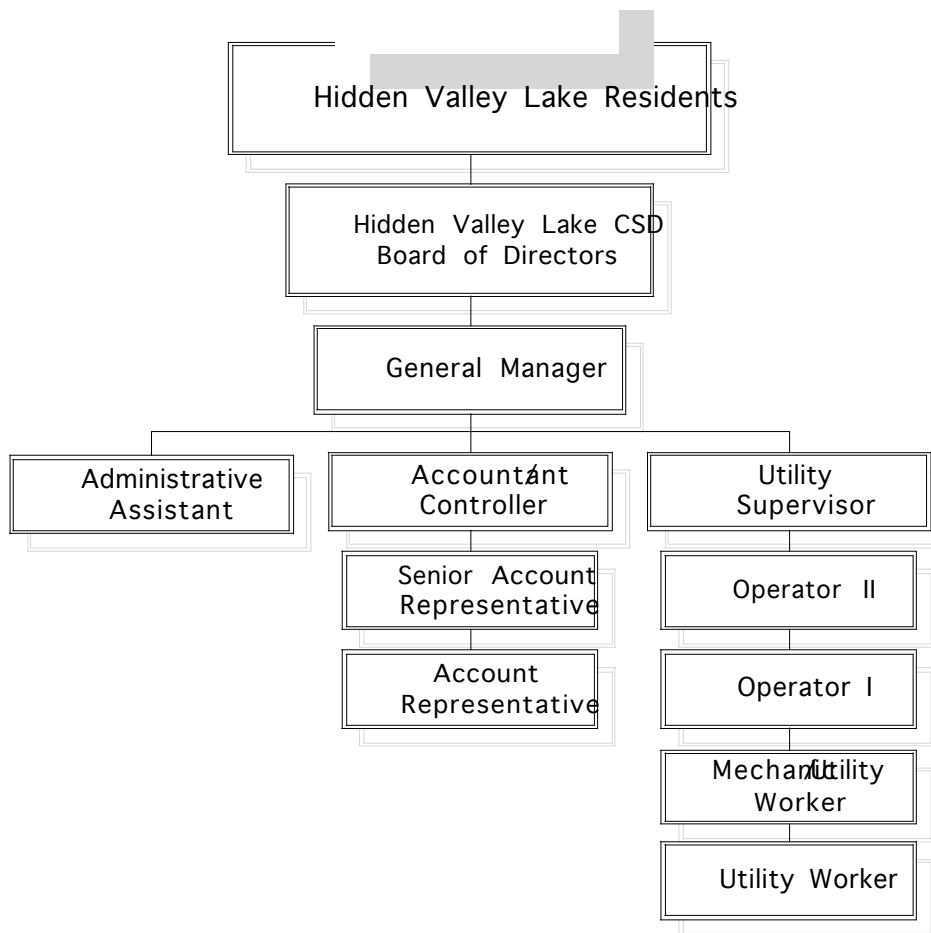
The Hidden Valley Lake CSD has a *Wastewater Facilities Plan* (1987), which was used to develop the current infrastructure and the wastewater treatment plant. The plan is designed for full build out of the subdivision. An update of this plan will be forthcoming if boundaries are changed and development occurs. The Hidden Valley Lake CSD has a capital improvements program with capital improvements funded through its annual budgeting process. The Hidden Valley Lake CSD updates short and long-term improvements in its annual budget. The Hidden Valley Lake CSD has been permitted for .350 Average Monthly Dry Weather Flow which will most likely be needed to be increased as development adjacent to the existing district boundaries occurs. The Hidden Valley Lake CSD has designed its facilities to accommodate additional wastewater flows by being able to place new wastewater treatment modules within the existing treatment facility to be paid at the expense of new development and not existing ratepayers. The Hidden Valley Lake CSD has a spray irrigation program whereby highly treated effluent is used to water the golf course.

The Hidden Valley Lake CSD has several reserve funds to fund respective capital facilities budgets and to provide funding for emergencies and unforeseen replacement or rehabilitation costs.

Water

Evaluation of management efficiencies includes a consideration of the ability of the Hidden Valley Lake CSD management and staff, as currently organized, to fulfill the mission and obligations of the Hidden Valley Lake CSD to its customers and residents.

The Hidden Valley Lake CSD is managed by an elected Board of Directors that oversees a General Manager and staff. The organizational chart of the Hidden Valley Lake CSD, as it relates to the provision of water services, is as follows:



The structure of the Hidden Valley Lake CSD is lean, with General Manager overseeing one Administrative Assistant, three Accounts Representatives, Accountant/Controller, Utility Supervisor, one Operator II, a Maintenance/Utility Worker and Four Utility Workers. The organizational structure appears to operate efficiently. The Hidden Valley Lake CSD has adopted long-range planning documents, a Personnel Policy Manual, various internal management documents, such as resolutions and ordinances, as well as staff reports for Board meetings. The staff structure is sufficient to meet the operational and management needs of the system, and thus is considered appropriate and adequate for the provision of water services in the area.

The Hidden Valley Lake CSD has adopted a mission statement to reflect its operational and management focus:

The mission of the Hidden Valley Lake Community Services District is to provide safe drinking water that meets or exceeds all of the State and Federal Government standards; maintain a sewer reclamation plant that disposes of wastes in an effective and efficient manner and produces reclaimed water. The District will provide these services as economically as possible.

The most recent inspection of the water system by the California Department of Health Services Drinking Water Program revealed no deficiencies in water quality or system components. According to the *Waster Master Plan Update 2001*, the system is in compliance with water quality monitoring requirements and the State. Such a finding is also supported by data provided in the Clearlake Watershed Survey from 2002. The water services have been found to be provided at a reasonable cost, at the area average for water providers for water sales, although higher than average for connection fees. Thus, the Hidden Valley Lake CSD appears to meet its stated mission for service provision.

Written Determinations:

The following are the written determinations for management efficiencies for the provision of wastewater service in the Hidden Valley Lake area:

Wastewater

1. The Hidden Valley Lake CSD has an organizational chart that outlines efficient service delivery functions. Personnel in various divisions are cross-trained to provide continuous service delivery.
2. The Hidden Valley Lake CSD Master Plan for wastewater is designed for full build out of the subdivision. An update of this plan will be forth coming if boundaries are changed and development occurs. This update should occur prior to LAFCO approval of future annexations to the district.
3. The Hidden Valley Lake CSD has service fees that will enable the district to annex territory and provide wastewater services without financially affecting existing ratepayers.
4. The Hidden Valley Lake CSD is active in professional associations, which adds value to the functions it provides.

Water

1. The Hidden Valley Lake CSD is run by a five-member Board of Directors, with the General Manager overseeing one Administrative Assistant, three Accounts Representatives, one Accountant/Controller, one Utility Supervisor, one Operator II and three Utility Workers. The organizational structure appears to operate efficiently. The Hidden Valley Lake CSD has adopted Personnel Policy Manuals and has most functions governed by adopted policies, resolutions, ordinances and procedures. The Hidden Valley Lake CSD effectively meets its adopted mission statement, and has management practices that are effective in ensuring effective operations.

9. LOCAL ACCOUNTABILITY/GOVERNANCE

Purpose: To evaluate the accessibility and levels of public participation associated with the agency's decision-making and management processes.

LAFCO may consider the agency's record of local accountability in its management of community affairs as a measure against the ability to provide adequate services to the Sphere of Influence and Annexation areas.

The Hidden Valley Lake CSD has a five-member district board elected by voting residents within the District. The Hidden Valley Lake CSD Board of Directors meets once each month at the District Office. All meetings are open to the Public.

Agendas for Board Meetings are posted at the District Office and on five Hidden Valley Lake Association bulletin boards. Interaction with the public and media is adequate, as Hidden Valley Lake CSD posts agendas and meeting times and sends out a Newsletter.

Current Membership of the Board of Directors

<u>Board Member</u>	<u>Title</u>	<u>Term Expiration</u>
Anthony D'Agosta	Director	2005
Dale Henley	Director	2007
John Herrod	Director	2005
Chuck Petkovich	Director	2007
Lyle LaFaver	Director	2007

The Hidden Valley Lake CSD Board of Directors meets monthly at its District Offices, located at 19400 Hartmann Road, in Hidden Valley Lake, CA. Board meetings are held on the third Tuesday of each month, at 7:00 p.m. All meetings are open to the public. The Hidden Valley Lake CSD Manager has indicated that all meeting agendas are posted in public at least 72 hours prior to meeting times, and minutes, records, and actions are recorded consistent with Brown Act requirements.

The Hidden Valley Lake CSD informs members of the public and residents about activities and information through publication of a quarterly newsletter, website and meeting minutes. The newsletter is used as a tool to announce upcoming projects, potential rate increases and events. The web site is allocated for current agendas, water conservation, general overview of the Hidden Valley Lake CSD, projects and current rates and fees.

Written Determinations:

1. The Hidden Valley Lake CSD complies with necessary regulations and has regularly scheduled meetings whereby the public is invited.

2. The Hidden Valley Lake CSD has maintained relationships with the local media and is available to the ratepayers and the public as the law dictates. Public participation in hearings and workshops on rates and fees has been enhanced by completing construction of a website. Other, smaller districts also have “full service” websites that allow public contact and provide extensive information. All websites should post information regarding meeting times and locations, budgets and rates. The Internet is a relatively low-cost yet powerful method of involving the general public/customers/ratepayers in district affairs. Greater dissemination of information can lead to greater interest in attending Board meetings and participating in elections. It also allows the public, some of whom are not physically able to attend Board meetings, to follow District activities remotely from their home or business.

3. Hidden Valley Lake CSD adopts budgets and rate changes at hearing where the public is notified and invited.

Water

1. The Hidden Valley Lake CSD is governed by an elected five-member Board of Directors. The District Manager has indicated that all meeting agendas are posted in public at least 72 hours prior to meeting times, and minutes, records, and actions are recorded consistent with Brown Act requirements. The Hidden Valley Lake CSD informs members of the public and about activities and information through a quarterly newsletter, a website and meeting minutes. The District also sponsors a community 5k/10k run, which the proceeds benefits local community groups, by promoting water conservation through tee shirts and water bottles.

References and Resources Consulted:

1. Hidden Valley Lake Community Services District Water Master Plan Update, Revised June 2001.
2. Hidden Valley Lake Community Services District financial statements and audit report June 30,2002.
3. Central California Regional Water Quality Control Board Revised Monitoring and Reporting Program, Hidden Valley Lake Community Services District, July 14, 2003
4. Central California Regional Water Quality Control Board Waste Discharge Requirements #5-00-019 for Hidden Valley Lake Community Services District.
5. Final Supplemental Environmental Impact Report, Hidden Valley Lake Community Services District, Winzler and Kelly Consulting Engineers. Sept. 24, 1991.
6. Hidden Valley Lake Community Services District Wastewater Facilities Plan, prepared by Winzler and Kelly Consulting Engineers, February, 1987.
7. Lake County General Plan, revised July 1992
8. Lake County Zoning Ordinance, July 1988.
9. Adopted Budget for Fiscal Year 2003.
10. District Resolutions 1984 to present and Ordinances #1 through #37.
11. Coyote Valley/hidden Valley Lake Special Study Area Strategic Economic Development Area Plan, 2000.
12. Hidden Valley Lake CSD, Water Master Plan Update, Wagner and Bonsignore, June 2001.
13. Middletown Area Plan, Lake County Planning Department, 1989.
14. Lake County General Plan Update – Background Report, February 2003
15. State of California, Cortese-Knox-Hertzberg Local Government Reorganization Act of 200, Government Code §§56000 et seq.
16. State of California, LAFCo Municipal Service Review Guidelines – Final Draft 2002, 2002.
17. United States Census Bureau, State and County QuickFacts.

5.2 PERSONS CONSULTED

Mark Dellinger, Special Districts Administrator
County of Lake, Special Districts Administration

Mel Aust, Manager
Hidden Valley Lake CSD